

**ITEM**

**ITEM**

**Executive – 10 September 2009**

## **MEDIUM TERM RESOURCE STRATEGY 2010/11 TO 2014/15**

### **Report of the Head of Financial Services**

**Statutory Powers:** Local Government Act 1972, Section 151

**Financial Implications:** This report identifies the potential budget gaps for the five years to 2014/15.

### **Purpose**

To provide an updated forecast of the financial situation for the five year period to 2014/15. The forecast is intended to provide a framework within which decisions can be made regarding future service provision and council tax levels. The Executive is not asked to agree each and every proposal for spending. These items will be considered in detail at a later date at the relevant meetings. The consideration of this issue is directly linked to CP6 – the improvement of core services in a cost effective way.

## **RECOMMENDATIONS**

**That the report be approved.**

### **Section 1 - Introduction**

- 1.1 We start the budget setting process in very uncertain times; the recession; government finances; local government review; impending general election; shared services and banking crisis all conspire to make planning for next year's budget very challenging and setting a strategy for the next five years almost impossible. A Comprehensive Spending Review was scheduled to take place during 2009 but the Chancellor has postponed it until after the General Election. This does not appear to impact on the level of grant to be received next year but makes planning for the medium term even more difficult. Nevertheless, we must make sensible choices and take the appropriate sustainable decisions to enable us to continue to deliver and improve our priority services that we make to our residents.
- 1.2 Public services look set for their biggest spending cut in more than 30 years after the next election according to the Institute for Fiscal Studies and the public sector recession looks likely to last nearly a decade. The Chancellor's headline figure for spending until 2013/14 is 0.7% p.a. growth. But this includes the extra cost of dealing with the recession, banking crisis, unemployment, benefits, debt interest etc. Once this is striped out, we are left with a cut of 2.3%, although there was no detailed indication of where this will fall. If one then assumes that health, education and possibly defence will have some sort of priority then it is really bad news for us in Districts.

- 1.3 The outlook for District Councils is particularly difficult; the Audit Commission reported in August that redundancies have already begun in nearly half of districts and a third of all other councils. Half of districts – which rely on income from planning applications, parking fees and interest on investments – are already using reserves, along with a third of other councils. The same proportions have instituted some cuts in service budgets, while 17% of districts and 8% of other councils have reduced budgets and grants to voluntary organisations.
- 1.4 Members will know that we successfully held down our council tax and car parking fees for 2009/10 without recourse to any of the above measures. However, this strategy includes forecasts for the next few years which will require some difficult decisions in order to achieve a balanced budget and avoid more service cuts in the future.
- 1.5 Government exert intense pressure on local authorities to keep council tax increases down with a number of councils and police authorities being capped in recent years. The Government have yet to make any formal announcements concerning council tax rises for next year but it is likely that they will require them to be in low single figures.
- 1.6 It is therefore essential that we continue to set our annual budget within the context of a rolling five year resource strategy. A longer term strategic view must be taken when decisions are made that have a financial impact beyond the annual budget as it enables us to assess the sustainability of decisions. The strategy is linked to our key strategic objectives and incorporates both national and local improvement priorities which have been included in our individual service plans and strategies.
- 1.7 The Council's financial strategy sets out how the Council wants to structure and manage its finances, looking forward over a five year period, and to ensure this fits with and supports the direction of the Council's objectives. This is good business planning, sound financial management and demonstrates the proper stewardship of public money.
- 1.8 Of course, this year we have the uncertainty of Local Government Review hanging over the Council. There have been numerous delays, all adding to the difficulty of making medium and long term decisions. The process is now in a state of confusion while we await the outcome of a Court of Appeal hearing. The timing of the decision making process for the Government now means that we will still be in existence next year so it is imperative that we set a balanced budget by making financial decisions that ensure the financial viability of the Council.
- 1.9 The 2009/2010 approved budget provides the base position for the financial strategy from which projections can be made to give an overall forecast of expenditure and income levels for the coming years. It is also necessary to maintain a minimum level of reserves to provide working capital and act as a contingency to meet any unforeseen needs.

