

Medium Term Financial Strategy

2020 – 2024



Herefordshire Council's Medium Term Financial Strategy

1. Introduction

The Medium Term Financial Strategy (MTFS) outlines the financial strategy for the period up to 2023/24. There are a significant number of funding unknowns due to a new national government yet to announce the future funding regime that is expected to include the outcome of a local government fairer funding review and a move to the retention of local business rate income. It is also not currently possible to assess the impact of the United Kingdom's withdrawal from the European Union.

This strategy is based on the expected financial position and how this funding is proposed to be best utilised to support the three key themes in the council's corporate plan:-

- ☐ **Environment** - Protect our environment so that Herefordshire remains a great place to live
- ☐ **Community** - Building communities to ensure that everyone lives well and safely together
- ☐ **Economy** - Support an economy which builds on the county's strengths and resources

The council has an annual budget of £380m which we use to deliver services to over 187,000 residents. These services include maintenance of over 2,000 miles of roads, collection of over 85,000 residential bins, safeguarding around 1,000 children (including 354 who are in our care) and providing care and support to 2,500 vulnerable adults.

We employ 1,279 staff and support many more local jobs through our contracts with local businesses.

Using our resources wisely is one of our core principles so we are always seeking new ways to provide efficiencies in service delivery and to maximise our purchasing power to ensure we deliver value for money that benefits Herefordshire businesses and residents.

The corporate plan priorities include the following key themes

- ✓ Enabling the county to operate differently/different future offer – fundamental review of Core Strategy
- ✓ Alternative travel options
- ✓ Sustainable house building
- ✓ Investing money from small holdings sale must provide long term return on investment
- ✓ Public transport schemes to connect city and market towns and complement regional and national networks
- ✓ Development of walking and cycle networks to enable alternative travel options
- ✓ Development of network of physical places (community hubs) for people to connect face to face
- ✓ Digital connectivity to enable the use of assistive living technology and online trading

2. Key principles

Herefordshire is a rural county with an older demographic and has faced significant financial challenges over recent years as central government funding has been reduced from £60.1m in 2011/12 to £0.6m in 2019/20 while costs and demand increase particularly for adult social care and looked after children.

The council has risen to this financial challenge, by:-

- ❖ **Delivering substantial savings of £90m**
- ❖ **Delivering services differently**
- ❖ **Increasing its financial reserves**
- ❖ **Consistently delivering balanced budgets**

This medium term financial strategy is underpinned by the following key principles:

