

CYNGOR SIR POWYS COUNTY COUNCIL

CABINET EXECUTIVE

17th September 2019

REPORT AUTHOR: County Councillor Aled Davies

Portfolio Holder for Finance

SUBJECT: Medium Term Financial Strategy

REPORT FOR: Decision

1. Summary

- 1.1 Local Government continues to respond to a period of unprecedented financial pressure. Reductions in funding continue whilst the demand for council services is rising. The Council has already responded to this major financial challenge and continues to fulfil its responsibility in maintaining a balanced budget.
- 1.2 An effective financial strategy links the Councils long term objectives and its financial capacity. It ensures that the Council can achieve its strategic and service objectives within the confines of the financial resources. It states where we are now, where we would like to be and how we plan to get there. It enables the creation of a Council that is financially resilient for the short, medium and longer term.

2. Proposal

- 2.1 The Medium Term Financial Strategy provides the structure and framework for the development for our financial plans and annual budgets for the period 2019 to 2024. The Full Strategy is attached as Appendix A.
- 2.2 It has been developed as part of the overall strategic planning process alongside the 2025 Vision and Corporate Improvement Plan which captures the financial, regulatory and policy drivers affecting the council and sets the direction and approach. It also incorporates the plan for delivering a balanced budget for 2020/21, and indicative budgets for the following 4 years to March 2024. This means the Council has an ongoing financial plan to enable service transformation within the funding levels available.
- 2.3 The strategy forecasts that service growth pressures and inflation will out strip any increase in funding levels the Council may receive by £67M over the five-year period, equivalent savings will have to be identified to close the budget gap. Given that local government does not have funding data from Welsh Government beyond 2019/20, this assessment is based on indicative figures focusing on how Local Government Settlements in Wales may be affected by central government's finances in the future. It is therefore based on best available information.
- 2.4 Building on the improvements we have already made, a new strategic approach to allocating resources has been developed. This approach will bring together all elements of the Council into one overarching financial strategy, which delivers Vision 2025, a programme of transformation, and which encompasses service improvement and delivers appropriate levels

of statutory service. It will better align revenue and capital to ensure that our limited resources are prioritised to achieve maximum effectiveness and based on securing outcomes that matter to our residents.

- 2.5 The strategy is supported by a detailed 5 year budget model. The budget model has been improved with scenario planning across Best, Most Likely and Worse case scenarios. Funding, Pay and Price pressures and changes in service demand have been modelled on this basis and the budget gap identified for each year of the plan. This provides the basis for the allocation of funding to each service.
- 2.6 In order to deliver a balanced budget over the medium term, a transformational approach is required, and which will need to be delivered at pace. This will require some radical thinking, drawing on experience of other authorities and learning from others. We will have to reconsider the discretionary services we provide and review the levels of service we can afford to deliver for our statutory services.
- 2.7 On the current modelling, reductions are required in spending of over £13m in 2020/2021 with a further £54m over the following 4 years. This will be achieved through transformational change and cost efficiencies but reductions in some services offered will also be inevitable.
- 2.8 In developing this Medium Term Financial Strategy, the Council has a clear framework within which to develop its 5-year budget model and a 5-year Capital Strategy Programme. The model and the assumptions included within it will be reviewed and updated as more information becomes available. Specific budget proposals are being developed and these will be finalised and reported in detail as each annual budget is developed and submitted for approval.
- 2.9 This framework and the processes within it will enable the Council to strategically prepare to deliver a Council which is affordable, sustainable and able to achieve its 2025 Vision.

3 Options Considered/Available

The detailed proposals that will be developed under this framework will consider the many options that are available for delivering the Councils objectives, an assessment of these options will be undertaken by each service as the detailed proposals are developed and submitted.

4 Preferred Choice and Reasons

None to consider.

5 Impact Assessment

Impact Assessments will be undertaken on the budget proposals that are developed and included within the Annual Budget setting process.

6 Corporate Improvement Plan

The Medium Term Financial Strategy provides the framework to deliver the Corporate Improvement Plan (CIP) objectives. It sets out the financial requirements to deliver the short and longer term vision of the council and ensures the funding available to the Council is prioritised and allocated appropriately in order to maintain a balanced financial position.

7 Local Member(s)

This report relates to all service areas across the whole County.

8 Other Front Line Services

This report relates to all service areas across the whole County.

9 Communications

The Councils financial strategy is of interest to internal and external audiences, it provides clear and honest information about the Council's budget position and the challenges it faces in maintaining a balanced budget. We will continue to communicate and engage with all stakeholders to raise awareness of Vision 2025 and capture their views to inform the Cabinet's and Full Council's decision-making process around setting budgets over the 5 year period.

10 Support Services (Legal, Finance, HR, ICT, BPU)

The allocation of resources to all support services will be considered as part of this financial strategy and the development of the subsequent budget proposal.

11 Scrutiny

Has this report been scrutinised? No

The Medium Term Financial Strategy will be considered by the Finance panel and feedback will be provided to the portfolio holder for finance.

12 Statutory Officers

The Head of Finance (Section 151 Officer) comments that the Council must have a financial strategy that ensures that it can deliver its strategic and service objectives within the confines of the financial resources. It ensures that the Council considers the factors that influence and impact on its financial position and identifies how the Council will respond to challenge this creates in order to fulfil its responsibility to maintain a balanced budget. The Medium Term Financial Strategy provides a framework in which to develop these financial plans and annual budgets whilst ensuring that the Council is financially resilient for the short, medium and longer term. The 2018/19 Wales Audit Office Annual Audit letter contained the following statutory recommendation:

"The Council must act immediately to update its Medium Term Financial Strategy to enable the Council to live within its means going forward. In setting a balanced budget, the Council must ensure that all savings plans are sufficiently well developed for inclusion in the annual budget."

The proposed Medium Term Financial Strategy addresses this requirement and defines the approach and processes in which the annual budgets and savings plans will be developed.

The Monitoring Officer has no specific concerns with this report.

13 **Members' Interests**

The Monitoring Officer is not aware of any specific interests that may arise in relation to this report. If Members have an interest, they should declare it at the start of the meeting and complete the relevant notification form.

Recommendation:		Reason for Recommendation:	
That Cabinet approve the Medium Term Financial Strategy for 2019 to 2024.		To aid business planning and development of the budget over a five year period	
Relevant Policy(ies):		Financial Regulations:	
Within policy:	Yes	Within Budget:	n/a
Relevant Local Member(s):			
Person(s) To Implement Decision:		Jane Thomas	
Date By When Decision To Be Implemented:		Ongoing	
Contact Officer	Tel	E mail	
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