

PLYMOUTH CITY COUNCIL

Subject: Medium Term Financial Strategy
Committee: Cabinet
Date: 8 October 2018
Cabinet Member: Cllr Lowry
CMT Member: Andrew Hardingham – Interim 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 (Section 151 officer) is required to report the medium term budget prospects. Cabinet is asked to consider the Medium Term Financial Strategy for the period 2019/20 to 2021/22.

The Strategy reflects the latest funding position. The Strategy sets out projected savings over the plan period.

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 and the Medium Term Financial Strategy.

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 where appropriate.

Recommendations and Reasons for recommended action:

- I. That Cabinet approves and recommends the Medium Term Financial Strategy to the Council at its meeting of 19 November 2018.
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Alternative options considered and rejected:

The Medium Term Financial Strategy is a key planning document for the Council and fulfills its statutory obligations to maintain a balanced budget.

Published work / information:

Background papers:

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

Sign off:

Fin	SA18.19.104	Leg	ALT/30508	Mon Off		HR		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 (MTFS) is the Council's primary financial strategic and planning document linking the revenue budget, the capital programme and the treasury management strategy.
- 1.2 The Strategy sets out the financial planning assumptions for the next three years and ensures resource allocation is in line with Plymouth's priorities.
- 1.3 The previously published MTFS was approved by Council in November 2017 and was last updated in February 2018 when the 2018/19 budget was approved.
- 1.4 The updated Strategy sets out the national context and the Council's key assumptions for resources. The Strategy is set in the context of a considerable amount of uncertainty with respect to local government funding due to changes to Business Rates and the Government's review of local government finance.
- 1.5 As the lead administrator for the Devon Business Rates Pool, Plymouth submitted a successful pilot submission for 100% Business Rates Retention (BRR) in October 2017. The Devon Pool has been operating as a pilot since April 2018.
- 1.6 The Government has postponed the move to 100% Business Rates Retention and instead are moving to 75% BRR in April 2020. The Devon Pool was expecting to continue as a pilot building upon the existing arrangements, however the Government have invited all local authorities to make a new bid to become a Pilot from April 2019 for the 75% BRR scheme. If the Devon bid is unsuccessful the Devon Pool will revert back to the 50% BRR scheme.
- 1.7 In addition to the changes for Business Rates the Government will be resetting baseline funding levels for all local authorities which sets the minimum funding a local authority receives as part of BRR and there will be a business rates revaluation in April 2021.
- 1.8 The Government also intends to implement changes arising from the Fair Funding Review. The purpose of this review is to design a fairer, more transparent and less complex methodology for allocating resources to local government.
- 1.10 Due to the forthcoming funding changes and uncertainty as to whether the Devon Pool will continue beyond March 2019, it is extremely difficult developing a robust financial strategy from 2020/21 onwards. The government will be issuing further consultation papers over the next year however due to the complexity and magnitude of the changes expected it is unlikely the financial outlook for local government will be set out until late 2019.
- 1.11 The MTFS sets out in detail the key financial issues. This includes changes to the council's revenue support grant and assumed levels for council income and business rates.
- 1.12 Additional costs have been identified and built into the base budget and proposed efficiencies and savings identified to reduce the budget gap.
- 1.13 In summary for 2019/20 there are additional costs of £13.501m and savings identified to date of £14.044m.
- 1.14 Cabinet is asked to review the latest version of the MTFS and recommend that it is presented to Council at its meeting on 19 November 2018.