

To: POLICY & RESOURCES (FINANCE) SUB COMMITTEE		Subject: FINANCIAL PLAN 2005-06 TO 2007-08
From: DIRECTOR OF FINANCE		
Date: 10 August 2005	Ref: JV/LM	

1 Introduction

- 1.1 I attach for Committee's approval the Financial Plan for the three years 2005/06 to 2007/08. The Plan incorporates the financial settlement details and budgets for those years included in Spending Review 2004.

2 Background

- 2.1 Three-year Financial Plans were introduced by the Council in 2001, following the introduction of three-year grant announcements by the Scottish Executive. The first Plan covered the period 2001/02 to 2003/04 and the second Plan covered the period 2003/04 to 2005/06. This Plan continues to build on the experience of three-year financial planning and sets out the Council's financial strategy for the three years from 2005/06 to 2007/08.
- 2.2 The Financial Plan is constructed around the budget for 2005/06 that was approved by the Council in February 2005. Provisional departmental spending budgets have been compiled for 2006/07 and 2007/08, taking into account the Scottish Executive's grant funding announcements for these years. However, unlike previous years, the Council made no decision on indicative Council Tax increases for 2006/07 and 2007/08 while awaiting representations to the Executive on the level of grant funding.

3 Considerations

3.1 Purpose of the Financial Plan

The plan sets out the resources available to the Council over the next three years and provides the foundation on which the Council can develop its spending plans and priorities. The Financial Plan provides a realistic framework to enable the integration of service and financial planning, ensuring that plans for service development and growth are firmly rooted to the financial resources available. The Financial Plan also facilitates a streamlined annual budget process.

3.2 Contents of the Financial Plan

The key features of the Plan are that it:

1. is based on currently announced government grant figures. Unlike previous plans, however, it does not include indicative Council Tax increases for years 2 and 3 following the Council decision in February 2005;

2. details revenue spending projections of £641.247m in 2005/06, £665.082m in 2006/07 and £694.349m in 2007/08.
3. details Capital Planning totals in accordance with the approved 3-year Capital Plan, amounting to £64.279m in 2005/06, £64.246m in 2006/07 and £57.177m in 2007/08. It also sets out the capital budget for Housing of £45.200m in 2005/06, £41.683m in 2006/07 and £42.693m in 2007/08;
4. reaffirms an ongoing commitment to improve efficiency and details efficiency savings for each department for 2005/06, with savings to be channelled to fund growth in the Council's key priority areas. Efficiency savings for the following two years will be developed during 2005/06 to include corporate savings in line with the Scottish Executive's Efficient Government initiative;
5. recognises the need to continue to improve Council Tax Collection;
6. maintains the value in real terms of service charges set by the Council;
7. acknowledges that there will always be some uncertainty and that a general fund balance of £8m will be retained to ensure financial stability;
8. recognises the need develop firm revenue budgets for 2006/07 and 2007/08 reflecting the Scottish Executive's final decisions on additional resources.

4 Recommendation

- 4.1 Committee is requested to approve the Financial Plan.



Director of Finance