

Key Decision Required:	Yes	In the Forward Plan:	Yes
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CABINET

6 JANUARY 2006

REPORT OF MANAGEMENT BOARD

A.1 REVISED INITIAL FINANCIAL STRATEGY FOR 2006/07 AND BEYOND

(Report prepared by Roy Coulter, David Appleby and Karen Neath)

1.0 PURPOSE OF THE REPORT

To present to Members Revised Initial Proposals for a Financial Strategy capable of fully funding the proposed detailed base budget prepared for 2006/07 (which is the subject of a separate report on the Cabinet's agenda).

In agreeing the Revised Initial Proposals for the Financial Strategy the Cabinet will also be making initial recommendations for the Council Tax increase for 2006/07.

To seek Members agreement to the approach to be adopted for the 2007/08 Financial Strategy.

2.0 BACKGROUND

2.1 National Picture

The Government is currently conducting a review (the Lyon's Inquiry) into the way in which local authorities are funded and the relative proportion of funding raised locally and was originally intending to report by December 2005.

The Government announced in the autumn, that the Inquiry is being extended to allow Sir Michael Lyon to consider issues of role and function of local Government before finalising his conclusions on funding. The Inquiry will now conclude with a final report in late 2006

In addition Members will be aware that a revaluation exercise was being undertaken in relation to Council Tax banding. The new bandings were due to be introduced from April 2007. However the Government also announced in the autumn that the case for Council Tax revaluation is linked to wider questions about the structure of the Council Tax, and to the operation of Council Tax Benefit. It is also relevant that there are a number of other imminent changes in the local government finance system, including the move to three-year budgets and the review of the local government finance formula.

The Government reached the view that to proceed with the current timetable for revaluation would not be sensible and has concluded that the balance of advantage lies with allowing the flexibility to re-value as part of a fully developed package of funding reforms, rather than as a precursor to them, and at a moment of greater financial stability for local authorities.

Consequently the Government has stated that it is postponing the revaluation of Council Tax in England. It will legislate to substitute for the current revaluation

date of 2007 a power to set a date for revaluation by secondary legislation. This will provide for revaluation to take place in such a way as to take full account of Sir Michael Lyons' work on the functions of local government as well as its financing. The Government does not believe that revaluation will occur during this Parliament. In the meantime preparatory work for a revaluation in 2007 has been stood down.

2.2 Local Picture

The Revised Initial Financial Strategy is being prepared against a background of continuing tight overall control by central Government.

At your meeting on 20 July 2005 (Minute 37) Cabinet agreed: -

The Initial Financial Forecast for 2006/07 and Beyond and the actions inherent in achieving this.

That a programme of action be implemented to allow Members to reduce the identified funding gap (£1.265m).

That a further report be made to Cabinet in January 2006 (when the financial position is clearer) identifying actions to bridge the funding gap.

That Overview and Scrutiny Committee be consulted on the Initial Proposals.

At your meeting on 7 December 2005 (Minute 112) Cabinet considered the response of the Financial Strategy Scrutiny Sub Committee to the Initial Financial Strategy and agreed:

- That the Cabinet adopts and agrees the responses proposed by the Finance Portfolio Holder to the review process. (These have been incorporated into the Initial Budget Proposals and the Revised Five-Year Forecast, as appropriate, in line with Cabinet's decision.)
- That the Cabinet confirms its Initial Financial Forecast and Initial Financial Strategy as proposed at its meeting on 20 July 2005 and subject to the impact of the above.

Those items that Cabinet undertook to review when the Financial Strategy was reconsidered are reproduced at **Appendix A**.

In accordance with the Initial Financial Strategy, a programme of work has been implemented to allow Members to reduce the identified funding gap of £1.265m. The approved programme areas included reviews of: -

Underspends
Inflationary increases
Capital Programme items
Savings/Increases to income
Re-visit Growth Expenditure Items
Manpower initiatives/efficiencies

Since your meeting in July there has also been a number of further developments that require the Financial Strategy to be revisited: -

- The provisional Local Government Settlement has now been received.
- A number of approved Growth Expenditure Items are no longer required and others have emerged.
- The Growth Expenditure Items previously considered have now been translated into detailed estimates.

- All of the detailed Service Estimates have been prepared and reviewed by Heads of Service.

The figures for the 2006/07 budgets set out in the Initial Budget Proposals report of the Head of Financial Services (which follows this report) are in line with the Cabinet's Initial Financial Strategy proposals of 20 July 2005 (as amended following Cabinet's consultation with Overview and Scrutiny Committee) and the changes detailed in **Section 5** below.

The Initial Budget Proposals are fully funded should Members confirm the Revised Initial Financial Strategy proposals as detailed in this report.

3.0 BASIS FOR THE INITIAL FINANCIAL STRATEGY

This section of the report summarises the financial position as it was when Members considered the Initial Financial Strategy in July 2005.

The Initial Financial Strategy was prepared against a background of continuing tight overall control by central Government, identification of significant cost pressures by Heads of Service and inflationary and incremental requirements. Along with a prudent approach to the level of Council Tax having regard to potential capping limits, these issues resulted in a significant estimated funding gap of **£1.265m**

Given the significant financial pressures facing the Council a financial risk based approach of addressing the identified issues was agreed.

3.1 Growth Expenditure Items

As in previous years, the most significant financial pressure is due to the extensive number and cost of Growth Expenditure Items.

Heads of Service produced Growth Expenditure Items lists faced by their Service over the five years of the forecast along with a risk assessment of both the impact and the likelihood of occurrence. The original list included both capital and revenue expenditure items and totalled **£5.7m** for **2006/07**, of which the Heads of Service assessed **£3.6m** in the highest four impact categories.

The Council clearly could not afford to fund all of these and an initial means of limiting the Growth Expenditure Items that were included in the Initial Five Year Forecast was agreed.

This was achieved by:-

Prioritisation of Growth Expenditure Items to identify those that we are very likely to have to fund. (Referred to as Priority 1)

Further prioritisation of the Growth Expenditure Items to identify those that are at the highest risk of requiring funding (but will not be included in the proposed budget). These are referred to as Priority 2.

Management by Heads of Service of the Growth Expenditure Items that cannot be afforded.

Following this risk based approach the Initial Financial Forecast was progressed on the basis of including Priority 1 Growth Expenditure Items only and consequently items totalling **£1.436m** were included in the Initial Financial Forecast for 2006/07 and **£1.606m** for 2007/08.

The Priority 1 Growth Expenditure Items included in the Initial Forecast, as at 20 July 2005, are shown at **Appendix B** along with the other priorities excluded from the forecast.

