
Medium Term Financial Strategy 2017/18 to 2019/20

Committee considering report: Council on 19 May 2016

Portfolio Member: Councillor Roger Croft

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1. Purpose of the Report

1.1 The Medium Term Financial Strategy (MTFS) is a rolling three year strategy which is built to ensure that the financial resources, both revenue and capital, are available to deliver the Council Strategy. The MTFS should be read in conjunction with the Revenue Budget 2016/17, Capital Strategy 2016 to 2021 and Investment and Borrowing Strategy reports.

1.2 The aim of the MTFS is to:

- (1) Allocate our available resources focussing on those determined as most critical in supporting our priorities and statutory responsibilities
- (2) Determine the level of service we will realistically be able to provide
- (3) Ensure that capital investment is affordable
- (4) Ensure that the Council has sufficient levels of reserves.

2. Recommendation

2.1 That Council approves and adopts the Medium Term Financial Strategy 2017/18 to 2019/20.

3. Implications

3.1 **Financial:** The MTFS allocates £330 million of Council revenue resources over the next three years and allocates £33.7 million of Council capital resources over the next five years.

The revenue funding gap is forecast to reach £22.4m by 2019/20.

3.2 **Policy:** The MTFS is aligned directly to the Council Strategy 2016-2020 and the Capital Strategy 2016-2021.

3.3 **Personnel:** The Council's establishment is funded from the Revenue Budget and Capital Programme. Any reductions in budget could impact on personnel.

3.4 **Legal:**

3.5 **Risk Management:** The MTFS is designed to minimise the financial risks to the delivery of the Council Strategy by providing a clear picture of the resources available and allowing the Council to focus on its priorities.

3.6 **Property:** The proposed Capital Programme will provide for maintenance and improvements to a number of existing Council buildings. The level of funding available for the proposed programme is partly dependent on final decisions still to be made about the disposal of some Council land and buildings.

3.7 **Other:** None

4. Other options considered

4.1 None.

5. Executive Summary

- 5.1 Over the last seven years, West Berkshire Council has had to find revenue savings of over £50m, which has been achieved through finding efficiencies, staff reductions and transforming services.
- 5.2 The Chancellor delivered the Autumn Statement and Spending Review 2015 on 25 November 2015, covering the period up to 2019/20. It announced a 53% cut in Government Funding to local authorities from 2016/17 to 2019/20. The Spending Review included proposals for 100% retention of business rates by 2020, phasing out of the Revenue Support Grant, the opportunity to raise Council Tax by up to 2% over the existing threshold to cover adult social care costs, the continuation of the Public Health grant ring-fencing for a further two years, phasing out of local authority schools and New Homes Bonus reform.
- 5.3 The settlement figures for 2016/17 to 2019/20 were finalised on 8th February 2016, and the settlement for West Berkshire was much worse than expected. In 2016/17 we will receive 44% less in Revenue Support Grant (RSG) than in 2015/16, equating to a loss of £7.6m. This is the third largest cut to RSG of all Unitary Authorities in England. Although we had planned for RSG to be cut by 25% year on year, the cuts to RSG are being applied much faster than expected. By the end of this MTFs in 2019/20 we will no longer receive any RSG.
- 5.4 As part of the settlement, Government has assumed that local authorities will increase their Band D council tax by 1.75% per year (CPI forecast) throughout the period to 2019/20. Government has also assumed that all eligible local authorities will take up the adult social care 2% precept in each year to 2019/20. Government has therefore assumed that our income from council tax will rise by 3.75% each year, and has reduced our RSG grant funding accordingly.
- 5.5 In responding to the consultation on the settlement Government announced that a transitional grant will be made available to be paid in each of the first two years of the settlement. West Berkshire will receive additional transitional grant funding from central government of £1.39m in 2016/17 and £1.37m in 2017/18. It has been agreed that the transitional funding should be used in order to respond to the concerns of the residents of West Berkshire and that any funding allocated should be on the basis of that service transitioning to a new model of operation over the course of the next two years.
- 5.6 This MTFs is based on an assumption of no increases in Council Tax for the next three years. This assumption together with the forecast levels of funding available over the period of the MTFs, together with provision for any required budgetary increases means that the forecast funding gap is £22.4m between 2017/18 and 2019/20.
- 5.7 Capital funding is covered in detail in the Capital Strategy 2016 to 2021. The annual increase in the Council's revenue budget to accommodate borrowing to fund the Capital Programme is £500k per year from 2017/18. The level of Council funded programme is planned to average £10m in 2016/17 and 2017/18 to support investment in Superfast Broadband, ICT and to meet the pressure on primary school pupil numbers. From 2018/19 onwards, the ongoing level of new Council funded capital is expected to continue at approximately £6m per year.

