

CABINET

19 July 2016

Title: Medium Term Financial Strategy 2017/18 to 2020/21 Update	
Report of the Cabinet Member for Finance, Growth & Investment	
Open Report	For Decision
Wards Affected: All	Key Decision: Yes
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Summary	
<p>This report updates Cabinet with changes to the Medium Term Financial Strategy (MTFS) following ratification by Assembly in March 2016.</p> <p>This report primarily focuses on how the Council proposes to address the 2017/18 budget gap, but also seeks to update Cabinet on:</p> <ul style="list-style-type: none">• Progress on the delivery of the A2020 Programme, launched in April 2016• Potential impact of the Chancellor's March 2016 Budget announcement on the Council's Medium Term Financial Strategy <p>In December 2015, the Department of Communities and Local Government (DCLG) announced a provisional four year settlement, enabling councils to carry out financial planning with greater certainty. Councils wishing to formally accept the four year settlement must submit an "Efficiency Plan" to DCLG no later than 14 October 2016. This report proposes that the Council formally accepts the four year settlement and proposes the Council submits the April Cabinet Ambition 2020 report to DCLG as its "Efficiency Plan".</p> <p>It is important to note that the MTFS is made up of a number of estimates/forecasts and the best information available at the time of writing this report. The projected budget gap will be subject to change as further information becomes available.</p>	
Recommendation(s)	
<p>The Cabinet is recommended to:</p> <ol style="list-style-type: none">(i) Agree to accept the DCLG's four-year local government settlement as set out in paragraphs 3.3 and 3.4 of the report;(ii) Agree to use the Council's April Ambition 2020 report as the basis of its Efficiency	

Plan statement, to be submitted to DCLG by 14 October 2016;

- (iii) Agree to the growth items required in the MTFS as set out in section 8 of the report;
- (iv) Agree to reverse savings proposal ACS/SAV/12a, agreed by Minute 71 (16 December 2014), in respect of funding for the Citizens Advice Bureau savings in order to support the Council's Community Solutions approach, as detailed in paragraph 8.3 of the report;
- (v) Agree to reverse savings proposals CEX/SAV/54 and CEX/SAV/54g, agreed by Minute 31 (7 October 2014) and Minute 71 (16 December 2014) respectively, in relation to proposed Insurance and Freedom of Information shared services with Thurrock Council which are not now being progressed, as detailed in paragraph 8.5 of the report;
- (vi) Agree to write off the savings proposal ACS/SAV/36, agreed by Minute 71 (16 December 2014), in relation to the Leisure Trust proposals, to avoid double counting in the MTFS, as detailed in paragraph 8.4 of this report;
- (vii) Note the proposed savings targets from the A2020 programme, delivering £9.8m savings net of costs, as outlined in Appendix 1 of this report;
- (viii) Note that the Medium Term Financial Strategy budget gap has increased to £66m following revisions to assumptions, the amendments referred to above and a further projected cut of £6m by 2020/21 in funding received from the Government;
- (ix) To note that Ambition 2020 is forecast to deliver savings of £45.5m by 2020/21 and savings of £9.2m for 2017/18, which reduces the Council's budget gap to £21m by 2020/21;
- (x) To approve the use of £2.3m of reserves as a one off saving to balance the 2017/18 budget position; and
- (xi) To approve the use of un-earmarked capital receipts to fund the cost of the Ambition 2020 transformational programme, in line with the statutory guidance issued by DCLG, as set out in paragraph 7.9 of this report.

Reason(s)

Effective financial planning underpins the Council's ability to achieve it's vision of becoming London's Growth Opportunity.

