
Medium Term Financial Strategy 2018/19 to 2020/21

Committee considering report:	Executive on 19 February 2018 Council on 1 March 2018
Portfolio Member:	Councillor Anthony Chadley
Date Portfolio Member agreed report:	9 February 2018
Report Author:	Andy Walker
Forward Plan Ref:	C3275

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 2018/19, Capital Strategy 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) Ensure that capital investment is affordable; and
 - (3) Ensure that the Council has sufficient levels of reserves.

2. Recommendation

- 2.1 That Council approves and adopts the Medium Term Financial Strategy 2018/19 to 2020/21.

3. Implications

3.1 Financial:

The MTFS allocates £380 million of Council revenue resources over the next three years and allocates £43.6 million of Council capital resources over the next five years.

The revenue funding gap is forecast to reach £23m by 2020/21 prior to any savings plans or increases in income or Council Tax.

3.2 Policy:

The MTFS is aligned directly to the Council Strategy and the Capital Strategy.

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:**
None

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

Executive Summary

5. Introduction / Background

- 5.1 Over the previous eight years, West Berkshire Council has had to find over £55m of revenue savings, which has been achieved through finding efficiencies, making staff reductions, transforming services and generating income.
- 5.2 The 2016/17 Local Government Settlement announced the move to the retention of 100% of business rates by 2020 (now revised to 75%) and the phasing out of the Revenue Support Grant (RSG). Local authorities have been given the opportunity to raise council tax above the existing threshold with funds ring-fenced to pay for adult social care. West Berkshire Council applied a 2% precept in 2016/17, and a 3% precept in 2017/18, raising additional funds to support Adult Social Care needs in the district.
- 5.3 In October 2016, West Berkshire Council accepted the Government's offer of a four year funding settlement from 2016/17 to 2019/20. The Government made a clear commitment to provide minimum allocations for each year of the Spending Review period. Whilst this settlement committed the Council to a continued reduction in the Revenue Support Grant (RSG), it provided some financial certainty on which the Council could plan ahead and build other sources of income.

6. The Provisional 2018/19 Local Government Finance Settlement

- 6.1 The provisional settlement figures were issued on 19 December 2017 with the final settlement announced on 6 February 2018. The Secretary of State for local government has approved a bid submitted collectively by the six unitary authorities in Berkshire for the creation of a business rates pilot across Berkshire in 2018/19. This pilot will help the Government develop its detailed proposals to devolve business rate income to local authorities, replacing the current grant funding arrangements.
- 6.2 During the pilot year, it is estimated that an additional £35m of business rates income collected in Berkshire will be retained within the county, rather than being returned to Whitehall as at present. The Berkshire authorities have committed to set aside 70% of the additional funding to make improvements to transport infrastructure in the Reading – Wokingham and Slough – Heathrow corridors, to be taken forward by the Thames Valley Berkshire Local Enterprise Partnership (LEP). The remaining 30% of additional funding will be distributed to the individual local authorities in Berkshire, in proportion to their respective contribution to the overall growth. The pilot has been agreed for one year only.

7. Funding Gap

- 7.1 The Council's costs grow each year as a result of inflation, salary increases, changes to National Insurance and pension contributions, and service pressures arising from increased demand and new responsibilities, particularly in adult social care. The forecast levels of funding over the period of the MTFS, together with provision for budgetary increases, means that West Berkshire Council would be facing a funding gap of £23m by 2020/21, before considering Council Tax increases or savings plans.

- 7.2 In order to close the 2018/19 gap of £10.6m, it is proposed that Council Tax will be increased by 2.99% raising £2.7m, with a 3% precept ring-fenced for adult social care raising a further £2.7m, savings and income generation will raise £5.2m.
- 7.3 For 2019/20 and 2020/21, the assumption in the Medium Term Financial Strategy is that Council Tax increases will be at 2% per year, leading to savings and income requirements of £5.2m and £3.1m respectively. For 2019/20, £2.8m has already been identified and in 2020/21, £240k has been identified.

8. Reserves

- 8.1 The level of usable reserves the Council holds is reviewed as part of the medium term financial planning. Consideration is given to the financial standing of the Council, the medium term funding outlook and the risks we are facing. The s151 officer (Head of Finance & Property) recommends that the General Reserve totals, as a minimum, 5% of the Council’s net revenue expenditure, which for 2018/19 would be £6.3m. The use of reserves is a one off solution and must be used prudently to ensure it does not undermine longer term budget sustainability. Usable reserves are shown in the following table:

	1.4.2017	1.4.2018	1.4.2019
	Actual	Estimate	Estimate
Usable Reserves	£m	£m	£m
General Funds:			
General Fund	5.32	5.32	5.32
Risk Fund	1.03	1.03	1.03
Total General Reserves	6.35	6.35	6.35
Earmarked Reserves	12.85	10.18	9.03
Total Usable Reserves	19.20	16.53	15.38

- 8.2 During 2017/18, earmarked reserves are expected to reduce by £2.67m to fund the forecast revenue over spend, exit costs arising from savings plans, transformation projects and release earmarked reserves. During 2018/19, estimates have been made for funding exit costs, use of transformation fund and other use of reserves.

