

Medium Term Financial Strategy

Introduction

1. For a number of years as part of the Council's sound financial planning arrangements a four-year financial strategy has been prepared. This document allows a considered view to be taken of spending and resources. Without a medium term financial strategy finances would be managed on an annual basis leading to sudden expansions and contractions in services. Clearly such volatility would lead to waste and be confusing for stakeholders.
2. Managing this Council's finances has been made easier by isolating one off fluctuations (District Development Fund or DDF) from the ongoing core services (Continuing Service Budgets or CSB). This distinction highlights the differing effects in the medium term of approving different types of initiative.
3. A key part of the strategy is future rises in Council Tax and the Council has a stated ambition to not only remain a low tax authority but to ultimately have the lowest Band D charge in Essex. The Council currently has the third lowest charge and last year set one of the lowest increases in Essex.
4. At its 24 September 2007 meeting the Finance and Performance Management Cabinet Committee decided that communication of the revised medium term financial strategy to staff, partners and other stakeholders be undertaken by way of publishing key bullet points in appropriate publications.

Previous Medium Term Financial Strategy

5. That meeting of the Finance and Performance Management Cabinet Committee considered the annual Financial Issues Paper and an updated medium term financial strategy. At that time Members attention was drawn to a number of areas of significant uncertainty. The restructuring of top management was still ongoing and the re-organisation below assistant heads of service had not commenced. Information was still awaited from the Government on the outcome of the Comprehensive Spending Review (CSR) and the mechanism for funding the new national concessionary fares scheme. The outcome of the latest triennial valuation of the pension fund was also unknown.
6. Given the level of risk and uncertainty a prudent forecast was constructed that capped CSB expenditure for 2008/09 at £17.3m and introduced a requirement for annual CSB savings of £200,000 until the end of the forecast period. At this time deficit budgets were anticipated for each year of the forecast, although all of the deficits were kept below £400,000.
7. At that time the predicted General Fund balance at 1 April 2011 of £5.6m represented just over 31% of the anticipated Net Budget Requirement (NBR) for 2010/11 and was therefore somewhat higher than the guideline of 25%. It was also predicted at that time that there would be some £1.3m left in the DDF at 1 April 2011. However, the target savings in the forecast confirmed the need for the review of services and expenditure that is being undertaken.

Updated Medium Term Financial Strategy

8. As it became clear what the level of savings was likely to be from the corporate restructuring and the new waste management contract it was necessary to re-evaluate the CSB target for 2008/09. The meeting of the Finance and Performance Management Cabinet Committee on 10 December considered a draft General Fund summary together with growth lists of both CSB and DDF items. This meeting decided that it was possible to revise the CSB target downwards by £0.5m to £16.8m. To reflect these budget reductions a revised medium term financial strategy has been prepared and is attached as Annexes 8 a and b. In constructing the forecast it has been necessary to make certain assumptions, these are set out below:
 - a) CSB Growth – net savings for 2008/09 have been included at a total of £344,000. For 2009/10 growth items of £144,000 have currently been identified. In common with the earlier version of the strategy, target CSB savings of £200,000 per annum are included for the period 2009/10 to 2011/12. Having successfully exceeded the savings targets for 2007/08 and 2008/09, the search for the further savings needed in subsequent periods will continue throughout 2008/09.
 - b) DDF – all of the known items for the four-year period have been included and at the end of the period a balance of only £69,000 is still available. This is after revising the estimates for the inclusion of the Local Development Framework (LDF), which uses up £1.3m of DDF resource over the forecast period. It is hoped that the replacement for Planning Delivery Grant will provide funds that can be used for the LDF but these will only be included in the estimates when the amounts to be received are certain.
 - c) Grant Funding – the provisional settlement figures have been included for the CSR period of 2008/09 to 2010/11. Once provisional figures have been announced it is unusual for them to change significantly. For 2011/12 it has been assumed that there will be a 1% increase in the base grant but that there will be no floor support, this gives a net increase of 0.6%.
 - d) Council Tax Increase – Members have confirmed they wish to keep rises below the rate of increase in the Retail Prices Index and so an increase of 2.5% has been included for 2008/09. It is anticipated that growth in the retail prices index will reduce from the current level of 4.0% to 2.5% in subsequent years and so 2.5% has been used for future increases.
9. This revised medium term financial strategy still has deficits in the final three years of the period, although these are clearly affordable. The predicted revenue balance at the end of the period is £6.1m, which represents 34% of the NBR and thus comfortably exceeds the target of 25%. Members are asked to approve the medium term financial strategy. The strategy will be monitored during the year and updated for the September 2008 meeting of the Finance and Performance Management Cabinet Committee.