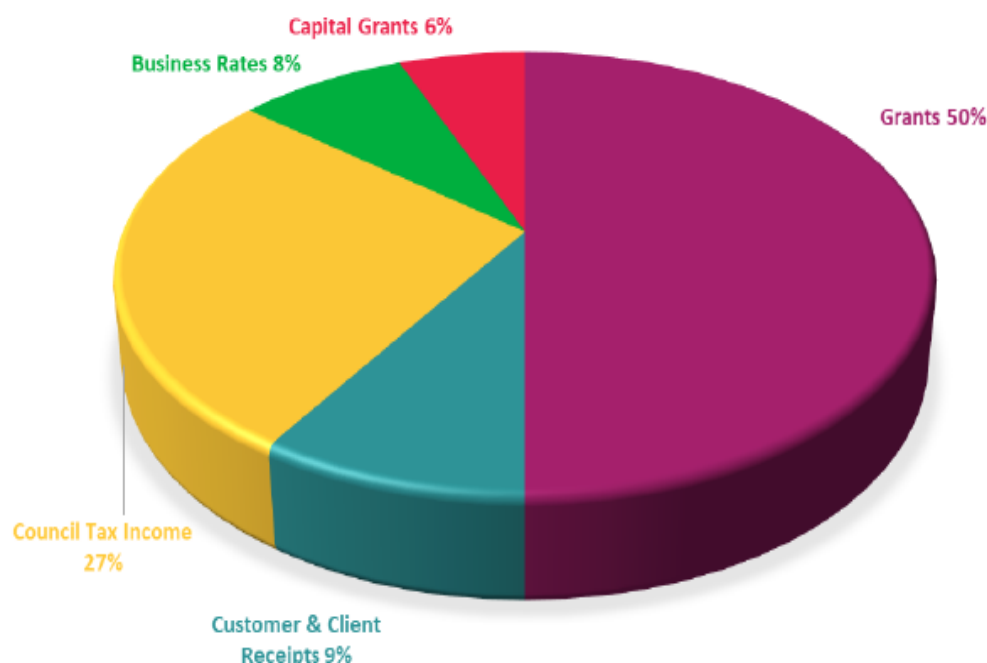
- Prudent assessment of future resources and unfunded cost pressures.
- Appropriate levels of income generated across all areas of the council, and prompt collection of all sums owed to the council.
- Prudent assessment of provisions required to mitigate future liabilities.
- Risk assessed level of reserves and balances held to mitigate potential financial liabilities and commitments.
- Prudent and planned use of reserves to fund expenditure
- Maximisation of capital receipts from disposals.
- Maximisation of external grant funding that meets our priorities.
- Prudent and proportional use of the council's borrowing powers to undertake capital investment that is not funded by capital receipts or contributions from third parties.
- Promotion of invest to save opportunities via detailed assessments of business cases.
- Effective forecasting and management of the council's cash flow requirements.
- Effective management of treasury management risks, including smoothing out the debt maturity profile, borrowing only when necessary and taking advantage of opportunities arising because of disconnects in the market between long term and short term rates.
- Full integration of revenue and capital financial decision processes, to ensure the revenue implications of capital projects are appropriately reflected in the medium term financial strategy.
- Production of detailed implementation plans for all savings proposals.
- Sign-off of all revenue budgets by the relevant senior managers including any savings plans before the commencement of the financial year.
- Regular monitoring of budgets and robust management actions to address any unplanned variances that arise.

3. Funding of services

The MTFS proposes a balanced 2020/21 budget achieved by increasing council tax charges by 3.9%, inclusive of a 2% adult social care precept and committing to delivering savings of £2.4m. Projections for future years assume an annual increase in council tax of 2%.

	2020/21	2021/22	2022/23	2023/24
Net budget funding source	£000	£000	£000	£000
Council Tax	109,780	113,071	116,567	120,126
Retained Business Rates	36,726	37,360	38,015	38,669
Revenue Support Grant	635	-	-	-
Rural Sparsity Delivery Grant	5,101	5,101	5,101	5,101
Adult Social Care Support Grant	4,875	4,973	5,072	5,173
Totals	157,117	160,505	164,755	169,069

The net budget funding assumptions above exclude grant funding received in addition to that which funds the gross budget. This grant funding includes the improved better care fund (£6.6m), public health (£9.2m) and dedicated schools grant funding (£80.0m).



4. Service costs

The Council continues to provide value for money service delivery and aspires to bring sustainable prosperity and well-being for all by supporting independent, safe and healthy lives. The budget is proposed following a comprehensive review of commitments, demand expectations and pay costs and funding new initiatives.



Charges per month (average Band D property)
2020/21 monthly Council Tax receipt

** Daily life **	£s
* Waste, Cleansing	12,34
* Environmental Health	1,53
* Roads and bridges	5,73
* Care of public spaces	1,24
* Schools and education	99,16
* Public, School and community transport	5,97
* Libraries, records and customer services	1,22

** Looking after Adults **	
* Older People in residential/nursing care	14,39
* Older people supported at home	9,89
* Disabled adults	28,92
* Lifestyles services (substance abuse, sexual health)	2,84
* Health improvement (Public Health nursing, health checks, smoking cessation)	5,67
* Housing	0,53

** Looking after children **	
* Child protection	4,29
* Children in care	14,97
* Children with special needs	3,31

** Local government running costs **	
* Election, governance and legal services	3,50
* Directors & Staff costs	0,56
* Organisational administration	1,39
* IT, Council Tax and Benefits admin, invoices and payments	5,27
* Insurance and property maintenance	4,84

** Financing **	
* Capital finance - Debt repayment	6,97
* Capital finance - Interest payments	9,55

** Economic growth **	
* Economic development and regeneration	1,74
* Broadband - rural rollout	0,15
* Planning	0,35
	246,32

***** VOUCHER *****	
** Income that supplements council tax **	
* Investment Property income	-2,94
* Car parking	-5,42
* Capital finance - Interest received	-2,01
* Public Health grant	-7,70
* National Education funding	-96,98
TOTAL TO PAY (per month)	131,27

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Connectivity

This MTFS includes ambitious aspirations to supporting transport infrastructure to tackle the climate emergency and support the wellbeing of our population. It also supports connections between people and superfast broadband....

- £5.5m in Hereford city centre improvements
- £39.0m in an electric passenger transport fleet
- £2.0m in infrastructure assets
- £35.7m in superfast broadband
- £1.5m in technology enabled communities
- £2.0m in super hubs

Well being

This MTFS promotes an environment designed to support a more active lifestyle though safe walking and cycling routes and encouraging all children and young people to have a great start in life....

- £1.0m in active travel measures and super cycle highway
- £10.9m in Peterchurch school
- £6.1m in Marlbrook school
- £3.9m in Brookfield school
- £3.2m in affordable housing grants

Sustainable

Climate change is a global challenge and Herefordshire Council will show leadership in tackling this important issue through strategic investments such as sustainable housing, new models of energy, green spaces and alternative transport options. We also want to promote ways that everyone can do their bit and introduce practical measures to reduce our carbon footprint and be carbon neutral by 2030. [Climate change is considered at each stage through the council's decision making process, including the potential impact and possible mitigation measures.](#)

5. New initiatives

Below is a table of proposed areas for investment over the MTFS term to support the corporate plan objectives.

		Revenue costs			
		2020-21	2021-22	2022-23	2023-24
Title	Narrative	£000s	£000s	£000s	£000s
Super-hubs	Super-hubs to support communities. Capital investment plus resource to manage and develop community engagement.	200			
Tourism	Tourism - Destination Business Improvement District (BID development)	200			
	Fund for staffing to deliver the Leominster Heritage Action Zone project		40	40	
Community Engagement	Creating a greater understanding within services of what will make a positive difference to people's lives. Resource for staff and engagement promotion	50	50	50	50
Total Community		450	90	90	50
Employment Land & Incubation Space	The acquisition of employment land would facilitate the expansion or relocation of local businesses, potentially leading to a higher business rates income and the generation of more and better paid jobs.	100	100	100	
Core and transport strategy review	Revised plan, assessed needs of the county. Staff resource and evidence based research.	600	500	500	550
Public transport service	Revenue budget to protect existing bus services and frequencies	100	100		
Council Tax charging policy	Variation to the local council tax discount scheme. The policy decision change could increase the council tax income.	(56)	(100)	(100)	(100)
Digital Transformation –	More services delivered digitally including linked to back office systems. More people using the internet to access services. Digital Transformation Unit – to really drive digital transformation it needs a dedicated team to work with services to change how they operate to adjust to digital opportunities including future visioning.		400	280	280

Digital Infrastructure	– Fibre network across Herefordshire for businesses to be able to trade globally. Households to be connected to support learning, communication, access to services and aid health and well-being. Greater adoption and exploitation of the existing and planned fibre network.	25	25	25	25
Knowledge management system	Investing in systems which house and present data improving the access to performance data. Further work to integrate data, internally between service areas within the council and alongside partners (such as health), and application of artificial intelligence, will allow the opportunity for a better understanding of our residents and allow us maximise preventative opportunities for individuals, families and communities, and inform better decision making.		500	150	150
Total Economy		769	1,525	955	905
Climate resilience: natural flood management change flood management	Continue work within the 7 (current) catchment areas beyond March 2021 and extend the offer of solutions and grant funding all across Herefordshire, thus enabling us to further develop an integrated approach to flood management with other initiatives/organisations, e.g. Farm Herefordshire, Wye Catchment Partnership and Herefordshire Nutrient Management Plan.	70	70		
Total Environment		70	70	-	-
Totals		1,289	1,685	1,045	955

