

**Agenda Item No 7(d)**

**DERBYSHIRE COUNTY COUNCIL**

**CABINET**

**20 September 2018**

**Report of the Director of Finance & ICT**

**FINANCIAL STRATEGY**  
(STRATEGIC LEADERSHIP, CULTURE AND TOURISM)

**1 Purpose of the Report**

To note and approve the Council's Financial Strategy.

**2 Information and Analysis**

The purpose of the Financial Strategy is to set out the Council's financial priorities, and provide a financial framework for the Council to ensure the Council's financial operations contribute to the Council's strategic and policy objectives as outlined in the Council Plan 2017-2021.

The key components of the Strategy are to:

- Set out the framework for the financial operation of the Council which supports the strategic and policy objectives in the Council Plan;
- Ensure resources are allocated to achieve Council Plan objectives;
- Ensure cost effective affordable service delivery that delivers value for money;
- Support delivery of the Council's Enterprising Council Programme;
- Maximise resources available to the Council;
- Ensure Council Tax levels are kept within reasonable levels;
- Integrate Service Plans into the budget process.

The Council's Financial Regulations state that the strategy should be reviewed annually to remain consistent with the Council Plan, to ensure that the Financial Strategy drives the Five Year Financial Plan, Capital Programme and Revenue Budget. It has been reviewed and it is proposed that there are no changes to the Strategy.

A copy of the Strategy is shown at Appendix One.

### 3 **Considerations**

In preparing this report and developing the Council's Financial Strategy the relevance of the following factors has been considered:- financial, legal, human resources, social value, prevention of crime and disorder, equality and diversity, environmental, health, property and transport considerations.

### 4 **Background Papers**

Papers held in Technical Section, Finance & ICT, Room 137.

### 5 **Key Decision?**

No.

### 6 **Is it necessary to waive the call-in period?**

No.

### 7 **Officer's Recommendation**

That Cabinet approves the Financial Strategy.

PETER HANDFORD  
Director of Finance & ICT

# **Financial Strategy**



**Peter Handford B.A. (Hons), CPFA**  
**Director of Finance & ICT**

**August 2018 - Approval and Authentication**

<b>Name</b>	<b>Job Title</b>	<b>Signature</b>	<b>Date</b>
Peter Handford	Director of Finance & ICT		20 September 2018
Cabinet			

### **Introduction**

The Financial Strategy sets out the overall framework on which the Council plans and manages its financial resources and ensures that it fits with, and supports, the direction of the Council's priorities, including delivery of the Council's Enterprising Council Programme.

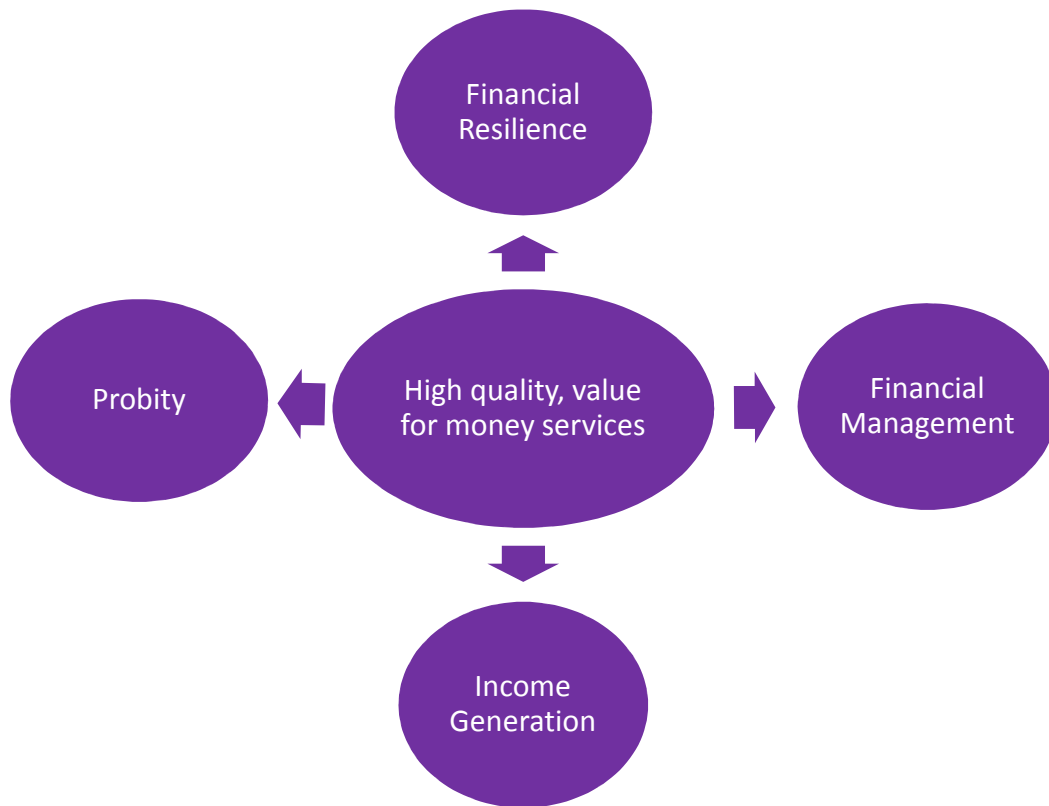
### **Links with other strategies and initiatives**

