

1. **MEDIUM TERM FINANCIAL STRATEGY 2015/16 TO 2019/20**

Submitted by: Executive Director – Resources and Support Services

Portfolio: Finance and Resources

Ward(s) affected: All

Purpose of the Report

To provide the background on the financial strategy for the Council over the next five years in the light of the national and local financial situation and taking account of the Council's priorities.

Recommendations

(a) To approve the Medium Term Financial Strategy for 2015/16 to 2019/20.

(b) That the report be referred to the Finance Resources and Partnerships Scrutiny Committee for comment.

Reasons

The Medium Term Financial Strategy underpins the whole financial planning structure of the Authority. It is closely aligned to the Council's Council Plan and focuses on targeting its financial resources in line with its stated aims and objectives.

1. **Background**

1.1 The Borough Council is committed to deliver high quality services. Integral to this ambition is the need to effectively target its financial resources in line with its stated aims and objectives.

1.2 The document attached as Appendix A, the Medium Term Financial Strategy (MTFS) for the period from 2015 to 2020, demonstrates alignment with the Council Plan and will be the main vehicle in assessing the Council's financial position, ensuring efficiency in service delivery and targeting resources to agreed priority areas.

2. **Issues**

2.1 Local government in general and district councils in particular continue to face the prospect of operating within a severely challenging financial environment. With further large decreases in general government funding forecast, the Council must review the services that it provides and its approach to value for money to keep council tax increases as low as possible.

2.2 When Local authorities were informed of their allocations of central government funding in support of their budgets for 2014/15 they also received notification of provisional amounts for 2015/16. This support

is in the form of Revenue Support Grant (RSG) and a Baseline Funding amount related to Business Rates. The final amounts of funding will be notified later in the financial year, most likely in December 2014. The provisional allocation for this Council is £6.012m. This compares with a total of £7.123m for 2014/15, representing a 15.6 per cent reduction from year to year. The funding reduction is reflected in the MTFS, being one of the main contributors to the budget shortfall for 2015/16 as shown in the MTFS. The government has given limited information about the amounts of funding for subsequent years. Indications are that there is likely to be a further substantial reduction in 2016/17 and continuing significant reductions for at least the following three years. Accordingly, the MTFS has assumed a 10 per cent reduction for 2016/17 onwards.

- 2.3 Revised arrangements in respect of business rates have applied from 1 April 2013, allowing local authorities to retain part of any growth in rate income. These arrangements, which are fairly complex, are outlined in the MTFS report. Additionally, the Council is a member of the Stoke on Trent and Staffordshire Business Rates Pool, which enables it to retain more rates income than it otherwise would have done by avoiding payment of a levy on rates income growth to the government. It is anticipated that the Council will benefit from rates retention, although it is difficult to estimate precisely how much additional income it will be able to retain. The MTFS does not allow for any additional income. However, it will be reasonable to assume a prudent level of additional income for inclusion in the list of savings/additional income to be compiled to meet the 2015/16 funding gap of £1.850m identified in the MTFS.
- 2.4 Housing is an important source of economic growth. For each new-build home, conversion and long-term empty home which has been brought back into use, the Council receives New Homes Bonus Grant which is based on the extra Council Tax revenue generated by these homes. It is therefore both economically and financially important to support housing growth.
- 2.5 The purpose of the comprehensive five year MTFS is to predict likely budget totals, if services are maintained at current levels, by projecting forward the different elements of the 2014/15 budget, such as employee pay or supplies and services, based on assumptions as to likely changes or specific pressures, such as pay increases or price increases or any agreed changes which will affect service levels. These assumptions are all set out in the MTFS. It also illustrates how the Council Plan is driving the medium term financial plan over the next five years. Whilst standing on its own as a strategy, it is an integral part of the Council's overall planning process comprising service delivery plans, the Council Plan and the Borough's Sustainable Community Strategy.
- 2.6 The MTFS identifies significant budgetary shortfalls over the next five years that will need addressing with robust financial and budget strategies. The amounts for each year are set out below:

2015/16 £1.850m
2016/17 £1.160m
2017/18 £0.558m
2018/19 £0.692m
2019/20 £0.399m

The detailed MTFS shows how these amounts arise and what measures are being proposed to address them.

- 2.7 The Council Leader and the Portfolio Holder for Finance and Resources are members of the Budget Review Group. The Budget Review Group will continue to oversee all aspects of the budget process, including service review and challenge, longer term planning, development of budget options including proposals for savings and increasing income, agreeing consultation arrangements and consideration of feedback and seeking to deliver service models that drive improvement to front-line services whilst offering value for money.
- 2.8 The budget options developed by the Budget Review Group will be available for consideration by December and the MTFS amended, where necessary, to take account of them. Cabinet will consider these proposals, in the form of a draft budget for 2015/16 at its meeting on 14 January, to enable this to be submitted to the Finance, Resources and Partnerships Scrutiny Committee on 22 January. As part of this process it is intended to repeat the Scrutiny Café event on 13 January which will enable all members to obtain information regarding budget options and to ask Cabinet members and officers questions about the options.
- 2.9 It is also envisaged that as in the last two years, the first draft of the savings plans for 2015/16 will be available for the meeting of the Finance and Resources Partnerships Scrutiny Committee on 4 December.

3. **Proposal**

- 3.1 That Members approve the Medium Term Financial Strategy for 2015/16 - 2019/20.

4. **Reasons for Preferred Solution**

- 4.1 Without an MTFS it would be difficult to demonstrate the alignment of resources with the Council Plan. It is also the main vehicle for assessing the Council's position, ensuring efficiency in service delivery and targeting resources to agreed priorities.

5. **Outcomes Linked to Sustainable Community Strategy and Corporate Priorities**

- 5.1 The MTFS identifies the resources to deliver the corporate priorities of the Authority linked to expected outcomes.

6. **Legal and Statutory Implications**

- 6.1 The MTFS is not a statutory document but it is considered best practice.

7. **Equality Impact Assessment**

- 7.1 Differential equality impact issues will be identified against the key strategies, policies and functions of the Council and will be considered in producing future service improvements, which will then be reflected within the Council's budgets.

8. **Financial and Resource Implications**

- 8.1 The MTFS identifies future years' shortfalls in financial resources which will need to be addressed as part of the Council's budget strategies.

9. **Major Risks**

- 9.1 Section 25 of the Local Government Act 2003 places a duty on the Chief Finance Officer to report on the robustness of the budget. The main risks to the budget include:

- Spending in excess of the budget
- Income falling short of the budget
- Unforeseen elements, e.g. changes in interest rates

Such risks require regular and careful monitoring and it is essential that the council has sufficient reserves to call on if required, e.g. the council has a general fund balance of £1.20 million and a minimum balance of £0.100m in the Contingency Reserve. In previous years the Chief Finance Officer has believed that the assurance required under Section 25 can be given and, with careful budget planning, robust monitoring and adequate level of reserves, there should be no reasons to alter that view.

10. **List of Appendices**

Appendix A - Medium Term Financial Strategy 2015/16 to 2019/20.