

WYRE FOREST DISTRICT COUNCIL

FINANCE STRATEGY

1. Overall Considerations

Changing public expectations

- 1.1 The Council expects the budget to support their initiatives, fulfil their promises, and realise their priorities. Making this happen is no easy matter. Changing public expectations means tough choices. With limited resources, priorities are crucial. It will be necessary to concentrate on essential rather than desirable items.

National Policies and Legislation

- 1.2 The pace of change continues with the government's modernisation agenda. It is inevitable that the Council will have to respond to a stream of legislation introducing new services and changing the way we deliver services. Already we are responding to Comprehensive Performance Assessment and Best Value, Community Strategy, Community Safety, E-government, Health Improvement, NHS changes, Environmental Issues, Liquor Licensing, and the Local Government Act 2003 with the associated CIPFA Prudential Code of Practice on Capital Accounting. Future matters include measures to scrutinise health authorities, promoting increased investment in economic development and transport and the implications of European Economic Monetary Union.

Revenue Support Grant and Business Rate Grant

- 1.3. Each year, the Office of the Deputy Prime Minister (ODPM) allocates Revenue Support Grant and National Non Domestic Rate Grant to the Council. The Government made amendments to the grant distribution for 2006/2008 Finance Settlement. The Formula Grant system has been overhauled by adoption of the four block system for Formula Grant. The new system of Formula Grant is composed of four blocks;

- Relative Needs Amount;
- Relative Resource Amount;
- Central Allocation Amount;
- Floor Damping.

- 1.4 The Council, like many other local authorities, continues to face financial pressures, needing to ensure break even is achieved in each financial year.

2. Main Issues

- 2.1 Within the budget setting process, Wyre Forest residents are most likely to be concerned about:

- Council Tax levels (and any increases);
- Services provided and quality of service.

2.2 Under the Local Government Act 1999, local authorities are no longer subject to a universal regime of pre-announced budget capping, although the Government has retained reserve powers under the Act within this area. The Government has stated that it will not hesitate to use these powers to curb unacceptable high increases in the level of Council Tax.

2.3 The Comprehensive Performance Assessment of the Council in 2005 and beyond, including Use of Resources and Value for Money will focus on specific Key Lines of Enquiry, which will by their nature look at the level of service provision. This level of service provision also applies in terms of the way in which the Council is seen to provide value for money within its Council Tax levels and the rate of increases in these levels in each year.

2.4. Local Authorities are being encouraged to work in partnership and to explore other methods of delivering local services. There may be financial advantages to the Council investigating delivery of services through Shared Services with other Councils and through financial “vehicles” such as Trusts. Such alternative forms of service delivery can also lead to the protection and enhancement of services through attracting investment from third parties. The Council should continue to investigate and identify areas of services that may benefit from such arrangements.

3. **Key Objectives**

3.1 The Key Objectives of the Finance Strategy are:-

- To reduce expenditure to a sustainable level;
- To seek efficiencies and value for money in all activities;
- A balanced budget within resources available identified into the medium term;
- To manage the Council’s assets in order to achieve maximum efficiency;
- To manage the Council’s investments efficiently and effectively to maximise interest generation;
- To make realistic provisions for inflation, pensions, committed growth, legislative requirements whilst securing the Council’s financial position;
- To set aside any available reserves initially to be used primarily for "one offs" (eg investment, service or corporate growth) and/or depending on the amount of balances, used in a phased manner beyond one year to avoid fluctuations in the level of the Council Tax;
- To achieve, wherever possible, continuous improvement from Policy Reviews;
- To ensure the early recognition of emerging issues, associated assessment of risk and appropriate management of the budget process in relation to the assessment of the degree of risk;

- To direct available financial resources in line with approved service priorities and reallocate from low/nil priority areas in line with Council Policy to maximise achievement of approved Service Objectives.

