



**TRAFFORD**  
**COUNCIL**

**Medium Term  
Financial Strategy  
2009/12**

**Author: Director of Finance**

Date: December 2008

## 1. Contents

	<b>Section</b>	<b>Page</b>
2	Foreword and Executive Summary	1
3	Introduction	2
4	Achievement of MTFS Objectives	4
5	Council's current financial position	7
6	Medium Term Environment	11
7	Availability of future funding	15
8	Budgetary Control & Financial Management	22
9	Opportunities, Risks and updated Policies	24
	<b>Annexes</b>	
A	Definitions and Links to other Strategies and Plans	27
B	Corporate Priorities and Objectives	34
C	Objective 1: Keeping Local Taxation Low; Policies	37
D	Objective 2: Increasing Resources Available; Policies	38
E	Objective 3: Delivering Value for Money; Policies	39
F	Objective 4: Delivering a Robust, Balanced and Sustainable Budget and Asset Base; Policies	40
G	Council Tax Strategy	42
H	Prudential Borrowing Policy & Methodology	45
I	Council's current financial position	46
J	Comprehensive Area Assessment	48
	<b>Associated Documents</b>	
i	Capital Strategy	
ii	Treasury Management & Debt Strategy	
iii	ICT Development Strategy	
iv	People Strategy	
v	Value for Money Strategy	
vi	Procurement Strategy	
v	Transformation Strategy	

## 2. Foreword and Executive Summary

As the Executive Member for Finance I am please to present Trafford Council's third update to its Medium Term Financial Strategy (MTFS), which covers the period 1 April 2009 to 31 March 2012.

Trafford is relatively under-funded by central Government in comparison to other local authorities, and has the eleventh lowest Council Tax in England. Though low-funded, year after year the Council is independently assessed as offering good value for money, high performing quality services and consistently exceeds the minimum national standards for financial management.

The objectives and supporting policies of the MTFS are designed to assist the Council in ensuring that the people of Trafford will continue to be provided high performing, efficient and effective services for now and into the future, whilst avoiding unnecessary tax burdens and ensuring best value for money. These objectives are:

- **Keeping the Council Tax low**
- **Increasing the resources available to the Council**
- **Delivering value for money**
- **Delivering a robust, balanced and sustainable budget (both capital and revenue)**

A review of achievement against the MTFS objectives for the last three years shows that the Council is generally delivering its financial intentions.

The current economic climate represents a period of uncertainty and instability which will affect both service demand and financial planning in the medium term.

In order to continue to deliver on our financial targets, the medium term policies reinforce the need for collaboration with partners, outcome-based effectiveness reviews, improved management information systems, transformational and customer-focused services, and higher goals in financial management across the Council.

I would like to thank my Executive colleagues, the Corporate Management Team and the Director of Finance for their assistance in the development and formulation of the Medium Term Financial Strategy 2009/12, and submit it to Council for approval.

*John Tolhurst  
Executive Member for Finance  
Trafford Metropolitan Borough Council  
11 December 2008*

### 3. Introduction

#### 1.1 Section Outline

- **What is the purpose of a medium Term Financial Strategy (MTFS)?**
- **How does the MTFS link to other Strategies and Plans?**
- **What are the Objectives of Trafford Council's MTFS?**
- **What would you expect to find in a MTFS?**

#### **What is the purpose of a Medium Term Financial Strategy?**

3.1 The purpose of the Medium Term Financial Strategy is:

**“To identify how the Council wishes to structure and manage available resources over the medium term (3 years), and to ensure that resource allocation is aligned with and supports Council priorities, and objectives contained within the Corporate Plan.”**

3.2 The Medium Term Financial Strategy (MTFS) is an assessment of the Council's current financial position, and a determination of the financial position the Council wishes to be in the medium term (3 years) given the environment the Council operates in and what it wishes to achieve. In this way the Council not only secures delivering essential public services in the present, but also makes sure it is in a sustainable position to do so over the medium term and for the future.

3.3 The Medium Term Financial Strategy is orientated towards the analysis and allocation of revenue budgets and reserves. The Capital Strategy and Treasury Management Strategy deal in more detail with capital assets and the consequences of borrowing for capital purposes. There are other associated strategies, each dealing with particular elements of the Council's overall business activity:

- Capital Strategy
- Treasury Management & Debt Strategy
- Value for Money Strategy (yet to be published)
- Procurement Strategy
- People Strategy
- Transformation Strategy (yet to be published)
- ICT Strategy

## How does the MTFS link to other Strategies and Plans?

- 3.4 The MTFS along with its associated strategies contains the fundamental and over-arching policies to ensure that available resources are aligned to the achievement of the Council's goals and objectives. A diagram that illustrates this is attached at annex A. For reference, a summary of the Council's priorities and objectives is given at annex B, and more detail can be found in the Corporate Plan

## What are the objectives of Trafford Council's MTFS?

- 3.5 The most important aspects of the strategy are its objectives, which is what it intends to achieve, and its policies, which set guidelines for all other subordinate strategies and their delivery plans. The objectives for the Council's MTFS are (see Annexes C to F for details on the policies supporting the objectives):

**Objective 1:** Keeping Council Tax (or other forms of local taxation) low; to keep Trafford within the lowest local taxation areas in the Country:

**Objective 2:** Increasing the resources available; to enable the delivery of the corporate plan and the overall Community Strategy

**Objective 3:** Delivering Value for Money; to obtain the highest benefit from all resources used in pursuit of the Corporate Plan and Community Strategy

**Objective 4:** Delivering a Robust, Balanced and Sustainable Budget and Asset Base; so that sufficient resources are allocated to priority services so that they can deliver essential services to customers at the required standard for the medium and into the longer term.

## What would you expect to find in an MTFS?

- 3.6 In addition to the Objectives and policies of the MTFS you would also expect to find:
- A review of progress against the MTFS objectives (section 4)
  - An assessment of the current financial position (section 5, annex I)
  - A review of the Medium Term Environment and how that may impact on the Council (section 6)
  - For planning purposes, an estimate of the amount of resources available to the Council in the medium term ("Resource Envelope"), this will include (section 7):
    - A Council Tax Strategy (annex G)
    - A Fees and Charges Strategy (contained within the VFM Strategy)
    - A Prudential Borrowing Policy and Methodology (annex H)
  - A review of Budgetary Control and Financial Management (section 8)
  - An assessment of Risks and Opportunities and how policies are changing (section 9)

#### 4. Review of the Achievement of MTFS Objectives

##### Section Outline

- To identify how the Council has performed against the MTFS objectives over the last three years
- To raise any future issues concerning performance against the MTFS objectives and targets

4.1 The following is a summary of the achievement of the MTFS objectives over the last three year period.

4.2 Generally the Council has performed well against its MTFS objectives. However, there is a trend towards over-spending in some areas of the budget and a small reliance on reserves to fund long term base budget. The medium term economic climate is likely to pose challenges for all of the MTFS objectives (see also sections 6 and 7).

##### Objective 1: Keeping Council Tax Low

4.3 A comparison of the average amount of Council Tax payable at Band D in each of the 354 district areas in England shows Trafford Borough as low ranked for the last three years:

	2006/07	2007/08	2008/09	Target
Council Tax comparative ranking with all other districts in England	8 <sup>th</sup>	8 <sup>th</sup>	11 <sup>th</sup>	> 88 <sup>th</sup> (quartile 1)

4.4 The Council Tax at Band D is amongst the lowest in England, and has been for some years.

4.5 The Council Tax policy is to use annual increases of 5% for planning purposes, though this is subject to annual budget consultation and central Government's capping regime. Increases of 5% are above the national average, and so it is possible that the Council will not maintain as low a ranking in the longer term.

4.6 Due to reduced central Government support, Council Tax increases are the main source of new sustainable funding (see section 7), especially now that the Government assumes high levels of annual efficiencies before awarding grants.

Maintaining and investing in high quality essential public services is reliant on the annual increase in Council Tax as it becomes the only increase in sustainable funding over the medium term.

4.7 Until recently the total revenue from Council Tax was not only increased by the annual tax level, but also by growth in the tax base, which is the number of taxable properties in the Borough (measured in Band D property equivalents). As Trafford is a desirable place to live, there has been steady growth in the building of new properties and an increase in total tax revenues. However, the current economic climate has already impacted on new housing build, reducing tax base growth to nil.

## Objective 2: Increasing Resources available

- 4.8 The Council can only spend as much as it receives, and the following table shows the growth in annual income above inflation:

	2006/07	2007/08	2008/09	Target
Real terms growth in the Council's budget year-on-year	2.9%	2.5%	3.7%	< 1.0%

- 4.9 There has been significant real terms growth in Council services over the last three years. The current economic climate (discussed in more detail in sections 6 and 7) will have a significant impact on income and funding sources, as well as the needs of many vulnerable people for essential high quality public services.

## Objective 3: Delivering Value for Money

- 4.10 The Audit Commission has independently assessed the Council to have good systems and processes to identify and realise efficiency savings, and also that it has a good track record of delivering efficiencies:

	2006/07	2007/08	2008/09	Target
Audit Commission Use of Resources VFM scores (out of 4)	3	3	3 (TBC*)	3

\* At time of publication the score for 2008/09 is subject to confirmation.

- 4.11 In partnership with external experts the Council has engaged on an ambitious efficiency agenda over the last few years which has or is set to release a significant amount of resources to support Council priorities:

	2006/07	2007/08	2008/09	Target
Real cash savings delivered or expected	£2.0m	£3.4m	£4.5m	< £3.5m

- 4.12 As a "low-tax and low-spending" authority, the Council has always been relatively efficient. With expert external assistance the majority of the areas where efficiencies could be cost-effectively generated have now been, or soon will be, reviewed and benefits realised. The Government has set efficiency targets for the medium term; however, the need to identify efficiencies to maintain essential high quality public services is clear without the Government reducing funding as an incentive. The challenge in the future will be in identifying, realising and maintaining efficiencies in a cost-effective manner, and particularly above Government funding assumed target levels

## Objective 4: Delivering a Robust, Balanced and Sustainable Budget and Asset Base

- 4.13 The capital needs of the Council are discussed in detail in the Capital Strategy, and the information technology needs or infrastructure is contained within the ICT Strategy.

- 4.14 The primary test for “robustness and balanced” is whether the annual plan is delivered within the agreed budget. The following table summarises the out-turn or forecasted out-turn for the last three years:

	2006/07	2007/08	2008/09*	Target
Out-turn variance against the agreed Budget	£(1.9)m Under	£(2.1)m Under	£0.7m Over	> 0.0m Nil or under

\* The figure for 2008/09 is the estimated forecast as at the end of November 2008

- 4.15 Due to unexpected demand over the last few years, there has been a need to spend above initial budget levels in demand led services. This is compounded with a reduction in over-achieving investment income targets, which are set to be even more difficult to achieve in the medium term economic climate.
- 4.16 Latest best practice has recently been published by the Chartered Institute of Public Finance and Accountancy (Improving Budgeting: Modernising the Cycle), which may help set more realistic budgets, improve budgetary control, and assist in developing successful demand mitigation plans.
- 4.17 A “sustainable” budget ensures that services which are to be delivered into the medium term and longer are not reliant on one-off funding sources such as reserves. The following table shows that there has been a steady reduction in the use of reserves to support base budget expenditure:

	2006/07	2007/08	2008/09	Target
One-off funding used to support base budget	£2.0m	£1.3m	£0.9m	0.0m Nil

- 4.18 Good progress has been made to reduce gradually the amount of reserves used to support the budget. However, the medium term economic climate poses a difficult challenge particularly with regard to falling investment income from the expected norm due to current and future anticipated base rate cuts.
- 4.19 Base rates of 2% or lower will reduce investment income by nearly £1.5m, however, toward the end of the medium term base rates are expected to return to 4%+. It would be unnecessarily detrimental to services to reduce the budget in the short term by the income loss, only for this money to return to normal later. Applying the principle of sustainability, it is legitimate to use reserves to supplement the short term reduction in interest rates until the economy becomes more stable. MTFs policies have been amended to take this into account.

## 5. Assessment of the current financial position of the Council

### Section Outline

- How much does the Council spend?
- Where does the money to finance the budget come from?
- On what does the Council spend its money?
- How well is the Council controlling spending?
- What future pressures does the Council face?

