

CABINET

24 SEPTEMBER 2019

MEDIUM TERM FINANCIAL STRATEGY 2019-2024

Portfolio Holder: Councillor Alan Jarrett, Leader

Report from/Author: Phil Watts, Chief Finance Officer

Summary

This presents a draft of 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 attempts to articulate 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 2020/21 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 and the recently produced Council Strategy 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 2018 - 2023 was considered by Cabinet on 25 September 2018 and identified a potential revenue shortfall of £3.189 million in 2019/20 rising to £16.331 million by 2022/23.

2.2 2018/19 saw the Council overspend on services compared to the agreed revenue budget by £1.991 million, however increased income from Business Rates resulting from the pilot of 100% retention (almost entirely a one-off impact) meant that this overspend was met and a further £2.791 million was contributed to the Council's reserves.

2.3 The challenges facing the Council's finances are further emphasised by the forecast position reported for the first quarter of 2019/20, which reflects continued

pressure across all Council services and in spite of significant management action represents a forecast overspend of £6.262 million.

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 Strategy and Council Plan and is fundamental to their 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 £5.956 million in 2020/21 increasing to £17.327 million by 2023/24. Even more importantly, the MTFs seeks to explain the Council's strategy 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 (this report)	24 September 2019
Portfolio/Directorate savings proposals	September to December
Initial budget proposals to Cabinet	19 November 2019
Reports to Overview and Scrutiny	December/January
Draft budget to Cabinet	4 February 2020
Budget proposals to Council	20 February 2020

- 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. Whilst part of 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, the pressure resulting from rapid growth in demand for services and the unit costs of care are too significant. There will need to be a concerted push back to manage demand, even for statutory services, and improve our commissioning to resist cost pressures and identify more cost effective operating models.

6. Conclusion

- 6.1 The Medium Term Financial Strategy identifies our spending needs for 2019/20 and beyond, in the context of a reducing resource base.
- 6.2 Whilst the Council has forecast a deficit of £5.956 million in 2020/21 increasing to £17.327 million by 2023/24, it will seek to address this through the accompanying Medium Term Financial Strategy and the budget setting process. 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 our transformation programme as 'business as usual'.

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 Cabinet are 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 Decisions

- 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.

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Appendices

Appendix 1: A Sustainable and Resilient Medway – Our Financial Strategy 2019-2024

Background papers

Medium Term Financial Strategy 2018-2023 – Report to Cabinet 25 September 2018
<https://democracy.medway.gov.uk/ieListDocuments.aspx?CId=115&MId=4078&Ver=4>

Revenue and Capital Budgets 2019/20 – Report to Council 21 February 2019
<https://democracy.medway.gov.uk/ieListDocuments.aspx?CId=122&MId=4138&Ver=4>