9. Medium Term Financial Strategy

- 9.1 The key financial strategy to close the funding gap over the medium term will focus on innovation around service transformation, strategic transformation and commercialisation. The Corporate Programme is driving this change and contains a number of projects that aim to support the Council’s financial strategy through identifying opportunities to transform services and through implementing changes that will deliver new income streams. The areas of focus that will contribute to closing the funding gap include:
- (1) Digitisation, identifying solutions to address council services such as bookings, training courses and payments and to assist with the Waste Services project.
 - (2) Continuing to improve our systems and processes by undertaking Financial Challenge Reviews and New Ways of Working reviews, and benchmarking to compare our cost levels and find new income opportunities.

- (3) Demand management, reviewing where the demand on our services actually comes from, who the key users are, what their requirements are and how might we better manage demand or anticipate needs
- (4) Commercialisation, investing in residential and commercial property, adopting a more commercial approach to procurement and trading further with schools and other organisations.
- (5) Reducing the amount we pay for collecting and disposing of household waste.
- (6) Sharing services with other local authorities and the One Public Estate programme to make the best use of Berkshire wide collective buildings.
- (7) Working with partners and communities to deliver services differently and devolution to Parish and Town Councils.

9.2 The strategy is aimed at closing the funding gap and bringing financial stability for the future. The three year Medium Term Financial Model is shown below:

2017/18	Line ref	Medium Term Financial Model	2018/19	2019/20	2020/21
£m			£m	£m	£m
4.99%		Council Tax/ASC Precept Increase	5.99%	2.00%	2.00%
88.37	1	Council Tax income	94.84	98.19	101.65
3.70	2a	Revenue Support Grant	0.00	-1.79	-2.12
1.37	2b	Transitional Grant Funding	0.00	0.00	0.00
5.08	3a	Adult Social Care BCF ringfenced funding	5.43	5.43	5.43
0.70	3b	Adult Social Care iBCF ringfenced funding	0.58	0.28	0.00
0.50	3c	Adult Social Care Support Grant	0.31	0.00	0.00
0.06	4	Other Non-Ringfenced Grants	0.08	0.07	0.05
85.41	5a	<i>Business Rates Collected</i>	86.38	88.37	90.40
-66.03	5b	<i>Business Rates sent to Central Government</i>	-64.15	-67.01	-68.63
19.38	5c	Retained Business Rates	22.23	21.36	21.77
0.51	6	Education Services Grant (ESG)	0.00	0.00	0.00
3.63	7	New Homes Bonus	2.69	2.29	1.81
-0.11	8	Council Tax Collection Fund deficit (-)/ surplus	-0.73	0.00	0.00
0.00	9	Use of Capital Receipt	0.00	0.00	0.00
123.19	10	Funds Available	125.44	125.84	128.59
113.77	11a	Opening budget	114.55	118.83	119.72
-0.95	11b	Opening budget adjustments	0.21	-0.71	0.00
1.45	12	Budget growth	2.55	2.31	1.74
0.79	13	Contract inflation	1.76	1.58	1.62
3.71	14	Service Pressures	4.49	2.43	2.33
0.50	15	Increase in capital financing cost	0.50	0.50	0.50
-4.72	16	Savings or income requirement	-5.23	-5.22	-3.10
114.55	17	Annual Budget Requirement	118.83	119.72	122.81
0.51	18	One off provision for other risks	0.60	0.40	0.35
1.37	19	One off transitional grant funding	0.00	0.00	0.00
5.08	20a	One off Adult Social Care BCF ringfenced funding	5.43	5.43	5.43
0.70	20b	One off Adult Social Care iBCF ringfenced funding	0.58	0.28	0.00
122.21	21	Net Budget Requirement for Management Accounting	125.44	125.84	128.59
0.98	22a	Increase in reserves	1.24	0.00	0.00
0.00	22b	Use of reserves	-1.24	0.00	0.00
123.19	23	Budget Requirement	125.44	125.84	128.59

