

**STROUD DISTRICT COUNCIL****AGENDA  
ITEM NO****CABINET****3 October 2007****9**

<b>Report Title</b>	<b>MEDIUM TERM FINANCIAL PLAN</b>
<b>Purpose of Report</b>	To inform Members of the current financial position indicated in the Council's Medium Term Financial Plan.
<b>Decision(s)</b>	The Cabinet <b>RESOLVES</b> to:  (a) note the Council's financial position as estimated in the revision of the Medium Term Financial Plan for the general fund;  (b) agree the budget arrangements, as set out in this report, which should be followed in the preparation of the general fund revenue estimates.
<b>Consultation and Feedback</b>	None at this stage.
<b>Financial Implications</b>	As contained in the report.
<b>Legal Implications</b>	Section 32 of the Local Government Finance Act 1992 as amended places a duty on the Council, as Billing Authority, to calculate before 11 March 2008 its budget requirement for 2008/09.  Richard Maslen, Principal Solicitor Tel: 01453 754367 Email: <a href="mailto:richard.maslen@stroud.gov.uk">richard.maslen@stroud.gov.uk</a>
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<b>Options</b>	None arising at this stage.
<b>Performance Management Follow Up</b>	Cabinet report in December 2007.
<b>Background Papers</b>	Appendix A attached.

**Discussion****Background**

1. The purpose of this report is to update the Council's Medium Term Financial Plan (MTFP) to provide an overview of the Council's financial position. This will assist Members in framing the budget and Council Tax level for the financial year 2008/09.
2. The MTFP covers a five year period up to 2011/12; it is an important aid to sound financial management in the Council and ensures that expenditure is kept in line with sources of revenue which may be available in future years.

3. The Council's General Fund balances stood at £2.863 million on 1 April 2007. This sum includes approved carry forward budgets of £304,900. A report on the outturn position was made to Cabinet on 12 July 2007.

### **The Medium Term Financial Plan**

4. The updated MTFP is shown in Appendix A. It includes known or estimated changes that will affect the Council's financial position but does not include revised revenue estimates for 2007/08 or estimates for 2008/09. Both of these items will be known and will be added to the report to Cabinet on 13 December 2007 when an updated Plan will be available.
5. The Council is likely to face a number of financial pressures in framing its 2008/09 budget and beyond. The most significant of these are likely to be:

- a) **Outcome of the Comprehensive Spending Review 2007 (CSR 07)**

The Government should publish its spending review in November 2007, which will have an impact on public spending levels over the next three years. Indications are that this will involve a tight settlement for Local Government and efficiency savings of 3% are likely to be sought.

- b) **Concessionary Bus Travel**

National concessionary bus travel comes into operation in April 2008. Currently the Council is reimbursed for travel passes issued through the Formula Grant by the Government but no breakdown of the amount included is given in details of the grant that the Council receives. There are concerns that a large take up of travel passes will put pressure on the 2008/09 revenue budget.

- c) **Local Government Pension Scheme**

The Pension Fund is re-valued every three years by an actuary and this review is currently in progress. The results should be available in November 2007. The last valuation increased employers' contributions and the increases are being phased in over a period of years. The employer's current year contribution on employees' gross salary is 17.5% rising to 22% in 2010/11. These rates will be revised in the valuation and an early indication by the actuary is that these will be increased by the current review.

- d) **Income from Land Charges**

The Council has budgeted for a positive contribution from search fees from land charges in its budgets. The surplus shown in the original budget for 2007/08 is £133,900. There are requirements for local authorities to break even on these accounts over a three year period, which will mean a substantial loss of income to the Council.

- e) **Local Authority Business Growth Incentive Scheme (LABGI)**

On a more positive note the Council has recently been notified that it will receive a further £162,000 in relation to years 1 and 2 of this scheme. A payment for year 3 is expected in February 2008.

An estimate of the likely amount will be made shortly and no allowance for the third year of the grant or the payment outlined above has been included in the current MTFP.

