

MAIDSTONE BOROUGH COUNCIL

COUNCIL

21 SEPTEMBER 2016

REFERENCE FROM POLICY AND RESOURCES COMMITTEE

MEDIUM TERM FINANCIAL STRATEGY AND EFFICIENCY PLAN

Issue for Decision

On 7 September 2016 the Policy and Resources Committee considered the Medium Term Financial Strategy and Efficiency Plan. The updating of the Medium Term Financial Strategy, and the submission of the Efficiency Plan are necessary steps towards agreeing a budget for 2017/18 and setting next year's Council Tax, decisions which the Council is due to make on 1 March 2017.

This year the regular cycle for the production of a Medium Term Financial Strategy has coincided with a requirement set by the Government to produce an Efficiency Plan. The Government made an offer of a fixed, four year local government finance settlement in February 2016 to cover the years 2016/17 to 2019/20. The offer is conditional on an authority producing and publishing an Efficiency Plan outlining how it will achieve objectives within the resources available as set out in the settlement.

A local authority is not obliged to accept the offer set out in the four year local government finance settlement. However, the risk in not accepting the offer is that any subsequent year's final settlement may be less favourable than that outlined in February 2016. This risk applies equally to authorities in receipt of Revenue Support Grant (RSG), and those like Maidstone that are not scheduled to receive RSG in future years.

Recommendation Made

That Council be recommended to agree the draft Medium Term Financial Strategy and Efficiency Plan, and to accept the Government's offer of a four year funding settlement, subject to the following:

That authority be delegated to the Chief Executive and Section 151 Officer, in consultation with the Chairman and Vice-Chairman of the Policy and Resources Committee, to make any amendments to the Efficiency Plan, within the parameters of the agreed Medium Term Financial Strategy, that may be required based on emerging new information between now and the submission deadline.

Reason for Recommendation

A report to Policy and Resources Committee on 29 June 2016 set out revenue budget projections for the five year period covered by the Medium Term Financial Strategy, together with the underlying assumptions. This indicated that the Council faced a budget gap which would reach between £3.4 million and £5.1 million by the end of the five year period. For planning purposes, a mid-range projection of £4.2 million has been used.

As set out in Appendix 1 of the MTFS / Efficiency Plan, budget proposals with a favourable revenue impact of £2.9 million out of the requires £4.2 million have now been identified. These have been evaluated as part of a budget prioritisation exercise, which has also provided a means of addressing the remaining budget gap of £1.3 million. It has done this by prioritising services and thereby highlighting those services which will be the focus for meeting the residual budget gap.

As can be seen in Appendix 1, the budget gap of £1.3 million arises towards the end of the five year gap at the end of 2019/20.

Alternatives Considered

A local authority is not obliged to accept the offer set out in the four year local government finance settlement or to prepare an Efficiency Plan. The options are therefore:

- Do nothing – do not prepare an Efficiency Plan or accept the Government's funding offer.
- Submit the MTFS / Efficiency Plan and accept the funding offer.

It could be argued that, as the Council is not due to receive RSG after 2016/17, there is nothing to be gained by accepting the funding offer. However, there is nevertheless a risk of a more unfavourable outcome for Councils that do not accept the offer. For example, this Council is already due to be subject to a 'tariff adjustment' to business rates retained by the authority in 2019/20, which is effectively negative RSG. The tariff adjustment amounts to £1.589 million. This tariff adjustment could be increased if the amount of overall local government funding were revised downwards and those authorities that had not accepted the funding offer were to bear a disproportionate share of the cut.

After 2019/20, the business rates retention regime is likely to change, with the local authority share of business rates increasing from 50% to 100%.

Given what is known currently, Officers' recommendation to Members is that the Council accepts the offer set out in the four year finance settlement and submits an Efficiency Plan.

Advice on the contents of the Efficiency Plan is still emerging. Given the formation of a new Government, changes in policy cannot be ruled out. For both

these reasons, it is further recommended that authority be delegated to the Chief Executive and Section 151 Officer, in consultation with the Chairman and Vice-Chairman of the Policy and Resources Committee, to make any amendments to the Efficiency Plan, within the parameters of the agreed Medium Term Financial Strategy, that may be required based on emerging new information between now and the submission deadline. The Plan will be reviewed by the Policy and Resources Committee regularly as part of the normal annual process of reporting and Council budget setting, for example in December following the Government's financial settlement statement and February in preparation for Full Council where the authority's budget for the subsequent financial year is agreed. Accordingly, there will be Member involvement in the ongoing development and implementation of the Efficiency Plan.