

Committee: Corporate Overview

Date of meeting: **5 December 2019**

Report Subject: **Medium Term Financial Strategy & Bridging the Gap**

Portfolio Holder: **Cllr. Nigel Daniels, Leader of the Council**

Report Submitted by: **Rhian Hayden, Chief Officer Resources
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Reporting Pathway								
Directorate Management Team	Corporate Leadership Team	Portfolio Holder / Chair	Audit Committee	Democratic Services Committee	Scrutiny Committee	Executive Committee	Council	Other (please state)
	26/11/2019				05/12/19		12/12/19	

1. Purpose of the Report

1.1 The report is presented to Members to gain agreement of the Medium Term Financial Strategy (MTFS) and provides Members with the latest assessment of the Council's financial position over the next 5 years together with the proposed approach that the Council will take to address the financial challenges.

2. Scope and Background

2.1 The Medium Term Financial Strategy (MTFS), is a key element within the Council's strategic planning framework. It is this financial framework which will support the Council's financial resilience and ensure it operates sustainably.

2.2 The MTFS brings together all known factors affecting the Council's financial position and forms the basis for decision making. The MTFS includes a forward look over the next five years to assess the spending requirements the Council is likely to face to deliver the priorities set out in the Corporate Plan and highlights the level of cuts (reducing or stopping services) that will need to be made to ensure the Council can set a balanced budget each year.

2.3 The MTFS & Bridging the Gap document proposes the approach that the Council will take to respond to the financial challenges we face over the next five year period. This will be an iterative process and one that will be developed and refined as our funding position from Wales Government becomes clearer and strategic business reviews are further developed and implemented.

2.4 As a consequence of the General Election on 12 December 2019, Wales Government has delayed the announcement of their budget and the provisional Local Government Settlement from the end of November to 16

December 2019, with the final settlement due 25 February 2020. This delay has implications for the budget setting process for 2020/2021 and planning for the actual budget cuts required to set a balanced budget.

3. Options for Recommendation

3.1 *To include Recommendation(s) / Endorsement by other groups, e.g. CMT/Committees/Other groups)*

Option 1 – Corporate Overview Scrutiny Committee:-

- Consider and agree the MTFS;
- Note the forecast funding gap for the period of the MTFS;
- Agree the proposals within the Strategic Business Reviews attached at Appendix 1 of the MTFS.

Option 2 – Corporate Overview Scrutiny Committee provide comments and challenge the assumptions in the MTFS and the progress made to Bridging the Gap Programme.

4. Evidence of how does this topic supports the achievement of the Corporate Plan / Statutory Responsibilities / Blaenau Gwent Well-being Plan

4.1 The Medium Term Financial Strategy (MTFS) is a key element within the Council’s strategic planning framework and supports the delivery of the priorities set out in the Corporate Plan.

5. Implications Against Each Option

5.1 *Impact on Budget (short and long term impact)*

5.1.1 Based upon the assumptions in the MTFS, a budget gap of £16.2m over the next 5 years is forecast as follows:

Table 1: MTFS Budget Gap

2020/2021 £m	2021/2022 £m	2022/2023 £m	2023/2024 £m	2024/2025 £m	Total £m
3.2	2.5	4.7	2.9	2.9	16.2

5.1.2 The Strategic Business Reviews have been progressing and an update on each review is provided at Appendix 1 of the MTFS. The overall financial achievement towards the budget gap is currently assessed as between £5.4m and £7.9m over the period of the MTFS as follows:

Table 2: Estimated Financial Achievement of the Strategic Business Reviews

	Estimated Achievement							
	2020/2021		2021/2022		2022/2023		2023/2024 & 2024/2025	
	£m		£m		£m		£m	
	Low	High	Low	High	Low	High	Low	High
Strategic Business Reviews	1.5	2.1	1.0	1.4	1.3	1.8	0.8	1.3

- 5.1.3 Based on the current estimated achievement from the Strategic Business Reviews compared to the budget gap identified in the MTFS, there is a residual funding gap as follows:

