



## FINANCIAL STRATEGY 2007/2011

### 1. INTRODUCTION

- 1.1 This is the first Financial Strategy considered by the Council since the elections in May. The Council will be reviewing the Corporate Plan in the coming months and it is important to ensure that the two strategies are aligned in order that resources are allocated in accordance with priorities. This Strategy will be approved before the Corporate Plan and therefore some amendments may be required later this year. With many new members this year some background information is provided below in order to provide some context to the Strategy.
- 1.2 The purpose of the Financial Strategy is to set out the broad financial framework that the Council will operate within during the forthcoming four financial years. It is reviewed on annual basis to ensure that it maintains its relevance. By adopting a medium term approach the Council will be able to ensure that it does not adopt short term policies without identifying what the medium term implications of those decisions are.
- 1.3 A four year period has been adopted as the relevant timeframe for the Strategy as this permits reasonably robust financial forecasts to be produced. The longer the timeframe that is used the more speculative the forecasts become.
- 1.4 Cabinet are asked to consider the Financial Strategy, in the first instance, however formal approval is not an executive function. Therefore the recommendations of the Cabinet will be considered by Council before the Strategy is finalised.
- 1.5 The Financial Strategy covers the General Fund activities (revenue and capital) but does not cover the Housing Revenue Account as this is covered by a separate Business Plan that will be issued at a later date. However some of the strategic proposals considered within this report will have an impact beyond the General Fund.
- 1.6 It is clear that financially local authorities are about to embark on a period of unprecedented financial constraints with significantly more focus on efficiencies, and on 'affordable taxation levels'. The main driver for this renewed financial vigour will be the Comprehensive Spending Review (CSR) that sets out the Government's financial plans for the next three years.
- 1.7 2008 will see the first year of the three year grant settlement process. This is a welcome move as it brings significantly greater medium stability into what was hitherto an unpredictable process. The downside from this is that those authorities who do not fair well out of the CSR process will have to manage with reduced resources for the next three years without any further consideration to their plight.
- 1.8 As a result the need for creating additional financial capacity within the organisation becomes of even greater importance. This Strategy attempts to set the scene for the need to be more proactive in this area. The new Corporate Plan will also build on this platform and the forthcoming budgetary process will attempt to create a framework that takes the approach from policy into practice.

## **2. USE OF RESOURCES**

- 2.1 The Use of Resources (UOR) Assessment is a key measure of how the Council manages its resources. The Council have recently been notified that for the second year running it has achieved a score of 3 out of 4 for all five categories of the process. This is an excellent indictment of the Council's approach to financial management.
- 2.2 Whilst a number of improvements can be put in place without a significant impact on resources these are unlikely to move the Council's assessment to a level 4. Other initiatives that could change the categorisation will come at a cost. The Audit Commission have decided to increase the difficulty of achieving the current scores thereby requiring authorities to improve processes to ensure they retain their current status, let alone improve. This will undoubtedly require additional resources and will need to be measured against the benefit accrued to the taxpayer. A measured approach is, as always, being adopted. One such area where further improvements could be considered is community engagement in the budget process and this is considered later in this report.

## **3. EFFICIENCY**

- 3.1 Members will be aware that 2007/08 is the last year of the Gershon savings targets. Local authorities have been required to achieve annual savings of 2.5% of net expenditure. Savings within the Housing Revenue Account were allowed to be included for this purpose. Such savings could be cashable or non cashable.
- 3.2 Delivering efficient services has always been important to the Council. Efficiency savings have enabled the Council to redirect resources into new initiatives and service enhancements. To a large extent this has been covertly delivered through the budgeting process. It is now appropriate to take the efficiency agenda to a new level.
- 3.3 An efficiency peer review was conducted last year by the Improvement and Development Agency. This review, which has previously been reported to Members, concluded that there were many examples of good practice within the Council however there was a lack of a strategic overview and coordination. An Efficiency Strategy was drafted and considered by Corporate Management Team but it was felt more appropriate that this should be considered alongside the revision to the Corporate Plan.
- 3.4 If the Council is to adopt a more overt approach to the delivery of efficiencies it would be appropriate to build an efficiency target into the financial forecasts and to cascade this through the service planning process. In light of the financial projections contained in this report it is now more an imperative rather than good practice. Creating a target is easy but in order to ensure that those efficiencies are then delivered will require management at both officer and member level.