- 1.10 The resources available to the Council are limited. The amount of Government support is outside of our control and council tax increases have to be kept within Government guidelines. Scope to increase income from locally determined fees and charges is reducing due to the economic situation and its effect on local residents and businesses.
- 1.11 In order to progress towards our aims and objectives we therefore need to prioritise our spending plans. This involves not only considering the financial pressures identified by service managers, but also looking at existing services and identifying those where reduced levels of activity or discontinuation should be pursued. In setting our budget, we should consult with interested parties and the financial strategy provides an opportunity to begin that process.

## **SECTION 2 - Why we need a financial strategy and available resources**

- 2.1 **Strategic Planning and links to other strategies** - The Council's Service Plans are influenced by corporate priorities, financial and legal constraints, statutory requirements and other Council plans and strategies. These strategies include both revenue and capital considerations. They are regularly updated and reviewed to address the results of on-going consultation, changes in corporate priorities and resources available to the Council and the recommendations of external reviews.
- 2.2 Fundamental to the effectiveness of this planning framework is the need to ensure that the financial strategy adopts a corporate approach to revenue and capital spending that is consistent with the Council's corporate objectives and the Council's key planning documents. The overall planning framework ensures that the financial strategy is a corporate document by ensuring consistency and compatibility in the co-ordination and preparation of strategies.
- 2.3 **Purpose of a financial strategy** - The overall objective for the financial strategy is to work out how the Council wants to structure and manage its finances, looking forward over a three to five year period, and to ensure this fits with and supports the direction of the Council's objectives.
- 2.4 **Business Planning** - Good business planning requires the declaration of a vision and clear targets at which to aim, with smart plans to achieve them. It requires the setting of objectives and the determination of priorities. It requires the identification and assessment of risk and the making of assumptions about the future.
- 2.5 The Council shares many common values with successful commercial organisations. It is a legal entity, has aims and objectives, holds annual meetings, prepares budgets and accounts for financial years, and it regards itself as a going concern. Whilst it operates for the public benefit, rather than for profit, the principles of good business planning are equally applicable.

- 2.6 A commercial organisation, in order to remain successful will plan its activities over the medium and longer-term as well as managing its day-to-day business. As a going concern the Council adopts a similar approach. There are of course uncertainties involved in any budget and planning, even for a single year, and this increases as the period covered lengthens.
- 2.7 However, by recognising the risks associated with taking a broader view, and considering their probability and potential impact, planning for a five year period provides a sound basis for good business management.
- 2.8 The medium term approach enables the Council to take a pro-active stance to changing circumstances. The risk assessment process should highlight all potential factors that might impact on its aims and objectives and allow preparatory measures to be effected early, managing the risk and either minimising any detrimental outcome or maximising the benefit that can be gained.
- 2.9 **Government Grant Settlement** - The Government has made a provisional announcement for the 2010/11 grant settlement. The level of grant is fixed in advance and is likely to be subject only to minor changes, if any at all. The increases for 2009/10 and 2010/11 are as follows:

	Amount £000	Increase over the previous year	
		£000	%
2009/10	5,480	28	0.5%
2010/11	5,549	69	1.3%

- 2.10 This is a particularly poor settlement and takes no account of the pressures that we are under because of the recession and falling income levels. This means that the Council must find savings so that the increase in council tax can be kept to a reasonable level.
- 2.11 The Chancellor has postponed the 2009 comprehensive spending review until after the general election. We therefore do not have any guidance about future levels of grant and the country may then be faced with an emergency budget. However, as explained in the introduction forecasts for the public sector finances and district councils in particular are dire. A cut of 4% per annum in government grant has therefore been assumed for 2011/12 onwards.
- 2.12 **Government Efficiency Targets** - In August 2003 the Government initiated a review of public spending to assess the potential for improved efficiency and economy. The review by Sir Peter Gershon marked a major step forward in embedding value for money into the planning and delivery of public services.

