

Committee: **Corporate Overview Scrutiny**
 Date of meeting: **11 December 2020**
 Report Subject: **Medium Term Financial Strategy 2021/2022 to 2025/2026**
 Portfolio Holder: **Cllr. Nigel Daniels, Leader of the Council**
 Report Submitted by: **Rhian Hayden, Chief Officer Resources**

Reporting Pathway								
Directorate Management Team	Corporate Leadership Team	Portfolio Holder / Chair	Audit Committee	Democratic Services Committee	Scrutiny Committee	Executive Committee	Council	Other (please state)
	01/12/2020				11/12/2020		17/12/2020	

1. Purpose of the Report

1.1 The report is presented to Members to gain approval 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.

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 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 On the 25 November 2020 the UK Government concluded its one year spending review, having delayed it from July to focus on responding to the ongoing coronavirus pandemic. As a consequence, Wales Government has delayed the announcement of their budget and the provisional Local Government Settlement which is now expected on 22 December 2020, with the final settlement due 2 March 2021. This delay has implications for the budget setting process for 2021/2022 and planning for setting a balanced budget.

3. Options for Recommendation

3.1 Option 1 – That Members of Corporate Overview Scrutiny Committee:-

- Consider and agree the MTFS
- Note the forecast funding gap for the period of the MTFS;
- Note the cost pressures identified at Appendix 1 of the MTFS;
- Note the progress update within the Strategic Business Reviews attached at Appendix 2 of the MTFS.

Option 2 – Corporate Overview Scrutiny Committee provide comments and challenge the assumptions in the MTFS and the progress made to the 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 and the cost pressures identified in Appendix 2, a budget gap of £16m over the next 5 years is forecast as follows:

Table 1: MTFS Budget Gap

2021/2022 £m	2022/2023 £m	2023/2024 £m	2024/2025 £m	2025/2026 £m	Total £m
2.9	4.7	2.7	2.7	2.7	15.7

5.1.2 The Council’s ability to progress a number of the Strategic Business Reviews have been impacted by the Covid-19 pandemic. An update on each review is provided at Appendix 2 of the MTFS. The overall current financial assessment towards the budget gap is currently assessed as between £4.4m and £7.2m over the period of the MTFS as follows:

Table 2: Estimated Financial Achievement of the Strategic Business Reviews

	Estimated Achievement							
	2021/2022		2022/2023		2023/2024		2024/2025 & 2025/2026	
	£m		£m		£m		£m	
	Low	High	Low	High	Low	High	Low	High
Strategic Business Reviews	0.5	1.0	1.2	1.7	0.9	1.4	0.9	1.5

- 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

	2021/2022		2022/2023		2023/2024		2024/2025 & 2025/2026	
	£m		£m		£m		£m	
	Low	High	Low	High	Low	High	Low	High
Residual Funding Gap	2.4	1.9	3.6	3	1.9	1.3	1.8	1.2

- 5.1.4 Bridging the Gap remains the council's medium/long term strategy to address the budget gaps currently identified. However for 2021/22, additional proposals will be developed 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	450
AEF – Cash flat	1,160
Council Tax	354
Non-Employee Inflation	650
Pay	500

- 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. Additional / 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 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 Strategic Business Reviews.

6.3.2 The proposals have/will be 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***

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

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 – Medium Term Financial Strategy 2021/2022 to 2025/2026*