1 Introduction and Background

- 1.1 Assembly in February 2016 as part of the Council Tax setting for 2016/17 agreed the Council's Medium Term Financial Strategy (MTFS) which reported an estimated budget gap of £63m by 2020/21, with a budget gap of £19.8m for 2017/18.
- 1.2 The MTFS is based on a number of best known assumptions and estimates at the time of writing and is therefore subject to regular updates as those are reviewed throughout the year.
- 1.3 Since the report in February, a number of changes have been made to the MTFS, including the changes to the Council's 2017/18 budget gap and the incorporation of Ambition 2020 programme savings. There is a separate report elsewhere on this agenda which outlines how that programme will be taken forward and the estimated savings, based on the expected implementation of the individual workstreams, are set out in this report as the Council's response to the MTFS.

2 Delivery of the 2016/17 budget and in year risks

- 2.1 There are a number of pressures and risks associated with the delivery of the 2016/17 budget. These risks and pressures are reported elsewhere on the July Cabinet agenda, but also reflected briefly in this report below.
- 2.2 Any pressures resulting in an overspend at year end that cannot be addressed ongoing will further increase the budget gap for 2017/18 and will reduce available reserves that could provide both a source of investment and a smoothing mechanism where planned savings and the reduction in resources do not align. It is therefore essential that the pressures are dealt with and, where necessary, action plans are implemented that mitigate the risks.
- 2.3 **Children's Care and Support**
Children's Care and Support are projecting pressures of £9.4m and to date, the SAFE programme has identified a number of actions which reduces this overspend to £3.3m. Further savings are required in order to fully mitigate this gap.
- 2.4 **Homelessness**
The Homelessness budget is forecasting pressures of over £1m due to an increase of people presenting in the borough requiring support. There are pressures on bed and breakfast placements as well as increased security costs. The operational director is currently devising an action plan to manage down this pressure.
- 2.5 **Adult Care and Support**
There are number of inherent budget pressures reported on Adult Care and Support of £2.4m, due to increased demand on residential placements and the increased cost of paying suppliers the national minimum wage. Although the pressure is likely to be contained through application of the directorate reserve, the use of reserves is unsustainable in the long term.

3 Current Medium Term Financial Strategy

- 3.1 As noted above, the current MTFS assumes a gap of £63m by 2020/21 and a gap of £19.8m for 2017/18.

Pressure £'m	2017/18	2018/19	2019/20	2020/21	Total
Pay	1,000	1,000	1,000	1,000	4,000
Non Pay Inflation	2,100	2,100	2,100	2,100	8,400
Pensions	325	325	325	325	1,300
Borrowing	4,400	900	900	900	7,100
Demographics	3,500	3,974	4,013	4,672	16,159
Care Act	219	45	377	0	641
Leisure Trust	(1,000)	0	0	0	(1,000)
New Legislation	2,000	2,000	2,000	2,000	8,000
Other (Levies)	995	440	350	350	2,135
Funding	8,670	7,547	5,480	4,700	26,397
Council Tax	(1,838)	(1,898)	(1,960)	(2,024)	(7,720)
Council Tax Base	(570)	(589)	(608)	(628)	(2,395)
Gap	19,801	15,844	13,977	13,395	63,017

- 3.2 The MTFS incorporated a number of assumptions around new legislation burdens, borrowing, non pay inflation and demographic pressures – a number of which will be revised in this report.
- 3.3 The funding changes/revenue support grant reductions were based on the provisional four year local government settlement figures announced by the Department of Local Government and Communities (DCLG) in December. A change in the methodology used by DCLG to calculate funding reductions was made in December 2015. Instead of applying a percentage reduction on the revenue support grant alone, DCLG took into account the total funding available and spending power of each Council to calculate the level of funding cuts applicable. Due to Barking and Dagenham having a lower Council Tax base, the funding reductions were, though still a substantial cut in resources, more favourable than previously estimated.
- 3.4 In order to accept the Government's four year settlement, councils are required to submit an efficiency plan by 14 October 2016. This report therefore proposes that the Council accepts DCLG's four year settlement offer, by submitting the Ambition 2020 report launched by Cabinet in April 2016, as the basis of its efficiency plan.