- 3.5 Elsewhere in this report the potential impact of the Comprehensive Spending Review is discussed. The Governments assumptions on efficiency, whilst affecting the level of grant that is put into the system, has less of an affect on this Council than other pressures. The challenge is therefore not achieving the Governments efficiency target but to bridge the financial gap that is clearly demonstrated within the Appendices to this report.
- 3.6 The financial challenges facing the Council are not diminishing. The 'easy' opportunities have already been taken and the Council recognises the benefits that can be derived from efficiencies. Whilst in the context of this report the main benefit of developing a more strategic approach to the efficiency agenda is financial the non financial benefits of becoming more efficient should not be understated.
- 3.7 For 2007/08 the Council did agree some targeted budget reductions that will need to be managed proactively:-
- A reduction in the overall staffing budget in the sum of £100,000
  - A reduction in the supplies and services budget and procurement savings target of £100,000
  - A target saving of £100k for the fundamental services review of Leisure and Tourism.
- 3.8 By so doing the Council has effectively started to set efficiency targets. During this forthcoming budget process however this will need to be more focussed and challenging across the organisation as a whole. The Council should use the service planning and performance management processes to their full potential in relation to the delivery of efficiency savings by:-
- 3.8.1 Identify high-cost services or where performance is not in line with corporate expectations (be that high or low). This information could then be used to inform the fundamental service review programme with a particular focus on achieving financial savings in the cost of service delivery.
- 3.8.2 Agreeing a medium term programme for service reviews based on the above data ranging from business process reviews to a fundamental service review based on the outcomes required.
- 3.8.3 Setting efficiency targets for all services over the life of this strategy. In light of the current financial projections an annual efficiency target of 3% is necessary. However in light of the time it sometimes takes to achieve such savings the process should be flexible to assist services to produce well informed proposals.
- 3.8.4 A robust challenge through the service planning process must be developed in order to ensure that the efficiency targets are delivered.
- 3.8.5 Establishing a Service Efficiency Fund to enable the up-front funding of evaluation, business plan development, consultancy costs, or capital investment that will facilitate proposals being brought forward.

The more the Council can drive the efficiency agenda the less pressure will be placed on increasing charging, reducing service levels and ultimately the less pressure there will be on the council tax.

3.9 Members should also note that efficiency opportunities not only exist at a service level. Often many of the best opportunities for creating efficiencies come from corporate reviews. Officers have already put in train a work programme that will evaluate a number of opportunities such as:

- One Site Administration;
- Review of Senior Management Structure;
- Increased use of the Contact Centre;
- Increased use of electronic transactions;
- Shared Services; and
- Developing an efficiency culture.

3.10 In addition to our own internal work programme Council officers are heavily involved in a number of projects that have attracted Capacity Building Fund money under the stewardship of the Hampshire and Isle of Wight Improvement Board. The Board is chaired by Councillor Mel Kendall and this Council is the lead authority for a number of projects including collaborative working in the revenues and benefits and planning services, and the ' Well Being' project.

3.11 In summary therefore although there is much to do and greater focus is required from both a member and officer perspective the amount of work that has been done, and continues to be done, should be recognised.

#### **4. LINKING RESOURCES WITH CORPORATE PRIORITIES**

4.1 There will be a number of drivers that will influence the Councils priorities over the duration of this Financial Strategy. The most significant of which will be the revision of the corporate plan. In addition there will undoubtedly be external influences on the Councils priorities including legislative changes, partner associated influences such as Local Area Agreements, the Audit Commission through BVPI's, and reward incentives such as Planning and Delivery Grant.

4.2 If the Council wishes to develop and invest in certain services it can only do so by:

- Creating capacity through additional efficiencies
- Increasing the Council Tax
- Raising additional revenue through charging and external funding
- Or redirecting resources from lower priority services

Or what is more likely is a combination of the above.

4.3 At this moment in time the Council has four key priorities which are:-

- Clean Streets and Public Spaces
- Crime and Disorder
- Housing
- Managing our Finances

Within the forthcoming review of the corporate plan it is likely that greater focus will also be placed on both old and young people and the green agenda. Investing in both new and existing key priorities will require some degree of resource allocation thereby placing further pressure on the financial projections contained in the Appendices to this report.

4.4 Local Area Agreements (LAA's) continue to gather momentum and could have a significant impact on the Council's resources in the coming years. LAA's essentially pool resources on an area basis (in our case County level) and are held for distribution against agreed priorities and outcomes. It is possible that the Council could receive additional resources if it can achieve the required outcomes for less resource than is required to achieve those outcomes.

4.5 In a similar vein the Local Public Service Agreement targets to which the Council has signed up to deliver should result in some financial recompense. It is still very unclear how and when any financial support will be distributed but potentially the aforementioned partnership working could have a significant impact on the level of financial resources that the Council receives.

4.6 In light of the Local Government White Paper and Comprehensive Area Assessments which are leading local government down a particular path of local governance it is possible that with the passage of time such funding arrangements will place an ever increasingly important role in the finances of local authorities.

## **5. BUDGET CONSULTATION**

5.1 To date the Council has undertaken some minor budget consultation in addition to that which is statutorily required. In light of the new corporate plan and likely additional financial pressures the time may have come to undertake a more robust consultation process than previously adopted. There are a number of ways that the Council can consult its stakeholders including:-

Internet questionnaire

Citizens Panel

On-the street questionnaires

Postal questionnaires

Public meetings

As in any consultation process it is important to ask the right questions and to ensure that your responses are representative rather than simply reflecting the vocal minority.

- 5.2 A consultation exercise will commence in the near future around the development of the Community Strategy. Although it would not be appropriate to undertake a joint consultation process if Members do wish officers to adopt a more robust approach than has been done in the past it would be beneficial to align the two processes. The view of Members is therefore sought on whether they wish officers to evaluate the potential options and the likely costs associated with consulting stakeholders on the forthcoming budget process.

