



**Policy, Finance and
Development
Committee**

**Tuesday, 13
September 2022**

**Matter for
Information and
Decision**

Report Title: Medium-Term Financial Strategy (MTFS) (2022 - 2027)

Report Author(s): Tracy Bingham (Strategic Director / Section 151 Officer)

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| Purpose of Report: | To present the draft Medium Term Financial Strategy to the Committee ahead of Council approval on 27 September 2022. |
| Report Summary: | This report presents the draft Medium-Term Financial Strategy (MTFS) to the Committee for review, comment and recommendation to Council for approval. The MTFS is a five year assessment of the resources required to deliver the Council's services over that period. It sets out the projected budget gaps over the period and a Sustainability Plan for delivering savings to mitigate these gaps. |
| Recommendation(s): | A. That the contents of the report be noted; and B. That the Medium-Term Financial Strategy (2022 - 2027) be reviewed and recommended to Council for approval. |
| Senior Leadership, Head of Service, Manager, Officer and Other Contact(s): | Tracy Bingham (Strategic Director / Section 151 Officer) (0116) 257 2690 tracy.bingham@oadby-wigston.gov.uk Rashpal Sohal (Finance Team Manager) (0116) 2572 705 rashpal.sohal@oadby-wigston.gov.uk |
| Corporate Objectives: | Providing Excellent Services (CO3) |
| Vision and Values: | Accountability (V1) Respect (V2) Teamwork (V3) Innovation (V4) Customer Focus (V5) |
| Report Implications:- | |
| Legal: | There are no implications directly arising from this report. |
| Financial: | Budget gaps are estimated to occur within the current financial year and forthcoming financial years. The Medium Term Financial Strategy sets out a Sustainability Plan to address these gaps through savings. |
| Corporate Risk Management: | Decreasing Financial Resources / Increasing Financial Pressures (CR1) |
| Equalities and Equalities Assessment (EA): | There are no implications directly arising from this report. EA not applicable. |
| Human Rights: | There are no implications arising from this report. |
| Health and Safety: | There are no implications arising from this report. |

| Statutory Officers' Comments:- | |
|---------------------------------------|---|
| Head of Paid Service: | The report is satisfactory. |
| Chief Finance Officer: | As the author, the report is satisfactory. |
| Monitoring Officer: | The report is satisfactory. |
| Consultees: | None. |
| Background Papers: | Report entitled 'Budget & Medium Term Financial Strategy 2022/23' to Full Council on 24 February 2022 |
| Appendices: | 1. Draft Medium-Term Financial Strategy (MTFS) (2022 - 2027) |

1. Background

- 1.1 During the Summer of 2021, the Local Government Association (LGA) undertook a Financial Health Check of the Council, after identifying that the Council's capital programme and reserves position presented as an anomaly when compared to councils of a similar size and nature.
- 1.2 Amongst other recommendations, was that the Council needed to take a more strategic approach to Financial Planning and the delivery of savings.
- 1.3 In February 2022, a new 2022 – 2027 Medium Term Financial Plan was approved alongside the 2022/23 budget. At the time, the plan projected a deficit on the General Fund of £125,000 for the 2022/23 year, with reserves needed to balance the budget. Projected deficits were then evenly spread over the forthcoming 4 years that were in excess of reserves available (circa £300,000 per year).
- 1.4 Building on further feedback from the LGA provided as part of their Corporate Peer Challenge, undertaken in January 2022, the General Fund medium term financial plan has been reviewed and a financial strategy for how the Council will respond and a Sustainability Plan for the delivery of savings have been developed.
- 1.5 The Medium Term Financial Strategy, included in Appendix 1, presents a high level five year assessment of the financial resources required to deliver the Council's strategic priorities and essential services over this period. The strategy promotes the need to manage spending in line with funding and generate new income from existing and potentially new income streams.
- 1.6 The sustainability plan in the strategy at this stage presents high-level savings targets that will be refined over the forthcoming 2023/24 budget setting timetable. Both the medium term financial plan and the sustainability plan will be rebased and updated to reflect revised forecasts and assumptions, as part of developing the budget for 2023/24.
- 1.7 The new MTFS now provides reference to the Housing Revenue Account and projections included in the HRA business plan cashflow model.
- 1.8 The strategy also introduces a new monitoring cycle so that members will more regularly review the Council's holistic financial position on an ongoing basis.
- 1.9 The Strategy can be found in **Appendix 1**.

