



Fermanagh & Omagh
District Council
Comhairle Ceantair
Fhear Manach agus na hÓmaí

Medium Term Financial Plan 2019/2022

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The Council is required by Regulation to have regard to CIPFA's Prudential Code for Capital Finance in local authorities under Part 1 of the Local Government Finance Act (Northern Ireland) 2011. The Prudential Code sets out a clear governance procedure for the setting and revising of a Capital Strategy and Prudential Indicators and that this will be done in the same process as the decision-making around the Council's Budget.

The main objectives of the Prudential Code are to ensure, within a clear framework, that the capital expenditure plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice and in full understanding of the risks involved and how these risks will be managed to levels that are acceptable to the Council. The Code was recently updated (2017 edition) with one of the key changes being the requirement to develop a Capital Strategy that sets out the long-term context in which capital expenditure and investment decisions are made and which gives due consideration to both risk and reward and the impact on the achievement of priority outcomes.

In considering the affordability of its Capital Plans the Council is required to consider all of the resources currently available of it and those estimated to be available in the future, together with the totality of its capital plans and income and expenditure forecasts.

The Council's Medium Term Financial Plan sets out the Council's Capital Plan for 2019/2022 and includes the Estimated Revenue Income and Expenditure 2019/20 as well as setting out the Council's Revenue Income and Expenditure Financial Plans. It sets the framework around which the Council plans to use its financial resources to fund the activity to deliver on the Council's service objectives, priorities and vision.

The Capital Plan

The estimated Capital Expenditure Programme for the next three financial years has been developed in consultation with the Estimates Focus Group and the Estimates Working Group. **The Capital Plan for 2020/2022, which is detailed in**

(Appendix 1A) is subject to funding and to the completion of a number of Corporate Strategies and option appraisals. It will be kept under review and it does not consider the proceeds that may arise following the disposal of any surplus properties that may be identified as part of the Estate Strategy review. Major elements of the capital plan will also be kept under review by the Elected Member Project Oversight Group. The plan also includes a revised programme for 2018/19.

Table 1 below summaries the Net Capital Plan (after grants) by year for 2019-19, 2020-21 and 2021-22. The 2019/20 plan will be reviewed monthly, progress will be reported quarterly and the plane will be updated as part of the 2020-21 Estimates Process. The capital plan indicates investment of £34m (£25m net of grant) over the next 3 years.

	2019/20	2020/21	2021/22	Total
	£'000	£'000	£'000	£'000
Projects subject to external funding deemed priority	5.4	3.4	2.4	11.2
Council funded projects approved through Business Case/Economic Appraisals/ Conditions Surveys and likely to be delivered	3.1	1.5	0.9	5.5
Council funded projects at feasibility stage with some possibility of delivery	2.2	5.2	6.7	14.1
General allocations to support in year works planned	1.9	0.9	0.7	3.5
Total	12.6	11.0	10.7	34.3

Minimum Revenue Provision Policy

In order to account for the repayment of the Council's borrowing, irrespective of when the timing of loan receipts and payments might take place, the Council is required to make an annual prudent provision for the repayment of borrowing through a charge to its General Fund referred to as Minimum Revenue Provision (MRP). The Council's MRP policy, which is based on the asset life method for borrowing, is detailed in **Appendix 1B**.

Treasury Management Policy

The Treasury Management Policy (incorporating Treasury Management practices) sets out the expected treasury management activities and treasury management practices for 2019/20 and is linked to the Community Plan 2030 and the Council's Corporate, Capital and Improvement Plans. The policy is detailed in **Appendix 1C** and includes the Council's borrowing and investment strategies.

Prudential and Treasury Indicators

The Prudential Code was developed and updated by CIPFA as a professional code of practice to support local authorities in taking capital decisions. The Council has also adopted the CIPFA Code of Practice for Treasury Management in the Public sector and all Treasury Management activities are carried out in accordance with the Code. Both Codes sets out Indicators to be used which promote transparency and which should be used to assist in robust budget forecasting and to manage spend, borrowing and investment decisions. The Codes detail factors are taken into account in making those decisions. To demonstrate that the Council has fulfilled the objectives of these Codes a suite of Prudential and Treasury management Indicators have been developed and these are detailed in **Appendix 1D**.