6. Capital investment

The council's capital expenditure on its physical assets is separate from revenue expenditure on day to day services and totals approximately £50m each year. This expenditure is funded from a combination of specific grants, third party contributions, capital receipts from sale of assets, contributions from the Local Enterprise Partnership and borrowing.

The council recognises the need to grow and has plans for new homes throughout the

county, new employment opportunities, infrastructure and supporting the establishment of a new university. Part of the plan is to develop the full build out of the Hereford Enterprise Zone to maximise the potential of that area to create new jobs, this is expected to cost in the region of £2.6m and is anticipated to be funded by future grant awards.

The council aims to receive a maximum return from investment in property and land holdings; recently the council sold its small holding estate generating a capital receipt of over £46m and reducing overhead costs significantly. There are a number of schemes within the capital programme to be funded by capital receipts; the balance will be retained to deliver enhanced investment on the use of these reserves, once business cases have been submitted for approval at Council.

In October 2019 Cabinet approved the establishment of a new earmarked reserve of £150k to fund the investigation of different models of delivering council housing. Herefordshire residents continue to face difficult housing challenges with a large proportion of the population unable to afford to own or rent a suitable property to call home. The lack of housing choice, especially in respect of affordable housing, is not currently being addressed through the developer-led market where the focus continues to be on developing the most profitable housing products on the most profitable sites, not necessarily in the places of highest housing need. Many local authorities are now actively intervening in the housing market by becoming developers of new homes themselves, creating Local Housing Companies with the aim of acquiring sites and developing and managing both affordable housing and open market homes. The creation of the reserve will provide resources to undertake a detailed analysis of the options available, including the establishment of a wholly owned housing company, to enable the delivery and management of new homes to better meet the needs of residents. Following this a business case will be developed for consideration and further investment. This could lead to investing up to £100m in housing in the four years from 2022/23, it is anticipated that the income streams generated would cover the revenue costs of providing the housing including any borrowing costs.

Development Partners

The Development and Regeneration Programme (DRP) has been established to provide development solutions that are reflective of the policies of Herefordshire Council and will be designed and developed in an inclusive way with the community. In all instances consideration is given to providing developments that are considerate to the health and wellbeing of the residents and build to the latest environmental standards as set out in the building regulations (The National Standards).

Development partners Keepmoat and Engie are committed to encompassing the use of using local suppliers and contractors and to maximise the opportunities to employ local Herefordshire people. The KPIs for each partner have been set up to reflect this and all parties will take every action possible to ensure this is achieved.

The development partners are keen to achieve developments that reflect the highest standards and that have real impact on viability, or the anticipated land receipt. The decision as to what standards are applied to a development lies with the council and will impact on development returns/outcomes will be judged on a case by case basis.

Keepmoat Homes Ltd

Supporting the delivery of new homes that will help the council to achieve its strategic housing growth targets. Current projects include Bromyard Depot, Merton Meadow, Hildersley and Holme Lacy.

ENGIE Regeneration Ltd

Support the delivery of regeneration construction projects, such as business units, student accommodation, commercial development and retirement housing.

Development agreements will bring to life plans contained within the adopted Core Strategy (the document that sets out Herefordshire's planning priorities until 2031). The plan outlines the development opportunities enabled by the Hereford City Centre Transport Package and Hereford Transport Package, as well other sites across the county such as the Ross Enterprise Park and Hillside.

