

East Suffolk Shadow Authority

Agenda
Item
7

SHADOW CABINET

Monday 10 December 2018

DRAFT MEDIUM TERM FINANCIAL STRATEGY 2019/20 – 2022/23 (REP 14 (SH))

EXECUTIVE SUMMARY

1. The Medium Term Financial Strategy (MTFS) provides a baseline forecast of income and expenditure and looks at the overall financial climate. It provides a framework within which the Council's overall *spending* plans will be developed.
2. The Government has announced proposals for Councils to retain 75% of locally raised business rates by the end of the decade, and to end the distribution of core grant from central Government. Central Government continues to be committed to this change, and is continuing to develop key aspects of the new system, for example the invitation to groups of authorities to become pilots for 75% Business Rates retention, which East Suffolk Council, along with all other Suffolk authorities has bid to be part of following the successful bid to be a 100% Business Rates retention pilot during 2018/19.
3. Overall, this period and the long-term Local Government financial picture continues to be characterised by an increased shift towards locally-generated resources, with an accompanying transfer of both risk and opportunity. This report sets out the assumptions made in identifying resources for the MTFS period.
4. The predecessor Councils had signed up to 4-year Local Government Finance Settlements for the period 2016/17 – 2019/20 (with East Suffolk receiving the final year of the settlement), covering the elements of Revenue Support Grant, Transitional Grant, and Rural Services Delivery Grant. To take advantage of this offer each authority needed to submit an Efficiency Plan. For East Suffolk Council, it will be the responsibility of the newly elected 55 Members to update the Efficiency Plan after the May elections and therefore the rest of this report focuses only on MTFS.
5. The draft MTFS will be continually revised with updates including those resulting from the Chancellor's Autumn Budget on 29 October; further developments in the Business Rates Retention proposals; the outcome of the business rates Pilot invitation; budget monitoring forecasts; and the provisional Local Government Finance Settlement, which is expected on 6 December 2018.
6. At the end of the 2019/20 budget process, in February 2019, the new East Suffolk Council is required to approve a balanced budget for the following financial year and set the Band D rate of Council Tax. This report sets out the context and initial parameters in order to achieve that objective and contribute towards a sustainable position going into the major changes now planned for the medium term.

Is the report Open or Exempt?	Open
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Wards Affected:	All Wards across East Suffolk
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Cabinet Member:	Councillors Stuart Lawson and Bruce Provan Cabinet Members with Responsibility for Resources
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Supporting Officer:	Simon Taylor Interim Chief Finance Officer and Section 151 Officer 01394 444570 simon.taylor@eastsoffolk.gov.uk Lorraine Rogers Deputy Section 151 Officer 01502 523667 Lorraine.rogers@eastsoffolk.gov.uk
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1 INTRODUCTION

- 1.1 The **Medium Term Financial Strategy** (MTFS) sets the strategic financial direction for the Council and is regularly updated as it evolves and develops throughout the year to form the framework for the Council's financial planning. To ensure Members have a sound basis for planning and decision making, the MTFS is reviewed and updated at key points in the year these are:
- October/November – as a framework for initial detailed budget discussions for the forthcoming financial year
 - January – an update to include additional information received at a national level and corporate issues identified through service planning and the detailed budget build
 - February – with the final Budget for the new financial year.
- 1.2 The purpose of the MTFS is to set out the key financial management principles, budget assumptions and service issues. It is then used as the framework for the detailed budget setting process to ensure that resources are managed effectively and are able to deliver the aspirations of the Council as set out in the Business Plan, over the medium term.
- 1.3 The **Efficiency Plan** at Appendix A is an overarching document sitting between the East Suffolk Business Plan and the MTFS. This report does not cover the Efficiency Plan as it will be the responsibility of the newly elected 55 Members from May 2019 to decide the direction of this plan so it is provided only for information, but this report does seek approval of the draft MTFS, which will be subsequently updated during the course of the 2019/20 budget process.

2 MEDIUM TERM FINANCIAL STRATEGY

- 2.1 The draft MTFS for this period is attached as Appendix B, and represents a base position for the medium term. In the MTFS, the key uncertainties over this period relate to the provisional Local Government Finance Settlement which is expected to be announced by Central Government on 6th December 2018, which will provide details on:
- the level of Revenue Support Grant and Rural Service Delivery Grant the new Council will receive;
 - any changes to the New Homes Bonus scheme;
 - those Councils successful with their 75% business rates retention pilot, which the new Council has bid for along with all other Suffolk authorities.

3 HOW DOES THIS RELATE TO EAST SUFFOLK BUSINESS PLAN?

- 3.1 The MTFS sit beneath the East Suffolk Business Plan in both councils' hierarchy of plans and strategies, and is effectively the mechanism by which the key Business Plan objective of Financial Self-Sufficiency will be delivered over the medium term.

4 FINANCIAL AND GOVERNANCE IMPLICATIONS

- 4.1 All Finance and Governance implications are contained within the MTFS document.

5 OTHER KEY ISSUES

5.1 This report has been prepared having taken into account the results of an Equality Impact Assessment.

6 CONSULTATION

6.1 The Council will consult on its strategy and detailed financial plans for the coming year with staff, residents, partners, and business through a variety of methods including e-consultation and forums.

7 OTHER OPTIONS CONSIDERED

7.1 MTFS – The consideration of the MTFS by members at an early stage of the budget process is essential, especially in order to commence actions to achieve a balanced budget and sustainable medium term position. Consequently, no other options were considered to be appropriate in respect of this.

8 REASON FOR RECOMMENDATION

8.1 To approve an updated MTFS, taking account of new and revised risks in order that the Council will be able to set a balanced budget that delivers its priorities for the period under review 2019/20 to 2022/23.

RECOMMENDATIONS	
The Shadow Cabinet is recommended to:	
1.	Approve the draft Medium Term Financial Strategy attached as Appendix B; and
2.	Approve that members and officers develop proposals to set a balanced budget for 2019/20 and beyond.

APPENDICES	
Appendix A	Efficiency Plan
Appendix B	Medium Term Financial Strategy
Appendix B1	Medium Term Financial Strategy – Key Principles
Appendix B2	Medium Term Financial Strategy - February 2018 Position

BACKGROUND PAPERS		
Date	Type	Available From
November 2018	Equality Impact Assessment	Interim Chief Finance Officer