### Expenditure and Income

- 5.1 Details of the current budget and a summary of the Medium Term Financial Plan can be found in “Financial Plan 2008/09”. The summary of income sources, on what services the budget is spent on, and how those services spend the money is repeated at annex I:
- Over 90% of the Council’s budget is orientated to mandatory services, such as Education, Social Services and Benefits. It is a legal requirement of the Council to provide these services to specified levels.
  - This leaves little of the budget for discretionary services, such as parks, sport, culture, leisure where either the need to provide the service and/or the service level is determined by the Council and not enforced by statute.
- 5.2 The gross expenditure budget is bounded by the amount of income and funding available, i.e., the Council can only spend the income it has:
- 72% (£303m) of income is determined by the Government in the form of specific and general grants
    - Trafford receives the lowest increase in Government funding, and has done for some years
  - 7% (£35m) of the Council’s income comes from fees and charges, a significant number of which are determined by statute or regulation of central Government and not determined locally
  - 2% (£7m) of income comes from investment income and the use of reserves
    - The Bank of England has reduced base rates from 5¼% when the 2008/09 budget was set, to 2%. Each 1% reduction loses £0.8m of income, which is approximately the same as 1% on the Council Tax.
  - 19% (£82m) of income comes from Council Tax, and although tax levels are determined locally by the Council, the Government reserves the power to prevent high Council Tax rises to ensure that “national average Council Tax increases remain substantially below 5%”

The majority of the Council’s budget is spent on statutory services, most of the total amount of budget available is determined by the Government, Trafford is one of the lowest funded Council’s in the country, and one of the lowest Council Tax levels, which is restricted by Government capping.

## Budget Monitoring

- 5.3 Current expenditure is monitored on a monthly basis starting in July for the first quarter (April to June). Revenue monitoring is done on a forecast to year end basis, including activity forecasting for those budgets which are sensitive to changing customer demand. Monitoring reports are available on the Council's web site.
- 5.4 Other than exceeding initially set budgets in the demand led services of Children and Adult social care being balanced with windfall investment income from improved interest rates and balances, the majority of the budget is controlled within Council set limits.

## Reserves

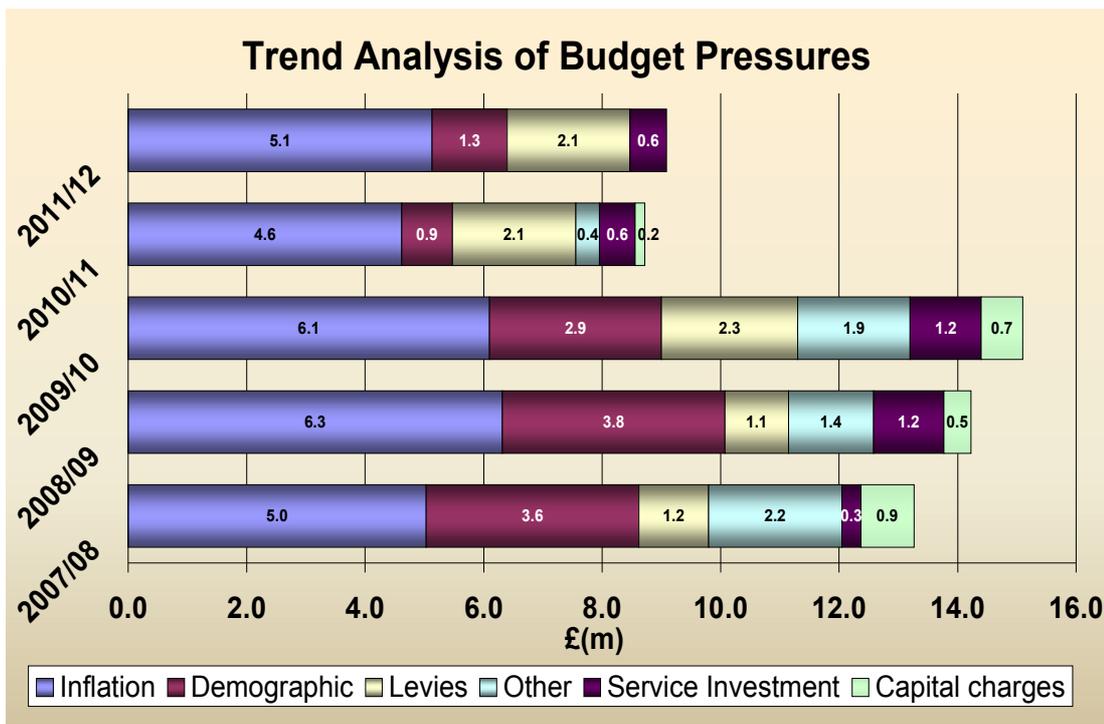
- 5.5 The Council holds a number of reserves, most of which are committed to future expected expenditure:

Table 1: Summary of reserve balances as at 31 March 2008

Reserve	Balance as at 31 March 2008 (£m)	Comment
Schools	11.8	The majority of these reserves are delegated to schools and the money can only be used for schools related expenditure
Capital Projects	2.9	To finance schemes committed in the Capital Investment programme
Insurance	3.5	To meet the costs of insurable claims for which the Council has self-insured
Revenue Projects		
- Local Area Agreement	0.8	Pump priming monies supporting achievement of reward targets
- Service carry forwards	1.7	£1.4m committed in 2008/09
- Corporate projects	0.8	Maintenance and replacement programmes
- Invest-to-save	2.2	To pump prime efficiency projects
General	7.8	Minimum reserve level set at £5.0m
Total	31.5	Of which £23.7m committed, and £5.0m held as minimum

- 5.6 The General Reserve is held as a minimum working balance and also contains provisions to mitigate unexpected expenditure demands and emergencies that would not be covered by Government support or insurance.
- 5.7 The current end-of-year forecast for the General Reserve is £7.1m after taking into account the forecasted out-turn for the 2008/09 budget. In addition, the Executive's draft budget proposals for 2009/10 will utilise £0.6m to mitigate the reduction in investment income caused as a consequence of the current economic climate (this being in line with the updated MTFS policy on budget sustainability).
- 5.8 The minimum reserve level is yet to be assessed as part of the 2009/10 budget process. The need to mitigate reduced investment income and the potential service issues arising from an uncertain period of economic instability will have a bearing on that assessment.

## Expenditure Pressures



5.9 The above chart shows the trend in expenditure pressures from 2007/08 and forecasts them over the coming medium term to 2011/12. Most of these pressures are unavoidable in the short term if risks to service delivery are also to be avoided:

- Inflation; represents the annual increases in pay and prices in order to deliver the same services and at the same quality as the previous year. Although current high levels of inflation are due to reduce over the medium term, it is forecasted that over the next three years inflation will exceed the total increase in funding by £1.7m
- Demography; relates to the increasing numbers and degree of care required in all social services. In previous years this has been a major draw on available resources, and so steps are being taken in this MTFs to strengthen policies which will improve forecasting and managing activity in these areas.
- Levies; are charges made by joint boards that operate on behalf of a number of Greater Manchester Council's providing services such as, Waste Disposal and Passenger Transport. These costs are scrutinised and the Council has representation on the governing body, however, the increase in service need such as the costs of waste, means the levies are rising higher than the rate of inflation even after efficiencies are taken into account. Measures, such as recycling, will help bring these costs down, but such policies take time to mature.

- Other; relates to expenditure which is essential in order for services to continue at the same quality, but which are not due to inflation. Examples are new health and safety equipment, or other expenditure required in order to comply with the law or regulations, or the loss of income due to competition or the temporary closure of premises. There are many individual cases, each usually for small amounts, which cannot be suitably categorised or grouped.
  - Service investment (non-schools); is forecasted to be £2.3m over the next three years. This is base budget investment above and beyond the minimum requirements to keep the service going at its current levels, i.e., the money will be sustainably available into the future to ensure a permanent improvement in services.
  - Capital charges; vary according to the size of the Capital Improvement Programme and how it is funded. Any use of borrowing will burden revenue budgets with interest and principal repayments until the debt is fully repaid.
- 5.10 The chart also clearly shows that cost pressures are expected to peak in 2009/10, with the full year effect of higher inflation and increasing demands caused by increasing numbers of children requiring social care support. Into the medium term, lower inflation, control of demographic pressures and limiting “other” expenditure are set to reduce unavoidable expenditure pressures by nearly 60%.
- 5.11 In the current economic climate however, it is difficult to be certain about future interest rates, levels of inflation, and the needs of clients. It is possible that the review of 2010/11 and 2011/12 forecasts in 2009 may identify further expenditure pressures. Until there is more economical stability and certainty it is likely that minimum reserve levels will need to reflect current circumstances (see annex I)

## 6. Medium Term Environment

### Section Outline

- To review the possible environmental factors that may affect service demand or income levels in the medium term.
- To identify policies for all other plans and strategies that will assist the Council to realise potential opportunities whilst avoiding possible threats
- To identify risks to the MTFs and the achievement of its objectives, and the medium term financial plan

### Medium Term Economic Climate

- 6.1 The likely medium term economic climate presents a period of relative instability when contrasted with the last decade, where growth, unemployment, interest rates and inflation have been reasonably stable and as a consequence more predictable. The lack of economic stability and predictability will present new challenges to, and a greater probability of, financial risks.
- 6.2 Reducing economic growth and increasing unemployment will affect service demand levels, and the ability of people to contribute towards their services in terms of fees and charges. Reducing inflation will contribute to lower costs of services, however, lower interest rates will affect important investment income upon which the Council relies.
- 6.3 Tax rises, such as the currently proposed ½% increase on National Insurance Contributions will increase costs to the Council like any other employer. The temporary changes in VAT announced by the Chancellor in the November 2008 Pre-Budget Report provides no benefit to the Council as it already reclaims all VAT paid.
- 6.4 In addition to the economic climate there will be a general election during the medium term. The macro-economic policies of any party, such as increasing or decreasing the national debt, will impact on the extent of available funds to support public service investment. This is compounded in that 2009/10 is the last of a three year comprehensive spending review, and until the 2009 review there will be no Government announcement on available funding for 2010/11 or 2011/12. There are also indications from the Local Government Association that there may be an overhaul of the current national funding distribution system.
- 6.5 In the November pre-budget report the Chancellor also announced an increase in the public sector efficiency target of £5bn, and it is likely that this will be taken into account when determining available funding for the public sector, i.e., reducing current expenditure plans. Efficiency targets are already challenging, and the Council needs to deliver efficiencies over target if it is to have funds to invest in services rather than just pay for inflation. Increases in efficiency targets, whilst helping the overall public purse, may lead to a reduction in service investment.

## **Value for Money – Economy, Efficiency and Effectiveness**

- 6.6 In association with the MTFs, there are two further documents that discuss in detail the Council's vision for economy, efficiency and effectiveness, and specifies objectives and policies to assist all other strategies and plans to ensure that both value for money and transformational services are delivered:
- VFM Strategy (yet to be published)
  - Transformational Strategy (yet to be published)
- 6.7 In 2005/06 the Council made Value for Money a key priority, and savings by way of efficiency was a specific financial objective. An ambitious efficiency agenda has been vigorously pursued, and to date is set to deliver £7.6m with a further £13.2m expected in the medium term. Without this planned contribution to cost reduction the Council would not be able to balance the budget whilst avoiding significant reductions in services and/or service quality.
- 6.8 The efficiency agenda for the medium term 2007/10 was embodied in the Service Improvement Programme (SIP). This programme of projects has not only delivered substantial efficiency savings but has also benefited the Council in terms of cultural change and setting the ground work for future efficiency programmes:
- An organisation wide review, with external expert assistance, of potential efficiency and transformational opportunities
  - Established governance arrangements
  - Programme management training and culture established
  - Bespoke project management methodology adopted
- 6.9 The VFM strategy proposes the following areas for development and benefit realisation:
- Implementing the Fees and Charges Strategy
    - Introducing charges and/or reducing subsidy in lower priority services
    - Developing trading opportunities
    - Increasing customer base
    - Review of payment methods and credit terms
    - Increased use of charges and fines to deliver service policy objectives
  - Zero base review of cost base, with particular emphasis on effectiveness now that economy and efficiency are part of day-to-day management culture
  - Whole system reviews of operations, planning and strategy development to eliminate duplication and to sharpen focus on Council goals and objectives. This will include value added assessments and business process reengineering.
  - Review of organisational support services to ensure economies of scale
  - Promoting invest-to-save initiatives

- Working in collaboration with partners and stakeholders to develop customer-focused transformational services and alternative delivery models
- 6.10 Whilst the VFM and Transformational agenda will deliver efficiencies and ensure customer-focused alternative service delivery models, initially there will be set-up costs to improve capacity and fund research field work. Training and culture changes may require additional funding to hasten the delivery of the People Strategy, and there may also be a need to increase funding to the ICT development strategy so that new and improved management information systems are available.

