

## WIRRAL COUNCIL

### CABINET

18 FEBRUARY 2013

<b>SUBJECT</b>	<b>2013-16 MEDIUM TERM FINANCIAL STRATEGY</b>
<b>WARD/S AFFECTED</b>	<b>ALL</b>
<b>REPORT OF</b>	<b>INTERIM DIRECTOR OF FINANCE</b>
<b>RESPONSIBLE PORTFOLIO HOLDER</b>	<b>COUNCILLOR PHIL DAVIES</b>
<b>KEY DECISION</b>	<b>YES</b>

#### **1.0 EXECUTIVE SUMMARY**

- 1.1 This report sets out the Medium Term Financial Strategy 2013-16. It is a strategic, financial document that set outs the Councils financial approach for the planning period 2013-14 to 2015-16. It also incorporates the Treasury Management and Investment Strategy for 2013-2016 in accordance with the CIPFA Code of Practice for Treasury Management in Public Services.

#### **2.0 BACKGROUND AND KEY ISSUES**

- 2.1 Wirral is facing one of the most challenging financial periods faced by Local Government. The Council along with the majority of the public sector must realign itself to the new financial reality. The Government has set out how it aims to eliminate the budget deficit. The size of the reduction is leading to change across the public sector; much of this is impacting directly on local government.
- 2.2 Significant savings are expected throughout the period of the Medium Term Financial Strategy. Local Government's contribution to public sector savings is anticipated to be substantial, with spending on health, schools and overseas development being projected. The economy during the period 2013-16 will see weak economic recovery, while there is likely to be continued uncertainty in the eurozone. The cumulative effect is that the Council in the period of the Medium Term Financial Strategy will operate in a challenging and uncertain funding environment.

- 2.3 The Medium Term Financial Strategy as well as providing financial background, sets out the Councils budget strategy over the next few years. The responses and approaches that will be adopted to meet the challenges faced and resolve the funding gap. The Medium Term Financial Strategy contains the following sections:

Overview the period 2013-16

Resources

Revenue

Working Balances and Earmarked Reserves

Capital, Treasury, IT, Assets

Risk Management and Business Continuity

Procurement

Consultation

Wherever a financial estimate can be made of likely events this has been included. Given the level of assumptions for any projection of this type, only significant items have been included. The aim of this Strategy is not to give provisional budget figures, but to provide Cabinet with a framework with which to support planning considerations for the medium term. The Medium Term Financial Strategy will be completed following approval of the budget 2013/14, when all tables will be completed.

- 2.4 The Medium Term Financial Strategy incorporates the Treasury Management Strategy. This remains a key area of the financial strategy, especially with low interest rates and limited investment opportunity. It is included in appendix 3 and is subject to approval by the Council at the same time as the budget. The following paragraphs are specific to the strategy and highlighted to assist Members in their consideration of the Treasury Management Strategy.

- 2.5 CIPFA has defined treasury management as:

*“the management of the organisation’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”*

- 2.6 The Council endorses this definition and acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is, therefore, committed to the principles of achieving value for money in treasury management and to employing suitable comprehensive performance measurement techniques, within the context of effective treasury management.

2.7 The purpose of the attached Treasury Management Strategy Statement is to set:

- The Treasury Management Strategy for 2013-16 - The long term direction for Council borrowing, debt rescheduling and investments.
- The Prudential Indicators – information to ensure the Council’s capital investment is affordable, prudent and sustainable.
- The Minimum Revenue Provision (MRP) Statement – The Council’s policy on the repayment of long term debt.
- Authorised signatories for treasury management activities.

### **3.0 RELEVANT RISKS**

3.1 The Medium Term Financial Strategy provides a strategic overview of the issues facing future authority finances and includes a risk assessment.