3.2 The finance strategy is based on the following elements:-

- Early consultation;
- Council Tax Levels/Increases;
- Changes in the level and type of services provided;
- Income and charging policy;
- Use of Capitalisation ;
- Use of Reserves;
- Contingencies, Virements and Supplementary Estimates;
- Major projects and Partnership Funding.

4. Early Consultation

4.1 The revenue and capital budget processes manage and maximise financial resources. Capital planning and revenue budgeting need to continue to be responsive to changes in funding regimes, potential reductions in resources and the likely emphasis on partnership initiatives. The Council will need to input into the Government's review of local government finance – directly and through professional groups and associations with internal and external early consultation to increase awareness and enable an informed response.

4.2 The Council has taken many steps to become more open and transparent in its internal communications, both in terms of finance and more generally. Where there is a culture of openness and transparency, employee morale is higher and there is a greater sense of community and corporate identity. This trend will continue.

4.3 The norm is that information is made generally available as early as sensibly feasible, in a format which is easy to access and assimilate, to enable all employees to participate meaningfully in the development of policy and initiatives. It is anticipated that employees will receive information in the spirit in which it is offered, and engage in constructive discussions to address the key challenges faced by the Council.

5. Council Tax Levels/Increases

5.1 The acceptable changes in Council Tax levels should be focussed on as the main parameter for guidance in setting the finance strategy for the medium term, rather than the potential increases in budget levels.

5.2 The Council should aim to keep its Council Tax to a maximum increase of 2½%. The Council Tax position is very sensitive to changes in the Local Government Finance Settlement.

6. Changes in the Level and Type of Services Provided

- 6.1 Every aspect of the Council's activity will be undertaken to the highest standards possible within the resources available. The Council is developing benchmarks to provide a framework for evaluating performance, and to ensure that there are sufficient monitoring and evaluation procedures in place to inform changes in services without becoming over burdensome and bureaucratic. The aim will nevertheless be to identify and deal with any low standards. Staff development and performance management will be key components for developing high quality provision.
- 6.2 There is a continuing need to set expenditure at a sustainable level. This means an ongoing review of services and budgets across all Divisions of the Council in accordance with Best Value principles and affordability.
- 6.3 The Authority needs to ensure it seeks value for money in all its activities and whenever any review takes place for changing the level and/or type of service provided, value for money consideration needs to take place, in accordance with the Value for Money Policy of the Authority.
- 6.4 The Authority seeks to ensure service delivery is achieved in the most efficient and practicable means wherever possible.

7. Income and Charging Policy

- 7.1 The Council will ensure through a sound financial strategy that it remains financially viable while allowing scope for further development. There will therefore be a continuing imperative to reduce costs and increase income.
- 7.2 Fees and charges should be set at the level of inflation or above, with the Council maximising the potential for income. Heads of Service need to take market forces into account when reviewing fees and charges. Subsidised services should be reviewed with a view to reducing subsidy or phasing out the service where appropriate.

8. Use of Capitalisation

- 8.1 Whilst Capitalisation of appropriate revenue expenditure is a useful mechanism for defraying expenditure over the useful life of assets, Capitalisation should be considered as part of the Council's Capital Strategy and not dealt with in isolation.
- 8.2 The use of Capital resources should aim to have a beneficial or minimal impact on the Revenue Account.

9. Use of Reserves

- 9.1 Savings on budgeted expenditure should wherever possible be used to build up reserves. The Council currently aims to achieve target savings of a minimum of 1% of gross expenditure (£400,000) in the Final Accounts.
- 9.2 The use of Reserves should be clearly identified as part of the Budget process and should be used as part of this Medium Term Financial Strategy.
- 9.3 Any new Policy Panel Recommendations ideally need to be met out of identified resources or out of savings over and above the agreed level of fees and charges or from the reduction of expenditure arising from service reviews, and need to be funded into the medium term.

