
Medium Term Financial Strategy 2019/20 to 2021/22

Committee considering report:	Executive on 14 February 2019 Council on 5 March 2019
Portfolio Member:	Councillor Anthony Chadley
Date Portfolio Member agreed report:	24 January 2019
Report Author:	Andy Walker/Melanie Ellis
Forward Plan Ref:	C3614

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, Capital Programme 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 Executive recommends to Council to approve and adopt the Medium Term Financial Strategy 2019/20 to 2021/22.

3. Implications

- 3.1 **Financial:** Over the three year period, the MTFS allocates approximately £400 million of Council revenue resources and £68 million of Council capital resources.
- 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. Background

- 5.1 In October 2016, West Berkshire Council accepted the Government's offer of a four year funding settlement from 2016/17 to 2019/20. Whilst this settlement committed the Council to a continued reduction in the Revenue Support Grant (RSG), it has provided some financial certainty on which the Council has planned ahead and built other sources of income. Since 2016/17, West Berkshire Council has seen the RSG reduce from £15m to zero.
- 5.2 Local authorities have had to raise funds locally via increases in Council Tax to keep up with increasing costs and reducing Government funding. West Berkshire raised Council Tax by 2% in 2016/17 and 2017/18 and then by 3% in 2018/19, when government raised the threshold. These increases when added to taxbase growth now generate an additional £10m per year. Authorities have been given the opportunity to raise an Adult Social Care (ASC) Precept on 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 3% in 2017/18 and 2018/19. This now funds £7.3m per year to support adult social care needs in the district.
- 5.3 The Council has faced increased costs from demand led services especially in social care, over and above what can be funded from Council Tax or the ASC Precept. As a result, over the past three years, West Berkshire Council has had to find £24m of revenue savings to balance the budget, which has been achieved through becoming more efficient, making staff reductions, transforming services and generating income.

6. The Provisional 2019/20 Local Government Finance Settlement

- 6.1 The provisional settlement figures were issued on 13 December 2018 with the final settlement due in February 2019. Key points are:
 - (1) A collective bid by the six unitary authorities in Berkshire to continue the business rates retention pilot, under a 75% retention scheme, has been approved. Being part of a pilot is estimated to generate additional funding for West Berkshire of approximately £1.75m per year. However, from the £86m we collect in business rates locally, we will still only retain £24m. This is because we pay 25% to central government, and pay a further 48% to central government in the form of a tariff.
 - (2) One-off funding has been announced for 2019/20 to spend on adult social care services to help alleviate winter pressures on the NHS, and a social care grant to improve the local authority social care offer for older people, people with disabilities and children.
 - (3) For Council Tax, a core principle of up to 3% increase was announced. The ASC precept continues, subject to total increases not exceeding 6% between 2017/18 and 2019/20.
 - (4) It has been announced that negative RSG will be eliminated. Negative RSG is the name given to a downward adjustment of a local authority's business rates

tariff, as a consequence of changes to distribution methodology adopted in 2016/17. This has given us a benefit of £1.8m in 2019/20.

- 6.2 2019/20 is the final year of the four year settlement. Beyond this, future funding for local government will be announced as part of the 2019 Spending Review.

7. Funding Gap

- 7.1 Council Tax funds 75% of our revenue budget. The MTFS is built on a 2.99% Council Tax increase in 2019/20 and a 1.99% increase thereafter, tax base growth of 0.2% in 2019/20 and 0.75% thereafter, and a collection rate of 99.6%. The tax base is the number of properties paying Council Tax.
- 7.2 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 social care.
- 7.3 The Council continues to invest in commercial property, and this is scheduled to generated £2m income per year once fully invested, which is equivalent to approximately 2% Council Tax.
- 7.4 The forecast levels of revenue funding over the period of the MTFS, together with provision for forecast budgetary increases, means that West Berkshire Council faces a funding gap of just over £6m each year. This is at an assumed Council Tax increase of 2.99% in 2019/20 followed by 1.99% thereafter.

8. Capital Funding

- 8.1 Capital funding is covered in detail in the Capital Strategy 2019 to 2022. The size of the proposed Capital Programme is determined by the amount which the Council can afford to borrow together with other sources of capital funding including capital receipts, government grants and developers' contributions. The Council funded programme for 2019/20 is £68m. This figure includes £35m planned to be spent on investment property; the borrowing and repayment will be funded from income to be earned from that property. Further detail on Council borrowing is included with the Capital Strategy and Capital Programme 2019/20 – 2021/22.

9. Reserves

- 9.1 The level of usable reserves the Council holds is reviewed as part of the medium term financial planning. The s151 officer (Head of Finance & Property) recommends that the General Reserve is a minimum of 5% of the Council's net revenue expenditure, which for 2019/20 would be £6.55m. Usable reserves are shown in the following table:

Usable Reserves	1.4.2017	1.4.2018	1.4.2019
	Actual	Actual	Estimate
	£m	£m	£m
General Reserve	6.35	6.07	6.55
Earmarked Reserves	12.85	11.37	10.58
Total Usable Reserves	19.20	17.44	17.13

- 9.2 During 2018/19, earmarked reserves are expected to reduce by £0.8m to fund the forecast revenue over spend, exit costs arising from savings plans, transformation projects and release earmarked reserves.

10. Medium Term Financial Strategy

- 10.1 The financial strategy to close the funding gap over the medium term will focus on transformation, digitisation and commercialisation projects. The areas of focus that will contribute to closing the funding gap include:

- (1) Financial Challenge – challenging services to identify savings and income generating opportunities.
- (2) New Ways of Working - reviewing how and why we deliver services and looking at how we might deliver them in a more effective and efficient way.
- (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 - changing working practices and encouraging a shift in culture to improve the way the Council trades with others.
- (5) Digitisation – creating Digital Capabilities to generate online efficiencies.
- (6) Sharing services and working with partners - with other local authorities, Town and Parish Councils and communities.

