HEREFORDSHIRE COUNCIL

DRAFT FINANCIAL STRATEGY 2008 – 2011

PROGRAMME AREA RESPONSIBILITY: CORPORATE STRATEGY AND FINANCE

CABINET **24TH JANUARY 2008**

Wards Affected

County-wide.

Purpose

Council approved the Medium Term Financial Strategy (MTFS) for 2007 – 2010 when the budget for 2007/08 was set in March 2007. This report is seeking Cabinet approval to Corporate Management Board's (CMB's) recommendations for updating the current MTFS for the 2008 – 2011 period. The report has been drafted by the Director of Resources in consultation with the CMB.

Cabinet will receive a further report on the MTFS for 2008 – 2011 from the CMB at its meeting on 24th February 2008 that will include details of the final local government finance settlement and any other suggested changes. Cabinet will also consider views expressed by the Strategic Monitoring Committee (SMC) on this report and finalise its recommendations to Council on the financial strategy for 2008 – 2011, budget for 2008/09 and Council Tax for 2008/09 at that meeting.

Key Decision

This is not a Key Decision.

Cabinet will not be confirming its financial strategy recommendations to Council until 24th February 2008. Council will be meeting on 7th March 2008 to set the budget and Council Tax for 2008/09.

Recommendation

THAT **Cabinet approves the CMB's recommendations for updating the current medium term financial strategy and resource model highlighted in the body of this report.**

Reasons

The current financial strategy set the financial framework within which corporate and service planning for 2008 – 2011 has been taking place. This strategy now needs updating in the light of the:

a) Pressures revealed by the corporate and service planning process.

b) Provisional local government finance settlement for 2008/09 – 2010/11.

c) External assessments and reviews that have taken place since March 2007.

Further information on the subject of this report is available from Sonia Rees, Director of Resources, on (01432) 383519

d) Refresh of the Corporate Plan for the 2008 – 2011 period that is currently underway.

e) Continuing need to modernise and improve internal business processes and key services to the public.

f) Plans to modernise the way in which Herefordshire Council and Herefordshire Primary Care Trust (PCT) work together to better meet the needs of the community.

g) Latest view of corporate financial risks – reflecting quantifiable pressures within policies for balances and reserves and highlighting other potential issues.

h) Latest view of likely outturn for the current financial year.

The external auditor commented favourably on the Council's MTFS for 2007 – 2010 in her Use of Resources report for 2007. The CMB's recommended updates endeavour to ensure that the financial strategy continues to support corporate priorities, despite the pressures listed above, whilst maintaining as much flexibility as possible to respond to the emerging agenda for change.

Considerations

2007/08 Revenue Budget Summary

1. Council set a net revenue budget excluding specific grant funding for schools of £122m for 2007/08. Herefordshire Council's element of householders' overall Council Tax bill was increased by 3.8%. This resulted in a Band D Council Tax of £1,083.44 for Herefordshire Council services. Schools funding provided by the government in the form of Dedicated Schools Grant (DSG) amounted to £78m.

2. The net revenue budget excluding schools is funded as follows:

Source of funding	**£m**	**%**
Herefordshire's share of national business rates provided by the government	41	34
Revenue Support Grant provided by the government	7	6
Herefordshire's Council Tax	74	60
TOTAL	**122**	**100**

3. The revenue budget allocated to each of the Council's core service areas (excluding schools) amounts to £111.4m out of the total net revenue budget available for 2007/08. The remaining £10.6m is spent on corporate budgets such as:

    a) The net cost of borrowing.

    b) Local Authority Business Growth Incentive (LABGI) grant.

    c) Funding set aside for modernising social care services and business processes.

    d) Contingency funding for social care services.