## **6. 2006/07 REVENUE OUTTURN**

- 6.1 The draft General Fund Revenue Outturn Statement for the financial year ending 30 March 2007 was considered by the Cabinet in June. Whilst the level of the under spend is significant it must be taken in context of the Council's gross General Fund expenditure of around £80m.
- 6.2 In addition it does of course provide additional resources for the funding of the capital programme. This will give the Council some flexibility when determining the level of revenue contribution to capital outlay when it considers the detailed budget later this year.
- 6.3 Many of the items that have contributed towards this under spend were difficult to predict and by nature 'one-off's'. However every effort will be made to build on-going savings from these issues if there is an opportunity to do so. In light of the financial projections outlined in the Appendices to this report it is essential that as many of these variations as possible are taken out of the revenue base budget.

## **7. GENERAL FUND BALANCE**

- 7.1 The current policy in respect of the level of the General Fund balance is that the Balance should not fall below 10% of net General Fund Expenditure or £2m whichever is the lower.
- 7.2 During the last budget process a risk assessment was undertaken to ascertain whether the current policy provides the necessary safeguard that the Council needs. This demonstrated that £2m was an adequate level in light of the Council's potential risk exposure. This assessment will be updated as part of the forthcoming budgetary process. As the Council's financial exposure to risks remains largely unaltered it is recommended that, at this stage, the policy remain as a minimum level £2m.
- 7.3 Although the Council faces many new risks in this forthcoming year around grant funding and new legislative arrangements around various activities such as concessionary travel most of these issues will be known by the time the Council considers the budget in February of next year. There will therefore be an opportunity to adjust the detailed budget in the light of the impact of these risks before the council tax is set.

## 8. ECONOMIC FORECAST

8.1 Although the Council's resources are affected by general inflation there are specific areas of inflation that have particular impact on the input costs of the authority such as:-

- Employee costs
- Income generation
- Fuel and energy costs
- Construction costs
- Interest Rates
- General economy (impact on)

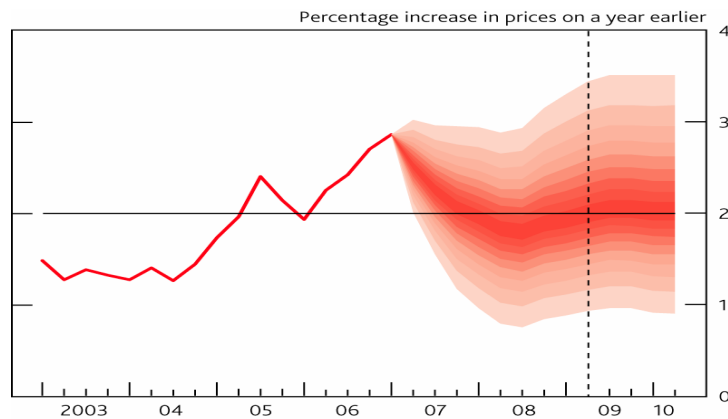
Some of the above issues are considered in more detail below.

### 8.2 General Inflation

The current level of inflation is above the Government target. This is creating additional pressure on pay settlements which is of greater concern to the Council in light of its high dependency on employees. Although there are now three main indices that measure different definitions of inflation they are all above that which would demonstrate that the country's economic stability is healthy.

The Consumer Price Index is currently running at 2.8%. This is the index that measures only consumable goods. The two Retail Price Index figures currently stand at 4.5% for RPI and 3.6% RPIX (the latter of which excludes housing costs).

In light of concerns over the general level of inflation and the over-heating of the housing market the Bank of England have increased base rates.



### 8.3 Employee Related Costs

8.3.1 The current national pay agreement came to an end in March 2007. Negotiations have commenced at a national level and it appears that these could be very protracted with both sides taking entrenched positions. It is clear that the Government will not wish to lose control over the major input cost of local government due to the pressures that this will bring on public spending in general.

- 8.3.2 The Council has a local agreement on pay but there is a default clause that both parties will settle on what is agreed within the national settlement if agreement can not be reached at a local level. This default clause has been used for a number of years. The Council is however taking a proactive stance with these negotiations and has made a formal offer to the Employee Side that is currently being considered. The budget for 2007/08 has been established on the basis that the pay award will be agreed at 2.5%.
- 8.3.3 A staffing reduction is applied to the gross budget of salaried staff to reflect the natural turnover in employees and the time taken to undertake the recruitment process. Whilst it is not possible to accurately reflect where vacancies will occur it does mean that the Council as a whole is reflecting the actual staffing costs incurred for the year if not the incidence at a service level.
- 8.3.4 In financial planning terms the staffing budget is the single largest factor affecting the overall costs of the organisation. Greater focus should therefore rightly be applied to the management of this budget. The impact of pay settlements therefore has a significant impact on the resources the Council has available. Every 1% increase in the staffing budget has the impact of increasing the General Fund budget by £200k, or 2% on the council tax.
- 8.3.5 For 2007/08 Members agreed to place additional focus on the staffing budget by increasing the staffing reduction by a further £100k. This will require proactive management and may have a potential impact on service delivery. The Corporate Management Team is reviewing all vacancies as they arise in order to achieve this target whilst minimising the impact on service delivery. Each case will be determined on its merits and the individual needs of the service by effectively undertaking a risk assessment of each vacancy.