2.13 The Government announced that for the three year cycle that started in 2008/09, an increased target from 2.5% to 3% per annum and more importantly that it is all now cashable efficiencies (previously 50% was non cash). However, in the last budget the Chancellor increased this target to 4% for 2010/11. Efficiencies cannot be a 'cut', e.g. efficiencies must not result in any loss in the quality or quantity in the provision of the service. Our new target amounts to £600,000 for 2010/11 and £1,500,000 over the three years.

2.14 Due to the severe financial pressures this Council has faced for many years combined with the corporate objective of ensuring stakeholders receive core services in a cost effective way, we have already made over £2m of savings in the last five years. This makes our task of delivering further such savings much harder than in other authorities who enjoy a historically more comfortable financial situation.

2.15 **Council Tax Income** – The future level of council tax will be for Members to decide but for planning purposes the financial strategy has assumed an increase of 3% per annum. Although this is above inflation we are only getting a £69,000 increase in Government Grant and we are suffering substantial shortfalls in investment income and charges for services like car parking, planning application fees and employment estates property rents.

2.16 We are particularly disadvantaged with reference to the economic environment within which we must operate. In summary, the following issues are of particular concern,

- limited ability to raise additional funds through Council Tax – a 1% rise in Council Tax only generates £49,000
- ever increasing Government imposed initiatives, legislation and targets (e.g. recycling, free swimming, Duty to Involve legislation, climate change agenda, increasing external targets and inspections) which are inadequately funded by Government Grant
- the threat of “capping”
- potential loss of reward money e.g. LABGI, Planning Delivery Grant,
- priority of government support through LAA e.g. waste recycling incentive

### **SECTION 3 – Budget Pressures and Options to Close the Budget Gap**

3.1 Appendix A illustrates the financial impact of the budget pressures on the Council's financial position for 2010/11. The main considerations included in the appendix are as follows:

- 3.2 **Investment Income** – Interest rates are currently at a record low level with bank base rate at 0.5%. The August Bank of England report indicates that the Bank will keep interest rates where they are for some considerable time because of the recession. Sector, our financial advisors predict that the rates will slowly increase from the current base rate of 0.5% in late 2010. It must be remembered that there is considerable risk associated with interest rate forecasts and the impact on us will be material if interest rates are over estimated. Therefore a prudent view has been taken about future interest rates with variable rates averaging 0.5% being used for 2010/11. We will have average investments of some £20m, and a 0.25% reduction in rates will result in lost income of approximately £50,000.
- 3.3 The low level of interest rates and the risk averse nature of our investment strategy mean that our investment income budget will be £550,000 lower than the current year. To illustrate how falling interest rates are affecting the council, in 2007/08 we had investment income of £1,366,000. For 2010/11 it is estimated to be £375,000, a reduction of nearly £1million over the three years. To put it another way this is approximately 20% (£27) on the average band D council tax.
- 3.4 **Fees and Charges Income** – The 2009/10 budget monitoring indicates that we are struggling to meet our income targets for car parking, planning application fees, building control fees and employment estates rental income. This is a critical area of the council's activity because in total we receive over £5million of income from these services which is more than we receive from the council tax. The bad weather and economic slowdown is obviously having a big impact but it is too early to accurately make any forecasts for next year. For budget planning purposes an overall shortfall of £300,000 has been included within the strategy. This will be kept under review and the latest position reported in the next budget report in December.
- 3.5 **Triennial Pension Revaluation** – The pension fund was revalued in 2008/09 and our previous employer contribution rate of 9.6% of pensionable pay had to increase to 10.9% to bring the fund back into balance. To mitigate the additional cost of this having to be met immediately we decided to phase this increase in over three years and £40,000 is required for 2010/11. A revaluation is due again which is effective from 2011/12 and although no detailed information is yet available we expect another increase in contributions due to the continued increase in life expectancy and the economic conditions. An increase of £50,000 per annum has been assumed.
- 3.6 **Pay and Price Inflation** - To be able to produce a meaningful resource plan a number of assumptions have to be made regarding pay and prices. The August Bank of England Inflation report together with private forecasters predict inflation falling substantially this year as the economy is in recession. The report also predicts that inflation will be well below the 2% Government target in two years time.

