

PLYMOUTH CITY COUNCIL

Subject: Medium Term Financial Strategy
Committee: Cabinet
Date: 8 November 2016
Cabinet Member: Councillor Darcy
CMT Member: Lesa Annear (Strategic Director for Transformation and Change)
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Ref:

Key Decision: Yes

Part: I

Purpose of the report:

Under the Council's Financial Regulations, the Responsible Financial Officer is required to report the medium term budget prospects. Cabinet is therefore asked to consider the Medium Term Financial Strategy for 2017/18 to 2019/20.

The Strategy reflects the latest funding position. The Strategy sets out Transformation savings over the plan period. The Transformation savings include policy decisions under consideration by Cabinet at this meeting.

The Medium Term Financial Strategy is recommended by Cabinet to Council.

The Council Corporate Plan 2016/19:

The Medium Term Financial Strategy sets out the resources available to deliver the Corporate Plan.

Implications for Medium Term Financial Plan and Resource Implications: Including finance, human, IT and land:

The resource implications are set out in the body of the report.

Other Implications: e.g. Child Poverty, Community Safety, Health and Safety and Risk Management:

The Medium Term Financial Strategy provides the maximum resources achievable to address key policy areas. A risk register is included.

Equality and Diversity:

The equalities impact of specific budget changes will be evaluated item by item.

Recommendations and Reasons for recommended action:

That Cabinet approves and recommends the Medium Term Financial Strategy to 21 November 2016

Council.

Alternative options considered and rejected:

The Council must have a Medium Term Financial Strategy in place. There are no alternative options.

Published work / information:

Local Government Finance Settlement 2016-17

Local Government Finance Settlement 2017-18 DCLG Consultation

100% Business Rates Retention – closed DCLG Consultation

Fair Funding – closed DCLG Consultation

Background papers:

Title	Part I	Part II	Exemption Paragraph Number						
			1	2	3	4	5	6	7

Sign off:

Fin	pc1617.34	Leg	DVS26645	Mon Off		H R		Ass ets		IT		Strat Proc	
Originating SMT Member Andrew Hardingham													
Has the Cabinet Member(s) agreed the content of the report? Yes													

1.0 Introduction

1.1 The Medium Term Financial Strategy was considered by Scrutiny Committees in July 2016

1.2 A revised Medium Term Financial Strategy was considered by Joint Budget Scrutiny on 22 September 2016. The changes from July 2016 included:

- Provision was made for specified risks and additional costs facing the Council including the capital financing costs of essential schemes that cannot be met from service budgets.
- An additional allocation of £0.5m was made from 2017/18 to reflect anticipated housing benefit subsidy losses. These arise from claimant error identified and reported by Department for Work and Pensions using the Real Time information system.
- Provision of £100k is also made for Neighbourhood Initiatives.
- Accelerated savings (£250k) from the Asset Investment Fund in accordance with existing policies
- Integrated Health and Wellbeing savings have been allocated more clearly to specific services in accordance with existing strategies
- The planned use of flexible capital receipts was reduced to reflect the likely availability of surplus receipts for this purpose. (£3m less 2018/19; £1m less 2019/20.)
- The inclusion of a risk register, this being one of the areas identified by Scrutiny in July. The Register provides more background to the key risk identified corporately of non-delivery of the Medium Term Financial Strategy.

1.3 The Medium Term Financial Strategy has now been further revised as set out below.

1.4 The 2017-18 New Homes Bonus allocation is increased from £850k to £1.600m. This reflects continuing success in attracting new development and returning empty properties into use. The reference period for the increase is the year to 31 October 2016; hence this information has recently become available.

1.5 The forecast level of Better Care Fund has increased.

- The September 2016 Medium Term Financial Strategy addressed losses of New Homes Bonus. Under DCLG proposals allocations earned would only be paid for 4 years, not 6. The mechanism for New Homes Bonus 2017-18 onwards has yet to be confirmed by Government.
- The September Medium Term Financial Strategy assumed any New Homes Bonus loss would be recycled £ for £ into an increased Better Care Fund. The change would therefore be cost neutral.
- DCLG have now issued a consultation on the 2017-18 settlement. This states increased Better Care Fund allocations nationally 2017-18 to 2019-20. It also outlines the proposed basis of allocating this resource to individual authorities.
- It appears the change might be more favourable than the previous Medium term Financial Strategy assumptions. The change would be worth an additional £764k in 2017-18; a further £2.522m in 2018-19; and finally an additional £4.377m in 2019-20.
- These figures are DCLG exemplifications.
- The revised Medium Term Financial Strategy assumes these Better Care Fund changes. However the proposed allocations are subject to consultation.

1.6 New risks added to the register for 2020 revaluation and commercialisation borrowing risk (Moody's).

- 1.7 The opportunity has also been taken to reduce the length of the MTFS and make it more user-friendly. This will encourage better communication with residents and local businesses, thereby assisting the Council in managing its services and improving its financial position.