4. The following table shows how resources for core services have been allocated in the

current financial year:

CORE SERVICE BUDGET 2007/08	£m	%
Adult & Community Services	44.5	40
Central Services	3.4	3
Children & Young People's Services	23.2	21
Corporate & Customer Services	7.9	7
Environment	24.8	22
Human Resources	1.4	1
Resources	6.2	6
TOTAL CORE SERVICE BUDGET	**111.4**	**100**

5. In setting the budget for 2007/08, Council ensured that cash resources were allocated in line with priorities. A corporate contingency of £1.3m for social care services was maintained within the base budget. A £2.7m 'Invest to Save / Mitigate' (increasing demand pressures) budget was created and held corporately to support a modernisation programme for adult social care services (older people and learning disabilities). A £824k 'Invest to Save / Mitigate' (increasing demand pressures) budget was also created and held corporately to support a modernisation programme for children's social care services. More minor adjustments to core service base budgets were also made. A tough policy of no inflation on non-pay budgets provided the scope to create additional resources for the priority areas of the budget and ensured that all core services continued to deliver improved levels of efficiency.

2007/08 Forecast Outturn

6. The latest forecast of revenue outturn for the current financial year (the Integrated Performance Report for the year to 30th November 2007 refers) predicts an over spend of £4.7m on core service budgets and an under spend of £3.7m on corporate budgets giving rise to an overall over spend of £1m. The position is summarised in the following table:

FORECAST OUTTURN 2007/08	NET BUDGET £m	OVER / UNDER (-) £m	%
Adult & Community Services	44.5	3.7	8.3
Central Services	3.4	- 0.4	- 11.8
Children & Young People's Services	23.2	0.7	3.0
Corporate & Customer Services (including cost of Siemens contract not currently in the revenue budget	7.9	1.2	15.2

Environment	24.8	- 0.4	- 1.6
Human Resources	1.4	0	0
Resources	6.2	- 0.1	- 1.6
FORECAST OUTTURN FOR SERVICE BUDGETS	**111.4**	**4.7**	**4.2**
FORECAST OUTTURN FOR CORPORATE BUDGETS	**10.6**	**- 3.7**	**-34.9**
FORECAST OUTTURN FOR THE REVENUE BUDGET	**122**	**1.0**	**0.8**

7. The position outlined in the table shown in paragraph 6 could improve further if:

    a) Delays in revenue and capital programmes continue.

    b) The reduction in the forecast over spend for adult social care services detected for the first time between September and November 2007 for 2007/08 continues a downward trend.

    c) More LABGI grant is awarded.

    d) The outturn cost of the June and July flood repairs and the settlement of the Belwin grant claim.

8. The table in paragraph 6 shows an overall over spend of 0.8% of the total net revenue budget is currently forecast for 2007/08. This is within the Council's current policy of managing to within a +1% tolerance of net budget. There are three points to note however:

    a) The current practice of holding the social care contingency in the corporate base budget distorts the over spend position for the Adult & Community Services and Children & Young People's core service budgets.

    b) The current practice of holding the modernisation funding for adult social care and children's social care in the corporate base budget distorts the over spend position for these service budgets and for corporate budgets.

    c) The current policy of requiring core services to manage within a +1% tolerance of net budget means that managers potentially do not achieve excellence in financial management.

9. The presentational issues outlined in 8 a) and 8 b) above are important in terms of the Council's Use of Resource assessment. Given the Comprehensive Spending Review 2007 (CSR07) sets out a challenging agenda for public services within challenging financial constraints, a policy of allowing a +1% tolerance on net revenue spending compared to budget cannot be sustained. Managers at all levels must achieve efficiency and performance improvements in support of corporate plans within the agreed budget.

