

This Report will be made public
on 9 October 2018.

Report Number: **C/18/36**

To: Cabinet
Date: 17 October 2018
Status: Key Decision
Corporate Director: Tim Madden, Customers, Support and Specialist Services
Cabinet Member: Councillor David Monk, Leader of the Council

SUBJECT: Medium Term Financial Strategy 2019/20 to 2022/23

SUMMARY: The Medium Term Financial Strategy (MTFS) is the Council's key financial planning document. It puts the financial perspective on the council's Corporate Plan priorities, expressing the aims and objectives of various plans and strategies in financial terms over the four year period ending 31st March 2023. It covers both revenue and capital for the General Fund and the Housing Revenue Account. Also included are the Council's reserves policies. The MTFS is a key element of sound corporate governance and financial management.

REASONS FOR RECOMMENDATION:

Cabinet is asked to agree the recommendations set out below because:-

- (a) The MTFS is the council's key financial planning document.
- (b) The strategy defines the financial resources needed to deliver the council's corporate objectives and priorities and covers the financial implications of other key strategies.
- (c) The council needs to be able to carry out an early assessment of the financial implications of its approved policies and strategies and also external financial pressures facing the authority to ensure that it has robust budgeting and remains financially viable.

RECOMMENDATIONS:

Cabinet is asked to recommend to Council:

1. To receive and note Report C/18/36.
2. To recommend that the Medium Term Financial Strategy, as appended to this report, is adopted.

1. THE MEDIUM TERM FINANCIAL STRATEGY (MTFS)

- 1.1 The MTFS is the council's key financial planning tool and underpins the strategic approach to financial planning. It is a live document which needs to be periodically reviewed to reflect changing priorities and objectives. As the MTFS outlines the financial resources necessary to deliver strategic priorities, it should not be viewed in isolation but as part of the wider corporate process.
- 1.2 The council last reviewed the MTFS at its meeting of 17 October 2017. The attached MTFS has updated the document agreed at that point based on the work completed to date in preparation of the 2019/20 budget. The detailed budget strategy, which sets out the detailed preparation for the 2019/20 budget, will be presented to Cabinet at its meeting of 14th November 2018. The MTFS provides the medium term view of the financial position of the Council.
- 1.3 The attached document reflects a summarized version of the key financial elements facing the Council. It covers key areas of the council's finances and in particular updates the financial projections which are of importance at this stage of the process and links to the new corporate plan. The intention is, once the 2019/20 budget is completed, to refresh this document and to present the full version to Cabinet and Council which will take into account the final budget of the Council which will be agreed in February 2019.
- 1.4 As in recent years, local authority financial management is set against a background of uncertainty and the MTFS is subject to influence outside the authority's control. Nationally, the continued uncertainty around the terms of any "Brexit" agreement and the government's Fair Funding Review means that all local authorities need to try and plan for future uncertainties. These include key changes include the future funding arrangements for Business Rates, the end of the Revenue Support Grant and any structural or devolution proposals which will affect councils in different areas according to local circumstances. These will have a significant impact upon the financial profiling of the Council. The impact of decisions arising from Council policy could also affect the MTFS and therefore further iterations of the MTFS will reflect the financial implications of those decisions taken.
- 1.5 The current strategy has been developed in the context of this period of uncertainty. As such, assumptions have had to be made with regard to future income streams and assessments of future government grant. Although these are very much best estimates, they are taken in the context of the current economic climate and the uncertainties identified above. As such, a difficult but realistic forecast of income trends has been incorporated into this MTFS model.
- 1.6 There is significant long term pressure upon the finances of the Council and broadly the financial projection is in line with that in previous years. The key change is the Fair Funding Review (see above) which looks to make significant changes from April 2020 to Council funding nationally.

This gives a level of uncertainty when looking at future projections and developing the underpinning assumptions for the financial forecast

- 1.7 The current MTFS forecasts a cumulative funding gap of £4.362 million over the lifetime of this MTFS. This is based on the assumption of a 2% annual council tax increase for the period of the MTFS. These will be subject to Political decisions at the appropriate time. The table below also shows the cumulative deficit over the period of the MTFS.

	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Deficit	721	1,723	3,043	4,362

- 1.8 The position set out above is in advance of the budget strategy which will be presented to Cabinet at its meeting of the 14th November. That will address the detailed measures to consider the deficit for 2019/20 in terms of identifying savings but also any known cost pressures. In light of the increasing pressures facing the council, all budget considerations will also look at the impact in future years and the sustainability of any options.
- 1.9 The MTFS covers the key aspects of the Council's future plans to address the projected deficit and also to place the Council on a sustainable and secure footing for the future. This includes the impact of the Council's current transformation programme, its use of flexible capital receipts to support that programme, the future approach to investment in the district and the key drivers associated with the future position. This is an overarching view and detail will be found in subsequent reports to Cabinet and Council.
- 1.10 The MTFS is included at Annex A to this report and sets out the financial forecast for the Council.

2. RISK MANAGEMENT ISSUES

- 2.1 A summary of the perceived risks follows:

Perceived risk	Seriousness	Likelihood	Preventative action
The Council does not remain up to date up to date with changes in legislation and other developments.	High	Low	Financial Services are keeping abreast of finance changes. Heads of Service to keep up to date with / communicate changes to their areas of work.
Assumptions may be inaccurate	High	Medium	Budget monitoring process is up to date and a close

			eye is being kept on financial developments nationally. Assumptions are constantly reviewed and amended in light of information received.
Local Government Finance Settlement is worse than anticipated.	High	Medium	Realistic assumptions have already been included and any new information is being assessed as to its likely impact. This is subject to ongoing review especially given the changes in future funding arrangements.
MTFS becomes out of date	High	Low	This is reviewed annually through the budget process.
Significant financial shocks worsen the current position of the council	High	Medium	There is ongoing monitoring of the overall financial position and climate and by adopting the MTFS a longer term time horizon is maintained to anticipate and respond to uncertain events.

3. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

3.1 Legal Officer's Comments (DK)

There are no legal implications arising out of this report.

3.2 Finance Officer's Comments (TM)

There are no direct financial consequences arising from this report. However the strategy will influence the management of the council's

resources ensuring that the focus is on the objectives and targets outlined in the corporate plan.

3.3 Diversity and Equalities Implications (TM)

There are no diversity and equality implications arising from this document. When the budget for 2017/18 is prepared, an Equalities Impact Assessment will be completed.

4. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

Councilors with any questions arising out of this report should contact the following officer prior to the meeting

Tim Madden, Corporate Director, Customers, Support and Specialist Services

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The following background documents have been relied upon in the preparation of this report:

No background documents have been used.

Appendices:

Medium Term Financial Strategy 2019/20 – 2022/23