

## REVIEW OF MEDIUM TERM FINANCIAL STRATEGY

**EXECUTIVE MEMBER:** Cllr A Holliday  
**LEAD OFFICER:** Liam Murphy, Chief Executive  
**REPORT AUTHOR:** Marilyn Robinson, Acting Head of Finance and  
Management Information Systems

### **Summary:**

This report proposes that Members review the Council's Medium Term Financial Strategy.

### **Recommendation:**

That Members note the Medium Term Financial Strategy and the pressures identified for the 2009/10 revenue and capital budget.

## **1 INTRODUCTION**

- 1.1 The purpose of this report is to review the Medium Term Financial Strategy (MTFS), approved by Full Council on 26 February 2008, and to identify known pressures on the budget for 2009/10.
- 1.2 The MTFS brought together the Budget Strategy, Capital Programme, Reserves Strategy and the Treasury Management Strategy. It outlines how the Council intends to manage its resources over the next 3 years.

## **2 3 YEAR BUDGET STRATEGY**

- 2.1 The 3 Year Budget Strategy is shown at Appendix A. Once the 2007/08 Statement of Accounts have been finalised, the Budget Strategy can be updated.

2.2 In order to comply with the 3 Year Budget Strategy, the main points to bear in mind for the 2009/10 revenue budget are:-

- **government funding** has already been set for 2009/10 and 2010/11 i.e. there will be no increase in funding [see Total Central Government Support at Appendix A]

This comprises:

	2008/09 £'000	2009/10 £'000	2010/11 £'000
Revenue Support Grant	7,151	7,187	7,222
Working Neighbourhood	1,000	1,000	1,000
Safer Stronger Communities	413	258	-
<b>Total</b>	<b>8,564</b>	<b>8,445</b>	<b>8,222</b>

- **funding from Council Tax assumes a 4.7% increase for 2009/10 made up of a 3.9% rise in Council Tax and the balance from an increase in the Council Tax base.**
- **government efficiency targets require 3% savings each year – the target for savings in the 2009/10 budget amounts to £318k.**
- **The strategy has budgeted for extra income of £156k from Fees and Charges.** [Need to consider charging for services which are currently free of charge]
- **£118k has been allowed for pressures on the budget / growth** [e.g. higher than average inflation rate on fuel, potentially higher charges on newly tendered contracts for insurance and banking services, reduced interest earned as cash balances reduce by using reserves to fund the budget, demand exceeding available funding for concessionary fares, job evaluation implementation. ]
- **£407k has been allowed for inflation, including increments**

2.3 The capital programme, including slippage, is being monitored by the Executive. Progress will be reported to this Committee at the October meeting remaining.

### **3 RISKS IDENTIFIED**

#### 3.1 Risks identified at this stage include:-

- the Council tax base does not increase due to a downturn in new build / renovations bringing property back into use;
- savings of £318k cannot be found;
- extra £156k income from fees & charges cannot be raised;
- the impact of inflation is greater than £407k;
- the Council does not generate any useable capital receipts.

### **4 OPTIONS**

4.1 The RWPG confirm the existing budget strategy.

4.2 The RWPG recommend amendments to the budget strategy at Appendix A to be considered by the Executive and approved by Full Council.

### **5 FINANCIAL AND HUMAN RESOURCES IMPLICATIONS (INCLUDING SOURCES OF FINANCE)**

5.1 Resources will be allocated in line with the Budget Strategy.

### **6 PROJECT AND RISK MANAGEMENT**

6.1 The budget process will be timetabled. Risks will be identified and monitored throughout the budget process.

### **7 IMPACT ON CORPORATE PLAN**

7.1 The budget and monitoring process is fully integrated into the planning process of the Council embracing all the corporate objectives.

**List of Appendices:** Appendix A Review of Medium Term Financial Strategy

**List of Background Documents:** None

**Consultees:** Corporate Team

## Review of Medium Term Financial Strategy

**BUDGET STRATEGY**

Ref	2007/08	2008/09	2009/10	2010/11
<b>No. General Fund</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Base budget b/fd</b>	<b>10,158</b>	<b>10,606</b>	<b>12,309</b>	<b>12,360</b>
3% savings target	-338	-305	-318	-369
fees and charges price increase	-76	-151	-156	-160
pressures/growth	490	1,772	118	64
inflation including increments	372	387	407	418
<b>1 Budget Requirement</b>	<b>10,606</b>	<b>12,309</b>	<b>12,360</b>	<b>12,313</b>
<b>2 Expenditure Funded from Reserves</b>	<b>1,670</b>	<b>1,665</b>	<b>1,695</b>	<b>1,695</b>
<b>3 Total Operating Budget</b>	<b>12,276</b>	<b>13,974</b>	<b>14,055</b>	<b>14,008</b>
<b>Funded from:</b>				
<b>4 Total Central Government Support</b>	7,029	8,564	8,445	8,222
<i>% increase in base budget year on year</i>		21.8%	-1.4%	-2.6%
<i>% average increase year on year</i>		5.9%	5.9%	5.9%
District Council Tax Requirement (3.9% increase)	3,577	3,738	3,915	4,091
Collection Fund Surplus		7		
<b>5 Total Government Support and Council Tax</b>	<b>10,606</b>	<b>12,309</b>	<b>12,360</b>	<b>12,313</b>
<b>6 Reserves Strategy:</b>				
General Reserve - Opening Balance	2,442	1,434	1,434	1,434
transfer to earmarked reserves	-1,008			
<b>General Reserve - Closing Balance</b>	<b>1,434</b>	<b>1,434</b>	<b>1,434</b>	<b>1,434</b>
Earmarked Reserves - Opening Balance	6,452	6,498	4,981	3,444
Transferred from General reserves	1,008			
Contributions to earmarked reserves	708	148	158	148
Utilisation of reserves	-1,670	-1,665	-1,695	-1,695
<b>Earmarked Reserves - Closing Balance</b>	<b>6,498</b>	<b>4,981</b>	<b>3,444</b>	<b>1,897</b>
<b>Total Reserves (general + earmarked)</b>	<b>7,932</b>	<b>6,415</b>	<b>4,878</b>	<b>3,331</b>
<b>Analysis of Closing Balance:</b>				
General Reserve	1,434	1,434	1,434	1,434
Renovation Grants	1,214	714	214	
Future commitments	2,284	2,267	2,230	1,897
Working Neighbourhood Fund	3,000	2,000	1,000	
<b>Total</b>	<b>7,932</b>	<b>6,415</b>	<b>4,878</b>	<b>3,331</b>
<b>Note :</b>				
The Budget Requirement excludes parish precepts of :		369		
<b>Budget Requirement as above plus Parish Precept</b>		<b>12,678</b>		