- 10.2 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:

2018/19	Line ref		2019/20	2020/21	2021/22
£m			£m	£m	£m
2.99%		Council Tax Increase	2.99%	1.99%	1.99%
3%		ASC Precept	0.00%	0.00%	0.00%
88.05	1a	Council Tax income	90.61	93.10	95.67
6.79	1b	Adult Social Care Precept	7.26	7.46	7.67
0.00	2	Revenue Support Grant	0.00	0.00	0.00
6.01	3a	Adult Social Care BCF and iBCF ringfenced funding	6.22	5.43	5.43
0.31	3b	Social Care Support Grant	0.86	0.00	0.00
0.08	4	Additional Government Funding	0.07	0.05	0.00
86.63	5a	<i>Business Rates Collected</i>	86.43	86.91	88.64
-64.15	5b	<i>Business Rates sent to Central Government</i>	-62.83	-62.61	-64.27
22.48	5c	Retained Business Rates	23.60	24.29	24.37
2.69	6	New Homes Bonus	2.39	1.91	1.72
-0.97	7	Collection Fund deficit (-)/ surplus	0.09	0.00	0.00
125.44	8	Funds Available	131.11	132.25	134.86
136.28	9a	Expenditure budget (net of ring-fenced grants)	143.50	152.13	155.64
-21.33	9b	Fees, charges and commercial income	-25.37	-27.74	-29.32
114.95	9c	Base budget	118.13	124.39	126.32
2.35	10	Budget growth	2.71	2.04	2.06
1.76	11	Contract inflation	1.72	1.77	1.86
4.49	12	Increased budget requirement (pressures)	7.57	4.39	4.50
0.50	13	Increase in capital financing cost	0.50	0.50	0.50
-4.70	14a	Savings/Income Proposals	-5.13	-1.26	0.00
-0.53	14b	Commercial income	-1.11	-0.50	0.00
	14c	Remaining savings/income target	0.00	-5.00	-6.31
118.83	15	Annual Budget Requirement	124.39	126.32	128.93
0.60	16	Risk provision	0.50	0.50	0.50
119.43	17	Net Budget Requirement for Management Accounting	124.89	126.82	129.43
6.01	18	Adult Social Care BCF and iBCF ringfenced funding	6.22	5.43	5.43
0.00	19	Use of reserves	0.00	0.00	0.00
125.44	20	Budget Requirement	131.11	132.25	134.86

11. Proposal

- 11.1 To approve the MTFS.

12. Conclusion

- 12.1 The forecast levels of funding available over the medium term, together with provision for budgetary increases and growing pressures, mean that we need to address a funding gap of over £6m each year, after assuming Council Tax increases of 2.99% in 2019/20 and 1.99% per year thereafter. 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.
- 12.2 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.

13. Appendices

- 13.1 Appendix A – Data Protection Impact Assessment
- 13.2 Appendix B – Equalities Impact Assessment
- 13.3 Appendix C – Supporting Information

Appendix A

Data Protection Impact Assessment – Stage One

The General Data Protection Regulations require a Data Protection Impact Assessment (DPIA) for certain projects that have a significant impact on the rights of data subjects.

Should you require additional guidance in completing this assessment, please refer to the Information Management Officer via dp@westberks.gov.uk

Directorate:	Resources
Service:	Finance and property
Team:	Accountancy
Lead Officer:	Melanie Ellis/Andy walker
Title of Project/System:	MTFS
Date of Assessment:	25.1.19

Do you need to do a Data Protection Impact Assessment (DPIA)?

	Yes	No
Will you be processing SENSITIVE or “special category” personal data? Note – sensitive personal data is described as “data revealing racial or ethnic origin, political opinions, religious or philosophical beliefs, or trade union membership, and the processing of genetic data, biometric data for the purpose of uniquely identifying a natural person, data concerning health or data concerning a natural person’s sex life or sexual orientation”		☒
Will you be processing data on a large scale? Note – Large scale might apply to the number of individuals affected OR the volume of data you are processing OR both		☒
Will your project or system have a “social media” dimension? Note – will it have an interactive element which allows users to communicate directly with one another?		☒
Will any decisions be automated? Note – does your system or process involve circumstances where an individual’s input is “scored” or assessed without intervention/review/checking by a human being? Will there be any “profiling” of data subjects?		☒
Will your project/system involve CCTV or monitoring of an area accessible to the public?		☒
Will you be using the data you collect to match or cross-reference against another existing set of data?		☒
Will you be using any novel, or technologically advanced systems or processes? Note – this could include biometrics, “internet of things” connectivity or anything that is currently not widely utilised		☒

If you answer “Yes” to any of the above, you will probably need to complete [Data Protection Impact Assessment - Stage Two](#). If you are unsure, please consult with the Information Management Officer before proceeding.

Appendix B

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:	Approve the MTFS
Summary of relevant legislation:	n/a
Does the proposed decision conflict with any of the Council's key strategy priorities?	No
Name of assessor:	Andy Walker/Melanie Ellis
Date of assessment:	25.1.19

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:	Set a three year MTFS
Objectives:	Medium term planning
Outcomes:	Medium term planning
Benefits:	Medium term planning

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	
Owner of Stage Two assessment:	
Timescale for Stage Two assessment:	

Name: Andy Walker/Melanie Ellis

Date: 25.1.19

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.