

Member Report Finance Strategy



Report to: Cabinet.

Report from: Managing Director

Portfolio: Resources

Report Date: 17 September 2024

Decision Type: Executive

Council Priority: All

HEADLINE POSITION

1.0 Summary of report

1.1 The proposed Finance Strategy attached at Appendix 1 sets out a series of high-level objectives that will support the council in delivering its corporate plan priorities, in particular the need to maintain a strong and sustainable council.

2.0 Recommendation

2.1 That cabinet agree the proposed Finance Strategy.

DETAILED PROPOSALS

3.0 What are the objectives of the report and how do they link to the Council's priorities.

3.1 The Organisational Plan which was agreed by Cabinet in March 2024 sets out the Council's approach to delivering upon the priorities set out within the Corporate Plan, which are:

- Start life well
- Live and age well
- Prosper and flourish
- Clean and tidy
- Strong and sustainable.

3.2 The approach being to develop a suite of key strategy documents, twenty in total, which set the strategic imperative and parameters of council operations. Each strategy document will be underpinned by a plan of how it will be delivered as well as suite of performance measures. Subject to their approval, elected members will own and oversee the delivery of the strategies, with regular update reports provided.

3.3 This strategy sets out the approach the Council will take in managing its financial resources in order to fulfil its legal and statutory duties of setting a balanced budget on an annual basis, as well as seek to make best use of the resources available to it to achieve its stated priorities and deliver valued services for the residents and

2.5.1.1 07a 1 Cabinet report - Finance Strategy

businesses of the borough.

- 3.4 It will be integral to the Council's ability to deliver the entirety of the Corporate Plan, ensuring the financial resources available to the Council come together in a robust plan to fund the agreed priorities, including promoting financial resilience and sustainability.

4.0 Executive Summary

- 4.1 The document outlines a comprehensive Financial Strategy designed to navigate the challenges facing the Council, aiming to ensure financial sustainability and resilience while delivering essential services to the community.
- 4.2 Local government finances face considerable strain, marked by declining spending power, increased reliance on council tax and growing demand for statutory services. Local government funding inequities mean this challenge is not evenly spread. This Council faces disproportionate pressures from high demand for social care services not catered for in an outdated funding formula, along with areas of relative deprivation that constrain our ability to raise more funding locally. Inevitably this has weakened the council's financial position, depleted reserves and exacerbated financial risks.
- 4.3 Five key objectives are proposed to drive financial planning and decision-making:
- alignment to priorities
 - robustness
 - value for money
 - sustainability
 - resilience

These goals aim to ensure effective resource allocation, service delivery, and long-term financial health.

- 4.4 The strategy unfolds across three phases: Survive, Strive, and Thrive, tailored to address immediate challenges while laying foundations for future sustainability and growth. Emphasis is placed on addressing revenue budget pressures, funding capital investment, and managing reserve levels.
- 4.5 Financial planning extends over a five-year horizon, underpinned by rigorous governance frameworks and performance measures. Regular reviews and consultations foster accountability, transparency, and adaptability in financial decision-making.
- 4.6 In summary, this Financial Strategy provides a roadmap for navigating financial challenges, ensuring prudent resource allocation, and safeguarding the Council's long-term financial health. By prioritising sustainability, resilience, and effective governance, the Council aims to deliver value for its residents while fulfilling its statutory duties.

5.0 Impact Assessment

- 5.1 Climate Emergency** – This strategy sets out the approach the Council will
- 2.5.1.1 07a 1 Cabinet report - Finance Strategy

take in seeking to make the best use of the financial resources available to it to achieve its stated priorities. Any impact from resultant budget proposals will be considered as part of those proposals.

5.2 Health and Safety – The financial planning of the council considers the level of funding required for our Health & Safety needs.

5.3 Social Value – This strategy sets out the approach the Council will take in seeking to make the best use of the financial resources available to it to achieve its stated priorities. Any impact from resultant budget proposals will be considered as part of those proposals.

