

OVERVIEW & SCRUTINY COMMITTEE

Thursday, 1 December 2016

DRAFT MEDIUM TERM FINANCIAL STRATEGY AND EFFICIENCY PLAN (REP1420)**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 all locally raised business rates by the end of the decade, and to end the distribution of core grant from central Government. These proposals are currently subject to an initial consultation, and joint working is being carried out between central government and local government to develop key aspects of the new system. These proposals, combined with the current Devolution initiative, will radically change the Local Government Finance environment and the relationship with Central Government.
3. Overall, this period and the long-term Local Government financial picture is 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, and has been developed in advance of the conclusion of Devolution negotiations with Central Government, and the emergence of detail regarding the Government's proposals on business rates.
4. In the Final Local Government Finance Settlement for 2016/17 the opportunity for local authorities to sign up to 4-year settlements covering the period 2016/17 – 2019/20 was announced. Indicative figures for the element covered by this offer - Revenue Support Grant – were published for this period. These figures were used in the 2016/17 Budget and revised MTFS approved by Full Council in February 2016.
5. To take advantage of this offer each authority needed to submit an Efficiency Plan by 14 October 2016. The Cabinet approved an Efficiency Plan for this purpose at its meeting on 20 September 2016.
6. In addition to the offer of multi-year settlements and the ongoing consultation on Business Rates Retention, a response is also awaited from the Government in respect of its consultation on New Homes Bonus (NHB) that closed in March. As outlined in the February Budget report, these proposals potentially have very significant adverse medium-term financial implications for the Council, which faces a very challenging and uncertain financial position.

7. During the timescale of the updated MTFS presented in this report, the Council is in the process of progressing two major projects that will fundamentally change Waveney and its financial position. At this stage, no financial implications have been built into the MTFS for either of these projects. The first of these is the Lowestoft Community Governance Review that is currently underway, that could see the establishment of new third-tier governance arrangements for the unparished area of Lowestoft with effect from 1 April 2017.
8. The second major project is the potential merger of Waveney and Suffolk Coastal District Councils. If progressed and approved by the Secretary of State, a new “East Suffolk” district council could be implemented with effect from 1 April 2019.
9. The draft MTFS appended to this report is that considered by the Cabinet in September. This will be revised for further updates including those resulting from the Chancellor’s Autumn Statement; further developments in the Business Rates Retention proposals; the outcome of the NHB consultation; budget monitoring forecasts; and the provisional Local Government Finance Settlement.
10. At the end of the 2017/18 budget process, in February 2017, the 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
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Cabinet Member:	Councillor Mike Barnard Cabinet Member for Resources and Welfare Reforms
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Supporting Officer:	Homira Javadi Chief Finance Officer (01394) 444529 Homira.Javadi@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:
- Midyear – 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; and
 - 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 As outlined in the MTFS, in the Secretary of State wrote to authorities to formally offer a multi-year finance settlement. The offer is subject to submission of an overall **Efficiency Plan**, of which this MTFS forms a substantial part, by 14 October 2016. An Efficiency Plan was approved by the Cabinet on 20 September 2016 and has been submitted to the Secretary of State.

2 EFFICIENCY PLAN AND MEDIUM TERM FINANCIAL STRATEGY

- 2.1 The Council's draft Efficiency Plan is attached as Appendix A. Although the Secretary of State's offer is to local authorities individually, the same basic overarching Efficiency Plan has been produced for both Waveney and Suffolk Coastal, with the MTFS component being separate.
- 2.2 The LGA and CIPFA, working together with DCLG, issued some notes on preparing and submitting an Efficiency Plan. Without being prescriptive, they suggested that the Efficiency Plan should include the following content:
- The Medium Term Financial Strategy (MTFS) should be the cornerstone of the Efficiency Plan, including a short narrative that sets out what a council intends to do to address the challenge of financial sustainability and where it hopes to be at the end of the period.
 - Narrative to be around 2 – 4 pages, with typical supporting documents to include its latest budget, corporate plan, transformation plan, asset-management plan, and baseline organisational structure.
 - Clear links to the Council's corporate plan and links to partner organisations and plans.
 - Reference to ongoing and planned transformation projects and programmes.
- 2.3 The attached Efficiency Plan was prepared along these lines, with the MTFS attached as Appendix B intended to be a supporting document. The Efficiency Plan was also considered and approved by the Suffolk Coastal Cabinet at its meeting on 4 October 2016.
- 2.4 As referred to in the Executive Summary, the draft MTFS attached as Appendix B effectively represents a base position for the medium term and does not reflect the financial implications of the Lowestoft Community Governance Review; the possible merger with Suffolk Coastal; and the possible implementation of 100% business rates retention by the Government in either 2019/20 or 2020/21.

3 HOW DOES THIS RELATE TO THE EAST SUFFOLK BUSINESS PLAN

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

4 CONSULTATION

- 4.1 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. The Overview and Scrutiny Committee and the Audit and Governance Committee will also consider detailed budget plans as part of the budget process before these are finalised in February.

5 OTHER OPTIONS CONSIDERED

- 5.1 Efficiency Plan – As outlined in the MTFS, the Council could have chosen not to submit an Efficiency Plan in order to take advantage of the Secretary of State's four-year finance settlement offer. However, it is clear from the offer that if the offer was not to be accepted then future levels of Government funding could not be guaranteed, so this option has not been considered as appropriate.
- 5.2 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.

6 REASONS FOR RECOMMENDATIONS

- 6.1 To enable Members to review, consider and comment upon the Council's MTFS before further consideration of proposals to set a balanced budget that delivers its priorities for the period under review, 2017/18 to 2020/21.

RECOMMENDATIONS

1. That the Committee reviews the principal assumptions and actions surrounding the baseline MTFS forecast.
2. That the Committee notes the Efficiency Plan and draft Medium Term Financial Strategy.

APPENDICES

Appendix A	Efficiency Plan
Appendix B	Medium Term Financial Strategy

BACKGROUND PAPERS

Date	Type	Available From
None		