

POLICY AND RESOURCES COMMITTEE

7th September
2016

Is the final decision on the recommendations in this report to be made at this meeting?

No

Medium Term Financial Strategy and Efficiency Plan

Final Decision-Maker	Council
Lead Head of Service	Director of Finance and Business Improvement
Lead Officer and Report Author	Director of Finance and Business Improvement
Classification	Public
Wards affected	All

This report makes the following recommendations to this Committee:

1. That it agrees the draft Medium Term Financial Strategy and Efficiency Plan set out at Appendix A for submission to Council
2. That it agrees the financial projections and budget prioritisation contained within the Medium Term Financial Strategy and Efficiency Plan
3. That the Council accepts the Government's offer of a four year funding settlement, subject to recommendation 4
4. That authority be delegated to the Chief Executive and the Section 151 Officer, in consultation with the Chairman and Vice-Chairman of the Policy and Resources Committee, to make any amendments to the Efficiency Plan, within the parameters of the agreed Medium Term Financial Strategy, that may be required based on emerging new information between now and the submission deadline.

This report relates to the following corporate priorities:

- Keeping Maidstone Borough an attractive place for all
- Securing a successful economy for Maidstone Borough

Timetable

Meeting	Date
Policy and Resources Committee	7 th September 2016
Council	21 st September 2016
Deadline for submission of Efficiency Plan	14 th October 2016

Medium Term Financial Strategy and Efficiency Plan

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 This report sets out a combined Medium Term Financial Strategy for the five years 2017/18 to 2021/22 and Efficiency Plan in response to the government's four year local government finance settlement covering the years 2016/17 to 2019/20.
 - 1.2 Updating the Medium Term Financial Strategy and submission of the Efficiency Plan are necessary steps towards agreeing a budget for 2017/18 and setting next year's Council Tax, decisions which the Council is due to make on 1st March 2017.
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2. INTRODUCTION AND BACKGROUND

- 2.1 The Medium Term Financial Strategy is a five year rolling strategy that underpins the Council's revenue and capital spending plans. The Medium Term Financial Strategy is ultimately approved by full Council.
- 2.2 This year, the regular cycle for production of a Medium Term Financial Strategy (MTFS) coincides with a requirement set by Government for production of an Efficiency Plan. The Government made an offer of a fixed, four year local government finance settlement in February 2016, covering the years 2016/17 to 2019/20. The offer to each local authority is conditional on the authority producing and publishing on its website an Efficiency Plan that will outline how it will achieve its objectives within the available resources set out in the settlement.
- 2.3 The Government has not set out a template for the Efficiency Plan. The Secretary of State for Communities and Local Government has stated that the offer and the production of an Efficiency Plan are intended to be 'as simple and straightforward as possible . . . [it] is not about creating additional bureaucracy'.
- 2.4 Regardless of the Government's requirements, it is suggested that a local authority would wish for its own satisfaction to be assured that the Efficiency Plan is robust and sufficiently detailed and credible to demonstrate that the authority can manage within the projected levels of funding.
- 2.5 A local authority is not obliged to accept the offer set out in the four year local government finance settlement. However, the risk in not accepting the offer is that any subsequent year's final settlement may be less favourable than that outlined in February 2016. This risk applies equally to authorities in receipt of Revenue Support Grant (RSG), and those like Maidstone that are not scheduled to receive RSG in future years.

- 2.6 A report to Policy and Resources Committee on 29th June 2016 set out revenue budget projections for the five year period covered by the MTFS, together with the underlying assumptions. This indicated that the Council faced a budget gap which would reach between £3.4 million and £5.1 million by the end of the five year period. For planning purposes, a mid-range projection of a £4.2 million has been used.
- 2.7 As set out in Appendix 1 of the MTFS / Efficiency Plan, budget proposals with a favourable revenue impact of £2.9 million out of the required £4.2 million have now been identified. These have been evaluated as part of a budget prioritisation exercise, which has also provided a means of addressing the remaining budget gap of £1.3 million. It has done this by prioritising services and thereby highlighting those services which will be the focus for meeting the residual budget gap.
- 2.8 As can be seen in Appendix 1, the budget gap of £1.3 million arises towards the end of the five year Medium Term Financial Strategy period. The cumulative budget gap at the end of 2019/20, ie the end of the the period covered by the Efficiency Plan is £ million.
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3. AVAILABLE OPTIONS

- 3.1 As set out Section 2, a local authority is not obliged to accept the offer set out in the four year local government finance settlement or to prepare an Efficiency Plan. The options are therefore:
- Do nothing – do not prepare an Efficiency Plan or accept the Government’s funding offer.
 - Submit the MTFS / Efficiency Plan and accept the funding offer.
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4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 It could be argued that, as the Council is not due to receive RSG after 2016/17, there is nothing to be gained by accepting the funding offer. However, there is nevertheless a risk of a more unfavourable outcome for Councils that do not accept the offer. For example, this Council is already due to be subject to a ‘tariff adjustment’ to business rates retained by the authority in 2019/20, which is effectively negative RSG. The tariff adjustment amounts to £1.589 million. This tariff adjustment could be increased if the amount of overall local government funding were revised downwards and those authorities that had not accepted the funding offer were to bear a disproportionate share of the cut.
- 4.2 After 2019/20, the business rates retention regime is likely to change, with the local authority share of business rates increasing from 50% to 100%.