3.2 Risks of Excluding Cost Pressures

In prioritising the Growth Expenditure Items, it was necessary to take a view on the risk of each Growth Expenditure Item occurring. Included in Priority 1 were those items that it was assessed will or must occur, where there was already an agreement or contract in place or where there was a very high likelihood of occurrence. However, the Initial Strategy recognised that there is a risk that items will cost more than anticipated or those prioritised in lower bands could through, for example, a change in legislation or circumstance become imperative to fund.

The line drawn between Priority 1 items and Priority 2 etc items (i.e. those at the highest risk of requiring funding but will not be included in the proposed budget) is problematical.

3.3 Preparation of the Initial Financial Forecast for 2006/07

The Initial Financial Forecast was progressed on the basis of including only Priority 1 Growth Expenditure Items (**£1.436m** for 2006/07). Having identified the amount of money that should be included within the 2006/07 forecast for the Priority 1 Growth Expenditure Items the forecast considered the other variations to the estimated budget. At the end of the process a Funding Gap was identified that Members agreed needed to be bridged by reductions to the Initial Forecast.

The Initial Base Budget for 2006/07 – What was Included and What was Excluded

The starting point for the initial analysis was to move the 2005/06 budget on to a base budget position for 2006/07 that incorporated the following assumptions: -

Priority 1 Growth Expenditure Items

As detailed above these were included in the five-year forecast as requiring funding at a total cost of **£1.436m** for 2006/07 and **£1.606m** for 2007/08.

Inflation

The 2005/06 budget was re-priced to 2006/07 prices. Inflation was applied at the following rates: -

Item	Rate of Inflation	Amount in base budget £000
Pay	2.95%	429
Contracts	4.0%	195
General expenditure	2.0%	188
Fees and charges	2.0%	(140)
		<hr/> 672 <hr/>

The Local Government Pay Settlement of 7% over 3 years still stands at 2.75% from 1 April 2004, 2.95% from 1 April 2005 and 2.95%, (or the rate of the retail price index in October 2005, whichever is the greater), from 1 April 2006. The inflationary provision included in the forecast for 2006/07 was 2.95% as set out above. In addition to the annual pay award staffing budgets increase each year for increments awarded to staff who are not at the top of their grade and progress by one spinal point. The estimate of this cost in 2006/07 was **£0.210m**.

One-off items in 2005/06 to be Removed from 2006/07 Base Budget

Items included in the 2005/06 budget on a one-off basis only were removed as follows: -

Item	Amount in 2005/06 base budget £000
Specialist and other insurance assistance for re-tender	10
Meals on Wheels - make good building	50
Clacton Leisure Centre - repairs and maintenance	18
Waste Contract Monitoring Officer	24
Corporate buildings – repairs and maintenance	10
Internet link enhancement	25
Frinton and Walton Swimming Pool - repairs and maintenance	15
Dovercourt Swimming Pool - repairs and maintenance	15
Children's play areas – improvement and maintenance	20
Street nameplates	10
Criminal Records Bureau - checks on existing staff	5
Leisure Centres - loss of income	36
Town Twinning	20
Service improvement budget	61
Total	319

A number of these items were re-submitted by Heads of Service as Growth Expenditure Items for 2006/07 and beyond.

Other Budget Adjustments

Following a review by the Government, fees and charges made by Local Planning Authorities have been increased for Planning Applications in order to bring the income nearer to the costs involved. As a result of this it was estimated that an additional **£0.100m** above the amount included in the base budget will be received during 2006/07.

As a result of re-tendering the contract for the removal of abandoned vehicles a saving of **£0.33m** was achieved against the 2005/06 base budget.

The ongoing Website Development and Maintenance budget was reduced by **£0.045m** against the 2005/06 budget. This reduction was possible as the initial website development will be completed and the ongoing maintenance is being undertaken in-house.

Additional Recycling Credit income of **£0.39m** was received as a result of an increase in the Council's recycling rate as well as an increase in the value of the credit reimbursed by the County Council.

As a result of the Council's switch to an integrated data and telephony network (Voice Over Internet Protocol) savings on communications between buildings have been achieved of **£0.009m**.

Income from Court Costs associated with recovery work in BRS was estimated to be **£0.019m** higher than included in the 2005/06 base.

The 2005/06 base budget made allowance for a revenue contribution towards capital schemes of **£0.143m**. However, the Initial Strategy assumed that for 2006/07 no allowance was to be made for any contribution from uncommitted reserves or for any revenue contribution to

fund capital schemes. This therefore reduced the base budget in 2006/07 by **£0.143m**.

Assumptions on the Local Government Settlement and Council Tax

Based on what the Council was told in the forecast information contained within the Spending Review 2004, it was assumed that Central Government support would increase over the amount received in 2005/06 by **1.3%**. It was also assumed that additional RSG of **£358m** that was announced by the Government as part of the 2005/06 budget round, would not be ongoing

On this basis the increase in Council Tax required to support a budget of **£18.279m** was estimated to be **24.2%**. Clearly, an increase of this magnitude would be unacceptable and would certainly result in the Council being capped.

For the purposes of drawing up a first forecast an increase in Council Tax of **4%** was assumed on the basis that this would be revisited when Members considered the Revised Initial Financial Strategy.

3.4 Initial Financial Forecast Requirement 2006/07 and Initial Funding Gap

The Initial Financial Forecast assumed that the overall base budget for 2006/07, taking into account the assumptions set out above, would be as follows: -

Initial Financial Forecast 2006/07

<i>Item</i>	£000
Budget 2005/06	16,668
Plus	
Inflation and increments	882
Priority 1 Growth Expenditure Items	1,436
Less	
One-Off Items for 2005/06	(319)
Other Budget Adjustments	(388)
Initial Base budget requirement 2006/07	18,279
Amount to be Raised from Council Tax (at 4%)	(6,499)
Forecast Central Government Support	(10,435)
Forecast Surplus on Collection Fund	(80)
Initial Funding Gap 2006/07	1,265

It was agreed that with an assumed level of Council Tax increase of **4%**, balancing variables totalling **£1.265m** were required to fill the identified Initial Funding Gap as shown in the table above.

3.5 Actions to Reduce the Funding Gap

Clearly a range of actions needed to be identified and implemented that contributed towards reducing and/or eliminating the Funding Gap (**£1.265m** for 2006/07).

