Part I
Item No: 8(c)
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WELWYN HATFIELD COUNCIL
CABINET – 2 AUGUST 2016
REPORT OF THE DIRECTOR (FINANCE AND OPERATIONS)

REVIEW OF THE MEDIUM TERM FINANCIAL STRATEGY

1 Summary

1.1 The Council's Medium Term Financial Strategy (MTFS) 2016/17 – 2018/19 was approved by Full Council in February.

1.2 A review of the key assumptions and principles adopted in the strategy has been undertaken at this stage of the year to make sure the MTFS is still relevant and appropriate in light of the 2015/16 outturn position and the changing environment in which the Council operates.

1.3 Forecasts have been rolled on a year to 2019/20 and suggest there is a £2million budget gap to be addressed.

2 Recommendation(s)

2.1 Cabinet is asked to note the contents of this report and in particular the principles to be adopted for the 2017/18 budget setting process and beyond, as highlighted in section 3.

2.2 Cabinet is asked to note that the 2017/18 budget setting process will need to address a budget gap of £560k in 2017/18 and also continue the longer term planning to address a budget gap of £2million by 2019/20.

2.3 Cabinet is asked to give delegated authority for the Section 151 Officer, in consultation with the Executive Member for Resources, to apply for the Government's offer a multi-year settlement by the deadline of the 14 October, if deemed appropriate to do so in light of the facts available at the time.

3 Explanation

3.1 At the time of agreeing the Medium Term Financial Strategy in February Members were informed that the Council was in a strong financial position with general fund (GF) revenue reserves at £7.4m at the start of 2015/16 and a Housing Revenue Account (HRA) balance of £12.3m. In financial year 2015/16 net expenditure was lower than budgeted in both the GF and HRA and so the strong financial position has been improved with balances at the start of 2016/17 at £10.1million and £13.9million respectively.

3.2 This financial cushion is critical for the Council to be able to plan and implement new ways of delivering services for less cost, as local government continues to face a period of severe financial constraints through further reductions in central government grants. Further to this the sector is also in a period of significant uncertainty with fundamental changes planned to the local government finance regime and the political and legislative turmoil resulting from the decision to leave the European Union. All of this at a time when increased demand and rising customer expectations of Council services continue.

3.3 The MTFS identified that a further £3.8m of savings was required from the general fund by 2018/19 in order to live within our means and maintain a reasonable cushion in reserves. It was acknowledged that this is a significant challenge and whilst the focus remains on safeguarding services it would not be possible to find efficiencies of this magnitude and guarantee no impact upon frontline services. The approved budget for 2016/17 included the identification of £1.1million of efficiencies (increasing to £1.6million by 2018/19) towards the target of £3.8million.

3.4 The current healthy general fund reserve balance provides an opportunity for some longer term planning and delivery of significant transformational projects to help deliver the savings target. Initial estimates suggest an ongoing £1.0m of savings can be found from the projects already identified. Working in this planned way should reduce the need for hasty cuts to services in order to balance the budget over the medium term.

3.5 Table 1 below summarises the budget position agreed by the Full Council in February 2016.

Table 1: MTFS Projection as at February 2016

`	2016/17	2017/18	2018/19
	£000	**£000**	**£000**
Base budget	14,661	14,859	15,305
Inflation	198	446	490
Growth - one -offs	755	500	500
Growth - ongoing	703	844	889
Savings	(1,136)	(1,583)	(1,622)
Interest payable	499	473	448
Investment income	(328)	(294)	(271)
Budget before transfers to/from reserves	**15,352**	**15,245**	**15,739**
Transfer from/ to Strategic Initiative Reserve	191	65	210
Transfer from General Reserve	0	0	0
Transfer to Ring fenced reserves	231	0	0
Sub-total	**423**	**65**	**210**
Collection fund deficit/ (surplus)	(875)	(350)	(350)
Council Tax Support Grant for Parish/Town Councils	66	28	5
Corporate income (Retained Business Rates + RSG + New Homes Bonus + other un-ringfenced grants)	**(7,206)**	**(6,708)**	**(5,408)**
Council Tax Requirement	**(7,760)**	**(7,877)**	**(8,035)**
Budget Gap [(Surplus) / Deficit]	0	403	2,161
Further Savings Plans in development	0	(50)	(1,020)
Budget Gap [(Surplus) / Deficit]	**0**	**353**	**1,141**

