

AGENDA ITEM 9

POLICY FINANCE & ADMINISTRATION COMMITTEE

26 JANUARY 2011

REPORT OF HEAD OF CENTRAL SERVICES

MEDIUM TERM FINANCIAL STRATEGY

1.0 PURPOSE OF REPORT

- 1.1 The purpose of this report is to review the Council's Medium Term Financial Strategy (MTFS) in light of the key financial issues that will affect the Council in the next and later financial years.

2.0 RECOMMENDATIONS

- 2.1 It is recommended that the MTFS as attached is approved including the following key issues:

- (i) An estimate of a 7% to 12.5% reduction in Formula Grant is made for 2013/14 following the end of the current provisional settlement.
- (ii) The enhanced working balance of £640,000 for General Expenses be retained in 2011/12 and any shortfall over that level be restored from the Corporate Priorities Reserve at the 31st March 2011.
- (iii) That any shortfall on the approved working balance for Special Expenses (Melton Mowbray) of £50,000 at the 31st March 2011 be restored initially from the special expenses reserve with any residual shortfall being met from the 2011/12 revenue budget.
- (iv) The budget forecast information provided and the assumptions on which it is based be noted.
- (v) The estimated availability of funding for capital spending be noted and the policy of seeking external funding for capital projects and working in partnership with other local authorities to attract funding to supplement the Council's own resources be continued.
- (vi) The amounts in the corporate priorities reserve and general reserve (special expenses) be available to help fund projects (non-recurring cost element) which are in line with Council priorities.

3.0 KEY ISSUES

- 3.1 The MTFS is the document that converts the Council's strategies and policies into financial forecasts which, when considered alongside other factors such as likely government grant, etc., enable Members to determine a framework and to set overall guidance for the forthcoming budget preparation exercise. A number of key issues set out in the strategy were considered at the September 2010 meeting of this committee.
- 3.2 One of the approved recommendations from this meeting was to retain an enhanced working balance on general expenses of £640,000. The estimated year end position indicates a shortfall at the 31st March 2011 of £166,410 against this level. The £60,000 enhancement to the working balance was approved to cover the financial challenges of

the economic downturn. As such members may wish to consider if they wish to utilise this to cover the shortfall and commence the 2011/12 financial year with the lower level of £580,000. However the economic challenges in terms of income uncertainty remain hence the previously approved recommendation to retain the enhanced level. In addition Members need to determine how, based on the approved level, any shortfall is to be restored. This could be from the Corporate Priorities Reserve at the year end which would ensure that only the level required would be utilised taking into account that the actual shortfall could be different. The current spending freeze should assist in achieving a reduced overspend, as with the 2009/10 financial year. Alternatively, the balance could be restored from the 2011/12 and later years revenue budget/s, however, with the current pressures on the revenue budget in these years due to the provisional finance settlement this would prove particularly challenging. Members indicated at the Budget Away Day that they wished to retain the enhanced working balance and that any shortfall over this level at 31st March 2011 should be restored from the corporate Priorities Reserve.

- 3.3 The revised and updated strategy is attached for consideration and approval. The aim of the strategy is not to give provisional budget figures, but rather to provide Members with a framework with which to support planning considerations for the medium term.

4.0 POLICY AND CORPORATE IMPLICATIONS

- 4.1 As shown in Appendix B to the MTFS the Strategy is an overarching strategy within the Council's Corporate Policy Framework. As such it draws together the financial consequences of all the Council's strategies and policies.

5.0 FINANCIAL AND OTHER RESOURCE IMPLICATIONS

- 5.1 The forecasts set out in the MTFS are based on knowledge held at this point in time. As projects proceed through the decision making process the financial implications will need to be further assessed.

6.0 LEGAL IMPLICATIONS/POWERS

- 6.1 The Legal implications of specific projects will need to be assessed when those projects are being considered.

7.0 COMMUNITY SAFETY

- 7.1 Community Safety is a key priority for the Council and the MTFS takes into account the financial implications of achieving the associated Priority Action Plan.

8.0 EQUALITIES

- 8.1 The MTFS seeks to align the Council's medium term financial planning with its corporate objectives. In doing so, the issues of equalities and diversity are reflected in the prioritisation of the different service objectives which reflect the corporate priorities of the Council. Adjustments to individual service levels as a result of available resources would be subjected to an equalities impact assessment as the initiative progressed through the decision making process, to enable all information to be available as part of the final decision.

9.0 RISKS

- 9.1 Local Government and the environment within which it operates is one of constant change and uncertainty. The MTFS attempts to identify these unknowns and convert them into best estimates, at a strategic level of what the Council's future budgets and Council taxes might be. It is a guide used to inform the budget setting process during which budgets will be refined in light of service needs.

10.0 CLIMATE CHANGE

10.1 There are no direct links to climate change, though some elements of the forecasts will relate to climate change issues.

11.0 CONSULTATION

11.1 The format of the Service and Financial Planning process including consultation is set out in Appendix A of the MTFS. In addition all Heads of Service and the Budget and Strategic Planning Working Group have been involved in finalising the document.

12.0 WARDS AFFECTED

12.1 To varying degrees, all wards are affected by the Council's MTFS.

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Date: 6 January 2011
Appendices: Medium Term Financial Strategy
Background Papers: Budget Book 2010/11
Budget 2011/12 electronic file and MTFS working papers
Budget Working Papers
Reference: X: PFA/26-1-11/DG-PF&A Medium Term Financial Strategy