



CABINET REPORT

Report Title	EFFICIENCY AND MEDIUM TERM FINANCIAL STRATEGY
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AGENDA STATUS: PUBLIC

Cabinet Meeting Date:	18 th October 2017
Key Decision:	YES
Within Policy:	YES
Policy Document:	YES
Directorate:	Management Board
Accountable Cabinet Member:	Cllr Brandon Eldred
Ward(s)	NA

1. Purpose

- 1.1 This report sets out for Cabinet approval the proposed Efficiency and Medium Term Financial Strategy for 2018/19 to 2021/22. It also sets out the process and key milestones to achieving a balanced budget for 2018/19.

2. Recommendations

- 2.1 That Cabinet approve the draft Efficiency and Medium Term Financial Strategy as attached at Appendix 1.
- 2.2 That Cabinet adopt the key principles as set out at paragraph 3.2.4 below.
- 2.3 That Cabinet note the process and milestones to achieving a balanced budget for 2018/19, as set out in Appendix 2.

3. Issues and Choices

3.1 Report Background

- 3.1.1 In order to secure the government's offer of a minimum level of funding until 2019/20, the Council submitted an Efficiency Plan in October 2016. This set out how the Council planned to achieve the savings required to set a balance budget over the 4 year period.
- 3.1.2 The Efficiency and Medium Term Financial Strategy (EMTFS) builds on this and is essential to underpin the Council's delivery of a balanced financial position over the next five years.
- 3.1.3 The primary driver for the Efficiency and Medium Term Financial Strategy is the Council's Corporate Plan, and the need to deliver the priorities of the Council within the resources available.
- 3.1.4 This strategy relates specifically to General Fund budgets. The Housing Revenue Account faces similar financial challenges and the Council is working closely with Northamptonshire Partnership Homes to address these. This will result in an updated HRA Business Plan.

3.2 Issues

- 3.2.1 As reported to Cabinet and Council in February 2017 as part of the budget setting process the Council faces a substantial forecast budget gap over the next 5 years, rising to around £5m by 2022/23. This gap must be closed and significant budget savings will be required to achieve this. It will inevitably require tough choices for the Council.
- 3.2.2 Forecasts of funding and other technical budgets will be updated as the budget process progresses. The final position may vary as the budget is finalised, but it is not expected that this will significantly alter the level of savings required.
- 3.2.3 The 2017/18 budget included £2.8m of efficiency and other savings in order to realise a balanced budget. This built on the £3.5m of savings built into budgets over the previous 4 years.
- 3.2.4 Efficiency and Medium Term Financial Strategy Principles
 - The Council will, within available resources, seek to maximise delivery of services and levels of performance and ensure that resources are targeted to meeting its objectives and priorities
 - The Council will set a balanced budget, which is stable and sustainable and fully represents the cost of providing the levels of service and performance set out in the Corporate Plan and Service Plans
 - Income streams will be maximised through the delivery of high quality, cost effective services.
 - Council Tax will be increased up to the maximum allowed without requiring a referendum.

- Investment decisions will take into account both revenue and capital implications.
- Where requirements to undertake borrowing are identified, the costs and benefits of doing so will be assessed as required in line with CIPFA's Prudential Code.
- Financial implications will be underpinned by a robust risk assessment.
- Decision making will be business case lead. There will be a focus on the short, medium and long-term financial implications of decisions.
- Reserves will be utilised to fund investments that will deliver a long-term sustainable financial position.
- Further efficiencies will be sought in back office functions. No options that would result in increased costs of these functions will be considered.

3.2.5 Earmarked Reserves are available to support the delivery of the EMTFS. Where investment is supported by a robust business case then these reserves will be used to fund the up-front costs required to deliver future budget savings.

3.2.6 The efficiency strands detailed in the EMTFS are:

- Growth
- Partnerships, eg Support Services
- Use of IT/Digital channels
- Maximise income generation
- Review service and staffing structures
- Investment/commercial opportunities
- Realise opportunities from new ES contract

3.2.7 The EMTFS incorporates the key principles of the existing approved Capital Strategy. In line with proposed amendments to the Prudential Code, a detailed capital strategy will be presented for approval as part of the capital programme proposals in December.

3.2.8 The development of an EMTFS is a significant step forward in the Council's approach to its financial planning. Traditionally it has focussed on an annual approach to budgeting with a high level view over the medium term. The EMTFS is a 5 year plan to provide medium term financial sustainability. In 2017/18 the Council is planning to contribute to its reserves and will continue to seek further efficiencies during this financial year. However, its real financial challenge starts from 2018/19. The Council will need to focus its efforts on delivering over £3m of additional income and efficiencies from 2018/19, rising to at least £5m by 2022/23

3.2.9 A high level timetable for the detailed budget proposals for 2018/19 is set out in Appendix 2, leading to a recommended budget to Full Council on 26th February 2018.

3.3 Choices (Options)

3.3.1 The options open to Cabinet are to approve the attached Efficiency and Medium Term Financial Strategy as attached, and the strategic principles therein, or make alternative proposals.

3.3.2 Detailed budget options and choices will be proposed as part of the draft budget report to Cabinet in December. These will need to fully address the budget gap for 2018/19 and make progress towards closing the gap over the medium term. This will inevitably involve tough choices.

4. Implications (including financial implications)

4.1 Policy

4.1.1 The Efficiency and Medium Term Financial Strategy sets a framework for the budget process and the focus for the delivery of a sustainable financial position. Any policy implications arising from detailed proposals will be the subject of separate reports to Cabinet and Council, as appropriate.

4.2 Resources and Risk

4.2.1 The financial implications are set out in the report.

4.2.2 The financial targets within the Efficiency and Medium Term Financial Strategy generate a high level of financial risk, due to their scale and diversity. The Council holds General Fund balances in order to provide cover for these risks. The level of GF balances is reviewed and adjusted as part of the annual budget process and again as part of the final accounts process.

4.2.3 The Council also holds significant levels of earmarked reserves. These are set aside for specific purposes, but have been re-focussed to ensure that they are targeted on the delivery of the Efficiency and Medium Term Financial Strategy and a balanced budget.

4.3 Legal

4.3.1 There are no direct legal considerations arising from the recommendations of the report, however there may be specific legal implications for the budget options as they are generated, and these will be presented to Cabinet as part of the draft budget report in December.

4.4 Equality and Health

4.4.1 Equality impact assessments will be undertaken in respect of the detailed budget proposals that will emerge from the EMTFS.

4.5 Consultees (Internal and External)

4.5.1 Management board have been consulted and endorse the EMTFS.

4.6 How the Proposals deliver Priority Outcomes

4.6.1 The EMTFS is linked to, and set in the context of the Corporate Plan and other approved Council plans and strategies.

4.7 Other Implications

4.7.1 None

5. Background Papers

5.1 None

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