



Stafford
BOROUGH COUNCIL

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FINANCIAL STRATEGY

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Introduction

The purpose of the report is to set out the framework within which the Council's finances will be managed over the four year period starting in May 2003. The requirements for such a framework are driven by a number of sources including the requirements of CPA, the Council's External Auditors, good practice and the continuing tensions between the requirements on local authorities to expand their services within limited resources. As the annual audit letter produced by the District Audit Service pointed out "the Council's financial standing although sound at present, is coming under increasing pressure".

It is very important to ensure that resources link in with the Council's objectives, priorities and thus service requirements. The annual Budget is the financial representation of the Council's policies and as such it must link with all plans within the Budget and Policy Framework agreed by the Council.

The Council over the past four years has set its General Fund Revenue Budget and Housing Revenue Account in accordance with the broad parameters of keeping within annual government guidelines. The Council should continue to ensure that the long term level of revenue commitments does not exceed long term funding likely to be available on the basis of expected levels of grant and council tax. Capital Programmes have been resourced primarily by the use of resources allocated by the Government and internally provided, ie, capital receipts, revenue contributions. These will continue to reflect the annual Capital Strategy, Asset Management Plan and the Housing Strategy and Business Plan. These procedures have served the Council well over that period but it is now necessary to expand on the work previously undertaken to incorporate all aspects of financial strategy covering wider issues of funding which will benefit the Council in delivering its objectives over the next 4 years.

It is very clear that financial pressures will continue in all sectors of activity within the Council in the future and it is incumbent upon the Council to ensure that the proper use of all resources including financial resources should be demonstrated.

The Framework

The following areas are identified for consideration when determining the overall framework within which individual Budgets are compiled. These areas are equally appropriate to whatever Budget is under consideration.

Partnerships

The Council needs to examine the continued development of entering into partnerships to enable the sharing of resources. This is wider than purely financial resources and includes property, land, equipment and human resources with not only local authorities but with other public bodies, the private sector and the voluntary sector if appropriate building on the arrangements that are currently in place. This is particularly appropriate where partnerships could demonstrate economies of scale resulting in efficiencies within the organisation and potentially reduced costs. There is no requirement on individual authorities to deliver services on their own and the development of partnerships would lead to significant improvements for all the involved parties.

Actions:-

- *identify partnerships on an ongoing basis through Best Value reviews, service planning, service delivery and by linking to other Council, policies and strategies, key partners and strategic partnership opportunities;*

- *develop partnerships in a structured manner to create and maximise value for the benefit of the Council.*

External Funding

Resources for local authorities are now available from many different sources. The Government provide base funding for the provision of services through the Revenue Support Grant settlement, various subsidies and capital allocations but there are many other sources of funding provided by not only different government departments but also other organisations. The classic example of this are the various lottery funds. It is clear that the expectations on local authorities are to access external sources of funding to supplement their core service delivery and benefit the population.

The restrictions in ongoing core funding for local authorities will continue and in order to ensure that the Council can continue to develop services in line with its objectives it is necessary to access these external sources of funding.

There are, however, wider resource implications from pursuing external funding. These include not only the cost of bidding, (including the cost of abortive work) but the costs associated with the implementation and ongoing support for new initiatives.

It is also important to ensure that the Council has an exit strategy for any developments that are supported through external funding as these are usually time limited.

Actions:-

- *develop an effective bidding process.*
- *identify available sources of external finding to support desired service developments which link in with the Council's objectives;*

Asset Management

The Council must make the best use of its available assets in support of its objectives and needs to examine whether the assets that we currently hold are necessary or could be financed in different ways. We should examine methods of generating income through sales of assets we no longer require, changes in financing arrangements by different forms of leases or rentals. Addressing issues of asset management can also result in improved levels of capital resources available from the Government.

