

Report of the Responsible Financial Officer

Medium Term Financial Plan

Background

1. Council is committed to producing, as part of its budget process, a three year financial plan.
2. Council is able, using its existing budget software, to predict forward the likely budget position in each year, including its use of reserves.
3. Council is also committed to having an informed discussion about growth and savings in September as part of the development towards the budget process.
4. Some of the assumptions that are needed to guide estimates are entirely predictable; the phenomenon of incremental drift (that is, the rising costs of some roles as staff move within pay grades for instance) is well known and easy to plot. An unexpected increase in the total pay bill however, as a result of a local government pay settlement over which the council has very little control, is far harder to predict.
5. That is just one example. Significant drivers of the council's expenditure include utilities costs, rent and the cost of providing services via the partnership agreement with Northumberland County Council. A strict inflation approach to estimating these costs, using either CPI or RPI, may not be appropriate, but the budget and MTFP must be built around realistic estimates, not exaggerations of either costs or potential savings. Your staff therefore propose to bring forward the MTFP with explanations as to the basis of each estimate.
6. The MTFP will also incorporate decisions you have previously made about the level of reserves of the council.
7. In order to facilitate as wide a discussion about growth and savings as possible, your staff will bring forward a range of scenarios.

Recommendations

1. Members are invited to note the report.