

Agenda Item

Executive Board

4 November 2009

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Financial Strategy (2010 onwards)

Summary

Attached to this report is the proposed Council's Financial Strategy for 2010 onwards. The purpose of the Strategy is to provide a financial framework within which the Council will structure and manage its finances over the next five years to ensure this fits with and supports the direction of the Council's objectives, particular the Corporate Strategy, whilst maintaining balanced budgets.

Included within the Strategy is a five year Medium Term Financial Plan setting out in detail the assumptions and estimates involved in projecting the Council's finances forward. The medium term financial planning process has been in place for a number of years and is now an essential part of the budget setting process and provides a financial forecast of the likely costs and resources available to the Council giving an early warning of any estimated budget gaps.

The conclusions reached in this report over future shortfalls in revenue and capital funding should be carefully considered and the need for actions acknowledged. The shortfalls predicted will not be a surprise and has been well documented by the Council and is a significant factor for the formation of the Leader Service Transformation Group (LSTG). The proposals from the LSTG process will help drive the ambitions of the Council in providing future affordable service delivery, however the implementation of proposals will require time to implement and will be dependant on the outcome of the Local Government Review (LGR), if the outcome of LGR is a continuing East Devon DC then decisions on joint working/shared services and the integrated Devon proposals will require careful consideration in conjunction with the transformation proposals. There is however a short requirement to balance next years' budget which will need measurers effecting discretionary budgets, these proposals will come forward in the normal budget setting process.

Members need to be aware that there are uncertainties involved in any budget planning process and this becomes more difficult to predict as the period covered lengthens. These assumption and risks are identified within the Strategy.

Recommendation

That the Executive Board recommend the adoption of the Financial Strategy (2010 onwards) attached to this report.

a) Reasons for Recommendation

It is considered good practice in managing the finances of the Council to produce a Financial Strategy looking at the future direction of the Council's budgets. To consider the implications of spending plans and determine how resources will be allocated to reflect Council priorities. It is only by looking at the Council's budget over a longer period, that action can be taken that will influence the direction and shape of future service delivery.

b) Alternative Options

These are detailed in the report in terms of assumptions made.

c) Risk Considerations

There are a number of risks associated with the Medium Term Financial Model contained within the Strategy in relation to assumptions that have been made. A prudent approach has been adopted in terms of future resources and although a comprehensive exercise was undertaken to assess future spending requirements additional demands not considered could arise.

d) Policy and Budgetary Considerations

These considerations are included within the Strategy.

e) Date for Review of Decision

The Strategy will be reviewed annually; the Medium Term Financial Model contained within the Strategy will be continuously reviewed.

Legal Implications

There are no legal implications identified

Financial Implications

Details are included within the report.

Consultation on Reports to the Executive

Background Papers

- Finance Working papers
- Corporate Strategy and Business Plan
- Service Plans 2009/10 to 2012/13
- Government papers on Spending Review
- Treasury forecast on inflation
- Executive Board minutes
- Details from Devon County Council relating to pension contributions
- Information from Council's investment manager

Simon Davey – Head of Finance

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