14 Risks

There are a number of external risks that could affect the delivery of the MTFS, appendix 4 sets out more detail on the key risk areas which are:

- The government settlement for 2020/21 is a one year settlement meaning that the MTFS is based on assumptions for future years that cannot be confirmed.
- The Better Care Fund and Improved Better Care Fund are not confirmed after 2020/21 and are currently being reviewed by the Department of Health and Ministry of Housing, Communities and Local Government.
- Public Health grant ring fencing and other grant funding commitments from government are not clear for future years.
- The looked after children population is higher than our statistical neighbours and continues to require significant resources to support. The requirement for complex needs funding and supported accommodation up to the age of 25 are growing pressures.
- The high needs budgets are funded by the dedicated schools grant, but any overspend becomes a council liability, this is currently being maintained within budget however the national trend is for a growing pressure.
- Moving to local retention of Business Rates could cause a significant funding problem due to the amount of small businesses throughout the county that receive discounts and reliefs.

15 Treasury Management Strategy (TMS)

The TMS has been reviewed and updated to include the forecast borrowing requirement to support the proposed capital investment budget for over the MTFS period to include the forecast borrowing requirement to support its proposed capital investment budget. The TMS presents the council's prudential indicators demonstrating the assurances of affordability and sustainable impact of the strategy.

The TMS also presents the council's minimum revenue provision policy which determines

the borrowing cost of capital investment to be funded by the annual revenue budget requirement.

The TMS sets out how daily cash-flow activities will be managed to balance cash requirements whilst achieving the council's strategic outcomes. The TMS includes investment and borrowing strategies with consideration to security, liquidity and interest rate risks with the aim to maximise return on investments and minimise interest rate costs.

The TMS intends to continue to utilise short term borrowing if required due to the lower cost of carry, however interest rate forecasts will continue to be monitored and, if considered financially favourable, longer term fixed rate debt will be secured. Progress against the strategy is reported to Cabinet in line with the performance monitoring reporting timetable.

	2020/21	2021/22	2022/23	2023/24
Treasury management budgets	£000	£000	£000	£000
Minimum revenue provision	7,594	9,807	10,525	11,596
Interest payable	6,179	7,569	7,781	7,645
Interest income	(200)	(200)	(200)	(200)
Totals	13,573	17,176	18,106	19,041

The table above excludes the impact of the waste disposal loan arrangement within the waste disposal PFI agreement that generates additional interest income which is allocated to an earmarked reserve to fund waste disposal costs.

16 Reserves

Definition of Earmarked reserves and provisions

17.1 **Provisions** are required for any liabilities where the timing of payments or the amount of the liability is uncertain. Provisions are required to be recognised when:

- The council has a present obligation (legal or constrictive) as a result of a past event.
- It is probable that a transfer of economic benefit will be required to settle the obligations and;
- A reliable estimate can be made of the obligation.

Amounts set aside for purposes falling outside the definition of provisions are considered to be reserves.

17.2 **Earmarked reserves** are amounts set aside for specific policy purposes or for general contingencies and cash flow management. For each reserve established, the purpose, usage and basis of transactions needs to be clearly defined.

Use of Reserves

17.3 Reserves enable the council to do three things:

- Create a working balance to help cushion the impact of uneven cash flows

and avoid unnecessary temporary borrowing. This forms part of the general reserves.

- Create a contingency to cushion against the impact of unexpected events or emergencies. This also forms part of general reserves.
- Creates a means of building up funds, often referred to as ear marked reserves, to meet known or predicted liabilities.

- 17.4 There are other reserves that can only be used for specific statutory purposes. These include the usable capital receipts and pensions reserve. These are not considered as part of this policy.

Establishing a new reserve

- 17.5 When establishing reserves the council needs to comply with the Code of Practice on Local Authority Accounting and in particular the need to distinguish between reserves and provisions.

- 17.6 New reserves may be created at any time, but must be approved by the Cabinet when a reserve is established. The Cabinet needs to approve the following:

- Purpose - the reason for creating the reserve should be clearly stated.
- Usage - there should be a clear statement of how and when the reserve can be used.
- Basis of transactions - delegated authority for approval of expenditure from the reserve.

