

## MEDIUM TERM FINANCIAL STRATEGY 2012/13 TO 2016/17

**Submitted by:** Executive Director – Resources and Support Services

**Portfolio:** Resources and Efficiency

**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 2012/13 to 2016/17.
- (b) That the report be referred to the Transformation and Resources Overview and 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 Corporate 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 achieving excellence in its service delivery and considerable progress has been made in recent years with significant improvements in performance indicators and positive feedback from external auditors. 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 2012 to 2017, demonstrates alignment with the Corporate 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 grant forecast, the Council has had to review the services that it provides and its approach to value for money to keep council tax increases as low as possible.
- 2.2 Local authorities were informed of their allocations of formula grant (comprising Revenue Support Grant and National Non Domestic Rates Grant) for 2012/13 when they received notification of the amount for 2011/12 in January 2011. Formula Grant for 2011/12 was £8.285m, whilst the amount notified for 2012/13 is £7.315m, an 11.7% reduction. However there are no details of the formula grant amounts for the following years, so an assumption needs to be made about further reductions in respect of those years. Accordingly, the MTFS

incorporates the known 11.7 per cent reduction in grant for 2012/13 and has assumed that there will be a further 5% reduction in 2013/14 and each of the next three years.

- 2.3 The Government is currently carrying out the Local Government Resource Review, which is looking at how local authority services should be funded. One of the primary proposals contained in consultation published in July 2011 is that local authorities should be allowed to retain their locally raised business rates, to take effect from the financial year 2013/14, which is within the period covered by this MTFS. There will be an effect on individual authorities' finances; some will gain from the change whilst others will lose resources. However, there are numerous technical issues to be determined before a concrete picture of the revised arrangements will emerge, which means that the impact on the Council cannot be predicted at this stage. Therefore, an assumption relating to any gains or losses arising from this change has not been included in the MTFS.
- 2.4 The purpose of the comprehensive five year MTFS is to illustrate how the Council's Corporate 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 Corporate Plan and the Borough's Sustainable Community Strategy.
- 2.5 The MTFS identifies significant budgetary shortfalls over the next five years that will need addressing with robust financial and budget strategies. The Council has made a good start in identifying areas where savings can be made by carrying out a comprehensive budget service review programme during 2010/11. This focussed on:
- Areas of activity undertaken and whether these are statutory or discretionary and how many staff are involved.
  - The impact of withdrawing discretionary duties and reducing statutory duties.
  - The potential for outsourcing and shared services.
  - Opportunities to generate or increase income.
- 2.6 Specific areas looked at in the budget service review included:
- Income generation and marketing strategy
  - Management of vacant posts
  - Review of overtime budgets
  - Use of consultants/professional fees
  - Modernisation/transformation of the council
  - Specific services reviews
  - Joint working with other local authorities
  - Accommodation and energy efficiency
- 2.7 Some of these savings were built into the 2011/12 budget, however, there are further savings opportunities arising from the review which can be included in the 2012/13 and future years' budgets.
- 2.8 The MTFS sets out the significant savings deriving from the review which can be made in the 2012/13 budget and shows how these plus some other savings and additional income streams can be used to bridge the gap identified for 2012/13.

### 3. **Proposal**

- 3.1 That Members approve the Medium Term Financial Strategy for 2012/13 - 2016/17.

#### 4. **Reasons for Preferred Solution**

- 4.1 Without a Medium Term Financial Strategy it would be difficult to demonstrate the alignment of resources with the Corporate 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 Medium Term Financial Strategy identifies the resources to deliver the corporate priorities of the Authority linked to expected outcomes.

#### 6. **Legal and Statutory Implications**

- 6.1 The Medium Term Financial Strategy 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 Medium Term Financial Strategy 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 £1.75 million. 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 2012/13 to 2016/17.