

1. **MEDIUM TERM FINANCIAL STRATEGY AND EFFICIENCY PLAN 2017/18 TO 2021/22**

Submitted by: Executive Director – Resources and Support Services

Portfolio: Finance IT and Customer

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 and to accept the Government's offer of a four year finance settlement.

Recommendations

- (a) To approve the Medium Term Financial Strategy and Efficiency Plan for 2017/18 to 2021/22.
- (b) To approve the Medium Term Financial Strategy and Efficiency Plan for submission to Central Government for the purpose of securing a four-year funding settlement for Revenue Support Grant up to and including 2019/20.
- (c) To delegate approval of any final amendments to the Medium Term Financial Strategy and Efficiency Plan between the Cabinet date and the date of submission to Central Government (14 October 2016) to the Executive Director (Resources and Support Services) in consultation with the Portfolio Holder – Finance, IT and Customer.

Reasons

The Medium Term Financial Strategy and Efficiency Plan underpins the whole financial planning structure of the Authority. It is closely aligned to the 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 an Appendix, the Medium Term Financial Strategy and Efficiency Plan for the period from 2017/18 to 2021/22, 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.
- 1.3 In the 2016/17 provisional local government finance settlement, the government stated that it would offer any Council that wishes to take it up, a four-year funding settlement for Revenue Support Grant up to and including 2019/20.
- 1.4 To take advantage of this offer, the Council needs to submit an efficiency plan to the Government by 14 October 2016, the cornerstone of which, for the Council, is the Medium Term Financial Strategy setting out what the Council intends to do to address the challenge of financial sustainability and where it hopes to be at the end of the period. The Government has issued no guidance to local authorities in respect of the format of the efficiency plan.

- 1.5 It follows that the Council's efficiency plan, as part of its Medium Term Financial Strategy, has clear links to the Council Plan and where the authority is involved in key partnerships, it also references ongoing and planned transformation projects and programmes that will enable the Council to reduce its costs or generate additional income locally.
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 confirmed and anticipated, the Council must review the services that it provides and its approach to value for money.
- 2.2 Central Government support is provided in the form of Revenue Support Grant (RSG) and a Baseline Funding amount related to retained Business Rates. The amounts of funding, subject to Central Government's approval of the Council's Efficiency Plan, were notified to the Council in December 2015 for the financial years 2016/17 to 2019/20. This shows considerable reductions each year in Revenue Support Grant received by the Council.
- 2.3 The Chancellor of the Exchequer has announced a series of major reforms to local government finance. These include:
- That by the end of the Parliament, local government will be able to retain 100 per cent of local taxes including all revenue from business rates.
 - The government will abolish the Uniform Business Rate and give local authorities the power to cut business rates to boost economic activity in their areas.
 - Local authorities who have directly elected mayors will be able to add a premium to business rates to pay for new infrastructure.
 - Local areas which successfully promote growth and attract businesses will keep all of the benefit from increased business rate revenues.
 - The core grant funding from Central Government will be phased out and local government will take on new responsibilities.
- 2.4 Central Government is currently consulting on changes to the local government finance system to pave the way for the implementation of 100 per cent business rates retention. For the purposes of the Medium Term Financial Strategy it has been assumed that the Council will be in a cost neutral position once the new system is implemented. However, there can be no guarantee that this will be the case.
- 2.5 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 currently 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.
- 2.6 Following the outcome of the 2015 Spending Review Central Government have consulted local authorities on a variety of options for increasing the focus of the New Homes Bonus on delivery of new homes and freeing up resources to be recycled within the local government settlement to support particular pressures, such as adult social care.
- 2.7 The consultation also sets out proposals for reductions in the number of years for which the Bonus is paid from the current 6 years to 4 years. The changes are proposed for 2017-18 onwards so the full impact on the Council cannot be fully quantified at the current time as final details as to how the new system will operate have not yet been received.

- 2.8 The purpose of the comprehensive five year Medium Term Financial Strategy is to predict likely budget totals if services are maintained at current levels, by projecting forward the different elements of the 2016/17 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 Medium Term Financial Strategy.
- 2.9 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 and the Council Plan.
- 2.10 The Medium Term Financial Strategy 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:

2017/18 £2.563m
2018/19 £1.224m
2019/20 £1.353m
2020/21 £0.384m
2021/22 £0.274m

The detailed Medium Term Financial Strategy shows how these amounts arise, the Efficiency Plan details what measures are being proposed to address these challenges.

- 2.11 The Council Leader and the Portfolio Holder for Finance, IT and Customer 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.
- 2.12 Further budget options developed by the Budget Review Group will be available for consideration by November and the Medium Term Financial Strategy and Efficiency Plan will be amended, where necessary, to take account of them. Cabinet will consider these proposals, in the form of a draft budget for 2017/18 at its meeting on 18 January, to enable this to be submitted to the Finance, Resources and Partnerships Scrutiny Committee on 25 January.
- 2.13 It is also envisaged that as in previous years, the first draft of the savings plans for 2016/17 will be available for the meeting of the Finance Resources and Partnerships Scrutiny Committee on 2 November.
- 2.14 The Medium Term Financial Strategy and Efficiency Plan was considered by the Finance Resources and Partnerships Scrutiny Committee at their meeting on 8 September. Feedback from their meeting will be provided at the Cabinet meeting.

3. **Proposals**

- 3.1 That Members approve the Medium Term Financial Strategy for 2017/18 - 2021/22.
- 3.2 That Members approve the Medium Term Financial Strategy and Efficiency Plan for submission to Central Government, for the purpose of securing a four-year funding settlement for Revenue Support Grant up to and including 2019/20.
- 3.3 That Members delegate approval of any final amendments to the Medium Term Financial Strategy and Efficiency Plan between the Cabinet date and the date of submission to Central Government (14 October 2016) to the Executive Director (Resources and Support Services) in consultation with the Portfolio Holder – Finance, IT and Customer.

4. **Reasons for Preferred Solution**

4.1 Without a Medium Term Financial Strategy and Efficiency Plan 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.

4.2 In the 2016/17 provisional local government finance settlement, the government stated that it would offer any Council that wishes to take it up, a four-year funding settlement up to and including 2019/20 covering Revenue Support Grant, transitional funding and Rural Service Delivery Grant.

4.3 To take advantage of this offer, the Council needs to submit an efficiency plan, the cornerstone of which, for the Council, is the Medium Term Financial Strategy setting out what the Council intends to do to address the challenge of financial sustainability and where it hopes to be at the end of the period.

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

5.1 The Medium Term Financial Strategy and Efficiency Plan 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 and Efficiency Plan 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, including the Efficiency Plan.

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 - Medium Term Financial Strategy 2017/18 to 2021/22.