

## **CABINET**

**25 SEPTEMBER 2018**

### **MEDIUM TERM FINANCIAL STRATEGY 2018-2023**

Portfolio Holder: Councillor Alan Jarrett, Leader

Report from/Author: Phil Watts, Chief Finance Officer

#### **Summary**

This report introduces the Council's Medium Term Financial Strategy, which makes forward projections concerning the Council's budget requirement for the next five years and the resources available to deliver its corporate priorities and objectives. Most importantly it articulates the Council's strategy for delivering a balanced budget, year on year, against a backdrop of reductions in support from Central Government.

The Medium Term Financial Strategy provides a framework for the more detailed preparation of the 2019/20 revenue and capital budgets.

#### **1. Budget and Policy Framework**

1.1 The Council's annual budget and council tax setting establishes the Council's budget framework and sets out the funding of services. The Medium Term Financial Strategy (MTFS) identifies the key issues that need to be addressed as part of that budget preparation. The MTFS needs to be viewed in conjunction with the Council Plan for 2017-2022 to integrate budget setting with service planning and ensure that priorities and funding are matched. Approval of the MTFS is a matter for Cabinet.

#### **2. Background**

2.1 The Medium Term Financial Strategy 2017-22 was considered by Cabinet on 26 September 2017 and identified a potential revenue shortfall of some £4.1million in 2018/19 rising to £17.7million by 2021/22.

2.2 2017/18 saw the Council underspend against the agreed revenue budget, albeit by a modest £58,000. This was achieved in spite of forecasting a £653,000 overspend at quarter 3. The scale of the positive management action required to achieve this favourable outturn should not be understated and included careful management of vacant posts and some use of reserves.

2.3 The challenges facing the Council's finances are further emphasised by the forecast position reported for the first quarter of 2018/19, which reflects continued

pressure across all Council services and in spite of significant management action represents a forecast overspend of around £4.9million.

### **3. Advice and Analysis**

- 3.1 The document accompanying this covering report represents the result of a significant amount of work with colleagues to understand the population of Medway and the demand for Council Services over the next five years.
- 3.2 The demographic forecasts for Medway inform projections around the need for housing, for commercial sites to provide good quality employment for the growing population, the need for school places, social care, health services, leisure facilities, the cultural offer and the transport infrastructure required to support people to live and work in Medway.
- 3.3 The Council Plan clearly lays out three corporate priorities:
- Medway: A Place to be Proud Of;
  - Maximising Regeneration and Economic Growth;
  - Supporting Medway's People to Realise Their Potential.
- 3.4 This will be achieved through the adoption of three key ways of working:
- Giving value for money;
  - Finding the best digital innovation and using it to meet residents' needs;
  - Working in partnership where this benefits our residents.
- 3.5 The Medium Term Financial Strategy should be viewed in conjunction with the Council Plan and is fundamental to its delivery.
- 3.6 The table at the end of the Medium Term Financial Strategy summarises the financial challenge facing the Council over the next four years, identifying a gap of £3.2million in 2018/19 increasing to £16.3million by 2022-23. Even more importantly, the MTFS seeks to address how the Council intends to balance expenditure plans with the available resources over the same period.

### **4. Timetable**

- 4.1 The timetable for the Medium Term Financial Strategy and budget setting is as follows:

Report to Cabinet	25 September 2018
Portfolio/Directorate savings proposals	September to December
Initial budget proposals to Cabinet	20 November 2018
Reports to Overview and Scrutiny	December/January
Draft budget to Cabinet	5 February 2019
Budget proposals to Council	21 February 2019

- 4.2 Business and service planning will run in tandem with the budget setting process.

## **5. Risk management**

- 5.1 The risk of failing to produce a balanced and sustainable budget, whilst at the same time achieving priorities and maintaining effective service delivery is significant, but the solution lies in exploiting the opportunities afforded through digitalisation, new operating models and over the longer term devolution of power to local authorities and local autonomy over taxation.

## **6. Conclusion**

- 6.1 The Medium Term Financial Strategy identifies our spending needs for 2018/19 and beyond, in the context of a reducing resource base.
- 6.2 Whilst the Council has forecast a deficit in 2019/20 of around £3.2million, increasing to £16.3million by 2022/23, it will seek to address this through the accompanying Medium Term Financial Strategy. Notwithstanding the service pressures impacting on the Council's budget requirement and the significant financial constraints imposed through Government grant reductions, it must remain the Council's main strategic aim to achieve a sustainable budget without recourse to reserves.
- 6.3 That aim will only be achieved through a combination of seeking to maximise all revenues including local taxation and fees and charges, focussing resources on services that deliver the Council's corporate priorities, and delivering these services more efficiently, including through the commitment to the continuation of the Transformation programme into 2022/23 as proposed in this MTFS.

## **7. Financial and Legal Implications**

- 7.1 These are contained within the body of the report and accompanying Medium Term Financial Strategy.

## **8. Diversity Impact Assessment**

- 8.1 The Council has legal duties to give due regard to race, gender and disability equality in carrying out its functions. This includes the need to assess whether any proposed changes have a disproportionately negative effect on people from different ethnic groups, disabled people and men and women, which as a result may be contrary to these statutory obligations. The Medium Term Financial Strategy identifies the resources available, which will influence the service priorities within the Council Plan. Diversity Impact Assessments will be undertaken and reported to Members as part of the budget and service planning process, as more detailed proposals unfold.

## **9. Recommendations**

- 9.1 The Cabinet is asked to:
- 9.1.1 Agree the underlying aims of the Medium Term Financial Strategy (MTFS);
- 9.1.2 Note the forecast level of overall funding over the medium term; and the projected budget deficit identified in the MTFS;

9.1.3 Agree to bring forward proposals, through the financial planning process, to address this deficit.

## **10 Suggested Reason for Decision(s)**

10.1 The Medium Term Financial Strategy is important in providing the framework underpinning the budget setting process and is presented to Cabinet in accordance with the timetable set out within the Constitution.

### **Lead officer contact**

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### **Appendices**

Appendix 1: A Sustainable and Resilient Medway – Our Financial Strategy 2018-2023

### **Background papers**

Medium Term Financial Strategy 2017-2022 – Report to Cabinet 26 September 2017

<https://democracy.medway.gov.uk/mgconvert2pdf.aspx?id=38043>

Revenue and Capital Budgets 2018/19 – Report to Council 22 February 2018

<https://democracy.medway.gov.uk/mgAi.aspx?ID=18048#mgDocuments>