



# Overview and Scrutiny Committee

Wednesday, 8 July 2009

## MINUTES

**Present:**

Councillor Phil Mould (Chair), Councillor David Smith (Vice-Chair) and Councillors K Banks, G Chance, R King, W Norton, J Pearce, D Taylor and D Thomas

**Also Present:**

Councillor M Braley  
M Collins (Vice Chair, Standards Committee)

**Officers:**

S Hanley and T Kristunas

**Committee Services Officer:**

J Bayley and H Saunders

Relevant extract relating to the Committee's consideration of the budget strategy and budget deficit.

**BUDGET STRATEGY AND BUDGET DEFICIT - DISCUSSION**

Members considered the budget strategy and deficit item on the agenda. The Chair informed the Committee that questions had been proposed for Officers to answer regarding the budget strategy process. Members asked the first question which referred to the intention of the Council when setting the three year Medium Term Financial Plan (MTFP). Officers explained that the intention of the MTFP was to advise Members and other Officers of the forecast position and what actions the Council would need to take based on assumptions in the Plan. Members would be requested to take action for the forthcoming financial year in order to achieve a balanced budget in time for Council Tax setting. Members were informed that for the current year the Council's forecast was for a deficit and the need for the Council to make savings over time.

Members enquired what the deficit was. Officers explained that at the time of the report, the Plan had identified a budget gap of £630k

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Chair

for the years 2009 to 2010, £720k for the years 2010 to 2011, and 130k for the years 2011 to 2012. Members asked for the current position regarding this deficit. Officers explained that owing to the savings that had already been approved by the Council, there would not be the need to make further savings until 2012 and 2013. The reason for this was because when the original budget setting took place it was assumed that there would be 2.9% pay increase, however this had now been set at 1.5%. It was important to note that the Council would need to take into consideration the costs assumed through the Job Evaluation exercise in 2010.

In response to question two, regarding the rules for setting the MTFP, Officers explained that it was possible for deficits to exist within the MTFP but these had to be addressed in the budget setting process. The Audit Commission's Use of Resources Key Lines of Enquiry (KLOE) process also had clearly set out the requirement for the Council to manage the financial health of the organisation effectively. Members asked whether the MTFP process was based on a formula or on Officers own assumptions. Officers explained that it would be based on their estimations and on other sources. These sources included using information gathered from regular meetings with other treasurers from other local authorities.

For question three, Officers confirmed that the Council had to have taken steps to seek a balanced budget by 11 March each year for the Council Tax setting. With regards to question four, Officers confirmed that there was not any maximum level of deficit which could be set in the Plan each year of the MTFP. Officers confirmed for question five, that there was no maximum level of planned surplus which could be set in the Plan for each year of the MTFP.

Officers confirmed for question six that it was common for other local authorities to have a MTFP and that for these Plans to contain a deficit. Question seven asked if it was possible to see examples of Plans from other local authorities. Officers informed Members that there were many examples of MTFPs on the webpages of different authorities. These ranged from simple one page reports to large reports aimed at a variety of audiences such as Councillors, Officers or for external partners. Officers offered to ask Officers in the Audit team for examples of good practice of MTFP of other authorities.

In response to question eight, Officers explained that the Council had already taken steps to address the deficit. Members asked if the recent interest rate drop would be likely to increase the deficit. Officers explained that this was unlikely as they had factored in

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decreases for interest rates falling when the current economic situation began to impact on interest rates. In response to question nine, Officers explained that with regards to current projections of the MTFP, the Council would not need to make savings until 2012. However, this forecast would need to take into account the findings of the consultants SERCO business case. The Chair questioned what would be likely to happen if inflation or wages were to rise before 2012. Officers explained that there was a £200k margin for 2011 and 12 that could cover for this eventuality. However, if circumstances were to significantly change, Officers would report a revised forecast to Members.

Members commented that similar questions regarding the MTFP process had been asked by Members on previous occasions and at other meetings. They agreed that this process should be open and transparent and Members should take the opportunities that are provided to input into the process. In response to question ten, Officers explained that they would have to report any major changes to the MTFP as soon as they occurred. Members asked what percentage pay award would result in utilisation of the £200k margin. Officers confirmed that a rise in 1.5% would impact significantly on this margin assuming that the Job Evaluation had an impact on the salary bill of 3%.

## **RESOLVED that**

- 1) Officers to provide best practice examples of MTFP documents from other local authorities; and**
- 2) the report be noted.**

The Meeting commenced at 7.00 pm  
and closed at 8.15 pm