10. Proposal

10.1 To approve the MTFS, subject to final changes.

11. Conclusion

- 11.1 The forecast levels of funding available over the medium term, together with provision for budgetary increases and growing pressures, mean that over the next three years we need to address a funding gap of £23m. In 2018/19, a 2.99% Council Tax increase will raise £2.7m, a 3% adult social care precept will raise a further £2.7m and our savings and income generation plans will save £5.2m. For the following two years, the gap will be closed from Council Tax increases and savings and income generation. The key financial strategy to close the funding gap over the medium term will focus on innovation around service transformation, strategic transformation in order to bring financial stability for the future. Capital investment will continue to ensure that core assets are maintained and protected. Reserves have been reviewed to ensure they are for the Council to deliver services and take appropriate risks in amending service delivery models without impacting on the financial viability of the organisation.
- 11.2 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.

12. Appendices

- 12.1 Appendix A – Equalities Impact Assessment
- 12.2 Appendix B – Supporting Information
- 12.3 Appendix C – Medium Term Financial Plan – Assumptions

Appendix A

Equality Impact Assessment - Stage One

We need to ensure that our strategies, policies, functions and services, current and proposed have given due regard to equality and diversity as set out in the Public Sector Equality Duty (Section 149 of the Equality Act), which states:

- “(1) A public authority must, in the exercise of its functions, have due regard to the need to:**
- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;**
 - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; this includes the need to:**
 - (i) remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;**
 - (ii) take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;**
 - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it, with due regard, in particular, to the need to be aware that compliance with the duties in this section may involve treating some persons more favourably than others.**
- (2) The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.**
- (3) Compliance with the duties in this section may involve treating some persons more favourably than others.”**

The following list of questions may help to establish whether the decision is relevant to equality:

- Does the decision affect service users, employees or the wider community?
- (The relevance of a decision to equality depends not just on the number of those affected but on the significance of the impact on them)
- Is it likely to affect people with particular protected characteristics differently?
- Is it a major policy, or a major change to an existing policy, significantly affecting how functions are delivered?
- Will the decision have a significant impact on how other organisations operate in terms of equality?
- Does the decision relate to functions that engagement has identified as being important to people with particular protected characteristics?
- Does the decision relate to an area with known inequalities?
- Does the decision relate to any equality objectives that have been set by the council?

Please complete the following questions to determine whether a full Stage Two, Equality Impact Assessment is required.

What is the proposed decision that you are asking the Executive to make:	Approval of MTFS 2018/19 to 2020/21
Summary of relevant legislation:	
Does the proposed decision conflict with any of the Council’s key strategy priorities?	No
Name of assessor:	Andy Walker
Date of assessment:	11.1.18

Is this a:		Is this:	
Policy	No	New or proposed	Yes
Strategy	Yes	Already exists and is being reviewed	No
Function	No	Is changing	No
Service	No		

1 What are the main aims, objectives and intended outcomes of the proposed decision and who is likely to benefit from it?	
Aims:	To ensure that the Council has a financial strategy for the next three years.
Objectives:	
Outcomes:	
Benefits:	

2 Note which groups may be affected by the proposed decision. Consider how they may be affected, whether it is positively or negatively and what sources of information have been used to determine this. (Please demonstrate consideration of all strands – Age, Disability, Gender Reassignment, Marriage and Civil Partnership, Pregnancy and Maternity, Race, Religion or Belief, Sex and Sexual Orientation.)		
Group Affected	What might be the effect?	Information to support this
Age		
Disability		
Gender Reassignment		

Marriage and Civil Partnership		
Pregnancy and Maternity		
Race		
Religion or Belief		
Sex		
Sexual Orientation		
Further Comments relating to the item:		

3 Result	
Are there any aspects of the proposed decision, including how it is delivered or accessed, that could contribute to inequality?	No
Please provide an explanation for your answer:	
Will the proposed decision have an adverse impact upon the lives of people, including employees and service users?	No
Please provide an explanation for your answer:	

If your answers to question 2 have identified potential adverse impacts and you have answered ‘yes’ to either of the sections at question 3, or you are unsure about the impact, then you should carry out a Stage Two Equality Impact Assessment.

If a Stage Two Equality Impact Assessment is required, before proceeding you should discuss the scope of the Assessment with service managers in your area. You will also need to refer to the [Equality Impact Assessment guidance and Stage Two template](#).

4 Identify next steps as appropriate:	
Stage Two required	No
Owner of Stage Two assessment:	
Timescale for Stage Two assessment:	

Name: Andy Walker

Date: 11.1.2018

Please now forward this completed form to Rachel Craggs, Principal Policy Officer (Equality and Diversity) (rachel.craggs@westberks.gov.uk), for publication on the WBC website.