5.4 Legal – The Local Government Act 2003 sets out a statutory requirement for the Council to set a balanced budget on an annual basis, and Section 25 of the Local Government Act 1972 addresses the Chief Finance Officer's legal requirement to advise Members on the robustness of the budget estimates and the adequacy of the proposed level of reserves. This strategy sets out the approach the Council will take in managing its financial resources in order to fulfil its legal and statutory duties.

5.5 Financial – This strategy sets out the approach the Council will take in managing its financial resources.

5.6 Human Resources – This strategy sets out the approach the Council will take in seeking to make the best use of the financial resources available to it to achieve its stated priorities. Any impact from resultant budget proposals will be considered as part of those proposals.

6.0 Implementation Plan

6.1 Timetable for Implementing Decision:

The timeframe for implementation is as set out in the strategy at Appendix 1. This will be subject to review and regular progress updates to Cabinet and Resources Scrutiny and Improvement Committee.

6.2 Lead Officer: Phil Winstanley – Director – Finance (Section 151 Officer)

6.3 Reporting Progress: As per the timetable for implementation above.

6.4 Communications Plan: As per the timetable for implementation above.

7.0 Consultation and Engagement

7.1 The financial challenges facing the council and the approach to addressing these has been the subject of extensive consultation and engagement over recent years. This strategy will be considered through Resources Scrutiny and Improvement Committee prior to be presented to Cabinet for approval. Budget proposals emanating from the approach set out in this strategy will be a product of further consultation and engagement with all councillors and other stakeholders, prior to being presented to Cabinet and Full Council for approval.

8.0 Appendices and Background Papers

Appendix 1 – Finance Strategy

10.0 Contact Officer

9.1 Name: Phil Winstanley

9.2 Position: Director – Finance (Section 151 Officer)

9.3 Email address: Philip.winstanley@redcar-cleveland.gov.uk



Finance Strategy

Strategy Aims:

This strategy sets out the approach the Council will take in managing its financial resources in order to fulfil its legal and statutory duties and seek to make best use of the resources available to it to achieve its stated priorities and deliver valued services for the residents and businesses of the borough.

Considering the council's present financial standing and the challenging landscape facing local government in the foreseeable future, it is imperative to adopt a pragmatic approach in the short to medium term while maintaining our commitment to achieving the objectives outlined in the council's corporate plan and priorities. The overarching strategy for the next decade can be expressed into three distinct phases:



- **SURVIVE:** Given the immediate financial pressures and uncertain outlook, the primary focus of this phase is to ensure the council's ability to sustain itself and fulfil its statutory obligation of setting a balanced budget annually.
- **STRIVE:** As the challenges of sustainability and budget balancing hopefully become more manageable, this phase strives to enhance the financial health and resilience of the council. Emphasis will be placed on re-establishing robust foundations, including more adequate reserve levels, flattening or reducing overall borrowing levels, and implementing a revenue budget with increased contingency to safeguard the council's financial position and mitigate risks.
- **THRIVE:** Building upon the strengthened financial foundations established in the previous phases, this phase is geared towards realising the benefits thereof. It will enable the pursuit of longer-term strategies and planning horizons focused on delivering optimal outcomes for our stakeholders, including service users, residents, businesses, and visitors.

While the initial emphasis on ensuring financial sustainability may necessitate some services to exercise fiscal restraint and moderate ambitions in the short term, it also presents an opportunity for certain services to demonstrate ambition and creativity in improving outcomes. Indeed, enhancing outcomes for service users in some areas is integral to alleviating the council's financial pressures, such as reducing demand for statutory services like children's social care.

Lead Member Chris Massey

Officer leading on delivery Phil Winstanley

Alignment with Council Priorities

Start Life Well	Live and Age Well	Prosper and Flourish	Clean and Tidy	A strong and sustainable Council
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The Financial Strategy is integral to the Council's ability to deliver the entirety of the Corporate Plan, ensuring the financial resources available to the Council come together in a robust plan to fund the agreed priorities. Well planned revenue, capital and treasury activities are also essential in ensuring the strategy promotes financial resilience and sustainability, critical to the priority of 'a strong and sustainable council'.