### **Local Area Agreement and Multi-Area Agreement**

- 6.11 A Local Area Agreement (LAA), is an agreement between a Council and the Government to deliver improvements, or 'stretch-targets', on specific national and local service indicators over a three year period. A Multi-Area Agreement (MAA) is similar to an LAA where one or more targets are shared across a number of authorities' areas. The Council is developing its third LAA which contains some service improvements which will be delivered through an MAA.
- 6.12 The delivery of LAA's and MAA's is not solely the responsibility of the Council, and in fact are delivered through the Trafford Partnership (Trafford Borough Local Strategic Partnership).
- 6.13 Previous LAA's have received a Pump Priming Grant to assist build infrastructure and capacity to be able to achieve the service improvements in the agreement. Upon successful completion of the stretch-targets, Councils are also eligible for a reward grant, which is set a maximum of 2.5% of the start year budget.
- 6.14 The planning process for LAA's and MAA's has now been established as part of normal medium term planning. The goals and objectives of the authority inform the choice of national and local indicators set for improvement, and once chosen these indicators form part of the Council's service priorities.
- 6.15 Future LAA's may not attract Pump Priming Grant, and there may be an assumption that previous LAA reward grant will be used to pump prime the achievement of stretch targets. The Government is reviewing the future of reward grants, and there is an indication that a block sum of £2m per authority may be available.
- 6.16 How the reward grant will be distributed amongst partner organisation who have been responsible for delivering on the stretch targets, and how it may be utilised to support future LAA's is yet to be decided. As securing the achievement of stretch targets is integral to ensuring future reward grant, none of the expected reward grant has been taken into the base budget process nor is it included within the assessment of the resource envelope.

### **Collaboration and Partnership Working**

- 6.17 The future of generating efficiencies may be reliant to a significant degree on collaborative working with other authorities in Greater Manchester, and/or with other authorities and partners.

- 6.18 Collaborative working can take many forms, from sharing initial development costs and capacity, to services being delivered on other Council's behalf by one or more others.
- 6.19 Through the Association of Greater Manchester Authorities (AGMA), a project office for collaborative working has already been established at Salford Council, and at Trafford Council the Procurement Hub for AGMA has been set up.

Working in collaboration with partners, whether it is to deliver on stretch targets for the MAA which will bring in reward grant and improved services, or in order to generate efficiencies will be a main theme and driver of both the MTFS and much of the Council's activity in the medium term.

### **Participatory Budgeting**

- 6.20 The Government has requested that all authorities introduce some form of Participatory Budgeting by 2012. The basic principle of Participatory Budgeting is to directly involve the electorate in decisions about how money should be spent. The key difference between this and other forms of budget consultation, is that it is the direct decision of the electorate that determines expenditure rather than their views directing decisions made by Councillors.
- 6.21 The Council has committed to identify how Participatory Budgeting can best work in Trafford, and will run pilot projects in 2009/10. At the time of writing the precise details of these projects is still being determined.
- 6.22 It is expected that successful Participatory Budgeting will be a feature or measure in the updated Comprehensive Area Assessment undertaken by the Audit Commission nationally.

## 7. Availability of future funding: the “Resource Envelope”

### Section Outline

- A review of the sources of income and funding and how they may behave during the medium term
- To identify policies for all other plans and strategies that will assist the Council to realise potential opportunities whilst avoiding possible threats
- To identify risks to the MTFs and the achievement of its objectives, and the medium term financial plan
- Statement of available resources in the medium term

### Interest Rates

- 7.1 The effect of interest rate changes is discussed at greater length in the Treasury Management and Debt Strategy which forms part of the overall Medium Term Financial Strategy. The summary conclusions of the Treasury Management and Debt Strategy are:
- Predictions of interest rates is less certain than in previous years, however, the forecast suggests lower investment rates and therefore lower income through the medium term.
  - With borrowing rates significantly higher than income rates throughout the medium term the Debt Strategy suggests borrowing in the short to medium term from internal balances, until long term rates are either stable or reach an advantageous low before undertaking external borrowing of 20 years plus.
  - Stable and more predictable market rates, combined with changes to accounting regulations had made active Treasury Management no longer economically beneficial. Now that rates are fluctuating and the markets less stable, it may be possible through repaying long term debt early and borrowing through other financial instruments to reduce debt costs.

### Fees and Charges

- 7.2 Income from Fees and Charges represents £35m (7%) of total funding (in 2008/09). It is the MTFs objective of the Council to increase total resource availability and therefore a specific policy to maximise revenues by way of fees and charges. Achieving this policy will be discussed in the Value for Money Strategy (soon to be published), and contains policies to ensure:
- Annual checks to ensure that the correct price is being charged for those fees set by statute or regulation
  - Lobbying the Government to ensure that charges subject to statute or regulation are sufficiently high to allow full recovery of costs incurred
  - Recognition of appropriate overheads and cost behaviour to ensure prices cover costs incurred by the whole authority for any particular service delivery.
  - Maximising discretionary income, having given full consideration to:

- Service policy objectives
- Competition and substitution in the market place
- The full cost of service provision, including full overhead analysis
- Recognising and reducing subsidy in lower priority areas
- Identifying new income streams by way of using trading powers
- Selling any excess capacity or specialist expertise to collaborative partners or others
- Appropriate use of discounts and exemptions to ensure that those on low incomes can benefit from essential public services and not be deterred from accessing services due to cost
- Establishing and improving management information and planning and forecasting techniques to ensure that the customer base is identified, maximised and understood
- Identifying ways in which fines and charges can be used to deliver service policy objectives, which will reduce costs and increase revenue.
- Identifying cheaper methods of payment, and reducing bad debts and improving cash flow by way of strictly controlling and monitoring credit terms.

7.3 Increasing revenue by way of fees and charges must not however detract from the delivery of the Council's core business. A careful balance must be maintained between having sufficient funds to deliver essential public services, and being diverted from the delivery of the Councils key goals and objectives.

7.4 The Fees and Charges Strategy is supported by a management guide which was first issued in 2005, and will be reviewed in 2009 so that it is in line with best practice as published by the Audit Commission ("Positively Charged").

### **Government Support – Specific Grants**

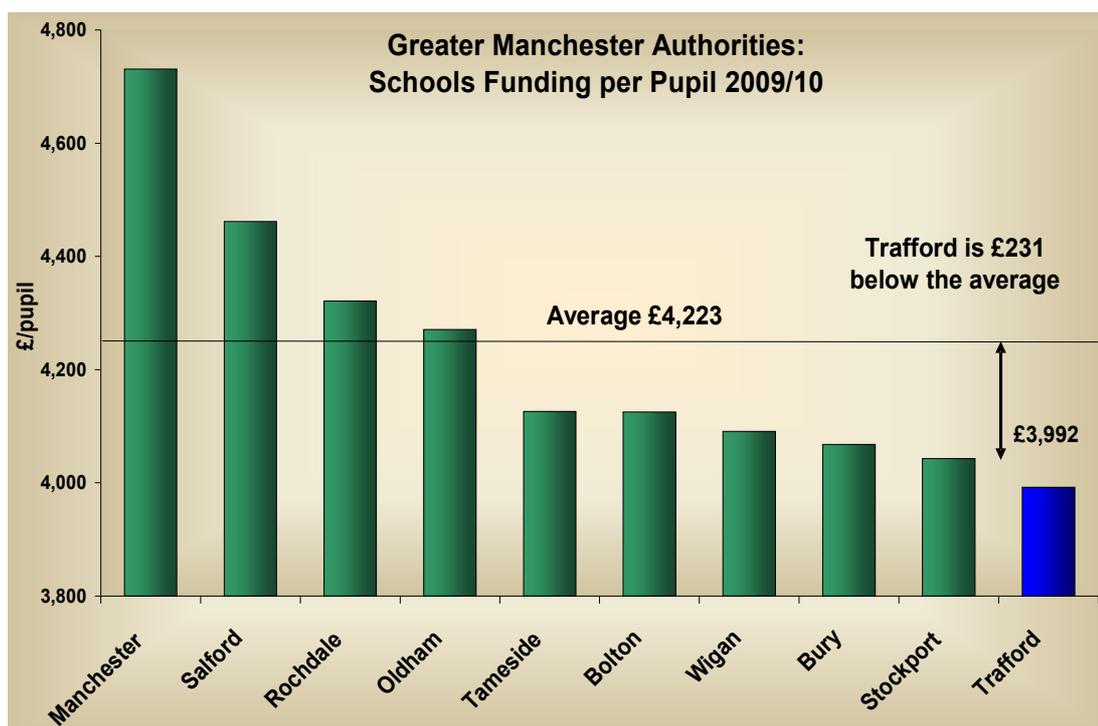
7.5 The gross budget is supported by a number of specific grants, and the recently introduced Area Based Grant (ABG). The provisional Local Government Finance Settlement in November 2008 confirmed allocations for 2009/10 with very few additions or increases. For example, the ABG which is £10.1m for 2009/10 had an increase of only £0.057m above what was announced previously.

7.6 Whilst general Formula Grant figures have been announced for both 2009/10 and 2010/11, specific grants and especially ABG figures have only been announced for 2009/10. This leaves a degree of uncertainty over funding levels for the majority of the medium term.

### **Dedicated Schools Grant**

7.7 The Council's largest grant, and the main source of funding for Schools, is the Dedicated Schools Grant or DSG. In 2008/09 the DSG is £129.8m, other education related grants sum to £26.3m, which funds the delegated schools budgets of £144m leaving £12.1m for Local Education Authority responsibilities.

- 7.8 Trafford receives the lowest DSG funding in Greater Manchester and the difference between the average funding and what is actually received is worth nearly £7m.



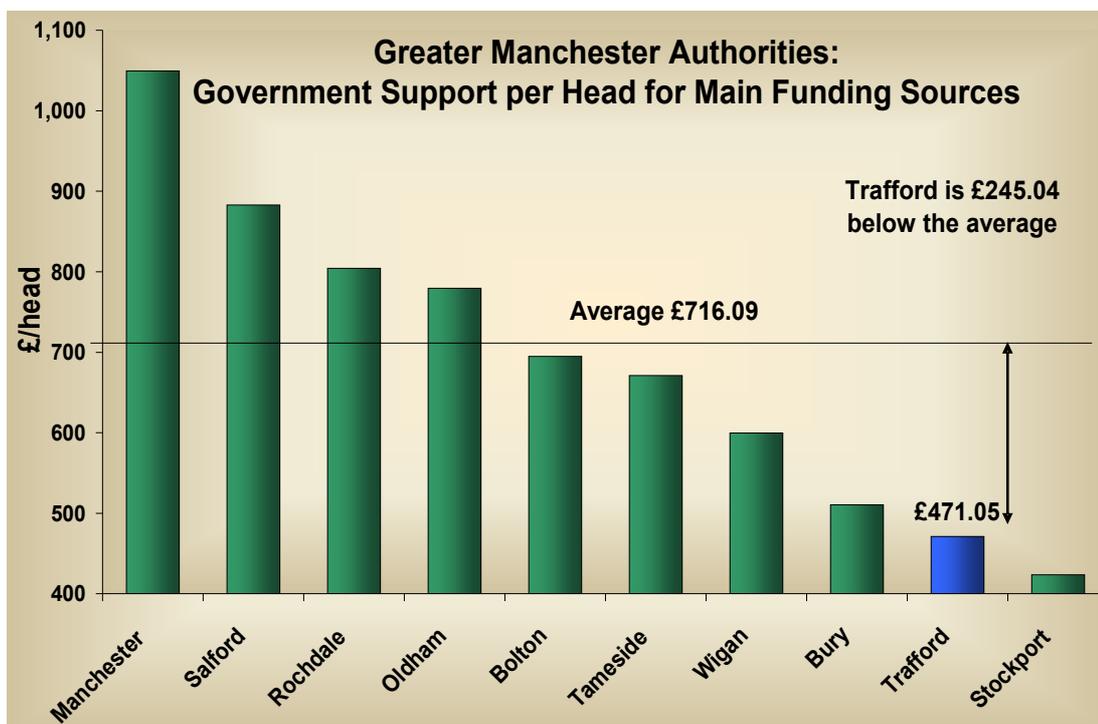
- 7.9 Increases in per pupil funding are dependent upon DSG increases, which for 2008/09 is £3,852/pupil. The provisional Local Government Finance Settlement in November 2008 announced that per pupil funding would increase by £140/pupil, or 3.6%, for Trafford.

