
**EXCERPT FROM THE MINUTES OF THE
CORPORATE RESOURCES OVERVIEW AND
SCRUTINY COMMITTEE
HELD ON 12 JUNE 2003**

**CROS.66/03 MEDIUM TERM FINANCIAL PLAN AND CORPORATE CHARGING
POLICY 2004/05 TO 2006/07**

The Strategic Finance and Business Analyst presented report of the Head of Finance (FS.11/03) setting out the Council's Draft Medium Term Financial Plan and Corporate Charging Policy for the period 2004/05 to 2006/07.

The 'Three Year Financial Plan' for the period 2003/04 to 2005/06 was currently contained in a number of separate reports and documents which did not provide the transparency necessary to show the Council's priorities and policies over the planning period.

She outlined the draft Medium Term Financial Plan 2004/05 to 2006/07 attached (Appendix A) to the report which consolidated previous policy and guidance into one strategic document. Also attached were the Strategic Planning Timetable (Appendix B) and the Action Plan for the development of the MTFP (Appendix C).

The City Council's Corporate Charging Policy was now well established and the updated policy for the period 2004/05 to 2006/07 was attached at Appendix D.

Members' were invited to comment on the documentation, with any views being reported back to the Executive for consideration prior to a final recommendation being made to the City Council. The documents would be subject to annual updates on a rolling three year planning basis.

Members scrutinised the report in detail with the Officer, highlighting the following specific issues:

Draft Medium Term Financial Plan 2004/05 to 2006/07

(a) The principles underlying the MTFP – work was ongoing to re-allocate resources through the Budget process to the community priorities identified via the Corporate Plan. The Committee noted that a further report on priorities would be forthcoming and stressed the importance of this to the Budget process. Monitoring was important, as was community involvement in Budget setting through ongoing consultation.

(b) The mechanisms in place for forecasting resources throughout the three year period of the plan - Income - Service Managers were required to fundamentally review the Fees and Charges within their control, including investigating the capacity to introduce new charges, the use of subsidies, and a minimum target increase year on year of 1% above the rate of inflation, the aim being to raise significantly the proportion of income contributed by users of services compared to Council Tax payers.

Members had not seen much evidence of new charges, but were also concerned that the above process may involve looking for new methods of taxation, rather than new charges.

At the invitation of the Chairman, the Portfolio Holder for Policy, Performance Management, Finance and Resources commented that the Executive was investigating the use of subsidies with a view to achieving consistency across the Authority. He stressed that Government legislation permitted Authorities to extend the range of services for which it was allowed to charge.

Government Grants - the main obstacle to the forecasting of resources was the Government's short-term approach to the allocation of funding and borrowing approvals. However, the Council's policy was not finance led and an element of flexibility had been incorporated. It was noted that the main revenue cost related to salaries. It was felt that a strategic approach to maximising income from grants should be included in the Plan.

General Fund Free Reserve - the current target was that it should equal 20% of Net Revenue Expenditure plus £1 million (as an emergency contingency), however this could be reviewed as part of the rolling programme. It was felt that the rationale behind this should be clearly stated.

The Capital Projects Fund - was established from windfall gains and underspends and used to support the Council's major capital initiatives. Members were assured that there would be a prioritised list of capital schemes.

The Renewals Reserve - a fundamental review would be undertaken during 2003/04.

Inflation - it was clarified that the Council budgeted for inflation in cash terms and no increases would be allowed for actual inflation in the current year unless the impact was considered to be significant on the budget area.

Annual Savings Target - future year targets and pressures had been identified during the 2003/04 budget process and would be developed for the first budget forecast to be considered by the Executive in July. In response to questions Members were advised that the Executive would make its initial Budget Statement at that meeting.

(c) The mechanisms in place to deliver the Council's strategic planning framework - Business Unit Plans were being improved to assist in that process.

Aligning Strategic Planning with Budgeting – Members asked and were advised that it was envisaged that the Integrated Strategic Planning Timetable would go to the Executive in July/August.

Corporate Charging Policy 2004-05 to 2006-07

(d) Guidance on Policy Principle Two – Consistent Concessions – it was proposed that in future the Council move towards a consistent policy for the application of concessions for target disadvantaged groups resident in the City. Members were advised that this approach would be investigated as part of the 2004/05 Budget.

(e) Financial and Management Information Systems - concern was expressed that the incentive open to Managers that any additional income achieved from a review of charges over and above the budget target will be shared on request from the Head of Service may encourage "soft targets". It was noted, however, that additional income over and above the existing base Budget target would need to be achieved before any could be retained.

RESOLVED – That the issues raised by this Committee, as outlined at (a) - (e) above, be forwarded to the Executive.