

Section 8

Our Financial Resources

Medium Term Financial Strategy

The Council has continued to strengthen its financial management arrangements with the completion and publication of its Medium Term Financial Strategy, for the period to 2008-09, and the start of embedding the disciplines of financial management throughout the organisation. Financial planning arrangements determine how we can best allocate our financial resources to deliver our priorities and objectives. The Council is committed to improving its services but also ensuring that they are affordable. This means we must work hard to ensure that budgets for providing services are spent efficiently and effectively, and that the Council gets value for money in the goods and services it buys.

The Council's Medium Term Financial Strategy provides the framework for financial planning within the Council over the next three years. It enables the Council to make informed financial decisions about how it can use its resources to deliver the services and outcomes that the local community wants to see. The Medium Term Financial Strategy also set out an approach to help us to achieve the efficiency targets resulting from the Gershon Review and key assumptions and rules that the Council will adhere to. These assumptions, amongst others, are:

- Expenditure growth will be contained such that the increase in Council Tax is limited to 3% per annum
- General reserves will in no circumstances be used to support recurrent revenue expenditure
- Growth in expenditure will be allocated in line with the priorities determined by the Council

The Medium Term Financial Strategy was, following consultation with the community, used for the first time in the 06/07 budget, which amongst other things resulted in a Council tax increase of 2.2%, one of the lowest increases nationally, together with the allocation of £672k of resources into the Council's priority areas. A significant element of the budget exercise was the consultation process which the Council instigated including public debate and inviting public and local business interests to comment on the budget options. This resulted in the final budget proposals for 2006-07 as approved by Council in March 2006.

A detailed copy of the Council's Medium Term Financial Strategy can be seen on the Council website using the following link: http://www.rossendale.gov.uk/downloads/Item_G2_Medium_Term_Financial_Strategy.pdf

The Council has recently undertaken its first Audit Commission annual Use of Resources assessment evaluating how well the council manages and uses its financial resources. The assessment focused on the importance of having sound and strategic financial management to ensure that resources are available to support the Council's priorities and improve services. Overall the Council was scored 2 (on a scale of 1 to 4) meaning that the Council was meeting "adequate performance". However there are a number of elements of performance at higher levels. The final report not only recognises the improvements made by the Council in financial management but also the requirements required for the Council to get to the next level and classed as one that is "performing well" some of which the Council is already in the process of addressing.

Where the Council gets its money from and how it is spent?

Our financial plans estimate that it will cost the Council £33.7m during 2006-2007 to provide and deliver its services. The council also generates £22.8m in income and grants before Council Tax and the Central Government's Total Formula Grant. The pie charts overleaf shows how the Council's net expenditure will be spent on providing services to the local community in 2006-2007.

Like any other organisation we have to spend money on support services such as IT, Financial Services, Legal services and Human Resources. These budgets are also included.

Our spending plans are influenced by national, regional and local priorities such as promoting equalities, embedding our customer promise and delivering regeneration throughout the borough. This year's budget will help us to deliver these priorities and achieve our corporate objectives and priorities.

Capital and Revenue

The Council's spending is split into two main categories, Capital and Revenue spending. All of the Council's day-to-day expenditure on providing services is classed as revenue expenditure. For 2006-2007, we budgeted that net revenue expenditure would be £10.806m and is analysed in the pie chart below. Rossendale also has a legal obligation to maintain a sensible level of general balances and reserves based on a corporate assessment of the risks that the organisation is likely to face. The Council has assessed that a minimum level of £0.5m should be maintained with a potential to rise to a maximum £0.75m over the medium term.

Capital expenditure is money spent on acquiring and improving the Council's assets that will last for more than one year. The funding for capital expenditure comes from various sources, amongst others: Council asset disposals, capital grants and borrowing. Since the transfer of the Council's Housing stock to Green Vale Homes the Council has become debt free as far as external resources are concerned. It is assumed that in the medium term there will be no requirements for new borrowing unless a business case can be proven as to its sustainability and affordability (this is generally referred to as Prudential borrowing). The capital expenditure programme for 2006-07 is therefore funded from the Council's own resources and grants. Specific capital expenditure from the Council's resources total £779,000 and amongst others include: refuse collection vehicles (£277,000), Council building improvements (£200,000) and playground equipment improvements (£50,000).

The Council is also currently in the process of producing a Capital strategy and Asset Management Plan. The Council's Capital Strategy will set out the Council's plans for investing in both its own assets and in those of its partners with the aim of delivering high quality, effective services to its residents. The Strategy will set out the boundaries within which the Council will work in terms of resources and strategic priorities and provides a framework which guides capital investment. The Asset Management Plan will explain existing asset arrangements, conditions and outcomes with planned actions to improve asset use. An exercise is currently underway to do a full stock condition survey of all Council's property assets.

Where does the money come from?

The three main sources of revenue are shown in the table below:

	2005/6 £000	2006/7 £000
Central Government Revenue Support Grant	3,146	957
Business Rates	1,904	4,956
Council Tax	4,759	4,893
TOTAL INCOME	£9,809	£10,806

Both the Revenue Support Grant and the Council's share of Business Rates are determined nationally by Central Government. The Council Tax is the major source of income over which the Council has local control.

Financial Monitoring

Regular reporting of financial performance is made to the Cabinet. We intend to improve in the way we monitor our finances and the way the Council spends and receives its funds. As part of the improvement arrangements

the Council has recently invested in a new financial system to assist in efficient and effective monitoring and control arrangements.

How much the Council spends on providing services?

NB - Pie chart graph to be inserted in same style as last year – 2006/07 data previously given now changed to below, categories as follows:

