

Medium Term Financial Strategy

Introduction

1. For a number of years as part of the Council's sound financial planning arrangements a four-year financial strategy has been prepared. This document allows a considered view to be taken of spending and resources. Without a medium term financial strategy finances would be managed on an annual basis leading to sudden expansions and contractions in services. Clearly such volatility would lead to waste and be confusing for stakeholders.
2. Managing this Council's finances has been made easier by isolating one off fluctuations (District Development Fund or DDF) from the ongoing core services (Continuing Service Budgets or CSB). This distinction highlights the differing effects in the medium term of approving different types of initiative.
3. A key part of the strategy is future rises in Council Tax and the Council has a stated ambition to remain a low tax authority in the long term. To achieve this over the long term it is important to avoid the gimmick of one-off reductions. For 2018/19 it appears that most authorities across Essex will be increasing charges to just below the referendum limit.
4. At its 20 July 2017 meeting the Finance and Performance Management Cabinet Committee decided to recommend a 0% increase in the Council Tax. This recommendation was adopted by Cabinet on 7 September 2017.

Previous Medium Term Financial Strategy

5. The July meeting of the Cabinet Committee considered the annual Financial Issues Paper and an updated medium term financial strategy. At that time Members attention was drawn to a number of areas of significant uncertainty. Key amongst those were the structural reforms to the financing of local authorities and the local retention of NNDR. The general state of domestic and world economies were a concern as was the progress towards and potential outcomes from Brexit. There were also questions over welfare reform, development opportunities and the Transformation Programme.
6. Against this background of risk and uncertainty a forecast was constructed that set a target of £12.920m for CSB expenditure for 2018/19 and maintained the requirement for annual CSB savings over the forecast period. At this time deficit budgets were anticipated for each year of the forecast, although these were reducing at the end of the forecast.
7. At that time the predicted General Fund balance at 1 April 2021 of £5.287m represented 41% of the anticipated Net Budget Requirement (NBR) for 2020/21 and was therefore somewhat higher than the guideline of 25%. It was also predicted at that time that there would be £0.564m left in the DDF at 1 April 2021, although this was after a transfer in of £0.5m in 2018/19.

Updated Medium Term Financial Strategy

8. In the period since the Financial Issues Paper the Government has provided the draft settlement figures for the period up to and including 2019/20. The reductions in grant are slightly higher than had been anticipated, being £7,000 higher in 2018/19 and £50,000 higher in 2019/20. Revenue Support Grant still goes negative by the end of the period. The reductions in New Homes Bonus are also more than had been estimated and a further £50,000 of income has been lost here. In constructing the forecast it has been necessary to make certain assumptions, these are set out below:
 - a) CSB Growth – the net savings required for 2018/19 have been found and the CSB figure is comfortably below the target established in July. Budgets will be re-visited during the course of 2018/19 to seek further reductions, particularly areas like waste management that have not seen any changes to address previous growth. In common with the earlier version of the strategy, target CSB savings are included for 2020/21 to 2021/22. Additional savings on the new leisure management contract and salary savings from the people strategy have helped achieve the savings required for 2018/19. However, on top of known predicted savings, net savings targets of £300,000 for both 2020/21 and 2021/22 are needed.
 - b) DDF – all of the known items for the four-year period have been included and at the end of the period a balance of £1.09m is still available. This is only possible after the transfer in of £2.65m from the General Fund Reserve in earlier years due to the high level of expenditure on the Local Plan.
 - c) Grant Funding – the amounts included are those from the draft settlement, including the negative amount in 2019/20.
 - d) Other Funding – the amounts included for New Homes Bonus have been reduced further in line with the draft settlement. Only limited growth in funding has been anticipated from growth in the non-domestic rating list. It has been assumed that the allowance for losses on appeals will be adequate but there are hundreds of appeals still outstanding, including one against the largest item on our rating list. It has been assumed that the remaining three units on the shopping park will be let before the end of March 2018.
 - e) Council Tax Increase – Members have indicated that they wish to increase the Council Tax by 2.48% for 2018/19 and then reverse this in 2021/22.
9. This revised medium term financial strategy has deficits in the final two years of the period, although these are increasing and the use of reserves in 2021/22 is £557,000. The predicted revenue balance at the end of the period is £4.9m, which represents 38% of the NBR for 2021/22 and thus exceeds the target of 25%.
10. It is worth repeating that savings of £0.6m are still to be identified for the last two years of the strategy and that identified savings of £3.4m in 2018/19 and £2.3m in 2019/20 will have to be delivered. In approving the medium term financial strategy Members are asked to note these targets. The strategy will be monitored during the year and updated for the July 2018 meeting of the Finance and Performance Management Cabinet Committee.