

Medium Term Financial Strategy

EXECUTIVE MEMBER: Councillor Allan Holliday

LEAD OFFICER: Georgina Ayling

REPORT AUTHOR: Georgina Ayling

Summary and Recommendation:

To incorporate formally the inclusion of the Budget Strategy, Capital Programme and Reserves Strategy and Treasury Management within the Medium Term Financial Strategy Document.

Recommendation: That, subject to the approval of Agenda Items 8 – Treasury Management Strategy & Report on the Operation and Monitoring of the Treasury Management Service & Item 7 – Budget and Council Tax Requirement 2008/09, the Budget Strategy, Capital Programme, Reserves Strategy and Treasury Management be incorporated within the Medium Term Financial Strategy Document.

INTRODUCTION & BACKGROUND

To incorporate formally the inclusion of the Budget Strategy, Capital Programme and Reserves Strategy and Treasury Management within the Medium Term Financial Strategy Document. These documents are contained in Agenda Items 8 – Treasury Management Strategy & Report on the Operation and Monitoring of the Treasury Management Service & Item 7 – Budget and Council Tax Requirement 2008/09.

COPELAND BOROUGH COUNCIL
MEDIUM TERM FINANCIAL STRATEGY
2008/09 to 2010/11

CONTENTS

- 1. Introduction & Background**
- 2. National Context**
- 3. Local Context**

Addendum

- 4. Budget Strategy - Item 7 on the Agenda**
- 5. Capital Strategy - Item 7 on the Agenda**
- 6. Treasury Management Strategy - Item 8 on the Agenda**
- 7. Reserves Strategy - Appendix D to item 7 on the Agenda**

1 INTRODUCTION & BACKGROUND

- 1.1 The Council's medium term financial strategy (MTFS) underpins its corporate plan. The MTFS provides the financial means by which the Council intends to achieve its vision through priority based financial planning and budgeting (covering both revenue and capital) within the total resources available to it. The Council has a sound track record for achieving value for money when procuring goods and public services.
- 1.2 The MTFS outlines how the Council intends to align its financial resources to national and local priorities within the total resources available to it over the next three years. It is a high level framework driven by CMT and follows the top down/bottom up approach to strategic, financial and service planning. The resource planning framework is designed to ensure that financial and service planning are fully integrated taking account of cross cutting corporate strategies as follows:
- the HR strategy has identified the need for significant resources to be re-deployed to tackle Single Status, pensions and workforce development;
 - asset management strategy has identified the need for significant investment in public buildings;
 - the regeneration strategy linked to the Local Development Framework has identified the need to invest in private sector housing and also business enterprise in order to tackle "worklessness" and help eradicate the remaining pockets of deprivation which exist in the borough;
 - communication strategy identifies the need for significant IT investment in the Customer Relationship Management System and Web.
- 1.3 At a more detailed level the Medium Term Financial Plan (MTFP) focuses on an ongoing review of spend by services and informs how senior management will re-direct resources towards Council's priorities in the short to medium term timeframe. The Resource Planning Working Group, comprising a cross section of council members and senior officers met on a regular basis to oversee the resource planning process before proposals were considered by the Corporate Team of managers and the Executive. The process was designed to ensure that a robust rolling capital programme and net operating budget (including the net budget requirement) together with the council tax resolution be delivered to Council for approval on the 26th February to meet the statutory deadline.
- 1.4 This MTFS covers the rest of the current period 2008/09 to 2010/11 to coincide with the government's financial settlement timeframe. The period 2008/09 to 2010/11 is the first full 3 year term covered by the settlement and hence enables the authority to plan ahead with certainty its 3 year capital and revenue budget requirements, taking account of its foreseeable business risk, in the knowledge of the total funding available

to it. The assumptions on which the MTFS strategy were built could change over time and hence the MTFS will be reviewed and updated regularly to ensure that it remains sustainable and hence the Council remains financially viable over the timeframe of the MTFS and beyond.

- 1.5 A key objective of the planning process was to align budgets with policies taking account of the priority for spending and investment decisions as decided through the consultation process. Priority budgeting required a robust approach to financial planning with the redirection of resources to ensure delivery of corporate objectives. Central government's efficiency agenda focuses on the need for effective procurement strategies and shared services arrangements for achieving value for money. The introduction of Local Public Service Agreements and Local Area Agreements, which require the Authority to work in partnership with its neighbours throughout West Cumbria, represents a new set of challenges as well as opportunities for the public sector. Partnership working requires a long term perspective underpinned by adequate resource commitments.