It was agreed that the Financial Strategy Project Teams undertook further reviews of the financial position in the areas shown below:

- Underspends
- Inflation on General Expenditure
- Capital Programme Review
- Savings/Increased Income
- Re-visit Growth Expenditure Items
- Manpower Initiatives/Efficiencies

4.0 CABINET'S INITIAL APPROVED FINANCIAL STRATEGY (AS AT 20 JULY 2005)

– SUMMARY

At Cabinet's meeting of 20 July 2005, Members agreed the Initial Financial Forecast for 2006/07 and Beyond and the actions inherent in achieving this forecast and specifically agreed: -

The Priority 1 Growth Expenditure Items to be included within the Five-Year Forecast (as shown in **Appendix B**).

The list of Priority 2 Growth Expenditure Items (which are at the highest risk of actually occurring) and lower priority items, identified in **Appendix B**, to be excluded from the forecast.

The Heads of Service 'Proposed managed response to the non funding of Growth Expenditure Items'.

That a programme of action be implemented to allow Members to reduce the identified Funding Gap. The programme to include a review of: -

Underspends
Inflationary increases
Capital Programme items
Savings/Increases to income
Re-visit Growth Expenditure Items
Manpower initiatives/efficiencies

That a further report be made to Cabinet in January 2006 (when the financial position is clearer) identifying actions to be taken to bridge the funding gap.

That Overview and Scrutiny Committee be consulted on these initial proposals, recognising that any increase in the level of Growth Expenditure Items or other budgetary demands (other than those included in the forecast) would require matching measures to close the increased funding gap.

At your meeting on 7 December (Minute 112) Cabinet considered the response of the Financial Strategy Scrutiny Sub Committee to the Initial Financial Strategy and agreed: -

- That the Cabinet adopts and agrees the responses proposed by the Finance Portfolio Holder to the review process. (These have been incorporated into the Initial Budget Proposals and the Revised Five-Year Forecast, as appropriate, in line with Cabinet's decision.)
- That the Cabinet confirms its Initial Financial Forecast and Initial Financial Strategy as proposed at its meeting on 20 July 2005 and subject to the impact of the above.

Those items identified by the Financial Strategy Scrutiny Sub-Committee that Cabinet undertook to review when the Financial Strategy was reconsidered are reproduced at **Appendix A**.

5.0 CURRENT POSITION: -

LOCAL GOVERNMENT FINANCE SETTLEMENT 2006/07 CABINETS ACTION PLAN TO REDUCE THE FUNDING GAP OTHER SIGNIFICANT CHANGES TO INITIAL FINANCIAL STRATEGY COUNCIL TAX ASSUMPTION REVISED FINANCIAL FORECAST BASED ON ASSUMPTIONS

Cabinet's Initial Financial Forecast and Strategy was considered in July 2005 and was based on the best available financial information at that time. The agreed Initial Financial Forecast for 2006/07 upon which this Initial Strategy was based is shown at **3.4** above. It centres on the requirement to identify options via an action plan to reduce the original funding gap of **£1.265m**.

This report contains the Revised Financial Forecast for 2006/07 summarised in **Section 5.5** below. The detailed changes compared to the position at 20 July 2005 are shown in **Appendix F**. The revised Forecast incorporates the following, which includes all of the changes previously approved by Cabinet and the outcomes from Cabinet's approved action plan summarised in **Section 5.2** below: -

5.1 Central Government Support - Local Government Finance Settlement 2006/07 and 2007/08

On 5 December 2005, the Chancellor of the Exchequer made his pre-budget report. In this he announced an increase in local government grant of **£304m** in 2006/07 and **£664m** in 2007/08. The Chancellor had previously announced in the Budget speech on 16 March 2005 the introduction, from 1 April 2006, of a statutory free local travel scheme for pensioners and certain disabled people. Nationally, a sum of **£350m** has been made available to fund this.

Also on 5 December, the Minister of State for Local Government made a statement on the provisional local government finance settlement for 2006/07 and 2007/08. This is the first stage in the move towards 3-year grant settlements and the announcement in 2006 will give 3 years of grant allocations.

In addition, the methodology for allocating formula grant has been changed following consultation earlier in the year. The new methodology concentrates on the announcement of headline cash grant allocation rather than the component elements of the formula. The Minister said "Notional spending and taxation figures are nonetheless still being misunderstood and misused for a variety of purposes, such as spending or tax targets, for which they were neither intended or suitable."

The new system for formula grant consists of a four block allocation as follows:-

- Relative Needs –reflects the relative need to spend for each authority taking into account local circumstance;
- Relative Resources - reflects the capacity of individual authorities to raise income from council tax;
- Central Allocation – a basic per capita allocation;
- Floor Damping - to ensure that all authorities receive a minimum increase in grant. The minimum increase for shire districts is **3%** for 2006/07 and **2.7%** for 2007/08.

The settlement also includes data changes to reflect the use of 2001 census data and new weightings for the allocation of the funding for the introduction, from 1st

April 2006, of the statutory free local travel scheme for pensioners and certain disabled people.

The overall allocation for Tendring in each of the four blocks is as follows:-

Block	2006/07 £m	2007/08 £m
Relative Needs	6.018	6.063
Relative Resources	(2.662)	(2.773)
Central Allocation	9.340	9.968
Floor Damping	(0.441)	(0.294)
Total formula grant	12.255	12.964
Increase over adjusted 2005/06 grant (£m)	0.776	1.485
Increase over adjusted 2005/06 grant (%)	6.8%	12.9%

The actual grant received for 2005/06 was **£10.300m**. The adjusted grant for 2005/06 is the actual 2005/06 grant recalculated to take account of data and resource changes implemented as part of the new methodology. This provides a like for like comparison between years. The main change for Tendring is through the funding provided for the statutory free local travel scheme for pensioners and certain disabled people.

After taking account of the concessionary fare adjustment, there is a cash increase in grant (including inflation) over 2005/06 of **£0.796m**. This represents a significant increase for 2006/07 that has moved the Council's finances in the right direction.

5.2 Cabinet's Action Plan to Reduce the Funding Gap

Cabinet agreed a series of projects to reduce the gap to allow the Council to approve a balanced budget.

The proposals identified below have emerged as the recommended solutions following informal discussions with Portfolio Holders.

Re-Visit Priority 1 Growth Expenditure Items

In advance of Members considering the Revised Initial Financial Strategy Cabinet agreed that a further review of the Growth Expenditure Items would take place. This review would revisit each item to determine the current appropriateness of inclusion as a Priority 1 and the associated cost. The drive would be to reduce the Priority 1 list and therefore reduce the funding gap.

A comprehensive review of all of the Priority 1 and other items originally included in the Initial Financial Forecast (Shown at **Appendix B**) has been undertaken. The costings have also been checked by Heads of Service and revised where appropriate to reflect the current estimated position.

