



Policy, Finance and Development Committee	Tuesday, 17 July 2018	Matter for Information
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Report Title: Medium Term Financial Strategy Update

Report Author(s): Stephen Hinds (Director of Finance & Transformation / Section 151 Officer)

Purpose of Report:	To update the Committee on the Medium Term Financial Strategy.
Report Summary:	The report outlines the financial position for the final year of the multi-year local government settlement that ends in March 2020. The Council expects, at this moment in time, to produce a balanced budget with a core of programmes that addressed the potential funding shortfall. The report also highlights some of the risks that the authority may encounter in a post-2020 environment.
Recommendation(s):	That the contents of the report is noted by Members.
Responsible Strategic Director, Head of Service and Officer Contact(s):	Stephen Hinds (Director of Finance & Transformation) (0116) 257 2681 stephen.hinds@oadby-wigston.gov.uk
Corporate Priorities:	An Inclusive and Engaged Borough (CP1) Effective Service Provision (CP2) Balanced Economic Development (CP3) Green & Safe Places (CP4) Wellbeing for All (CP5)
Vision and Values:	"A Strong Borough Together" (Vision) Innovation (V4)
Report Implications:-	
Legal:	There are no implications arising from this report.
Financial:	The implications are as set out in the report.
Corporate Risk Management:	Decreasing Financial Resources (CR1) Effective Utilisation of Assets/Buildings (CR5) Organisational/Transformational Change (CR8) Economy/Regeneration (CR9)
Equalities and Equalities Assessment (EA):	There are no implications arising from this report. EA not applicable.
Human Rights:	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 'Medium Term Financial Strategy 2018/19 and 2019/20' to Full Council on 22 February 2018.
Appendices:	None.

1. Information

- 1.1 In February 2018, the Council approved a Medium Term Financial Strategy (MTFS) that balanced for the remaining years of the multi-year local government settlement. This was achieved by earmarking savings and efficiency programmes within the 2019/20 budget of circa £400k.
- 1.2 Work carried out to operations has meant that the existing savings programmes need to find an existing total of circa £195k. There have been no significant additional pressures identified since the MTFS was agreed in February, and this report reflects this.

2. Objectives of the Medium Term Financial Strategy

- 2.1 The MTFS has the following objectives:

- Show how resources support the Corporate Plan over the next 2 years;
- Provide a platform to support the decision-making framework;
- Enable the Council to be a proactive organisation;
- To be an enabler, giving indication to the need to revisit and revise priorities;
- Ensure sustainable services and reserves are at sufficient levels;
- Enable development and improvements to our customers experiences;
- Hold a working balance to help manage unexpected occurrences;
- To be responsive and able to manage changing risks and needs;
- Support the Council's service and strategies; and
- Provide indications of future local taxation levels.

- 2.2 In December 2015, the Government announced an offer to local authorities of a four year provisional settlement for 2016/17 through to 2019/20. We are now in the final half of this settlement. Pressure continues to increase on local authorities to find further savings in their expenditure on service provision and to look for alternative sources of income as funding from central government continues to reduce.

- 2.3 The table below sets out the settlement, as it was announced. Overall, this has resulted in a £0.59m or 30% reduction in funding over the period of the settlement. The provisional settlement indicates that 2018/19 will be the final year that the Council receives core Revenue Support Grant from the Government.

Year	Grant	Baseline £m	£m	%
2016/17	0.72	1.41		
2017/18	0.36	1.44	0.330	(15%)
2018/19	0.14	1.49	0.170	(9%)
2019/20	0	1.54	0.090	(6%)
Totals	1.22	5.88	0.590	(30%)

3. Revenue Budget 2019/20

- 3.1 The General Fund Budget for the financial years 2018/19 and 2019/20 are summarised in the table below as agreed by Council in February 2018.

