

STRATEGIC PLANNING, SUSTAINABILITY AND TRANSPORTATION COMMITTEE

8 January 2019

Medium Term Financial Strategy and Budget Proposals

Final Decision-Maker	Council
Lead Head of Service/Lead Director	Mark Green, Director of Finance and Business Improvement
Lead Officer and Report Author	Mark Green, Director of Finance and Business Improvement
Classification	Public
Wards affected	All

Executive Summary

This report forms part of the process of agreeing a budget for 2019/20 and setting next year's Council Tax. Following agreement by Council of the Medium Term Finance Strategy at its meeting on 12 December 2018, this report sets out budget proposals for services within the remit of this Committee. These proposals will then be considered by Policy & Resources Committee at its meeting on 13 February with a view to determining a budget for submission to Council.

This report makes the following recommendations to this Committee:

1. That the budget proposals for services within the remit of this Committee, as set out in Appendix A, be agreed for submission to Policy and Resources Committee.

Timetable

Meeting	Date
Strategic Planning, Sustainability and Transportation Committee	8 January 2019
Policy and Resources Committee	13 February 2019
Council	27 February 2019

Medium Term Financial Strategy and Budget Proposals

1. INTRODUCTION AND BACKGROUND

Medium Term Financial Strategy

- 1.1 At its meeting on 12 December 2018, Council agreed a Medium Term Financial Strategy (MTFS) for the next five years. The MTFS sets out in financial terms how the Strategic Plan will be delivered, given the resources available. A new Strategic Plan was adopted by Council on 12 December 2018 and the MTFS reflects this.
- 1.2 There is considerable uncertainty about the resources which will be available to deliver the Strategic Plan, for a number of reasons. Outcomes for the national economy could vary widely depending on how the UK's planned exit from the EU is managed. These wider economic factors will affect the level of public expenditure generally. The framework for local government expenditure in particular is anyway subject to uncertainty, with the four year local government funding settlement 2016/17 to 2019/20 coming to an end next year, and no definitive information about the subsequent arrangements will mean in practice for the Council.
- 1.3 Given these multiple layers of uncertainty, the financial projections underlying the MTFS have been prepared under three different scenarios – adverse, neutral and favourable. All three scenarios assume that budget proposals for future years which have already been agreed by Council will be delivered, and that Council Tax is increased by 3% in 2019/20. Existing budget savings proposals within the remit of this Committee are shown in Appendix A and total £512,000 over the MTFS period.
- 1.4 The outcomes for the Council's budget gap, before allowing for any further growth or savings, are set out below.

	19/20	20/21	21/22	22/23	23/24
	£m	£m	£m	£m	£m

Scenario 1 – Favourable					
Budget surplus	-0.8	-0.9	-1.6	-3.3	-4.8

Scenario 2 – Neutral					
Budget gap	0.1	1.1	1.7	1.5	1.7

Scenario 3 – Adverse					
Budget gap	0.7	2.4	3.9	4.7	6.1

- 1.5 It can be seen that next year's budget is close to being balanced in the neutral scenario, given the various assumptions underlying the projections. However, in 2020/21 the budget gap will be significant under both the

neutral and adverse scenarios. It is essential that the Council starts planning now for 2020/21.

1.6 Budget proposals have been developed which seek to deliver the Council's strategic priorities and achieve a balanced budget, using the 'neutral' scenario as the basis for planning. The proposals now being submitted to Service Committees will deliver a balanced budget in 2019/20 and will achieve a substantial reduction in the projected budget gap in 2020/21.

1.7 It is recognised that delivering the strategic priorities will require budget growth. Of particular relevance to this Committee is the strategic priority 'Embracing Growth and Enabling Infrastructure'. It is proposed that, to facilitate this, additional staff resource is provided for infrastructure development. Growth of £48,000 is therefore included in the budget proposals for this purpose.

1.8 The approach taken in developing budget savings proposals has followed the principles set out in the MTFS, ie:

- *Revenue savings will be sought in:*
 - *Discretionary services which are not strategic priorities.*
 - *Statutory services which are not strategic priorities, where there is scope for reconfiguring services to reduce costs.*
 - *Improved efficiency in delivering strategic priorities.*
 - *New income generation and identification of external funding.*

These principles will be applied both to service expenditure and to corporate overheads.

- *Revenue growth will be built into the budget where strategic priorities cannot be delivered within existing revenue budgets, provided this can be accommodated by making savings elsewhere.*
- *Capital schemes will be reviewed and developed so that investment is focused on strategic priorities.*

1.9 The new budget savings proposals for services within the remit of this Committee are set out in Appendix A and reflect the principles above.