As a result of the review it is suggested that the Priority 1 items could be reduced by **£0.919m** leaving **£0.517m** to be funded.

The Priority 1 Items proposed to be included for funding in the budgets are shown at **Appendix C** along with other priorities that are not proposed to be funded.

Included in the Priority 1 items proposed to be funded are: -

- Additional one-off repair and maintenance of sports facilities (including sports centres, swimming pools and changing rooms) **(£0.080m)**
- Additional one-off repair and maintenance of public conveniences **(£0.050m)**
- Additional repair and maintenance of children's play areas **(£0.020m)**
- Replacement of CCTV equipment in Clacton **(£0.030m)**
- Laying out of the next areas of Dovercourt and Clacton cemeteries **(£0.100m)**
- Additional part year cost anticipated from re-tendering of waste collection contract.**(£0.044m)** and cost of waste collection from new properties **(£0.006m)**
- Ongoing funding **(£0.026m)** for the Contract Monitoring Officer (Street sweeping/fly tipping/waste management etc)
- Increased resources for internal audit, including computer audit, **(£0.037m)**
- Funding of income shortfalls in land charges and liquor licensing **(£0.076m)**
- Maintenance and rental of ISDN lines for CCTV **(£0.020m)**

Further growth, including expenditure of **£1.159m** on free concessionary fares to the over 60's (and certain disabled people), has also been included in the budget as a result of the estimate process (see below).

It is critical, in line with the risk based approach and Cabinet's previous decision, that the level of reserves is maintained at approximately **£4m** in order to mitigate against the very real possibility of some of the excluded Growth Expenditure Items actually occurring.

Savings / Increased Income

Following approval by Cabinet of the Project Management Framework for the Financial Strategy, the process of identifying savings/increased income was begun with consideration of potential areas for savings or increases in income.

The methodology for identifying options for savings and increased income was developed. The initial action was to undertake a two-stage risk assessment of each saving/increased income option: -

Stage one was an assessment of the corporate impact of taking the saving/income increase based on the approved Risk Management Strategy that centres on the likely impact of delivering our corporate priorities and statutory obligations.

Stage two was a feasibility risk assessment of the risk of the projects, that are within our risk tolerance level, not being delivered or not delivering the expected level of financial contribution to the savings element of the overall Financial Strategy.

Following the above, the savings etc that passed both tests were prioritised according to an impact hierarchy that takes account of: -

- Increased Efficiency
- Increased Business
- Support Service Reduction
- Support Service Cessation
- Quality/Frequency Reduction
- Increased Charges
- Frontline Service Reduction
- Frontline Service Cessation

The resulting prioritised list of proposed savings/increases in income was subject to informal discussions with Portfolio Holders. As a result of this savings / increased income of **£0.403m** are proposed to be included in the Revised Financial Forecast.

The details of the savings / increases in income proposed to be taken into the 2006/07 budget (listed in impact hierarchy/feasibility rating order) are shown in **Appendix D** along with a brief description of the proposal.

The details of the savings / increases in income not to be taken into the 2006/07 budget (listed by risk rating/feasibility rating order) are shown in **Appendix E**. Again they are annotated with a brief description of the option.

Review of Underspends and Overspends

The estimate for 2005/06 included provisions for underspends of **£0.219m** on salaries and wages and **£0.250m** on other budget headings. These provisions have also been built into the forecast base budget for 2006/07 and beyond together with the Manpower Initiatives/Efficiencies reductions of **£0.250m** (see below).

Both underspends and overspends have also been reviewed as part of the budget setting process and have been taken account of in the draft estimates where it is appropriate to do so. Changes to the base budget resulting from the estimate process are shown in **Section 5.3** below

Review of Inflationary Increases

Members need to consider the inflationary increases to be included in the Revised Initial Financial Forecast and if there is any scope in limiting inflationary increases to specific budgets.

The Initial Forecast assumed inflationary increases as follows: -

Item	Rate of Inflation	Amount in base budget £000
Pay	2.95%	429
Contracts	4.0%	195
General expenditure	2.0%	188
Fees and charges*	2.0%	(140)
		<hr/> 672 <hr/>

* This is a general increase proposed to all fees and charges (subject to the need to charge rounded amounts and statutory fees). In addition specific income budgets are proposed to be increased above this level as shown in **Appendix D**.

The assumptions contained in the Initial Forecast have been revisited having regard to the latest information and Government indicators. As a result the inflationary increases proposed to be included in the budget are unchanged.

Capital Programme and Service Improvement Budget

• Capital Programme

The overall objective of the review has been to align the Capital Programme to match members' corporate priorities.

The basic assumptions that have been used in the determining the extent of the programme are: -

- The programme includes the member priority capital projects (Clacton Town Centre Improvements, Public Convenience, Frinton and Lifestyles, Clacton Leisure Centre).
- No revenue contributions are planned to be made to the programme on an ongoing basis.

The Capital Growth Expenditure Items and their inclusion or otherwise in the 2006/07 draft budget has been dealt with above (see 'Re-Visit Priority 1 Growth Expenditure Items').

In accordance with Councils decision on 13 December (Minute 83 refers) the programme includes **£2.0m** to fund the initial phases of the estimated **£3.5m** expenditure on member priority capital projects (Clacton Town Centre Improvements, Public Convenience, Frinton and Lifestyles, Clacton Leisure Centre). It was agreed that this expenditure is to be funded by prudential borrowing against potential income in 2006/07 from asset sales. The proposed revenue budget includes **£0.200m** for 2006/07 to meet the amount to support borrowing (including the **£2.0m** mentioned above).

A revenue contribution is also proposed of **£1.0m** to further support the member priority capital projects and to partially bridge the gap between the estimated costs of the schemes and the available resources. Together with the **£2.0m** borrowing this means that **£3.00m** would be available towards the **£3.5m** estimated costs of the schemes.

The total capital expenditure proposed for 2006/07 is **£9.143m**.

• Service Improvement Budget

A small Service Improvement Budget of **£0.012m** has been identified. At this stage it is a balancing figure which will help to mitigate against minor changes in the overall budget requirement that inevitably occur prior to the final estimates being considered by Council. E.g. the final settlement is lower than the provisional settlement. Conversely if the final financial position is more advantageous to the Council then any increase is proposed to be held in the Service Improvement Budget in order to support the Council's Corporate Priorities.

Manpower Initiatives / Efficiencies

At the meeting of the Cabinet on 3 August 2005 (Minute 44) a saving on the Council's manpower budget for 2006/07 of **£0.250m** through proactive management of vacancies and other human resource initiatives was agreed.