Budget Summary	2017/18 £'000	2017/18 Revised £'001	2018/19 £'000	2019/20 £'000	2019/20 Revised £'000
Total Revenue Budget	6,601	6,631	6,399	6,700	6,485
Central Government Grant	(360)	(360)	(140)	0	0
Other Government Grants	(544)	(512)	(605)	(575)	(575)
Retained Business Rates	(1,440)	(1,440)	(1,480)	(1,540)	(1,540)
Council Tax Surplus	(28)	(28)	(10)	(30)	(30)
NNDR Surplus	(40)	(40)	139	140	140
New Homes Bonus	(408)	(408)	(339)	(352)	(352)
Net Revenue Budget	3,781	3,843	3,964	4,343	4,128
Transfers to/from Reserves	(150)	(212)	(202)	0	0
Savings schemes	0	0	0	(410)	(195)
Council Tax	(3,631)	(3,631)	(3,762)	(3,933)	(3,933)
Funding Gap	0	0	0	0	0

- 3.2 As mentioned earlier in the report, whilst the 2019/20 budget has been balanced, this has been achieved by identifying various schemes that can be implemented and be fully operational by April 2019. These schemes have been quantified to varying degrees, and will be completed prior to 1 April 2019.

Changes agreed and implemented for 2019/20	
Charging for Green Waste	Agreed by Council in December 2017.
Efficiencies through Customer Services initiatives and improvements	Through various streamlining of work through Customer Services Centre (CSC), this has enabled cashable benefits to be realised now the services have bedded in. Further work on efficiencies from Channel Shifts are in progress.
Grounds Maintenance Review	Agreed as part of the savings menu in 2017.
Review of Facilities Maintenance	Agreed as part of the savings menu in 2017.
Efficient Investments through active treasury management	Implementation of active treasury management.
Other changes to be implemented by 31 March 2019	
Review of Enforcement Services	Streamline processes to eliminate unnecessary activities and administration whilst protecting service delivery.
Financial Services	Transformation review of processes and procedures deemed unnecessary or complicated to generate cashable efficiencies.
Health & Wellbeing Review	Transformation review of processes and procedures deemed unnecessary or complicated to generate

	cashable efficiencies.
Structured Senior Management Review	Review of Senior Management Vacancy and how best to deploy the finances associated with the vacant post.

3.3 The paper to Council in February 2018 outlined that there may have been the necessity for the financial situation of the Council to drive sensitive political choices (Refuse collection, Council Grants and Donations, Car Parking) to balance 2019/20. However, as this report shows, these issues are no longer financially driven (for the life of this settlement).

3.4 The Council is continuing to look beyond the period of this settlement in order to not only improve the services we deliver, but to look at how we can generate further income to mitigate against any unquantifiable risks or issues that are currently unknown. Whilst 2020 may be a couple of years away, work is currently at various stages in progressing to achieving income goals after 2020. These schemes include:

- Bushloe Developments
- The Strategic Asset Review
- Retail Business Models

3.5 Since the MTFs report in February, work on Bushloe Developments was put on hold whilst the Council developed a statutory housing strategy. Work on this strategy is being carried out by Campbell Tickell and is due for completion in August 2018. Whilst this is key to the operating model for Bushloe Developments, work has been carried out in the background to mitigate time lost due to this. The Strategic Asset Review Plan is due for completion by the end of July (KPI ESP45), however, this has also been impacted by the authority's lack of the statutory housing strategy.

4. Risk Assessment and Management

4.1 Oadby and Wigston Borough Council has a commitment to managing risk and its exposure to the various risks it faces. Key to the management of this risk is identifying operational risk when we are developing our service plans, as well as taking a holistic and strategic view when considering the risks at a corporate level. The Council has a strong record of financial management, but further improvements were recommended by both our Internal and External Auditors to continue in this manner, and to reduce the impact of financial risks to the Authority. Therefore, changes have been made to the budget setting process (including regular and detailed updates throughout the year) but also changes need to be made as to how we monitor and manage risks.