Reporting reserves

- 17.7 The Chief Finance Officer has a fiduciary duty to local tax payers and must be satisfied that decisions taken on balances and reserves represent proper stewardship of public funds.

- 17.8 The overall level of reserves balances will be reported to Cabinet at least annually or when new reserves are proposed, the last report to Cabinet was in October 2019.

- 17.9 The annual budget report to Council will include:

- A statement of movements in reserves for the year ahead and the following two years;
- A statement of the adequacy of general reserves and provisions in the forthcoming year and in the Medium Term Financial Strategy; and
- A statement on the annual review of reserves.

- 17.10 The level of reserves for the next three years will be reviewed at least annually as part of the Annual budget setting cycle. The Chief Finance Officer will review the councils earmarked reserves for relevance of propose and adequacy.

- 17.11 Any amendments to earmarked reserves will be reported to the Cabinet.

- 17.12 Once a reserve has fulfilled the purpose for which it was established, any remaining balance should be reallocated to another earmarked reserve with a similar purpose or surrendered to General Reserves.

17 Conclusion

This medium term financial strategy proposes delivering a balanced budget with a clear focus on aligning resources to deliver the revised corporate plan objectives.

18 Appendices

Appendix 1 - Net Revenue budget

Appendix 2 – Proposed Capital Investment Budget

Appendix 3 - Reserves Policy

Appendix 4 - Risk Assessment

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Appendix 1

Net Revenue budget and Directorate Spending Limits 2020/21

Directorate	19/20 revised base £k	Pressures £k	New Initiatives £k	Savings £k	Base Budget £k
Adults and Communities	53,965	2,717	200	(600)	56,282
Social care pool			2,054		2,054
Children and families	27,185	714	3,100	(300)	30,699
Economy and Place	27,594	1,364	1,070	(873)	29,155
Corporate Services	15,086	869	425	(77)	16,303
Total Directorate	123,830	5,664	6,849	(1,850)	134,493
Central	22,771	409	(56)	(500)	22,624
Total Net Budget	146,601	6,073	6,793	(2,350)	157,117

Funded by

Council Tax	109,780
Retained Rates	36,726
Revenue Support Grant	635
Rural Sparsity Delivery Grant	5,101
Adult Social Care Support Grant	4,875
Totals	157,117

Appendix 2

Proposed capital investment budget

Scheme Name	Spend in	2019/20	2020/21	2021/22	2022/23	2023/24 onwards	Total
	Prior Years	Total Budget	Total Budget	Total Budget	Total Budget	Total Budget	
	£000	£000	£000	£000	£000	£000	£000
Economy & Place							
Hereford City Centre Transport Package	33,166	631	1,500	5,353	0		40,651
South Wye Transport Package	6,984	4,718	14,795	6,422	2,081		35,000
Hereford City Centre Improvements (HCCI)		1,500	2,000	2,000	0		5,500
Hereford ATMs and Super Cycle Highway			1,000	0	0		1,000
Passenger Transport Fleet (Electric)			7,800	7,800	7,800	15,600	39,000
Hereford Transport Package	2,908	3,702	2,350	625	625		10,210
Major Infrastructure Delivery Board	43,058	10,552	29,445	22,200	10,506	15,600	131,361
Local Transport Plan (LTP)		11,745	12,272	0	0		24,017
E & P's S106		1,441	0	0	0		1,441
Investment in Infrastructure Assets			2,000	0	0		2,000
Highway asset management		3,843	3,750	4,250	0		11,843
Public Realm Delivery Board	0	16,728	18,022	4,250	0	0	39,000
Hereford Enterprise Zone	10,769	3,400	1,831	0	0		16,000
Herefordshire Enterprise Zone Shell Store	83	5,935	1,298	0	0		7,316
Ross Enterprise Park (Model Farm)	11	2,377	4,174	508	0		7,070
Marches business improvement grants	877	1,623	0	0	0		2,500
Marches Renewable Energy Grant		88	764	336	0		1,188
Marches Business Improvement Programme		99	1,125	1,336	440		3,000
Affordable Housing Grant	35	1,599	1,000	300	300		3,234
Community Housing Fund	9	141	0	0	0		1
Revolving Loans	145	55	0	0	0		200
Employment Land & Incubation Space in Market Towns			843	4,209	3,066	5,513	13,631
Leominster Heritage Action Zone			238	1,425	2,138		3,800
Development Partnership activities	6,042	9,558	25,000	0	0		40,600
Economic Development Delivery Board	17,971	24,776	35,147	6,778	5,504	5,513	95,689
Property Estate Enhancement Works	1,241	1,499	0	0	0		2,740
Corporate Accommodation	2,540	331	0	0	0		2,871
Leisure Centres	9,684	368	0	0	0		10,052
Solar Photovoltaic Panels	606	55	1,473	0	0		2,134
SEPUBU Grant		734	0	0	0		734
LED street lighting	5,478	177	0	0	0		5,655

