

## **MEDIUM TERM FINANCIAL STRATEGY 2013/14 TO 2017/18**

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

**Portfolio:** Finance and Budget Management

**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 2013/14 to 2017/18.**
- (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 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 achieving excellence in its service delivery. 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 2013 to 2018, demonstrates alignment with the Council Plan (formerly 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 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 Local authorities have not yet been informed of their allocations of central government funding in support of their budgets for 2013/14. This support was formerly in the form of Formula Grant, the amount of which was notified as a provisional amount in December and confirmed the following January/February. Formula Grant for 2012/13 was £7.315m, comprising £0.142m Revenue Support Grant and £7.173m NNDR Grant.
- 2.3 The Government has recently carried out the Local Government Resource Review, which looked at how local authority services should be funded. One of the primary proposals resulting from this, which is contained in the Local Government Finance Bill, currently under

consideration by Parliament, is that local authorities should be allowed to retain a proportion of their locally raised business rates. This will commence in the financial year 2013/14. The retained amount of business rates will replace the NNDR Grant previously included in Formula Grant, whilst Revenue Support Grant will continue to be paid.

- 2.4 The details of how the business rates retention system will work are still being finalised by the government so there remains some uncertainty about how much the retained amount will be for 2013/14 and future years. There is also uncertainty about how much will be paid as Revenue Support Grant. In addition some other grants, chiefly New Homes Bonus will continue to be paid as separate grants but will be financed by the government by reducing the amount of business rates which can be retained. The amount of rates retained will also be modified by a further reduction to reflect the reduction in the national spending control totals required to respond to the current economic recession. In summary, there is uncertainty about the amounts payable as individual elements to the Council for 2013/14 and beyond. However, there have been indications of the overall amounts which local authorities should expect to see as reductions in central government support, implying a reduction of 5 per cent in 2013/14 and a similar reduction in the following year, which is the final year of the current spending review period. These reductions have been used in the MTFs, with further reductions of 2.5 per cent for the three following years.
- 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 2012/13 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:

2013/14 £1.627m  
2014/15 £0.810m  
2015/16 £0.797m  
2016/17 £0.655m  
2017/18 £0.657m

The detailed MTFs shows how these amounts arise and what measures are being proposed to address them. Previous budget strategies have sought to produce a balanced budget for the immediately following financial year, whilst noting the position for the following four years. However, the strategy contained in the MTFs is designed to balance both the 2013/14 and 2014/15 budgets and subsequent reports to Cabinet and Council will cover both years' budgets.

- 2.7 A Budget Review Group has been established, chaired by the Cabinet Portfolio Holder for Finance and Budget Management. The remit of the group is to oversee all aspects of the budget process, including service review and challenge, longer term planning, development of budget options, 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. Work to prioritise existing services has been carried out and a series of service challenges have taken place, whereby service managers have been requested to put forward options for improved service delivery and efficiency savings together with

suggestions for “invest to save” proposals whereby continuing increased efficiency can be obtained in return for a proportionally modest initial outlay. Performance and benchmarking data, was also considered for each service. Alongside these specific challenges, consideration has been given to savings which may be made in cross-cutting areas, such as procurement.

2.8 The results of the challenge process, together with those of the service prioritisation exercise, will enable a range of budget options, including some options for service improvements, to be developed and incorporated in the budget strategy.

2.9 Consultation to gain the views of stakeholders on the options contained within the MTFS is currently taking place. It will incorporate the Council Plan, to which the budget is closely linked. The results 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 2013/14 and 2014/15 at its meeting on 16 January, to enable this to be submitted to the Transformation and Resources Overview and Scrutiny Committee on 23 January.

### 3. **Proposal**

3.1 That Members approve the Medium Term Financial Strategy for 2013/14 - 2017/18.

### 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 £1.40 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 2013/14 to 2017/18.