

## FINANCIAL POLICIES

The main financial policies have been reviewed as part of the MTFS and budget update process for 2021/22. The proposed policies are shown below:

<p><b>Investment Income</b></p> <ul style="list-style-type: none"> <li>• A base level of investment income has been set that supports the annual revenue expenditure;</li> <li>• It is expected that in year fluctuations in investment income will be managed within the overall financial position;</li> <li>• An Interest Rate Risk Reserve has been set up to manage the longer term impact of changes in returns and to give time to put in place changes in strategy or actions to mitigate the risk; and</li> <li>• The base level of investment income will be reviewed annually.</li> </ul>
<p><b>Rent Income from Investment Property</b></p> <ul style="list-style-type: none"> <li>• A base level of rent income has been set that supports the annual revenue expenditure;</li> <li>• Annual fluctuations in income will be dealt with in year in the first instance;</li> <li>• The base level of rental income will be reviewed annually; and</li> <li>• The Rent Risk Reserve will be utilised to manage the longer term implications of specific issues such as the nationally recognised change in the 'retail sector' of our asset holdings. The reserve will allow a period of security whilst changes in strategy and actions can be put in place.</li> </ul>
<p><b>Outturn Deficits/Surpluses</b></p> <ul style="list-style-type: none"> <li>• Any year end revenue account deficit will be, in the first instance, allocated against the General Fund Balance. Any residual deficit will be allocated against the MTFS Risk Reserve. It should be noted that if a forecast outturn deficit is identified in year, it will be reviewed in year with appropriate actions taken to minimise and mitigate it in year.</li> <li>• Any year end surplus, after allowing for proposed carry forward requests, which will be allocated to the carry forward reserve until approved, will be allocated based on a year end review of reserves based on updated assumptions regarding risk. Any residual surplus, not allocated to a risk reserve, will be allocated to the MTFS Risk Reserve.</li> </ul>
<p><b>Working Balances</b></p> <ul style="list-style-type: none"> <li>• The level of unallocated General Fund working balances will be maintained at £1.50M.</li> </ul>
<p><b>New Homes Bonus</b></p> <ul style="list-style-type: none"> <li>• The first £0.25M of new homes bonus in each year will be used to support the revenue budget.</li> <li>• New homes bonus income received in excess of £0.25M will be allocated as follows: <ul style="list-style-type: none"> <li>○ 20% of the new homes bonus will be allocated to support the general fund revenue position;</li> <li>○ 55% of the new homes bonus will be allocated to the Manydown Reserve to provide funding for the development of Manydown; and</li> <li>○ 25% of the new homes bonus will be allocated to the MTFS Risk Reserve.</li> </ul> </li> <li>• The first £0.25M of any allocation to the Manydown Reserve will be reallocated to the Efficiency, Transformation and Digital Reserve.</li> <li>• For 2021/22 only, a further allocation will be used to support the general fund revenue position and to provide an additional allocation to the MTFS risk reserve to meet unknown direct and indirect consequences of Covid-19.</li> </ul>

### **Property Investment Strategy**

**Applies to capital expenditure only within budget allocation agreed by Council.**

Property Investment Strategy:

- All investments will need to demonstrate a positive risk based financial return in excess of the medium term cash investment return as currently invested capital receipts (the interest on which is supporting the base budget) will be used to fund the schemes approved under the strategy;
- All investments will require a robust business case to ensure that the investment is affordable, sustainable and provides value for money; and
- The investment must meet other agreed criteria set out in the Property Investment Strategy.