- 7.10 The Government has significantly increased funding for Education as a key national priority over the last ten years, this trend is now likely to change given the current economic climate. The Department for Children, Schools and Families is reviewing the distribution mechanism of Government funding for schools, with a view to introducing a new scheme in April 2011. This scheme is rumoured to include;

- Reduced year-on-year increases in DSG
- A reduced level of Minimum Funding Guarantee (MFG) increase per pupil, and perhaps the MFG being abolished

### **Government Support – Formula (General) Grant**

- 7.11 The Government provided a three year forecast of minimum general grant support following the Comprehensive Spending Review (CSR) of 2007, and the funding levels for 2009/10 and 2010/11 have been provisionally confirmed on 27 November 2008. Trafford will receive the lowest increase in Formula Grant, or the 'floor', for the next two years.



7.12 General funding levels for 2011/12 will not be announced until after the CSR 2009 expected around July, and the Council is unlikely to know its specific allocations until the provisional finance settlement in late 2009. Given the current economic climate and the pre-budget announcement concerning an increase of £5bn in the public sector efficiency target, it has been assumed that the Formula Grant increase for 2011/12 will be £nil.

Table 2: Formula Grant assumptions

Government support to fund (non-schools related) net budget	2009/10 (£m)	20010/11 (£m)	2011/12 (£m)
Total estimated Formula Grant	68.813	69.822	69.822
Increase on previous year	1.124 1.75%	1.009 1.5%	0.000 0.0%

7.13 Although a zero increase has been assumed for 2011/12 there is a risk that the 'floor' level could be negative, and this is compounded by the possibility of a change to the funding regime from April 2011.

### Business Rates

7.14 The Council receives a per capita redistribution of National Non-Domestic Rates (NNDR) through the Formula Grant. There are a number of opportunities where the Council may obtain additional funding:

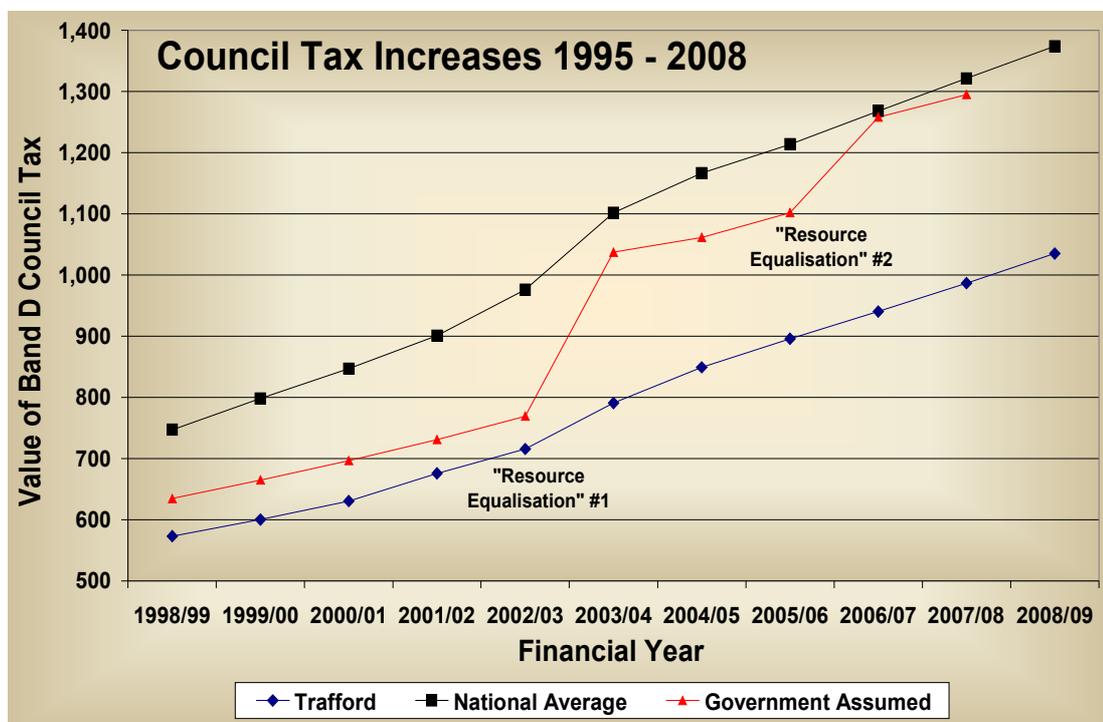
- Business Investment Districts (BIDs); legislation already exists to enable local businesses to increase the amount of NNDR they pay in order to fund specific initiatives. To date the Council does not have any BID's and there are no requests to set one up.

- Local Authority Business Growth Incentive Scheme (LABGIS); this national scheme has been in operation for the last three years. However, out of the national award of £850m Trafford has not received any money from this scheme. The scheme has been reviewed which would increase the possibility that the Council would receive an award, however, the national total has been reduced to only £150m, and the current economic climate may reduce the likelihood of any award.
- Supplementary Rate; in the 2008/09 budget the Chancellor announced a consultation as to whether Councils could levy an additional 2p in the rateable value business rate. Forecasts suggest that this could be worth around £5m of additional revenue should the measure as proposed be legislated. Legislation should come in to force during the next Parliament which will allow for this supplementary rate, however, any increased revenues will be spent on economic regeneration which limits its impact on base budget and general services.

7.15 Formula Grant is 69% NNDR receipts. In the current economic climate, significant reductions in NNDR would mean the Government reducing support to Local Authorities or supplementing this reduction in terms of other taxation or increasing national debt. The possibility of reduced NNDR receipts adds weight to the possibility of a zero increase in the floor in 2011/12, and may shape any review of the Local Government funding regime.

### Council Tax

7.16 Historically the Borough of Trafford has one of the lowest Council Taxes in England (annex G), and has always been significantly below the national average and more recently below that assumed by the Government when determining general funding support:



- 7.17 The above chart also shows that the Government changed the Local Government funding regime in 2002/03 and 2006/07 by increasing the assumed amount of resources raised locally by Councils. This change was known as “Resource Equalisation” and had the effect of moving Formula Grant away from Councils like Trafford on the assumption that they would be able to raise more money locally.
- 7.18 The ability to raise income locally is subject to the capping powers, where the Government can prevent Council tax rises above a level of its choosing. The Government has generally used its capping powers to prevent rises of more than 5%.
- 7.19 Whilst Resource Equalisation has moved so much Formula Grant away from Trafford that it now only receives the minimum increase each year, the Government prevents with the use of capping powers the ability to make up that loss in revenue from raising Council Tax.
- 7.20 Increases in Council Tax revenues represent the majority of the annual increase in sustainable base budget funding available to the Council. By the third year of the medium term, 2011/12, Council Tax may be the only increase in sustainable funding.
- 7.21 Increases in Council Tax revenues can be achieved in two ways:
- Increase in the amount of Council Tax payable per band of property, where each 1% rise generates around £0.8m of funding
  - Increase in the total number of taxable properties (known as the tax base), which is mostly influenced by private sector house building, and to a small extent by the number of qualifying discounts and exemptions.
- 7.22 As Trafford is an attractive place to live, housing building in the Borough has been relatively buoyant compared to the national average, and each 1% increase in the tax base will also generate around £0.8m of base budget funding.
- 7.23 In recent past, the number of requested qualifying exemptions and discounts, and successful re-banding valuation appeals has risen which has reduced the tax base. The reduction in tax base is compounded by the current economic climate which has seen new house build in the Borough reduce to almost nil.
- 7.24 Sustainable increases in base budget funding in the medium term will be even more reliant on the annual Council Tax per Band D increase. For planning purposes, the policy of the Council is therefore to assume an annual 5% increase. This will be balanced, following consultation, with the needs of services before the final Council Tax increase proposal is put to Council each year.

Table 3: Council Tax income assumptions

	2009/10 (£m)	2010/11 (£m)	2011/12 (£m)
Total revenue from Council Tax	85.676	89.934	94.451
Increase on previous year (includes for growth/decline in Tax base)	3.747 4.6%	4.258 5.0%	4.517 5.0%

- 7.25 In addition, steps will be taken to ensure that the Council Tax base is as high as possible, whilst ensuring that as much of the revenues due are collected.

## Resource Envelope

- 7.26 For the 2009/12 medium term planning period, the estimated revenue resource envelope for the Council's sustainable base budget is summarised as:

Table 4: Revenue Resource Envelope (summary)

<b>Revenue Base Budget</b>	<b>2009/10 (£m)</b>	<b>2010/11 (£m)</b>	<b>2011/12 (£m)</b>
Government Formula Grant	68.813	69.822	69.822
Council Tax	85.676	89.934	94.451
Use of Reserves (for base budget)	0.910	0.300	
<b>Total</b>	<b>155.399</b>	<b>160.056</b>	<b>164.273</b>
<b>Increase</b>	4.871 3.2%	4.657 3.0%	4.217 2.6%

## 8. Budgetary Control and Financial Management

### Section Outline

- Use of Resources scores and statements
- Financial Management Improvement plan
- Financial Literacy and connection to People Strategy through competencies and improved training
- MTFS objective of robust budget, issues of service overspending leading to implementing new best practice

### Budgetary Control

8.1 To ensure achievement of the MTFS, Service Improvement Action Plans and therefore the Corporate Plan and Corporate priorities and objectives, it is important that:

- Budgets are robust, in that they are sufficient to meet the demands on the Council and in particular statutory responsibilities which the Council cannot avoid
- Spending is kept within budget, as overspending will deplete reserves and when reserves are fully depleted will be first call on the following year's Council Tax
- Budgets are based on sustainable funding sources, so that essential services have assurance they will have funding into the future. Non-sustainable income sources can be grants or funds with a limited life, or the use of reserves which can only be used once.

8.2 An analysis of the last three years shows that although budget control has been significantly improved, there is a small but significant degree of overspending in demand led services. New best practice on activity forecasting and monitoring has been introduced by the Chartered Institute of Public Finance and Accountancy (Improving Budgeting: Modernising the Cycle). MTFS policies have been amended to ensure that these new practices are adopted in order to ensure that demand-led budgets are better managed and controlled. However, in the current economic climate which poses issues of uncertainty and instability, it can never be guaranteed that such services will never over-spend.

### Use of Resources and Financial Management Improvement Plan

8.3 In 2005/06 the Council undertook to improve financial management across the authority as a both a corporate key priority and an MTFS objective. Sponsored and governed by the Accounts and Audit Committee a financial improvement plan was drafted with the assistance of the Council's independent external auditors, the Audit Commission, via the Improvement through Better Financial Management (IBFM) programme.

