

WIRRAL COUNCIL

CABINET

10 FEBRUARY 2015

| | |
|-------------------------------------|---|
| SUBJECT | MEDIUM TERM FINANCIAL STRATEGY 2015-18 |
| WARD/S AFFECTED | ALL |
| REPORT OF | ACTING SECTION 151 OFFICER |
| RESPONSIBLE PORTFOLIO HOLDER | COUNCILLOR PHIL DAVIES |
| KEY DECISION | YES |

1.0 EXECUTIVE SUMMARY

1.1 This report sets out the Medium Term Financial Strategy 2015-18. It is a strategic, financial document that set outs the Councils financial approach for the planning period 2015-16 to 2017-18. It also incorporates the Treasury Management for 2015-18 in accordance with the CIPFA Code of Practice for Treasury Management in Public Services.

2.0 BACKGROUND AND KEY ISSUES

2.1 Over the next three years the services the Council provides are facing a very challenging financial future with a £49 million anticipated funding gap. The size of this funding gap is leading the Council to consider how the total financial resources of the Council and its partners will need to be maximised, prioritised and channelled to the right areas and activities. The Medium Term Financial Strategy focuses on ensuring that resources are matched to priorities as identified in the Corporate Plan whilst ensuring that statutory functions are provided in the most efficient way.

2.2 The Council has and will continue during the period 2015-18 to realign itself to the financial reality it faces. The Government has set out how it aims to eliminate the budget deficit. The savings introduced in Spending Review 2010 (SR2010) and continued in Spending Review 2013 (SR2013) from 2011/12 to 2015/16 represent the largest reduction in public government spending since the Second World War. The Government has subsequently announced that public finances will not be balanced until 2018/19. The latest spending round period ends in 2015/16 and further detailed announcements of future public sector expenditure will be made following the election in May 2015. However it is anticipated that further reductions due to austerity will continue until at least 2017/18.

- 2.3 At the same time the Council is facing financial pressures from the increasing demand for certain services. This increased demand comes from demographic and recession linked changes. In contrast the financial effects of changes in services such as car parking and the introduction of new services will lead to further challenges.
- 2.4 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 close the funding gap. The Medium Term Financial Strategy contains the following sections:
- Overview the period 2015-18
 - Forecast Income
 - Forecast Expenditure
 - General Fund Balances and Earmarked Reserves
 - Capital, Treasury Management and Asset Management
 - Risk Management and Business Continuity
 - Managing the Medium Term Financial Strategy

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 the Council with a framework with which to support planning considerations for the medium term. The tables within the Medium Term Financial Strategy are dependent on the completion of the 2015/16 budget.

- 2.5 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 2 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.
- 2.6 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.”*

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 2015-18 - The long term direction for Council borrowing, debt rescheduling and investments.
- The Treasury Management Policy Statement.
- The Annual Investment Strategy for 2015-18.
- 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 consultation has and 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 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

6.1 None

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 There are none arising out of this report.

8.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

8.1 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.

9.0 LEGAL IMPLICATIONS

9.1 There are none arising out of this report.

10.0 EQUALITIES IMPLICATIONS

10.1 There are none arising out of this report.

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

11.0 CARBON REDUCTION IMPLICATIONS

11.1 There are none arising out of this report.

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising out of this report.

13.0 RECOMMENDATIONS

13.1 That in respect of the Treasury Management Strategy 2015-18

- i) The Treasury Management Strategy for 2015-18 be approved.
- ii) The Prudential Indicators be adopted.
- iii) The Council's Minimum Revenue Provision policy be approved.
- iv) The Council Officers listed in Appendix G be authorised to approve payments from the Council's bank accounts for all treasury management activities.

13.2 That in respect of the Medium Term Financial Strategy 2015-18

- i) The Medium Term Financial Strategy be approved.
- ii) Regular updates of the Medium Term Financial Strategy be reported to Cabinet.

14.0 REASON FOR RECOMMENDATIONS

- 14.1 The Corporate Plan identifies 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.
- 14.2 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.
- 14.2 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.
- 14.3 Following staffing changes, Members are asked to approve a revised list of Officers to approve treasury management activities.

REPORT AUTHOR: Jenny Spick
Senior Finance Manager – Financial Management
Telephone (0151) 666 3582
Email jennyspick@wirral.gov.uk

APPENDICES

Appendix 1 Medium Term Financial Strategy including Treasury Management Strategy Statement 2015-18

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>Medium Term Financial Strategy</u> | |
| Cabinet - Medium Term Financial Strategy | 18 February 2013 |
| Cabinet - Future Financial Position | 10 December 2013 |
| Cabinet - Medium Term Financial Strategy | 12 February 2014 |
| Cabinet - Future Financial Position | 9 December 2014 |
| | |
| <u>Treasury Management & Investment Strategy</u> | |
| Cabinet - Treasury Management and Investment Strategy 2012 to 2015 | 20 February 2012 |
| Cabinet - Treasury Management Annual Report 2011/12 | 21 June 2012 |
| Cabinet - Treasury Management and Investment Strategy 2013 to 2016 | 18 February 2013 |
| Cabinet - Treasury Management Annual Report 2012/13 | 10 October 2013 |
| Cabinet - Treasury Management Annual Report 2013/14 | 7 July 2014 |