

# POLICY AND RESOURCES COMMITTEE

25 November 2020

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

**No**

## Strategic Plan Review Update and Medium Term Financial Strategy 2021/22-2025/26

<b>Final Decision-Maker</b>	Council
<b>Lead Head of Service</b>	Chief Executive
<b>Lead Officer and Report Author</b>	Director of Finance and Business Improvement
<b>Classification</b>	Public
<b>Wards affected</b>	All

### Executive Summary

This report provides a further update on the Strategic Plan Review and sets out a draft new Medium Term Financial Strategy (MTFS) for the Council. The new MTFS updates the existing strategy to cover the five-year period 2021/22 to 2025/26 and to reflect changes in corporate priorities and the impact of the Covid-19 pandemic.

### This report makes the following recommendations to this Committee:

1. That it notes and provides feedback on the Strategic Plan Review update at Appendix A.
2. That it endorses the Draft Medium Term Financial Strategy 2021/22 – 2025/26 at Appendix B.
3. That it agrees the Council Tax setting principle set out in in paragraph 2.5 of this report.

### Timetable

<b>Meeting</b>	<b>Date</b>
Policy and Resources Committee	25 November 2020
Communities Housing & Environment Committee	1 December 2020
Strategic Planning & Transportation Committee	8 December 2020
Economic Regeneration & Leisure Committee	15 December 2020
Policy & Resources Committee	10 February 2021
Council	24 February 2021

# Strategic Plan Review Update and Medium Term Financial Strategy 2021/22-2025/26

## 1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
<b>Impact on Corporate Priorities</b>	<p>This report updates the Committee on areas of focus for the Strategic Priorities for the next five years with direct implications for the Medium Term Financial Strategy and 2021/22 budget</p> <p>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.</p>	Chief Executive, Section 151 Officer & Finance Team
<b>Cross Cutting Objectives</b>	<p>Members will also consider the crosscutting objectives when they review and agree areas of focus in the Strategic Plan for 2021-26</p> <p>The MTFS supports the cross-cutting objectives in the same way that it supports the Council's other strategic priorities.</p>	Chief Executive, Section 151 Officer & Finance Team
<b>Risk Management</b>	This has been addressed in section 5 of the report.	Section 151 Officer & Finance Team
<b>Financial</b>	<p>The Strategic Plan sets the Council's Priorities and the direction for the Medium-Term Financial Strategy</p> <p>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.</p>	Section 151 Officer & Finance Team
<b>Staffing</b>	The process of developing the Strategic Plan and the associated budget strategy will identify the level of resources available for staffing over the medium term.	Section 151 Officer & Finance Team
<b>Legal</b>	The Council has a statutory obligation to set a balanced budget and development of the	Legal Services

	MTFS and the strategic revenue projection in the ways set out in this report supports achievement of a balanced budget.	
<b>Privacy and Data Protection</b>	Privacy and Data Protection is considered as part of the development of new budget proposals. There are no specific implications arising from this report.	Policy and Information Team
<b>Equalities</b>	The MFTS report scopes the possible impact of the Council's future financial position on service delivery. When a policy, service or function is developed, changed or reviewed, an evidence based equalities impact assessment will be undertaken. Should an impact be identified appropriate mitigations will be identified.	Equalities and Corporate Policy Officer
<b>Public Health</b>	The resources to achieve the Council's objectives are allocated through the development of the Medium Term Financial Strategy.	Public Health Officer
<b>Crime and Disorder</b>	The resources to achieve the Council's objectives are allocated through the development of the Medium Term Financial Strategy.	Section 151 Officer & Finance Team
<b>Procurement</b>	The resources to achieve the Council's objectives are allocated through the development of the Medium Term Financial Strategy.	Section 151 Officer & Finance Team

## 2. INTRODUCTION AND BACKGROUND

- 2.1 At its meeting of 21 July 2020 this Committee agreed the approach and timetable for a review of the priorities and outcomes in the Strategic Plan 2019 to 2045, and to update the Medium-Term Financial Strategy (MTFS) to cover the five-year period 2021 to 2026. This report provides an update on progress with the review of the Strategic Plan and sets out a draft MTFS. The MTFS remains subject to finalisation of the Strategic Plan refresh and the government's announcement of the Local Government Finance Settlement 2021/22, which is expected in December 2020.
- 2.2 The vision and priorities set out in the Council's existing Strategic Plan are clear and remain relevant. However, considering the Covid-19 pandemic and its significant impact, work has been carried out to review our outcomes for 2019/24 and to produce a refreshed set of outcomes for 2021/26. The first steps in the Strategic Plan review, including engagement with all councillors, were undertaken in August and reported to the Committee at its September meeting. Decisions were made then about key areas of focus for cost

reduction and approaches to leveraging resources to complement the council's spending and investment. An update on progress with work in these areas of focus was provided to the committee at its October meeting; a further update is included at Appendix A. It is intended to bring a refreshed Strategic Plan to this Committee in January 2021 prior to approval by Council in February 2021.