10. **The CMB therefore recommends the following amendments to the current MTFS to**

address the issues identified in paragraph 8:

a) **That the social care contingency of £1.3m in the corporate base budget be shared equally between the adult and children's social care base budgets.**

b) **That the adult social care modernisation funding of £2.7m be transferred from the corporate base budget to a ring-fenced budget within the Adult & Community Services service budget and that it is released by the Director of Adult & Community Services in consultation with the Director of Resources.**

c) **That the children's social care modernisation funding of £824k be transferred from the corporate base budget to a ring-fenced budget within the Children & Young People's Services core service budget and that it is released by the Director of Children & Young People's Services in consultation with the Director of Resources.**

d) **That all managers with budget responsibilities shall ensure that spending is within the agreed budget.**

Provisional Local Government Finance Settlement 2008/09 – 2010/11

11. The provisional local government finance settlement for 2008/09 – 2010/11 was announced on 6th December 2007. In overall terms, it was in line with the funding allocated within CSR07 for local government spending programmes and was widely heralded as the worst settlement for 10 years.

12. The provisional Formula Grant funding figures for Herefordshire for the next three years are as follows:

Year	Formula Grant £m	Increase £m	Increase
2008/09	53.373	2.569	5.1%
2009/10	55.445	2.143	4.0%
2010/11	57.652	2.234	4.0%

13. The table in paragraph 12 indicates that Herefordshire's cash increase on a like-for-like basis is 5.1% for 2008/09 falling to 4% in the following two years. Using the government's inflation figure of 2.75%, this represents a real terms increase of 2.35% in 2008/09 and 1.25% thereafter. The increase for 2008/09 matches the average increase for shire unitaries without fire service responsibilities. Cabinet considered the outcome of the provisional local government finance settlement in more detail at its meeting on 13th December 2007.

14. The current MTFS assumed there would be a cash standstill in Formula Grant for 2008/09 and 2009/10. When the MTFS was agreed in March 2007, the prognosis for CSR07 was that it would prove very challenging and there were concerns that proposed changes to the distribution formulae would have an adverse effect. The Council's assumptions were in line with those made by most other authorities when setting their budgets for 2007/08.

15. **The CMB recommends that the Financial Resource Model (FRM) within the MTFS is updated with the provisional Formula Grant figures for the next three financial**

years and for known transfers in and out of the local government finance system. The resource model will be updated again when the final figures have been announced later this month. A financial risk is that the final figures may vary from the provisional more significantly than was the experience for 2007/08.

Financial Resource Model (FRM) 2008/09 – 2010/11

16. The CMB has reviewed the FRM within the current MTFS and has a series of recommendations to make to Cabinet for the FRM within the draft MTFS for 2008 – 2011 concerning:

    a) Future Council Tax increases.

    b) Inflation uplifts.

    c) Deliverable efficiency gains.

    d) Base budget adjustments.

    e) Funding for modernisation and integration programmes.

    <u>Future Council Tax Increases</u>

17. The current MTFS assumes Council Tax increases of 4.7%. The government has been clear about its expectation for an **average** Council Tax increase of well below 5% in 2008/09. Whilst the situation will need to be carefully monitored, a 4.7% increase is not expected to present a difficulty in terms of the government's stated policy intention. A 1% increase in Council Tax represents approximately £750k of additional cash resource in the first year it is generated, a figure that compounds over time with subsequent increases. A corresponding reduction in planned spend would be required if the Council Tax were lower than the planning assumption which would affect the Council's ability to improve services in line with corporate priorities. **The CMB therefore recommends that the 4.7% planning assumption for Council Tax increases is retained for the draft MTFS for 2008 – 2011.**

    <u>Inflation Uplifts</u>

18. The current FRM for 2007 - 2010 includes 2% for pay inflation in each year in line with government assumptions at the time. The pay award for 2007/08 was settled at 2.475%. The government's assumption for pay inflation for the next three financial years remains at 2% and its stated intention is to negotiate a three-year pay agreement for public sector workers. **The CMB therefore recommends that the 2007/08 salary base budget be uplifted by an additional 0.475% and that the policy of a 2% uplift for pay inflation be retained for the draft MTFS for 2008 – 2011.**

19. The current FRM for 2007 – 2010 does not provide for an inflationary uplift on non pay expenditure budgets. This challenging policy ensures that managers:

    a) Negotiate robust contracts for the provision of services.

    b) Manage contracts and contractor performance effectively.

    c) Continually review service delivery arrangements to ensure improvements in efficiency and value for money.