There is a separate report on the government's consultation on these changes on the Committee's agenda for this meeting.

- 4.3 Given what is known currently, Officers' recommendation to Members is that the Council accepts the offer set out in the four year finance settlement and submits an Efficiency Plan.
- 4.4 Advice on the contents of the Efficiency Plan is still emerging. Given the formation of a new Government, changes in policy cannot be ruled out. For both these reasons, it is further recommended that authority be delegated to the Chief Executive and the Section 151 Officer, in consultation with the Chairman and Vice-Chairman of the Policy and Resources Committee, to make any amendments to the Efficiency Plan that may be required. The Plan will be reviewed by the Policy and Resources Committee regularly as part of the normal annual process of reporting and council budget setting, for example in December following the Government's financial settlement statement and February in preparation for Full Council where the authority's budget for the subsequent financial year is agreed. Accordingly, there will be Member involvement in the ongoing development and implementation of the Efficiency Plan.

5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 5.1 Policy and Resources Committee has already received two reports on the MTFS and Efficiency Plan:
 - On 29 June the Committee agreed the projections underlying the MTFS including the assumed level of Council Tax. It also agreed the overall approach for development of the Efficiency Plan.
 - On 26 July the Committee received an update on progress with development of the Efficiency Plan.
- 5.2 In addition, all Members were invited to a briefing on 4th July at which the Director of Finance and Business Improvement described the Council's financial position and the way forward. Committee Chairmen and Vice-Chairmen, the Deputy Leader of the Council and Deputy Leaders of the two largest Council groups (or their substitutes) also took part in a workshop on 4th August to discuss the service prioritisation process that is described in Section 4 of the MTFS / Efficiency Plan.

6. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 6.1 Agreement of the MTFS / Efficiency Plan is the first step in the process of preparing an annual budget for 2017/18. It is therefore appropriate,

having agreed the MTFS / Efficiency Plan, which sets the overall framework for preparation of the budget, to consult more widely. Proposed consultation arrangements are set out in Section 9 of the MTFS / Efficiency Plan.

7. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	The Medium Term Financial Strategy and the budget are a re-statement in financial terms of the priorities set out in the strategic plan. They reflect the Council's decisions on the allocation of resources to all objectives of the strategic plan.	Director of Finance and Business Improvement
Risk Management	Matching resources to priorities in the context of the significant pressure on the Council's resources is a major strategic risk. Specific risks are set out in the relevant sections of the report. Where the Committee is concerned about a specific risk it is possible to modify the strategic revenue projection prior to its approval.	Director of Finance and Business Improvement
Financial	The budget strategy and the MTFS impact upon all activities of the Council. The future availability of resources to address specific issues is planned through this process. It is important that the committee gives consideration to the strategic financial consequences of the recommendations in this report.	Director of Finance and Business Improvement
Staffing	The process of developing the budget strategy will identify the level of resources available for staffing over the medium term.	Director of Finance and Business Improvement
Legal	The Council has a statutory obligation to set a balanced	Team Leader Corporate

	budget and development of the MTFs and the strategic revenue projection in the ways set out in this report supports achievement of a balanced budget.	Governance
Equality Impact Needs Assessment	The report sets out a policy that will have a positive impact as it will enhance the lives of all members of the community through the provision of resources to core services. In addition it will affect particular groups within the community. It will achieve this through the focus of resources into areas of need as identified in the Council's strategic priorities.	Director of Finance and Business Improvement
Environmental/Sustainable Development	The resources to achieve the Council's objectives are allocated through the development of the Medium term Financial Strategy.	Director of Finance and Business Improvement
Community Safety	The resources to achieve the Council's objectives are allocated through the development of the Medium term Financial Strategy.	Director of Finance and Business Improvement
Human Rights Act	None	
Procurement	The resources to achieve the Council's objectives are allocated through the development of the Medium term Financial Strategy.	Director of Finance and Business Improvement
Asset Management	Resources available for asset management are contained within the strategic revenue projections set out in this report.	Director of Finance and Business Improvement

8. REPORT APPENDICES

The following documents are to be published with this report and form part of the report:

- Appendix A: Medium Term Financial Strategy and Efficiency Plan

9. BACKGROUND PAPERS

Report to Policy and Resources Committee, 29.6.16, 'Medium Term Financial Strategy and Efficiency Plan'

Report to Policy and Resources Committee, 26.7.16, 'Medium Term Financial Strategy and Efficiency Plan'