3.6 The government's announced rent reduction programme and other housing related government policy proposals do create challenges for the sustainability of the HRA over the medium term. A savings programme is being developed to offset the direct reduction in rents but further changes in government policy will require the HRA to be kept under close review so appropriate responses can be developed.

3.7 The Council has always adopted a 3-year outlook on the General Fund and given the extent of the forecast government funding reductions this will enable the Council to consider the full extent of potential cuts and how the Council will become more sustainable. External Audit will review the MTFS as part of their Value for Money conclusion within the Statement of Accounts audit, and their requirements to assess the Council's financial sustainability will include an assessment on the Council's minimum reserve position, its ability to address the budget gap in the medium term and also the projected reserves balances.

3.8 The Council has been proactive in identifying savings required for future years, actions to date include, detailed budget scrutiny on the 2015/16 outturn carried out by Executive Member for Resources, Director (Finance & Operations) and Finance Manager with each Head of Service (HoS). This is the fifth year that these sessions have taken place and are a helpful way to trigger thought and ideas for the following years budget process.

General Fund Key Financial Assumptions and Principles

3.9 The key financial assumptions and principles included in the MTFS forecast for 2017/18 to 2018/19 have been reviewed, updated and rolled forward to 2019/20. A summary is provided here with further explanation where necessary in the following paragraphs:

- **Financial Settlement from Governmen**t – the final financial settlement announced in February for 2016/17 also provided an indicative settlement until 2019/20. There has been no further update on this and so assumptions in the MTFS remain the same at the current time with Revenue Support Grant reducing year on year until 2019/20 at which point it becomes negative with an effective "top up" payment to Central Government.

- **Retained Business Rates** – assume the continuation of the current scheme with retained rates growing in line with Government's inflationary forecast.

- **New Homes Bonus** – have now assumed that the Government will implement the proposals in its consultation to reduce legacy payments to 4 years and introduce a "deadweight" adjustment to only reward growth over a certain level. Continue to assume less reliance in the base budget with 25% of the bonus transferred into the strategic reserve in 2017/18 and 50% in 2018/19 and 2019/20.

- **Inflation on contracted expenditure** – An overall rate of around 3% per annum reflected the RPI forecast used by the Chancellor of the Exchequer in his budget. Inflation is currently (May 2016) at 1.4%. However, commentators are suggesting that the fallout of the EU leave vote could result in an increase in inflation over the coming years and so we continue to assume an average of 3%.

- **Pension Fund contributions** – The fund is due for a triennial valuation this year which is likely to result in an increase in annual employer contributions. The report is due in the Autumn and so at this stage the inflationary factor above is the allowance in the forecasts to cover the increase expected.

- **Investment Income** – forecasted income has been revised down in light of the recent suggestions by the Bank of England that it may reduce the base rate. Assumed base rate of 0.25%.

- **General Fund Reserve Balance** – continue to assume a balanced budget each year (i.e. services identify and deliver the efficiency target of £2million) with balances maintained at around £8million.

- **Strategic Earmarked Reserve** – drawdown from this reserve to fund the annual assumed one-off growth of £500k. The reserve is assumed to be topped up by a proportion of New Homes Bonus (see above) and so is maintained at around £1.5million.

- **Council Tax** – Continue to assume a small increase of 1% in 2017/18 and 1.5% increase in 2018/19 and 2019/20. However, the government has lifted the threshold before a referendum is required and the Council could increase Council Tax by £5 per annum (or around 2.5%) under the current rules.