20. The CMB has checked that this approach to securing efficiency gains for 2008/09 – 2010/11 in can be achieved in all service areas through better use of resources without any significant reductions in the level of service provided. The following table identifies the core services where this policy creates the most financial pressure in absolute terms and explains how CMB expects that pressure to be managed:

Core Service	Estimated Financial Pressure	Management action
Adult social care	£880k	This pressure reduces to £596k after allowing for additional income from Fairer Charging in the FRM and the effect of the proposed efficiency targets outlined in paragraph 23 of this report. The Director of Adult & Community Services advises that this pressure cannot be managed without a reduction in the level of service provided. He further advises that he will have an efficiency plan in place by the end of March 2008 designed to manage this pressure without a reduction in the level of service provided. The CMB recommends that the adult social care base budget should be increased by £596k in order to avoid service cuts.
Waste	£360k	The Environment Directorate's efficiency plan is designed to manage this pressure without a reduction in the level of service provided.
Children's social care	£220k	This pressure can be managed by allocating £650k from the social care contingency currently in the corporate base budget to the service base budget.
Highways	£200k	The Environment Directorate's efficiency plan is designed to manage this pressure without a reduction in the level of service provided.
Schools Transport	£180k	The Director of Children's Services plans to review the school transport policy.

21. The CMB has only identified one significant example of the current policy for efficiency gains causing difficulty if retained for the FRM for 2008 – 2011. A reduction in the level of adult social care services that can be provided is clearly not acceptable given this service is a corporate priority. **The CMB therefore recommends that the current policy is retained as an incentive to improve efficiency and value for money with the exception of a one-off increase of £596k to the base budget for adult social care.**

22. The current FRM assumes inflation on client and customer receipts budgets of 2.5%. The key exceptions are income budgets where the fee is dictated by a statutory arrangement. **The CMB recommends that this policy is retained for the draft FRM for 2008 – 2011 and that the review of all fees and charges is integrated into the budget policy framework.**

<u>Deliverable Efficiency Gains</u>

23. The CMB has assessed corporate opportunities to reflect the efficiencies managers deliver on a day-to-day basis in the base budget for core services. **The CMB recommends that the following efficiency gains that are already delivered on a routine basis are included in the draft FRM for 2008 – 2011:**

a) **A vacancy turnover rate of 1% thereby reducing the Council's overall pay bill by £500k.**

b) **A reduction in expenditure on supplies and services of 1% thereby reducing overall expenditure by £200k.**

c) **A further reduction in the cost of employing agency and temporary staff of £100k through consistent use of the new framework contract.**

24. The CMB has also reviewed proposals from the Benefits Group that exists as part of the governance arrangements for the Herefordshire Connects programme on efficiencies both within that programme and outside of it that can be delivered whilst waiting for final approval to proceed with the programme. In total, further efficiency gains totalling £750k a year from 1st April 2008 have been identified as follows:

Efficiency Gain	**Estimated Saving**
Printer / copier rationalisation	£100k
New mobile telephone tariff	£25k
New postal services contract	£70k
New BT line rental contract	£10k
New PC supplier contract	£10k
Improved WMS usage	£50k
Increase in WMS dividend	£90k
Externalise travel management arrangements	£10k
Standardisation of PC specification	£200k
Purchasing card rebate	£25k
Strategic sourcing	£160k
TOTAL	**£750k**

25. **The CMB recommends that the efficiency gains outlined in the table in paragraph 24 are included in the FRM within the draft MTFS for 2008 – 2011.**

26. The Director of Environment is in the process of implementing a plan to achieve efficiencies and improvements in service delivery within the limits of the cash allocations for his area of responsibility. The CMB supports this proactive approach to financial management and service improvement as an example of good practice in obtaining value for money from public money.