#### **8.4 Income Generation**

- 8.4.1 The Council sets fees and charges against the backcloth of the Charging Strategy. This requires services to maximise the level of income generated unless there are corporate reasons why this is not the case.
- 8.4.2 The current income projections have been based on challenging targets and recently some of those have had to be reviewed following changes to usage patterns. Service areas where achieving the projected target may be difficult are, Health and Leisure Centres, On-street parking, and Land Charges. The introduction of Home Information Packs, now delayed until August, has had a significant impact on the projected Land Charges income budget and this is reflected in the projections attached to this report.



8.4.3 In addition it is likely that the Government will create a national charge for the copying of planning application details. At present the Council charges a fee that takes into account the total cost of the production i.e. inclusive of a labour charge. It is likely that this will change to a very notional charge that will only include direct copying costs without a labour element. This will effectively make the service free as collection costs would outweigh the income generated.

8.4.4 Members may be aware that the Customs and Excise are currently locked in a legal case over the VAT treatment of local authority car parking income. The case has now been taken to the European Court and therefore any outcome will not be known for some time to come. No adjustment has therefore been made to the projections at this stage.

## 8.5 Fuel and Energy Costs

8.5.1 Following significant increases over the last couple of years it is hoped that the future price increases are more manageable. Due to the nature of the market this is however very difficult to predict and could change with any significant change to supply or demand.

## 8.6 Interest Rates

8.6.1 The Council is currently debt free and receives investment income on its internally managed cash fund portfolio. Following a period of great stability interest rates have increased a number of times over the last twelve months. Although this assists the Council in the short term if this leads to increased inflation, particularly pay inflation, the knock on detrimental consequences are far greater.

8.6.2 The following table illustrates how the average base rate has increased between 2006/07 and the projected average for the current year. There is some expectation that the base rate has not peaked but all market indications are that we will see rates reach their peak during 2007/08 with some cuts in 2008/09 and beyond probably with a plateau in 2009 or 2010.

|         | Base Rate | 5-year Gilt | 20-yr Gilt | 50-yr Gilt |
|---------|-----------|-------------|------------|------------|
| 2006/07 | 4.8       | 4.9         | 4.4        | 4.0        |
| 2007/08 | 5.8       | 5.3         | 4.7        | 4.2        |
| 2008/09 | 5.5       | 4.9         | 4.5        | 4.0        |
| 2009/10 | 5.0       | 4.6         | 4.3        | 3.9        |

## 8.7 Investments

8.7.1 The 2007/08 budget has been compiled using an average rate for the year of 5.15%. The Council is currently holding longer dated investments that were taken prior to any expectation of a rise in base rates. These will be falling out during the year although two investments will run into 2008/09 and beyond. These will have a slightly dampening effect on the rates earned for the year but to offset this, three loans have been placed recently that are in excess of 6%.

8.7.2 At the end of the last financial year the Council held a higher balance of investments than was originally expected mainly because of the capital under-spend for that year.

## **9. COMPREHENSIVE SPENDING REVIEW & GRANT SETTLEMENT**

- 9.1 The Government is moving to a three year Revenue Support Grant settlement process in order to provide local authorities with greater stability to their medium term financial planning. The Government introduced a two year grant settlement for 2005/06 and 2006/07 as a phased approach to this.
- 9.2 As part of this process the Government has undertaken a fundamental review of the resources that it wishes to allocate to its various departments. This has given the Government the ability to set out both the total quantum of its spending and its allocation in line with its priorities. This fundamental review, known as the Comprehensive Spending Review (CSR), has taken twelve months to complete and has involved critical reviews of many specific services. These reviews have been completed and the assessments are being evaluated against total resource availability. The publication of the Governments proposals was due to be announced in July. This has however been delayed until the autumn and most likely will be mid October.
- 9.3 The increased stability of a three year agreement is to be welcomed but this does however come at a price. The risk of inflation exceeding that which the Government has provided or changes to the level of demand for services will fall totally on local government.
- 9.4 It has also been well documented that this Spending Review will be far more difficult for local government than any other previous reviews. At a national level the Government were forced to top up local authority funding by £637m, £305m, and £508m respectively for the three years 2005/06 to 2007/08 in order to keep council tax down to a 'reasonable level'. In order to fund pay and price increases and demographic changes local government requires, on average, a real terms increase in funding of 1%. In order to deliver national targets and objectives a real terms increase of 4.3% is necessary. Indications are that there will be no additional funding available and in order to fund priorities such as EU land directive and delivery of the vision for adult social care the signs do not look good for the lower priority services.
- 9.5 Efficiencies will play a key part of the Governments announcement and it is likely that the grant settlement will build a 3% efficiency saving into the base grant figures.
- 9.6 Although the basic formula will remain unchanged a review of some individual elements of the grant formula are being reviewed. One such review that will have a significant impact on New Forest District Council is the Area Cost Adjustment. This element of the formula is intended to reflect the additional employment costs of the South East. To date Hampshire and the Isle of Wight has been treated as one area for this purpose. Following a recent review of wage costs the Department of Communities and Local Government are proposing to split Hampshire and apply differing factors to north and south Hampshire. The impact of this is that this Council will lose over £400k grant.