The Manpower Committee, on the 31 August 2005 (Minute 10) agreed the approach to reshaping the Council's workforce to achieve the above.

A saving of **£0.250m** has therefore been incorporated into the proposed Financial Strategy for 2006/07.

5.3 Other Changes to the Initial Financial Strategy 2006/07 as a Result of the Estimate Process

A thorough review has taken place of the 2005/06 budget position which has resulted in the identification of ongoing additional savings arising from an analysis of the underspend position.

Further savings have been identified as part of the work on the Gershon efficiency agenda that had not been taken account of elsewhere in the 2006/07 base budget.

The estimate process identified a number of savings and additional costs arising from a detailed review of the budget position for 2006/07 (as a result of the estimate process) and from new duties or initiatives that the Council is undertaking.

The major increases in expenditure and sources of funding (where appropriate) arise from the following: -

- Concessionary fares – estimated costs for free bus travel for the over 60's. These costs have been aligned to the additional funding provided by the Government as exemplified in the settlement consultation (**£1.159m**). The actual costs will not be known until the scheme has been operational for a full year.
- One-off revenue contribution towards member priority capital schemes (**£1.0m**)
- One-off contribution to Contact Management/Development Fund reserve (**£0.400m**) funded by Planning Delivery Grant (see **Section 7** below)
- Jaywick Masterplan (**£0.388m**) funded from Safer and Stronger Communities grant
- One-off revenue costs of borrowing, including up to **£2.0m** for member priority capital schemes (**£0.200m**)
- Jaywick Masterplan project officer (**£0.100m**) funded by contributions from other partners and earmarked reserves
- Increased costs for electricity, gas and oil due to rises in utility costs (**£0.090m**)
- Increased inflationary requirement on the pension deficiency (**£0.063m**)
- Anticipated loss of income arising from proposed asset disposals (**£0.058m**)
- One-off regeneration consultancy – Replacement Local Plan (**£0.050m**)

Further cost reductions have also been included in the draft estimates: -

- Income (**£0.309m**) anticipated from ECC contribution for Coast Protection (**£0.076m**), LPSA1 (**£0.100m**) and Highways Agency LSA (**£0.133m**) monies due in 2006/07.
- Additional benefits administration grant (**£0.081m**)

- Additional income from the County as a result of better than anticipated collection rates on Second Homes (**£0.050m**)

The net effect of changes arising from the estimate process is **£2.318m**.

The costs (**£0.056m**) of the manual workers job evaluation and the Jaywick Master Plan Project Officer have been funded by contributions from the reserves set aside to specifically meet these costs.

Full details of all the changes can be seen in the Revised Financial Forecast for 2006/07 shown at **Appendix F**. The net effect of all the changes is **£2.313m**.

5.4 Council Tax

The Initial Financial Forecast was based on an assumed increase in Council Tax of **4.0%**.

Given the extent of the financial pressures facing the Council and recent statements made by the Government on capping (see **Section 6** below), the Revised Initial Forecast is based on an assumed Council Tax increase of **4.9%**. Together with the increase in tax base for 2006/07 this would generate additional ongoing income of **£0.097m** beyond that assumed in the Initial Strategy.

For information and comparison the 2005/06 Council Tax for a Band D property (excluding parish precepts) for other Essex Districts is shown in the following Table: -

District	Annual Council Tax (£)	Weekly Council Tax (£)
Harlow	224	4.31
Basildon	214	4.12
Castle Point	199	3.83
Rochford	163	3.13
Colchester	152	2.92
Brentwood	148	2.85
Maldon	144	2.77
Braintree	137	2.63
Chelmsford	136	2.62
Epping Forest	131	2.52
Tendring	126	2.42
Uttlesford	122	2.35
All Districts Average	146	2.81
Essex Average	158	3.04

Note – Annual Council Tax is rounded up, as figures are only available in this format from ODPM.

In determining the actual level of Council Tax, Members should have regard to **Section 6** below (**Council Tax and Capping**) and in particular recent statements made by the Government.

5.5 Revised Financial Forecast 2006/07 Based on Assumptions

When the variations set out in sections **5.1** to **5.4** are taken into account this results in a Revised Forecast Budget for 2006/07 of **£18.981m** as summarised in the following table:

Revised Financial Forecast 2006/07

	As at 20.7.05 £000	Variations £000	As at 6.1.06 £00 0
Base Budget 2005/06	16,668		16,668
<i>Agreed in Initial Strategy</i>			
One-off items for 2005/06 removed	(319)	0	(319)
Other budget adjustments	(388)	0	(388)
<i>Items from Cabinet's Agreed Action plan</i>			
Re-Visit Priority 1 Growth Items	1,436	(919)	517
Savings & Increased Income	0	(403)	(403)
Inflation and increments	882	0	882
Manpower Initiatives	0	(250)	(250)
<i>Other Changes</i>			
Changes – arising from Estimate process	0	2,318	2,318
Use of earmarked reserves	0	(56)	(56)
Service Improvement Budget	0	12	12
Revised Forecast Budget 2006/07	18,279		18,981
<i>Funded by:</i>			
Central Government Support (RSG)	10,435		12,255
Surplus on collection fund	80		130
Council Tax	6,499		6,596
Funding Gap	1,265		0
	<hr/> 18,279		<hr/> 18,981
Assumed Band D Council Tax increase over 2005/06	4.0%		4.9%

The 2006/07 detailed budget set out in the Initial Budget Proposals report of the Head of Financial Services (which follows this report) is in line with this forecast.

The initial budget proposals, which follow this report, are therefore fully funded with a Council Tax rise of **4.9%**.

The detailed Revised Financial Forecast is shown at **Appendix F**

5.6 2004 MORI Citizens Panel

The MORI Citizens' Panel consultation was last carried out during September and October 2004 as part of the body of work being undertaken to inform Members in making decisions about the Council's Financial Strategy. The consultation also included other important issues such as Customer Services, contact with the Council and crime and disorder priorities.

Two key areas where our customers would like to see additional funding are: -

Public Conveniences – net score +52%
Fly-tipping – net score +51%

The continued appointment of the Contract Monitoring Officer is included within the draft 2006/07 estimates as a Priority 1 Growth Expenditure Item. This will

allow significantly improved monitoring of the performance of our contractors for the public convenience cleaning and repair and maintenance functions as well as the pro-active investigation and monitoring, investigation and resolution of incidences of fly tipping.