- 3.7 Consumer price inflation in July 2009 was 1.8% and retail price inflation -1.4% and are forecast to fall further. The current year's low inflation and forecast for the future mean that the inflation provision of £500,000 for 2009/10 should be sufficient to last two years, i.e. for 2010/11 in addition to the current year. We will be able to carry over the unused balance of the inflation provision negating the need to provide one for 2010/11. Obviously this course of action will be kept under close review but it is considered a reasonable assumption considering the state of the economy, the forecast of government spending cuts and what some senior politicians and financial commentators are saying publicly.
- 3.8 The annual pay award for 2009/10 has not yet been agreed however; an offer of 1% (1.25% to staff under spinal column point 11) has been made by the employers (although some employers want this withdrawn because it is too high) and is being considered by the unions. Some political and financial commentators are arguing for a public sector wage freeze next year. Whether it is a freeze or a low pay settlement, carrying forward this year's unused inflation provision will be sufficient to meet the additional costs. For budget planning purposes it has been assumed that there will be a 1% p.a. increase for the three year duration of the next comprehensive spending review. However, in stating this, the Council does not support such an award. Indeed there is a strong argument for no increase in pay having regard to what is happening in the rest of the economy.
- 3.9 **Capital Programme and Prudential Code** - The capital programme is set by the Council and may be funded from receipts from disposal of assets, grants and contributions from others, directly from revenue or from borrowing. One way to increase our resources is to look to dispose of assets that do not contribute to our priorities or are essential for our operations. But clearly the current economic conditions are likely to result in lower than anticipated land values.
- 3.10 The Prudential Code for capital, which came into effect from 1<sup>st</sup> April 2004, replaced the previous Government regulated limits on capital expenditure and borrowing. In its place Councils now have the power to determine their own appropriate levels of capital expenditure and borrowing, based on the principles of affordability, prudence and sustainability. The code requires the Council, in setting its capital spending plans to assess the impact on its revenue account and council tax levels.
- 3.11 The Code requires the Council to satisfy itself that its capital expenditure is affordable, prudent and sustainable. Key to demonstrating compliance with the code is the need to show the revenue implications of capital investment in an asset can be met over its expected lifetime and that adequate consideration is given to its future operating and maintenance costs.
- 3.12 On 24 July 2008 the Council approved the 2008/09 and 2009/10 capital programme subject to detailed financial appraisals for some individual schemes. The financial strategy includes provision for reduced investment interest as our reserves are spent.

- 3.13 **Overall position** - Appendix B illustrates the overall financial strategy for the forthcoming five years. It shows the budget gaps after taking into account the budget pressures and models future council tax increases of 3%. It also shows the financial impact on our General Fund Balance should the assumptions made in preparing this strategy remain unchanged. The sensitivity analysis shows how changes in spending decisions will impact on the level of council tax with a £49,000 variance amounting to approximately a 1% change in tax.
- 3.14 The budget gaps are shown below and over the five years of the strategy it amounts to £2.6million, this is after assuming a 3% per annum increase in council tax.

Table1. The Initial Budget Gap

	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000
Budget gap per annum	884	541	333	366	480

\* At this stage Table 1 does not allow for new bids.