27. The Director of Adult & Community Services is currently preparing an efficiency plan to ensure services are delivered within budget without the need for any significant change in the level of service provided. This efficiency plan will need to complement the service modernisation plan for adult social care. The CMB endorses this approach as an essential component of every Director's financial management responsibilities. The plans need to be finalised and formally approved as a matter of urgency in readiness for the new financial year.

Base Budget Adjustments

28. The current FRM needs to be continually reviewed to refine the way the model works and to reflect the most up-to-date information that is available.

29. **The CMB recommends removing grant budgets from the list of income budgets to be inflated by the agreed uplift of 2.5%.** This will make the model more precise and avoid creating unrealistic income expectations.

30. **The CMB recommends that the following adjustments to the FRM are made to reflect the latest available information:**

    a) **Updating capital financing costs to reflect slippage in the approved capital programme and a prudent level of additional borrowing to fund new capital investment.**

    b) **Removing £100k spare capacity in corporate budgets such as banking, insurance and audit fees.**

    c) **Adding £1.1m to revenue to cover the net revenue cost of the Siemens contract (Community Network Upgrade or CNU project).**

    d) **Additional property related pressures due to changes in the empty properties rate relief scheme (£126k), loss of income following the sale of industrial units (£201k) and service charges for Plough Lane (£100k).**

    e) **Additional funding needed to prepare the Local Development Framework (£500k in 2009/10 and 2010/11).**

<u>Modernisation Funding</u>

31. The current FRM allows £2.7m a year to support the modernisation of adult social care services for older people and those with learning disabilities. This funding was allocated following a detailed needs analysis for these particular client groups. The needs analysis for adults with mental health and physical disabilities has now been completed and modernisation funding for these services of £275k in 2008/09 rising to £550k in 2009/10 is required. **The CMB recommends that modernisation funding for adult social care services:**

    a) **Is included in the FRM within the draft MTFS for 2008 – 2011 as modernisation of these services is a key corporate priority.**

    b) **Is ring-fenced within the base budget for adult social care for modernisation purposes only.**

    c) **Is released by the Director of Adult & Community Services following consultation with the Director of Resources.**

32. The CMB anticipate that plans to modernise both service provision and support services will start to take shape now that the new joint Chief Executive has taken up post. The PCT has already taken an opportunity to set aside some cash to help support implementation of emergent plans for modernisation. The PCT will transfer £300k to the Council to manage on its behalf. **The CMB recommends that the FRM within the draft MTFS for 2008 – 2011 includes a Council match funding contribution to be held in an earmarked reserve called 'Modernisation Plans' until such times as an modernisation plan for the two organisations has been formally approved.**

33. The Council has been developing a corporate programme to modernise the way in which day-to-day business is transacted to deliver improved value for money and better services for the community. That programme – Herefordshire Connects – is poised at a

strategic decision making point pending conclusion of discussions on the affordability of the programme in the context of the MTFS and to give the new Chief Executive the opportunity to influence the way forward.

34. The FRM within the MTFS for 2007 – 2010 includes the financial envelope for Herefordshire Connects programme as outlined in April 2006 but adjusted to reflect estimated timings of investment and benefits as at March 2007. The passage of time means that the original financial model is now too old to be a reliable basis for the FRM within the draft MTFS for 2008 – 2011. Much work has been done since Deloitte were appointed as the preferred supplier to revise the financial envelope. **However, the CMB recommends that the assumptions in the current FRM about the Herefordshire Connects programme are removed and replaced with the following:**

    a) The investment requirement for a replacement social care management information system (£706k in 2008/09 reducing to £154k thereafter – subject to the call-in process).

    b) Funding for the Herefordshire Connects Core Team so there is a resource to maintain a Council-wide modernisation programme (£450k in 2008/09 reducing to £300k in 2009/10 and £200k in 2010/11).

    c) Funding for urgent ICT strategy work needed to support the Herefordshire Connects programme and ICT infrastructure (£247k in 2008/09 rising to £647k thereafter).

