

WELWYN HATFIELD BOROUGH COUNCIL
CABINET – 10 JANUARY 2017
REPORT OF THE EXECUTIVE DIRECTOR (RESOURCES, ENVIRONMENT AND
CULTURAL SERVICES)

MEDIUM TERM FINANCIAL STRATEGY

1 Executive Summary

- 1.1 The Medium Term Financial Strategy (MTFS) sets out the Council's strategy for maintaining financial sustainability and a commitment to provide the best possible value for money for the community. It provides a framework for the Council to plan and manage its resources over the current Comprehensive Spending Review period in order to meet the Council's overall corporate objectives.
- 1.2 The MTFS was last approved by Cabinet in January 2016. Since then the Cabinet reviewed the forecast financial position in August 2016.

2 Recommendation(s)

- 2.1 That Cabinet notes the Medium Term Financial Strategy appended to this report and seeks comments from the Resources Overview and Scrutiny Committee before reconsidering at the next meeting.

3 Explanation

- 3.1 The Council is currently in a good overall financial position with revenue reserves at £10m at the start of 2016/17 and a housing revenue account (HRA) balance of £13.9m. This is a direct result of robust financial management and a prolonged period of achieving efficiencies to balance the budget as government funding has reduced. However, in line with other local authorities, the Council is facing further severe financial constraints as central government grants continue to reduce. At the same time the demand on some of the Council's services continue to grow and further responsibilities will be transferred from central government.
- 3.2 Our best estimates suggest the Council is required to find a further £4.2m of savings on the general fund by 2019/20 in order to live within its means and maintain a reasonable cushion in reserves. This is a significant challenge and whilst the focus remains on safeguarding services it will not be possible to find efficiencies of this magnitude and guarantee no impact upon frontline services. The budget for 2017/18 includes the identification of £1.3million of efficiency proposals, growing to £1.8million by 2019/20, to be delivered towards the target of £4.2million leaving £2.4million to be found.
- 3.3 The current healthy general fund reserve balance provides an opportunity for some longer term planning and delivery of significant transformational projects over the medium term to help deliver the savings target. Initial estimates suggest an ongoing £900k of savings can be found from the projects already underway.

This currently leaves an estimated budget gap of £1.56million by 2019/20 to be found from other longer term projects and initiatives and could include the outcome of work on the Customer Services strategy, a review into the provision of leisure services and identifying alternative ways of working. Working in this planned way should reduce the need for hasty cuts to services in order to balance the budget over the medium term.

- 3.4 The capital programme includes an allowance for investment to help alleviate the pressure on the general fund and the delivery of new facilities needed by residents of the Borough, including a substantial affordable housing programme to replace properties lost through the Government's Right to Buy scheme. The capital programme anticipates investment of around £153.6m over the five years. This level of investment will require further borrowing of around £50m.
- 3.5 Despite confirmation from the Secretary of State that the Council was successful in its application for a multi-year settlement, the MTFs has been written at a time of unprecedented uncertainty in local government funding. Forecasting the Council's likely level of income over the next three years has required a large degree of judgement and estimation. In particular there are key changes in relation to national non-domestic rates to take into consideration:
- A Revaluation which comes into effect on 1 April 2017
 - A new appeal process for businesses called "check, challenge, appeal" also coming into effect on 1 April 2017
 - The government's intention to move towards the retention of 100% of business rates in the local government sector by the end of this parliament
 - The transfer of additional responsibilities to Local Authorities in return for 100% business rate retention.
- 3.6 Further, the Government has announced changes to the New Homes Bonus scheme and there is work continuing on the fundamental review of the Local Government funding regime.
- 3.7 The government's 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 it is clear that it will be necessary to effectively restructure the debt repayment schedule by taking out further borrowing over a longer time frame in order to maintain the HRA in a sustainable position.
- 3.8 There remain a number of uncertainties and risks to the Council's finances in the medium term, the details of which are contained within this strategy. The Council will continue to experience pressure on services arising from demographic and government policy changes and continued high expectations of service delivery. We will keep our MTFs under review and make changes accordingly to reflect the rapidly changing environment in which we work.

Implications

4 Financial Implication(s)

- 4.1 The financial implications are set out within this report and the accompanying MTFS.

5 Link to Corporate Priorities

- 5.1 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.

6 Legal Implication(s)

- 6.1 This MTFS 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 Corporate Director (Finance and Operations) (Chief Finance Officer) 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.
- 6.2 The MTFS sets out how the Council will fulfil its Best Value Duty to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In doing so the MTFS also acknowledges the Duty to Consult representatives of a wide range of local persons.

7 Climate Change Implication(s)

- 7.1 There are no direct climate change implications as a result of the recommendation of this report. However, the MTFS seeks to ensure there are adequate resources available for the Council to fulfil its responsibilities with regards to climate change.

8 Risk Management Implications

- 8.1 The MTFS is intended to reduce the risk to the Council of making decisions, which are not sustainable in the longer term, or of missing opportunities which might only be identified through a longer term planning horizon.
- 8.2 The risks associated with the MTFS are set out in the strategy document.

9 Equality and Diversity

- 9.1 In developing individual budget proposals officers have undertaken an equality impact assessment. The MTFS is intended to reduce the risk to the Council of making decisions, which are not sustainable in the longer term, or of missing opportunities which might only be identified through a longer term planning.

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Date	06/12/2016