

# REPORT TO EXECUTIVE

**REPORT OF:** Executive Member, Finance & ICT

**REPORT NO.:** CFM391

**DATE:** 17<sup>th</sup> November 2016

<b>TITLE:</b>	Medium Term Financial Strategy 2016/17 – 2020/21	
<b>KEY DECISION OR POLICY FRAMEWORK PROPOSAL:</b>	Policy Framework Proposal	
<b>PORTFOLIO HOLDER: NAME AND DESIGNATION:</b>	Cllr Teri Bryant Executive Member, Finance & ICT	
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<b>INITIAL IMPACT ASSESSMENT:</b>  <b>Equality and Diversity</b>	Details contained at paragraph 7.	Full impact assessment Required: N/A
<b>FREEDOM OF INFORMATION ACT:</b>	This report is publicly available via the Local Democracy link on the Council's website: <a href="http://www.southkesteven.gov.uk">www.southkesteven.gov.uk</a>	
<b>BACKGROUND PAPERS</b>	CFM389 – Medium Term Financial Strategy 2016/17-2020/21  CFM387- Development of Medium Term Financial Strategy  HOF253 – Medium Term Financial Strategy 2013/14 – 2017/18  The above reports can be located by putting their reference number in the search section of the committee website via the link below: <a href="http://moderngov.southkesteven.gov.uk/ieDocSearch.aspx?bcr=1">http://moderngov.southkesteven.gov.uk/ieDocSearch.aspx?bcr=1</a>	

## **1. RECOMMENDATION**

It is recommended that Council approve the Medium Term Financial Strategy for the period 2016/17 – 2020/21.

## **2. PURPOSE OF THE REPORT/DECISION REQUIRED**

2.1 To seek Council approval of the Medium Term Financial Strategy (MTFS) covering the period 2016/17 – 2020/21.

## **3. DETAILS OF THE REPORT**

### **Background and Context**

3.1 Since the approval of the current MTFS in November 2013, the financial climate surrounding local government has changed significantly with more changes anticipated. In particular, the move towards full business rate retention and the phased removal of central government grant by 2019. This means that, by 2019/20, the Council will need to be financially self-sufficient – this is a supported ambition as stated in the Corporate Plan.

3.2 Within this context the Council has restated its priorities and has a clear focus on two ambitions of being open for business and commercially and customer focussed. Therefore, it is timely and appropriate to refresh and update the MTFS to ensure it provides a dynamic, responsive and flexible framework in which resources can be allocated and aligned both for annual budget setting and budget management during the course of year. The focus of the MTFS is to ensure the Council maximises its resources and opportunities for achieving both cost reduction and revenue growth through supporting key strategies - specifically Local Plan, Housing Strategy and Economic Development Strategy. Moreover, the Council will continue to develop services by looking at new and innovative ways of working in order to continue to drive out efficiencies and generate additional income streams, particularly from commercial activities.

3.3 The updated MTFS and underlying principles have been developed with the Resources PDG. The PDG formulated a working group that met over the summer to consider the key elements of the developing MTFS including the financial environment, the alignment of the MTFS to support the Corporate Plan ambitions and the need to create a flexible resourcing framework. This work was a key element of their work plan for 2016/17 and their recommendations have been approved by the Executive and incorporated into the draft MTFS prior to it being presented to Council.

### **Medium Term Financial Strategy 2016/17 – 2020/21**

3.4 The attached draft Strategy (Appendix A) provides the overarching financial and budgetary framework for the delivery of services and priority outcomes as set out in the Corporate Plan. The scope of the Strategy covers all the Council's revenue and capital investment plans but excludes the Housing Revenue Account (HRA)

as this service has its own strategic direction and focus and which will be contained in the emerging Housing Strategy and HRA Business Plan.

- 3.5 The principles have been reviewed and increased flexibility has been introduced to provide a framework that is responsive and adaptable for resource allocation whilst still ensuring an overall robust internal control framework.
- 3.6 In meeting the Council's Corporate Plan ambitions, the capital programme will continue to require careful financial appraisal in order to identify the most appropriate funding method, having regard to available internal resources and external borrowing opportunities. This is best achieved on a project by project basis that takes account of the most up to date position.
- 3.7 The Strategy also briefly illustrates how the use of Council funds and reserves (revenue and capital) assist with the funding of priority schemes whilst helping to mitigate some of the funding risks identified in the MTFS.
- 3.8 This Strategy differs from the current MTFS by being set at a higher strategic level due to the constantly changing economic and financial climate within which the Council operates. This level of volatility and uncertainty is likely to remain over the duration of the MTFS so annual reviews of it will be necessary to ensure it remains up to date and relevant.
- 3.9 In aligning resources to fund services and deliver priority outcomes, it is important to ensure that current needs are met and the Council can respond positively and effectively to future financial challenges. That is why, in certain areas, greater emphasis is being placed on creating additional revenue streams by developing a more commercial approach whilst simultaneously continuing to drive out efficiencies and cost reductions in targeted areas. Alongside this, the Council is developing priority (rather than service based) budgeting underpinned by flexible resource management that will allow services to deliver priority outcomes which meet customer demands in a timely manner.

#### **4. OTHER OPTIONS CONSIDERED**

- 4.1 None applicable

#### **5. RESOURCE IMPLICATIONS**

- 5.1 These are considered within the attached MTFS.

#### **6. RISK AND MITIGATION**

- 6.1 None applicable

#### **7. ISSUES ARISING FROM EQUALITY IMPACT ANALYSIS**

- 7.1 The MTFS is a key policy document which sets out the strategic medium term financial planning for the next five years. As the Council processes to implementation of the principles, individual analysis will be carried out as required.

#### **8. CRIME AND DISORDER IMPLICATIONS**

- 8.1 None applicable

## **9. COMMENTS OF FINANCIAL SERVICES**

9.1 Comments are included in the report.

## **10. COMMENTS OF LEGAL AND DEMOCRATIC SERVICES**

10.1 As this strategy is part of the Council's Budget and Policy Framework, it is essential it is regularly reviewed to ensure it remains fit for purpose

## **11. COMMENTS OF OTHER RELEVANT SERVICES**

11.1 None applicable

## **12. APPENDICES**

Appendix A: Medium Term Financial Strategy 2016/17 – 2020/21