

POLICY AND RESOURCES COMMITTEE

25 July 2017

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

No

Medium Term Financial Strategy

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 the assumptions described in the draft Medium Term Financial Strategy set out at Appendix I for planning purposes are noted.
2. That the financial projections contained within the draft Medium Term Financial Strategy are noted.
3. That the draft Medium Term Financial Strategy set out at Appendix I is agreed for submission to Council.

This report relates to the following corporate priorities:

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

The Medium Term Financial Strategy and the budget set out in financial terms how the Council will deliver its strategic priorities.

Timetable

Meeting	Date
Policy and Resources Committee	25 July 2017
Council	20 September 2017
Policy and Resources Committee	13 December 2017
All Service Committees	January 2018
Policy and Resources Committee	14 February 2018
Council	28 February 2018

Medium Term Financial Strategy

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 This report sets out a draft Medium Term Financial Strategy (MTFS) covering the five year period 2018/19 to 2022/23.
- 1.2 Agreeing the MTFS is an essential step in the process of agreeing a budget for 2018/19 and setting next year's Council Tax, decisions which the Council is due to make on 28th February 2018.

2. INTRODUCTION AND BACKGROUND

- 2.1 The context in which the MTFS is to be prepared was set out in the previous report on this subject to the Policy and Resources Committee. In summary, there is considerable uncertainty about the local government funding environment. The Government offered a four year funding settlement to local authorities in 2016, covering the years 2016/17 to 2019/20, which provides some certainty about the level of income that the Council can expect for the first two years covered by the MTFS, ie 2018/19 and 2019/20. However, the position for 2020/21 onwards is very uncertain.
- 2.2 The Council starts the financial planning process from a relatively strong position. The outturn for 2016/17 was within budget and most planned savings for 2017/18 are on track for delivery. The Council has an adequate, but not excessive, level of reserves.
- 2.3 The financial projections in the current Medium Term Financial Strategy 2017/18 – 2021/22 indicated that a budget gap would arise in 2020/21, but the position over the next two years was manageable, assuming delivery of planned savings.
- 2.4 These projections have now been updated, taking account of:
 - An assessment of external opportunities and threats
 - Evaluation of existing budget savings in the five year plan
 - Latest emerging information about economic developments and government policy.
- 2.5 Given the uncertainty about the future, various potential scenarios have been modelled, representing (a) favourable, (b) neutral and (c) adverse sets of circumstances. Projections have been prepared for each of the scenarios modelled. This gives rise to the following overall projected budget position by the end of the five year planning period, assuming existing planned budget savings are delivered:
 - Favourable – Income exceeds expenditure by £800,000
 - Neutral – Budget gap of £2.2 million (6% of available resources)
 - Adverse – Budget gap of £7.7 million (22% of available resources)

- 2.6 In accordance with legislative requirements the Council must set a balanced budget. Under the neutral scenario modelled there will be a budget gap from 2019/20 onwards, and in the adverse scenario from 2018/19 onwards. The MTFS proposes that budget proposals are developed for consideration by Members that will address all the potential scenarios. This work will take place during Autumn 2017.
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3. AVAILABLE OPTIONS

- 3.1 Do nothing.
- 3.2 Defer agreement of a Medium Term Financial Strategy. It could be argued that deferring agreement of a Medium Term Financial Strategy would allow more information to emerge that would help the Council make detailed budget decisions.
- 3.3 Agree the attached Medium Term Financial Strategy.
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4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 The preferred option is to agree the attached Medium Term Financial Strategy. It sets a framework that will allow Officers and Members to proceed with detailed budget planning. Whilst there remains considerable uncertainty about the future, it is important that work starts on detailed plans so the maximum time is available for their preparation and implementation.
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5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 5.1 Policy and Resources Committee received an initial report on the MTFS at its meeting on 28 June 2017 and it agreed the approach set out in that report to development of an updated Medium Term Financial Strategy for 2018/19 - 2022/23 and a budget for 2018/19.
- 5.2 Consultation with stakeholders will form a key part of the ongoing development of the MTFS. This year the Council is carrying out its two-yearly Residents' Survey and the opportunity has been taken to incorporate questions about the Council's budget priorities. The results of this consultation will be used to inform the preparation of detailed budget proposals.
- 5.3 As a second step, consultation will be carried out in December 2017 - January 2018 on the detailed budget proposals. Individual Service Committees will consider the budget proposals relating to the services within their areas of responsibility. Full details of the proposals will be published and residents' and businesses' views sought.

6. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

6.1 An outline timetable for developing the Medium Term Financial Strategy and budget for 2018/19 is set out below.

Date	Meeting	Action
25 July 2017	Policy and Resources Committee	Agree updated MTFS for submission to Council
20 September 2017	Council	Approve updated MTFS
September – November		Develop detailed budget proposals for 2018/19
13 December 2017	Policy and Resources Committee	Agree initial 18/19 budget proposals for consideration by Service Committees
January 2018	All Service Committees	Consider 18/19 budget proposals
14 February 2018	Policy and Resources Committee	Agree 18/19 budget proposals for recommendation to Council
28 February 2018	Council	Approve 18/19 budget

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.	Section 151 Officer & Finance Team
Risk Management	Matching resources to priorities in the context of the significant pressure on the Council's resources is a major strategic risk. As described in the report, a Budget Risk Register is maintained to ensure that the specific risks inherent in the	Section 151 Officer & Finance Team

	budget setting and management process are monitored and appropriate action taken.	
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.	Section 151 Officer & Finance Team
Staffing	The process of developing the budget strategy will identify the level of resources available for staffing over the medium term.	Section 151 Officer & Finance Team
Legal	The Council has a statutory obligation to set a balanced 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.	Legal Team
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.	Section 151 Officer & Finance Team
Environmental/Sustainable Development	The resources to achieve the Council's objectives are allocated through the development of the Medium term Financial Strategy.	Section 151 Officer & Finance Team
Community Safety	The resources to achieve the Council's objectives are allocated through the development of the Medium	Section 151 Officer & Finance Team

	term Financial Strategy.	
Human Rights Act	The resources to achieve the Council’s objectives are allocated through the development of the Medium term Financial Strategy.	Section 151 Officer & Finance Team
Procurement	The resources to achieve the Council’s objectives are allocated through the development of the Medium term Financial Strategy.	Section 151 Officer & Finance Team
Asset Management	Resources available for asset management are contained within the strategic revenue Projections that support the MTFS.	Section 151 Officer & Finance Team

8. REPORT APPENDICES

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

- Appendix I: Medium Term Financial Strategy 2018/19 – 2022/23

9. BACKGROUND PAPERS

None.