Financial Settlement from Government

3.10 Although the Council's financial standing remains strong, it will continue to suffer the impact of the government's fiscal strategy to reduce the public sector deficit, which is expected to last until at least the end of this Parliament. The indicative settlement is as follows:

Table 2: Indicative financial settlement 2016/17 to 2019/20

	2016/17 £'000	**2017/18 £'000**	**2018/19 £'000**	**2019/20 £'000**
Revenue Support Grant	(1,307)	(558)	(104)	402
Business Rates Baseline	(2,664)	(2,716)	(2,797)	(2,886)
Total: Settlement Funding Assessment	**(3,971)**	**(3,274)**	**(2,901)**	**(2,484)**

3.11 The Chancellor decided not to issue an emergency budget post the EU vote and so we await to see if in the Autumn Budget there are changes to the local government settlement in light of changes to market forecasts and the decision to longer seek a national budget surplus by the end of this Parliament.

3.12 In the local government finance settlement the government stated that it would offer any council that wishes to take it up, a four-year funding settlement to 2019/20. It was indicated that an efficiency plan would need to be submitted when such an offer was requested.

3.13 The Secretary of State has since clarified some of the issues around this announcement:

- The deadline for applying for the offer is 5pm on Friday 14 October 2016;

- It is expected to be the only time over the course of the current Parliament that a multi-year settlement will be offered;

- The offer covers the figures provided in the final local government finance settlement published on 9 February (see table 2 above);

- In addition, protection will be provided that ensures tariffs and top ups for 2017/18 to 2019/20 will not be alerted for reasons related to any changes in the relative needs of local authorities;

- There will not be protection from: The extra responsibilities and functions that might need to be accepted by local government as part of the move to 100% business rates retention; Futures transfer of functions to or between local authorities, or the impact of mergers; and any other unforeseen events.

- Efficiency plans do not need to be their own stand-alone document. They can be combined with the MTFS or linked with the efficiency strategy developed for the use of capital receipts flexibility. Within the efficiency strategy, the authority will be expected to show how a four-year settlement will bring about opportunities for further savings. Where appropriate, the plans should be worked up in conjunction with public sector partners and linked to devolution plans.

3.14 As such, a decision will need to be made before the 14 October 2016 on whether to apply for a multi-year settlement. There does not appear to be any good reason not to apply at the current time, although the caveat that there will not be any protection if there are “any other unforeseen events” does suggest the benefit of such a settlement may be limited. Given this the recommendation at 2.3 is to give delegated authority for the Section 151 officer , in consultation with the Executive Member for Resources, to make the final decision based on the information available at the time and apply for the Government’s offer.

Retained Business Rates

3.15 On 5 July 2016, DCLG published the consultation paper, “Self-sufficient local government: 100% Business Rates Retention”. Government intends to introduce 100% Business Rates Retention to local government by the end of the Parliament. It is expected that, at the same time, the government will update the relative needs formulae (i.e. that determine the amount of resources that an authority will have if it collects at its business rates target). A discussion paper on the review of the Baseline Need figure was also published on 5 July 2016.

3.16 There are a number of questions asked in the consultation about the principles underlying the system including the additional responsibilities that will be transferred to local government. While there are many unknowns at the moment about how this will impact on the Council's funding it is clear that the system will have to include a means of redistribution and so while the sector may retain all the business rates collected it will not be possible for each individual Council to retain all the business rates collected in its particular area.

3.17 In the absence of any alternative system to model our current forecasts assume the continuation of the current business rate retention scheme. In this scheme of the business rates collected the Council pays 50% to Central Government, 10% to Hertfordshire County Council and then a further "tariff" to central government before a levy is calculated on the growth above the "baseline". This levy is then also paid to Central Government. The result of this redistribution is that Welwyn Hatfield Borough Council keeps around 6pence of every £1 collected.

3.18 The amount of business rates collected has grown above the Government's assessed "baseline" for the Borough. This means the amount forecast to be retained is more than the amount indicated in the financial settlement in table 2 and a levy is due to be paid. This is demonstrated in the table below which shows forecasts up until 2019/20. In 2015/16 the Council benefited from a reduced levy as a result of being included in the Hertfordshire Business Rates Pool. It is hoped this benefit will be repeated in 2016/17 but will be dependent on the performance of all Councils in the pool and so no assumption is included in the forecasts.

