

<b>DECISION-MAKER:</b>	CABINET COUNCIL			
<b>SUBJECT:</b>	THE MEDIUM TERM FINANCIAL STRATEGY 2015/16 to 2020/21			
<b>DATE OF DECISION:</b>	9 FEBRUARY 2016 10 FEBRUARY 2016			
<b>REPORT OF:</b>	CABINET MEMBER FOR FINANCE			
<b><u>CONTACT DETAILS</u></b>				
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#### **STATEMENT OF CONFIDENTIALITY**

**Not Applicable**

#### **BRIEF SUMMARY**

The purpose of the report is to set out the Council's Medium Term Financial Strategy (MTFS) for 2015/16 to 2019/20.

The report considers the environment the Council is operating in and the projected financial position for the next 4 years taking into account potential opportunities, threats, strengths and weaknesses.

#### **RECOMMENDATIONS:**

##### **Cabinet is recommended to**

- (i) Approve and recommend to Council the Medium Term Financial Strategy as set in Appendix 1.
- (ii) Approve and recommend to Council the Efficiency Strategy set out in Appendix 1

##### **Council is recommended to**

- (i) Approve the Medium Term Financial Strategy as detailed in Appendix 1 including the Medium Term Financial Forecast in Appendix 2.
- (ii) Approve the Reserves Policy as set out in the Medium Term Financial Strategy at Appendix 1.
- (iii) Approve the Efficiency Strategy set out in Appendix 1.
- (iv) Authorise the Chief Executive and Chief Officers to develop options to close the remaining gap for the financial years 2017/18 to 2019/20.

## **REASONS FOR REPORT RECOMMENDATIONS**

1. During the budget setting process the Council regularly revises its Medium Term Financial Strategy (MTFS) and Medium Term Financial Model to enable financial position to be clear for budget proposals to be drawn up for the forthcoming year. The MTFS sets out various elements relating to the financial position that need to be considered and addressed by the Cabinet in preparing the final papers that will be presented to Council.

## **ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

2. Alternative options for revenue spending and MTFS assumptions form an integral part of the development of the overall MTFS that will be considered at the Council budget setting meeting on 10 February 2016. The current set of assumptions contained within this report will be reviewed on a regular basis but represent the most up to date information available at this time.

## **DETAIL (Including consultation carried out)**

3. The Council currently spends £632M delivering services and funds this from income from Central Government grants, Council Tax, Business Rates, Rents, and other fees and charges. Of this £632M, £79M is spent on Housing within the Housing Revenue Account, £126M is spent on Schools, and £118M is spent on Housing Benefits. All this expenditure relates to specific ring-fenced funding and for the purposes of the General Fund budget setting cannot be utilised to achieve savings from. This leaves a targetable spend of £309M to address the Council's outcomes and priorities as well as savings required to meet the budget challenge by 2019/20.
4. The aim of the Council's 5 year Medium Term Financial Strategy is "To provide a financial framework within which financial stability can be achieved and sustained in the medium term to deliver the Council's key priorities".
5. There are 6 key objectives of the strategy:
  1. To provide financial parameters within which budget and service planning should take place
  2. To ensure the Council sets a balanced and sustainable budget
  3. To focus and re-focus the allocation of resources so that, over time, priority areas receive additional resources
  4. To ensure the Council manages and monitors its financial resources effectively so that spending commitments do not exceed resources available in each service area
  5. To plan the level of taxation in line with levels that the Council regard as being necessary, acceptable and affordable to meet the Council's aims, objectives, policies and priorities
  6. To ensure that the Council's long term financial health and viability remain sound.
6. The full strategy is attached at Appendix 1 and has been fully updated following receipt of the Comprehensive Spending Review and the Provisional Local Government Finance Settlement.

## **MEDIUM TERM FINANCIAL STRATEGY MODEL**

7. Based on the above strategy the forecast financial position for the 4 years to 2019/20 is set out in Table 1 and Appendix 2. The February 2015 budget report set out a gap over the period of £90M.

8. **Table 1 Original Savings Requirement**

	<b>2016/17 £M</b>	<b>2017/18 £M</b>	<b>2018/19 £M</b>	<b>2019/20 £M</b>
Net Saving Requirement	39.1	60.7	77.7	90.1
Annual Saving Requirement	39.1	21.6	17.0	12.4

9. The MTFS has been reviewed to take into account the following:

- The current forecast outturn position for 2015/16;
- The Provisional Local Government Finance Settlement;
- Review of the pressures the Council is facing;
- Review of the current levels of government funding;
- Review of the pay and inflation assumptions.

The updated position is set out below and shows a revised medium term budget shortfall of £42M.