3.2 The Council is responsible for its treasury decisions and activity. No treasury management activity is without risk. The successful identification, monitoring and control of risk are important and integral elements of its treasury management activities. The main risks to the treasury activities are:

- Liquidity Risk (Inadequate cash resources)
- Market or Interest Rate Risk (Fluctuations in interest rate levels)
- Inflation Risk (Exposure to inflation)
- Credit and Counterparty Risk (Security of investments)
- Refinancing Risk (Impact of debt maturing in future years)
- Legal and Regulatory Risk

### **4.0 OTHER OPTIONS CONSIDERED**

4.1 There are no other options considered in this report.

### **5.0 CONSULTATION**

5.1 The outcome of the What Really Matters will help influence future priorities and service delivery. The Medium Term Financial Strategy links to the Corporate Plan priorities. The Treasury Management Strategy has been written in consultation with the Council’s external treasury management advisors, Arlingclose Ltd. There has been no further consultation undertaken or proposed for this strategy report. There are no implications for partner organisations arising out of this report.

### **6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS**

6.1 There are none arising out of this report.

## **7.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS**

7.1 The resource implications are within the Strategy and the financial implications are updated by the Budget Projection reports submitted to Cabinet throughout the year. Approval and implementation of Treasury Management Strategy will limit financial risks while helping to minimise financing costs and maximise investment returns.

## **8.0 LEGAL IMPLICATIONS**

8.1 There are none arising out of this report.

## **9.0 EQUALITIES IMPLICATIONS**

9.1 There are none arising out of this report.

9.2 An Equality Impact Assessment (EIA) is not required.

## **10.0 CARBON REDUCTION IMPLICATIONS**

10.1 There are none arising out of this report.

## **11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS**

11.1 There are none arising out of this report.

## **12.0 RECOMMENDATIONS**

### Treasury Management and Investment Strategy 2013-16

12.1 That Members approve the Treasury Management and Investment Strategy for 2013-2016.

12.2 That the Prudential Indicators be adopted.

12.3 That Members approve the Council's Minimum Revenue Provision policy.

12.4 That the Council Officers listed within Appendix F, of the Strategy Statement, be authorised to approve payments from the Council's bank accounts for all treasury management activities.

### The Medium Term Financial Strategy

12.5 That the Medium Term Financial Strategy be approved.

12.6 That regular updates of the Medium Term Financial Strategy be reported to Cabinet.

## **13.0 REASON FOR RECOMMENDATIONS**

- 13.1 The Corporate Plan identifying how the corporate objectives are to be achieved which are delivered through the setting of the annual Budget. The Medium Term Financial Strategy indicates the resource issues and principles that shape the Budget as by identifying current issues as well as potential developments / related issues the Strategy helps inform future revenue and capital budgets.
- 13.2 The Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Public Services (the "CIPFA TM Code") and the Prudential Code require local authorities to determine the Treasury Management Strategy Statement (TMSS) and Prudential Indicators on an annual basis. The TMSS also incorporates the Investment Strategy as required under the CLG's Investment Guidance.
- 13.2 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (SI 2008/414) also places a duty on local authorities to make a prudent provision for debt redemption. Guidance on Minimum Revenue Provision has been issued by the Secretary of State and local authorities are required to "have regard" to such Guidance under section 21(1A) of the Local Government Act 2003.
- 13.3 Following staffing changes, Members are asked to approve a revised list of Officers to approve treasury management activities.

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#### **APPENDICES**

Medium Term Financial Strategy  
Treasury Management Strategy at Appendix 3

#### **REFERENCE MATERIAL**

CLG Local Authority Investment Guidance, 2004  
CLG Changes to the Capital Financing System Consultation, 2009  
Code of Practice for Treasury Management in Public Services (2011 Edition), CIPFA 2011.  
Prudential Code for Capital Finance in Local Authorities (2011 Edition), CIPFA 2011.

## SUBJECT HISTORY

Council Meeting	Date
<u>The Medium Term Financial Strategy</u>  Cabinet - Medium Term Financial Strategy Cabinet - Medium Term Financial Strategy Cabinet - Draft Corporate Plan for 2011-14 Cabinet - Delivering the Corporate Plan Cabinet - Budget Projections 2012-2015	13 October 2011 4 November 2010 17 March 2011 14 April 2011 1 September 2011
<u>Treasury Management and Investment Strategy 2013- 16</u>  Cabinet - Treasury Management and Investment Strategy 2012 to 2015 Cabinet - Treasury Management Annual Report 2011/12 Cabinet - Treasury Management Performance Monitoring Cabinet - Treasury Management Performance Monitoring Cabinet - Treasury Management Performance Monitoring	20 February 2012 21 June 2012 6 September 2012 8 November 2012 7 February 2013