The Cabinet has also identified the replacement and upgrading of the public convenience at the end of Connaught Avenue, Frinton as a key capital scheme that is currently at the design stage. Furthermore an extra **£0.050m** has been made available for additional repair and maintenance to public conveniences.

The MORI survey also concludes that **57%** of our residents use the Internet compared with **51%** in 2001 with the number who use the Internet every day increasing from **15%** to **21%**. It is also encouraging that **18%** have visited the Council's own web site compared with only **6%** in 2001. Furthermore, national research carried out during 2005 revealed that 19% of households in Tendring have a broadband internet connection. These results illustrate that the Council's web site is a growing source of information for our customers and will continue to increase in importance in the future.

In response to the growth of the internet as a key 'channel' for Council business, we have invested in the development of the Tendring website to incorporate new technology which will allow the Council to change the way it works over the coming months and years. We will be looking for opportunities to become more efficient in how we do business with our customers and lead the community. The technology implemented, such as e-payments and e-forms, supports this objective. The website, and the use of new technology in general, will form an important element of Financial Strategies in years to come starting from 2007/2008 – see **Section 8** below.

6.0 COUNCIL TAX LEVEL AND CAPPING

6.1 Council Tax

Cabinet's initial proposals assumed that the level of Council Tax increase would be **4%**.

On the 5 December 2005, the Minister for Local Government, Phil Woolas, made an oral statement to the House of Commons which included the following:-

".....We have provided a stable and predictable funding basis for local services. We expect local Government to respond positively as far as council tax is concerned.

Therefore we expect to see average council tax increases in each of the next two years of less than 5%. There is, following today's announcement, no excuse for excessive increases.

Local government should be under no illusions; if there are excessive increases, we will take capping action - as we have done over the last two years. "

Having regard to the extent of the cost pressures facing the Council and the above Government statements on capping, the revised strategy assumes the average increase to a Band D property to be **4.9%**

The following table shows the level of income that could be achieved at various levels of Council Tax:

Council Tax Increase	Band D Amount		Additional Income above 4.0% level £
	Annual £	Weekly £	
4.00%	130.98	2.52	N/A
4.25%	131.29	2.52	15,700
4.50%	131.61	2.53	31,400
4.75%	131.92	2.54	47,200
4.90%	132.11	2.54	56,600

In determining the Revised Initial Financial Strategy, including the level of tax, Cabinet might wish to consider the following key issues:

The level of Growth Expenditure Items that have occurred for 2006/07 and the projected pressures occurring in future years. Experience in recent years has indicated that whatever pressures are forecasted from one year to the next the list tends to be an expanding position rather than a contracting one.

The Growth Expenditure Items that have been excluded from the proposed budget and the Discretionary Savings/Increased Income etc. that has been included. Tendring has a low Council Tax level unable to fund all of the High Priority Growth Expenditure Items identified by Heads of Service.

On the 5 December, the Minister for Local Government made a statement warning local authorities of potential capping action. An increase in Council Tax is expected of less than 5%. Extracts from the statement are set out above.

In determining any strategy the Cabinet may be minded to take a multi-year view of the financial position.

It is likely that new Growth Expenditure Items will occur in 2007/08 that are not taken into account in the current forecast.

6.2 Capping

The Secretary of State has two options for deciding how to deal with authorities that he considers to have set excessive budgets. He can either “designate” an authority, which means that it is capped in the current year, or “nominate” an authority, which means that he can set a notional budget to be used for comparison in the following year or designate it in the following year.

In deciding whether to designate or nominate authorities for 2005/06, the Government considered not just the level of Council Tax increase but also the increase in budget.

Capping Criteria Used For 2005/06

Criteria	Capping limits (All Authorities)	Tendring
Budget increase	More than 6% over previous year	5.0%
Increase in Council Tax	More than 5.5% over previous year	4.6%

7.0 RISKS AND RESERVES

Notwithstanding the welcome local government settlement, there are clearly risks associated with the strategy. The actions to reduce the funding gap, including restricting Growth Expenditure Items, gives rise to the clear potential for items that have not been funded to emerge or for increases in income etc not to materialise in reality.

The strategy is an integrated process, with each element being dependent upon the others. It requires strong management by the Heads of Service on those Growth Expenditure Items not included within the Forecast and to deliver savings. A tough line has been taken of only including within the Forecast that which appears necessary to fund.

The action that has been taken to close the funding gap is critically dependent upon a continuing strong reserve position that is capable of mitigating some of the risks associated with the approach.

The strategy adopted in compiling the revised forecast has taken a risk-based approach. There are a substantial number of areas that could lead to additional expenditure being incurred, such as: -

Emergence of Growth Expenditure Items not included as Priority 1;
Final local government finance settlement is lower than the provisional;
New legislation;
Local or national emergency;
Non achievement of income;
Non achievement of savings;
Non achievement of underspend provision;
Inflation on contracts and utilities higher than estimated;
Non receipt of capital receipts to support the capital programme;
Requests for supplementary estimates;
Change in interest rates.

In view of the above it is vital that the Council has a sufficient level of uncommitted reserves set aside to support the approach identified in this strategy. An uncommitted reserve of approximately **£4m** (including the **£1.6m** minimum working balance) has been approved previously to insure against the eventuality that some of the events listed above actually occur.

7.1 Proposed Contact Management/Development Fund Reserve

In order to fund the potential development of the Contact Centre approach as well as providing a development fund for other initiatives aimed at delivering efficiencies it is proposed to establish an earmarked Contact Management/Development Fund Reserve. This reserve would be funded by utilising the Planning Delivery Grant for 2006/07 that is currently estimated to be **£0.400m**. Any unspent monies from the 2005/06 Contact Centre budget are also proposed to be carried forward and placed in this reserve. Various efficiency initiatives could then bid for the use of this money (such as e-planning etc requirements) and it could also be used to start investment in efficiencies needed to deliver any savings necessary for 2007/08 (see below).

Having this reserve is particularly important bearing in mind that: -

- The Service Improvement Budget is minimal and is proposed to be utilised as a balancing figure to mitigate against e.g. the final settlement being lower than the provisional settlement.

- Having an earmarked reserve allows efficiency projects to be planned over a greater than one year time horizon.

7.2 Proposed Haven Gateway Reserve

Since first announced in January 2005, the Haven Gateway Partnership (HGP) has agreed in principle to support a submission to Government for formal designation of the area as a new Growth Point. Designation would attract capital funding for projects and also increase the level of influence the area could exert at both regional and national levels

The latest advice given by ODPM, at the East of England Plan examination in public, where it supported the possible designation of Haven Gateway as a Growth Point was that any submission would be required by Easter 2006.