Estates Capital Programme 2019/22		1,350	2,095	1,390	0		4,835
Three Elms Trading Estate	95	380	0	0	0		475
Customer Services and Library	112	21	0	0	0		133
Energy Efficiency		54	46	0	0		100
Warm Homes Fund		397	397	165	0		960
Gypsy & Traveller Pitch development	29	910	899	39	0		1,877
Leominster cemetery extension	148	45	0	0	0		193
Tarsmill Court, Rotherwas	341	59	0	0	0		400
Car Parking Strategy	77	169	0	0	0		246
Car Park Re-Surfacing	0	116	0	0	0		116
Office and Car Park Lighting Replacement	79	164	58	0	0		300
Upgrade of Herefordshire CCTV		48	136	0	0		184
Schools Transport Route Planning		30	30	30	0		90
Courtyard Development		0	611	0	0		611
Corporate Fleet Procurement		738	0	0	0		738
Fleet Replacement			19	0	0		19
Strangford Welfare Facilities			25	0	0		25
Hereford Library	132	213	0	0	0		345
Corporate Property Delivery Board	20,560	7,860	5,789	1,624	0	0	35,833
Total E & P Capital Projects	81,589	60,315	89,528	36,189	16,450	21,113	305,183
Corporate							
Fastershire Broadband	16,979	10,152	8,607	0	0		35,738
PC Replacement	261	218	641	397	0		1,516
Widemarsh Gardens			80	0	0		80
EDRMS Storage			380	0	0		380
Better Ways of Working			850	0	0		850
Children centre changes	167	263	0	0	0		430
Total Corporate Capital Projects	17,407	10,633	10,557	397	0	0	38,994
Children and Families							
Colwall Primary School	6,665	85	0	0	0		6,750
Schools Capital Maintenance Grant		2,152	1,200	1,200	0		4,552
Peterchurch Primary School	7	493	5,000	5,353	0		10,853
Expansion for Marlbrook school	527	3,614	2,000	0	0		6,141
Brookfield School Improvements	6	2,577	167	1,195	0		3,945
C & F's S106		915	0	0	0		915
Healthy Pupils		99	0	0	0		99
Individual Pupil Needs	152	119	0	0	0		271
Short Breaks Capital		118	0	0	0		118
Blackmarston SEN	30	54	0	0	0		84
Replacement Leominster Primary	6	36	0	0	0		42
Basic Needs Funding		0	8,891	0	0		8,891
2 Year Old Capital Funding	75	31	0	0	0		106
Preliminary works to inform key investment need throughout the county	5	1,010	0	0	0		1,015
Temporary school accommodation replacement	85	515	300	0	0		900