- 8.4 The IBFM programme has been run bi-annually with the support and assistance of the Audit Commission to identify actions that would improve financial literacy and management across all Council directorate and services. The process takes the form of a cross-Council survey of key officers, including Members, senior management, and operational management (those with budget responsibility, as well as finance professionals. This survey assesses all aspects of financial management against approved best practice, determined by the Chartered Institute of Public Finance and Accountancy.
- 8.5 The success of the plan has been measured by the Audit Commission through their annual Use of Resources (UoR) assessment which forms part of the Comprehensive Performance Assessment (CPA). The positive year-on-year improvement in the UoR scores is attached at annex J, which shows that the authority is deemed to be operating consistently above minimum good practice, and demonstrating leading practices in areas of:
- Internal Audit and Risk Management
  - Governance of Partnerships
- 8.6 The Council has maintained an overall rating 3 out of 4 stars in the UoR assessment for the last two years, against a background of increasingly tougher national standards. Recently new standards of financial literacy for Members and managers, and sustainability accounting have been introduced.
- 8.7 Improvements in financial literacy links to the delivery of the People Strategy whose delivery will introduce:
- Specified financial competencies for all staff, which will link to pay (through the new Job Evaluation scheme) and performance, and form core assessments in the annual appraisal system
  - Comprehensive training for all relevant staff to ensure the highest of standards of financial literacy and management for both finance and non-finance professionals
- 8.8 The CPA and therefore also the UoR assessment will change from 2009 to include sustainability issues such as carbon footprint and the green agenda. Measuring the Council's carbon footprint and how the authority improves in reducing its impact on the environment will be supported by new management information and accounting techniques. In preparation for a sustainability improvement programme the Council has already introduced a Sustainability Committee to act as sponsor and monitor to such initiatives.

## 9. Opportunities, Risks and updated Policies

- 9.1 Having reviewed the progress against MTFS objectives for the last three years, the current financial position of the Council and the medium term environment facing the authority there are a number of new opportunities and risks facing the Council. To ensure the continued success of the MTFS objectives, some policies have been updated and some new ones introduced:

Opportunity / Risk	Updated Policies
<p data-bbox="288 450 1010 488">Central Government</p> <p data-bbox="288 521 1010 663">The Resource Envelope has assumed a zero increase in Government support in 2011/12, and the ability to raise Council Tax by 5% for all three years of the medium term. However:</p> <ul style="list-style-type: none"> <li data-bbox="312 696 1010 768">➤ Government could set a cap at lower than 5%</li> <li data-bbox="312 768 1010 909">➤ Until the CSR2009 there is no indication of Government support for 2011/12, the minimum floor increase may be above or below the assumed zero change</li> <li data-bbox="312 909 1010 1050">➤ There may be a possible review of the funding regime for Local Authorities by April 2011, and the possibility that Trafford may no longer be on the floor</li> <li data-bbox="312 1050 1010 1160">➤ The overall economy will affect Government decisions on public sector and borrowing which may impact on available funding</li> <li data-bbox="312 1160 1010 1270">➤ Falling NNDR receipts will put pressure on the Government to maintain current funding levels with other taxation</li> <li data-bbox="312 1270 1010 1341">➤ There may be further increases in Government set efficiency targets</li> </ul> <p data-bbox="288 1375 1010 1588">Financial planning for Council Tax, and particularly Government support in 2011/12, is uncertain. Although this presents a risk, it also presents an opportunity as the Government may be persuaded to increase funding above the cautious assumption levels.</p>	<p data-bbox="1010 521 1417 801">No updated policies are required. Current funding assumptions are cautious, and maintenance of adequate reserves during this time of relative uncertainty will also assist.</p> <p data-bbox="1010 835 1417 1048">There is already a policy on influencing the Government with regard to funding, and recognising Trafford's unique needs.</p>

Opportunity / Risk	Updated Policies
<p data-bbox="300 197 683 230">Current Economic Climate</p> <p data-bbox="300 271 991 338">The current economic climate presents a period of instability and uncertainty:</p> <ul style="list-style-type: none"> <li data-bbox="312 378 983 479">➤ Service demands are difficult to forecast as the previous economic environment is so different to the future medium term</li> <li data-bbox="312 483 983 658">➤ Interest rates will reduce in the short term, and it may take some time before they return to levels experienced more recently. In the meantime they could also be subject to significant fluctuation.</li> <li data-bbox="312 663 999 837">➤ It is uncertain when growth in the Council Tax base will be experienced again, and in the mean time it is possible that there could be a degree of fluctuation which is difficult to forecast</li> <li data-bbox="312 842 995 1016">➤ If inflation rates have peaked the Council could enjoy a reduction in significant base costs during the medium term, however, it is possible that there could still be significant fluctuation</li> </ul>	<p data-bbox="1021 271 1406 763">A new policy will be introduced requiring the latest best practice on budgeting to be employed, which may assist in better forecasting demand led services. A requirement for services subject to demographic pressures to develop demand mitigation in their service plans may also help reduce future base costs.</p> <p data-bbox="1021 808 1406 1088">The policy on reducing the use of reserves to support base budget will be enhanced to allow for when normally expected trends in costs or incomes are affected by unusual economic conditions.</p>

Opportunity / Risk	Updated Policies
<p data-bbox="300 197 469 230">Efficiencies</p> <p data-bbox="300 271 970 450">With increased national targets being set, and Government support likely to fall over the medium term, it is clear that the Council needs to achieve efficiency savings if it is to avoid affecting service quality.</p> <p data-bbox="300 488 976 629">Cost-effective realisation of cost savings based on assessments of economy, efficiency and effectiveness of outputs are becoming more difficult to identify.</p> <p data-bbox="300 667 983 842">Future cost reductions are likely to rely more on reducing overheads by working in collaboration, using alternative delivery or business models through transforming services, or sharing realisation costs and capacity with partners.</p>	<p data-bbox="1021 271 1369 483">New policies are introduced to require all managers during their planning processes and as part of the Council's overall VFM culture to:</p> <ul style="list-style-type: none"> <li data-bbox="1034 521 1390 591">➤ Work in collaboration with partners</li> <li data-bbox="1034 595 1398 696">➤ Identify alternative delivery and business models</li> </ul> <p data-bbox="1021 734 1401 1160">In addition, assistance will be given to managers to identify areas that may present the best cost effective savings by undertaking a rolling programme of Zero Based Budgeting techniques with particular emphasis on the effectiveness of outcomes.</p> <p data-bbox="1021 1198 1401 1444">The Council will also introduce specific assistance in the form of a Value for Money and Transformational strategy, and update the Fees and Charges guide.</p>

## Annex A: Background, Definition and Links to other Strategies and Plans

### Medium Term Financial Strategy

1. The purpose of the Medium Term Financial Strategy is defined as:

**“To identify how the Council wishes to structure and manage available resources over the medium term (3 years), and to ensure that resource allocation is aligned with and supports Council priorities, and objectives contained within the Corporate Plan.”**

2. The Medium Term Financial Strategy (MTFS) is an assessment of the Council’s current financial position, and a determination of the financial position the Council wishes to be in the medium term (3 years) given the environment the Council operates in and what it wishes to achieve. In this way the Council not only secures delivering essential public services in the present, but also makes sure it is in a sustainable position to do so over the medium term and for the future.
3. The most important aspects of the strategy are its objectives, which is what it intends to achieve, and its policies, which set guidelines for all other subordinate strategies and their delivery plans. The objectives for the Council’s MTFS are (see Annexes C to F for details on the policies supporting the objectives):

**Objective 1:** Keeping Council Tax (or other forms of local taxation) low; to keep Trafford within the lowest local taxation areas in the Country:

**Objective 2:** Increasing the resources available; to enable the delivery of the corporate plan and the overall Community Strategy

**Objective 3:** Delivering Value for Money; to obtain the highest benefit from all resources used in pursuit of the Corporate Plan and Community Strategy

**Objective 4:** Delivering a Robust, Balanced and Sustainable Budget and Asset Base; so that sufficient resources are allocated to priority services so that they can deliver essential services to customers at the required standard for the medium and into the longer term.

4. For planning purposes the Medium Term Financial Strategy includes an estimate of the resources available to the Council over the medium term, known as a “resource envelope”, which is expressed financially in terms of expenditure and income budgets.
5. The Medium Term Financial Strategy is orientated towards the analysis and allocation of revenue budgets and reserves. The Capital Strategy and Treasury Management Strategy deal in more detail with capital assets and the consequences of borrowing for capital purposes. However, these strategies should be viewed as part of, and complimentary to, the overall MTFS.

## Services and Service Plans

6. The Council provides a wide range of diverse services to the public through four directorates, and each of these directorates has responsibility for the achievement or shared achievement of the Council's objectives and Corporate Plan. The Council directorates are:
  - Children and Young People's Service (CYPS)
  - Adult Social Services (ASS)
  - Prosperity, Planning and Development (PPD)
  - Customer and Corporate Services (CCS)
7. Each of these directorates annually publishes a three-year Service Improvement Action Plan (SIAP) which details how the allocated resources are to be utilised to achieve the objectives and targets of the Council and Community.
8. There are also some Corporate Budgets in addition to the Directorate Budgets. Corporate Budgets relate to overall costs or expenditures which are mostly managed by the Finance Services Department, such as the consequences of the Capital Investment Programme (borrowing and debt redemption costs), Investment Income, payments to Joint Bodies (Greater Manchester Passenger Transport Authority), Coroner's Court, flood defence levy to the Environment Agency, etc. A full list is provided in the annual Financial Plan (more commonly referred to as the "Budget Book").

## Medium Term Financial Plan

9. To be meaningful, the MTFS requires a 'delivery plan' or Medium Term Financial Plan (MTFP). The first year of an MTFP will be the detailed budget, whereas subsequent years, although similar, will not be as detailed, as they will be subject to option appraisal, consultation and an ever changing environment. A financial plan, or budget, is defined as:

**"The sum of the Council's plans or actions to achieve Corporate goals and objectives expressed in financial terms."**

10. The actions to achieve corporate goals and objectives of the corporate plan, and to provide statutory service delivery, are contained within Service Improvement Action Plans (SIAP's). The MTFP records what resources, in terms of money, have been allocated to services areas to afford the delivery of SIAP's. The annual Financial Plan ("Budget Book") details the first year of the MTFP, and provides a breakdown of what the money allocated to services is to be spent on.
11. Three year resource forecasting and expenditure planning has been a feature of the Council's budget process since 2004/05.

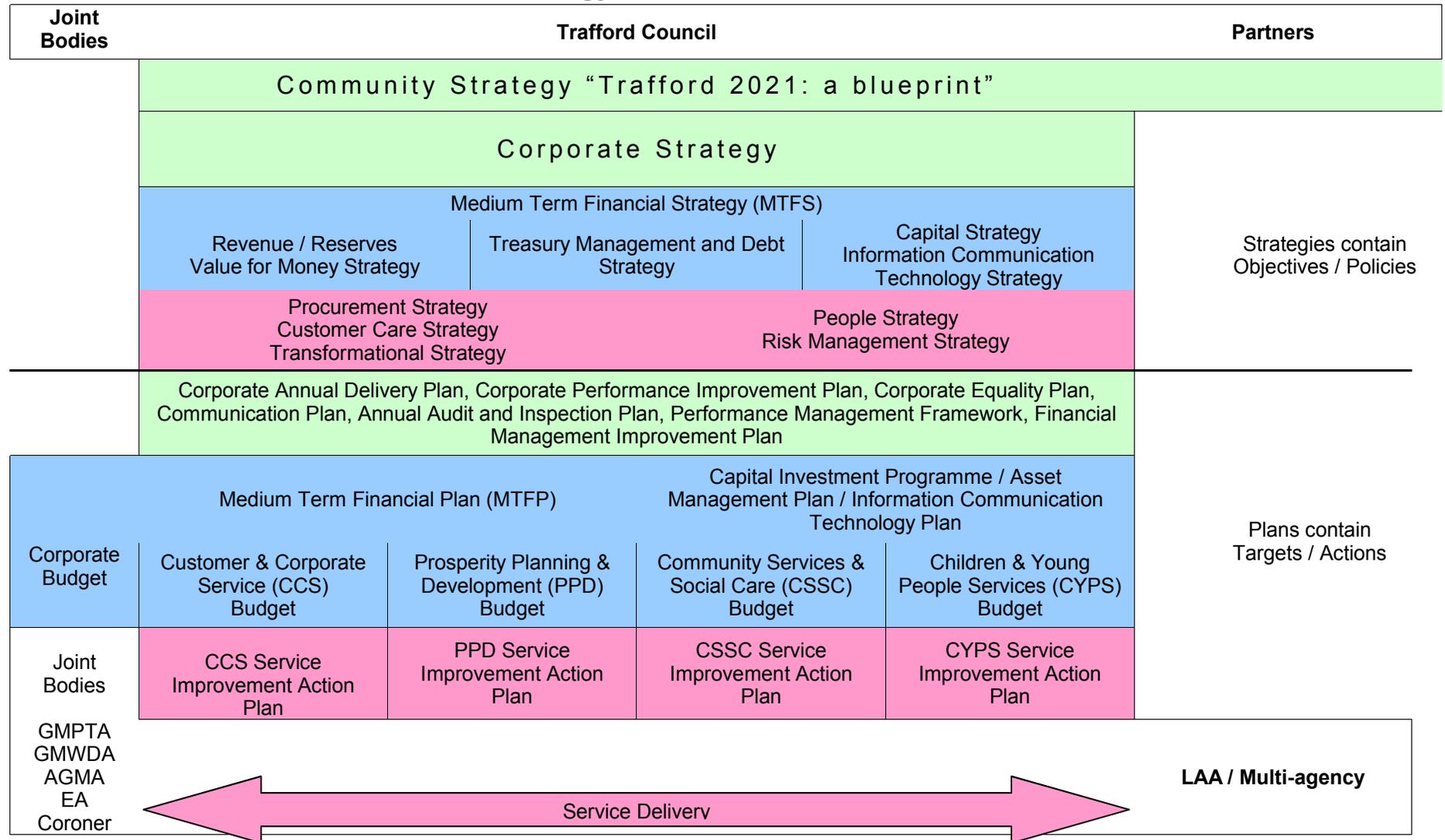
**The purpose of extending financial planning beyond the one-year budget time horizon is to provide a financial framework for service planning and continuity. Services will be able to plan how they will achieve corporate goals and targets with a greater degree of sustainable certainty, and equally the ability to achieve goals and targets will be balanced with resource availability.**

