

**SUPPLEMENT TO THE AGENDA FOR**

# **General Overview & Scrutiny Committee**

**Monday 14 January 2013**

**10.00 am**

**The Council Chamber, Brockington, 35 Hafod Road, Hereford**

**7. MEDIUM TERM FINANCIAL STRATEGY**

**Pages**

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**Draft Medium Term Financial Strategy  
2013/16**

**Presentation to General Overview and  
Scrutiny Committee  
14<sup>th</sup> January 2013**



**Background**

- Strategy covers 2013/14 to 2015/16
- Covers the local and national policy and financial context
- It includes our financial model
- The Treasury Management Strategy is included
- The statement required by a Chief Finance Officer under Local Government Act 2003 is included

## **Provisional Settlement 19<sup>th</sup> December 2012**

- For 2013/14 a reduction of £5.45m (6.9%)
- Confirms funding new system from 2013/14. We are a 'top up' business rates authority. (We will receive £6.5m)
- Decision making continues to move to local authorities at the same time funding is cut
- Final settlement will confirm funding
- A further Council Tax grant on offer (1% for 2 years)

## **National Financial Context**

- The deficit reduction programme forms part of the financial assessment
- We look at how we compare with other authorities and seek to understand why differences exist
- It assesses the impact of the significant change to the local government finance system

## Local Financial Context

- The strategy includes an assessment of our future funding
- It includes estimated Council Tax rates and inflation
- The local approach to reserves is covered along with policy on the general fund reserve (at least 3% of net revenue budget)
- Capital context is covered

## Treasury Management Strategy

- Increasingly important as it covers borrowing and investment decisions
- Seeks to address key risks
- The external economic and political environment plays a key part
- We assess the likely level of bank base rate
- It covers changes in policy such as using other local authorities for short term finance (we also lend money to other authorities)

## Financial Model

- This is the 'heart' of the strategy
- In 2013/14 £9.142m of 'Root and Branch' budget reductions. More in future years.
- The 2013/14 budget recognises £5.18m of pressures with more in future years
- It assumes 1.9% council tax increase (£1.66m) in 2013/14 but does not assume an increase in future years

## Financial Model (2)

- In 2013/14 it includes a contribution of £2m to reserves
- There is an additional £1m for change management
- There is £2.6m for inflation
- Former specific grants have been 'rolled into' general funding (and cut at the same time)

## **Risk Management**

As part of the strategy we review risks. These include:

- Future funding settlements
- Council Tax base and collection levels
- Future interest rates
- Savings delivery
- Changes to Benefits regime

## **Future Years**

- Savings delivery will be key
- We have a gap in future years and this is being filled by the Root and Branch process
- The level of our reserves will be kept under review
- Business rate income and benefit changes will make financial modelling more challenging
- Need to incentivise local business growth

## Consultation

- Wide consultation took place with communities about our future priorities through the Quality of Life survey and Your community - your say process.
- The next stage is consulting to gather views on our further savings proposals for 2013/14, in light of reduced government funding and service pressures.
- Consultation runs from 10<sup>th</sup> to 31<sup>st</sup> January and is available on the council website, Twitter and Facebook pages.

## Summary

- The Strategy is an important part of the policy framework
- It contains assumptions that are kept under review
- External factors play a key role and the strategy seeks to assess and respond to their impact