

Report To: Cabinet

Date of Meeting: 25th June 2019

Lead Member / Officer: Julian Thompson-Hill, Richard Weigh

Report Author: Richard Weigh, Head of Finance

Title: **Medium Term Financial Strategy 2019-23**

1. What is the report about?

The council's updated Medium Term Financial Strategy (MTFS). The Strategy sets out the economic context that informs financial planning assumptions and potential revenue budgetary implications over the coming three years. It sets out how the council will approach dealing with the budgetary situation and provides details of wider areas of the council's finances, including balances and reserves, investments and borrowing, grants and capital expenditure. The strategy also sets out the councils approach to income generation.

2. What is the reason for making this report?

A decision is required for Cabinet to approve the latest version of the Medium Term Financial Strategy (2019-23).

3. What are the Recommendations?

To approve the MTFS 2019/23 as attached as Appendix 1. If approved, the MTFS will be published on the council's website.

4. Report details

It is important that the Council considers its finances for more than one year ahead. This allows it to plan properly for cost pressures, savings, inflation, investment in corporate priorities and service changes. Denbighshire County Council does this through its MTFS. The Strategy takes a look at the coming three years and considers what might happen to the Council during that time and what it might mean for its finances. The MTFS sets the strategic approach to the management of the council's finances and outlines some of the key issues. Within the MTFS, the council also continually maintains a Medium Term Financial Plan (MTFP) which focuses in more detail on the forecast budget position and the underpinning financial calculations that support it.

The MTFS sets out a central case with a the likelihood of significant budget pressures over the next four years and the council will have to adapt and reshape in order to meet the challenges ahead. A corporate board called the Reshaping the Council Budget Board has been established with the following primary objectives:

- Define and deliver a Medium Term Financial Strategy to the end of 2022/23

- Ensure a balanced budget can be set each financial year within the programme
- Support the delivery of Corporate Priorities
- Provide a managed approach to becoming a smaller, well-run council

This is in the context of a continuing period of real terms reductions in funding and growing demand pressures in key areas. Its role will help to inform how council resources are directed in future and in doing so, will approve the key assumptions within the MTFP. The Board will give direction and make recommendations in respect of service changes or funding reductions but it is not a formal decision making body. Proposals emerging to support future budgets will be subject to existing approval processes and scrutiny.

The MTFS also sets out a range of scenarios to demonstrate the impact of changes to key funding sources. There is little certainty over levels of government funding from year to year – whether in respect of core funding and the level of financial settlement the council may expect to receive, or in respect of grant funding for specific government priorities or pressures. Given that core government funding accounts for approximately three-quarters of the council’s net revenue funding, uncertainty from year to year makes financial planning very challenging and the council has, and will continue to manage this challenge and develop budget processes that are flexible enough to account for variance between the forecast and actual level of financial settlement.

It also sets out information explaining the economic context underpinning key assumptions. The MTFS also draws links with other key policies – such as income generation and highlights the position or policy related to finances beyond the revenue budget, including capital, reserves and balances, treasury management and references the Housing Revenue Account.

If approved, the MTFS will be published on the council’s website and will be reviewed annually.

5. How does the decision contribute to the Corporate Priorities?

A key element of the MTFS is to set out how the Corporate Plan can be delivered within the context of the financial position and to highlight financial risks to the delivery of the Plan.

6. What will it cost and how will it affect other services?

The MTFS sets out the potential medium term financial position of the council and informs both strategic and annual budget plans.

7. What are the main conclusions of the Well-being Impact Assessment?

There is no WIA for the MTFS. However, where required, decisions taken as part of the budget process will be assessed, as will the final level of Council Tax rise proposed when the budget is approved annually.

8. What consultations have been carried out with Scrutiny and others?

The core elements of the MTFS have previously been explained in various workshops with elected members. The Wales Audit Office have been issued with a draft of the MTFS as it forms part of their assessment of the council's financial governance arrangements.

9. Chief Finance Officer Statement

It is vital that the council has a view of its financial position over the medium term. The MTFS defines the context and an informed central case at a point in time. However, there are multiple variables within the medium term financial plan and these are kept under regular review – and as a consequence will change over time. It is important however that the council understands the broad context and significant issues and the scope for variation when considering its plans. The majority of the council's funding comes from Welsh Government and assumptions around this level of funding have to be included in the MTFS/P as there are currently no reliable multi-year settlement indications. Uncertainty over public sector funding at a UK level remains prevalent and ought to be clarified when the government completes a formal spending review. Relatively small changes to the overall level of financial settlement from government have a significant impact on the council's finances.

10. What risks are there and is there anything we can do to reduce them?

The strategic financial planning process itself is a risk management measure with the aim of identifying and quantifying financial risk to help ensure that budget proposals can be considered in a planned and timely way.

11. Power to make the Decision

Local authorities are required under Section 151 of the Local Government Act 1972 to make arrangements for the proper administration of their financial affairs.