4 Chancellor's Budget - March 2016

- 4.1 There is insufficient detail from the Chancellor's March 2016 Budget to fully assess the financial implications for the Council.
- 4.2 The biggest headline announced was around changes to the national deficit position. The Chancellor is still expecting the country to return to a surplus position by 2019/20, however, the national deficit report in at the Comprehensive Spending Review in November 2015 of £4.6bn increased to £21.4bn in the March 2016 Budget. Due to changes in the forecast deficit position, it was announced that there will be further efficiency cuts of £3.5bn public sector cuts, details to be published towards late 2018. The Chancellor also indicated there will need to be further cuts to public spending following the recent referendum on European Union membership.
- 4.3 At this stage, it is unknown whether these additional cuts will be applied to local government, given the announcements will be announced in the third year of the four year settlement offer. The Council's experience since 2010, however, suggests that further reductions in funding should be anticipated.

Business Rates retention

- 4.4 The March 2016 Budget also focused on councils retaining 100% of business rates collected, and the phasing out of the Revenue Support Grant by 2020. The MTFS currently assumes that £9m of the Revenue Support Grant will remain by 2020 which reflects a significant reduction from the £37m the Council receives in 2016/17.
- 4.5 The government are keen to push for a London rates retention system ahead of the national system, but the details are yet to be worked through at this stage. Other proposals include changing the multiplier uplift from being linked to RPI to CPI which has been 1% lower in recent years, curbing the potential growth as councils move to 100% rates retention.
- 4.6 In recognition of the additional funding from councils retaining 100% of business rates, the government has indicated that additional responsibilities such as Public Health, Housing Benefits Administration for Pensioners and the Independent Living Allowance will also transfer to Local Government. It is estimated there will be a national funding shortfall of £500m initially until the business rates are re-valued and uplifted over time to mitigate this.
- 4.7 Although the intention is the phase out Revenue Support Grant, it is highly unlikely this will be achievable by 2020. However, funding assumptions have been further adjusted downwards by a further £6m taking into account of the potential impact of the £3.5bn efficiency cuts due to be announced in 2018.
- 4.8 The other key announcement was a drive for all schools to become academies by 2020, and for local authorities to stop providing school improvement services before the end of 2016/17. To speed up the implementation of the national schools funding formula, £500m transitional funding was announced to deliver the national funding formula by 2018/19. The risks of moving towards the national funding formula will

cause funding pressures for the Council due to a number of centrally supported activities, agreed via the Schools Forum are currently funded from the Dedicated Schools Grant. The potential impact is currently being worked through.

5 Queen's Speech

- 5.1 The Queen delivered her speech on 18 May 2016, announcing a number of new Bills that will pass through as legislation during the course of the year.
- 5.2 The Bills mostly likely to impact the MTFS are the Children and Social Work Bill and the Education for All Bill.

Children and Social Work Bill

- 5.3 This Bill focuses on improving the process of adoption of children, ensuring that permanent adoption is favoured where this is right for the child, without delay. The Bill also places a duty on local authorities and schools to promote educational achievement for adopted children in long term care as well as increased regulation of social workers, to enable a clear focus on standards and effective training and development. Local authorities would be encouraged to pilot new and innovative ways of social work and methods of safeguarding children.

Education for All Bill

- 5.4 This Bill slightly departs from the requirement of all schools to become Academies by 2020, and moves to academisation of schools in the poorest performing local authorities. In line with the March 2016 Budget, the Bill still supports the principle that responsibility for school improvement shifts from local authorities to great head teachers in the school system. In order to address the funding inequities that exist within the current Dedicated Schools Grant, a national funding system will be implemented.
- 5.5 Due to the limited detail available, it has not been possible to assess the financial implications arising from the Queen's speech. The MTFS does however provide £2m per year for legislative changes and new burdens which could be used in support of delivery the changes required and mitigating the potential funding changes that may arise.

