



Executive Committee

All Ward Relevance

22 July 2009

MEDIUM TERM FINANCIAL STRATEGY AND PLAN – 2010/11 TO 2012/13

(Report of the Head of Financial, Revenues and Benefits Services)

1. Summary of Proposals

The purpose of the Strategy and Plan is to set out the framework within which the Council's finances will be managed over the three year period 1 April 2010 to 31 March 2013

2. Recommendations

The Committee is asked to RECOMMEND that

the Medium Term Financial Strategy and Plan, as set out within Appendix A to the report, be approved.

3. Financial, Legal, Policy Risk and Sustainability Implications

Financial

3.1 As outlined throughout the report.

Legal

3.2 A statutory framework exists to ensure that Local Authorities set a balanced budget. In order to comply with the statutory requirement, it is necessary to consider the availability of resources and the demand on those resources over the medium term. Appropriate action may then be taken in a timely manner to enable a balance budget to be set year on year.

Policy

3.3 The Strategy and Plan will provide a framework for future budget processes.

Risk

3.4 The Medium Term Financial Strategy and Plan is key to ensuring the priorities of the Borough Council are properly funded and therefore deliverable.

Sustainability / Environmental

- 3.5 There are no direct sustainability/environmental issues.

Report

4. Background

- 4.1 The requirements for such a financial framework are driven by a number of sources including the requirements of the Comprehensive Area Assessment (CAA) Use of Resources Judgement, good practice and the continuing tensions between the requirements on Local Authorities to expand their services within limited resources and delivering value for money efficiency savings.
- 4.2 It is important to ensure that resources align with the Council's objectives, priorities and thus service requirements. The General Fund, Housing Revenue Account and Capital Programme budgets are the financial representation of the Council's policies and as such must link with the Corporate Plan agreed by the Council.
- 4.3 In recent years, the Council has set its General Fund Revenue Budget and Housing Revenue Account in accordance with the broad parameters of keeping within annual government guidelines. It is incumbent on the Council to ensure that the long term level of revenue commitments does not exceed the long term funding likely to be available on the basis of expected levels of grant, council tax, and rental income. Capital Programmes have previously been resourced primarily by the use of capital receipts arising from Right to Buy (RTB) sales and asset disposals. There is now an increasing reliance on Prudential Borrowing.

5. Key Issues

- 5.1. The financial outlook for the economy as a whole is not promising. During the last year the bank base rate has fallen from 5.0% to 0.5%, in just five months the rate dropped from 4.5% to 0.5%. There has been a significant increase in unemployment, people working reduced hours or for reduced pay and this has led to an increase in benefit claims, many businesses have gone into administration and there has been a significant slowing of the housing market. The Council has already experienced significant reduction in income from planning fees, building control fees, local land charges and Right to Buy sales. The downturn in the economy has also affected the Council's ability to generate capital receipts to fund the redevelopment of the Abbey Stadium.

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- 5.2 High levels of government borrowing and debt make it almost certain that local Government will be looking at real time cuts in central Government financial support in the period beyond 2010/11.
- 5.3 The Government has already announced changes to the public sector efficiency targets. Local Government's original efficiency target of £4.9bn has now been extended to £5.5bn – an equivalent of an extra 1% saving each year on top of the 3% annual savings already expected. Further efficiency savings are expected during the period 2011/12 to 2013/14. There is a clear expectation that councils will share services and thereby deliver efficiency savings.
- 5.4 The situation regarding the Housing Revenue Account (HRA) is also uncertain. During the beginning of July the government is expected to issue a consultation paper on the future of the HRA. John Healey, the new Minister for Housing has announced, amongst other things, that,
- He intends to dismantle the HRA subsidy system and replace it with a devolved system of responsibility and funding;
 - Introduce self financing with an end to the redistribution of income;
 - Make a one off initial redistribution of housing debt which would leave councils with levels of debt that they can afford and manage themselves;
 - Allow councils to finance their business from their own rental income;
 - Allow councils to retain all capital receipts, and
 - There would be a range of stock options available including a continuing strong role for ALMOS.
- 5.5 More locally the Council has yet to quantify the financial impact of implementing job evaluation from 1 April 2010.
- 5.6 The Medium Term Strategy and Plan appended to this report provides a framework which is designed to support the annual Budget process.

6. Other Implications

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| Asset Management | - | The Medium Term Financial Strategy and Plan will influence the Asset Management Strategy and Plan. |
| Community Safety | - | None directly. |

Human Resources - May be a need for budget savings in future years.

Social Exclusion - None directly.

7. **Lessons Learnt**

None.

8. **Background Papers**

Budget working papers held by Financial Services.

9. **Consultation**

There has been no consultation other than with relevant Borough Council Officers.

10. **Author of Report**

The author of this report is Teresa Kristunas (Head of Financial, Revenues and Benefits Services), who can be contacted on extension 3295 (e-mail teresa.kristunas@redditchbc.gov.uk) for more information.

11. **Appendices**

Appendix 1 - Medium Term Financial Strategy and Plan – 1 April 2010 to 31 March 2013.