

1. MEDIUM TERM FINANCIAL STRATEGY 2019/20 TO 2023/24

Submitted by: Executive Director – Resources and Support Services

Portfolio: Finance 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 2019/20 to 2023/24.

Reasons

The Medium Term Financial Strategy 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 for the period from 2019/20 to 2023/24, 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 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 were notified to the Council in December 2015 for the financial years 2016/17 to 2019/20. This shows considerable reductions in Revenue Support Grant received by the Council.
- 2.3 The Local Government Finance Settlement for 2018/19 announced that by 2020/21 local government will retain 75% of business rate revenues; this will be a significant reform of local government finance and will come with additional responsibilities for local authorities (these have not yet been announced).
- 2.4 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 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. Following the consultation:

- The Bonus was adjusted to reflect estimates of deadweight (i.e. Bonus is now only paid above a higher baseline);
- Proposals for reductions in the number of years for which the Bonus is paid from 6 years to 4 years were introduced.

2.7 The Government has retained the option of making further adjustments to the baseline in future years to reflect significant additional housing growth and to remain within spending limits set at Spending Review 2015.

2.8 The 2019 Spending Review will confirm overall local government resourcing from 2020/21. The Government is working towards significant reform in the local government finance system in 2020/21, including an updated distribution methodology to set baseline funding levels, and resetting business rates baselines.

2.9 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 methodology is implemented. However, there can be no guarantee that this will be the case.

2.10 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 2018/19 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.

2.11 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.

2.12 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:

2019/20 £1.891m
2020/21 £1.064m
2021/22 £0.764m
2022/23 £0.644m
2023/24 £0.508m

The detailed Medium Term Financial Strategy shows how these amounts arise.

2.13 The Council Leader and the Deputy Leader are members of the Efficiency Board. The Efficiency Board, a working group under the auspices of the cabinet, oversees 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.

- 2.14 Further budget options developed by the Efficiency Board will be available for consideration by December and the Medium Term Financial Strategy will be amended, where necessary, to take account of them. Cabinet will consider these proposals, in the form of a draft budget for 2019/20 at its meeting on 16 January 2019.
- 2.15 It is also envisaged that as in previous years, the first draft of the savings plans for 2019/20 will be available for the meeting of the Finance, Assets and Performance Scrutiny Committee on 17 December 2018.
- 2.16 The Medium Term Financial Strategy was considered by the Finance Resources and Partnerships Scrutiny Committee at their meeting on 20 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 2019/20 - 2023/24.

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 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 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 £1.20 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 2019/20 to 2023/24.

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