6 Impact of the European Union

- 6.1 The 23 June referendum on Britain's membership of the European Union gave a majority for the 'Leave' campaign. Both the timing and the impact of this result is unknown at this early stage with the Prime Minister pushing back the commencement of any decision and negotiation on Article 50 until later in the year.
- 6.2 Whilst a range of views were expressed during the campaign, the general consensus was that there would be a detrimental impact on the UK economy from a 'Leave' vote, at least in the short term. In the immediate aftermath of the result, there has been significant volatility in the financial markets and there is the potential for this to lead to increased savings requirements for public sector bodies. Shortly after the referendum result, both the Chancellor and the Governor of the Bank of

England have announced that the necessary steps will be taken to stabilise the national economy.

- 6.3 As part of the campaign leading in to the referendum, the Chancellor indicated that, in the event of a 'Leave' victory, he would be required to implement an emergency budget. Following the actual result, the Chancellor announced that this would not occur and he went further to state that the government would not be continuing with its policy of seeking a surplus by 2020. Given the volatility in the economy, this is a positive announcement for local government as it reduces the probability of further or faster cuts to funding.
- 6.4 The Council receives relatively limited amounts of funding from the European Union but it does benefit from monies for its employment and skills agenda. The importance of this has been highlighted by the recent Growth Commission report and employment and skills will be an essential part of the proposed Community Solutions service.
- 6.5 The impact of the 'Brexit' vote will need to be monitored and, as further information becomes available, updates to the MTFs will be brought to Members. There is the potential for some opportunities from the market uncertainty, e.g. short terms falls in interest rates has provided opportunities to borrow at low rates, though achieving the budgeted level of income on Council investments will become more challenging.

7 Progress on the delivery of Ambition 2020 and Funding for the Programme

- 7.1 Cabinet in April saw the launch of the Council's Ambition 2020 Programme, which put forward a series of proposals to radically change the way the Council will operate and how it will deliver its services going forward to meet the needs of the community.
- 7.2 Following public consultation on the proposals between April and June, a total of 198 responses were received, with the large majority of 89% either fully accepting or partially accepting the proposals.
- 7.3 The Ambition 2020 Progress report elsewhere on this agenda seeks Cabinet approval for officers to progress, in detail, service design principles for the proposals in the April consultation document for the following:
- Community Solutions
 - Care and Support
 - Access for Customers
 - Enforcement Service
 - My Place
 - Refuse and Street Cleaning
 - Parks and Open Spaces
 - Heritage Service
 - Be First
 - Home Services
 - BDT Legal
 - Traded Services

- Leisure Services

- 7.4 The original outline business cases indicated that the A2020 Programme could deliver £49.4m net savings by 2020/21, with £12.5m of savings deliverable in 2017/18.
- 7.5 Since April, detailed work has been carried out by the Programme Management Office, working alongside the Strategic Directors on the robustness of the assumptions that underpin the savings, focusing particularly on what is deliverable in 2017/18.
- 7.6 Following the review process, the Strategic Directors have confirmed that savings of £9.282m, net of costs are deliverable for 2017/18 against the work streams below. Given the level of change the organisation has to go through to implement the savings, the PMO will continue to closely monitor the delivery of the savings as detailed service design principles are developed. This provides an important, independent level of assurance to the Chief Executive and Section 151 Officer on the robustness of the development of the Council's budget.
- 7.7 A further report will be brought back to Cabinet in late 2016, setting out the outcome of the development of the detailed design principles which will inform the Council's budget strategy position for 2017/18 to 2020/21. This will include the draft budget for 2017/18 which will be formally consulted on.
- 7.8 The estimated savings deliverable for each work stream for 2017/18 is attached as Appendix 1 to this report.
- 7.9 Cabinet in the January Budget Strategy report approved £2m as early investment to enable the design phase of Ambition 2020 to commence without delay. Cabinet also approved additional borrowing costs of £0.5m, which geared upwards enables £5m of capital borrowing for the Programme. The Chancellor in his Autumn Statement announced that all local authorities are able to apply the use of capital receipts flexibly to fund major transformation programmes from 1st April 2016, in relation to new receipts generated within the 2016/17 financial year. The flexibility of capital receipts for transformational projects applies from 1 April 2016 to 31 March 2019, and authorities can only use capital receipts from disposals received in the year in which the flexibility is in effect. It is therefore proposed that unearmarked capital receipts are applied to fund Ambition 2020, in order to protect the use of the Council's reserves. The approved borrowing will be used to fund other parts of the agreed capital programme as required.

