

# AGENDA ITEM 6

## POLICY FINANCE & ADMINISTRATION COMMITTEE

23 JANUARY 2013

### 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, including the impact of ongoing reductions to central government support, be noted.
- 2.2 The HRA Working balance be increased to £750,000 by 31<sup>st</sup> 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 2012 meeting of this committee.
- 3.2 One of the approved recommendations from this meeting was to hold the following target working balances which for General expenses was an increase to the previous target of £640k:

Fund	£
General Expenses	820,000
Special Expenses (MM)	50,000
Housing Revenue Account	500,000

- 3.3 Since the meeting of this committee in September the Community and Social Affairs Committee has approved an increase to the HRA working balance to £750k. This is required to address the risks associated with running the HRA as a going concern and ensuring the sustainable, continuous maintenance and improvement of the housing stock.

3.4 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.

5.2 The finance settlement and in particular the Revenue Support Grant element was better than that originally contained within the draft revenue budget presented to the December meeting of this committee. However, this still represented a cut in funding over the previous years, after taking account of other grants rolled in, of some £185k or 7%. In addition the Council has had to address the funding gap caused by the 10% reduction in support for council tax benefit/support scheme. However one area of significant disappointment in the settlement for rural authorities such as Melton is the failure for the settlement to address the funding gap between rural and urban authorities.

5.3 For some time there has been a Fairer Funding Campaign undertaken by the Rural Services Network which this Council has supported. This campaign highlighted the inequitable gap in Local Government funding between rural and urban areas and whilst the Government did try to slightly address this in the July 2012 DCLG Consultation the settlement figures have produced a further increase in the gap and, as a consequence the settlement is very bad news for rural areas. DCLG and ministers continue to be lobbied by SPARSE and the leader has written to Alan Duncan MP to highlight our concerns regarding this matter. Whilst it will be extremely difficult to get any change to the 2013/14 settlement it may be that some influence can be brought to bear with regard to 2014/15.

5.4 As set out in the strategy document itself with the large reductions in RSG the Council is becoming increasingly dependant on the New Homes Bonus (NHB) which in 2013/14 is an income of £622k. The Government has made no indication as to the future of this funding stream; however there is a need to fund a significant spend on infrastructure to support the additional properties that this funding stream is generated by. Therefore reducing the revenue reliance on this funding stream would enable this type of expenditure to be funded as well as reducing the reliance on the revenue budget of this element of funding.

5.5 Projections for demand led income and investments remain difficult and likely to remain subdued as a result of the economic position. Despite the further cashable savings due in the next 3 years from the Waterfield Leisure Pool contract the ability to generate cashable savings from the transformation programme will be critical to reducing the reliance on the NHB and balancing the general fund budget.

#### **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 appropriate 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.

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Appendices: Medium Term Financial Strategy

Background Papers: Budget Book 2012/13  
Budget 2013/14 - electronic files and MTFS working papers  
Budget Working Papers

Reference: X: C'tees, Council & Sub-C'tees/PFA/2012-13/23-1-13/Medium Term Financial Strategy