The Financial Strategy is closely aligned with the Council Plan and Service Plans. It sits alongside the Council's Five Year Financial Plan, which sets out the Council's financials assumptions, spending plans and savings over the medium term. The strategy is by design a brief document and is presented as a series of linked elements supported by more detail in other published documents including but not limited to:

- Five Year Financial Plan
- Council Plan
- Reserves Policy
- Treasury Management Strategy
- Financial Regulations
- Accounting Manual
- Internal Audit Plan
- Charging Policy
- Capital Strategy and Corporate Asset Management Plan
- Reserves Policy
- Procurement Strategy
- ICT Strategy

## Strategic Aims

The Finance Strategy is made up of four strategic aims.



### Financial Resilience

The Council will have made budget savings of approximately £300m in response to the need to reduce reliance on government grants after the economic collapse in 2008.

The Council will be required to make a further £70m in budget savings over the five year financial planning period 2018-19 to 2022-23. This reflects the Council's acceptance of the Government's multi-year funding offer which provides some certainty on the level of funding up to 2019-20.

A balanced budget is projected for 2022-23 with no savings required in that year. However this is premised on the additional Better Care Funding (BCF) provided for adult social care services being available beyond 2019-20.

However, the Council faces a number of financial risks over the medium term, not least of which is the uncertainty of the level of Government funding beyond 2019-20.

The Council has been successful in being chosen as one of ten areas to pilot the Government's business rates retention scheme. This will generate additional one-off income in 2018-19 to the county of Derbyshire, over and above the business rates income which is expected from the local government finance settlement.

Any move towards reformed business rates retention and changes in local authority funding will be monitored closely and the Council will respond to any Government consultations in due course. However, it is unlikely that it will be possible for much parliamentary time to be devoted to local government funding changes before the UK's withdrawal from the European Union.

Wherever possible, the Council aims to protect service delivery and has clear ambitions to be an efficient and high performing Council by moving towards an Enterprising Council approach. However, with the Council having already made £300m in savings since 2008, it will not be possible to make all the savings over the next four years without affecting frontline services.

In a challenging financial environment the Council will need to prioritise its limited resources to protect the service areas the Council considers to be the most important, supporting the most appropriate approach to service delivery. In doing so, it must look at ways of raising additional income and reduce its reliance on Government funding. The Council will make savings by reviewing all areas of expenditure and considering new ways of working which require additional investment.

### **We will achieve this by:**

- Reviewing and updating the Council's Five Year Financial Plan at least annually to assist the budget planning process and identify funding gaps at the earliest opportunity to help develop appropriate savings plans;
- Setting a balanced budget that addresses service priorities but is achievable within acceptable Council Tax limits and the context of the Five Year Financial Plan;
- Utilising the Council's budget priority framework when considering proposals for service development and new investment.
- Ensuring Council Tax is within acceptable levels. Over the medium term this will include setting a 2% increase for the Adult Social Care Precept to raise additional income for Adult Social Care;
- Developing and implementing a robust savings programme, which is regularly monitored and reported to Members and incorporates consultation and equality impact assessment processes where these are required;
- Benchmarking service costs and performance on a regular basis;
- Actively considering the best delivery model for the Council's services in order to deliver quality services and a reasonable cost;
- Reviewing the minimum level of General Reserve to ensure that the balance is sufficient to act as a contingency against any unforeseen events or unexpected liabilities;
- Integrating services, where appropriate, including health and social care and co-location of services as part of the Council's One Public Estate initiative;
- Monitoring local government funding, lobbying Government to ensure Derbyshire's interests are represented;
- Using one-off support from reserves balances to support budget management.



### Financial Management

The Council will maintain sound financial management policies and controls to ensure its resources are used economically, efficiently and effectively.

The Council's savings targets over the medium term are significant and need to be managed. Budget managers need to demonstrate strong financial management whilst maintaining the delivery of high quality services.

#### **We will achieve this by:**

- Providing a framework for managing the Council's financial affairs through the Constitution and Financial Regulations;
- Utilising the Council's budget priority framework when considering proposals for service development and new investment. The framework is based on a robust system of scrutiny that is constructed to favour proposals that are aligned to the Council's priorities, together with national targets;
- Identifying budget savings which will build capacity and redirect resources to priority areas. The Budget Strategy Group (BSG) will be responsible for the monitoring of savings and will report to the Corporate Management Team;
- Aligning and examining spending against priorities on an on-going basis. This may from time to time include fundamental reviews of specific areas of the Council's base budget;
- Monitoring and controlling both revenue and capital budgets, taking correcting action where appropriate. There will be strong budgetary control and scrutiny with clear lines of responsibility for preparation, approval and control. Reports will be provided to Members on a regular basis in accordance with the Council's Budget Monitoring Policy;
- Setting a minimum level of General Reserve. The Director of Finance & ICT will report on the level of reserves as part of the annual Revenue Budget Report;
- Reviewing Earmarked Reserves' balances at least annually and reporting the outcomes to Members in accordance with the Council's Reserves Policy;
- Managing the Council's investment and borrowing on a daily basis. The Council is also responsible for the Derbyshire Pension Fund Investments. The objective is to place security of investment above return, but to maximise investment income;
- Complying with the principles of the Treasury Management Code of Practice;
- Keeping long-term borrowing within reasonable limits in accordance with the principles in the Prudential Code;

## Appendix One

- Procuring goods, services and works in accordance with Value for Money (VfM) principles;
- Ensuring capital investment decisions reflect the Council Taxpayer meeting the majority of all new debt financing costs;
- Maintaining and holding assets to meet the Council's objectives as identified within the Council Plan and Service Plans, subject to affordability within the context of the Council's Five Year Financial Plan;
- Adopting the most appropriate funding package for overall capital expenditure;
- Ensuring loans for 'Spend-to-Save' schemes are financed from the schemes' savings. The loan repayments will be made as quickly as savings allow. It is not intended that 'Spend-to-Save' schemes will be repaid over as long a period as other debt;
- Recommending Capital priorities to Cabinet using the Council's appraisal methodology which involves the following criteria:
  - Council goals, objectives and performance indicators being met
  - Funding requirements, taking into account any conditional grants/allocations and other external sources
  - Statutory obligations including legal and health and safety
  - Revenue implications
  - Surplus assets available for sale
  - The Local Transport Plan influences investment in the highway infrastructure
- Establishing the level of capital investment available which is currently projected over a three-year rolling programme;
- Providing training and information in the financial skills and competencies to officers and Members who are accountable for finance within their roles;
- Establishing clear budget responsibility and accountability, recognising budget management as an essential part of good management.

### Income Generation

The Council will optimise the generation and effective use of external funding to achieve the Council's priorities.

A large element of the Council's funding, both revenue and capital, is derived from external funding, primarily specific grants, Revenue Support Grant and business rates. Availability of grants can be subject to a detailed and complex bidding process. Care needs to be taken that the availability of such funding does not distort the Council's priorities, divert resources from higher priorities, or set up unreasonable future commitments for the Council Taxpayer to meet. Exit strategies need to be developed in all material cases where there is uncertainty over future external funding.

Income from service users – fees and charges – is an important part of the Council's financial strategy. Factors taken into account in setting the levels include – the Council's specific priorities, market forces where applicable, affordability, inflation and the balance with income demanded from Council Tax payers.

Maximising income, although clearly an important consideration, is not the only factor in deciding on the level of fees and charges. The Council has a Charging Policy which sets out best practice in the setting of charges.

#### **We will achieve this by:**

- Exploring and implementing opportunities for greater trading and income generation to help the Council be more self-sufficient and less reliant on Government funding;
- Examining different investment opportunities to maximise investment returns;
- Optimising income from fees and charges made to service users within the context of the Council's objectives and priorities;
- Collecting all income due promptly and taking effective and appropriate recovery action where appropriate;

### Probity

The Council has a duty to safeguard public money by ensuring there are appropriate levels of financial control. The Council's approach to financial management is to provide Members and Officers with a high level of flexibility to optimise service delivery within a controlled framework. The control framework is outlined in the Annual Governance Statement which is reviewed and approved annually by Council and published in the annual Statement of Accounts.

#### **We will achieve this by:**

- Providing an open and transparent budget process that ensures budgets reflect the Council's strategies and focuses resources on the priority areas as set out in the Council Plan;
- Scrutinising and challenging all significant planned investment to ensure projects are consistent with the Council's Capital Strategy;
- Producing an annual statement on the adequacy of the Council's control framework;
- Ensuring the costs, benefits and risks of any partnership working are fully assessed, that governance and reporting arrangements are appropriate and that there are financial arrangements to safeguard the Council's interests.
- Reviewing Council contracts to ensure that they are delivering value for money and demonstrating this to the proposed Value for Money (VfM) Board;
- Scrutinising proposed project and service delivery models to ensure that they have robust business cases and deliver acceptable returns on investment;
- Identifying, assessing and reviewing financial and business risks as part of the corporate and departmental risk registers.

### **We will know we have been successful by:**

- Being a key facilitator in the achievement of Council Plan goals;
- Providing reports to Committees, Cabinet and Council on setting out the financial implications of providing new or existing services;
- Reviewing and updating the Five Year Financial Plan at least annually;
- Ensuring our borrowing levels are affordable under the statutory prudential framework;
- Providing regular budget monitoring reports to Cabinet and Committees on the Council's latest financial position as defined in the Budget Monitoring Policy;
- Receiving an opinion from the external auditor that provides a true and fair view of the Council's financial standing;
- Receiving a positive external audit opinion on value for money from external audit in the annual Statement of Accounts review;
- Achieving departmental savings targets;
- Regular monitoring of the savings targets by the Budget Management Strategy Group;
- Reviewing the Council's Earmarked Reserves at least annually;
- Developing and implementing schemes that deliver additional income to the Council;
- Utilising benefits realisation processes to ensure that projects have delivered the anticipated paybacks.