12. The MTFP is orientated towards the revenue budget and use of revenue reserves, taking into account the revenue consequences of the Capital Investment Programme and the Treasury Management function. However, the Capital Investment Programme and Treasury Management make up the overall Medium Term Financial Plan, encompassing the allocation of all available financial resources.
13. The MTFP is therefore a costed summation of all the Service Improvement Action Plans, which in turn contain plans, projects and programmes for the achievement of the Corporate Plan, and the delivery of all Council strategies, including the Community Strategy.
14. These plans must, in turn, embody and reflect the goals and objectives of the Council, the boundaries set by Government and its inspectorates, and the environment the Council works within. Such considerations include commitment to:
  - Council objectives
  - Legislation and Regulation impacting upon and/or delivered by the Council
  - Performance Indicators, both Government (Best Value and LAA) and Local
  - Comprehensive Performance Assessment (CPA)
  - Evaluations of Council performance, and response to recommendations made by, for example, Ofsted, CSCI, BFI, Audit Commission, etc
  - Strategic and operational risk assessments

#### **Links between Strategies, Plans, Programmes and Projects**

15. The following diagram brings together the key strategies of the Council, showing how they link with the underlying delivery plans, programmes and projects:

## Strategy and Plan Overview

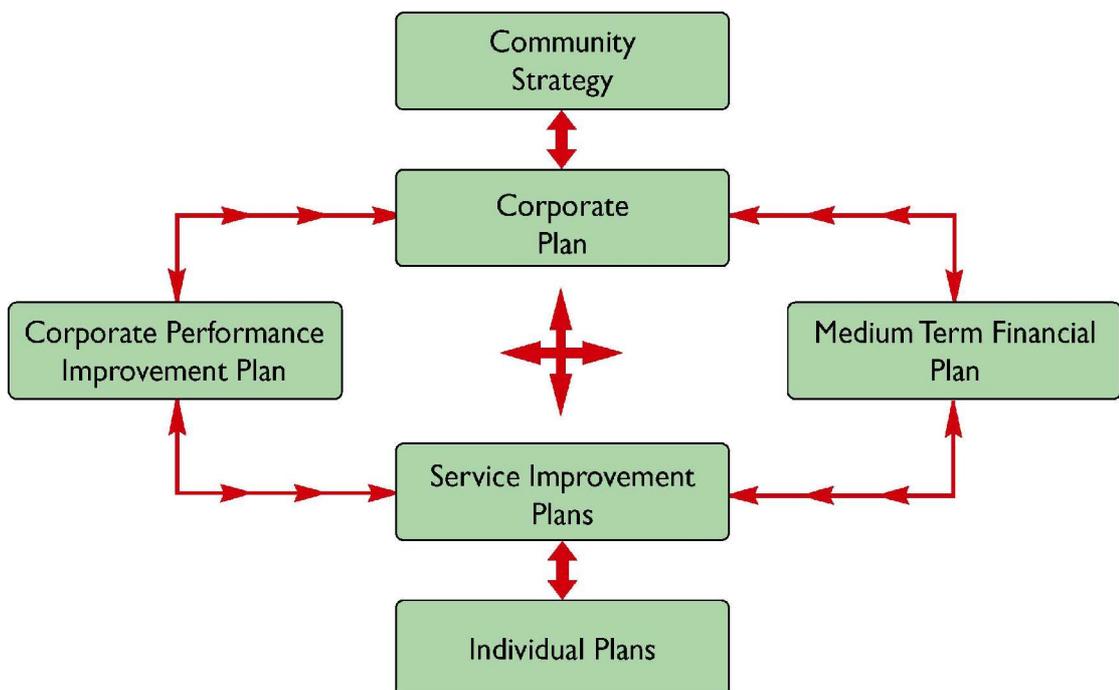




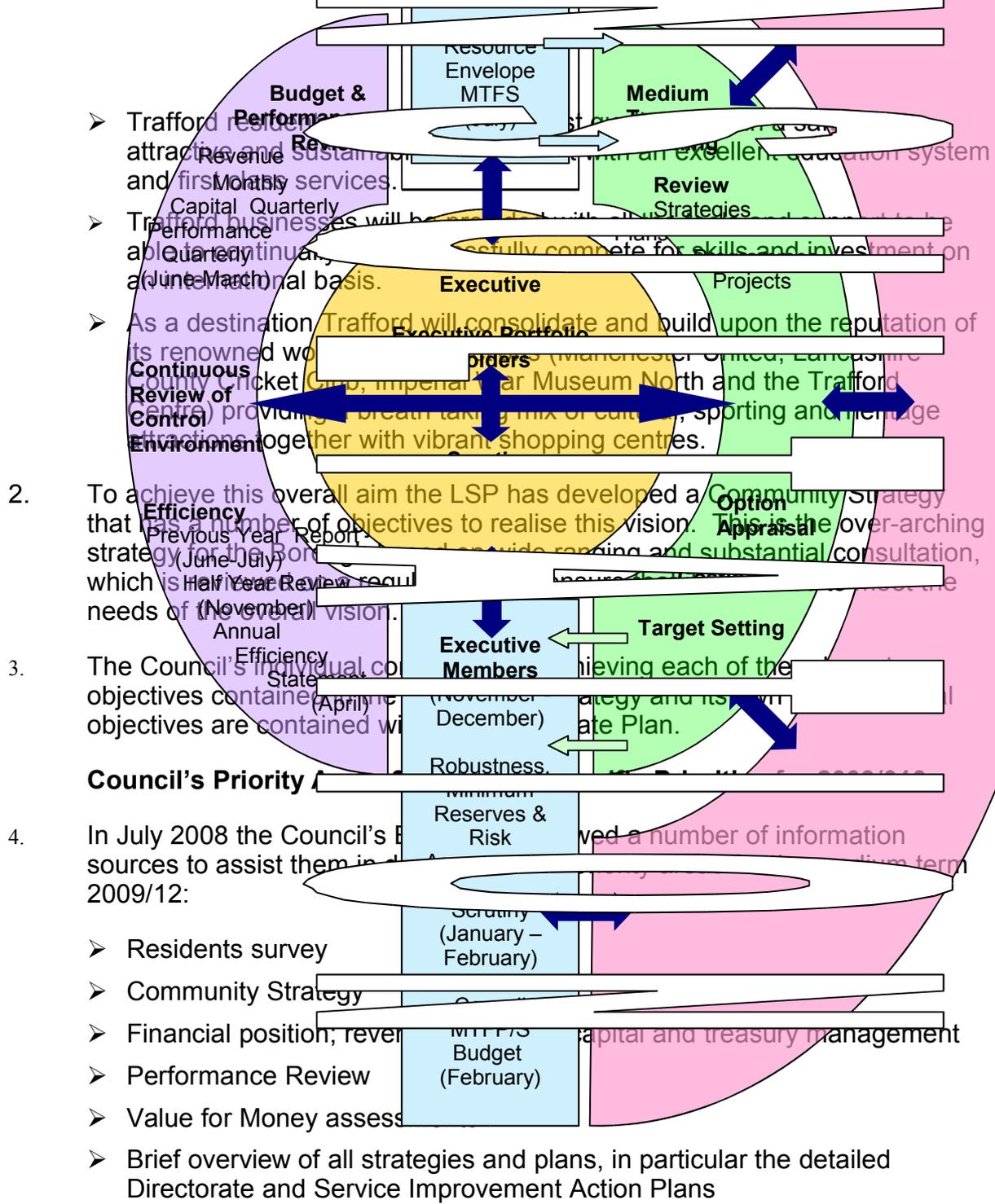
<b>Key: Strategy Plan</b>	Vision Standards	Resource Budget	Behaviour Action
---------------------------	------------------	-----------------	------------------

## Performance Management Framework

16. The Council's performance management framework links individual and service plans with the Council's corporate objectives and the Community Strategy. Recent initiatives to cement such links include:
- Agreeing the revised set of medium-term corporate objectives set out in this Plan
  - Establishment of a corporate performance improvement plan
  - More focused Service Improvement Plans, aligned to the new corporate objectives
  - Comprehensive Staff Personal Review and Development Plans, linked to service objectives
  - A new performance reporting framework requiring regular, explicit and coordinated progress reports on service and corporate commitments
17. The framework also emphasises the role of line management in securing planned achievements and taking remedial action where necessary, and the accountability of staff at all levels. The framework will be kept under continuing review. The framework may be represented as:







2. To achieve this overall vision, the LSP has developed a Community Strategy which has a number of objectives to realise this vision. This is the over-arching strategy for the Borough, which is subject to wide ranging and substantial consultation, and is subject to the needs of the overall vision.
3. The Council's individual corporate objectives contained within the Community Strategy and its Strategic Plan are contained within the Council's Strategic Plan.

