Appendix E

MEDIUM TERM FINANCIAL STRATEGY - KEY PRINCIPLES

1 PRIORITIES, AIMS AND OBJECTIVES

1.1 The Community Strategy provides the Council's overarching vision for the Waveney District. In fulfilment of that strategy, the Council makes use of significant resources to achieve its aims including money, people, property and technology. In order to allocate resources to competing demands, achieve effective and efficient use of its resources, best value and ultimately achieve its vision, the Council has several strategies and plans which give a clear sense of direction and underpin the deployment of those resources. Principal amongst them is the Council's Strategic Business Plan, Improvement Plan and Service Plans. Combined they support and embrace the Council's strategic direction.

1.2 The Council has reviewed its priorities and strategic direction for 2012 onwards having regard to its previous successes and the continuing, changing demands and financial challenges it faces. The Council's **Business Plan** is designed through its priorities to support the wider aims of its communities in support of its vision.

2 STRATEGY OBJECTIVES

2.1 The Council's MTFS is to provide the best quality services possible within the resources available. To do so it must maximise the use of its resources to ensure they are used efficiently and effectively to support the development of longer term sustainable objectives.

2.2 The specific objectives of the MTFS are to:

a) ensure that the Council sets a balanced, sustainable budget year by year, so that forecast spending does not exceed forecast resources available to it;

b) plan for a level of council tax that the Council, its residents and Government see as necessary, acceptable and affordable to ensure that it has the financial capacity to deliver the Council's policies and objectives;

c) redirect resources over time to adequately support and resource the priorities of the both the Council and the wider community; and

d) maintain sufficient reserves and balances to ensure that the Council's long term financial health remains sound.

3 STRATEGY PRINCIPLES

3.1 The principles set out below provide a framework within which the Council will develop its detailed financial plan over the medium term.

General

3.2 There are a number of overarching principles that will apply across the Council's detailed financial accounting, planning and monitoring:

a) that the Council's budgets, financial records and accounts will be prepared and maintained in line with approved Accounting Standards, the CIPFA Code of Practice on Local Government Accounting, the CIPFA Prudential Code and the relevant sections of the Council's Constitution and Finance Procedure Rules;

b) prior to setting a budget, the Council will always analyse potential risks and ensure these are minimised in line with its Risk Management Strategy;

c) that the Council's Corporate Management Team will review the budget proposals for reasonableness and adherence to corporate policies and objectives prior to the budget being submitted to Cabinet;

d) the Council will monitor its revenue and capital budgets effectively. Monitoring will be undertaken monthly by Heads of Service together with their portfolio holders, and integrated quarterly monitoring reports will be reported to Cabinet. In cases of significant financial and service performance that deviates from that planned, action plans setting out corrective action will be drawn up by Heads of Service / Portfolio Holders and reported to Cabinet as appropriate;

e) that the Council's Corporate Management Team will take appropriate steps to continue to maintain and improve the accuracy and quality of data that it uses throughout the Council thereby ensuring that budget and other decisions are taken on a sound basis; and

f) the Council will seek to maximise external contributions towards revenue and capital spending for example through bidding for specific grants, attracting levered funding, participating in new funding streams and engaging in further strategic partnering opportunities where appropriate.

General Fund (Revenue)

3.3 In relation to its revenue budgets the Council will:

a) set a balanced budget each year that will be constructed to reflect its objectives, priorities and commitments. In particular, the budget will influence and be influenced by the Council's Strategic Business Plan, the Organisational and Development Strategy, Capital and Asset Management Strategies, the Risk Management Strategy, its Comprehensive Equality Scheme and its Consultation and Engagement Strategies;

b) within the constraints of the resources available to it, set a sustainable budget each year that meets on-going commitments from on-going resources. The Council will continue to aim to maintain its level of general balances when it sets its revenue budget each year now that a prudent level of balances has been achieved;

c) seek to identify annual efficiency savings through business process improvement, shared service initiatives, service best value reviews and benchmarking and strategic partnering opportunities within and across county borders;

d) review the appropriateness of service delivery between the Council, parishes and other partners;

e) increase existing fees and charges on a market forces basis whilst having regard to the Council's policies and objectives. As a minimum fees and charges should be increased by price inflation. The Council will also review opportunities to introduce new fees as appropriate; and

f) within Government guidelines, set a level of council tax that the Council, its residents and Government see as necessary, acceptable and affordable to deliver the Council's policies and objectives.

Capital

3.4 When considering its capital investment the Council will:

a) maximise the generation of capital receipts and grants to support its planned investment programmes;

b) enhance its capital investment by applying specific grants and contributions, capital receipts, earmarked reserves and revenue contributions, with any balance being met by external borrowing;

c) not recognise capital receipts until there is certainty that the receipt will materialise, and will not be earmarked against specific developments without express Cabinet approval;

d) allocate its capital resources in line with its Capital Strategy and Asset Management Plan whilst recognising that other priorities may emerge that may require those plans to be amended and resources to be diverted;

e) annually review and prioritise capital schemes in accordance with Council objectives having regard to:

f) the business case for any given project; asset management planning; and

g) affordability in line with the application of the Prudential Code.

Balances and Reserves

3.5 In relation to its general balances and earmarked reserves, the Council will:

Balances

3.6 each year, maintain the level of General Fund balances at around 3% of its budgeted gross expenditure of some £93 million. This would lead the Council to maintain a General Fund balance of about £2.5m to £3m.