#### **SECTION 4 - Options to close the budget gap**

- 4.1 Table 1 clearly demonstrates that a combination of reducing government funding together with other financial pressures results in a budget that is not sustainable. Therefore a number of options must be considered to close the budget gaps.
- 4.2 **Partnership working, efficiency and budget savings** – We have already put in place some partnership arrangements with West Devon Borough Council and Teignbridge District Council and are currently exploring further opportunities for joint provision of services with our partners. In the last three years we have saved over £370,000 from shared services and further savings arising from new initiatives will be built into the budget as they are identified and will help us to achieve both our government efficiency target and balance the budget. We are just entering into our largest shared service to date with West Devon Borough Council for Revenues and Benefits which will save us up to £140,000 per annum once the set up costs have been financed. We are also tendering for their waste contract and preparing business plans for the sharing of back office services. However, it must be stressed that these savings on their own will not be sufficient to meet efficiency targets or balance the budget.
- 4.3 Our new efficiency target for 2010/11 is £600,000 and this is a daunting target for an efficient, well run authority to achieve but if it is achieved it will go some way to helping us balance our budget. It is unrealistic to expect us to balance the budget by solely making efficiency gains because we are already a low cost council. In addition, to make such significant savings is likely to require substantial up-front investment and the resultant payback can take a number of years.

- 4.4 Heads of Service have therefore each been tasked with identifying savings to achieve the £600k target. They have been requested to identify efficiencies and any other budget reductions or additional income which could be considered for approval. As mentioned earlier in the report it is now becoming increasingly more difficult to identify savings after five years of budget restrictions.
- 4.5 We have now reached the stage where we must ask the fundamental question of whether we continue to provide all of our current services in the existing way, or indeed if we provide them at all. As mentioned in the introduction to this report the Audit Commission state that half of all Districts are already implementing service cuts. It is important that planning starts as early as possible for changes to our service provision because there will often be a long lead in time involving consultations with users, partners and staff before a change can be implemented.
- 4.6 We also need to revisit our approach to staffing our activities. There are considerable advantages to moving to generic support staff that can work across different areas of activity rather than be constrained by departmentalism. SMT are committed to leading this transformation by reference to their own PA/administrative support. They also feel that standards in corporate initiatives should be appropriate given the current financial pressures that the Council faces. We need to ensure the wider corporate agenda does not impose excessive costs on the rest of the organisation.
- 4.7 **Specific Earmarked Reserves** - The decision on the level of balances and reserves is one of several to be taken during the formulation of next year's budget and the medium term financial strategy. Reserves are built up to meet anticipated future requirements and their investment earns around £5,000 for every £1m held. However, it is important to recognise other opportunity costs of holding reserves and ensure that they help meet our key priorities.
- 4.8 The budget and medium term financial strategy are based on forecasts of inflation, pay awards, Government funding, interest rates and the level of services to be provided. The existence of balances provides for the unexpected, including changes to these forecasts. The provision of an appropriate level of balances is a fundamental part of prudent financial management. The existence of specific reserves allows the Council to meet known future financial commitments such as the replacement of refuse vehicles or IT systems.
- 4.9 The level and commitments for each reserve are kept under review each year to make sure that the annual contributions and uncommitted balance is adequate for their purpose. A schedule of reserves is attached as Appendix C which includes comments on their proposed use.
- 4.10 The reserves will be reviewed as to their adequacy and contributions to the reserves will as usual be included in the Executive's budget report in December. Reserve levels for future years will be reviewed annually during the budget cycle to make sure that the latest up to date information is used before any recommendations are made.