Table 3: Total forecasted amount of business rates retained by Welwyn Hatfield Borough Council

		2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
A	Business Rates Collectable	60,042	62,043	63,873	65,915
B	Government share @ 50%	-30,021	-31,021	-31,937	-32,957
C	HCC share @ 10%	-6,004	-6,204	-6,387	-6,591
D	Tariff payable to Government	-19,911	-20,303	-20,902	-21,570
E1	Welwyn Hatfield share before Levy (A+B+C+D)	4,106	4,515	4,647	4,797
E2	Adj. for Small Business Rate Relief and Shops and Empty Property reliefs'	474	483	498	514
E3	**Welwyn Hatfield adjusted share**	**4,580**	**4,998**	**5,145**	**5,311**
F	Baseline funding level	2,664	2,716	2,797	2,886
G	Welwyn Hatfield adj. share less baseline funding level (E3-F)	1,916	2,282	2,348	2,425
H	Levy payable to Government @ 50% (G * 0.5)	-958	-1,141	-1,174	-1,213
I	Reduction in levy (impact of Pooling)	0	0	0	0
J	**Retained business rate income including reimbursement E2 (E3+H+I)**	**3,622**	**3,857**	**3,971**	**4,098**

Table 4: Net change in forecasted total of Revenue Support Grant and Retained Business Rates

	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
Reduction in Revenue Support Grant on previous year	860	749	454	506
Increase in Retained Business Rates on previous year	(296)	(235)	(114)	(127)
Net Reduction	**564**	**514**	**340**	**379**

New Homes Bonus

3.19 The funding from Government for New Homes Bonus is not certain to continue and the Government is consulting on changes to the current scheme.. There is a risk in placing reliance on this funding. This view is congruent to that of the Council's external auditors who have highlighted that reliance on New Homes Bonus funding will influence their Value for Money opinion.

3.20 The MTFS assumes to reduce the Council's reliance on this income to 50% in 2018/19. As such, 25% of New Homes Bonus in 2017/18 and 50% in 2018/19 and 2019/20, will be transferred to Strategic initiatives reserves to fund one-off growth projects. The use of balances will be considered as part of the budget setting process; however this will also have regards to the minimum level of reserves that the Council must retain to meet any unanticipated costs arising in any given year.

Pension Fund employer contributions

3.21 The fund is due for the triennial valuation this year. At the last valuation it was deemed necessary to increase the Council's annual contribution into the fund in order to adequately cover the liabilities. This is likely to be the case again this year and work will need to be undertaken with the actuary to identify options for managing the increases in a sustainable way. One such option may be to use some of the balances in reserve to make an upfront lump sum contribution. This should have a beneficial financial effect and limit the annual increases. This approach was taken following the previous triennial valuation. At this stage the MTFS assumptions reflect those presented back in January 2016.

3.22 Based on the above revised assumptions, Table 4 below summarises the latest MTFS projection:

Table 4: Revised MTFS Projection as at July 2016

	2017/18	2018/19	2019/20
	£000	£000	£000
Base budget	14,859	15,305	15,795
Inflation	446	490	490
Growth - one -offs	500	500	500
Growth - ongoing	844	889	889
Savings	(1,583)	(1,622)	(1,622)
Interest payable	473	448	351
Investment income	(245)	(225)	(225)
Budget before transfers to/from reserves	**15,294**	**15,784**	**16,177**
Transfer (from)/ to Strategic Initiative Reserve	(12)	223	202
Transfer (from)/to General Reserve	0		
Transfer (from)/to Ring fenced reserves	0	0	0
Sub-total	**(12)**	**223**	**202**
Collection fund deficit/ (surplus)	(350)	(250)	0
Council Tax Support Grant for Parish/Town Councils	28	5	0
Corporate income (Retained Business Rates + RSG + New Homes Bonus + other un-ringfenced grants)	**(6,473)**	**(5,550)**	**(5,128)**
Council Tax Requirement	**(7,877)**	**(8,035)**	**(8,196)**
Budget Gap [(Surplus) / Deficit]	610	2,178	3,054
Further Savings Plans in development	(50)	(1,020)	(1,020)
Budget Gap [(Surplus) / Deficit]	**560**	**1,158**	**2,034**

