

**CABINET
15 SEPTEMBER 2020**

***PART 1 – PUBLIC DOCUMENT**

TITLE OF REPORT: MEDIUM TERM FINANCIAL STRATEGY

REPORT OF THE SERVICE DIRECTOR- RESOURCES

EXECUTIVE MEMBER: FINANCE AND IT

COUNCIL PRIORITY: BE A MORE WELCOMING AND INCLUSIVE COUNCIL / BUILD THRIVING AND RESILIENT COMMUNITIES / RESPOND TO CHALLENGES TO THE ENVIRONMENT / ENABLE AN ENTERPRISING AND CO-OPERATIVE ECONOMY / SUPPORT THE DELIVERY OF GOOD QUALITY AND AFFORDABLE HOMES

1. EXECUTIVE SUMMARY

- 1.1 This report recommends the Medium Term Financial Strategy (MTFS) for 2021/22 to 2025/26 to guide and inform the Corporate Business Planning Process. The focus is primarily on setting a budget for 2021/22 and determining the actions that will be necessary in setting a longer term budget following on from that. This reflects the fundamental uncertainties that the Council faces. Whilst it recommends a budget strategy, there may be a need to amend the strategy over time as further information becomes available.

2. RECOMMENDATIONS

- 2.1. That Cabinet recommends to Full Council the adoption of the Medium Term Financial Strategy 2021-26 as attached at Appendix A.

3. REASONS FOR RECOMMENDATIONS

- 3.1 Adoption of a MTFS and communication of its contents will assist in the process of forward planning the use of Council resources and in budget setting for 2021/2022 to 2025/2026, culminating in the setting of the Council Tax precept for 2020/21 in February 2021.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1 The Council needs to have a strategy for setting its budget to ensure that it meets its statutory duty to set a balanced budget over the medium term, and ensure that spend is prioritised towards delivering statutory services and its strategic aims (as set out in the Council Plan).

- 4.2 At the end of last year, the Chartered Institute of Public Finance and Accountancy published a Financial Management Code. One of the recommendations of that Code was that Councils should have a longer term financial strategy (e.g. up to 10 years). In a report to Finance, Audit and Risk Committee in January it was stated that it was intended to adopt this approach. Whilst that will still be the intention, this MTFFS deliberately focuses on a shorter-term budget to deal with the recovery phase from Covid-19.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1 The Executive Member for Finance and IT and the Leader of the Council have been consulted in developing this Strategy.
- 5.2 No external consultation has been undertaken in the preparation of this report.
- 5.3 Members will be aware that consultation is an integral part of the Corporate Business Planning process, and consultation on the individual actions and projects planned to support the Objectives will be carried out in accordance with the Corporate Business Planning Timetable and the Council's Consultation Strategy.
- 5.4 As in previous years, Member workshops will be held in regard to corporate business planning proposals.

6. FORWARD PLAN

- 6.1 This report does not contain a recommendation on a key Executive decision and has therefore not been referred to in the Forward Plan.

7. BACKGROUND

- 7.1 The Council is required to set a balanced budget each year. This can include using reserves if this is affordable over the medium term. The Council therefore sets a 5 year Medium Term Financial Strategy each year to help determine the approach that it will take to setting the detailed budget for the following year.
- 7.2 The Council needs to align its objectives and its budget. The Council set a Council Plan for the period 2020-25 in November 2019. The detailed budget that was set in February 2020 then included the cost implications for the actions that were planned to take place to deliver the Plan. This MTFFS uses the planned expenditure for 2021/22 onwards as its starting point. The Council Plan for 2021-26 will be considered at the same Cabinet and Council meetings as this MTFFS.
- 7.3 The financial impacts of Covid-19 are detailed in a separate report (presented to Cabinet in July and alongside this report to Council). The MTFFS draws on that report in determining the starting point for planning (e.g. levels of reserves). The MTFFS also tries to forecast the potential ongoing impacts and how this will affect budget planning.

8. RELEVANT CONSIDERATIONS

- 8.1 The Medium Term Financial Strategy attached as Appendix A details the forecast impact of reducing resources, and quantifies what the Council will need to do to balance its budget in the medium term. It also reflects the significant uncertainty over funding, expenditure and income and therefore highlights the need to be able to react to any changes.

9. LEGAL IMPLICATIONS

- 9.1 Cabinet's terms of reference include at 5.6.38 the power, by recommendation "to advise the Council in the formulation of those policies within the Council's terms of reference". Council's terms of reference include at 4.4.1(b) "approving or adopting the budget". The MTFs is part of the budget setting process.
- 9.2 Councillors are reminded of the requirement, under section 30 of the Local Government Finance Act 1992, to set a balanced budget prior to the commencement of the financial year in question; and also that the Local Government Act 2003 requires the Chief Finance Officer to report on the robustness of estimates and the adequacy of reserves allowed for in the budget.

10. FINANCIAL IMPLICATIONS

- 10.1 Revenue financial implications are covered in Appendix A.
- 10.2 The main purpose of the Medium Term Financial Strategy is to consider the revenue funding, income and expenditure for the Council. This includes considering the revenue implications of capital expenditure which are linked to the reduced income from treasury investments (as capital reserves are spent) and the costs of borrowing (which may be required when reserves are used up. The Strategy does also consider discretionary capital spend (i.e. not directly linked to continuing service delivery) and the need to deliver value for money. This would include using capital expenditure to reduce revenue costs or generate income.

11. RISK IMPLICATIONS

- 11.1 The key risks within the budget assumptions are referred to in Appendix A.
- 11.2 There are financial and reputational risks involved in arriving at a balanced budget against the uncertainty surrounding levels of government funding. We seek to mitigate the risks by scenario planning, use of the established corporate business planning process and early involvement of members and key stakeholders. The Council has a Corporate Risk of "Managing the Council's Finances". This is monitored by the Finance Audit and Risk Committee. Having an MTFs is a key mitigation to this risk.

12. EQUALITIES IMPLICATIONS

- 12.1. In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.

- 12.2 The MTFS attempts to align resources to the delivery of the Council Plan, which sets the corporate objectives. Through its corporate objectives the Council is seeking to address equality implications in the services it provides and through the remainder of the Corporate Business Planning Process will carry out Equalities Impact Assessments for relevant Efficiency or Investment options.

13. SOCIAL VALUE IMPLICATIONS

- 13.1. The Social Value Act and “go local” requirements do not apply to this report.

14. ENVIRONMENTAL IMPLICATIONS

- 14.1. There are no known Environmental impacts or requirements that apply to this report.

15. HUMAN RESOURCE IMPLICATIONS

- 15.1 The MTFS makes assumptions in relation to pay inflation. As the actual rate of inflation will be subject to national pay bargaining, the actual costs will depend on the results of those negotiations. For 2020/21 this has now been agreed at 2.75%, but will be subject to further negotiations for future years. The budget also makes assumptions around funding for increments. The budget does not make any allowance for pay increases above inflation. This means that there will be no improvement to the Council’s ability to attract staff in relation to pay, which will particularly impact on difficult to fill posts. The Human Resources Team and the Senior Management Team continually try to identify staff benefits that are not related to pay, and therefore more affordable.

- 15.2 The delivery of projects to deliver council objectives depends on having adequate people resources with the requisite skills.

- 15.3 The development of budget proposals will take up staff time. As they are developed these budget proposals will identify the ongoing impact on staff.

16. APPENDICES

- 16.1 Appendix A - Medium Term Financial Strategy

17. CONTACT OFFICERS

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18. BACKGROUND PAPERS

18.1 None