

Body:	Cabinet
Date:	15 September 2021
Subject:	Medium Term Financial Strategy
Report Of:	Homira Javadi, Chief Finance Officer
Cabinet member	Councillor Stephen Holt, Portfolio Holder for Financial Services
Ward(s)	All
Purpose	To provide an update on the process and approach to the Council's Medium Term Financial Strategy for the period 2021/22 to 2024/25.
Decision Type:	Key Decision
Officer Recommendation(s):	To note the background to the Medium Term Financial Strategy for 2022/23 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 2021/22 to 2024/25, which ultimately leads to the setting of the Council's budget in February 2022.
- 1.2 The Council approved its Medium Term Financial Strategy (MTFS) in September 2020 and the Cabinet recommended a resulting 2021/22 budget proposal in February 2021 following the service and financial planning process. The Council's updated MTFS is included in Appendix A of this report.
- 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 (this report) – 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 2022/23.

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 Eastbourne Corporate Plan is to *“put value for money and the needs of our residents at the heart of all we do whilst supporting the town and its businesses to thrive.”*

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 Covid-19 and Brexit
- Inflation
- Interest rates
- Public Sector Pay
- Factors affecting demand-led services

2.2 The four-year period covered by this MTFS represents one of continuing uncertainty over the on-going impact of Covid-19 on the Council’s financial position, in addition to the overall Local Government financing position.

- 2.3 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). Announcements will be closely monitored and potential scenarios considered during the budget planning process.
- 2.4 The Government's plans to devolve more responsibilities through the localisation of business rates has been delayed (date to be confirmed), and the detail as to whether councils will be required to take on additional responsibilities remains unclear. The devolution of business rates is intended to be fiscally neutral but how this will work in practice is currently being developed alongside the Fair Funding Review. These changes will bring both risks and opportunities.
- 2.5 Regardless of shorter term uncertainties, the trend is undoubtedly likely to be that the Council 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, current events have demonstrated how exposed the council can be when it is heavily dependent upon locally generated income. This necessitates the need to have healthy reserves and a strong balance sheet, and to deliver on efficiency savings and income generation targets.
- 2.6 The draft MTFS at Appendix A provides an initial assessment of the current financial position. It reflects the impact the pandemic is continuing to have on the Council's financial position, in terms of lost income from fees and charges, additional direct costs and the financial support being given by Government.
- 2.7 Projecting the continuing impact is still extremely difficult. However the 2020/21 outturn position has enabled a more positive outlook in terms of income levels and the pressure from increased costs. In addition, the savings being identified through the Recovery and Reset Programme are exceeding the initial targets. Sustaining this positive outlook relies upon delivery of all savings and income generation targets within agreed timelines. Any delays or non-delivery will lead to a deterioration in the councils financial sustainability.

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. 2020/21 outturn data will be reviewed against current 2021/22 budgets, with a view to ascertaining what in-year adjustments and savings could be achieved. In addition, the planned Recovery and Reset savings are being scrutinised to ensure they are going to be delivered in the current and future years.
- 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

The financial stability of the Council and its ability to set a balanced budget each year is fully reliant upon the delivery of the Recovery and Reset savings.

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 A – Medium Term Financial Strategy 2021/22 – 2024/25