2. Member Engagement

- 2.1. As part of developing the MTFS and Sustainability Plan, an informal member engagement workshop was held in August. The feedback from members in this session has been used to scope the Sustainability Plan themes and estimated level of savings that will be delivered over the life of the plan.
- 2.2. PFD feedback is now sought on the draft MTFS as set out in **Appendix 1**, ahead of the final draft being presented to Council for approval in September.
- 2.3. Enhanced member engagement and scrutiny will remain a key principle in the way that the council manages its finances, with regular reports on the progress of the Sustainability Plan to be delivered as part of routine quarterly budget monitoring and greater involvement in the earlier stages of budget setting to be taken forward also.

3. The Financial Outlook

- 3.1. Section 2 of the report provides the outlook the council faces. This includes the current Political, economic and regulatory outlook, the council's own strategic outlook, the local government funding regime and the makeup of the council's funding in this regard and the makeup of council spend.
- 3.2. Section 3 of the strategy sets out the financial outlook for the General Fund. The projected budget gaps over the period are:

| Year | Budget Gap |
|--------------|-------------------|
| 2022/23 | £650,000 |
| 2023/24 | £250,000 |
| 2024/25 | £260,000 |
| 2025/26 | £420,000 |
| 2026/27 | £450,000 |
| Total | £2,030,000 |

4. Managing our Finances and Risk-Based Assessment of Reserves

- 4.1. Section 5 of the MTFS sets out how the council will manage its finances. This includes the general approach, the adherence to the Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Management Code and how decisions that have financial implications will be standardised to aid understanding and financial effectiveness (section 5.2).
- 4.2. Section 5.3 considers the Council's reserves and a risk assessment of these against the plan, in response to the LGA's Financial Health Check feedback on taking a risk-based approach. The assessment concludes that the Council should seek to minimise its use of reserves and adopt a strategy to bolster reserves through savings over the life of the plan.

5. Sustainability Plan

- 5.1. The Sustainability Plan for delivering savings is set out in section 5.4 of the MTFS. It describes the approach that will be taken to explore, identify and deliver savings over the life of the plan.
- 5.2. Savings totalling £976,000 over the 5 years are included. At this stage the savings are prudent and cautious. These values will be tested and refined as the Council sets its budget for 2023/24.

6. The Housing Revenue Account (HRA)

- 6.1. The outlook on the HRA remains stable despite some changes in assumptions in respect of inflation.
- 6.2. At the time of writing the report, announcements had just been published around a consultation for capping social housing rents. Further work is therefore required on the HRA to determine the impact of this on rents over the life of the plan.
- 6.3. In line with information reported as part of setting the budget for 2022/23, further work around HRA borrowing is required and this is planned to be taken forward as part of a refresh of the HRA business plan.

7. Monitoring, Delivery and Review

- 7.1. The new strategy encourages members to look beyond the current planning period in considering actions to address future deficit years and how decisions may impact finances and how savings will be made on the General Fund.
- 7.2. It is not intended that the full strategy is reviewed on an annual basis, but instead that this strategy will remain fit for purpose for some time. However, the MTFP and the Sustainability Plan will both become "living" documents and will be reviewed twice a year generally, including:
 - Before budget setting – to inform the parameters to which the next years budget must be set; and
 - Alongside budget setting – to present to members the ongoing impact of the next year's budget, in line with the Government's annual finance settlement and budget announcement.
- 7.3. Section 6 of the MTFP outlines the intended approach.