6. *Assumptions made in the MTFP*

- a) An estimate of unavoidable inflationary increases that will affect the Council in 2007/08 has been made. This has been included at the level of £384,000. The main components are a provision for a national pay award and a sum for index linked contracts to which the Council is committed. No general allowance has been made for inflation on service budgets, except for increased energy prices. An assumed increase of 2% on Government support for 2008/09 has been included in the plan.
- b) The effect that interest rates will have on the MTFP over the next four-year period is based on an estimated base rate level of between 5% and 6%. These figures are derived from independent forecasts.
- c) Budget holders are revising the current year's estimates and estimates for 2008/09 on a standstill basis and preparing controllable income budgets on the basis of an increase in charges of at least 3%. Budget holders are being asked to identify savings of 3% on their controllable budgets.
- d) The Local Government Act 2003 made significant changes to local authorities' capital funding arrangements. The current MTFP does not contain any funding to support debt that might be considered to finance a capital programme in the future. Sales of council houses have remained at a low level and these have provided a source of funding for the existing programme.
- e) No change in the level of Council Tax has been assumed in the MTFP. The following figures show the effects that various tax increases would have on balances at the end of 2011/12.

<b>Increase</b>	<b>Balances 2011/12 £m</b>	<b>Band D £</b>
0.0%	0.972	172.92
1.0%	1.265	174.65
2.0%	1.558	176.38
2.5%	1.704	177.24
3.0%	1.852	178.11

- 7. The MTFP, in Appendix A, shows that, at the end of its term, balances will stand at £1,072,000. This is £72,000 above the target figure of £1 million that the Council aims to have in hand in the final year of the MTFP.

**General Fund Medium Term Financial Plan  
September 2007**

Ref	EXPENDITURE AND INCOME	2007/08 £'000	2008/09 £'000	2009/10 £'000	2010/11 £'000	2011/12 £'000
1	Service revenue expenditure	15,103	14,798	14,798	14,798	14,798
2	Transfers to / from (-) reserves	40	- 166	29	- 65	- 159
3	Service changes	282	257	234	364	266
3a	Service improvements & provisions	275	700	300	150	-
4	Contingency	50	50	50	50	50
5	<b>ADJUSTED SERVICE EXPENDITURE</b>	<b>15,750</b>	<b>15,639</b>	<b>15,411</b>	<b>15,297</b>	<b>14,955</b>
	<b>Other Operating Income &amp; Expenditure</b>					
6	Drainage Board	76	78	80	82	84
7	Interest payable & similar charges	1,480	1,430	500	430	390
8	Interest & investment income	- 1,370	- 1,220	- 1,100	- 1,000	- 950
9	Reversal of depreciation charge	- 886	- 886	- 886	- 886	- 886
10	Inflation	-	384	384	384	384
11	<b>NET EXPENDITURE</b>	<b>15,050</b>	<b>15,425</b>	<b>14,390</b>	<b>14,308</b>	<b>13,978</b>
12	Special items (Parishes)	2,018	2,079	2,141	2,206	2,272
13	<b>NET EXPENDITURE INCLUDING PARISHES</b>	<b>17,068</b>	<b>17,504</b>	<b>16,531</b>	<b>16,514</b>	<b>16,250</b>

Ref	FUNDING (EXCLUDING PARISHES)	2007/08 £'000	2008/09 £'000	2009/10 £'000	2010/11 £'000	2011/12 £'000
14	Net Expenditure (line 11)	15,050	15,425	14,390	14,308	13,978
	Funded by:					
15	Precept on Collection Fund	7,325	7,347	7,370	7,392	7,414
16	Government revenue support	6,792	6,927	6,927	6,927	6,927
17	Collection Fund surplus	11	-	-	-	-
18	Use of / addition to (-) working balances	922	1,150	93	- 11	- 363
19	<b>TOTAL FUNDING</b>	<b>15,050</b>	<b>15,425</b>	<b>14,390</b>	<b>14,308</b>	<b>13,978</b>
20	<b>BUDGET REQUIREMENT (19 less 18)</b>	<b>14,128</b>	<b>14,275</b>	<b>14,297</b>	<b>14,319</b>	<b>14,341</b>

		2007/08 £'000	2008/09 £'000	2009/10 £'000	2010/11 £'000	2011/12 £'000
11	<b>NET EXPENDITURE</b>	<b>15,050</b>	<b>15,425</b>	<b>14,390</b>	<b>14,308</b>	<b>13,978</b>
21	Working balances brought forward	2,863	1,941	791	698	709
22	Change in balances	- 922	- 1,150	- 93	11	363
23	Balance carried forward	1,941	791	698	709	1,072
24	Reductions in expenditure, or increases in income, to maintain balances at £1m	-	209	302	291	-

**Notes:**

- The tax base for 2008/09 has been calculated as 42,363.51
- Future years are shown at 2008/09 prices
- Based on Council Tax increase in 2008/09 0.00%
- Band D Council Tax in 2008/09 £172.92