

COMMUNITIES, HOUSING AND ENVIRONMENT COMMITTEE 13 November 2018

Medium Term Financial Strategy 2019/20 – 2023/24

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

Executive Summary

This report provides an update on development of the Medium Term Financial Strategy 2019/20 -2023/24 and invites Members to comment on the draft MTFS document.

This report makes the following recommendations to this Committee:

1. Consider and comment on the draft Medium Term Financial Strategy 2019/20 – 2023/24.

Timetable

| Meeting | Date |
|---|------------------|
| Heritage, Culture & Leisure Committee | 30 October 2018 |
| Strategic Planning, Sustainability & Transportation Committee | 6 November 2018 |
| Communities, Housing & Environment Committee | 13 November 2018 |
| Policy and Resources Committee | 28 November 2018 |
| Council | 12 December 2018 |

Medium Term Financial Strategy 2019/20 – 2023/24

1. INTRODUCTION AND BACKGROUND

- 1.1 The Medium Term Financial Strategy (MTFS) sets out in financial terms how the Council will deliver its Strategic Plan over the next five years. As Members will be aware, the Council is currently developing a new Strategic Plan, intended to take the place of the existing 2015-2020 Strategic Plan. Accordingly, development of a new MTFS is taking place in parallel with development of the new Strategic Plan.
- 1.2 The purpose of the MTFS is to describe how the outcomes associated with strategic objectives can be delivered, given the financial resources available to the Council, and bearing in mind the prioritisation of objectives. 'Financial resources' include both revenue resources, for day-to-day expenditure, and capital resources, for one-off investment that will deliver benefits over more than a year.
- 1.3 Financial resources are described in section 4 of the draft MTFS, attached to this report as Appendix A. It will be seen that there are constraints on the funding available and there are service pressures which must be accommodated. This implies a process of matching resources against the objectives in the Strategic Plan.
- 1.4 There is also considerable uncertainty over the Council's funding position after 2020. Accordingly, financial projections have been prepared covering the five year MTFS period, based on three different scenarios – favourable, neutral and adverse. Section 5 of the draft MTFS summarises these and shows that in both the neutral and adverse scenarios there is a significant budget gap from 2020/21 onwards, as shown below.

| | 19/20 | 20/21 | 21/22 | 22/23 | 23/24 |
|--|-------|-------|-------|-------|-------|
| | £m | £m | £m | £m | £m |

| Scenario 1 – Favourable | | | | | |
|--------------------------------|-------------|-------------|-------------|-------------|-------------|
| Budget surplus | -0.8 | -0.9 | -1.6 | -3.3 | -4.8 |

| Scenario 2 – Neutral | | | | | |
|-----------------------------|------------|------------|------------|------------|------------|
| Budget gap | 0.1 | 1.1 | 1.7 | 1.5 | 1.7 |

| Scenario 3 – Adverse | | | | | |
|-----------------------------|------------|------------|------------|------------|------------|
| Budget gap | 0.7 | 2.4 | 3.9 | 4.7 | 6.1 |

- 1.5 These figures assume that all existing agreed savings are delivered. The MTFS highlights risks with delivering some of these savings, which mean that alternative budget proposals may need to be developed to compensate.

- 1.6 In order to inform the process of matching available resources to strategic objectives, the draft MTFS sets out current spending plans in section 6. It then goes on in section 7 to set out principles for developing budget savings and growth plans. It is proposed that spending to deliver strategic priorities is considered in relation to existing discretionary spend and the Council's statutory responsibilities.
 - 1.7 Policy and Resources Committee agreed the approach to development of the Medium Term Financial Strategy for 2019/20 - 2023/24 at its meeting on 27 June 2018. Members noted that existing projections assumed annual Council Tax increases up to the level of the referendum limit, but a request was also made for the impact of a Council Tax freeze to be modelled. The draft MTFS addresses this point in section 5.
 - 1.8 Members of this Committee are invited to comment on the contents of the draft MTFS.
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2. AVAILABLE OPTIONS

- 2.1 The Committee is asked to consider and comment on the draft MTFS attached at Appendix A. Any changes and comments will be considered by the Policy and Resources Committee in November.
 - 2.2 The Committee could choose not to comment on Appendix A.
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3. PREFERRED OPTION AND REASONS FOR RECOMMENDATION

- 3.1 The Committee is asked to consider and comment on the draft MTFS attached at Appendix A. This will ensure that its views are taken into account as part of developing the MTFS.
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4. RISK

- 4.1 In order to address the risks associated with the MTFS, the Council has developed a budget risk register. This seeks to capture all known budget risks and to present them in a readily comprehensible way. The budget risk register is updated regularly and is reviewed by the Audit, Governance and Standards Committee at each meeting.
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5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 5.1 Consultation with all relevant stakeholders is an important part of the process of developing the MTFS. Specifically, the consultation that is taking place as part of Strategic Plan development will elicit views on budget priorities.
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6. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

6.1 The timetable for developing the Medium Term Financial Strategy and budget for 2019/20 is set out below.

| Date | Meeting | Action |
|------------------|--------------------------------|--|
| 27 June 2018 | Policy and Resources Committee | Agree approach to development of MTFS and key assumptions |
| November 2018 | All Service Committees | Service Committee consultation on MTFS |
| November 2018 | - | Develop detailed budget proposals for 2019/20 |
| 28 November 2018 | Policy and Resources Committee | Agree MTFS for submission to Council |
| 12 December 2018 | Council | Approve MTFS |
| January 2019 | All Service Committees | Consider 19/20 budget proposals |
| 13 February 2019 | Policy and Resources Committee | Agree 19/20 budget proposals for recommendation to Council |
| 27 February 2019 | Council | Approve 19/20 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 | This has been addressed in section 4 of the report. | Section 151 Officer & Finance Team |
| Financial | The budget strategy and the MTFS impact upon all activities of the Council. The future availability of resources to | Section 151 Officer & Finance |

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| | 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. | 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 | Under Section 151 of the Local Government Act 1972 (LGA 1972) the Section 151 Officer has statutory duties in relation to the financial administration and stewardship of the authority, including securing effective arrangements for treasury management. The Medium Term Financial Strategy demonstrates the Council's commitment to fulfilling its duties under the Act. 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. | Team Leader (Corporate Governance), MKLS |
| Equalities | The overall approach to the MTFS is to direct resources into areas of need as identified in the Council's strategic priorities. The equalities impact of individual budget decisions will be determined when setting the budget. | Section 151 Officer & Finance Team |
| Crime and Disorder | 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 |

8. REPORT APPENDICES

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

- Appendix A: Draft Medium Term Financial Strategy 2019/20 – 2023/24
 - Appendix B: Agreed Budget Savings 2018/19 – 2022/23
 - Appendix C: Strategic Revenue Projections 2019/20 – 2023/24 – under different scenarios
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9. BACKGROUND PAPERS

None.