**Council's Priority**

4. In July 2008 the Council's Executive considered a number of information sources to assist them in developing the Council's Strategic Plan for 2009/12:
  - Residents survey
  - Community Strategy
  - Financial position, revenue and expenditure
  - Performance Review
  - Value for Money assessment
  - Brief overview of all strategies and plans, in particular the detailed Directorate and Service Improvement Action Plans

5. The Executive also took into account the key drivers, both nationally and locally, that would have a bearing on the Council's statutory responsibilities and the achievement of the Borough's Community Strategy, as listed in the diagram overleaf:

## Drivers and Influences

<p><b>Consultation outcomes</b></p> <ul style="list-style-type: none"> <li>• Residents are more satisfied than they were in 2003, an excellent rating when compared with similar authorities</li> <li>• Service delivery is also seen to have improved, especially in relation to recycling and waste collection</li> <li>• 55% of those who responded are satisfied by the way the Council runs things</li> <li>• Since 2003, the perceived need to tackle crime and improve health services, education provision, public transport and road /pavement repairs has fallen</li> <li>• The call for teenage activities , job prospects and community activities has risen</li> <li>• The factors most in need of improvement are:             <ul style="list-style-type: none"> <li>○ Condition of the roads and pavements (52% in 2006, 56% in 2003)</li> <li>○ Activities for teenagers (47% in 2006, 31% in 2003)</li> <li>○ Levels of crime (44% in 2006, 59% in 2003)</li> <li>○ Traffic congestion (42% in 2006, 41% in 2003)</li> </ul> </li> <li>• Factors which are least likely to be seen as in need of improvement are:             <ul style="list-style-type: none"> <li>○ Race relations (3% in 2006, 4% in 2003)</li> <li>○ Education provision (5% in 2006, 9% in 2003)</li> <li>○ Access to nature (6% in 2006, 5% in 2003)</li> </ul> </li> </ul>		<p><b>Partnerships</b></p> <ul style="list-style-type: none"> <li>• The Trafford Partnership</li> <li>• Children and Young People Partnership</li> <li>• Healthier Trafford</li> <li>• Over 50's</li> <li>• Safer Trafford</li> <li>• Culture</li> <li>• Environment</li> <li>• Strategic Housing</li> <li>• Transport</li> <li>• Trafford Neighbourhoods</li> <li>• Trafford Economic Alliance</li> <li>• Adult Learning and Skills</li> </ul>
<p><b>Community Drivers</b></p> <ul style="list-style-type: none"> <li>• Sustainable Community Strategy</li> <li>• Community Engagement &amp; Involvement Strategy</li> <li>• Trafford Partnership work plans</li> <li>• Local Area Agreement</li> <li>• Increasing customer expectations</li> </ul>	<p><b>Council Drivers</b></p> <ul style="list-style-type: none"> <li>• Council priorities and key deliverables</li> <li>• Trafford 2021</li> <li>• Corporate Performance &amp; Improvement Plan</li> <li>• Services Improvement Plan</li> <li>• Asset Management Plan</li> <li>• Risk Management Strategy</li> <li>• Annual Audit &amp; Inspection Plan</li> <li>• Housing Strategy</li> <li>• Supporting People Strategy</li> <li>• Cultural Strategy</li> <li>• Local Development Framework</li> <li>• Local and Regional Transport Plans</li> <li>• Corporate Equality Plan</li> <li>• Equality and Diversity Statement</li> <li>• Race Equality Scheme</li> <li>• Capital Strategy</li> <li>• Performance Management framework</li> <li>• Customer Care Strategy</li> <li>• Procurement Strategy</li> </ul>	<p><b>National Drivers</b></p> <ul style="list-style-type: none"> <li>• The Future of Local Government – developing a 10 year vision</li> <li>• Strong &amp; Prosperous Communities – A Local Government White Paper</li> <li>• Gershon Agenda, Value for Money and Comprehensive Spending Review</li> <li>• Local Area Agreements</li> <li>• Improving Community Health and Well Being</li> <li>• Vulnerable People</li> <li>• Children, Young People &amp; Families</li> <li>• Housing and Planning</li> <li>• Climate Change</li> <li>• The role of the third sector, i.e. Voluntary organisations and Community groups</li> </ul>



6. Following this meeting the Executive confirmed the priority areas for medium term planning as follows, with a particular emphasis on how these service areas affect young people:

**Lower Council Tax and Ensuring Value for Money:**

To ensure that the Council can demonstrate it provides efficient, value for money services to the people of Trafford

**Quality Care for Adults:**

Objective; To use our resources in a fair and equitable way to meet the needs of the most vulnerable people in our community

**Fighting Crime:**

To reduce the impact of crime on the lives of people in the Borough by working with partners to reduce crime and to tackle the perception of crime

**Preserving and Improving Educational Excellence:**

Ensure that from a person's early years, education and personal development opportunities are accessible in order for them to realise their full potential.

**Better Roads and Pavements:**

To identify, provide and deploy significantly increased investment to improve roads and pavements.

**A Cleaner, Greener Borough:**

To deliver the cleaner and green agenda, incorporating the waste management strategy, recycling targets and awards for parks.

**Local Area Agreements (LAA) and Multi-Area Agreement (MAA)**

7. Local Area Agreements (LAA), and equally with the shared LAA across Greater Manchester known as a Mutli-Area Agreement (MAA), have become a standard fixture of medium term service planning. The next LAA will no longer attract Pump Priming Grant, and there is an expectation that the reward grant from the previous LAA and base budget will be used to invest in new stretch targets.
8. A determination is yet to be made as to how the reward grant from the current LAA will be applied, however this will become clear as the final developments of making LAA and MAA planning a normal part of overall planning are undertaken during 2009/10.

## **Annex C: Objective 1; Keeping Local Taxation Low, Policies**

9. The four objectives of the 2008/11 Medium Term Financial Strategy and the supporting policies to be taken account of in all other plans to help ensure the delivery of the Strategy are as follows.

**Objective 1: Keeping Council Tax (or other forms of local taxation) low; to keep Trafford within the lowest local taxation areas in the Country:**

### Continuing Policies

- Minimising Council Tax increases wherever possible, but not at the expense of seriously affecting the delivery of statutory services or Council priorities
- Regularly reviewing the cost of Council priorities
- Raise public awareness of the Council's poor resource base, particularly with regard to central Government support, and the associated financial constraints
- Regularly consulting the public and partners on Council Tax levels and priorities

## Annex D: Objective 2; Increasing Resources Available, Policies

**Objective 2:** Increasing the resources available; to enable the delivery of the corporate plan and the overall Community Strategy

### Continuing Policies

- Lobbying Government for more resources, particularly with regard to the redistribution of business rates and the Local Authority Business Growth Incentive Scheme
- Seeking to reduce overheads, including in partnership with others
- Maximising the Council Tax Base
- Reviewing or introducing fees and charges, and ensuring that credit terms are appropriate and debt recovery is optimised, which will include maximum recovery of costs from slow payers
- Seeking sponsorship and encouraging investment in the Borough either directly through the Council or its partners or otherwise
- Working with partners to equip and encourage a thriving and successful voluntary sector
- Where consistent with achieving the Council's priorities:
  - bidding for competitive grants, and otherwise ensuring that all monies available to the Council by way of grant are obtained, and
  - supporting partners, stakeholders, voluntary and community groups to seek and secure funding

## Annex E: Objective 3; Delivering Value for Money, Policies

**Objective 3: Delivering Value for Money; to obtain the highest benefit from all resources used in pursuit of the Corporate Plan and Community Strategy**

### Continuing Polices

- Ensuring the best use of capital resources and reserves by evaluating the cost of borrowing (prudential or otherwise) or loss of income from investments against the long term benefits or return on proposed schemes
- Improved procurement practices
- Embedding challenge such as benchmarking within management and planning processes
- *Delivering cashable efficiencies of at least 3% per annum either through the Service Improvement Programme (SIP) or by other means (updated see below)*
- *Collaborating closely with partners to combine shared capital and revenue resources to meet National and Community Strategy objectives to better or more economical effect (updated see below)*

### New and changed Policies

- Planning processes to include a review of all businesses and practices, with specific challenge as to whether the service could be delivered more economically, efficiently or effectively through different delivery models and/or in collaboration with partners
- Those responsible for service delivery and/or budget management should seek every opportunity to engage collaboratively with partners where it is economical, efficient or more effective to do so
- To review management information systems to ensure that they are adequate in providing data to identify efficiencies and to ensure customer-focused innovative services
- Zero base budgeting techniques to be employed on a rolling programme basis, focused on those areas most likely to produce economies, efficiencies or service improvement by way of effectiveness
- To strive for efficiency levels above that set by the Government
- To evidence efficiency levels and gains
- Specific Value for Money and Service Transformation strategies to be developed

## Annex F: Objective 4; Delivering a Robust, Balanced and Sustainable Budget and Asset Base, Policies

**Objective 4:** Delivering a Robust, Balanced and Sustainable Budget and Asset Base; so that sufficient resources are allocated to priority services so that they can deliver essential services to customers at the required standard for the medium and into the longer term.

### Continuing Policies

- Maintaining a Medium Term Financial Plan strategic model, supported by regular reviews of key pressures, performance and priorities, as new information becomes available. This model to feed into a more detailed resource allocation model that will ensure available resources are aligned to priorities and legal requirements.
- Continuous improvement in the MTFP (trend analysis, activity forecasting, option appraisal, performance management and risk management)
- *Reducing and eliminating use of reserves to support base budget (updated see below)*
- Reviewing levels of subsidy in fees and charges to ensure that resources are targeted to priority services or those services which will deliver Community Strategy, Corporate Plan or Local Area Agreement objectives.
- Cash limiting budgets.
- All under-spends achieved through direct management action and all overspends will be carried forward into the relevant service's accounts to be recouped or targeted as additional priority investment in the following year.
- Regular (monthly for 10 months) revenue budget monitoring, combined with quarterly capital and performance monitoring to take place, with overall spending being controlled within the budget set by Council
- Corporate Directors and Directors having financial management of all budgets under their control including the achievement of savings or efficiency targets which will be assigned to specific officers to deliver.
- Corporate Directors will ensure that all of their delivery plans will balance with available resources across the whole of the medium term.
- All relevant staff will have financial competencies identified within their contract of employment and will be annually assessed against the successful discharge of their financial responsibilities.
- All savings and efficiency proposals shall be subject to robustness testing, risk assessment and a detailed milestone plan, which will be regularly monitored.

- All unsustainable funding sources, and in particular grants, will have an exit strategy such that the reduction or removal of funding will not necessarily impact on base sustainable resources. In no circumstances will the ending or reduction of a grant be mainstreamed unless there is prior approval to do so (this does not effect funding transfers between specific and general grant).
- Any schools related overspends will be the first call on future Dedicated Schools Grant (DSG).
- To move towards using only unsustainable funding sources for one-off initiatives or investment.
- To continue to improve financial management and control, maintaining expenditure within budget and to reduce capital investment programme slippage.
- To undertake an annual Council-wide review of financial management and develop an action plan for improvement
- To maintain adequate reserves at or above the minimum determined by the Council and as advised by the Chief Finance Officer (Director of Finance).
- Continuously reviewing the asset base to ensure that it is fit for purpose for now and into the future for the delivery of services by the Council or its partners, and to quickly rationalise other capital assets for future capital investment balanced with achieving best possible price

#### New and changed Policies

- Introduce continuous activity forecasting for all relevant services, and to proactively introduce plans which will reduce demand and the cost of demand
- The use of reserves to support base budget expenditure to be eliminated, except where reserves are used to mitigate unusual temporary market conditions which would otherwise impact on the long term sustainability of services

## Annex G: Council Tax Strategy

### Council Tax and Strategy

- In 2008/09 the Borough of Trafford was ranked by the Government as having the eleventh lowest Council Tax in England (354 Authority areas), which is five rankings up from 2005/06 when the MTFs objective of keeping Council Tax low was adopted:

Table 5: Council Tax Rankings

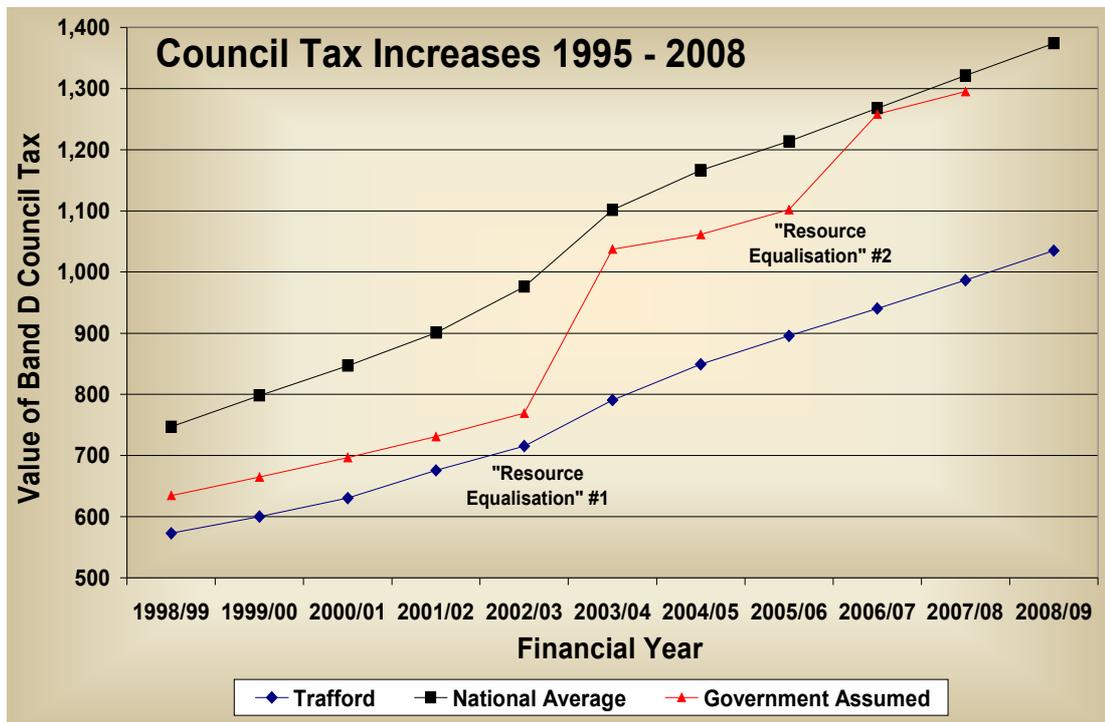
<b>Council Tax "on the doormat" Levels 2008/09 (includes Police, Fire and excludes Parish precepts)</b>		
Authority	Council Tax (Band 'D')	Rank
Wandsworth	687.07	1
Westminster	687.79	2
City of London	876.61	3
Kensington & Chelsea	1,067.90	4
Isles of Scilly	1,081.92	5
Hammersmith & Fulham	1,172.59	6
Tower Hamlets	1,175.46	7
Dudley	1,198.38	8
Doncaster	1,208.42	9
Wakefield	1,209.02	10
Trafford	1,209.83	11
Bracknell Forest	1,209.89	12
Birmingham	1,212.94	13
Windsor & Maidenhead	1,215.18	14
Thurrock	1,221.57	15
Southwark	1,221.96	16
Southend-on-Sea	1,229.07	17
Bradford	1,231.65	18
Medway	1,233.54	19
Lambeth	1,235.11	20