Total C & F Capital Projects	7,558	11,819	17,558	7,748	0	0	44,683
Adults and Communities							
Disabled facilities grant		1,999	1,853	1,853	0		5,705
Hillside		2,550	0	0	0		2,550
Carehome & Extra Care Development	164	919	0	0	13,081		14,164
Technology Enabled Communities	0	0	300	1,200	0		1,500
Super Hubs			2,000	0	0		2,000
Private sector housing improvements	57	199	0	0	0		256
Total A & C Capital Projects	222	5,667	4,153	3,053	13,081	0	26,175
Total	106,776	88,433	121,796	47,387	29,531	21,113	415,035

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Appendix 3

Reserves

1. Review of Reserves

- 1.1. The overall reserves of the council will be subject to detailed review at the end of each financial year as part of the preparation for the production of the council's statement of accounts, and as part of the council's annual budget setting process to ensure reserves are

- Relevant,
- Appropriate, and
- Prudent.

- 1.2. The Chief Finance Officer will ensure that the council has in place well established, robust and regular budget monitoring processes. These take account of the current level of reserves and the latest budget requirements calling on reserves to meet current commitments and to make contributions to reserves to meet future commitments.

- 1.3. The Chief Finance Officer must consider strategic, operational and financial risks in assessing the adequacy of the council's reserves position.

2. Use of Reserves

- 2.1. Approval to use or make contributions to reserves is provided by the Chief Finance Officer as part of the regular budgetary process, in discussion with the Chief Executive and Leader of the Cabinet

- 2.2. Movements in reserves will be reported to Council as part of the financial outturn at the end of the financial year.

3. Conclusion

- 3.1. The Chief Finance Officer is satisfied that the Council's ongoing approach to its reserves and provisions is robust. The council's strategic reserve is maintained between 3% - 5% of the net budget requirement.

- 3.2. At the end of March 2019 the balance was £8.5m (5% of net budget). This is sufficient to ensure that the council has adequate resources to fund unforeseen financial liabilities, and that the council's approach to general balances is deemed appropriate. The level of reserves and expected movement in reserves are set out in the MTFS as part of the annual budget setting process.

Appendix 4

Key Risk Assessment

	Key Financial Risks	Likelihood	Impact	Mitigating Actions
1	Unexpected events or emergencies By its nature, the financial risk is uncertain	Low	High	<ul style="list-style-type: none"> Council maintains a Strategic Reserve at a level of between 3% and 5% of its revenue budget for emergency purposes Level of reserve is currently £8.5m (5% of budget)
2	Increasing demand for Adult Social Care Demand for services continue to increase as the population gets older	High	Medium	<ul style="list-style-type: none"> Demand led pressures provided for within our spending plans Activity indicators have been developed and will be reported quarterly alongside budget monitoring
3	Potential overspend and council does not deliver required level of savings to balance spending plans Challenging savings have been identified within our spending plans.	Medium	Medium	<ul style="list-style-type: none"> High risk budget areas have been identified and financial support is targeted towards these areas Regular progress reports on delivery of savings to Management Board and Cabinet Budget monitoring arrangements for forecasting year end position in place and forecast balanced Plan to review level of cover available from General reserves in place
4	Potential overspend on Special Education Needs The duty to secure provision identified in Education, Health and Care plans means an overspend may occur	Medium	Medium	<ul style="list-style-type: none"> This is a national issue with lobbying to increase central government funding A review of the application of the matrix is underway
5	Failure to fund sufficient school places and sufficient support There is an increasing requirement to provide sufficient school places There is a rising number of children requiring specific support	Medium	High	<ul style="list-style-type: none"> Provision has been made in the capital investment budget to increase school places Directorate plans in place to manage and mitigate demand Ongoing reviews of children already under care of council
6	Volatility in Government funding streams and Business Rates Retention	High	Medium	<ul style="list-style-type: none"> Prudent assumptions made in budget Ongoing review of developing business rate changes Business case to support future investment decisions
7	Brexit Impact of EU exit may lead to increased volatility in economic stability and reduced access to funds	Medium	Medium	<ul style="list-style-type: none"> Reduced reliance on grant funding in all directorates Increased local economic and social investment to increase core income