3.7 have regard to the financial risks surrounding the budget planning process, including those associated with the structural deficit, inflationary pressures, interest rates, partnerships, the treatment of savings, new burdens and demand led expenditure.

Earmarked Reserves

3.8 review its earmarked reserves, which have been established to meet known or predicted liabilities, to ensure that the level of those reserves are still appropriate; and

3.9 return reserve balances no longer required to the General Fund or Housing Revenue Account as appropriate.

Treasury Management

3.10 The Council will:

a) having regard to risk, maximise investment income and minimise borrowing costs within the overall framework set out in the Council's annual Treasury Management and Investment Strategy; and

b) secure the stability of the Council's longer term financial position rather than seeking to make short-term one-off gains which may lead to higher costs in the long term.

4 OTHER CONSIDERATIONS

4.1 The Council's spending will have regard to:

a) the base budget position for the current financial year, adjusted for in year grant changes;

b) the Council's medium term priorities;

c) the refocusing of service expenditure through transactional, shared services and other efficiencies to support the achievement of its medium term priorities and satisfy Government funding changes;

d) demographic and welfare changes;

e) consultation outcomes; and

f) fiscal matters including:

g) price inflation

h) the effect on the level of General Fund balances and reserves

i) the impact of any changes to the capital programme on the potential costs of borrowing

j) triennial revaluation of the pension fund which will impact from 2014/15 onwards

k) ongoing commitments, arising in part, from initiatives that have previously been funded from specific grants

l) achieving budgeted savings from outsourcing, shared services and service reviews

m) the likely passporting of some Government departmental savings targets to councils

5 COUNCIL'S INTERCONNECTING STRATEGIES

5.1 The Council has a number of integrated strategies and plans including the MTFS to support the delivery of the Council's priorities and objectives and include:

a) Treasury Management and Investment Strategy

b) Capital Strategy

c) Asset Management Strategy and Plan

d) Organisational and Development Strategy

e) ICT Strategy

f) Risk Management Strategy

g) Consultation and Community Engagement Strategies

5.2 Further information on the Council's policies, plans and strategies can be found on the Council's website.

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RISKS	PROBABILITY HIGH MEDIUM LOW	IMPACT HIGH MEDIUM LOW	MITIGATING ACTIONS
Strategic Risks			
The absence of a robust Medium Term Financial Strategy could adversely affect the Council's budget and resource planning and projections.	L	H	Continually monitor and refine the strategy in line with changing influences. Update Corporate Management Team and Cabinet.
Failure to understand changing community needs and customer expectations can result in the Council providing levels of service which are not appropriately aligned to the needs of communities and customers.	L	H	Continuously engage with key stakeholders and take advantage of existing consultation methodologies. Continue to monitor and more closely align service levels to demand and need.
Government is continuously reducing its departmental spending budget. Failure to respond to these funding pressures may adversely impact on the Council's ability to service delivery.	M	H	Take advantage of the Council's growth opportunities to reduce dependency on government funding. align service delivery to funding levels, improve exist strategy to minimise risk.
Budget pressures arising from housing and economic growth and other demographic changes.	H	H	Take advantage of technological advancements to understand and reduce unit costs, monitor demand for services and proactively manage resourcing requirements , invest in schemes to promote skills and developments.
Financial			
Lack of clarity around Government's change agenda including business rates, welfare reform and council tax over the medium term.	L	H	Constantly monitor information from Government and update risk appraisals and financial projections. Provide timely briefings and updates to Members/ key stakeholders to facilitate decision making. Lobby through the LGA as appropriate.
Budget pressures from demand led services and falling income reflecting the wider economy.	H	M	Monitor pressures throughout the budget process and take timely actions.
Costs arising from the triennial review of the Local Government Pension that will impact in 2014/15	H	M	Review and monitor information from Government and actuaries. Update forecasts as necessary.
Interest rate exposure on investments and borrowing.	L	L	Review cash flows, ensuring the Council has a flexible and forward looking Treasury management policy.
Information			
The Council itself has no influence over the outcome of some of the other bigger assumptions such as formula grant, national pay awards, interest rates, inflation and statutory fees and charges.	L	M	Key assumptions made are regularly reviewed from a variety of sources. Update forecasts as necessary.
Operational			
The Council has entered into a number of strategic partnerships and	L	H	Effective negotiation, sound governance arrangements and

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RISKS	PROBABILITY HIGH MEDIUM LOW	IMPACT HIGH MEDIUM LOW	MITIGATING ACTIONS
contracts and is therefore susceptible to price changes.			regular reviews of performance and partnership risks.
There is a potential risk to the Council resulting if there is a financial failure from an external organisations, providing services to the public on behalf of the Council	L	H	Ensure rigorous financial evaluations are carried out at tender stage. Follow up with annual review of the successful organisation's Accounts, and review any external auditor comments.
People			
Loss of key skills, resources and expertise.	L	M	Continue to invest in staff developments, service continuity measures. Monitor succession planning. Keep staff consulted and informed. Ensure employment terms and conditions are competitive and development needs identified through PDP are satisfied.
Regulatory			
Changes of responsibility from Government can adversely impact on service priorities and objectives.	L	L	Sound system of service and financial planning in place. Lobby as appropriate.
Reputation			
Loss of reputation if unforeseen resource constraints result in unplanned service reductions.	L	H	Identify and implement robust solutions in response to changes. Consult widely. Seek to achieve a prudent level of balances and reserves.