Reserves

3.23 The Council currently holds three types of usable revenue reserves:

- Strategic Reserves – this consists of Strategic Initiatives Reserve (used to fund one-off general fund projects)
- Ring-fenced/Earmarked Reserves – these reserves are used for specific purposes, some of which we are required to hold separately for statutory purposes. Our ring-fenced balances include: building control,

hackney carriage, Planning determination Fund and Performance reward grant reserve.

- General Fund reserve – this is un-ring fenced and is used to support general fund items

3.24 Table 5 below illustrates the projected reserves position in the medium term. This includes updating for the outturn for 2015/16. It is important the Council retains a cushion in reserves for known and unknown financial risks. Clearly there is a significant amount of uncertainty and potential "unknowns" in the current environment and so a higher level of balance is to be expected and is prudent. The general fund is currently shown to be maintained at around £8million but this will be reviewed during the budget process and in light of the achievability of the ongoing savings targets.

Table 5: Projected Reserves Position from 2017/18 to 2019/20

Balances Movement (taking into account known movements in 15/16 budget)	**2017/18**	**2018/19**	**2019/20**
	£000	**£000**	**£000**
Balance b/f			
General Fund Reserves	7,970	7,970	7,970
Strategic Reserves	1,231	1,219	1,442
Ring-fenced/Earmarked Reserves	1,456	1,456	1,456
Total	**10,657**	**10,645**	**10,869**
Projected Movement			
General Fund Reserves	0	0	0
Strategic Reserves	(12)	223	202
Ring-fenced/Earmarked Reserves	0	0	0
Total	**(12)**	**223**	**202**
Balance c/f			
General Fund Reserves	7,970	7,970	7,970
Strategic Reserves	1,219	1,442	1,644
Ring-fenced/Earmarked Reserves	1,456	1,456	1,456
Total	**10,645**	**10,869**	**11,070**

Council Tax

3.25 The Council has frozen its average band D council tax for the past 7 years which was supported primarily by the government's council tax freeze grant. While the impact in a single financial year of a modest increase in the council tax rate is not hugely financial significant the ongoing compound effect does have an impact on the Council's finances over the medium to longer term.

3.26 Over the past 12 months the rhetoric from Government about Council Tax increases has changed and an annual increase is now expected in Government forecasts. As such, a modest 1% increase in 2017/18 followed by a 1.5% in the two years after has been assumed. The

Government has suggested that the Council could now increase by £5 or 2.5% per annum before triggering a referendum.

Options to address the budget gap

3.27 The Council's financial strategy remains to support an affordable level of Council Tax by reducing costs, maximising income, sharing good practice, simplifying delivery processes and reducing the Council's administration cost.

3.28 In light of the risks exposed to the Council highlighted above, consideration will be given to the range of options for services to deliver savings for the 2017/18 budget setting process to deliver a sustainable budget over the next five year period.

3.29 A particular focus this year will be a review of fees and charges to make sure the Council is maximising income where it is appropriate to do so.

3.30 The Executive Board and Heads of Service will be working on compiling options for meeting the budget gap over the summer months in time for Cabinet to consider a draft budget for 2017/18.

3.31 Given the levels of savings that have been successfully delivered since 2010 and the forecast levels of savings required over this Parliament, there is limited scope for continued review for efficiencies within the current operating model. The Council may need to review the core business activities and the operations that support them. Collaboration with other Public Sector bodies and working more commercially in our local environment will all need to be considered to assist the council in a drive to become self sufficient and to be able to provide sustainable services to our residents and electorate.

