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| TITLE: | Medium Term Financial Strategy 2006/07 – 2008/09 |
| TO/ON: | Cabinet – 12 th October 2005 |
| BY: | Executive Director of Resources |
| Portfolioholder: | Cllr M Ormerod |
| STATUS: | For Publication |

1. PURPOSE OF THE REPORT

- 1.1 To seek approval of the Council's Medium Term Financial Strategy which will set the parameters for future budget processes.

2. RECOMMENDATIONS

- 2.1 The Cabinet are recommended to:
- a) Consider any recommendations or comments received from the Policy Development Overview and Scrutiny Committee.
 - b) Recommend to the Council that the Medium Term Financial Strategy 2006/07 – 2008/09 be approved.

3. REPORT AND REASONS FOR RECOMMENDATIONS AND TIMETABLE FOR IMPLEMENTATION

- 3.1 Attached to this report is the Council's proposed Medium Term Financial Strategy covering the next three financial years. The production of this strategy is both a key task within the Corporate Plan and a significant element in the Council's improvement agenda.
- 3.2 The purpose of a financial strategy is not to prejudge the budget decisions for any one financial year. Rather it is to set out a framework of rules within which those decisions can be made, and to provide early information as to the nature of the resource equation facing the Council over the planning period.

- 3.3 It is important that the Council adopts a robust financial strategy in order to allow it to maintain the financial stability which it has recently achieved. However, it is also important that members understand the level of resources they are likely to be able to direct towards their priorities over the planning period and hence the nature of the policy decisions they may be faced with in order to deliver their aspirations for the Borough.
- 3.4 Of necessity the Strategy is a lengthy document, which addresses a range of complex technical issues. At its heart, however, are the various key assumptions which represent the framework of rules within which it is suggested that the Council should plan and manage its finances. These assumptions are not set in stone. However, given the information available they represent a prudent and sustainable approach to the management of the Council's resources.
- 3.5 The Strategy specifically makes a planning assumption that Council Tax increase will over the planning period run at 3% per year. It must be emphasised that this is an assumption for planning purposes only and that the decision on the level of Council Tax is one which the Council will take each year at its budget meeting. However, planning on such a basis is likely to avoid capping and begin a gradual movement towards a level of district council tax more in line with others locally and nationally. Based on this resource assumption and the associated expenditure forecast there is a small amount of budgetary headroom in 2006/07 and a requirement for savings in the following two years, although not currently on a scale that is felt to be unachievable, although clearly delivering such savings may require some difficult choices.
- 3.6 Another central part of the Strategy is the management of the financial risks facing the Council. In large part this is achieved through the use of earmarked reserves to protect the Council against issues such as a no vote in the stock transfer ballot and the transitional costs of the single status agreement. This source has also been identified as being able to provide resources to meet the one off costs of the change process on which the Council is engaged and to begin the addressing of the maintenance backlog faced by the Council which is a crucial issue in terms of asset management.
- 3.7 The key thrust of the strategy which is being recommended to members is around prudence and stability. In particular the key assumptions around spending growth and Council Tax increases are intended to be sustained over a considerable period avoiding the instability which arises when, for example reserves are used on an unsustainable basis to reduce Council Tax. The effect of these assumptions in the longer term should be to move spending (and hence taxation) closer to key comparators. This combined with improved efficiency generated through the change process on which the Council is embarked and the drive for improved performance will allow the Council to demonstrate further improvement in the Value for Money delivered to Council Taxpayers. This is clearly a key consideration which members wish to address over the coming planning period.

3.8 The Strategy will be updated in the light of the proposals made by the Cabinet for the Council's 2006/07 budget and this update will be presented for approval alongside the budget at the special Council meeting in February.

4. CORPORATE IMPROVEMENT PRIORITIES

4.1 FINANCE AND RISK MANAGEMENT

4.1.1 Clearly the adoption of a fit for purpose medium term financial strategy is a key element of the Council's improvement agenda around financial management. It will also provide members with greater clarity around future prospects within which to frame their policy aspirations. However, adopting this Strategy is not a one off exercise. It will need to be revised as part of the budget process each year, and further improvements and additions, such as the inclusion of longer term balance sheet and cash flow forecasts are necessary to achieve a significantly improved score in the Use of Resources Assessment.

4.2 MEMBER DEVELOPMENT AND POLITICAL ARRANGEMENTS

4.2.1 The provision of greater transparency around the Council's room for manoeuvre in terms of its finances is important in helping members understand the nature of the policy choices which they will face going forward. Hopefully by setting out this information far enough in advance members will be able to properly debate the issues which arise. Further training will be provided for members on financial issues through the Member Development Programme.

4.3 HUMAN RESOURCES

4.3.1 There are no immediate Human Resource implications from adopting this strategy.

4.4 ANY OTHER RELEVANT CORPORATE PRIORITIES

4.4.1 The planning scenario makes no assumptions about corporate priorities other than stock transfer, due to the uncertainty of the impacts. However, achieving the Council's objectives in some areas, such as Revenues and Benefits, may have an impact on the overall resource envelope, although this cannot currently be quantified. In addition one of the explicit aims of the Strategy is to provide a mechanism whereby resources can be directed into the achievement of the Council's priorities.

5. RISK

5.1.1 Risk issues are addressed throughout the Strategy, and a key element of the Strategy is to ensure that the Council has resources set aside to protect it against some of the key risks which it faces going forwards. Thus risk management is at the heart of the Council's proposed approach to financial management.

6. LEGAL IMPLICATIONS ARISING FROM THE REPORT

6.1 There are no immediate legal implications.

7. EQUALITIES ISSUES ARISING FROM THE REPORT

7.1 There are no specific equalities implications arising from the approval of an overarching financial strategy. However, specific proposals made as a result of the strategy will require equality impact assessments.

8. WARDS AFFECTED

8.1 The proposals set out in the Financial Strategy do not differentially affect any particular ward.

9. CONSULTATIONS

9.1 Chief Executive, Head of Financial Services, Portfolioholder, District Auditor

Background documents:

2005/06 Budget

2005/06 Revenue Support Grant Settlement and associated LGA briefing material.

For further information on the details of this report, please contact:

George Graham Executive Director of Resources, tel. (01706) 244780, or e-mail: georgegraham@rossendalebc.gov.uk