10. Contingency items, Virements and Supplementary Estimates

- 10.1 It is recognised that each activity should generate or have directly sufficient income to cover its costs, including a proportion of support service costs and its income and expenditure is transparent to ensure that members and employees fully understand the overall financial position.
- 10.2 Where for strategic reasons it is considered appropriate to provide for contingencies, to vire or seek a supplementary estimate, the rationale will be clear and the relevant budget head identified.
- 10.3 The need for contingencies will be clearly linked to emerging issues and resultant risk management strategies.

11. Major Projects and Partnership Funding

- 11.1 There are very few areas in which the Council can sensibly operate completely independently. Economic and service vitality depends on multiple perspectives, collaborative partnerships, exchange of good practice and intellectual ideas. Shared use of facilities makes the best use of resources available. Major projects in health and within regional economic development require partnerships with other organisations.
- 11.2 We will continue to develop the Council's role and involvement in major projects and initiatives such as KTC3 and other regeneration initiatives, the provision of centralised office accommodation, bids for lottery funding and "opportunity" projects as they arise.
- 11.3 Prior to commencement of externally funded schemes full consideration will be given to the possibility of discontinued grant, including appropriate exit strategies and the need to address any subsequent sustainability issues.

12. **Budgeting Assumptions**

12.1 The factors and assumptions which affect the outcome of the budget process and the ongoing development of the Finance Strategy are:-

- Estimates of Expenditure and Income should be based on existing policy base, including approved service priorities/recognised pressures on services and provide for a minimum period of three future years. This will enable resource allocation to be linked to policy/strategy outcomes;
- The budget should include realistic estimates of expenditure, income generation (charging levels for services), cost inflation, council tax levels and Government grant;
- Ongoing budget processes should be able to recognise emerging issues and their associated risks in sufficient time to ensure that appropriate financial provision has been made and the risks adequately managed;
- Expenditure should be contained within the resources available; the use of supplementary estimates and virements should be kept to a minimum and should be in line with approved prioritisation of services;
- Any additional areas of expenditure should be offset by savings in other areas in accordance with prioritisation of services;
- Expenditure should include a commitment to long-term building maintenance of Council assets at a reasonable level;
- Internal charging and cost allocations need to be transparent and in accordance with the Accounting Codes of Practice actively involving all Divisions;
- The revenue impact of the use of capital expenditure should be assessed and reported to show the full cost of proposed capital schemes;
- Where there is an identifiable benefit the use of capitalisation of revenue expenditure needs to be considered;
- The use of alternative means of funding should be considered where there is an identifiable benefit including consideration of an Exit Strategy should the funding cease at the offset of external funding projects to avoid future sustainability problems.

13. Monitoring

13.1 The following items will be subject to ongoing monitoring as follows :-

- Actual income and expenditure levels compared to budget/revised budget - Quarterly Report to Cabinet;
- A net working balance in accordance with the Financial Procedure Rules and CIPFA accounting guidelines - Annual Review;
- Asset management plans - Annual Review;
- Capital programme expenditure - Quarterly Report to Cabinet;
- The level of reserves, provisions and contingencies - Annual Review.

14. Conclusion

14.1 To maintain a sound financial future for the Council this Finance Strategy balances the elements of:

- increases in the cost of providing services to achieve approved Council Strategic Priorities and Service Objectives;
- requirements for new statutory services;
- the needs to provide for emerging issues and their associated risks;
- sustainability of services should external funding be withdrawn.

with:

- restraints on any increase in Council Tax levels demonstrated by restraint on the increase in the overall budget level;
- maximisation of any available external funding;
- reductions in service costs and/or reallocation of funding from low/no priority service areas;
- and the additional generation of income.

14.2 In particular, this Finance Strategy has to provide sufficient flexibility to allow for the development of options for changing the Council's services into the future. This can be achieved by moving from an incremental budgeting system to one which enables the reallocation of funding in line with the Council's changing service priorities and objectives.