3.32 In order to ensure progress can be made at the pace required to deliver the financial challenge, it is recommended that the 2017/18 budget setting process should adopt the following principles:

- No additional departmental growth (including one-offs growths) will be added unless it is approved by the Cabinet.
- Improve income generated through fees and charges following a review on the existing fees and charges policy.
- Review the Policy on Reserves and Balances to ensure that it supports the delivery of the corporate priorities.
- Services consider options to reduce the budget gap to bring forward as part of the budget process.

Capital Estimates

3.33 The Cabinet approved the capital programme and funding position 2016/17 to 2019/20 for non-housing, housing and major repair schemes as part of its budget setting process. At the start of 2016/17 the Council's capital reserves amounted to about £36.5m with much of this balance being associated with housing right to buy receipts and earmarked for the affordable housing programme.

3.34 Officers will be updating the capital programme to reflect roll forwards and updated information on schemes and consideration will also be given for schemes starting in 2017/18 as part of the budget setting process.

3.35 The MTFS reflects the revenue impact of the forecast capital investment, such as the requirement to pay interest on borrowing and repay the principal over time. The amount of capital investment in the programme needs to be continually reviewed to be sustainable and priority considered for schemes that are "invest to save" with a reasonable payback in revenue funds.

Housing Revenue Account

3.36 The Housing Revenue Account (HRA) is a ring-fenced account containing the income and expenditure associated with the Council's landlord function. HRA balances are also ring-fenced and are available to re-invest in the service. Since 2012/13, the Housing Revenue Account took on the debt allocation relating to its housing stock of over £300m. While this is a considerable liability, it has allowed the Council the freedom to manage the debt and the service, without the fluctuations and instabilities of the system that was in place previously. As well as bringing greater stability to the account, it also allows for better forward planning, particularly for long term asset management.

3.37 Currently the HRA contains over 9000 homes and manages the blocks for over 1,200 leaseholders. Apart from temporary hostel accommodation, the Council owned stock is virtually fully occupied. Locally, demand for social rented accommodation remains very high, which allows the Council to re-let properties quickly and keep rent void loss low. Some time ago the government laid out a national Decent Homes Standard and the Council achieved this in 2010, but is continuing to invest in the stock in order to maintain this standard, as homes fall non-decent. In addition to this target, the Council continues to review investment needs in the stock. Since the changes to the Right to Buy (RTB) scheme the Council has also commenced an affordable housing programme that will include the provision of new, or purchased, housing within the HRA. This will partially offset the stock lost from RTB sales, but requires investment from HRA resources.

3.38 Performance in the HRA has remained strong, with low levels of inflation and costs contained within budget. This has led to the build up of a healthy reserve of over £13m at the start of 2016/17. However, like all public services, the account does face substantial risks looking forward.

3.39 The HRA medium term financial strategy, outlined below, has not been adjusted since the information presented in February 2016 at this time as the full implications of the Housing and Planning Act and Welfare reforms are as yet unknown and further financial modelling for the potential implications will need to be undertaken over the summer months.

Table 6: HRA Projections to 2020/21 as at February 2016

HRA Projections

	2016/17 Budget £m	**2017/18** Projection £m	**2018/19** Projection £m	**2019/20** Projection £m	**2020/21** Projection £m
Dwelling & Hostel Rent	49.4	48.6	47.9	48.1	47.5
Other Income	2.6	2.6	2.7	2.7	2.8
HRA expenditure (excluding repairs)	10.5	10.2	10.4	10.6	10.6
Revenue Maintenance	11.0	11.1	11.2	11.4	11.6
Capital Maintenance (funded from Depreciation)	11.2	11.0	11.2	11.5	11.8
Debt Principal and Interest	19.9	19.0	17.7	17.3	16.3
Revenue Contributions to Capital	3.7	0.0	0.0	0.0	0.0
HRA Surplus/(Deficit)	(4.3)	(0.0)	0.0	(0.0)	0.0
HRA Balance	**5.0**	**5.0**	**5.0**	**5.0**	**5.0**
Tenanted Stock	**8,963**	**8,905**	**8,858**	**8,823**	**8,790**

3.40 The table above shows the HRA position to 2020/21 based on projected activity and rents reducing by 1% year on year. The table also shows the cost of meeting the debt repayments. From 2017/18 there will no longer be structural surpluses to help fund the planned capital investment and so further borrowing has been anticipated.

