

SCRUTINY COMMISSION - 15TH NOVEMBER 2006

REPORT OF THE DIRECTOR OF RESOURCES

MEDIUM TERM FINANCIAL STRATEGY

Purpose

1. To inform members of Scrutiny of the development of the Medium Term Financial Strategy (MTFS) and set out the broad implications for the Resources Department.

Background

2. The County Council agreed the latest MTFS in February 2006. The current process involves updating and refining the outline strategy.
3. A member briefing on the MTFS was held on 9th October 2006. This set the scene on the resource position being faced by the County Council over the next three years and the implications this will have for investment in services.
4. The financial planning process is different to previous years as Service Scrutiny Committees will be reviewing the medium term financial position in the autumn, through consideration of reports like this one. In addition public consultation on the budget will take place over the winter. In January Scrutiny Committees will have the opportunity to scrutinise the detailed budget proposals.
5. Cabinet will consider the comments of the Scrutiny Committees and the results of public consultation when formulating the proposed financial strategy.

Financial Strategy

6. Over the next three years a more difficult financial position is anticipated. The settlement announced for 2007/08 gives a cash increase of only 0.8% (£0.6m). Although the Comprehensive Spending Review (CSR) for 2008/09 – 2010/11 is not due to be published until summer 2007, all the information released to date indicates that the growth in public sector expenditure experienced in recent years will reduce. The working assumption is that Government funding received by the County Council, excluding schools, will increase by 1% per annum over the next three years. The increase in grant of £0.6m for 2007/08 compares to an

anticipated cost of general inflation of over £7m (2.8%) in the same year. The cost of individual service pressures is on top of this.

7. At the same time the County Council aim is to restrict council tax increases. In any event the Government is very likely to cap authorities that seek to increase council tax by more than 5%.
8. Although the County Council faces a difficult financial environment, the financial strategy envisages continued investment in priority services. This means continuing efficiency and some lower priority savings are required. Corporately an average of around £4.5m efficiency savings and £2m lower priority service savings are required each year for the next three years.
9. This report seeks to highlight the main implication of the strategy for the Resources Department.

Priority Services

10. The key priorities of the Department are aligned to the delivery of the Medium Term Corporate Strategy. They include:-
 - Supporting the delivery of the Medium Term Corporate Strategy
 - Co-ordination of the delivery of the Council's identified efficiency savings
 - Supporting the Implementation of the Change Management Programme
 - Implementation of the reviews of ICT and Property Services
 - The creation of a shared services unit for Payroll and HR services (subject to business case)
 - Continued development of the Medium Term Financial Strategy
 - Improving customer access to our services
 - Achieving IIP accreditation
 - Reviewing the Council's Facilities Management arrangements
 - Contributing to the delivery of the Local Area Agreement

Investment in Priority Services

11. Additional ICT resources are required to support the significant number of Corporate initiatives that are being undertaken, including those within the Change Management programme.

Service Pressures

12. Other than the priority services identified in the previous sections, the Department will be involved in responding to Government White Paper & the Lyons Review, and implementing the resulting recommendations.

Also, work will be involved in consolidating the Council's Use of Resources CPA rating.

Savings

Efficiency

13. Departmental efficiency savings of around £400,000 are required over the three years of the strategy. This is on top of the efficiency savings of £700,000 already achieved by the department over the last 2 years. This will be challenging and the department is considering options. Areas under review are:
- (a) General staffing levels
 - (b) Computer Hardware and Software including contracts and rentals
 - (c) Other running cost budgets.

Lower priority

14. Lower priority service savings of around £300,000 over three years are being considered. The following areas have been initially identified for further consideration:
- (a) General Maintenance of buildings
 - (b) ICT training and licensing

Capital Programme

15. The Department has a significant capital programme with provisional resources identified of £3.4 for 2007/08 and a further £1.1m for 2008/09. This includes investment in ICT services, Industrial Properties, the Disability Discrimination Act and County Farms.

Summary

16. The overall position is as outlined in the report. Cabinet will consider the results of the scrutiny process alongside feedback from the wider public consultation exercise that is due to take place later this year.

Recommendation

17. The Commission is asked to comment on the Medium Term Financial Strategy.

Equal Opportunities implications

None specific.

Background Papers

Medium Term Financial Strategy

Circulation under Sensitive Issues

None.

Officers to Contact

Brian Roberts, Director of Resources
Pat Sartoris, Head of Finance

Tel: 0116 265 7830
Tel: 0116 265 7642