

FINANCIAL FORECAST
(Report by the Overview and Scrutiny Panel (Economic Well-Being))

1. INTRODUCTION

- 1.1 At its meeting held on 6 September 2012, the Overview and Scrutiny Panel (Economic Well-Being) considered the report by the Head of Financial Services on the Financial Forecast. The following paragraphs contain a summary of the Panel's discussions on the report.

2. THE PANEL'S DISCUSSIONS

- 2.1 The financial forecast reveals that at present the Council is in a better position than had been anticipated. However, it is evident that the risks and unknown factors facing the Council are of a greater magnitude this year than they have in previous years. In addition to those listed in the report, the Panel has recognised that future Government grant levels present a further risk, particularly given the success the Council has had in obtaining income from the New Homes Bonus. Some of these factors will have been resolved by the time the Council sets its budget in February.
- 2.2 The Panel has discussed the Council's approach to borrowing and the effect of repayments on the revenue budget. While the view has been expressed that cumulative borrowing will increase in the medium term, the repayments for which will have an effect on the Council's revenue budget, it has equally been argued that borrowing should be undertaken if it is for appropriate capital purposes and that, in this case, the Council needs to retain the flexibility to borrow when the most advantageous terms are available. It has been concluded that the Panel needs to debate what the Council's approach should be. A Working Group has been established to identify the terms of this debate and a report will then be received on the Council's current and future borrowing and its assets. The outcome of this debate will inform the Panel's comments on the draft budget later in the year.
- 2.3 Members also have a particular interest in the Council's level of reserves, having formed a working group to examine this matter and the Council's provisions in this respect. The Working Group will be reporting on its findings to the next meeting of the Panel. For the purposes of the present report, the Working Group does not recommend that the minimum level of reserves is increased. This view has been endorsed by the Panel. Councillor Shellens is of the opinion that the minimum level might need to be lowered.
- 2.4 The Panel has supported the recommendation that the annuity basis is used for the calculation of Minimum Revenue Provision.

3. CONCLUSION

- 2.1 Having concluded their discussions, the Panel has recommended the Cabinet to:

- approve the annuity basis for the calculation of Minimum Revenue Provision as outlined in Annex B to the report; and
- note the significant level of outstanding risks and that a number of significant items should be resolved or partially resolved before the budget is formally approved in February.

2.2 The Cabinet is invited to consider the discussions of the Overview and Scrutiny Panel (Economic Well-Being) as part of their deliberations on this item.

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Background Documents

Report and Minutes of the meeting of the Overview and Scrutiny Panel (Economic Well-Being) held on 6th September 2012.