

# REPORT TO RESOURCES PDG

**REPORT OF: Head of Finance**

**REPORT NO: HOF 230**

**DATE: 28th March 2013**

<b>TITLE:</b>	Medium Term Financial Strategy from 2013/14	
<b>KEY DECISION OR POLICY FRAMEWORK PROPOSAL:</b>	Budget and Policy Framework proposal	
<b>PORTFOLIO HOLDER: NAME AND DESIGNATION:</b>	Cllr Mike Taylor Strategic Resources and Well Run Council	
<b>CONTACT OFFICER:</b>		
<b>INITIAL IMPACT ASSESSMENT:</b>	N/A	Full impact assessment Required: N/A
<b>Equality and Diversity</b>		
<b>FREEDOM OF INFORMATION ACT:</b>	This report is publicly available via the your Council and Democracy link on the Council's website: <a href="http://www.southkesteven.gov.uk">www.southkesteven.gov.uk</a>	
<b>BACKGROUND PAPERS</b>		

## **1. RECOMMENDATION**

- 1.1 It is recommended that Resources PDG consider the proposed format and structure of the Medium Term Financial Strategy (MTFS) and Medium Term Financial Plan (MTFP) and approve a format and structure to be used.

## **2. PURPOSE OF THE REPORT**

- 2.1 The purpose of this report is to allow the PDG the opportunity to consider the proposed format and structure of the MTFS and MTFP and suggest certain areas for inclusion and consideration.

## **3. DETAILS OF THE REPORT**

- 3.1 An MTFS should set out the Council's strategic approach to the management of its finances and present indicative budgets and Council Tax levels for the medium term within agreed parameters. It should set out the economic, national and local context and cover all areas of the Council's budget framework; specifically the General Fund Revenue Account, the Housing Revenue Account, the associated Capital Programmes and the impacts on Funds and Reserves. It should also

include the significant financial risks facing the Council in the forthcoming years and explain how these risks will be managed.

3.2 The main objectives of an MTFS are to:

- a) Explain the financial context within which the Council is set to work over the medium term
- b) Identify the financial resources needed to deliver the Council's priority outcomes
- c) Provide a medium term forecast of resources and expenditure
- d) Achieve a stable and sustainable budget capable of withstanding financial pressures.

3.3 An MTFS has two distinct parts – the high level strategic approach to the Council's finances over the longer term (say up to 5 years) which it is proposed to refer to as the Medium Term Financial Strategy (MTFS). There is then a more detailed Medium Term Financial Plan (MTFP) which covers the delivery requirements over a shorter period (say 2 years). It is proposed to produce both a MTFS and a MTFP from 2013/14 onwards.

### **Medium Term Financial Strategy**

3.4 It is proposed the MTFS should cover a period of 5 years from 2013/14 to 2017/18.

3.5 The format for the MTFS could be as follows:

- a) **Foreword** – one page to set out what the document is about written by the Strategic Director – Corporate Focus.
- b) **Introduction** - setting out the Objectives of the MTFS and how it links with the Policy & Budget Framework.
- c) **Context** – setting out the Economic Climate, the National Context and the Local Context.

3.6 There are then four main financial areas of the Council to be considered;

- a) **General Revenue Fund** - where all of the expenditure and income that relates to day to day running costs of the core services of the Council is recorded.
- b) **Housing Revenue Account** - used by the Council to record expenditure and income that relates to the operation of its council houses. These includes costs of maintain the houses, expenses for running communal areas and all general housing related overheads.
- c) **Housing and Non Housing Capital Programmes** - the Councils plans for capital investment including asset acquisition, replacement of fleet, significant improvement programmes
- d) **Funds and Reserves** – essential for the prudent management of the Council's financial affairs. These will provide a working balance to cushion the impact of uneven cash flow, a contingency for the impact of unexpected events or emergencies and the usage of earmarked reserves to meet known liabilities.

- 3.7 **General Revenue Fund –**
- a) Resources (including the new funding mechanisms).
  - b) Spending Review.
  - c) Service Priorities, Efficiencies and Pressures
  - d) Inflationary Pressures.
  - e) Fees and Charges Strategy.
  - f) Investments and Debt.
  - g) Indicative General Fund Summary.
  - h) Risks.
- 3.8 **Housing Revenue Account –** needs to link to the recently approved 30 Year Business Plan and summarise the key issues around:
- a) Resources (including rent levels).
  - b) Service Priorities, Efficiencies and Pressures.
  - c) Indicative HRA Summary.
  - d) Risks.
- 3.9 **Housing and Non Housing Capital Programmes –**
- a) Resources (Capital Receipts, external funding, revenue contributions, prudential borrowing, etc).
  - b) Priorities, Efficiencies and Pressures.
  - c) Indicative Capital Programmes.
  - d) Risks.

### **Medium Term Financial Plan**

- 3.10 It is proposed the MTFP will cover in more detail the initial two years of the MTFS (2013/14 to 2015/16) to indicate the likely resources, budgets and Council Tax levels.
- 3.11 **General Fund** - details the sources and levels of funding, indicative budgets taking account of inflation assumptions, fees and charges, investment returns and debt management costs, funds and reserves movements, and a detailed General Fund Summary with a sensitivity analysis and options around Council Tax levels. It will need an accompanying Risk Assessment.
- 3.12 **Housing Revenue Account –** details the relevant information from the 30 Year Business Plan and indicative working balances, movements on reserves and options around Rent levels. It will need an accompanying Risk Assessment.
- 3.13 **Housing and Non Housing Capital Programmes –** details the approved Capital Programme, detailed resources and options for the future programme. It will need an accompanying Risk Assessment.
- 3.14 **Funds and Reserves –** how the above plans will impact on earmarked funds and reserves and the General Fund and HRA working balances. It will need an accompanying Risk Assessment.

3.15 The above sets out a suggested format and framework but PDG are asked to consider any other areas that Members would wish to see within the document when it is produced.

**4. OTHER OPTIONS CONSIDERED**

None.

**5. RESOURCE IMPLICATIONS**

None.

**6. RISK AND MITIGATION (INCLUDING HEALTH AND SAFETY AND DATA QUALITY)**

None.

**7. ISSUES ARISING FROM EQUALITY IMPACT ASSESSMENT**

None.

**8. CRIME AND DISORDER IMPLICATIONS**

None.

**9. COMMENTS OF FINANCIAL SERVICES**

These are set out in the body of the report.

**10. COMMENTS OF LEGAL & DEMOCRATIC SERVICES**

The MTFS forms a cornerstone of the Policy and Budget Framework of the Council and therefore needs to be kept fit for purpose.

**11. APPENDICES:**

None