2 NATIONAL CONTEXT

- 2.1 Financial and service planning takes place within the context of national economic and public expenditure plans. The 2007 Comprehensive Spending Review (CSR) determined central Government priorities and spending plans for the three year period starting 2008/2009. The 2006/07 settlement introduced a new 'four block' model for distributing grant:-
- 1 a relative needs allocation using Relative Needs Formulae (RNF);
 - 2 a reduction based on relative resources - the ability of Councils to raise Council Tax;
 - 3 a central allocation based on a per head amount;
 - 4 an allocation to ensure a minimum increase in grant.
- 2.2 The 2008/09 financial year introduces central government's new area based formula grant. The formula uses specific factors (such as the number of people on welfare benefit) for calculating the local area deprivation factor. The new area based grant comprises a Working Neighbourhood Fund which replaces the Neighbourhood Renewal Fund currently paid to County Councils as ring fenced Local Area Agreement Grant and brings into play the new Department of Works and Pensions' Deprivation Fund.
- 2.3 In general central Government is moving away from conditional specific grant and ring fenced local area agreement grant towards formula driven grant to be paid direct to Local Authorities based on their particular circumstances and hence empowering them to manage their own budget pressures and finance their own priorities. Those authorities, 21 in total, which currently receive Local Area Agreement grant but do not qualify for

the new area based grant will continue to receive transitional funding over the period as committed.

- 2.4 The government confirmed that councils would have to make cash backed efficiency savings of 3% per year to be used to keep council taxes low or meet new growth requirements and there is an expectation that council tax rises will be well below 5% even though inflation is currently running at this level and is predicted to rise above it.

3 LOCAL CONTEXT

- 3.1 The medium term financial forecast takes account of the latest overall financial position and three year projections for the Council in the light of the most up to date information in relation to efficiency savings targets, inflation indices, local demographics and the financial impact of new and emerging policies both locally and nationally. Local factors that influence available finance include:
- council tax levels;
 - council tax collection rates;
 - movements in council tax base;
 - spending and investment decisions;
 - the level of reserves held by Council.
- 3.2 Copeland had the 3rd lowest Council Tax in Cumbria in 2007/08 and Council pledged not to make any increases above inflation. In past years inflation was running between 2 & 3%, however, inflation rates are now running between 4 & 5% and Council has used 3.9% (November 2007 price levels) for the period of the financial plan. The low council tax base means that every 1% increase generates around £38k extra revenue.
- 3.3 Some of the cost pressures facing the Council are the same as most other Councils and these include:
- rising employer's contributions to pensions;
 - single status/equal pay;
 - national concessionary fares;
 - increased fuel and utility costs.
- 3.4 Specific cost pressures facing the Council relate to Copeland being a rural area with some the worst pockets of deprivation in the country. Also a significant presence of the nuclear industry has brought with it its own unique pressures for the authority to manage. Copeland has over 50 miles of coastline and hence the need for Council to maintain sea defences, combat cliff degradation and ensure that area beaches continue to reach a high environmental standard. The level of population is one of the key

factors for determining both the level of Revenue Support Grant and the share of the Business Rates Pool that a particular authority receives. The borough is now seeing a slight increase in population levels, mainly in the older age groups which contrast with the historical decline in its population experienced over the last decade; numbers in the younger age groups, however, are declining.

3.5 Copeland has many opportunities:

- being in a key position to influence the West Cumbria master plan for Britain's energy coast;
- being in a prime location of historical interest and natural beauty to attract visitors.

3.6 The Council aims to optimise resource allocation by balancing spending on services, community leadership and the management/professional capacity to improve services, efficiency and governance. When considering resource allocations, Copeland's corporate priorities for the short to medium term were discussed under the following broad headings:

- influencing national and regional change;
- strong strategic partnerships regenerating the Copeland area;
- education, improving and retaining skills;
- sufficient and diverse job opportunities;
- safer communities, quality living, and the environment;
- quality housing;
- flexible transport infrastructure;
- creating opportunities for community involvement;
- diversity and equality of opportunity;
- leisure and culture;
- improving health;
- improving customer service.

3.7 Feedback from the public consultation exercise was reported back through the Resource Planning Working Group in November 2007 and the residents priorities were:

- providing high quality, clean streets and open spaces;
- ensuring the area has good roads and good public transport;
- creating enough different jobs to suit all;
- making Copeland a safer place to be;

- improving skills and education and keeping people with skills in Copeland;
- giving everyone good customer service.

Increasingly the Council's planning will focus more on the public's priorities identified through a range of mechanisms, including locality working.