- 9.7 A floor and ceiling process currently exists within the grant process. This is to ensure that all authorities receive a minimum increase in grant settlement and this is funded by minimising the increases to councils that are gaining through the process. With the aforementioned adjustment to our formula New Forest District Council will be on the grant floor for many years to come and will therefore receive the minimum grant available. For the first time the Treasury have talked about having a negative floor i.e. councils could actually receive less in cash terms than they did in the previous financial year. This Council's medium term financial plans that were last updated during the budget process had assumed a zero increase.

## **10. SPECIFIC GRANTS**

- 10.1 In addition to the general grant that is provided to support local government spending the Council receives a number of specific grants that are intended to assist the delivery of specific services. Whilst many are not ring fenced they are intended to support the provision of that specific activity for example Planning Delivery Grant.
- 10.2 Last year the DWP accepted a cash reduction in their administration budget of 2.5% or 5% in real terms. This will impact on the level of grant awarded to individual authorities for the period of the spending review.
- 10.3 The funding for many specific grants has been aligned to facilitate their review with this current Spending Review. There is therefore currently no commitment beyond the current year for grants such as Planning Delivery Grant, Local Authority Business Growth Incentive scheme and Waste Performance Efficiency Grant. In addition to there being no clarity over whether such schemes will continue, consideration is being given to the mainstreaming of such grants. This will result in the funding for such grants being added to the general grant mechanism and distributed via the revenue support grant process.
- 10.4 Any authorities on the grant floor could be penalised twice as they will lose the direct grant and will not get the benefit of additional general grant because they are on the floor. This could be averted by re-basing the grant calculations but at this stage we do not know if this will happen.

## **11. RISK MANAGEMENT**

- 11.1 A risk assessment has been undertaken on the level of General Fund Balance (see paragraph 7) and a Section 25 statement was completed to assess the potential risks associated with delivering the 2006/07 budgets. This will be updated as the issues within the forthcoming budget process gain greater clarity.
- 11.2 As mentioned in this report the Council is facing a year of potentially unprecedented change and uncertainty from an external financing perspective. The report has highlighted a number of the major financial risks facing the Council over the life of this Strategy.

- 11.3 In order to assist with highlighting the impact of these potential risks three financial projections have been produced and are attached as Appendices to this report. These projections have assumed differing levels of risks associated with the major factors affecting resource availability. Differing factors have been considered for employee costs, general grant funding, interest income and general inflation.
- 11.4 There are many risks associated with the forthcoming budget process. The major issues have been highlighted in this report but there are many others that have not. Issues such as the new national concessionary travel scheme (the outcome could either be positive or negative), the highways and land drainage agency agreements, new building control regulations and the National Park Service Level Agreement are just some examples of issues that could have an adverse impact on the Council's resources during the period covered by this Strategy.

## 12. FORECAST

- 12.1 In previous years the Council would have received one financial forecast as part of the Financial Strategy. In light of the uncertainties around potential resource availability this year there are three. These provide financial forecasts using various scenarios over the major factors affecting the Council's finances. These are:

|                | Best | Medium | Worst |
|----------------|------|--------|-------|
| Salary costs   | 2%   | 3%     | 4%    |
| Inflation      | 2%   | 3%     | 4%    |
| Interest Rates | 6%   | 5%     | 4%    |
| General Grant  | +1%  | +0%    | -1%   |

- 12.2 The attached forecasts take into account all bids and savings that have been approved by Members to date. However it makes no provision, at this stage, for the investment in any new activities, services or initiatives. Given the pending publication of a new corporate plan this is unlikely to be the case and therefore further additional pressure will be added as a result.

## 13. COUNCIL TAX

- 13.1 The Council always attempts to balance the need for retaining an affordable council tax with the retention of quality valued services. This becomes increasingly difficult to ensure with the financial constraints and pressures of government funding levels and income raising opportunities.
- 13.2 It is almost certain that capping is here to stay and early indications are that at least for 2008/09 this will once again be 5%. The capping level has been at this rate for some years but this has been against a backcloth of low inflation and relatively healthy financial settlements. This is not the case for 2008/09 and therefore there will undoubtedly be a significant number of authorities challenging both the principle and the level.

## 14. FINANCIAL STRATEGY

- 14.1 Having taken into account the aforementioned issues it is recommended that the following Financial Strategy be approved:-
- 14.2 The Council set a balanced revenue budget if possible but be prepared to draw on reserves in the short term if efficiency opportunities are clearly identified but not deliverable in year 1;
- 14.3 That expenditure plan proposals only be considered if:
  - a) The additional cost is unavoidable
  - b) There is a very good pay back on the level of investment
  - c) The investment will significantly help the council achieve one of its key priorities;
- 14.4 All expenditure plan proposals, be they revenue or capital, to demonstrate their link to both the service planning process and the corporate plan;
- 14.5 All proposals must fully evaluate both the short and long term costs associated with the proposal in order that the whole life cost of the scheme can be assessed;
- 14.6 All proposals must include a risk assessment of both progressing with the project and of not doing so;
- 14.7 The Efficiency Strategy/Corporate Plan is used to strengthen the existing work programme in order to deliver the minimum targets that have been included within the financial forecast and that the performance management framework be used to inform this process;
- 14.8 Each service is required to clearly identify within the service planning process how they intend to achieve their on-going delivery of efficiencies and that these proposals be scrutinised and challenged by an officer and member working group;
- 14.9 An efficiency reserve is established that will help services undertake reviews and possible up-front costs associated with driving the efficiency agenda forward;
- 14.10 All revenue under-spends for the preceding year be robustly evaluated and built into the base budget unless there is a sound reason for not doing so;
- 14.11 The Council seeks to set a council tax increase in line with the Retail Price Index each year excluding the provision for service development proposals;
- 14.12 An affordable and deliverable capital programme be developed that delivers corporate priorities or an invest to save scheme that will reduce on-going revenue expenditure and the level of Revenue Contributions to Capital Outlay be reviewed in light of this programme;
- 14.13 The corporate charging policy to continue to be used as the framework for determining charging levels;
- 14.14 The General Fund Balance to be a minimum of £2m and be reviewed annually through a formal risk assessment process; and