Principles

<p>Principle 1</p> <p>Alignment to Priorities: Emphasises the importance of aligning financial resources with the council's vision, priorities, and strategic objectives. By ensuring that financial resources are directed towards delivering key priorities, the council can maximise its impact and effectiveness in serving the community.</p>	<p>Principle 2</p> <p>Robustness: Based on as accurate and reliable budget estimates as possible, whilst recognising the level of uncertainty and volatility that exists. Regular reviews of the budget help to update estimates and assumptions, and inform responses to changing circumstances, helping to maintain financial stability and sustainability over time.</p>	<p>Principle 3</p> <p>Value for Money: This principle underscores the need to provide services that meet the needs of the community while also representing good value for money. It involves optimising the use of available resources to achieve the best possible outcomes, balancing cost-effectiveness with service quality and efficiency.</p>	<p>Principle 4</p> <p>Sustainability: Sustainable financial management involves funding permanent commitments on a permanent basis across the medium term. This principle looks to ensure that ongoing expenses are adequately funded without relying on temporary or unsustainable sources of revenue, promoting long-term financial stability and resilience.</p>	<p>Principle 5</p> <p>Resilience: Resilience refers to the ability of the council to withstand financial risks and uncertainties while continuing to deliver its range of duties and services effectively. Maintaining adequate reserve levels is essential for mitigating potential risks and liabilities, providing a buffer against unexpected events or emergencies.</p>
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		Actions		
Principles	Actions and Timescales	Survive: Years 1 -2- Quarter to be delivered 2024/25, 2025/26	Strive – Years: 3 - 5	Thrive: Years 6 - 10
ALL	In-year spend controls to mitigate immediate financial pressures in 2024/25	Reported in Quarters 2 & 3 of 2024/25	n/a	n/a
	Transformation Programme – develop proposals to inform 2025/26 Budget across workstreams prioritised as follows: <ol style="list-style-type: none"> 1. Identify and address the root causes of financial pressures. 2. Implement measures to enhance operational efficiency. 3. Optimise funding and revenue streams to cover service costs and align with council priorities. 4. Adjust service provision to align with available resources while upholding statutory duties and strategic priorities. 	Reported in Quarters 3 & 4 of 2024/25	n/a	n/a
	Members Budget Task & Finish Group and Conferences <ul style="list-style-type: none"> • Complementing the work of the Transformation Programme 	Reported in Quarters 2,3 & 4 of 2024/25	n/a	n/a
	Capital Investment Strategy <ul style="list-style-type: none"> • Maximise external funding sources • Minimise reliance on additional borrowing • Secure receipts from sale of surplus assets • Redirect funding of recurring infrastructure spend from borrowing to revenue • Prioritise invest-to-save schemes aimed at improving the revenue position • Identify and mitigate long-term revenue implications of capital investments 	<ul style="list-style-type: none"> • On-going • On-going • 24/25 Qtrs 3 & 4, 2025/26 • • On-going • On-going 	<ul style="list-style-type: none"> • On-going • On-going • • Forecast from year 5 • On-going • On-going 	<ul style="list-style-type: none"> • On-going • On-going • • On-going • On-going • On-going
	Reserves Strategy <ul style="list-style-type: none"> • Maintain earmarked reserves for areas with irregular expenditure patterns • Temporary utilisation of reserves in alignment with the MTF5, with priority given to invest-to-save initiatives to promote sustainability • Preservation and replenishment of Strategic Reserves to ensure adequate contingency and enhance resilience. • Maintenance of General Fund reserve at 5% of net revenue budget 	<ul style="list-style-type: none"> • On-going • On-going • • Preservation as far as possible • On-going 	<ul style="list-style-type: none"> • On-going • On-going • • Replenishment • On-going 	<ul style="list-style-type: none"> • On-going • On-going • • Replenishment • On-going