- Historically Trafford Council has been low tax setting, low spending yet relatively high service providing. Up to 2003/04 although Trafford still had a very low Council Tax it was higher than the Government's nationally assumed level of Council Tax. In 2003/04 the Government altered the basis for its assumed level of Council Tax it expected the average authority to raise, but Trafford's actual Council Tax level was significantly below this new assumption.

The effect of this change in assumption is that the Government has reduced the amount of general (Formula) grant to the Council as it assumes Trafford will raise more in local revenues than it actually does.

- This change in the level of Government assumed national average Council Tax in 2003/04, known as “Resource Equalisation”, was repeated in 2006/07 which compounded the reduction in Trafford’s allocation of Formula Grant. Out of all the main factors that reduce the annual increase in Trafford’s calculation for Formula Grant Resource Equalisation has the greatest effect (the others being a lack of recognition of the specific Area Cost Adjustment for the district, and relatively too much recognition in the formula for deprivation indicators).

It is inherent within the Government’s own assumptions that the Trafford tax payer should pay considerably more towards public services. However, universal capping at a threshold of 5% does not allow the Council to raise the money that the Government expects.



- A combination of this change in 2003/04 and 2006/07, combined with the imposition of capping powers, which fail to take into account local circumstances, have led to the Council suffering a significant resource shortfall. Effectively the Council is being penalised in grant settlements for its previous prudent rises in Council Tax.
- A notional average Council Tax increase of 5% per annum has been used in calculating future revenues. This is in line with the last known Government’s universal capping threshold.

6. The Council Tax base is the number of chargeable properties within the Borough translated into Band Ds (the middle Council Tax banding charge), and is another element of the total revenue gained from Council Tax. The estimated increase in Council Tax revenues is based on a 5% increase and a forecast of the growth in Council Tax base after taking into account exemptions and discounts and a small provision for non-payment.
7. The Council has collected more Council Tax than expected in previous years mostly due to the rapidly increasing number of properties in the borough as well as having a higher collection rate for bad or doubtful debts. This money forms the Collection Fund surplus and is used in future years to support the budget.
8. Given:
  - Future Government support will be at a minimum, making the Council rely more heavily on Council Tax increases to ensure sufficient long term sustainable funding
  - Trafford enjoys the eighth lowest Council Tax in the country and,
  - is unlikely to move from that position significantly as the Government is likely to cap rises much above 5%

The Council Tax Strategy will be to:

- Maximise the tax base by ensuring all properties are brought onto the register as soon as possible. The Council has already taken steps to reduce the Council Tax discount for second homes and empty properties in the Borough from 50% to the minimum 10%.
- Maximise income collection by improving both in year and overall collection rates
- Set the increase in Council Tax for planning purposes within underlying Government assumptions, which at present is estimated at 5% each year, subject to final public consultation and budgetary review every December, for approval by Council in February

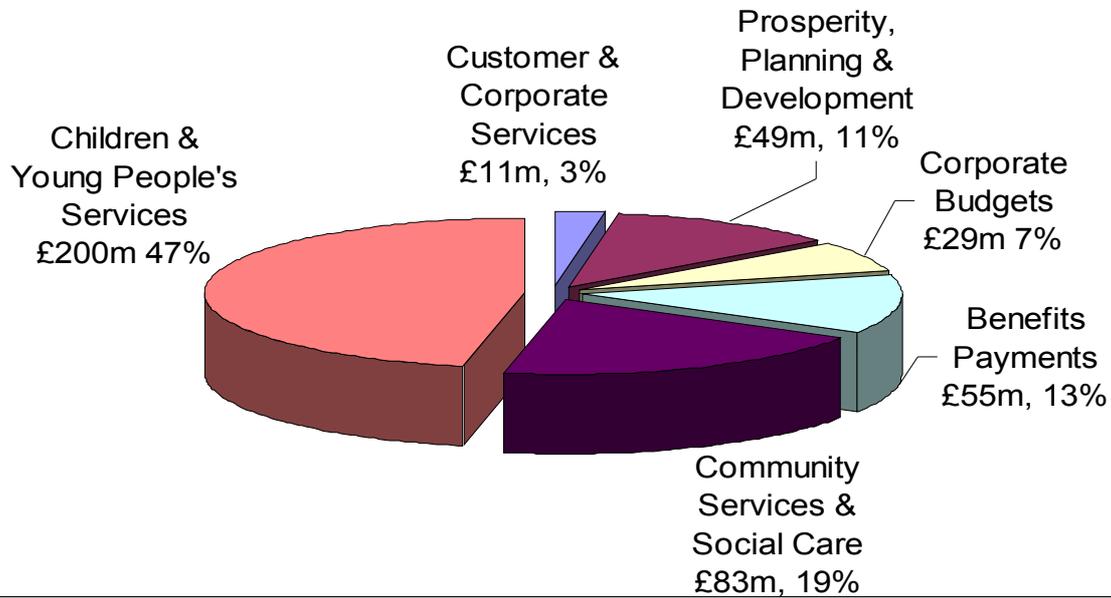
## **Annex H: Prudential Borrowing Policy & Methodology**

### **Prudential Borrowing Policy and Methodology**

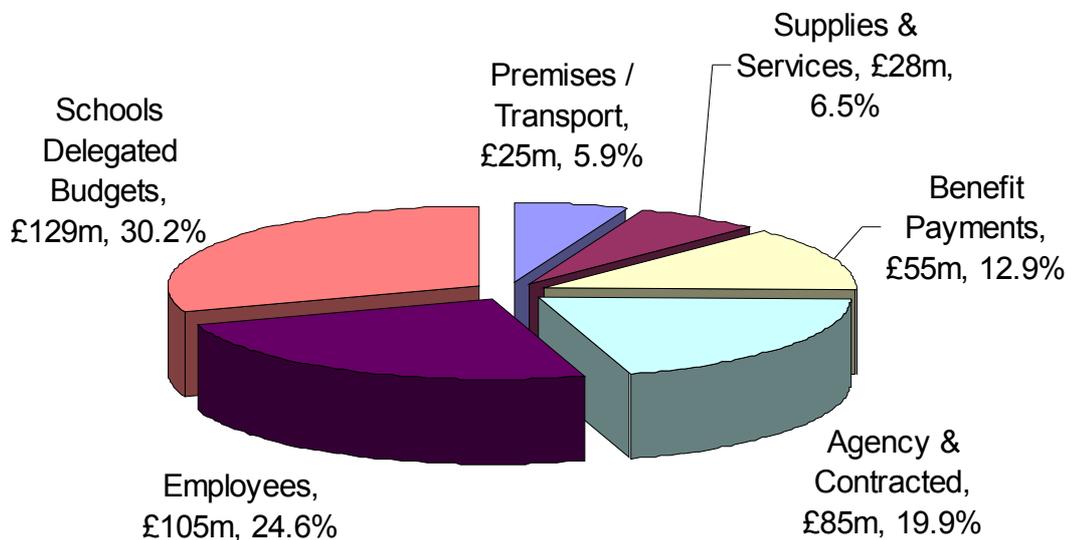
1. As mentioned above, borrowing for investment purposes will only be undertaken when the rate of return, in terms of achieving the Council's objectives including financial, is greater than the costs of borrowing, and when there are sufficient revenue resources to repay the cost of borrowing.
2. No scheme shall be allowed into the Capital Investment Programme until it is demonstrated that the long term costs of the scheme have sustainable funding in the revenue budget.
3. Sufficient base budget will either be additionally approved or moved from the Service Budget to the Corporate Treasury Management Budget. Whether the money is borrowed from internal or external funds and for what period will be determined by the Treasury Management function according to the Treasury Management Strategy.
4. The Treasury Management function may also maintain a Prudential Borrowing fund to smooth the potential difference between actual costs to the Council or service Directorate and the accounting costs required by regulations.

## Annex I: Council's current financial position

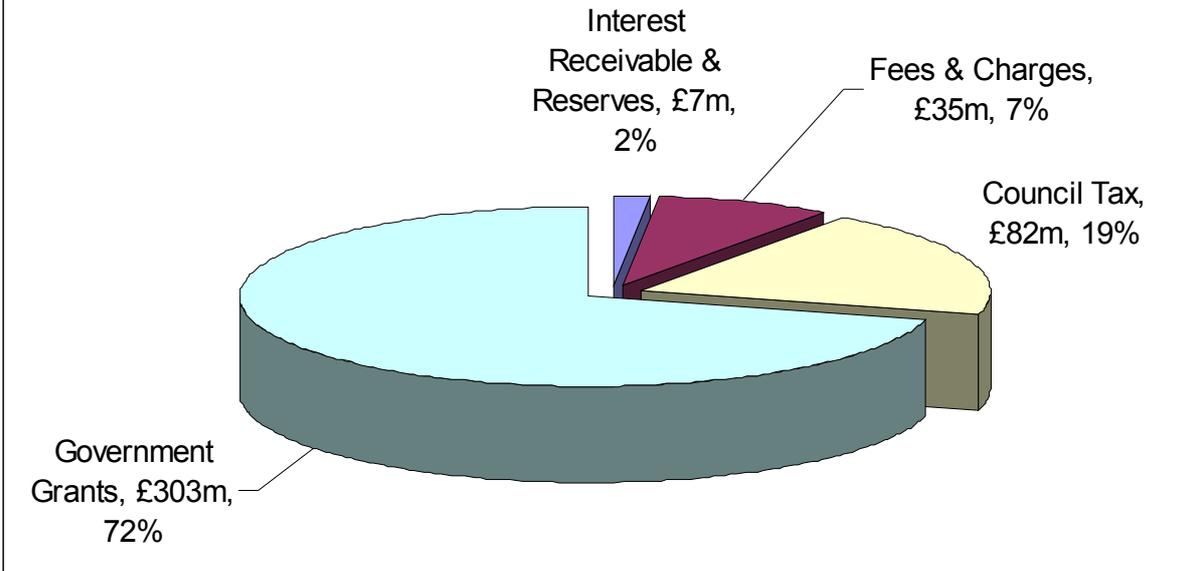
### Gross Expenditure by Service 2008/09 - £427m



### Gross Expenditure by Spending Category 2008/09 £427m



### Where the money comes from 2008/09 - £427m



Net Controllable Expenditure 2008/09	£m	£m
<b>Gross Expenditure</b>		<b>427</b>
Less:		
Government Grants, Other Grants & Contributions	(235)	
Fees & Charges	(27)	
Other Income	(8)	
Interest	(6)	(276)
<b>Net Controllable Expenditure</b>		<b>151</b>

### Net Expenditure by Service 2008/09 - £151m

