
REPORT OF THE LEAD MEMBER FOR FINANCE AND SUPPORT SERVICES

TO
COUNCIL
26 FEBRUARY 2020

TITLE: Medium Term Financial Strategy 2020/21-2022/23

RECOMMENDATIONS:

Council as asked to endorse the Medium Term Financial Strategy.

EXECUTIVE SUMMARY:

This report outlines the proposed three year Medium Term Financial Strategy which will inform the Council's future financial planning and budget decisions to support delivery of the Council's priorities. If agreed, the Strategy will form part of the Council's policy and financial framework.

BACKGROUND DOCUMENTS:

Finance working papers.

KEY DECISION: NO. The approval of the annual budget elsewhere on the Council agenda will be a key decision

1. Background

1.1 Given the previous reductions in council funding and the level of financial uncertainty facing local government, there is a greater need than ever for robust planning on a longer term basis. The council's three year approach is set out in the medium term strategy which sits alongside and complements the annual budget report. The principles on which the strategy and annual budget is based are:-

- aligning the budget to strategic priorities
- achieving value for money, increasing efficiency and improving service delivery
- maintaining the financial health of the council
- managing risk in a period of uncertainty with significant changes to funding mechanisms being delayed until 2021/22
- ensuring effective budget management

1.2 The MTFs has been developed to reflect good practice guidelines from CIPFA.

2. A Three Year Medium Term Financial Strategy

2.1 The attached MTFFS, outlines the main factors that will shape and influence the Council's financial planning over the next three years. The Strategy provides:

- A summary of the financial principles and objectives which guide the Council's decision making
- The changing demographics of the city and demand for services that also inform financial and service decisions
- The wider international, regional and local macro-economic factors that will influence the Council's financial planning
- Known and anticipated funding allocations and investments available to the council to support delivery of its priorities and services
- The assumptions made by the Council in managing its funding over the next three years.

2.2 It is recognised that it is particularly difficult to accurately forecast past 2020/21 given the significant changes that are anticipated in 2021/22 including the introduction of fair funding, business rates reset and reform and changes to specific funding streams. There is a risk of significant annual changes in the projections which will need to be managed across the three year strategy.

2.3 The strategy will be updated on an annual basis with any changes being reflected in the annual budget setting process.

KEY COUNCIL POLICIES: Budget Strategy; Treasury Management Strategy; Capital Strategy, Great Eight

EQUALITY IMPACT ASSESSMENT AND IMPLICATIONS:

As part of this decision making process, the Public Sector Equality Duty requires council staff and elected members to consider what will be the impact on people with protected characteristics, whether in the wider city or in our own organisation. The Council needs to understand who will be affected, how will they be affected and where possible how to minimise unintended negative consequences by planning in mitigations from the start.

This report sets out the three year Medium Term Financial Strategy which will inform the annual budget setting and service and investment decisions. Some proposals will need further development for Cabinet to make a specific decision. For these proposals a relevance check is required and, where it is indicated as needed by the relevance check, a full Equalities Impact Assessment will be undertaken to inform the City Mayor when making that decision.

ASSESSMENT OF RISK:

There are further risks to the council's medium term financial position because of uncertainty in funding beyond 2020/21. With a spending review, fair funding review and a business rates reset all affecting the resources available to the council after 2020/21. These risks will be monitored and managed as far as possible through the three year plan and the council's reserves strategy.

The council's capital programme is important in generating growth in the city. Elements funded by unsupported borrowing have a financial consequence on the revenue budget.

LEGAL IMPLICATIONS Supplied by: Miranda Carruthers-Watt, City Solicitor, x3620

The Council's Medium term financial forecast sets out the medium term financial plan. This is a matter that informs the budget process and may be viewed as a related function. It is, consistent with sound financial management and the Council's obligation under section 151 of the Local Government Act 1972 for the Council to adopt and monitor a medium term financial plan. The Council also has the power to invest for the purpose of its financial affairs under section 12 of Local Government Act 2003. Section 1 of the Localism Act 2011 creates and enabling power for a local authority to do anything that an individual generally may do subject to certain limitations. Section 120 of the Local Government Act 1972 enables to the Council to acquire property by agreement for the purposes of any of its functions or the benefit improvement or development of the area.

The report provides information about risks associated with the medium term financial plan and the budget. This is, again, consistent with the Council's obligation under section 151 of the Local Government Act 1972 to make proper arrangements for the management of its financial affairs. It is also consistent with the Council's obligation under the Accounts and Audit Regulations 2015 to have a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk. The maintenance and consideration of information about risk, such as is provided in the report, is part of the way in which the Council fulfils this duty.

FINANCIAL IMPLICATIONS Supplied by:

Report produced by the finance team working with budget managers in service groups.

PROCUREMENT IMPLICATIONS Supplied by:

Not applicable to this report.

OTHER DIRECTORATES CONSULTED: All, council-wide matter

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WARDS TO WHICH REPORT RELATES: All