8 Proposed changes to the 2017/18 budget

- 8.1 In order for the Council to set a robust budget for the forthcoming year, it must take into account of pressures, growth and non deliverable prior year savings.

Assessment of growth and investment required

- 8.2 In order for the Council to deliver and achieve the recommendations put forward by the Growth Commission, develop and deliver the Borough's twenty year Manifesto and to enable the Council to achieve its vision of London's Growth Opportunity, a review has been carried out assessing the level of corporate resources required. To

keep pace with the borough's ambitious plans, it is proposed that growth of £0.750m is applied to the Strategy and Programmes budget, under the Finance and Investment directorate. £0.3m of this funding will go towards the creation of a Customer Insight Team whose primary focus will be to understand at a detailed level the needs of our residents to enable the Council to provide excellent services at first point of contact where required, but also to help with reducing and prevent demand for expensive, high cost care and support services.

- 8.3 In order to fully embed the A2020 delivery model, the Community Solutions approach will assist our residents by signposting them to the right type of service for their needs. This may involve referring our residents to the voluntary and community sector for support and advice. As such, the Council is proposing to reverse the saving proposal ACS/SAV/12a put forward in December 2014 which ceased funding to the Citizens Advice Bureau, with the view of reviewing the effectiveness of the support provided to our residents later in the Ambition 2020 programme.
- 8.4 Cabinet in December 2014, agreed to delivering savings of £1m through the Council setting up a Leisure Trust. This saving was subsequently deferred with the view that additional savings over and above this could be achievable if Leisure services were outsourced to an existing Trust provider. Based on the savings put forward in the A2020 outline business case, savings of £1.2m can be delivered through the outsourcing of just the leisure centres, allowing the Council to keep its stake in its libraries and heritage sites. It is therefore proposed that the original £1m saving ACS/SAV/36 is written off the MTFs to avoid double counting.
- 8.5 A number of savings proposals originally put forward in December 2014 were achievable through sharing services with Thurrock Council. Given that the Council is now looking to forge stronger partnerships with the other London growth boroughs, many of the original shared service proposals have now ceased which has left pressures of £0.2m across the Freedom of Information team CEX/SAV/54g and in Finance CEX/SAV/54. It is recommended that funding is allocated to these areas to mitigate the loss of income.

Assessment of MTFs assumptions

- 8.6 Pensions – There is currently £0.325m set aside in the MTFs to allow for the impact of triennial actuarial valuation. This calculation was based on an increase in contribution of 0.5% and was calculated using a medium term forecast of investment return expectations against the forecast liability increase for the Pension Fund.

Every three years a triennial valuation of the Pension Fund is undertaken which sets the employer contribution rate for the Council. The next valuation will take place during 2016, with initial estimates indicating that it will be possible for contribution rates to remain at the current rate of 24.5%. This is because investment returns have been better than forecast by the actuary and due to lower than forecast inflation, salary and pension increases.

A rate of 24.5% will be sufficient to allow the Pension Fund to achieve its long term target of being fully funded within the next 18 years. As a result the £0.325m per year can be taken out of the MTFs for 2017/18.

