

FINANCE, AUDIT & RISK COMMITTEE
29 July 2019

PART 1 – PUBLIC DOCUMENT

TITLE OF REPORT: MEDIUM TERM FINANCIAL STRATEGY

REPORT OF : *SERVICE DIRECTOR - RESOURCES*

EXECUTIVE MEMBER : *FINANCE AND IT*

COUNCIL PRIORITY : ATTRACTIVE AND THRIVING / PROSPER AND PROTECT /
RESPONSIVE AND EFFICIENT

1. EXECUTIVE SUMMARY

This report recommends the Medium Term Financial Strategy (MTFS) for 2020/21 to 2024/25 to guide and inform the Corporate Business Planning Process. The strategy highlights the significant uncertainties faced by the Council in forecasting its funding, expenditure and income in 2020/21 and beyond. It recommends a budget strategy based on estimates of a number of factors, but that amendments to that strategy may be required as further information becomes available.

2. Recommendations

- 2.1 That Cabinet recommends to Full Council the adoption of the Medium Term Financial Strategy 2020-25 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 2020/2021 to 2024/2025, culminating in the setting of the Council Tax precept for 2020/21 in February 2020.

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). It was considered whether to delay this MTFS to follow the same timeline as the Council Plan. However, the development of savings ideas takes time and it was felt necessary to commence this as early as possible. Having a MTFS provides a structure for formulating, discussing and agreeing savings ideas. To avoid conflict with the Council Plan, the MTFS is focused on headline information and refers to a net savings target, to allow opportunities for investments.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1 The Executive Member for Finance and IT, the Deputy 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 does not include a key executive decision (as the approval of the MTFS is a matter for Full Council) however it was notified to the public in the Forward Plan on the 7th June 2019.

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 As the Council's budget and its objectives are inextricably linked, it is also important to align the MTFS with the Council Plan. There is no point in having a service or key project that cannot be funded and no point in spending limited resources (including staff resources) if they are not achieving the objectives that have been set. Therefore the MTFS and Council Plan would normally be considered in the same committee cycle. As detailed in section 4.1 it is considered necessary to agree the final MTFS

ahead of the final Council Plan. Setting the budget for 2020/21 (and beyond) is an iterative process and this can reflect changes to the Council Plan, as well as the other uncertainties reference in Appendix A and 8.1 below. The draft Council Plan is being considered by Cabinet at the same time as the MTFS.

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.
- 8.2 Subject to Cabinet's consideration, the MTFS at appendix A will be referred to Council for adoption on 12th September 2019.

9. LEGAL IMPLICATIONS

- 9.1 Cabinet's terms of reference include at 5.6.37 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” policy do not apply to this report.

14. HUMAN RESOURCE IMPLICATIONS

- 14.1 Section 2.5 of Appendix A details the assumptions in relation to inflation over the period of the MTFS. As the actual rate of inflation will be subject to national pay bargaining, the actual costs will depend on the results of those negotiations. 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.
- 14.2 The delivery of projects to deliver council objectives depends on having adequate people resources with the requisite skills as set out in paragraph 7.2.
- 14.3 The development of budget proposals will take up staff time. As they are developed these budget proposals will identify the ongoing impact on staff.

15. APPENDICES

- 15.1 Appendix A- Medium Term Financial Strategy 2020-25

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17. BACKGROUND PAPERS

- 17.1 None.