

Medium Term Financial Planning (MTFP) 2018/19 to 2022/23

Draft of the revised approach to documenting the
Medium Term Financial Planning

Overview and Scrutiny Management Committee
October 2017



Aim

- Policy development of the proposed approach to the Council's Medium Term Financial Planning
 - Is the split between the MTFA and MTFS clear?
 - Are Members happy with the proposed areas discussed in each?
 - Are there any other areas we should incorporate?



Agenda

- **Key messages**
- **Proposed Reporting Structure**
 - Medium Term Financial Analysis (MTFA) - (June – July reporting)
 - Medium Term Financial Strategy (MTFS) - (Jan – Feb reporting)



Key messages

- The MTFA describes the financial challenge facing the Council, ie the level of resources we have available, compared to our forecast level of spending. Forecast spending includes changes for known member priorities, and allows for pressures. In the current resource-constrained environment, almost inevitably forecast spending is initially higher than resources. Hence the MTFA calculates the funding gap.
- The principal function of the MTFS is to build upon the MTFA to discuss the policy choices and underpinning financial solutions we are considering to achieve a balanced financial position, highlighting the emergent risks and pressures.
- Consequently links between priorities and expenditure, pressures and savings should be better defined.

MTFA Reporting - contents

- Reform to Local Government Finance
- Financial impact of Corporate Objectives & Members' Priorities
- Assessment of the Corporate Gap
- Assessment of the Portfolio Gap
- Summary position
- Narrative summary of our intended approach to balancing the budget
- Reserves

MTFA Reporting (cont.)

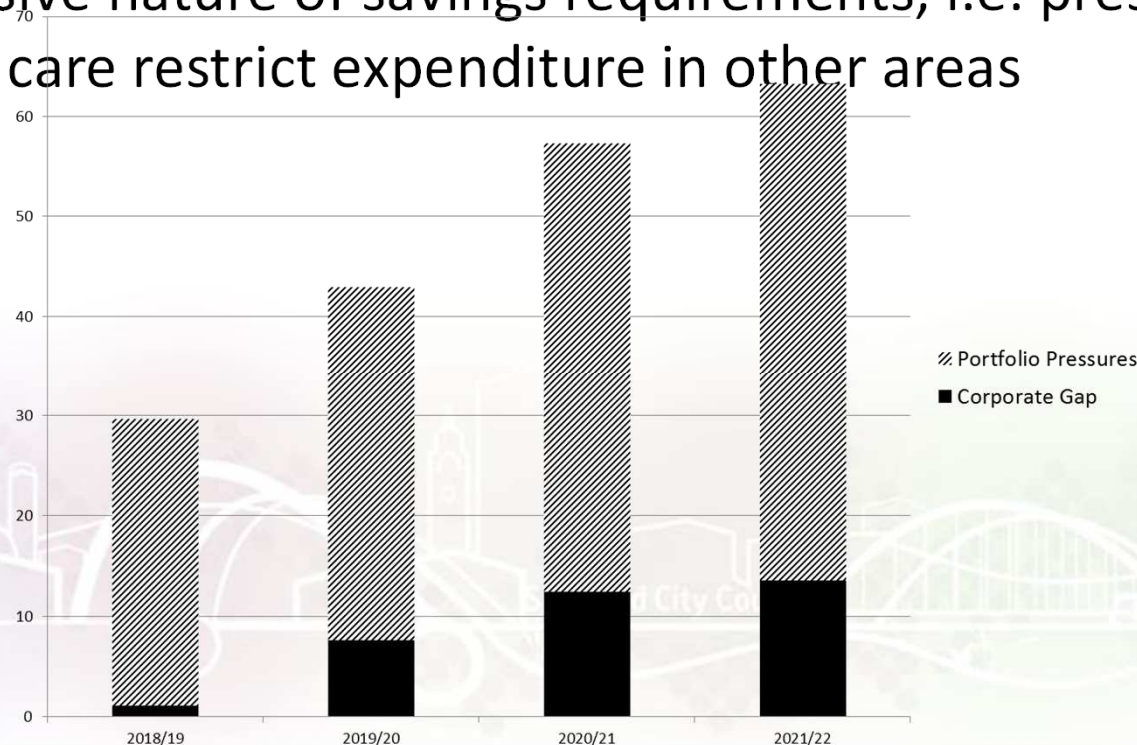
Assessment of the Corporate Gap - the July 2017 MTFA assessment is shown below

	2018/19	2019/20	2020/21	2021/22	2022/23
	£m	£m	£m	£m	£m
Reductions in RSG	15.4	15.5	0.0	0.0	0.0
Business Rates & Council Tax Income	(14.8)	(7.1)	(6.1)	(6.2)	(6.3)
Corporate Grant movements	(10.4)	(9.3)	0.0	0.0	0.0
Corporate Expenditure variations	10.9	7.5	10.9	7.3	7.4
Budget Gap	1.1	6.6	4.8	1.1	1.1

Proposed MTFA Reporting (cont.)

Assessment of the Portfolio Gap – the July 2017 MTFA assessment is shown below

- Draws links between the service gaps and priorities
- How the size of the gap may inhibit actions / options to meet priorities
- Pervasive nature of savings requirements, i.e. pressures in social care restrict expenditure in other areas



Proposed MTFS reporting - summary

- Recap MTFA
- Impact of changes since the MTFA was published
- Approach to Balancing Corporate Gap
- Approach to Balancing Portfolio Gap
- Reserves overview



Proposed MTFS reporting (cont.)

- **Summarise the position** reported in the MTFA
- **In brief, discuss changes** since the MTFA was published, covering:
 - Priorities (estimation of financial impact)
 - Funding, central and local
 - Pressures
 - Savings



Proposed MTFS reporting (cont.)

Approach to Balancing Corporate Gap

Approach	Key Notes
1. How do our plans support our Strategic Priorities	<ul style="list-style-type: none">• Priority led business planning underpinned by the budget
2. Financial tools available	<ul style="list-style-type: none">• eg Strategy on capital financing• Business Rates and Council Tax reviews - growth
3. Proposed allocation of finance	<ul style="list-style-type: none">• How we could financially enable the priorities to be delivered
4. Key assumptions and dependencies	
5. Actions required	<ul style="list-style-type: none">• Continued Lobbying of CG for additional funds eg iBCF

Proposed MTFS reporting (cont.)

Approach to Balancing Portfolio Gap

1. How do our plans support our Strategic Priorities	<ul style="list-style-type: none">• Discussion and challenge of pressures• High level detail of policy choices and service specific recovery plans for social care, resources and business-like place
2. Financial tools available	As previous
3. Proposed allocation of the finance	As previous
4. Key assumptions and dependencies	
5. Actions Required	<ul style="list-style-type: none">• Revised business planning and finance approach. Priority led mid to long term view; from 2019 onwards

Proposed MTFS reporting (cont.)

- **Reserves overview**

- Calls on reserves to balance in year shortfalls
- Assessment of sustainability
- Effective utilisation of reserves to deliver savings i.e. early pension deficit payments or Invest to Save projects
- key risks i.e. earmarking and un-earmarking reserves required



Key dependencies

- Clarity on Council Strategic priorities
- Cultural change re budget process
- Revised governance re business and budget planning.



Questions

- Is the split between the MTFA and MTFS clear?
- Are members happy with the proposed areas discussed in each?
- Are there any other areas we should incorporate?
- Any other questions?