- 4.11 **General Fund Reserve** – The uncommitted balance at 31<sup>st</sup> March 2010 is estimated to be £1.802million. As part of last year’s budget report Council that the minimum level of the General Reserve Balance be maintained to at least £1.5million.
- 4.12 Our financial strategy recognises the need to maintain a General Fund Balance to provide stability for both medium and longer term planning and to provide a contingency against unforeseen events. In setting this amount at £1.5million the following have been taken into account:
- The size of the authority
  - The volatility of some income and expenditure budgets due to a dependency on the weather, tourism and state of the economy
  - The risks faced by the Council with regard to funding unforeseen events
  - The level of investment income used to support council tax arising from our reserves
  - Single Status
  - The financial investment required for, and risks inherent in partnerships
- 4.13 The Council can take comfort that our General Fund Reserve stands above the minimum balance. It acts as a safeguard should any of our specific reserves prove to low and provides investment interest over the medium term.
- 4.14 **Budget Bids** - It is important that we are seen to have a continuous improvement in our front line services. There will be services which will require investment to improve or meet new responsibilities. Despite the forecast budget deficits we should consider bids of a mainly non-recurring nature of between £50,000 and £100,000 to be directed towards our key corporate priorities. Members will be requested to prioritise bids, not only against other bids but indeed, compared to suggested budget cuts.
- 4.15 This will continue the policy from previous years of redirecting resources to facilitate a continuous improvement in our services to the public. Bids have been invited that either demonstrate an improvement in our key priorities or are seen as critical to the maintenance of the service.
- 4.16 The impact on future years of using up to £100,000 in this way will depend on the level of recurring bids that are finally approved because they will continue to be a call on the General Fund. Whilst this is of some concern it is considered that future assumptions and targets for reserves, efficiency savings and partnership working can be revised in the light of experience. It is important that we continue to redirect resources to improve key service priorities otherwise we are in danger of standing still as a council.
- 4.17 **Sherford Community** – At this stage it is not possible to estimate either the timing or additional cost of the services that the development will require. Public expectations will be high that developments are effectively coordinated and the new community proceeds in a way appropriate for the gestation of this prestigious development. The project delivery team needs to give early consideration to effective project management to make sure that public expectations are met. New housing will eventually generate additional council tax income to help fund related services but there will be a considerable time lag between development of services and recovery from council tax. In addition, Government also reduce grant as our taxbase increases.

## SECTION 5 – Financial Strategy Summary, Next Steps and Conclusion

- 5.1 It is essential that we achieve the substantial efficiency and other savings in order to finance the inescapable service pressures included in the forecast. This is a fundamental requirement before any new bids for priority service improvements can be approved. The following paragraphs set out the principles and next steps that should be followed in this year's budget process.
- 5.2 **Maintain Priority Services** - ensure the continued delivery of cost-effective and improving priority services to our residents.
- 5.3 **Service bids** – Details of service bids have been invited from CMT which demonstrate;
- an improvement in our key priorities or
  - are seen to be critical to the maintenance of the service or
  - funded externally through grants, partnerships working or
  - meet the invest to save principle
- 5.4 **Efficiency savings** – Details of £600,000 worth of efficiency savings are currently being gathered together for Members' consideration in terms of the funding gap identified above. This process will help enable Members to switch funds between competing demands and to refocus existing resources on key priorities.
- 5.5 **Other Budget Savings** - We must ask the fundamental question of whether we continue to provide all of our current services in the existing way, or indeed if we provide them at all. As stated in the introduction to this report the Audit Commission highlight that half of all Districts are already implementing service cuts. An exercise needs to be undertaken to identify our non priority services and review the level of service provision.
- 5.6 **Fees and Charges** – Further increases to our major charges can be considered in terms of the overall budget strategy. In addition, Government are encouraging local authorities to examine the possibility of widening the scope of charging for services although the scope for this is limited by the current economic climate.
- 5.7 **Benchmarking comparisons** – As in previous years, we will be making broad comparisons of South Hams expenditure with similar authorities. This will enable us to investigate whether expenditure is reasonable and in accordance with corporate priorities, raising questions where necessary.
- 5.8 **Consultation** – We will be consulting with all stakeholders including parish councils, the business community and the general public on expenditure priorities.
- 5.9 **Partnerships** – It is important that financial performance of significant partnerships is regularly reviewed, linked to outputs, and the results shared with partners and acted upon. The risk management process specifically considers risks in relation to significant partnerships and provides for assurances to be obtained about the management of those risks. The detailed base budget includes the financial implications of all existing partnerships and they will be kept under review as the budget cycle progresses.

