

ITEM 8 Medium Term Financial Strategy 2017 - 2020

Report of the Budget Panel Lead Member (Portfolio: Economic)

Recommended:

That the Overview and Scrutiny Committee accepts the report of the Budget Panel on the Medium Term Financial Strategy and endorses a recommendation to Cabinet that the strategy be approved.

SUMMARY:

- The Medium Term Financial Strategy (MTFS) sets out the framework within which the 2017/18 budget will be prepared.
- It also sets out the Medium Term Financial Forecast for the General Fund Revenue Budget together with details of Revenue savings options, which will form the basis of the 2017/18 budget.

1 Introduction

- 1.1 This report advises members of the outcome of the Budget Panel's review of the Council's MTFS and recommends that it be approved.

2 Background

- 2.1 On 14th November, 2016, the Budget Panel met to review and consider the Council's MTFS. The Head of Finance guided Members through the strategy and annexes highlighting the main points.
- 2.2 The Medium Term Financial Strategy (MTFS) complements the Council's Corporate Plan and sets out a clear framework for financial decision making. It has been produced at a challenging time for the Council's finances. The Council has a balanced budget and reserves are at a safe level – but there is little room for manoeuvre and savings will be required in future to maintain financial stability.
- 2.3 The Council's financial aims for the period covering the next three years were set out as follows:
- (a) To maintain a low Council Tax whilst delivering high quality frontline services.
 - (b) To ensure that the efficiency culture is embedded within the Council, systematically challenging and securing Value for Money.
 - (c) To ensure that the Council's resources are focussed on meeting the Council's Vision for Test Valley and achieving its aims and priorities.
 - (d) To ensure that the Council's infrastructure is fit for purpose and that new capital needs are identified and met.

- (e) To ensure that the Council's core ongoing financial position remains stable and continues to support the Council's key aims.
- (f) To ensure that the Council is not dependent on Government Revenue Support Grant.
- (g) To continue to seek out new investment opportunities through Project Enterprise, making better use of cash resources to enhance revenue returns.

2.4 Key budgetary issues for the Council relating to external factors were:

- The uncertainty about future levels of government funding and how severe any future reductions in Revenue Support Grant and specific grants will be;
- Uncertainties introduced by ongoing and proposed changes in the localisation of Business Rates – levels of business rate income, tariffs and levies, appeals and revaluations and new equalisation mechanisms;
- Fluctuations caused by the Business Rates Revaluation 2017 and transitional arrangements;
- The proposed changes announced for the New Homes Bonus Grant;
- The impact of major central government policy changes, particularly the implementation of Universal Credit;
- The length of the Government's austerity programme and its impact on increasing demands for services;
- The timing of the recovery of interest rates and the consequent increase in investment returns;
- The impact of Brexit on public finances and
- The impact of Combined Authority proposals.

2.5 The Council started the financial year projecting a budget gap of £680,000 for 2017/18 rising to £1.76m in 2019/20. The corporate challenge process has identified significant savings and additional income of £557,750, and the proposed use of New Homes Bonus to offset cuts in Government Grant has reduced the current budget gap for next year to £177,600 rising to £1.13m by 2019/20. Work will continue to refine the budget forecast as more details become available and an update will be taken to Cabinet on 18th January, 2017.

3 Budget Panel Review

3.1 The Budget Panel scrutinised some of the key points in the MTFs:

- (a) The Test Valley element of Council Tax rising at £5 per annum over the next 3 years;
- (b) Forecasts of the New Homes Bonus levelling out in 2017/18 and then decreasing;
- (c) In 2017/18 the expected draw from the New Homes Bonus Reserve in respect of the reduction in Government Revenue Support Grant to be £1.93m;
- (d) The Government's consultation on reforms to the New Homes Bonus given that the current scheme is unsustainable.

- 3.2 Members asked for further information regarding:
- (a) The level and detail of the Council’s earmarked reserves and
 - (b) An update on the HCC Rural Broadband initiative;
- This information was provided to Members after the meeting.
- 3.3 Members also asked for a number of presentational changes to clarify the options being considered in the annexes. The Head of Finance made all of the suggested changes and these were shown in the report to Cabinet on 30th November, 2016.

4 Conclusion

- 4.1 Given the range of issues set out in the MTFS and discussed at the Budget Panel meeting, the next three year period will be extremely challenging for the Council. However, Test Valley Borough Council has consistently shown that it can manage its overall finances in a robust manner and with limited resources. It is therefore recommended that the MTFS be approved.

<u>Background Papers (Local Government Act 1972 Section 100D)</u>			
<u>Confidentiality</u>			
It is considered that this report does not contain exempt information within the meaning of Schedule 12A of the Local Government Act 1972, as amended, and can be made public.			
No of Annexes:	0		
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