

## **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 2019/20 it appears that most authorities across Essex will be increasing charges to just below the referendum limit.
4. At its 26 July 2018 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 6 September 2018.

### **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 £12.1m for CSB expenditure for 2019/20 and maintained the requirement for annual CSB savings over the forecast period. At this time deficit budgets were anticipated for 2020/21 and 2021/22.
7. At that time the predicted General Fund balance at 1 April 2022 of £4.755m represented 37% of the anticipated Net Budget Requirement (NBR) for 2021/22 and was therefore somewhat higher than the guideline of 25%. It was also predicted at that time that there would be £0.518m left in the DDF at 1 April 2022, although this was after a transfer in of £1.3m in 2018/19 and £0.6m in 2019/20.

## Updated Medium Term Financial Strategy

8. In the period since the Financial Issues Paper the Government has provided the draft settlement figures for 2019/20 which is the last year of the four year settlement that commenced in 2016/17. The prospect of negative Revenue Support Grant of £0.28m has been removed so the position is better by that amount. It was anticipated that there would be a reduction in New Homes Bonus but the Council were awarded £0.452m for 2019/20 so the overall total will be £1.049m which is £0.402m better than expected. There is also a small one off windfall payment of £0.05m expected relating to a return of Business Rate levy payments. 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 2019/20 have been identified and the CSB figure is comfortably below the target established in July. The savings include an unallocated amount of £0.688m for the people strategy. Exactly where these savings will fall is as yet unknown but it is intended that this will be a mixture of staffing costs, additional income and other efficiencies. The budgets will be re-visited during the course of 2019/20 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 2021/22 and 2022/23. However, on top of known predicted savings, net savings targets of £100,000 in 2021/22 and £400,000 in 2022/23 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 £0.438m is still available. This is only possible after the transfer in of £1.9m 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.
  - d) Other Funding – the amounts included for New Homes Bonus have been increased in line with the draft settlement but it is proposed to remove the income from the CSB and place it in the DDF due to the uncertainty around future funding levels. Very limited growth in funding has been anticipated from the non-domestic rating list. It has been assumed that the allowance for losses on appeals will be adequate but there are a significant number of appeals still outstanding, including one against the largest item on our rating list.
  - e) Council Tax Increase – Members have indicated that they do not wish to increase the Council Tax for 2019/20 however a 2.5% increase is included thereafter.
9. This revised medium term financial strategy has deficits in all three years after 2019/20, The deficit is at its highest in 2021/22 before falling back to £280,000 in the final year. The predicted revenue balance at the end of the period is a little over £4.6m, which represents 34% of the NBR for 2022/23 and thus exceeds the target of 25%.
10. It is worth repeating that savings of £0.5m are still to be identified for the last two years of the strategy and that identified savings of £0.87m 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 2019 meeting of the Finance and Performance Management  
Cabinet Committee.