Actions:-

- *identify alternative focus on financing assets;*
- *develop a process of benchmarking the use of assets with other local authorities and potential service providers;*
- *identify the impact of costs associated with the provision of assets;*
- *develop a programme of review of utilities (gas, electric etc) consumption, reducing and recycling waste together with ensuring that the Council conserves non-renewable resources;*
- *review on an ongoing basis of all the Council's assets, how they are financed and whether they are appropriate to remain within the Council's ownership.*

Locally generated income

A significant amount of support for the Council's Budget comes from locally generated income through rent, fees and charges. Each year we should compare income generated with the costs of providing services and ensure that where appropriate costs are fully met by income. We should also ensure comparisons with other local authorities. This will enable an annual review of additional areas for charging. All income generated should be used to support the development of Council services in

accordance with the Council's objectives and not specifically linked to the services provided. Portfolios should maximise the available revenue resources.

Actions:-

- *all locally determined fees and charges should be assessed against other local authorities and organisations to identify competitiveness;*
- *all aspects of service activity should be examined to identify new areas for charging;*
- *development of a process of allocation of income raised from locally generated income to portfolios.*

Pay and prices

Budgets should incorporate specific differential forecasts for pay and prices and be set at realistic levels incorporating up to date information. The impact of legislation on the various Budgets, changes in terms and conditions of service, new initiatives and developments must be reflected at realistic levels. In addition once the Budget levels are set, there will be no supplementary budgets, additional resources being found from within existing resources reflecting Council objectives.

Actions:-

- *each Budget cycle will identify general and specific forecasts for pay and prices;*
- *all unavoidable growth items will be incorporated into the appropriate Budget;*
- *all portfolio budgets will absorb the annual costs of increments.*

Council Tax and Housing Rents

In setting the Council Tax and Housing Rents on an annual basis is important to ensure that maximum flexibility is allowed for delivery of services taking into account all other sources of funding. This is particularly true of Council Tax as there are now no specific limits on the setting of the level of Council Tax. The Secretary of State still returns some reserve powers for excessive increases. However, the Government still heavily influence levels of spending on both capital and revenue through the limits on distribution of resources. It is important for the Council to assess annually the impact of the levels of Council Tax and Housing Rents on the population.

Reserves and Provisions

The Council has a number of reserves and provisions split into two types. Firstly, general provisions which are used as working balances to support the general fund and housing revenue Budgets. These will require review and certification on an annual basis to ensure adequacy. As regards specific reserves and provisions these should be assessed on an annual basis and identified on a programmed basis for incorporation into the appropriate Budget as support for spending.

Actions:-

- *Working balances to be considered on an annual basis to identify a minimum acceptable level. In the case of the General Fund and Housing balances this should be between 5% and 100% of forecast net operating expenditure;*
- *all earmarked reserves to be reviewed on an annual basis with an annual plan on how they are to be used linking in to the Council's objectives.*

Treasury Management

The Council is a large business generating significant amounts of income and expenditure on a daily basis. Investment Income will be maximised by taking advantage of the market condition to ensure that the resultant interest is available to support the appropriate Budget on an annual basis.

Capital Resources

Capital resources are provided both by the Government and the Council. The Council must ensure that capital resources are used to support the Council's objectives and allocated accordingly. It is necessary that additional sources of funding are identified to replace reduced Government support and allow developing capital investment. These additional resources will come through partnerships, external funding Section 106 Agreements, asset disposals and refinancing.

Actions:-

- *ensure that the Capital Strategy links into a four year Capital Programme which will be updated annually;*
- *maximum use of borrowing approvals where linked to additional revenue support;*
- *develop "invest to save" approaches where applicable.*

Services and Priorities

Budgets should reflect the strategic objectives of the Council. To achieve this it is important to identify priorities with services and link available resources to those priorities. This may result in services being curtailed or cut back entirely. Resources will continue to be limited over the period under review and it will also be necessary to identify priorities amongst preferred areas of development.

This process of prioritisation will reflect the differential requirements of mandatory and discretionary services, the relative performance of different services, the relative risk of undertaking individual services and the requirements of the services by the population.

Actions:-

- *link the Budget to priorities by the adoption of one or a contribution of the following methods:-*
 - *decision conferencing*
 - *priorities matrix*
 - *Member Panel*

Conclusion

The above framework is designed to support the annual Budget process by identifying the issues for consideration. These will be subject to annual review. Arising from this is a series of Financial Plans to cover the 4 year period under consideration will be produced.