14.15 Any revenue under-spends at the year-end to be allocated to the Capital Reserve other than for specific provisions that assist the Council to achieve corporate objectives which will be approved by Council.

## **15. EMPLOYEE SIDE COMMENTS**

15.1 Employee Side comments to follow:-

## **16. RECOMMENDATIONS**

16.1 It is recommended that the Financial Strategy as set out in paragraph 14 of this report be approved.

16.2 That Members determine whether they wish to undertake a budgetary consultation exercise in addition to the statutory business consultation.

### **For Further Information:**

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**BEST CASE**

**NEW FOREST DISTRICT COUNCIL**  
**DRAFT GENERAL FUND FORECAST 2008/09 TO 2011/12**

| <u>22/06/2007</u>                             | 2007/08 | 2008/09 | 2009/10 | 2010/11 | 2011/12 |
|---|---------|---------|---------|---------|---------|
|   | £000    | £000    | £000    | £000    | £000    |
| <b>Net Portfolio Requirements</b>             | 21088   | 21725   | 22109   | 22448   | 22799   |
| Est. Inflation (salary related)               | 620     | 527     | 538     | 549     | 560     |
| Other Inflation                               | 248     | 168     | 171     | 174     | 177     |
| <b>Sub Total (A)</b>                          | 21956   | 22420   | 22818   | 23171   | 23536   |
| Capital Financing Provision                   | -100    | 0       |         |         |         |
| <b>Sub Total (B)</b>                          | 21856   | 22420   | 22818   | 23171   | 23536   |
| Less Interest on Balances(net)                | -130    | -120    | 50      | 50      | 0       |
| <b>Sub Total (C)</b>                          | 21726   | 22300   | 22868   | 23221   | 23536   |
| <b>Budget Requirements Total (D)</b>          | 21726   | 22300   | 22868   | 23221   | 23536   |
| <b>Add Expenditure Plan Bids</b>              |         |         |         |         |         |
| Finance & Efficiency/Policy & Resources       | 0       | 230     | 181     | 35      | 0       |
| Crime & Disorder                              | 0       | 10      | 10      | 10      | 0       |
| Economy & Planning                            | 0       | 423     | 12      | 0       | 0       |
| Environment                                   | 0       | 10      | -10     | 0       | 0       |
| Health & Social Inclusion                     | 0       | 0       | 0       | 0       | 0       |
| Housing                                       | 0       | 1       | 1       | 1       | 0       |
| Leisure                                       | 0       | 141     | 198     | -226    | 0       |
| General Purposes & Licensing Committee        | 0       | 0       | 0       | 0       | 0       |
| Planning Development Control Committee        | 0       | 100     | 0       | 0       | 0       |
| Standards Committee                           | 0       | 0       | 0       | 0       | 0       |
| <b>Sub Total Bids</b>                         | 0       | 915     | 392     | -180    | 0       |
| <b>Deduct Expenditure Plan Savings</b>        |         |         |         |         |         |
| Finance & Efficiency/Policy & Resources       | 0       | -10     | 0       | 0       | 0       |
| Crime & Disorder                              | 0       | -36     | -6      | 10      | 0       |
| Economy & Planning                            | 0       | -13     | -29     | -7      | 0       |
| Environment                                   | 0       | -34     | 0       | -10     | 0       |
| Health & Social Inclusion                     | 0       | 0       | 0       | 0       | 0       |
| Housing                                       | 0       | -20     | 0       | 0       | 0       |
| Leisure                                       | 0       | -88     | -39     | -68     | 0       |
| General Purposes & Licensing Committee        | 0       | -40     | 0       | 0       | 0       |
| Planning Development Control Committee        | 0       | 0       | 0       | 0       | 0       |
| Standards Committee                           | 0       | -6      | 0       | 0       | 0       |
| <b>Sub Total Savings</b>                      | 0       | -247    | -74     | -75     | 0       |
| <b>Forecast Budget Requirements Total (E)</b> | 21726   | 22968   | 23186   | 22966   | 23536   |
| Further Efficiencies/Savings(-)/Growth        | -1      | -859    | -738    | -167    | -375    |
| <b>Budget Required after Reserve Transfer</b> | 21725   | 22109   | 22448   | 22799   | 23161   |