- 8.7 Deferring borrowing costs – The Council is required to set aside a prudent amount within its budget for interest cost. In 2014/15 a treasury interest payable budget was set based on the requirement at the time. This budget was temporarily reduced by £3m for 2015/16 and 2016/17 as the cash position of the Council was sufficient for borrowing to be postponed and for cash balances to be utilised to meet the borrowing requirement.

For 2017/18 a review of this requirement indicates that £1m of the £3m will be required to cover borrowing taken out in 2016/17 but that this should be sufficient to allow treasury to meet its net interest budget. The remaining £2m will not be required for 2017/18 and can therefore be pushed back to 2018/19.

A review of the borrowing requirement for 2018/19 will be undertaken towards the end of 2016.

- 8.8 Non pay inflation – The MTFs has currently set aside £2.1m for non pay inflation. For a number of years now, the Council has managed inflationary pressures within existing budgets. A lot of this has happened through negotiation with suppliers to hold down prices but also this has been helped with RPI and CPI being historically low in the last few years.

Although not sustainable in the long term, in order to address the 2017/18 budget gap, it is proposed that Council manages inflation led pressures for a further year and the £2.1m is removed from the MTFs for 2017/18.

- 8.9 Demographic pressure – the MTFs has currently set aside £3.5m to deal with demand led pressures for 2017/18. Through the implementation of the Ambition 2020 business cases, an element of cost avoidance savings will be delivered to manage down the Council's projected demand led pressures. Therefore, it is proposed that the demand led pressures are reduced by £1m to £2.5m for 2017/18.

- 8.10 New legislation – At present it has been difficult to fully assess the financial implications from the Queen's speech and the Chancellor's March 2016 budget. As the Bills are enacted as legislation through parliament, and further details become available, it is likely that there will be increased cost pressures from new burdens.

However, at present, no imminent changes/burdens have been announced that will impact on the 2017/18 budgets, so it is proposed that the £2m set aside is removed from the MTFs.

9 Revised Medium Term Financial Strategy

- 9.1 Taking account of the adjustments in sections 5 to 8 of this report, the movements in the MTFs have been captured in the table below. The budget gap now increases from £63m to £66m, taking into account of the potential funding cuts due to announced from the £3.5bn efficiency savings planned for 2018/19.

Pressure	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	Total £000
Gap – February 2016	19,801	15,844	13,977	13,395	63,017
CAB & Thurrock	500				500
Strategy	750				750
Leisure Trust	1,000				1,000
Pensions	(325)	325			0
Borrowing	(2,000)	2,000			0
Non Pay Inflation	(2,100)				(2,100)
New Legislation	(2,000)				(2,000)
Demographics	(1,000)				(1,000)
Extra Cuts for local government			3,000	3,000	6,000
Potential Gap	14,626	18,169	16,977	16,395	66,167

9.2 Based on the progress made to date on the A2020 Programme and the delivery of savings for 2017/18, the gap for 2017/18 has now been reduced to £5.3m and £20.6m by 2020/21.

9.3 This is shown in the table below:

Pressure	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	Total £000
Gap – February 2016	19,801	15,844	13,977	13,395	63,017
Potential Gap – June 2016	14,626	18,169	16,977	16,395	66,167
Expected savings from A2020	9,282	13,239	7,844	15,155	45,520
Revised gap after A2020	5,344	4,930	9,133	1,240	20,647

9.4 In order to deliver early cashable savings, pending the organisational re-design, the Council launched a voluntary redundancy scheme in February 2016. A number of posts have been deleted through the process, though some service areas requiring backfill on an interim basis until the new operating models are defined. As a result of the voluntary redundancy scheme, the Council has realised approximately £2.1m of cashable, in year savings which will be held corporately and used to offset the 2017/18 budget gap.