- 5.8 As part of the budget setting process, the General Fund and Earmarked Reserves are reviewed in detail. The General Fund is at a low level and as such there is minimal planned use of reserves over the MTFS period. The use of reserves is a one off solution and must be used prudently to ensure it does not undermine longer term budget sustainability.
- 5.9 The Council Strategy acknowledges that the reduction in government funding means that a more radical reshaping of the Council is now required. This needs to be driven by a review of what the Council has and wishes to do itself and a consideration of what might be best done by others, or possibly not done at all.
- 5.10 It is important that the Council maximises the generation of income. The main income source is Council Tax, at over two thirds of our income. Our grant funding is now based on our ability to raise Council Tax and on the assumption that we raise by CPI (currently 1.75%) each year. Any reduction in income raised, will have a direct affect on the savings required and ultimately on the services the Council provides. With our assumptions around not raising Council Tax over the period of this MTFS, a further £22.4m of savings or other income will need to be generated between 2017/18 and 2019/20.
- 5.11 The Council will undertake to maximise all efficiencies from across its service areas. This work has been ongoing over the last seven years contributing almost half of the £50m savings taken out of our budgets so far. Services will continue to look for efficiencies and in order to do this, it is important that all comparative costs are understood. We will compare ourselves to other local authorities and look to learn from those who have a lower cost base. Income generating sources and fees and charges will be reviewed as part of our benchmarking work, comparing ourselves nationally and with similar authorities.
- 5.12 The Council will continue to review what it does and look at statutory provision. The Council has had to disinvest from many areas over the last few years and this will continue to be reviewed. Where disinvestment is the only option, the Council will aim to work with partners and other providers to minimise the impact.
- 5.13 Transformation programmes are in place across the Council and will continue to focus on identifying savings through continuing to deliver services differently.

6. Conclusion

- 6.1 Local Government has been one of the areas of the public sector that has seen the highest reductions in government spending, and it is clear this will continue for at least the next three years. In light of the ongoing funding reductions, the Council will continue to make changes to service delivery whilst remaining in line with the Council Strategy and local priorities.
- 6.2 The Council has ensured that despite the funding cuts it has a robust financial structure on which to base its long term decisions and to prioritise available resources. Budgets have been reviewed to ensure each service has the appropriate level of budget to deliver the service expected, and budgets will continue to be reviewed as part of the financial process. Capital investment will continue to ensure that core assets are maintained and protected. Reserves have been reviewed to ensure there are sufficient reserves for the Council to deliver services and take appropriate risks in amending service delivery models without impacting on the financial viability of the organisation.

- 6.3 The Council has a track record of strong financial management. Historically budgets have been delivered without significant over or under spends. The Council's ability to manage within significant financial challenge is vital to its continuing success in delivering the Council Strategy. The Council is in a very difficult place financially and is facing a savings or other income requirement over the medium term of £22.4m. This is being addressed by looking at a range of strategies including new ways of delivering services, working in partnerships, increasing our income and continuing to drive efficiencies in order to help preserve service provision.

7. Appendices

- 7.1 Appendix A - Supporting Information
- 7.2 Appendix B – Equalities Impact Assessment
- 7.3 Appendix C – Medium Term Financial Plan – Assumptions