- 2.3 The draft MTFS is attached as Appendix B. It sets out in financial terms how it is intended to deliver the Strategic Plan, given the Council's capacity and capability. It builds on the existing MTFS, but reflects the impact of Covid-19 by incorporating the re-prioritisation of Strategic Plan objectives described above, together with proposals for transformational budget savings to address the financial challenges that the Council now faces.
- 2.4 A key outcome of the process of updating the MTFS is to set a balanced budget and agree a level of council tax for 2021/22 at the Council meeting on 24 February 2021. This report is a key step towards achieving that objective.

### **Revenue Projections**

- 2.5 The MTFS incorporates revenue projections for the five year planning period. Various potential scenarios were modelled, described as adverse, neutral and favourable. Key assumptions made in the projections are as follows.

Council Tax – It has been assumed that the government continues to set a limit of 2% to increases, above which a referendum would be required (as in 2020/21), and that the Council increases Council Tax to this limit. If the government sets a different referendum limit, this assumption will need to be reviewed.

Business Rates - The Business Rates baseline, which dictates the amount of business rates that local authorities may retain locally, will be increased in line with inflation in 2021/22, as part of the expected one year roll forward of the existing 2020/21 financial settlement.

Covid-19 – In the neutral scenario, income from Council Tax, Business Rates and Sales, Fees and Charges will bounce back from the levels experienced in 2020/21 but full recovery will not be seen until 2022/23. There will be no further general government compensation for the effects of Covid-19 after the end of the current financial year.

This would leave a budget gap of £2.6 million in 2021/22 in the neutral scenario, before taking account of any new savings.

- 2.6 The MTFS proposes that the budget gap is addressed through a combination of strategic plan re-prioritisation, transformation savings and increasing income. To date approximately £2 million of savings have been identified. These savings will be delivered over a period of 3-4 years, so in the meantime it will be necessary to deploy revenue resources hitherto earmarked for other purposes, such as New Homes Bonus and uncommitted Business Rates Growth proceeds to achieve a balanced budget. This is a departure from the Council's existing policy but is considered to be justified

given the scale of the budget gap and uncertainties in financial forecasts that the Council faces.

---

### **3. AVAILABLE OPTIONS**

- 3.1 The Committee could endorse the draft MTFS attached at Appendix B and agree to the Council Tax setting principle set out in paragraph 2.5 above.
  - 3.2 The Committee could endorse the draft MTFS, subject to any amendments that it may agree.
  - 3.3 The Committee could choose not to endorse the draft MTFS.
- 

### **4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS**

- 4.1 The Committee is asked to endorse the draft MTFS along with the Council Tax setting principle described above. Without an agreed MTFS, the Council will have no formal framework for consideration of next year's budget, and will therefore risk not being able to meet its statutory responsibility to set a balanced budget. The basis for the assumptions underlying the MTFS and the proposed Council Tax setting principle are set out in the body of this report.
- 

### **5. RISK**

- 5.1 The preceding paragraphs have indicated at several points the risks and uncertainty surrounding the Council's financial position. In order to address these in a structured way and to ensure that appropriate mitigations are developed, 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.
- 

### **6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK**

- 6.1 Policy and Resources Committee reviewed the background to setting a new Medium Term Financial Strategy at their meeting on 21 July.
- 6.2 The three Service Committees – Economic Regeneration & Leisure, Strategic Planning & Infrastructure and Communities, Housing & Environment – will consider the draft MTFS at their forthcoming meetings. The outcomes will be reported back to Policy & Resources Committee when

it is asked to consider the MTFS again for recommendation to Council at its 11 February meeting.

- 6.3 A survey has recently concluded, in which residents were consulted on what they wish to see in the budget. This is attached as Appendix D.

---

## **7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION**

- 7.1 An outline timetable for developing the Council's Strategic Plan and the associated Medium Term Financial Strategy and budget for 2021/22 is set out below.

<b><i>Date</i></b>	<b><i>Meeting</i></b>	<b><i>Action</i></b>
25 November 2020	Policy and Resources Committee	Consider update on the Strategic Plan and draft MTFS
December 2020	Service Committees	Consider draft MTFS
December 2020		Finalise detailed budget proposals for 2021/22
January 2021	Policy and Resources Committee, Service Committees	Consider the updated Strategic Plan and 21/22 budget proposals
10 February 2021	Policy and Resources Committee	Agree Strategic Plan, MTFS and 21/22 budget proposals for recommendation to Council
24 February 2021	Council	Approve Strategic Plan and 2021/22 budget

---

## **8. REPORT APPENDICES**

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

- Appendix A: Update on Strategic Plan Review
- Appendix B: Draft Medium Term Financial Strategy 2020/21 – 2024/25
- Appendix C: Strategic Revenue Projection 2020/21 – 2024/25
- Appendix D: Budget Consultation Report

---

## **9. BACKGROUND PAPERS**

None.