10. **Table 2 Changes to the Medium Term Financial Model**

	<b>2016/17 £M</b>	<b>2017/18 £M</b>	<b>2018/19 £M</b>	<b>2019/20 £M</b>
Original Savings Requirement	<b>39.1</b>	<b>60.7</b>	<b>77.7</b>	<b>90.1</b>
<b><u>Changes in Expenditure</u></b>				
Reduced Pay Award Provision	(0.8)	(0.8)	(0.8)	(0.8)
Reduced inflation Provision	(0.4)	(0.4)	(0.4)	(0.4)
Adult Social Care Pressures	4.0	4.0	4.0	4.0
Children's Social Care Pressures	5.0	5.0	5.0	5.0
Funding to Support Roads Capital Programme	0.4	0.4	0.4	0.4
Release of Pressures & Risk Provisions	(2.8)	(2.8)	(2.8)	(2.8)
Apprentice Levy	0.0	0.4	0.4	0.4
Further Identified Pressures	4.0	6.7	8.4	11.1
<b><u>Changes In Funding</u></b>				
New Homes Bonus (1 year only)	(4.5)	-	-	-
Increase in Business Rates and Council Tax	(1.8)	(1.8)	(1.8)	(1.8)
Collection Fund Surplus 2015/16	(3.8)	-	-	-
Remove Council Tax increase @1.99%	1.5	1.5	1.5	1.5
Increase to Council Tax Base	(1.0)	(1.0)	(1.0)	(1.0)
<b><u>Provisional Local Government Finance Settlement Amendments</u></b>				
Revenue Support Grant	(1.8)	(3.4)	(6.9)	(5.6)

New Homes Bonus	(1.6)	(6.0)	(3.8)	(3.7)
Business Rates	1.0	2.2	2.7	3.2
Improved Better Care Fund	0.0	(0.6)	(4.4)	(7.7)
Other Government Grants	(1.2)	(0.6)	(0.6)	(0.6)
Adult Social Care Council Tax Precept	(1.6)	(3.2)	(5.0)	(6.8)
<b>Revised Savings Requirement</b>	<b>33.7</b>	<b>60.3</b>	<b>72.6</b>	<b>84.5</b>
<b>Total Savings Agreed &amp; being Proposed</b>	<b>29.9</b>	<b>35.7</b>	<b>41.3</b>	<b>42.2</b>
<b>Use of General Fund Balance</b>	<b>3.9</b>	-	-	-
<b>Savings Requirement</b>		<b>24.6</b>	<b>31.3</b>	<b>42.3</b>

11. The remaining annual savings requirement is set out in the Table 3.

**Table 3 Remaining Annual Savings Requirement**

	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>
Revised Net Revenue Expenditure	180.9	190.4	192.4	200.4
Revised Funding Available	(180.9)	(165.8)	(161.1)	(158.1)
Remaining Savings Requirement	-	24.6	31.3	42.3
Annual Savings Requirement	-	24.6	6.7	11.0

**Provisional Local Government Finance Settlement (PLGFS)**

Following the Comprehensive Spending Review the Government issued Provisional Local Government Finance Settlement that gave local authorities 4 years of indicative funding figures. The key messages from the Spending Review are attached at Appendix 3 and the impact of the PLGFS allocations have been reflected within the Strategy and model attached at Appendices 1 and 2.

12. **Efficiency Strategy**

The PLGFS set out the requirement for local authorities to have an Efficiency Strategy in place in order to take up the offer of a 4 year settlement and to be able to utilise the new power of flexibility for capital receipts. The MTFS now includes this strategy. It is expected this will need to be revised following receipt of the Final Settlement information which should contain more detail on this matter.

**RESOURCE IMPLICATIONS**

**Capital/Revenue**

13. This report is concerned with the Medium Term Financial Strategy and Model for 2016/17 and beyond. All implications are included within the report and appendices.

**Property/Other**

14. None

## LEGAL IMPLICATIONS

### Statutory power to undertake proposals in the report:

15. Local Government Finance Act 1992 And Local Government Acts 1972 to 2003.

### Other Legal Implications:

16. None.

## POLICY FRAMEWORK IMPLICATIONS

17. The Medium Term Financial Strategy provides the financial framework for the Council to deliver priority outcomes detailed in the Council Strategy. The Medium Term Plan and the Budget are key parts of the Policy Framework of the Council and a Budget and Council Tax for 2015/16 must be proposed by the Executive (Cabinet) for consideration by the Full Council under the Constitution.

<b>KEY DECISION?</b>	no
<b>WARDS/COMMUNITIES AFFECTED:</b>	All
<u>SUPPORTING DOCUMENTATION</u>	
<b>Appendices</b>	
1.	Medium Term Financial Strategy 2015/16 to 2019/20
2.	Medium Term Financial Model
3.	Highlights of the Comprehensive Spending Review
<b>Documents In Members' Rooms</b>	
1.	None
<b>Equality Impact Assessment</b>	
Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.	No
<b>Privacy Impact Assessment</b>	
Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out.	No
<b>Other Background Documents</b>	
Other Background documents available for inspection at:	
Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)