Table 3: Residual Funding Gap

	Estimated Achievement							
	2020/2021		2021/2022		2022/2023		2023/2024 & 2024/25	
	£'000		£'000		£'000		£'000	
	Low	High	Low	High	Low	High	Low	High
Residual Funding Gap	1.7	1.1	1.5	1.1	3.4	2.9	2.1	1.6

- 5.1.4 Bridging the Gap remains the council's medium/long term strategy to address the budget gaps currently identified. However for 2020/21, additional proposals are being developed across portfolios to mitigate the possible residual funding gap.

5.2 ***Risk including Mitigating Actions***

- 5.2.1 The assumptions built into the MTFS may change over time e.g. pay & inflation rates, service demand, Revenue Support grant and Council Tax levels.

- 5.2.2 The Council's current MTFS contains a number of assumptions which impact on the level of its income and expenditure. Changes in these assumptions can have a fundamental effect on the budget gap over the next 5 years. The impact of a 1% change on our main assumptions has been calculated and can be seen in the following table:-

Assumptions within the MTFS	+/- 1% £'000
ISB – Cash flat	428
AEF – Cash flat	1,100
Council Tax (4%)	333
Non-Employee Inflation (2%)	676
Pay (2%)	460

5.2.3 There is a risk that the current Strategic Business reviews do not identify sufficient financial benefits to Bridge the Gap in the medium to long term. Alternative proposals may therefore be required.

5.2.4 Progress against predicted delivery of Bridging the Gap proposals form part of the budget monitoring arrangements.

5.2.5 These risks are also mitigated by regularly reviewing the assumptions and revising the MTFS to reflect updated information. MTFS will be updated following announcement of the local government settlement.

5.3 ***Legal***

5.3.1 The Council must set a balanced budget on an annual basis. The MTFS & Bridging the Gap proposals will support this requirement.

5.4 ***Human Resources***

5.4.1 Not applicable for this report.

6. **Supporting Evidence**

6.1 ***Performance Information and Data***

6.1.1 The attached Medium Term Financial Strategy & Bridging the Gap provides information for Members consideration.

6.2 ***Expected outcome for the public***

6.2.1 The MTFS & Bridging the Gap will support the Council in the development of its annual budgets which in turn will allow the Council to deliver services to the public.

6.3 ***Involvement (consultation, engagement, participation)***

6.3.1 Officers & Members of the Council are involved in the development of the MTFS & Bridging the Gap proposals.

6.3.2 The proposals have been considered by the appropriate Scrutiny Committee.

6.3.3 Public engagement will be undertaken as part of the budget setting process.

6.4 ***Thinking for the Long term (forward planning)***

6.4.1 The MTFS forecasts the financial position of the Council for a 5 year period and provides information upon which the Council can plan for the future.

6.5 ***Preventative focus***

- 6.5.1 Included within the Bridging the Gap programme is a proposal focussing on an evaluation of the long term impact of prevention and early intervention on reducing the requirement for high cost services and better outcomes for our most vulnerable residents.

6.6 ***Collaboration / partnership working***

- 6.6.1 Achievement of the Bridging the Gap proposals will require cross Council working and collaboration / partnerships with other stakeholders.

6.7 ***Integration(across service areas)***

- 6.7.1 Bridging the Gap proposals have been developed across the Council and are crosscutting in nature.

6.8 ***EqlA(screening and identifying if full impact assessment is needed)***

- 6.8.1 Equality Impact Assessments will be undertaken on the opportunities taken forward as part of the Bridging the Gap proposals.

7. **Monitoring Arrangements**

- 7.1 *State how the work will be monitored e.g. through scrutiny or directorate performance management arrangements*

The MTFs & Bridging the Gap will be considered by Scrutiny and Council as part of the Council's financial planning arrangements.

Background Documents /Electronic Links

- *Appendix A – Medium Term Financial Strategy*