Although not certain, it is likely that the HGP will need to be formally constituted with its own resources. ODPM has also indicated that although funding will be available to support whatever local delivery vehicle is chosen it will expect the partners to contribute financially to the new organisation to not only meet operating costs but to also to demonstrate Partner commitment and in particular that of the 'founder' local authority partners.

The costs of any new body are still to be determined but it is likely, based on the experiences elsewhere of other Government supported regeneration agencies that Tendring could be requested to make a contribution in the region of **£0.075m** per annum towards these costs. In anticipation of this it is proposed at this stage to establish a Haven Gateway Partnership reserve of **£0.075m** to meet the costs in the first year.

8.0 FINANCIAL STRATEGY PROCESS 2007/08 AND BEYOND

8.1 The Financial Landscape for 2007/08

Looking ahead to 2007/08, the Council continues to face a challenging financial environment. As a starting point, **Appendix G** shows the Financial Forecast for 2007/08 and beyond, based on the information available at 20 July 2005. Whilst a lot has changed and the 2007/08 forecast needs to be revisited, the Initial Financial Strategy identified a funding gap of **£1.9m** for 2007/08.

It is inevitable, that the Financial Strategy approach of risk managing Growth Expenditure Items will result in a number of the Growth Expenditure Items identified for 2006/07 occurring in future years. Added to this, new items will inevitably emerge. The same financial problems will therefore arise in the future as the Council is facing now with substantially less leeway for reductions in discretionary activity without impacting on our Corporate Priorities.

Sitting alongside the national financial environment, there is an increasing focus on the efficiency agenda, through the Gershon programme of annual efficiency statements and a CPA inspection focus shifting towards value for money, whilst sustaining performance improvement. The Comprehensive Spending Review for 2007 may place further demand on local authorities to increase their efficiency targets.

8.2 Implications for the Council's Financial Strategy 2007/08 and beyond

The work carried out to date has provided a sound approach to managing the Council's financial position. We now have a much better understanding of both the national and

local issues associated with Council Tax and have managed resources without impacting adversely on performance. The 'good' CPA rating is recognition of both our service delivery and organisational management achievements.

As part of the current strategic approach, the Council has sought to maximise Council Tax revenues, whilst avoiding the risk of capping, and has also looked to balance the need to maximise the income from other sources such as beach huts and charges for cremations, whilst ensuring charges for services remain reasonable. The Strategy has required savings and a continuing level of financial risk to enable a balanced budget for 2006/07 to be presented.

The financial settlement for 2006/07 has moved the Council's finances in the right direction. However given the Council's low tax levy and the Government's approach to capping, the ability to increase income in future years is very limited. There are a significant number of unfunded cost pressures and experience dictates that in addition new cost pressures will emerge during the 2007/08 process. Looking at the provisional funding gap, the steps and measures taken to present a balanced budget for 2006/07 and the current financial climate nationally, it is difficult to envisage a Financial Strategy for 2007/08 which does not involve a continuing drive for efficiency in all our areas of activity.

8.3 Financial Strategy 2007/08 – A New Direction

The approach to the Financial Strategy for 2007/08 is formulated around the concept of the development of a 'toolkit' to assist in changing the shape of the way we work. The financial strategy process needs to: -

- Provide a strong corporate framework for financial strategy, whilst encouraging innovation and ownership of financial management at service level;
- Achieve greater alignment between the Council's priorities – stated corporate priorities and annual plans and initiatives – and financial planning; and
- Build in greater resilience and flexibility into the financial management process in order to respond to demands which occur throughout the year.

The development of a 'toolkit' to support financial management must allow services and the Council corporately to:

- Quantify and realise efficiencies that result from the use of ICT, performance management, procurement and workforce planning across the Council;
- Use tools to change the way we work and reap the benefits as a Council; and
- Embark on the development of real and measurable efficiencies to create a sustainable and manageable process for the future.

8.4 Efficiencies and the Financial Strategy Process 2007/08

As part of the Financial Strategy for 2007/08, the Council needs to initiate projects that identify ways of becoming more efficient, quantify the resultant savings and take advantage of these savings.

ICT plays a major role in this modernisation programme and in the past the Council has been good at investing in new technology in both the back and, more recently, front office. It is now time to move on to the next stage of the process which is using and taking advantage of the new technology and looking to deliver more services electronically. Investment in the Council's website and the existence of Customer Relationship Management (CRM) technology in the pilot Contact Centre make this a real possibility.

The key elements of modernisation now relate to organisational change and require everyone across the Council to embrace technology and new ways of working. This means personnel initiatives, workforce planning and partnership working are key elements of the approach. The Council also needs to look at taking the efficiencies from other investment in areas such as procurement and shared services, through initiatives such as the Essex Procurement Agency.

To achieve these efficiencies, the Council will need to do things differently and to assist in this process, we have developed a number of tools and initiatives which services will need to take advantage of. These include:

- **Development of contact centre working** – The Council has already invested in CRM technology and operates a pilot Contact Centre in BRS. We need to build on this and identify the split of tasks between the front and back office across Services and implement changes to improve customer service and become more efficient.
- **Take-up of the website and better contact management** – This is in some ways inseparable from contact centre working. It will require identification of areas where self-service is an option or where mediated service can be provided by the first point of contact with the Council. Both contact centre working and use of the website require business process re-engineering to take place to ensure that the right jobs are being done by the right people in the right place. The website, in particular, needs to be promoted to stimulate take-up.
- **Better use of ICT** – This incorporates elements of the website and contact centre working in terms of more complex developments including work flow and integration with back-office systems. It also extends to making better use of the Council's existing ICT infrastructure, ranging from the use of the Outlook Calendars across the Council to service document imaging projects.
- **Procurement** – The Council has invested in I&DeA Marketplace for e-procurement and is also a member of the Essex Procurement Agency. We must look to be an active participant in shaping the direction of the Agency and look to quantify and take efficiencies where they occur.
- **Workforce planning** – We have the opportunity to look ahead and plan our workforce needs and these need to reflect better use of technology. As a Council we have a significant proportion of staff reaching retirement age over the next 5 years and we must manage this process to ensure we do not lose valuable skills whilst at the same time questioning the relevance of roles to modern local government. The Council has already set up a Workforce Planning Team to commence this process.
- **Other HR initiatives** – We need to look at our current employment practices, not just from an efficiency perspective, but also from the point of view of ensuring that they reflect the current workforce marketplace. Initiatives such as flexi-time are now common place as employers look to home-working and other styles of working as part of the overall approach to a positive work-life balance. As part of this, we must look at the Council's approach to overtime and establish the most effective way of covering irregular work patterns.
- **Partnership working and shared services** – The Council already seeks to achieve efficiencies by working in partnership with private sector providers such as Onyx and Liberata. Over the coming years there may be opportunities for further partnership working and sharing services with other councils and public sector bodies.

