

SOUTH BUCKS DC FINANCIAL STRATEGY 2011/12 - 2014/15

Purpose

The financial strategy for the authority is intended to provide a stable financial environment for the Council to progress its Corporate Plan aims over a time period of three to five years.

Principles

The key principles underpinning the strategy are:

- The matching of expenditure and income in the medium term
- Aligning new expenditure to Corporate Plan priorities and to continue to provide value for money
- Having in place sound financial processes to control and monitor expenditure
- Awareness of the financial risks facing the authority and using this to inform the authority's level of financial reserves

Roles and Responsibilities

Members

Members have the responsibility for agreeing the key aims of the authority which will be reflected in the Corporate Plan. They also need to ensure that adequate resources are in place to support the preparation of the Corporate Plan and that the authority has a sound system for financial management and control.

Managers

Managers responsible for services or groups of services have the requirement to set out through their Service plans and budgets how they will progress the Council's aims in the areas under their control. They will be required to identify clearly the resource implications and any risks or dependencies associated with their Service plan. Value for money and efficiency will feature in their service planning as guided by the authority's policy on value for money. If required by the Council's overall financial position managers will be required to identify savings options, but these should aim to minimise as far as possible the impact on the Council's key priorities. They will also follow the authority's procedures for financial management and control.

s151 Officer

The designated s151 officer has the responsibility to ensure members and officers are provided with the appropriate financial advice and information to support their service and financial planning, and this includes identifying the key financial risks facing the authority. The post also is responsible for ensuring adequate financial systems and controls are in place to manage the authority's financial affairs.

Key Elements of the Strategy

- Financial and service planning are integrated and are driven by the Corporate Plan that has been developed by a process of consultation with members and key stakeholders.
- Current expenditure, activity levels and performance are kept under review and monitored regularly by officers and members.
- The key drivers affecting the Corporate Plan are identified and monitored. These may be drivers from Central Government or from local communities. The KnowledgeSource database and performance indicator data specifically need to be assessed to identify any issues arising that will affect Service plans.
- Specific consideration will be given to capital investment issues, including where appropriate undertaking return on investment assessments. The authority's Capital Strategy defines in specific terms the authority's approach to capital investment.
- Targets will be set for investment income, and reflected in the authority's Treasury Management Strategy which is reviewed annually.
- Value for money for major services will be examined in line with the Council's procedure for reviewing this topic.
- The financial risks and dependencies associated with delivering Service plans will be identified and reported as part of the budget process. The financial risks will also be incorporated into the in year monitoring processes referred to previously. In addition the Council will keep under review through its risk management policy the strategic risks facing the authority.
- Service plans and budgets will be subject to formal member consultation and scrutiny, initially through PAGs but also with O&S Committee. Consultations on the Council's plans will also be undertaken if appropriate with other stakeholders such as parishes and other members of the South Bucks Partnership.
- The Corporate Plan, Service plans and the accompanying budget will be communicated appropriately to staff and stakeholders.
- A sound system of financial management will be in place as evidenced by the authority's:
 - Financial regulations and standing orders
 - Audit Plan
 - Risk Management Strategy
 - Procurement Strategy and Contract Standing Orders

The effectiveness of these arrangements will be reported upon as part of the annual Statement of Assurance that form part of the authority's published financial statements.

Detail Policies & Procedures Supporting Financial Strategy

The Financial Strategy is supported by a range of existing policies and procedures. These are available in their own right, and therefore are not repeated in this document. They can be grouped into a number of categories reflecting the main policy and resource inputs to the strategy, how finances are managed and controlled to deliver the strategy, and outputs of the strategy. Appended to this Strategy are diagrammatic representations of the main elements of the processes of financial planning and budgeting, and of financial governance.

Communications

Internal

As a general principle the intention is to consult and inform internal stakeholders as far as possible and in an appropriate way.

Briefings or presentations to members on key corporate plan and financial issues

Guidance made available to managers on service and financial planning

Information made available to staff on outcomes of Corporate Plan and Budget via means such as intranet and Grapevine.

External

Information publicly available as part of the Annual Report, setting out the key points of the Corporate Plan and main Service Plan issues.

Information publicly available on website outlining main features of the budget set for the year.

It is important that the Council managed public expectations about what it can deliver within the limitations of resources and legislative frameworks.

Review of the Strategy

The principles and key elements of the Strategy should not change significantly from year to year, other than to adjust for any new supporting policies or strategies that may have been developed.

