

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL**POLICY DEVELOPMENT GROUP – 12 FEBRUARY 2018**

Title of report	MEDIUM TERM FINANCIAL STRATEGY
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Purpose of report	To provide Cabinet with the background to current issues to be evaluated as part of the Council's Medium Term Financial Strategy
Council Priorities	The budget assists the Council to achieve all its priorities.
Implications:	
Financial/Staff	As contained in the report.
Link to relevant CAT	None identified.
Risk Management	As contained within the report.
Equalities Impact Screening	None identified.
Human Rights	None identified.
Transformational Government	Not applicable
Comments of Head of Paid Service	The report is satisfactory
Comments of Deputy Section 151 Officer	As report author, the report is satisfactory
Comments of Deputy Monitoring Officer	The report is satisfactory
Consultees	Corporate Leadership Team , 14 November 2017 Cabinet 12 December 2017

	Cabinet 6 February 2018
Background papers	MTFS - 2017-2020
Recommendations	IT IS RECCOMENDED THAT POLICY DEVELOPMENT GROUP COMMENT ON THE DRAFT MEDIUM TERM FINANCIAL STRATEGY BEFORE IT IS PRESENTED TO COUNCIL ON 27 FEBRUARY FOR FINAL APPROVAL

1.0 BACKGROUND

- 1.1 In December 2017, members were presented with a report that outlined the current financial issues facing the council to be addressed through the development of a revised Medium Term Financial Strategy (MTFS). The paper was then subsequently presented to the Policy and Development Group on 10 January.
- 1.2 The Council's former Medium Term Financial Strategy 2017 – 2020, was produced in October 2016. The document forecast the financial position of the Council's General Fund and Housing Revenue Account between 2017 and 2020. At this time, the HRA was forecast to deliver a balanced budget for this period, whilst the General Fund forecast included a predicted deficit of £372k in the strategy's final year (2019/20).
- 1.3 The Medium Term Financial Strategy 2018 – 2023, included in Appendix 2, presents a high level, 5 year assessment of the financial resources required to deliver the Council's strategic priorities and essential services over this period from April 2018. The strategy promotes self-sufficiency to safeguard the Council's financial position against future central government funding changes whilst also maximising the use of government grant collected.
- 1.4 The new MTFS now provides projections in relation to the Housing Revenue Account and Capital as well as the General Fund and introduces a new monitoring cycle so that members will more regularly review the Council's holistic financial position on an ongoing basis.

2.0 FUNDING AND FUTURE UNCERTAINTIES

- 2.1 The MTFS provides readers with the detail and assumed implications of the Governments Fair Funding Review which is due to be implemented from 2020/21, including the reduction in Revenue Support Grant and the potential £1m reduction in retained business rate income due to the resetting of the business rate baseline (subject to any transitional measures that are adopted to phase in the reduction which remain unknown at this stage).
- 2.2 The MTFS also outlines the potential threat of future changes to the New Homes Bonus scheme. After consulting on proposed changes in autumn 2017, the Government did not amend the scheme but have since stated that they reserve the right to increase the baseline which bonus payments are paid against for growth above this level.

3.0 LONG TERM PLANNING AND SELF SUFFICIENCY

- 3.1 The Council currently budgets to receive Government grants to fund the running of its cost of services. Given the changing nature of Local Government finance, the uncertainty regarding Government funding and the Governments policy intentions regarding devolution, the MTFS promotes self-sufficiency in targeting to reduce reliance on Government grant.
- 3.2 Included in a separate report on this agenda is the recommendation to members to create a new self-sufficiency reserve with a projected balance of £2.76m in April 2018. The reserve will be created using the balance in excess of a minimum balance for the General Fund (predicted at £900k) and the predicted surplus outturn position for 2017/18 (projected to be £1.86m),. This new self-sufficiency reserve will be used to support a change programme that will aim to meet the projected deficits and maximise the Council's income generating opportunities for ongoing self-sufficiency. The predicted surpluses arising on the 2018/19 and 2019/20 budgets will also be paid into the reserve.
- 3.3 The MTFS predicts future in-year deficits (net of surpluses arising in the 2018/19 and 2019/20 years) totalling £5.3m between 2019/20 and 2022/23 on the General Fund as a result of increasing cost pressures and reduction in Revenue Support Grant, and from 2020/21 due to a significant forecast reduction in retained business rate income. Members should note that the assumptions in respect of the drop in business rates are prudent in the absence of transitional measures to phase in the changes that will be introduced by the Fair Funding review in 2020/21.
- 3.4 The MTFS also sets additional savings targets for reducing the reliance on New Homes Bonus, phased in up to 25% by 2023, totalling an additional savings target of £1.5m, taking the total savings required over the period to £6.8m. These self-sufficiency targets will ensure that the Council is able to make better use of Government grant in investing in initiatives to support local infrastructure and support sustainable growth, in turn supporting the Council to achieve growth in council tax and business rates.
- 3.5 Long term projections for the Housing Revenue Account are stable with the council able to meet loan commitments on the repayment of self-financing loans until the final maturity loans redeem in 2042. In order to deal with significant sums in loans that mature at this time, further savings, additional income or refinancing will be needed to address potential shortfalls of £62m between 2041 and 2048.
- 3.6 The MTFS provides detail of the Council's 5 year Capital Programme and demonstrates the council's ability to fund the programme over this period.
- 3.7 Details of the predicted deficits and self-sufficiency target savings and detail surrounding the Housing Revenue Account can be found in Section 7 of the MTFS (appendix 1).

4.0 MONITORING, DELIVERY AND REVIEW

- 4.1 The new MTFS encourages members to look beyond the current planning period in considering actions to address future deficit years and self-sufficiency targets in respect of the General Fund, and consider financing or alternative actions to address the long range forecasts for the HRA and the medium range 5 year forecasts for the Capital Programme.

- 4.2 The new approach to monitoring progress against the MTFS will include a review and update as necessary to the strategy assumptions at the end of each financial year and following the Government's Spring Statement.
- 4.3 At the end of the 2017/18 financial year, members will be presented with proposals in respect of the self-sufficiency reserve and how it will contribute to reducing expenditure and increasing income. Throughout the year, Members will also be updated with progress made in meeting our savings targets.
- 4.4 An updated rolling 5 year MTFS will be presented to members annually alongside the forthcoming years' draft budget for approval and will include refined future years savings targets, in line with the Government's annual finance settlement and budget announcement.