## FINANCED

|                           |        |        |        |        |        |
|---------------------------|--------|--------|--------|--------|--------|
| Collection Fund /RSG/ NDR | 11426  | 11481  | 11481  | 11481  | 11481  |
| Council Tax               | 10299  | 10628  | 10967  | 11318  | 11680  |
|                           | 21725  | 22109  | 22448  | 22799  | 23161  |
| Council Tax               | 143.67 | 147.97 | 152.41 | 156.98 | 161.70 |
| Council Tax Increase      |        | 3.00   | 3.00   | 3.00   | 3.00   |

## WORST CASE

### NEW FOREST DISTRICT COUNCIL DRAFT GENERAL FUND FORECAST 2008/09 TO 2011/12

| <u>22/06/2007</u>                             | <b>2007/08</b> | <b>2008/09</b> | <b>2009/10</b> | <b>2010/11</b> | <b>2011/12</b> |
|---|----------------|----------------|----------------|----------------|----------------|
|   | <b>£000</b>    | <b>£000</b>    | <b>£000</b>    | <b>£000</b>    | <b>£000</b>    |
| <b>Net Portfolio Requirements</b>             | 21088          | 21725          | 21885          | 22224          | 22575          |
| Est. Inflation (salary related)               | 620            | 978            | 1017           | 1058           | 1100           |
| Other Inflation                               | 248            | 344            | 358            | 372            | 387            |
| <b>Sub Total (A)</b>                          | <b>21956</b>   | <b>23047</b>   | <b>23260</b>   | <b>23654</b>   | <b>24062</b>   |
| Capital Financing Provision                   | -100           | 0              |                |                |                |
| <b>Sub Total (B)</b>                          | <b>21856</b>   | <b>23047</b>   | <b>23260</b>   | <b>23654</b>   | <b>24062</b>   |
| Less Interest on Balances(net)                | -130           | 320            | 50             | 50             | 0              |
| <b>Sub Total (C)</b>                          | <b>21726</b>   | <b>23367</b>   | <b>23310</b>   | <b>23704</b>   | <b>24062</b>   |
| <b>Budget Requirements Total (D)</b>          | <b>21726</b>   | <b>23367</b>   | <b>23310</b>   | <b>23704</b>   | <b>24062</b>   |
| <b>Add Expenditure Plan Bids</b>              |                |                |                |                |                |
| Finance & Efficiency/Policy & Resources       | 0              | 444            | 181            | 35             | 0              |
| Crime & Disorder                              | 0              | 10             | 10             | 10             | 0              |
| Economy & Planning                            | 0              | 423            | 12             | 0              | 0              |
| Environment                                   | 0              | 10             | -10            | 0              | 0              |
| Health & Social Inclusion                     | 0              | 0              | 0              | 0              | 0              |
| Housing                                       | 0              | 1              | 1              | 1              | 0              |
| Leisure                                       | 0              | 141            | 198            | -226           | 0              |
| General Purposes & Licensing Committee        | 0              | 0              | 0              | 0              | 0              |
| Planning Development Control Committee        | 0              | 100            | 0              | 0              | 0              |
| Standards Committee                           | 0              | 0              | 0              | 0              | 0              |
| <b>Sub Total Bids</b>                         | <b>0</b>       | <b>1129</b>    | <b>392</b>     | <b>-180</b>    | <b>0</b>       |
| <b>Deduct Expenditure Plan Savings</b>        |                |                |                |                |                |
| Finance & Efficiency/Policy & Resources       | 0              | -10            | 0              | 0              | 0              |
| Crime & Disorder                              | 0              | -36            | -6             | 10             | 0              |
| Economy & Planning                            | 0              | -13            | -29            | -7             | 0              |
| Environment                                   | 0              | -34            | 0              | -10            | 0              |
| Health & Social Inclusion                     | 0              | 0              | 0              | 0              | 0              |
| Housing                                       | 0              | -20            | 0              | 0              | 0              |
| Leisure                                       | 0              | -88            | -39            | -68            | 0              |
| General Purposes & Licensing Committee        | 0              | -40            | 0              | 0              | 0              |
| Planning Development Control Committee        | 0              | 0              | 0              | 0              | 0              |
| Standards Committee                           | 0              | -6             | 0              | 0              | 0              |
| <b>Sub Total Savings</b>                      | <b>0</b>       | <b>-247</b>    | <b>-74</b>     | <b>-75</b>     | <b>0</b>       |
| <b>Forecast Budget Requirements Total (E)</b> | <b>21726</b>   | <b>24249</b>   | <b>23628</b>   | <b>23449</b>   | <b>24062</b>   |
| Further Efficiencies/Savings(-)/Growth        | -1             | -2364          | -1404          | -874           | -1125          |
| <b>Budget Required after Reserve Transfer</b> | <b>21725</b>   | <b>21885</b>   | <b>22224</b>   | <b>22575</b>   | <b>22937</b>   |