The Strategy has been reviewed following the 2010 Spending Review and associated local government financial settlement. These factors had presented local government with very significant challenges and the Council's Medium Term Financial Strategy needed to respond to these challenges.

A further review would be undertaken in the first year of any new Council in order to ensure the Strategy reflects the aims and objectives of the Council. Therefore the next review will be done by March 2012.

The Current Medium Term Financial Strategy

The Council's medium term financial strategy which underpins the specific decisions taken on the annual budget, sets out how the Council's corporate aims can be progressed within the likely level of resources available to the Council.

The 2010 Spending Review and the ensuing local government financial settlement resulted in a substantial reduction in the authority's grant funding.

- The cash grant for 2011/12 is £2.452m, a reduction in cash terms on the current year of £563k (18.7%). When adjustments are made for the transfer of concessionary fares to Bucks CC, and some other minor formula grant changes, the year on year change is a reduction of 16.8%.
- The provisional grant for 2012/13 is £2.100m, a reduction on the 2011/12 cash figure of £0.352m, 14.4%. When adjustments are made for other minor formula grant changes, the year on year change is a reduction of 13.5%.

- The cumulative reduction in grant over the two years is £915k, 30% in cash terms compared to 2010/11.

An effect of these changes has been that the Council is also much closer to the formula grant floor than at any time since the floor damping arrangements were introduced. The protection from the floor in 2011/12 will be £255k. It is highly likely that over the period of the current Spending Review this protection will be removed entirely.

The local government financial settlement only provides indicative figures to 2012/13. It is impossible to estimate what may be the outcomes of the review of the distribution of funding to local authorities will be for South Bucks. However in regard to this risk, it is prudent to assume there will be further material grant reductions, and as a minimum these would equate to the level of the current floor protection.

A second major risk area is the general economic situation of the country and its consequential effect on interest rates. The Council is dependant on investment income more than most authorities, and the reduction in this income stream is something that has to be taken account of in the Medium Term Financial Strategy. The dependency on interest rates needs to reduce so that the Council's finances can become more insulated from the economic cycle. Therefore the Medium Term Financial Strategy will not assume any material increase in investment income over the period.

There are a number of other material risks facing the Council in the coming years in additional to the two already described. These include:

- The costs of reaching and enforcing the Council's planning decisions, or responding to major infrastructure proposals. This would include major public inquiries.
- The development of the authority's waste collection and recycling services in the context of Bucks CC's disposal arrangements, and alternative arrangements that may be available to the Council.
- Delivering on the Government's aspirations for localism, and transparency for local authorities.

The Approach to the Challenges.

The Council's response to the challenges will be along the following lines.

- Income opportunities will be maximised, particularly in the areas of planning and licensing fees, and car parking. Car parking will involve consideration of expanding capacity.
- Contract costs will be kept under review and options to reduce costs will be considered. Large new contracts will include annual contract review arrangements to identify cost reduction options.
- Pay arrangements will be linked to what the Council can afford as opposed to automatically following any national trends.
- For any significant operational areas, not already subject to contract arrangements or market testing, their structures and processes will be reviewed to identify any savings potential.

- There will be an open minded and pragmatic approach to shared services, but any arrangements would be on a clear “contractual” basis to deliver defined benefits.
- Capital resources may be applied to improve the Council’s revenue position through funding expenditure that will either reduce costs or increase income.

Maintaining financial stability is very important. Specifically having an appropriate level of general reserves is vital in order to cope with the inevitable one off issues that can arise as a result of factors outside of the Council’s control, or which cannot be accurately assessed as part of the annual budget process.

The Council has a specific policy around reserves which covers how the minimum level of general reserves will be assessed, and also what are the authority’s earmarked reserves.

The Medium Term Financial Strategy however will set a planned minimum level of reserves that will be retained over the period of the Strategy. This will mean that any support to the council tax from reserves will be limited to maintaining the planned minimum level. The planned minimum level of general reserves will be £1.25m.

A forecast of the Council’s financial position in broad terms to 2015 is appended, based on:

- Savings already being delivered, or planned to come into effect during 2011/12.
- The known or forecast effects of reduction in Formula and specific grants
- No material change in the level of investment income
- Council tax to increase by 2½% pa from 2012/13, which is to say it will broadly track CPI.
- Maintaining general reserves above the Strategies minimum level.

Director of Resources
February 2011