4.2 The more fundamental financial risks over the next two years have been highlighted below and have been ranked (Red/Amber/Green) according to their likelihood of occurrence and the potential scale of their impact. The first square indicates the risk rating in February 2018, the second square indicates the risk rating in June 2018.

4.3 Formula Central Government Funding



Whilst the provisional funding settlement provided some certainty with respect to local government funding, it still remains unclear as to exactly how funding will work from 2020/21 and beyond. The snap General Election in 2017 further greyed the situation.

4.4 New Homes Bonus



The continuing changes to the delivery of funding regarding the New Homes Bonus scheme can provide troublesome forecasting. However, due to the Authority's size and nature of its geography, the limited amount of development eases the ability to forecast. However, the

inability to deliver significant numbers of new homes reduces our income generation ability with regards to this. As this report highlights, the authority received a lesser amount than last year, but also a lesser amount than our most likely scenario had planned for. Therefore the authority is taking a prudent approach to forecasting future NHB income.

4.5 **Business Rate Retention Scheme**

The Authority is exposed to an element of risk of reduced income levels if the amount of business rates contracts. There are also a number of other risks associated with this scheme. Firstly the ability to generate new income - as with NHB, the geography of the Borough means that the ability to generate new business rate income is limited, but work within economic regeneration and local plans is going some way to address this. Another significant risk relates to the factors that can impact on the amount of business rates collected. For example, mandatory relief that can be back dated. Business rates revaluation came into effect from April this year, and a centrally held reserve held by the LLEP is set aside to help mitigate any risks arising from this.

In addition to this element of the risk, the government has announced that they are looking to move to a 75% retention scheme by 2020/21 (as opposed to the 100% retention scheme initially indicated). However, there is still no detail as to how such a scheme would operate, but consensus across local authority treasurers is that District Councils would be no better off than in the current scheme.

4.6 **Income Generation**

The Authority currently has limited streams of income generation. Work is being carried out to identify ways of maximising our income streams - ranging from the potential for charging for discretionary services to generating new business streams to supplement income. Local authorities need to become more commercial in their thinking and operating as the creation of income will enable service protection and improvement.

There are current significant risks pertaining to existing income generating programmes such as Bushloe Developments and the new Garden Waste Scheme. Whilst there are no "red flags" currently, the authority must manage these schemes carefully to mitigate any obstacles to their success.

4.7 **Pension Fund**

There is expected to be a broad 2% increase in the superannuation rate in 2019/20.

4.8 **Homelessness**

The increase in the homeless population across the country has put an increasing pressure on local authorities and their resources given the changes in legislation over the previous years. The Authority is actively managing the issue, and is in receipt of minor government grants to assist with this. The authority has ring-fenced reserves specifically to support this issue, and has allocated additional revenue funding to the 2018/19 budget to continue to support this area and manage this increasing pressure.

Work is also beginning to address the housing issue relating to homelessness, however, this work will take a number of years to come to fruition and the authority cannot rest on its laurels in the meantime. This work is looking at purchasing appropriate properties, ensuring families stay within the Borough, standards of living remain relatively good and savings are afforded to the authority.

4.9 **Brexit**

In the two years since Brexit was confirmed, the country has seen various changes. Whilst exports have increased sharply due to the devaluation of the pound, issues linked to the economy are still to be addressed. These issues range from the long term implications on pension funds to capital funding resources that were available from Europe as members of the European Union (EU).

4.10 **Interest Rate Movements**

Interest rates have recently risen due to the expected increase in inflation that is above the Bank of England's expectations. However, at the time of writing this report, the latest inflation figures were below that. To that regard, the Authority takes a prudent approach when setting interest budgets.

4.11 **Universal Credit**

This service went live on 13 June 2018. At the time of writing this report, it has been too early to ascertain if there have been any early issues with the implementation. A verbal update was presented to Service Delivery Committee on 10 July 2018.