The Financial Strategy 2017/18 – 2020/21

What is it and why is it important?

The medium term financial strategy is a statement of the objectives and principles that underpin the Council's approach to managing its resources looking ahead over a period of three years or more. It sets out the framework within which the Medium Term Financial Plan (MTFP) is developed and reviewed.

The strategy is important because the council must ensure that its plans for services are affordable and sustainable in the light of the resources it can reasonably expect to be available. This allows the Council to take decisions about prioritising the resources it has. Included in those resources is income from council tax as well as funding from Business Rates, grants and other income streams from fees and charges. The future is inherently uncertain and the strategy considers that uncertainty and how the council can mitigate the risks.

Business rates retention and local council tax support were introduced from April 2013 and the risk profile of our funding changed. In the medium term the pace and strength of economic recovery indicate a longer period of spending restraint. In this context the proposed strategy is to maximise the Council’s financial resilience and consider ways to become more self-sufficient where possible.

What outcomes is the strategy designed to achieve?

The objectives of the strategy are:

- To ensure the Council is well placed to meet uncertainty about the level of funding that the government will be able to provide acknowledging that such funding will be constrained.
- To ensure that tax payers, service users, partner agencies and Council employees are aware of the funding issues faced by the council and are given the opportunity to help shape the Council’s planning.
- To ensure that funding is available to meet the highest priority future revenue and capital needs of the Council as they arise.
- To maximise the effective use of resources by annual review of the Council's resources corporately and by redirecting funding to higher priority areas as identified in the Corporate Strategic Plan and individual service plans.
- To ensure funding is available for priority service improvements.

- To inform service planning and ensure that the immediate and future financial implications of all decisions are taken into account in a timely manner and in the context of the Council's overall financial situation.
- To minimise volatility of council tax and ensure that increases are within limits set by the government.
- To manage risks including keeping adequate reserves to ensure so far as is reasonably possible that service delivery is not disturbed by calls on funding from short term, unforeseeable events.
- To achieve value for money from all spending.
- To be aware of and take up funding opportunities where these are consistent with the Council's objectives and where the obligations taken on are manageable by the council and commensurate with the sums received. In particular consider options that enable a greater self-reliance on our own funding and reduce the reliance on Central Government funding.
- To achieve efficiency in the use of resources including invest to save opportunities by taking into consideration relevant life cycle costs.
- To secure, maintain and renew a stock of physical assets consistent with the Council's corporate priorities as detailed in the Asset Management Strategy.
- To ensure the Financial Strategy and all the Council's other strategies are consistent.

What principles underpin the strategy?

The principles underlying the strategy are those of sustainability, transparency and consistency as evidenced by:

- The Council will adopt a prudent approach to assumptions and forecasts of its income and spending including assessment of:
    - the resources available to it from government and other external sources;
    - changes in input prices both generally - including pay and specific price changes where these have significant impact on individual services by means of indexation clauses in contracts;
    - interest rates and the growth of the wider economy so far as these affect the Council's ability to generate income from charges;
    - the council tax base and rates of council tax collection and of other incomes;

  - investment returns and factors affecting pension costs as advised by the scheme's actuary;
  - its ability to generate cashable efficiency gains;
  - exposure to VAT and other tax liabilities;
  - exposure to uninsured risks.

- The council will establish spending plans consistent with its forecast of income other than where existing reserves are planned to be used.
- The council will not commit to ongoing spending from incomes of a one off nature without a clear exit strategy in the absence of alternative funding.
- The council will limit its borrowing by reference to CIPFA's prudential code and will make a prudent provision for repayment in accordance with that code.
- The council has adopted and will keep under review a policy on the level of reserves to ensure adequate but not excessive reserves.
- The council has adopted and will review a charging policy that is fair in terms of:
  - different service users;
  - the call on the tax payer as against the service user;
  - competition with other providers
- The council will maintain sound financial management practices set out in Financial Regulations and Financial Procedure Rules.
- The Council will maintain the accounts in accordance with relevant codes of accounting practice and in particular the CIPFA Service Reporting Code of Practice (SeRCOP) and financial planning will be consistent with those requirements.
- The strategy will be reviewed annually.