3.41 It was also announced in the 2015 Budget that tenants earning over £30k per annum outside London, will be required to pay market rents in social housing. It is not clear how this will be administered, however there are likely to be additional costs associated with this proposal. The additional rental income raised by the Council will be required to be paid to Government, so there will initially be no other financial implications. There are also a number of changes planned to Housing Benefit and the housing element of Universal Credit. The entitlement of 18 to 21 year old jobseekers to housing benefit is removed and the benefit cap will be reduced by £3k to £23k per individual in London. The combined effect on these changes will have a number of impacts and may change demand on the Council's social housing stock over time. This will be reviewed as part of the budget process for 2016/17.

3.42 The main assumptions that supported the projections in the Table above include:

- Annual 1% reduction in rents.
- Right to buy sales remain at manageable levels and stock will be replaced during the 5 year period.

- Repairs costs stay in line with general inflation.
- Efficiencies of £2m are made over the next 4 year period.
- The HRA balance is maintained at £5million to provide a reasonable contingency. At the start of 2016/17 balances are higher than this but will be used to help fund the affordable housing programme.

3.43 Overall, the HRA remains in balance but there are significant risks facing the fund that it is not possible to accurately model at this time and their impact could be felt within this five year timeframe.

4 Next Steps

4.1 The Council's budget setting process integrates service and financial planning into a single process and aims to ensure that resource allocation reflects corporate priorities and is affordable. Over the summer and autumn months, officers will be preparing assessments of their service that take into account the Council's policies, priorities and performance, national policy, service and budget risks, and value for money. The resulting growth and savings options will include an assessment of their service and financial impact, achievability, sustainability and equalities impact. These options will be reported to Cabinet in January together with overall proposals for the Council's budget.

5 Consultation

5.1 Officers will consider how consultation will go forward for 2017/18. In previous years response levels to the online consultation "You Choose" has been extremely low, but the information has been useful to indicate priorities for residents and business ratepayers.

5.2 It is the role of the Resources Overview and Scrutiny Committee, to consider the Draft General Fund Budget, Capital Programme, HRA budget, Treasury Management and Investment Strategy and the MTFS at the appropriate stages in the budget setting framework to submit recommendations/comments to the Cabinet.

6 Legal Implication (s)

6.1 This Medium Term Financial Strategy sets out the framework for setting future budgets and levels of Council Tax. Members are reminded that Council must take into account the advice of the Director (Finance and Operations) on the robustness of future budget proposals and the adequacy of the proposals for reserves. The Council has a legal duty to set a lawfully balanced budget.

7 Financial Implication(s)

7.1 The financial implications are set out within this report.

8 Policy Implication(s)

8.1 The MTFS forms part of the Council's business plan.

8.2 The policy implications are contained within the MTFS.

9 Link to Corporate Priorities

9.1 The subject of this report is linked to the delivery of all the Council's Corporate Priorities. The MTFS reflects the Corporate Business Plan, is designed to maintain financial sustainability, ensure value for money and ensure adequate resources are available to assist the delivery of other Council priorities.

10 Climate Change Implication(s)

10.1 There are no direct climate change implications resulting from the recommendations in this report.

11 Risk Assessment

11.1 The MTFS is intended to reduce the risk of exposing the Council to make decisions which are not sustainable in the longer term, or of missing opportunities which may only be identified through a longer term planning.

11.2 The risks associated with the MTFS will be re-assessed as part of the 2017/18 budget setting process.

12 Equalities Implication (s)

12.1 In developing individual budget proposals service managers are expected to undertake an equality impact assessment.

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Background papers
Medium Term Financial Strategy – January 16 Cabinet