- 9.5 To further reduce the gap, the Ambition 2020 programme is also delivering c£0.944m of 2016/17 savings which will also be held corporately as an in year cashable saving. This leaves a remaining budget gap of £2.3m which will be drawn down from general fund reserves.
- 9.6 The effect of the measures outlined above effectively defers the £5.344m gap into 2018/19 when additional A2020 savings proposals will be delivered. The savings arising from the voluntary redundancy scheme will be refined throughout summer and mapped back to the A2020 work streams. The budget gap for 2018/19 therefore increases from £4.9m to £10.3m.
- 9.7 The table below outlines the impact of deferring the budget gap by using cashable savings and reserves to balance the 2017/18 position:

Pressure	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	Total £000
Revised gap after A2020	5,344	4,930	9,133	1,240	20,647
Budget gap c/f 17/18		5,344			
Cashable savings VR	2,100				
Cashable in year 16/17 savings	944				
Drawdown from reserves	2,300				
Revised gap after adjustment	0	10,274	9,133	1,240	20,647

- 9.8 Although the budget gap is now £20.6m, it is important to stress that this position does not take into account any potential savings arising from the set up of an Accountable Care Organisation, given that the scheme development is still at its infancy. The budget gap also excludes the funding available for the Improved Better Care Fund, as further details are yet to announced on the scheme. It is important to note that the Improved Better Care has been created through top-slicing the New Homes Bonus with the effect of reducing one funding source to generate another.

10 Summary

- 10.1 The revised budget gap adjusting for the A2020 proposals is now £20.6m to 2020/21
- 10.2 Further to adjustments outlined in section 5 to 8, the MTFS now has a revised gap of £14.6m for 2017/18.
- 10.3 Accepting the approach outlined in paragraph 9.4, of using the holding in year savings delivered via the voluntary redundancy scheme corporately, the cash surplus generated can be used as a one off, to support delivering a balanced budget for 2017/18.

- 10.4 Using cashable savings to support the 2017/18 will however increase the budget gap and the savings target required in 2018/19, but provides an additional year to identify and proposal further savings.
- 10.5 During summer, detailed work will be carried out to develop the service design principles. This will involve further testing of the assumptions made in the business cases, as well as further refinement to the deliverable savings for 2017/18 through to 2020/21.

11 Risk Management Issues

- 11.1 In order to sufficiently manage the risks of delivering a Council wide transformation programme within a very short timescale, the Council needs to ensure that the Programme has robust risk registers in place to monitor the deliverability of each work stream.

12 Legal Implications

- 12.1 This report sets out the Council's Medium Term Financial Strategy. The Director of Finance has a statutory duty, under Section 151 of the Local Government Act 1972 and Section 73 of the Local Government Act 1985, to ensure that there are proper arrangements in place to administer the Council's financial affairs.
- 12.2 Furthermore the Local Government Act 1999 places a duty on the Council as a 'Best Value' authority to secure continuous improvement in the way its functions are exercised so as to secure economy, efficiency and effectiveness. The MTFS is linked in to the overall corporate strategy led by the Ambition 2020 plan. Setting challenging key performance indicators are a necessary component of effective performance management.
- 12.3 The Council is required under the Local Government Finance Act 1992 to produce a 'balanced budget'. As set out in this report, the projected MTFS outlook takes place in the context of significant and widely known reductions in public funding to local authorities. Inevitably over a period while allowances and contingencies may be made, the MTFS is inevitably going to need ongoing review and adjustment. Should the need emerge to make reductions or changes in service provision as a result of changes in the financial position, the Council may vary its policy and consequent service provision to engage with the change. However it must at the same time have regard to public law considerations in making any such decisions that it is properly informed including carrying out appropriate consultation with interested parties. This is necessary to avoid or defeat any challenge by judicial review and in any event Members will also wish to ensure adherence as part of good governance. Should such steps be required, then specific legal advice will be available on the detailed implementation of savings options.

Public Background Papers Used in the Preparation of the Report: Ambition 2020 April Cabinet report

List of Appendices

- **Appendix 1 – 2017/18 savings deliverable per work stream**