- Improved efficiency – it is considered that efficiencies can be achieved within the Planning Service through further adoption of commercial business practices.
- New income generation – There is scope for additional income through greater volumes of business from Planning Performance Agreements and pre-application fees, from building control, and from street naming and numbering.
- Discretionary services – The Park and Ride service, which is a discretionary service, has been subject to extensive discussion by this Committee over the past 12 months. The budget proposals reflect the decision made by the Committee on 6th November 2018 to close the pay

to park service. It is assumed that the Council will retain the Willington Street and London Road car parks, but any service(s) operated from these sites by commercial operators is assumed to have a net nil cost for the Council.

The new budget savings proposals for services total £275,000.

2. AVAILABLE OPTIONS

- 2.1 Agree the budget proposals relating to this Committee as set out in Appendix A for onward submission to the Policy and Resources Committee.
 - 2.2 Propose changes to the budget proposals for consideration by the Policy and Resources Committee.
 - 2.3 Make no comment on the budget proposals.
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3. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 3.1 The Policy and Resources Committee must recommend to Council at its meeting on 13 February 2019 a balanced budget and a proposed level of Council Tax for the coming year. The budget proposals included in this report will allow the Policy and Resources Committee to do this. Accordingly, the preferred option is that this Committee agrees the budget proposals at Appendix A.
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4. RISK

- 4.1 The Council's MTFS is subject to a high degree of risk and certainty. In order to address this in a structured way and to ensure that appropriate mitigations are developed, the Council has developed a budget risk register. This seeks to capture all known budget risks and to present them in a readily comprehensible way. The budget risk register is updated regularly and is reviewed by the Audit, Governance and Standards Committee at each of its meetings.
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5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 5.1 Policy and Resources Committee received an initial report on the MTFS at its meeting on 27 June 2018 and it agreed the approach set out in that report to development of an MTFS for 2019/20 - 2023/24 and a budget for 2019/20.
- 5.2 Service Committees and Policy and Resources Committee then considered a draft MTFS at their meetings in November 2018, and this was agreed for submission to Council. The MTFS included descriptions of the different scenarios facing the Council and described how budget proposals would be

sought for all scenarios, so that the Council might be suitably prepared for the adverse scenario, as defined. Council agreed the MTFS at its meeting on 12 December 2018.

- 5.3 Public consultation on the Council’s budget priorities was carried out in parallel with consultation on the Strategic Plan. Details are set out in Appendix B. Note that the public were consulted on eight expenditure priorities, in line with the eight priorities included in the first draft of the Strategic Plan.

6. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 6.1 The timetable for developing the budget for 2019/20 is set out below.

Date	Meeting	Action
January 2019	All Service Committees	Consider 19/20 budget proposals
13 February 2019	Policy and Resources Committee	Agree 19/20 budget proposals for recommendation to Council
27 February 2019	Council	Approve 19/20 budget

7. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	The Medium Term Financial Strategy and the budget are a re-statement in financial terms of the priorities set out in the strategic plan. They reflect the Council’s decisions on the allocation of resources to all objectives of the strategic plan.	Section 151 Officer & Finance Team
Risk Management	This has been addressed in section 4 of the report.	Section 151 Officer & Finance Team
Financial	The budget strategy and the MTFS impact upon all activities of the Council. The future availability of resources to address specific issues is planned through this process. It is important that the committee	Section 151 Officer & Finance Team

	gives consideration to the strategic financial consequences of the recommendations in this report.	
Staffing	The process of developing the budget strategy will identify the level of resources available for staffing over the medium term.	Section 151 Officer & Finance Team
Legal	Under Section 151 of the Local Government Act 1972 (LGA 1972) the Section 151 Officer has statutory duties in relation to the financial administration and stewardship of the authority, including securing effective arrangements for treasury management. The Medium Term Financial Strategy demonstrates the Council's commitment to fulfilling its duties under the Act. The Council has a statutory obligation to set a balanced budget and development of the MTFS and the strategic revenue projection in the ways set out in this report supports achievement of a balanced budget.	Team Leader (Corporate Governance), MKLS
Equalities	The overall approach to the MTFS is to direct resources into areas of need as identified in the Council's strategic priorities. The equalities impact of individual budget decisions will be determined when setting the budget.	Section 151 Officer & Finance Team
Crime and Disorder	The resources to achieve the Council's objectives are allocated through the development of the Medium term Financial Strategy.	Section 151 Officer & Finance Team
Procurement	The resources to achieve the Council's objectives are allocated through the development of the Medium Term Financial Strategy.	Section 151 Officer & Finance Team

8. REPORT APPENDICES

The following documents are to be published with this report and form part of the report:

- Appendix A: Budget Proposals 2019/20 – 2023/24
 - Appendix B: Residents' Survey
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9. BACKGROUND PAPERS

There are no background papers.