

Agenda Item 202

Brighton & Hove City Council

Meeting: Policy & Resources Committee

Date: 11 February 2004

Report of: Deputy Chief Executive & Director of Corporate Services

Subject: Medium Term Financial Strategy

1. Purpose of the report

1.1 To seek the approval for the Medium Term Financial Strategy

2. Recommendations

2.1 **TO RECOMMEND TO COUNCIL** that the Medium Term Financial Strategy, as set out in the Appendix to the report, be approved.

3. Background

3.1 The Medium Term Financial Strategy forms part of the Delivery Plan 2003–2007 which also includes the Corporate Plan and the annual Performance Plan. The Performance Plan has already been published and distributed. The Corporate Plan is also being presented to the Policy & Resources Committee on 11 February for approval.

3.2 The MTFS is attached to this report at appendix 2.

3.3 The development of the MTFS has been driven by a number of factors including;

- best practice – it is a key component of the Comprehensive Performance Assessment;
- the development of integrated financial and service planning over the medium term
- the new capital finance system – this necessitates that the City Council's financial position is looked at over the medium term.

3.4 The financial projections underpinning the MTFS are in preparation as part of the 2004/05 budget process. They will be made available to the Committee when available.

4. Brief guide to the MTFS

4.1 The key aim of the MTFS is to provide financial stability over the medium term to support delivery of the City Council's key service priorities.

4.2 It covers revenue and capital spending as well as reserves.

- 4.3 The cornerstones of the strategy are 8 key financial objectives that must be met to achieve financial stability during a very challenging financial period for the City Council;
- Endeavour for there to be no net use of reserves over the period. If reserves are used in one year, the aim will be to replace them in the following year.
 - Budget to allow for inflation, known commitments, meeting the Minimum Schools Budget Requirement and implementing the effects of new legislation and/or changes in function.
 - Explore all options for controlling and meeting service pressures before deciding on funding.
 - Seek to keep a minimum general fund working balance of £6.5m throughout the period and aim to increase reserves to recommended level by the end of the period.
 - No revenue overspending. Chief Finance Officer's recommended action for addressing overspends will be implemented.
 - Capital programme will be fully funded.
 - Control slippage on the Capital programme – no more than 5%.
 - Annually 2% efficiency savings required from all directorates.

Capital Expenditure

- 4.4 There will be a new borrowing system from 2004/05 with borrowing based on what the council can afford to pay rather than prescribed Government limits. Affordability is concerned with the impact interest and debt repayments have on council tax or housing rents. Budget Council on 26 February 2004 will be asked to agree the first prudential indicators for the authority.
- 4.5 The first priority of the City's capital strategy is to allocate resources to meet mainstream service needs. Alternative funding solutions will be sought for the major projects such as King Alfred Leisure Centre, the Brighton Centre and the Black Rock site. The Asset Management Plan will show non-performing properties. These will be marketed with the proceeds allocated to priorities.

Revenue Expenditure

- 4.6 The City Council is facing a demanding financial position over the medium term. This is because of the unfavourable impact of the government's new formula for allocating grant and a number of acute spending pressures. Brighton & Hove fared particularly badly from the formula changes in 2003/04 and will receive only minimum (floor) increases in grant over the medium term. The only ways these shortfalls in grant can be made up are by council tax or savings.
- 4.7 The City faces a number of severe spending pressures especially in adult and children's social care services. The planned strategy assumes that spending is in line with budget this year. Latest projections show significant budget gaps over the next 3 years. To address these gaps the City Council will systematically review its services to ensure that resources are targeted at priority areas as defined in the Corporate Plan. It will also ensure that council tax increases are kept as low as is reasonably feasible whilst at the same time maintaining services wherever possible. Directorates will be given indicative 3 year spending totals to guide service planning.

Reserves

- 4.8 It is vital that the City Council has an adequate level of reserves available to cover unforeseen spending pressures. The alternative is to make further unplanned reductions in service spending to compensate. The City Council's reserves are currently below guideline minimum requirement. The MTFs includes plans to get the reserves up to the guideline by the end of the period.

The Housing Revenue Account

- 4.9 The main challenge will be meeting the Government's Decent Homes Standard by 2010. By spring 2004 a decision will be taken on what option the City will run with for its housing stock. The decision could have a material impact on the general fund budget. Housing benefit costs, financing costs and support service costs could all be affected.

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Wards affected	All

Financial implications

These are fully detailed throughout the report and MTFS.

Finance Officer consulted: Mark Pearson 19 January 2004

Legal implications

In reaching its decisions on how it will use or set aside its resources the Council must have regard to matters such as the following:-

- It must provide the services which, statutorily, it is obliged to provide.
- Where there is a power to provide services, rather than a duty, it has a discretion to provide such services and must exercise that discretion properly.
- It must observe its other legal duties, such as the duty to achieve best value and to comply with the Human Rights Act 1998.
- It must act in accordance with its general fiduciary duties to its Council Taxpayers to act with financial prudence.
- It must reach its capital expenditure decisions rationally, only taking into account relevant factors and disregarding those which are irrelevant.

Lawyer consulted John Heys 7 November 2003

Corporate/Citywide implications This report complements the key deliverables in the Corporate Plan which will provide the strategic umbrella for the council's other plans and strategies.	Risk assessment A risk assessment is set out at annex 3 to the MTFS
Sustainability implications Sustainability is one of the Council's values. The main aim of the MTFS is to provide financial stability to support the City Council's values and key priorities.	Equalities implications Inclusivity is one of the Council's values. The main aim of the MTFS is to provide financial stability to support the City Council's values and key priorities.
Implications for the prevention of crime and disorder Public safety is a Council priority. The main aim of the MTFS is to provide financial stability to support the City Council's values and key priorities.	

Background papers

Local Government Finance Settlement 2003/04 - <http://www.local.odpm.gov.uk/finance/0304/grant.htm>

Provisional Local Government Finance Settlement 2004/05 -

<http://www.local.odpm.gov.uk/finance/0405/grant.htm>

Spending Review 2002 - http://www.hm-treasury.gov.uk/spending_review/spend_sr02/spend_sr02_index.cfm

HRA stock Condition Survey - Briefing Papers available on the Wave

Contact Officer

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