    d) The Herefordshire Connects programme is a modernisation programme awaiting review and formal decision. Detailed financial information is yet to be finalised pending that review and may not be available in time for decisions on the budget for 2008/09. **The CMB therefore recommends that the financial capacity to support the programme is provided through a new earmarked reserve called 'Modernisation Plans' rather than through the FRM until such times as a formal decision on the way forward has been taken.**

Financial Capacity 2008 - 2011

35. Were Cabinet minded to agree the CMB's recommendations for updating the MTFS and FRM outlined in this report so far, the updated FRM for 2008 – 2011 indicates financial capacity figures as follows:

    a) 2008/09 – financial capacity £542k.

    b) 2009/10 – financial capacity £3.002m.

    c) 2010/11 – financial capacity £4.689m.

36. The CMB is acutely aware that the agenda for change is significant in terms of the need to modernise:

    a) Transactional business processes – the Herefordshire Connects programme.

    b) Working practices – introducing alternatives to having a fixed office base where that supports business need more efficiently and supporting better use of ICT.

c) Schools infrastructure – supporting plans to make more efficient use of cash and assets to release resources for improving educational attainment and supporting plans to structure the Children & Young People's Directorate by September 2008.

d) Services other than those mentioned already in this report – the learning disability service is one such proposal in the pipeline. A new accommodation and support contract may be agreed by Cabinet in 2008.

e) Office accommodation – improving value for money and efficiency.

f) Positively in response to the Crookall report – including investing in additional strategic procurement and ICT audit capacity.

g) Council and PCT service provision and support functions (paragraph 32 refers).

37. There are a range of strategic issues that need to be brought together into one coherent plan for modernisation that the Council will need help and support to develop over the next 5 – 6 months. **The CMB therefore propose that the financial capacity available in 2008/09 (currently estimated at £542k) is used as an initial contribution to a proposed earmarked reserve to be called 'Modernisation Plans' to be released as such plans are formally approved.**

38. The FRM indicates financial capacity of approximately £3.0m for 2009/10 and £4.7m for 2010/11. This flexibility is most welcome but CMB would caution against allocating that resource in advance of the modernisation plan referred to in the preceding paragraph so that cash can be allocated in line with corporate priorities yet to be established. **The CMB therefore recommends that the financial capacity indicated in the updated FRM for 2009/10 and 2010/11 be allocated in line with corporate priorities for modernisation as these are distilled in the coming months.**

Reserves and Balances

39. The CMB has identified an opportunity to use an earmarked reserve that is no longer needed to provide for another purpose. An earmarked reserve was created at the end of 2007/08 for £505k to deal with an expected change in the accounting treatment for a certain type of loan instrument. The proposed change has been dropped and the earmarked reserve is no longer needed for this purpose. **The CMB recommend that this funding is used to create an earmarked reserve to cover the Bellwin threshold to be called the 'Bellwin Threshold Reserve' in the event it is triggered due to flooding or other eligible emergency.**

40. The audited accounts for the 2006/07 financial year confirmed an opening position on the general reserve for the current financial year of £8m. The MTFS for 2007 – 2010 included planned use of balances of £1.4m that would reduce this figure to £6.6m. This figure may reduce by up to a £1m on the basis of the current forecast for outturn. At £5.6m, the level of general reserve balance is comfortably in excess of the Council's current policy to retain a minimum of £3m. However, the £3m minimum represents just 2.5% of the current net revenue budget and is at the low end of the 2.5% to 5% recommended by the Chartered Institute of Public Finance & Accountancy (CIPFA).