#### FINANCED

|                           |               |               |               |               |               |
|---------------------------|---------------|---------------|---------------|---------------|---------------|
| Collection Fund /RSG/ NDR | <b>11426</b>  | <b>11257</b>  | <b>11257</b>  | <b>11257</b>  | <b>11257</b>  |
| Council Tax               | <b>10299</b>  | <b>10628</b>  | <b>10967</b>  | <b>11318</b>  | <b>11680</b>  |
|                           | <b>21725</b>  | <b>21885</b>  | <b>22224</b>  | <b>22575</b>  | <b>22937</b>  |
| Council Tax               | <b>143.67</b> | <b>147.97</b> | <b>152.41</b> | <b>156.98</b> | <b>161.70</b> |
| Council Tax Increase      |               | 3.00          | 3.00          | 3.00          | 3.00          |



**MID POINT**

**NEW FOREST DISTRICT COUNCIL**  
**DRAFT GENERAL FUND FORECAST 2008/09 TO 2011/12**

| <u>22/06/2007</u>                             | 2007/08      | 2008/09      | 2009/10      | 2010/11      | 2011/12      |
|---|--------------|--------------|--------------|--------------|--------------|
|   | £000         | £000         | £000         | £000         | £000         |
| <b>Net Portfolio Requirements</b>             | 21088        | 21725        | 21997        | 22336        | 22687        |
| Est. Inflation (salary related)               | 620          | 753          | 776          | 799          | 823          |
| Other Inflation                               | 248          | 255          | 263          | 271          | 279          |
| <b>Sub Total (A)</b>                          | <b>21956</b> | <b>22733</b> | <b>23036</b> | <b>23406</b> | <b>23789</b> |
| Capital Financing Provision                   | -100         | 0            |              |              |              |
| <b>Sub Total (B)</b>                          | <b>21856</b> | <b>22733</b> | <b>23036</b> | <b>23406</b> | <b>23789</b> |
| Less Interest on Balances(net)                | -130         | 100          | 50           | 50           | 0            |
| <b>Sub Total (C)</b>                          | <b>21726</b> | <b>22833</b> | <b>23086</b> | <b>23456</b> | <b>23789</b> |
| <b>Budget Requirements Total (D)</b>          | <b>21726</b> | <b>22833</b> | <b>23086</b> | <b>23456</b> | <b>23789</b> |
| <b>Add Expenditure Plan Bids</b>              |              |              |              |              |              |
| Finance & Efficiency/Policy & Resources       | 0            | 337          | 181          | 35           | 0            |
| Crime & Disorder                              | 0            | 10           | 10           | 10           | 0            |
| Economy & Planning                            | 0            | 423          | 12           | 0            | 0            |
| Environment                                   | 0            | 10           | -10          | 0            | 0            |
| Health & Social Inclusion                     | 0            | 0            | 0            | 0            | 0            |
| Housing                                       | 0            | 1            | 1            | 1            | 0            |
| Leisure                                       | 0            | 141          | 198          | -226         | 0            |
| General Purposes & Licensing Committee        | 0            | 0            | 0            | 0            | 0            |
| Planning Development Control Committee        | 0            | 100          | 0            | 0            | 0            |
| Standards Committee                           | 0            | 0            | 0            | 0            | 0            |
| <b>Sub Total Bids</b>                         | <b>0</b>     | <b>1022</b>  | <b>392</b>   | <b>-180</b>  | <b>0</b>     |
| <b>Deduct Expenditure Plan Savings</b>        |              |              |              |              |              |
| Finance & Efficiency/Policy & Resources       | 0            | -10          | 0            | 0            | 0            |
| Crime & Disorder                              | 0            | -36          | -6           | 10           | 0            |
| Economy & Planning                            | 0            | -13          | -29          | -7           | 0            |
| Environment                                   | 0            | -34          | 0            | -10          | 0            |
| Health & Social Inclusion                     | 0            | 0            | 0            | 0            | 0            |
| Housing                                       | 0            | -20          | 0            | 0            | 0            |
| Leisure                                       | 0            | -88          | -39          | -68          | 0            |
| General Purposes & Licensing Committee        | 0            | -40          | 0            | 0            | 0            |
| Planning Development Control Committee        | 0            | 0            | 0            | 0            | 0            |
| Standards Committee                           | 0            | -6           | 0            | 0            | 0            |
| <b>Sub Total Savings</b>                      | <b>0</b>     | <b>-247</b>  | <b>-74</b>   | <b>-75</b>   | <b>0</b>     |
| <b>Forecast Budget Requirements Total (E)</b> | <b>21726</b> | <b>23608</b> | <b>23404</b> | <b>23201</b> | <b>23789</b> |
| Further Efficiencies/Savings(-)/Growth        | -1           | -1611        | -1068        | -514         | -740         |
| <b>Budget Required after Reserve Transfer</b> | <b>21725</b> | <b>21997</b> | <b>22336</b> | <b>22687</b> | <b>23049</b> |

FINANCED

|                           |              |              |              |              |              |
|---------------------------|--------------|--------------|--------------|--------------|--------------|
| Collection Fund /RSG/ NDR | 11426        | 11369        | 11369        | 11369        | 11369        |
| Council Tax               | 10299        | 10628        | 10967        | 11318        | 11680        |
|                           | <b>21725</b> | <b>21997</b> | <b>22336</b> | <b>22687</b> | <b>23049</b> |
| Council Tax               | 143.67       | 147.97       | 152.41       | 156.98       | 161.70       |
| Council Tax Increase      |              | 3.00         | 3.00         | 3.00         | 3.00         |