3.8 The Corporate Plan has set the following key strategic objectives (N.B. Full details of the Council's objectives and priorities are provided in the Council's Corporate Plan and associated Service plans):

Strategic Objective	Description
Leading local change; influencing national and regional change	Copeland will use its democratic mandate to lead local transformation for the benefit of the community; and will be seen as an influential contributor at national and regional level.
Providing clear direction	We will provide clear direction for our staff, fellow stakeholders and strategic partners through our policies and strategies.
Strong strategic partnerships	We will lead Copeland's transformational partnerships and support other, strategic partnerships.
Creating opportunities for community involvement	By 2012 we will have strengthened the opportunities for every citizen of Copeland to be heard on issues of importance to them.
Regenerating Copeland	We will have a sustainable economic and social environment.
Improving skills and education; retaining skills	We will work with partners to ensure that we have an adaptable, multi skilled workforce able to meet the needs of the future economy.
Equality of opportunity	We will promote equal opportunity throughout Copeland.
Customer focused	We will be an adaptable Council responding to the expectations and needs of the customer in the services they require.
Effective performance management and culture	We will use outcome based measures to understand and improve performance across the Council.
Strong financial and asset management	By 2012 we will be recognised as performing 'strongly'.
Sufficient and diverse job opportunities	By 2012 we will maintain the total number of jobs available. We will secure a significantly higher number of jobs outside the nuclear sector; and those within it will be less dependant on employment within the Sellafield site
Safer Copeland	By 2012 Copeland will be a safer place to live.
Quality Living Environment	By 2012 every resident will be proud of their environment.










Sustainability	By 2012 every resident and business will be working to ensure that the impact of current activities on future generations will be minimised.
Quality housing	By 2012 the Council and its partners will have met the decent homes target.
Leisure and culture	By 2012 there will be provision for varied leisure and cultural activities across the borough which meets the needs of residents and visitors.
Improving health	Every resident will have access to the healthcare they need
Flexible Transport Infrastructure	By 2012 there will be a varied transport structure in place which will meet business and residents' needs.





















3.9 Wider West Cumbria community priorities are set out in the Sustainable Communities Strategy developed through the West Cumbria Strategic Partnership. The Council is committed to working with its partners to plan and allocate resources in the most effective ways making sure that service planning and resource allocation are carried out in light of community consultation.

3.10 In demonstration of its commitment to partnership working Copeland Borough Council has aligned its corporate aims to those of the West Cumbria Sustainable Communities Strategy - recognising the importance of linking its strategic objectives to those of the broader community. The vision of the Sustainable Communities Strategy is that, by 2020 West Cumbria will be:-

“a successful, confident place with a diverse sustainable economy built around its special landscape and seascape with a reputation for innovation and excellence in developing technology”.

Three linked aims have been identified to achieve the vision:

	WE WILL	WE WANT TO SEE	WE WILL MEASURE
P L A C E	Make West Cumbria a better place for successive generations	<ul style="list-style-type: none"> ▪  An enhanced experience of living in West Cumbria ▪  Easy access into, out of and within West Cumbria ▪  Distinctive local landscapes and biodiversity conserved and enhanced 	<ul style="list-style-type: none"> ▪  Quality of Life ▪  Fun and enjoyment ▪  Quality & location of services ▪  Communication links ▪  Access from the area ▪  Landscape, townscape and seascape quality; biodiversity

P R O S P E R I T Y	Make West Cumbria prosperous	<ul style="list-style-type: none"> ▪  Dynamism, entrepreneurship and centres of excellence for developing technology ▪  Higher incomes ▪  Larger local economy ▪  High value services and products 	<ul style="list-style-type: none"> ▪  Business Reputation ▪  Technology Reputation ▪  Incomes ▪  Size of economy ▪  Added value
P E O P L E	Raise peoples aspirations for themselves and for West Cumbria	<ul style="list-style-type: none"> ▪  People work together with a common purpose ▪  People believe that they can make a difference ▪  People believe that they can do better ▪  People believe that West Cumbria will become an even better place ▪  A balanced local population profile 	<ul style="list-style-type: none"> ▪  Social capital ▪  Civic pride ▪  Belief and confidence ▪  Equality and diversity ▪  Community cohesion ▪  Demographic profile

4 Revenue Budget Strategy

- 4.1 Key to the management of the MTFS is the budget prioritisation process whereby all proposed changes, whether growth or savings, are considered within the knowledge of the total resources available to the Council so that an informed decision can be made regarding alignment of resources to meet the overall vision, objectives and priorities whilst taking account of any significant business risk. The budget strategy identifies and addresses known financial pressures, new and emerging (both local and national) government initiatives, policy and statutory requirements to ensure that financial resources are aligned with strategic priorities.
- 4.2 The budget strategy comprises the budget requirement (i.e. expenditure net of fees and charges and specific grant) to be funded by council tax and central government revenue support grant plus any additional expenditure which will be funded from reserves; the two elements taken together make up the net operating budget (i.e. the net budget requirement + expenditure funded from reserves = the net operating budget).
- 4.3 The detailed budget strategy is detailed at item 7 on the agenda.

5 Capital Strategy

- 5.1 The Council has a modest capital programme which is detailed at item 7 on the agenda.

6 Treasury Management Strategy

The Treasury management strategy is detailed at item 8 on the agenda.

7 Reserves Strategy

- 7.1 The Council maintains sufficient balances and reserves not only to allow for future quantifiable liabilities and foreseeable risk but also to enable Council to react to opportunities should they arise as set out in Council's risk strategy. The reserves strategy is detailed as Appendix D to item 7 on the Agenda.