

POLICY FINANCE & ADMINISTRATION COMMITTEE

25 JANUARY 2012

REPORT OF HEAD OF CENTRAL SERVICES

MEDIUM TERM FINANCIAL STRATEGY

1.0 PURPOSE OF REPORT

1.1 The purpose of this report is to review the Council's Medium Term Financial Strategy (MTFS) in light of the key financial issues that will affect the Council in the next and later financial years.

2.0 RECOMMENDATIONS

2.1 It is recommended that the MTFS as attached is approved including the budget forecast information and the assumptions on which it is based be noted.

2.2 The HRA Working balance be increased to £500,000 by 31st March 2013.

2.3 The estimated availability of funding for capital spending be noted and the policy of seeking external funding for capital projects and working in partnership with other local authorities to attract funding to supplement the Council's own resources be continued.

2.4 The amounts in the corporate priorities reserve and general reserve (special expenses) be available to help fund projects (non-recurring cost element) which are in line with Council priorities.

3.0 KEY ISSUES

3.1 The MTFS is the document that converts the Council's strategies and policies into financial forecasts which, when considered alongside other factors such as likely government grant, etc., enable Members to determine a framework and to set overall guidance for the forthcoming budget preparation exercise. A number of key issues set out in the strategy were considered at the September 2011 meeting of this committee.

3.2 One of the approved recommendations from this meeting was to retain the following working balances:

Fund	£
General	640,000
Special Expenses (MM)	50,000
Housing Revenue Account	250,000

3.3 With regard to the Housing Revenue Account (HRA) the reform of the HRA and the buying out of the subsidy system will mean more risk is retained locally, particularly with regard to treasury management activity. As such it is now considered that the level of the HRA working balance should be reviewed and increased in line with the increased risk. The cost of a 1% increase in interest rates on the new debt totals £260k pa and therefore the proposal is to increase the working balance to £500k with the need to review annually. The estimated year end position on this fund and in year monitoring indicate that the

majority of this increase can be accommodated from surpluses generated in 2011/12 and 2012/13 and will not impact on the funds ability to meet service levels.

3.4 With regard to the significant capital receipt anticipated from the sale of Nottingham Road and the potential options surrounding the use of these funds this has been reflected in the best case scenario set out in Appendix E to the strategy with the worse case scenario assuming no receipt is received.

3.5 The revised and updated strategy is attached for consideration and approval. The aim of the strategy is not to give provisional budget figures, but rather to provide Members with a framework with which to support planning considerations for the medium term.

4.0 POLICY AND CORPORATE IMPLICATIONS

4.1 As shown in Appendix B to the MTFs the Strategy is an overarching strategy within the Council's Corporate Policy Framework. As such it draws together the financial consequences of all the Council's strategies and policies.

5.0 FINANCIAL AND OTHER RESOURCE IMPLICATIONS

5.1 The forecasts set out in the MTFs are based on knowledge held at this point in time. As projects proceed through the decision making process the financial implications will need to be further assessed.

6.0 LEGAL IMPLICATIONS/POWERS

6.1 The Legal implications of specific projects will need to be assessed when those projects are being considered.

7.0 COMMUNITY SAFETY

7.1 Community Safety is a key priority for the Council and the MTFs takes into account the financial implications of achieving the associated Priority Action Plan.

8.0 EQUALITIES

8.1 The MTFs seeks to align the Council's medium term financial planning with its corporate objectives. In doing so, the issues of equalities and diversity are reflected in the prioritisation of the different service objectives which reflect the corporate priorities of the Council. Adjustments to individual service levels as a result of available resources would be subjected to an equalities impact assessment as the initiative progressed through the decision making process, to enable all information to be available as part of the final decision.

9.0 RISKS

9.1 Local Government and the environment within which it operates is one of constant change and uncertainty. The MTFs attempts to identify these unknowns and convert them into best estimates, at a strategic level of what the Council's future budgets and Council taxes might be. It is a guide used to inform the budget setting process during which budgets will be refined in light of service needs.

10.0 CLIMATE CHANGE

10.1 There are no direct links to climate change, though some elements of the forecasts will relate to climate change issues.

11.0 CONSULTATION

11.1 The format of the Service and Financial Planning process including consultation is set out in Appendix A of the MTFS. In addition all Heads of Service and the Budget and Strategic Planning Working Group have been involved in finalising the document.

12.0 WARDS AFFECTED

12.1 To varying degrees, all wards are affected by the Council's MTFS.

Contact Officer:	Dawn Garton
Date:	6 January 2011
Appendices:	Medium Term Financial Strategy
Background Papers:	Budget Book 2011/12 Budget 2012/13 electronic file and MTFS working papers Budget Working Papers
Reference:	X: PFA/25-1-12/DG-PF&A Medium Term Financial Strategy