41. The external auditor commented favourably on the Council's improved approach to managing reserves and balances as set out in the MTFS for 2007 – 2010 but she also noted that there was scope for further improvement. **The CMB therefore recommends the following changes to the current MTFS for the draft MTFS for 2008 – 2011:**

a) **The policy for a minimum general reserve balance be increased to £4.5m (approximately 3.5% of the net revenue budget) to provide adequate cover for demand pressures that are volatile, difficult to predict or unforeseen at the time the budget is set.**

b) **That the excess above the £4.5m minimum requirement for the general reserve is allocated to the proposed earmarked reserve to be called 'Modernisation Plans' to be released as such plans are formally approved.**

42. Application of this policy, based on the latest assessment of outturn for the current financial year, the changes to the FRM outlined in this report and the provisional local government finance settlement figures, would establish an earmarked reserve for Modernisation Plans totalling approximately £2.242m (estimated £1.1m excess on the general reserve, estimated financial capacity in 2008/09 of £542k and £600k funding set aside by the Council and PCT for modernising health & social care services).

Financial Implications

43. As outlined in the body of the report.

Risk Management

44. The CMB recognises that core service areas need to manage financial pressures within the resources made available for each area. This section of the report highlights potential risks that Directors consider might be difficult to contain within the resource allocation. This list will be kept under review and may change as new pressures emerge or potential ones are absorbed within budget. Formal agreement to over spend must be sought (emergency situations are allowed for within the Constitution) before a commitment to over spend is entered into.

45. ICT budgets could potentially experience pressure in the future as measures to balance the budget in the current financial year have been incisive. It has not yet certain that the cuts are sustainable in the long term. There may be a need for further investment in the ICT infrastructure due to the increasing level of risk associated with some elements of the ICT platform that have not be upgraded due to expected replacement through the Herefordshire Connects programme.

46. Customer Services budgets are supported through to the end of 2008/09 with additional funding of £500k a year as frontline services transfer from Directorates to the Customer Services team. Progress with implementing this policy needs to be carefully tracked against the current financial resource provision.

47. There may be financial pressure on the Coroners budget if the Herefordshire Coroner is required to assist with an increased number of inquests into the deaths in service of members of the armed forces.

48. Pressure on Democratic Services continues to grow with the volume of scrutiny work that is under way that requires officer support. This is a position that is being carefully monitored.

49. If Council opts to carry out a strategic consultation exercise on corporate priorities later in the year, this would involve currently unplanned expenditure of approximately £32k.

50. Full details of how the new Area Based Grant (ABG) will work are awaited. The ABG will comprise 38 former specific and special grants totalling approximately £8.8m that

currently make a significant contribution to the Council's financial capacity and ability to deliver core services.

Alternative Options

The CMB considered a number of options for managing the financial pressures to produce a balanced revenue budget for 2008/09 with cash allocated to priorities and flexibility for the future. The reasoning underpinning CMB's recommended approach is explained in the body of the report.

Consultees

The CMB and the Monitoring Officer have been consulted on the content of this report.

Appendices

Appendix 1 – CMB's draft Financial Resource Model (FRM) 2008 – 2011.

Background Papers

Medium Term Financial Management Strategy 2007 – 2010.
Provisional local government finance settlement 2008/09 – 2010/11.

Glossary

CMB – Corporate Management Board; the most senior management team within the Council.

CSR07 – Comprehensive Spending Review 2007; the government's review of its public spending priorities for 2008 – 2011 published in October 2007.

DoH – Department of Health; the government department responsible for the National Health Service.

DSG – Dedicated Schools Grant; ring-fenced grant funding provided for the government to run schools, calculated on a per capita basis.

FRM – Financial Resource Model; a term used within the Council to refer to the financial model for the revenue account in future years.

LABGI – Local Authority Business Growth Incentive; a grant allocation from government redistributing additional national business rate income.

MTFS – Medium Term Financial Strategy; a term used within the Council to refer to the financial strategy for the revenue account, the capital account, treasury management, reserves and balances, financial management etc.

NHS – National Health Service; needs no further explanation.

PCT – Primary Care Trust; commissioners / providers of public health services.

SHA – Strategic Health Service; represent the Department of Health at regional level.

SMC – Strategic Monitoring Committee; the Council's over-arching policy scrutiny committee.