

Body:	Cabinet
Date:	1 July 2019
Subject:	Medium Term Financial Strategy
Report Of:	Chief Finance Officer
Cabinet member	Councillor Phil Davis (Portfolio Holder for Finance)
Ward(s)	All
Purpose	To provide an update on the process and approach to the Council's Medium Term Financial Strategy for the period 2019/20 to 2024/25.
Decision Type:	Key Decision
Officer Recommendation(s):	To note the background to the Medium Term Financial Strategy for 2019/20 and approve the approach outlined in this report.
Reason for recommendations:	To progress the Medium Term Financial Strategy process and update Cabinet on the background to this.
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1.0 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. This report outlines the proposed process for the MTFS for the period 2019/20 to 2024/25, which ultimately leads to the setting of the Council's budget in February 2020.
- 1.2 The Council approved its Medium Term Financial Strategy (MTFS) in February 2018 and the Cabinet recommended a resulting draft 2019/20 budget proposal in December 2018 following the service and financial planning process in the autumn.
- 1.3 To ensure Members have a sound basis for planning and decision making, the MTFS this year will be reviewed and updated at the following key points in the year:
 - Midyear – as a series of principles and as a framework for initial detailed budget discussions for the forthcoming financial year;

- December/January – an update to include additional information received at a national level and identified corporate issues, and the detailed budget build; and
- February – with the final Budget for the new financial year.

1.4 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 Corporate Plan, over the medium term.

1.5 The vision of the Lewes business plan is to be *“committed to providing value for money for our residents and keeping Council tax levels as low as possible, despite the challenging financial climate.”*

1.6 The key underlying principles of the MTFS are:

- securing a balanced budget and setting modest increases in Council tax when appropriate;
- delivering service efficiencies and generating additional income where there are opportunities to do so;
- ensuring that the council maintains sufficient reserves and contingencies to be resilient to manage the increased level of risks associated with a more commercial agenda..

2.0 MTFS Review Areas – Economic Picture, Public Finances, and Core Funding

2.1 The Council’s MTFS is shaped by the national economic background, affecting the costs the Council incurs, the funding it receives, and demand for services. The following external factors will be analysed in undertaking the mid-year review of the MTFS:

- National and local economic outlook, including the impact of Brexit
- Inflation
- Interest rates
- Public Sector Pay
- Factors affecting demand-led services

2.2 The national Public Finances position directly affects the Council’s Core Funding – consisting of Government Grants, Business Rates, Council Tax and New Homes Bonus (NHB).

2.3 The four-year period to be covered by the next MTFS represents one of considerable uncertainty in respect of Local Government financing. 2019/20 is the end of the current Spending Review and four-year Local Government finance settlement. The 2019 Spending Review is intended to confirm overall local government resourcing from 2020/21, and the Government is also working towards significant reform in the local

government finance system in 2020/21. This includes an update to the baseline funding levels and resetting business rates baselines, and the potential outcome of the current Fair Funding Review, which will affect how funding is allocated and redistributed between local authorities from 2020. However, current political and economic uncertainty indicates that the Spending Review period, and the settlement for 2020/21, could be one year only.

- 2.4 Regardless of shorter term uncertainties, the trend is undoubtedly likely to be that Lewes will continue to become ever more reliant on internally generated resources and local taxation. This has a positive benefit in that the council is more locally focussed and responds directly to local needs. However, it also means that it is more exposed if there is a downturn in the local economy. This necessitates the need to have healthy reserves and a strong balance sheet, and to deliver on efficiency savings and income generation. These internal review areas are briefly outlined in the next section.

3.0 MTFS Review Areas – Internal Process

- 3.1 The internal MTFS review process is underway, starting with a root and branch review, challenging current budgets directorate by directorate. 2018/19 outturn data will be reviewed against current 2019/20 budgets, with a view to ascertaining what in-year adjustments and savings could be achieved. Consideration of potential budget requirements for 2020/21 will be mindful of the challenging budget position of the Council and the need to find savings.

- 3.2 This review will in particular include consideration of :

- Realistic income projections
- Fee and charging levels tolerable to the market
- Service pressures and changes
- The delivery of existing savings targets
- Additional achievable savings

- 3.3 In addition, the Capital Programme and its implications and interactions with the budget will be carefully reviewed. Finally, reserve levels will be reviewed and the MTFS and Budget comprehensively risk assessed.

4.0 Implications

4.1 Financial

None arising directly from this report.

4.2 Legal

None arising directly from this report.

4.3 Risk Management implications

None arising directly from this report.

A full risk assessment will be provided as part of the mid-year MTFS to be reported to Cabinet later in the year.

4.4 Equality Analysis

The equality implication of any individual decisions relating to the projects/services reviewed as part of the MTFS will be in other relevant Council reports.

5.0 Conclusion

The Council faces considerable financial challenges in the medium term, primarily relating to changes and uncertainty in both public finances and the wider economic environment. The MTFS process briefly outlined in this report is intended to support in meeting these challenges and moving to a long term sustainable position.

6.0 Appendices

6.1 Appendix 1 – Medium Term Financial Strategy 2018/19 – 2023/24