

### **Budget & Medium Term Financial Plan**

1. Council is required, by its financial regulations and by law, to agree a budget that enables it to set a precept.
2. The budget process is laid out in section 3 of the financial regulations.
3. The council is required to adopt a Medium term Financial Plan alongside its draft budget (regulation 3.3) by 31<sup>st</sup> October of each year. This will not be achieved in 2016, and the RFO therefore is reporting the anticipation of this breach to council. This report constitutes the first steps in an action plan to put right the issues discovered, and to enable council to avoid the same difficulties in the next financial year. Council has the option to waive regulation 3.3, under financial regulation 1.4, provided it addresses the overarching principles of the section, which concern the development of an MTFP to inform the budget. The regulations assume the pre-existence of an MTFP, whereas on this occasion council does not have the benefit of that piece of work having been undertaken in 2015-16.
4. Regulation 3.4 requires that the MTFP must detail, for three financial years.
  - a. Opening reserves
  - b. Estimated income
  - c. Estimated expenditure
  - d. An estimate of the sum required for contingencies
  - e. The estimated closing reserves, and
  - f. The estimated closing cash balance.
5. In order to estimate the amount required for contingencies council requires a risk assessment that has been used to estimate the amount of contingency funding required, and which has been updated and reported to council in accordance with section 11.2 and 11.3 of the financial regulations. This is not available to the RFO at the current time, and the failure to report and update the Risk Assessment is a breach of Financial Regulation 11.3. The RFO is required to report this to council, and to ask it to note that an action plan for addressing this issue is part of the response to the external auditors report. The first quarterly update of the Risk Assessment is scheduled for January 2017.
6. This is just one example of the challenges facing council in addressing financial regulations relating to budgetary provision. Another is the requirement in regulation 3.8 to profile the budget on a quarterly basis. The current Finance Officer works two days a week, and has general duties that make it unlikely that a profiled budget can be delivered by Dec 31<sup>st</sup>, although it is reasonable to require the profiling of budget to be complete by March 30<sup>th</sup> 2017.
7. Nevertheless council can, in the context of all the matters before it, set out some budgetary assumptions which will guide officers. Council is therefore recommended

### **Recommendations**

1. To waive regulation 3.3 for this year, in order to enable staff to focus on developing the best possible MTFP and budget,

2. To waive regulation 3.4 for this year, in order to enable staff to focus on developing the best possible MTFP and budget,
3. To waive regulation 3.8 regarding the profiling of the budget in order to enable council to focus on developing the best possible MTFP and budget,
4. To note the breaches of regulations 11.2 and 11.3, and that the lessons learned will be incorporated in the forthcoming action plan,
5. To instruct the RFO to prepare a draft budget and mTFP by 30<sup>th</sup> November, and
6. To provide guidance on the questions detailed in regulation 3.5 to the RFO at this meeting.