- 5.10 **Medium Term Resource Strategy assumptions** – These will be kept under review over the coming months and any new information regarding interest rates, grant, inflation etc. will be amended in the forecast.
- 5.11 **Capital Programme** – As part of the medium term financial strategy it will also be necessary to review the level and phasing of schemes within the capital programme. It is important that the programme is matched with available resources and the impact on reserves and the revenue budget fully assessed. As part of this exercise we need to investigate the possibility of a programme of disposal or transfer of assets that are not key to us.
- 5.12 **The use of Earmarked Reserves** – Appendix C sets out the Earmarked Reserves. Options for using certain Earmarked reserves to fund some of the financial pressures that would otherwise fall on the base budget, will be put forward to Members as part of future budget setting reports.
- 5.13 **Budget Monitoring** – Throughout the budget setting process, Members will be kept informed with budget monitoring information as to the major variances for the current financial year 2009/10, so that they may inform the budget process for 2010/11.

## **Section 6.0 - Risk Assessment**

- 6.1 Risk management is a central part the Council's strategic management. The Council has adopted a risk management strategy that is concerned with identifying, evaluating and controlling all the risks which affect the Council and putting appropriate financial and other arrangements in place to protect the Council from the consequences of risk. The process supports accountability, performance measurement and reward, thus promoting operational efficiency at all levels. The strategy ensures that areas of highest risk are identified, appropriate remedial action is considered, and when necessary, financial assistance is made available to implement cost-saving measures.

The following are the significant financial risks and opportunities identified:

Opportunity	Issues/Obstacles	Benefits/Mitigation
<p>The Council sets a lawful budget.</p> <p>The Council sets adequate budgets to provide services that meet Council priorities.</p> <p>The Council provides value for money services within budgets.</p>	<p>Failure of Council to set lawful budget.</p> <p>Failing to target budgets to service priorities.</p> <p>Failure to maintain a comprehensive budgetary control review system. Including monitoring of material items of income and expenditure.</p>	<p>The Budget is compiled in accordance with best practice guidelines issued by CIPFA and the Government. The final budget report includes an assessment from the Section 151 Officer on the adequacy of the Council's reserves and the robustness of the estimates made for the purpose the budget calculations. The budget process is laid down in the Council's Constitution. Executive and Council meetings are timetabled to meet the Statutory deadlines for setting the Council Tax.</p> <p>The Council prepares a Medium Term Financial Strategy covering a five year period. The strategy provides a framework within which decisions can be made regarding future service provision and council tax levels. All budget bids and reductions include a section on their impact on council priorities and a risk assessment. The budget is subjected to extensive consultation with all Members, the public, business community and Parish and Town Councils.</p> <p>Adequate levels of appropriately trained staff. Thorough planning and monthly monitoring of performance to management, quarterly to the Executive.</p> <p>Adopting a prudent approach to financial forecasting which involves obtaining information from external professional sources. Continuous monitoring and review of the key factors which involves regular reports to Members on any major issues.</p>

## Section 7 - Conclusion

- 7.1 The recession; government finances; local government review; impending general election; shared services and banking crisis provide a difficult backdrop against which we must set a sustainable budget. However, it is imperative that sound financial decisions are made to ensure the future viability of South Hams should it continue to exist. This report updates the Executive with the latest budget forecast and explains the main budget pressures facing us. Formal consideration and review of the medium term financial strategy will ensure that decisions are made in the correct context and provide Members with an opportunity to consider and challenge some of the key assumptions identified.
- 7.2 The Council has set out its key priorities for the medium term. This forecast will provide the financial framework necessary for the consideration of service delivery and financing issues. The objectives of this year's process are:
- To continue to seek efficiency and other savings
  - The continuing redirection of resources to key priorities
  - To ascertain an appropriate and sustainable level of council tax
  - To determine the appropriate level of fees and charges
  - Maintain adequate levels of reserves and balances
  - Be the starting point for consultation with the community, other council bodies and partners
- 7.3 This is the first of a number of reports the Executive will receive on the budget for 2010/11 and represents the start of the process. The coming months will involve much hard work and some difficult decisions for Members as they attempt to balance the resource needs of priority issues, meet mandatory service pressures and produce a sustainable budget for the forthcoming year.

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Executive  
10 September 2009

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Background documents:  
None