

## **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. This ambition is unlikely to be realised until 2010/11, although it is anticipated that the gap will narrow considerably in 2009/10. The Council currently has the second lowest charge and last year set the lowest increase in Essex.
4. At its 22 September 2008 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 effects of the "Credit Crunch" were starting to be seen, but month-by-month the overall economic picture has worsened and the impact on the Council's property related and investment income has become more serious. There were also questions over developments in the waste and leisure services and the impact of the new national concessionary fares scheme.
6. Against this background of risk and uncertainty a forecast was constructed that set a target of £17.6m for CSB expenditure for 2009/10 and maintained the requirement for annual CSB savings until the end of the forecast period. At this time deficit budgets were anticipated for each year of the forecast, although these were reducing throughout the period of the forecast.
7. At that time the predicted General Fund balance at 1 April 2012 of £7.1m represented nearly 40% of the anticipated Net Budget Requirement (NBR) for 2011/12 and was therefore somewhat higher than the guideline of 25%. It was also predicted at that time that there would be only £124,000 left in the DDF at 1 April 2012.

## Updated Medium Term Financial Strategy

8. As the effects of the “Credit Crunch” and the changes in the waste and leisure services became clearer it has been necessary to keep the CSB target for 2009/10 under review. The meeting of the Finance and Performance Management Cabinet Committee on 8 December considered a draft General Fund summary together with growth lists of both CSB and DDF items. This meeting decided to revise the CSB target upwards by £0.3m to £17.9m. However, the worsening economic position has necessitated a re-examination of some estimates and the CSB total for 2009/10 is now £18.015m. To reflect these budget increases 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 growth for 2009/10 has been included at a total of £599,000. For 2010/11 growth items of £102,000 have currently been identified. In common with the earlier version of the strategy, target CSB savings are included for the period 2010/11 to 2012/13. Given the decision to provide a stimulus to the local economy with the 2009/10 budget, greater savings are needed in subsequent periods. Consequently annual savings targets of £300,000 have been included for 2010/11 and 2011/12, reducing to £250,000 for 2012/13.
  - 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 £488,000 is still available. The improved position has arisen due to some substantial income items in 2008/09, including a transfer from the Insurance Fund of £460,000 and investment income of £264,000. The Local Development Framework (LDF) is still the largest project, using up £1.14m of DDF resource over the forecast period. It is hoped that the new Housing and Planning Delivery Grant will provide funds that can be used for the LDF and £62,000 of income has been included in the revised 2008/09 figures.
  - 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 and 2012/13 it has been assumed that there will be a 1% increase in the base grant but that there will be no floor support.
  - d) Council Tax Increase – Members have confirmed they wish to limit rises to 2.5% and this constraint has been applied to all years.
9. This revised medium term financial strategy has deficits in the next three years of the period, although these are reducing and break even is achieved in the final year of the period. The predicted revenue balance at the end of the period is £6.684m, which represents 36% of the NBR for 2012/13 and thus comfortably exceeds the target of 25%.
10. It is worth repeating that significant savings are necessary in each of the final three years of the strategy and in approving the medium term financial strategy Members are asked to note these targets. The strategy will be monitored during the year and updated for the September 2009 meeting of the Finance and Performance Management Cabinet Committee.