The Council's Affordable Borrowing Limit

The Prudential Indicators includes a Capital Financing Requirement for 2019/20 of £13.7m and a recommended affordable borrowing limit of £7.2m. The indicators propose that 100% of the Council's debt remains at fixed interest rates.

Capital Strategy

One of the key revisions to the Prudential Code (2017 edition) is the requirement to develop a Capital Strategy that sets out the long-term context in which capital expenditure and investment decisions are made and which gives due consideration to both risk and reward and impact on the achievement of priority outcomes. The Capital Strategy which is detailed in **Appendix 1E** gives a high-level overview of how capital expenditure, capital financing and treasury management activity contributes to the provision of Council services along with an

overview of how associated risk is managed and the implications for future financial sustainability. It refers to the Council's Minimum Revenue Provision Policy, the Treasury Management Policy and the Council's Prudential and Treasury Management Indicators. Future strategies will include detail on governance arrangements around the decision making which will identify projects to be included in the Council's capital plan and which will take account of service priorities against financing costs. Future strategies will also detail the decision-making process around incurring new discretionary liabilities.

Revenue Income and Expenditure Financial Plan

A detailed plan of Revenue Income and Expenditure has been developed for 2019/20 but it is difficult to predict with accuracy a forecast of revenue income and expenditure for forthcoming years given the uncertainties within central government with regard to the level of grant support and in particular the uncertainties surrounding the Rates Support Grant following a substantial in-year loss in 2018/19 of this grant as a result of the Department for Communities taking action following a Court Judgement (2018) in relation to the allocation of Rates Support Grant which resulted in a redistribution of the available budget. In addition, the Department for Communities do not know their budget for Rates Support Grant for allocation to Councils until after the prescribed date of 15th February (date on or before which Councils must strike a Rate). Further uncertainty exists in relation to the current economic climate and the unknown outcome of the Brexit process.

The Revenue Estimates process for 2019/20 took account of the key risks facing the Council and highlighted rising costs particularly in relation to staff and overhead costs but also highlighted some efficiency savings and areas where additional income can be generated.

This process remains short term and it will be necessary in 2019/20 to establish a Working Group to consider long term financial planning issues to ensure the optimum use of Council resources without eroding the quality of services provided to ratepayers.

A financial contingency planning workshop took place during 2018/19 with Senior Management as a first step to developing plans to put the Council in a position that it would be able to deal with unexpected financial pressures that may arise suddenly which included an identification of risks facing the organisation and an assessment of their likelihood and consequence. The Estimates Focus Group and the Estimates Working Group also highlighted the need for developing sustainable budgets that will meet Council priorities.

In order to further develop future income and expenditure forecasts and financial contingency plans a number of number of agreed assumptions around risks and uncertainties will need to applied to project future income and expenditure including:-

- Achievement of value for money for all Council spending;
- Employment Costs;
- Baselines to be established;
- Historical trends within net expenditure;
- Further identification of efficiency savings;
- Cost/balancing proposals;
- Specific adjustments and development movements within service areas that could impact on the medium term position and the application of sensitivity analysis to these specific areas;
- Additional income generation from existing services and potential new methods of generating income including capital grant aid;
- Level of grant income specific to service provision;
- General Inflationary increases;
- Capital financing costs;
- Projected Capital Investment Plan.

Future Income and Expenditure forecasts must also take account of the following:-

- The Council's spending priorities linked to its Corporate Plan and the Fermanagh and Omagh Community Plan 2030;
- The Council's Rates Base;
- Optimum level of Reserves and Funds;

- Utilisation of Reserves to fund specific revenue costs; and
- Development of further governance arrangements around the approval of Council projects to be included in the Capital Plan and associated financing to include the use of Reserves and consideration of the Council's affordable external borrowing limit and the use of internal borrowing.

Summary

The Estimated Revenue Income and Expenditure for 2019/20 and the Capital Plan for 2019/2022 have been developed following consultation with the Estimates Focus Group and the Estimates Working Group.

In compliance with the Finance Act (Northern Ireland) 2011 and associated guidance a Capital Strategy, a set of Prudential Indicators, a Minimum Revenue Provision Policy, a Treasury Management Policy have been developed.

Further development work, which will include sensitivity and risk analysis, will be undertaken in 2019/20 which will commence with the establishment of governance arrangements and which will support future capital and revenue plans for the Council. To support this development work consideration may also be given to a review of the Terms of Reference of the Elected Member Project Oversight Group.