Measures of Success	Performance indicator / outcome	Baseline Position	Survive – Years 1-2	Strive – Years: 3 - 5	Thrive: Years 6 - 10
Revenue Budget	Savings Programme - £m	Position reflective of a local benchmark	As Budget	As Budget	As Budget
	Forecast Outturn (without drawing on MTFS Reserve) - £m	Position reflective of a local benchmark	£0m	£0m	£0m
	Fees & Charges to Service Expenditure ratio - %	Position is benchmarked using the CIPFA index. RCBC value at the end of 2022/23 represented 6.6%. Nearest Statistical neighbour's average position was 10.38%.	9.00%	10.00%	10.00%
	Non-domestic rates collection rates (in-year) - %	Position is benchmarked using Oflog data. At the end of 2022/23 RCBC had a rate of 98.40% compared to our nearest statistical neighbour's average rate of 97.24%	98.00%	98.00%	98.00%
	Council Tax collection rates (in-year) - %	Position is benchmarked using Oflog data. At the end of 2022/23 RCBC had a rate of 92.90% compared to our nearest statistical neighbour's average rate of 94.99%	93.00%	94.00%	95.00%
Reserves	General Fund Reserve - £m – as % of Net Revenue Budget	Position reflective of a local benchmark. At end of 2023/24 RCBC held £6.626m. This represented 5.25%. The aim will be to sustain this position over 5%	5.00%	5.00%	5.00%
	MTFS Reserve - £m – as % of Net Revenue Budget	Position reflective of a local benchmark. At end of 2023/24 RCBC held £6.803m. This represented 5.39%. The aim will be to sustain the position above 5% and then grow to 15% over the 10-year period.	5.00%	10.00%	15.00%
	Other Reserves - £m – as % of Net Revenue Budget	Position reflective of a local benchmark. At end of 2023/24 RCBC held £10.062m. This represented 7.97%. The aim will be to sustain this position over 7% and then grow to 15% over the 10-year period.	7.00%	11.00%	15.00%
	Overall reserve levels (excl schools) - £m – Overall Reserve levels as % of NRE	RCBC overall reserve levels have decreased from £42.7m, to £36.3m to £23.5m over the last three years. This represented 28.3% of NRE in 2022/23 and 17.2% in 2023/24. The benchmark average using the CIPFA Index for nearest statistical neighbours is 39.6%. The aim is to sustain the current position in the short-term before growing to 35% over the 10-year term.	17.20%	26.00%	35.00%
Capital / Borrowing	Gross External Debt - £m	Position reflective of a local benchmark	£227m	Maintain	Decrease
	Total debt as a percentage of core spending power (%)	Position is benchmarked using Oflog data. At the end of 2021/22 the RCBC position was 194.10% against the nearest statistical neighbour's average of 197.49%. The expectation is for this to rise to around 200% in the survive phase before decreasing over the rest of the 10-year period.	200.00%	Decrease	Decrease
	Infrastructure spend funded by borrowing - £m p.a.	Position reflective of a local benchmark	£7.5m	£6.5m	£0m
	Interest payable / net revenue expenditure - %	Position is benchmarked using the CIPFA index. The last benchmarked position for RCBC was 6.31% whilst the nearest statistical neighbour's average was 4.44%. The aim will be to maintain the position over the short-term before starting to decrease over the rest of the 10-year period.	Maintain	Decrease	Decrease
	Debt servicing as percentage of core spending power - %	Position is benchmarked using Oflog data. The last benchmarked position for RCBC was 7.80% whilst the nearest statistical neighbour's average was 7.88%. The aim will be to maintain the position over the short-term before starting to decrease over the rest of the 10-year period.	Maintain	Decrease	Decrease
	Capital receipts requirement / target - £m	Position reflective of a local benchmark	tbc	tbc	tbc