Set out above are the key tools available to the Council as it seeks to modernise and take advantage of efficiencies over the coming years. In adopting this approach and

applying it across the Council's services it will create opportunities for the Council to do things differently and establish a sustainable approach for the future.

8.5 Financial Strategy 2007/08 - Process

A provisional timetable of how the process might work is set out below:

Date	Activity
January 2006	<ul style="list-style-type: none"> ➤ Commence investigation into efficiency projects. Key deliverables will be: <ul style="list-style-type: none"> ▪ Implementation Plan for delivery: ▪ Total target saving
April 2006	<ul style="list-style-type: none"> ➤ Milestone report on the progress of efficiency projects ➤ Start identification of critical growth items for 2007/2008 – look at legislative and unavoidable service demands ➤ Identify one-off items for 2006/07 to be removed from the 2007/08 budget
June 2006	<ul style="list-style-type: none"> ➤ Draft targets for efficiency projects produced ➤ Draft list of critical growth items identified
July 2006	<ul style="list-style-type: none"> ➤ Reports on efficiency projects ➤ Review 2005/06 out-turn and underspend to try to reduce base budget wherever possible. ➤ Report on Financial Strategy 2007/2008 bringing together results of planning process, setting service budget targets
September 2006	<ul style="list-style-type: none"> ➤ Final approval of efficiency projects and implementation plans
December 2006	<ul style="list-style-type: none"> ➤ Update on implementation of Financial Strategy 2007/2008
January 2007	<ul style="list-style-type: none"> ➤ Financial Strategy 2007/2008 report to Cabinet
February 2007	<ul style="list-style-type: none"> ➤ Cabinet recommendation of final proposals to Council.
April 2007	<ul style="list-style-type: none"> ➤ Commence delivery of Efficiency Projects.

The Council finds itself in a position where there are no large savings that easily present themselves and there is no likelihood of a softening of the line with regard to Council Tax. Therefore, we need to look at 'doing things differently' in how we work as a Council. This will be challenging as it represents a significant change in the culture of the organisation, which will need to be delivered whilst sustaining performance and delivering a reshaping of budgets.

9.0 IMPLICATIONS

9.1 Community Strategy and Corporate Strategy

Careful planning to ensure financial stability underpins the Council's capacity to achieve the objectives set out in the Corporate Strategy. Individual elements of the strategy are risk assessed against the aspirations of the Council, as well as statutory service requirements. The approach for 2006/07 builds on previous successful financial planning and is key to the Council's aim to be a modern, healthy and well managed organisation. For 2007/08 and beyond, the Council

needs to change the way it aligns corporate aspirations and their financial affordability and work commences now to plan for 2007/08 and beyond.

9.2 Financial

The financial implications are fully considered in the body of this report.

9.3 Legal

The Council is legally required to calculate a budget requirement and set a Council Tax for each financial year.

The Secretary of State may designate capping (for the present financial year) or nominate capping (for the following financial year) for an authority if in his opinion its budget requirement is excessive.

In each case the Secretary of State must inform the authority in writing, and the Local Authority has 21 days in which to make written representations. Following receipt of any representations the Secretary of State may confirm his designation/nomination, or may alter these (including the amount proposed to be the maximum for the budget requirement for that financial year if designated, or the following financial year if nominated).

9.4 Crime and Disorder Act 1998

Financial stability underpins the Council's capacity to deliver its contribution to the Crime and Disorder Strategy.

10.0 CONCLUSION

With one of the lowest council taxes in Essex, the Council faces and will continue to face a tight financial position in which Growth Expenditure Items always exceed the resources available.

There are no easy answers to the problem. If we are to avoid capping or substantial discretionary savings then we have to control expenditure and particularly the Growth Expenditure Items included within the budget. The consequences of the non-inclusion of items in the budget have to be strongly managed by Heads of Service.

The approach identified within this report is founded on the previously approved Initial Financial Strategy and will deliver a fully funded budget for 2006/07. However it does expose the Council to a continuing level of financial risk as in previous years. In order to manage this risk it is an essential part of the Strategy for the levels of uncommitted reserves to remain at approximately **£4m**.

The Revised Initial Financial Strategy is fully funded with an increase in Council Tax for a Band D property of **4.9%** for 2006/07

The proposed approach to the Financial Strategy for 2007/08 incorporates the identification of efficiencies that are built into Service targets.

Once the Cabinet has agreed their Revised Initial Financial Strategy proposals they will go forward to the Overview & Scrutiny Committee for a 3-week consultation period. The comments of Overview & Scrutiny will be reported back to Cabinet on the 1 February 2006 for final consideration. Cabinet will then make final recommendations to the Council meeting on 16 February 2006.

11.0 RECOMMENDED

- (a) That Cabinet agrees the Revised Initial Proposals for the Financial Strategy and Financial Forecast for 2006/07, as detailed in the report.**
- (b) That, subject to (a) above Cabinet determines their proposals for the Council Tax increase for 2006/07.**
- (c) That if the final financial position is more advantageous to the Council then any increase is held in the proposed Service Improvement budget in order to support the Council's Corporate Priorities.**
- (d) That Cabinet notes the proposed approach to the Financial Strategy for 2007/08.**
- (e) That the Cabinet requests Overview and Scrutiny Committee's comments on these Revised Initial Financial Strategy Proposals.**

**CHIEF EXECUTIVE
MANAGEMENT BOARD &
HEAD OF FINANCIAL SERVICES**

List of Appendices

- Appendix A** List of Items from consultation with the Financial Strategy Scrutiny Sub Committee that Cabinet undertook to reconsider when the Financial Strategy was reviewed.
- Appendix B** Summary list of Priority 1 Growth Expenditure Items (as at 20 July 2005) included in the Initial Financial Forecast along with other priorities excluded from the forecast.
- Appendix C** Revised Priority 1 Growth Expenditure Items proposed to be funded in the Revised Initial Financial Forecast along with all other priorities which will not be funded.
- Appendix D** Savings and Income increases proposed to be taken into the 2006/07 budget, following discussions with Portfolio Holders.
- Appendix E** Savings and Income increases not proposed to be taken into the 2006/07 budget, following discussions with Portfolio Holders.
- Appendix F** Revised Financial Forecast 2006/07.
- Appendix G** Initial Financial Forecast 2007/08 and beyond (as at 20 July 2005).