

## SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

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**REPORT TO:** Leader and Cabinet 10<sup>th</sup> March 2005  
**AUTHOR/S:** Management Team

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### MEDIUM TERM FINANCIAL STRATEGY (MTFS)

#### Purpose of Report

1. The purpose of this report is to enable the Council to approve the Medium Term Financial Strategy given in **Appendix 1**. The strategy is mainly a drawing together of decisions made by the Council over the last few months affecting the medium term outlook.

#### Effect on Corporate Objectives

2. 

Quality, Accessible Services	The proposals in this report are all aimed at achieving the Council's objectives, primarily through making resources available to enable the Council to invest in its priorities over the next 3-5 years.
Village Life	
Sustainability	
Partnership	

#### Background

3. One of the areas for improvement identified by the CPA Team was to produce a Medium Term Financial Strategy (CAP 3). The aim to approve a MTFS was included in the Performance Plan and in the CPA Improvement Plan (F5).
4. Throughout the last few months, the Cabinet has made a number of decisions laying the foundation for the strategy – eg:-
5. In **July** the Cabinet and Council confirmed previous policies to remain debt free and reduce the General Fund working balance to a minimum level of £1.5m
6. In **November** the Cabinet and Council -
  - (a) Agreed to draw up the MTFS on the basis that any capacity for new spending would be directed towards inescapable requirements and the three priorities of customer service; the new settlements; and affordable housing.
  - (b) Agreed that additional resources are unlikely to be made available corporately for any other service improvements.
  - (c) Adopted Option 4 for the future projection of spending levels and Council Tax up to 2009/10. (Option 4 has revised since then to reflect subsequent changes. The most recent version of Option 4 is given in **Appendix 2**).
  - (d) Agreed savings of £458,000 for 2005/6, rising to over £500,000 in 2006/7 onwards.
  - (e) Decided to meet General Fund capital spending from capital receipts.

- (f) Agreed not to allocate £1m per annum for affordable housing; but agreed in appropriate instances to release sites at no cost for affordable housing schemes.
- (g) Recognised the need to make at least £500,000 per year available for new revenue spending through the following means: the use of underspends; the redirection of resources from services of lower priority; the review of opportunities to maximise income; and continuing to press Government to recognise the needs of growth areas.
7. In **January** the Cabinet considered proposals put forward for the redirection of resources from lower priority areas and decided to defer the savings by one year in the light of a significant underspend in the current year projected at that time but subsequently reduced.
8. In **February** the Cabinet and the Council:-
- (a) approved a Council Tax of £140 for 2005/06.
- (b) made spending decisions for 2005/6 consistent with the previous decisions and took into account Gershon savings targets, resulting in a revised Option 4 (**Appendix 2**)
9. The projections in Appendix 2 set very challenging targets for the Council in terms of achieving cashable Gershon savings and assume a willingness to implement proposals to redirect resources from lower priority services. The overall savings assumed (in £000s) are reproduced below:-

	05/06	06/07	07/08	08/09	09/10
Cashable Gershon savings	259	551	833	854	875
Redirection of resources (with inflation added)	-	-	270	815	836
Total savings in cash terms	259	551	1,103	1,669	1,711

10. It can also be seen from Appendix 2 that the proposed level of Council Tax in 2009/10 is £175, which is equal to the shire district council average (excluding parish precepts), whereas the underlying rate (ie the level required to meet projected spending without the use of other sources of income such as balances) is £195. With no balances to meet this difference, expenditure would need to be reduced by £1.2 m in 2010/11. By the same time it would also not be possible to continue to finance GF capital expenditure from capital receipts
11. The purpose of this report is to enable the Cabinet to review the decisions made earlier in the year and bring together a formal MTFS for approval of the Council.

#### **What is a Medium Term Financial Strategy and why do we need one?**

12. Any large or medium sized organisation needs to plan ahead in order to achieve its objectives and to adjust to external changes. Medium term planning is important as the improvement or development of services often needs investment and change programmes over periods longer than one year. This is particularly so for South Cambs at present, as major programmes of change such as the modernisation of customer service and the new settlements at Northstowe are long term objectives, which will require investment and focus over a number of years.

13. A medium term financial strategy is a means by which the Council can ensure, as far as possible, that it will continue to have resources to meet its needs over, say, the next five years to provide a firm basis for future planning and service development. As well as a financial strategy, the Council needs to be working towards setting out in more detail how it will improve its services. This has started with the CPA Improvement Plan but needs to be developed further. A workforce plan, which will clarify how the Council will develop its workforce to support planned changes is also being prepared.

### **Review of the Strategy**

14. The strategy will not be a static document. This strategy forms a starting point which will be reviewed on a regular basis, starting this July. There is never an ideal time to approve a medium term financial strategy, as there are always unknowns which may make it necessary to adjust the strategy subsequently. The attached strategy sets out some of the currently known uncertainties. In some cases it is almost certain that different circumstances will apply by July.

### **Implications**

15. There are no significant implications that have not already been addressed by the Cabinet or are not covered in the strategy.

### **Conclusions**

16. The strategy given in Appendix 1 will be difficult and challenging to implement. In particular, finding the planned Gershon savings and redirecting resources from lower priorities will be challenging and difficult, but they are central to the delivery of this strategy and the ability of the Council over the next three years to continue to develop its priorities and meet spending pressures. It has also to be said that, on current projections, the strategy could lead to substantial problems in 2010/11 as outlined in paragraph 10 above, but many other factors could also come into play by then.

### **Recommendation**

17. The Cabinet is recommended to approve the strategy in **Appendix 1**, agreeing specifically the 15 proposed policies.

**Background papers:** No unpublished background papers have been used in the preparation of this report. Previous reports to Cabinet are the main source documents.

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