

MEDIUM TERM FINANCIAL STRATEGY – 2020/21 TO 2023/24

- Summary: This report presents an updated Medium Term Financial Strategy (MTFS) for the period 2020/21 to 2023/24. The strategy has been updated to support the Corporate Plan for the period 2019 to 2022.
- Options considered: The MTFS has been refreshed in the year and provides an updated financial projection in support of the 2020/21 budget process.
- Conclusions: The financial position for 2020/21 is currently showing a small surplus with deficits in future years. The MTFS identifies the key themes and priorities for the Council in seeking to reduce the forecast budget gap.
- Recommendations: **It is recommended that:**
1) Members consider and note:
a) The current high level financial forecast for the period 2020/21 to 2023/24;
b) The current capital funding forecasts;
2) Members consider and recommend to Full Council:
a) The revised reserves statement as included at Appendix 2 to the financial strategy.
- Reasons for Recommendations: To refresh the Medium Term Financial Strategy in line with the Corporate Plan and to inform the detailed budget work for 2020/21.

LIST OF BACKGROUND PAPERS AS REQUIRED BY LAW

(Papers relied on to write the report, which do not contain exempt information and which are not published elsewhere)

<i>2019/20 Budget report and in year budget monitoring reports.</i>

Cabinet Member(s) Cllr Eric Seward	Ward(s) affected All
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1. Introduction

- 1.1 The paper attached as an appendix to this covering report sets out the Medium Term Financial Strategy (MTFS) for the period 2020/21 to 2023/24. It

sets out how both the external financial changes and internal budget pressures will impact on the overall financial position of the Council for the next four years.

- 1.2 In addition, the Financial Strategy updates the Council's high level financial projections for the medium term. It identifies the budgetary pressures on the Council during the period of the Corporate Plan by examining inflation, service pressures, income streams, reserves and the capital programme and seeks to identify strategies for addressing these areas within the overall context of the revenue and capital budgets.
- 1.3 This is the first MTFS to be based on the new Corporate Plan as approved by Full Council in November 2019.
- 1.4 Revised high level funding projections have been made and are included within the MTFS. These have been informed by the 2018/19 outturn position along with the in-year budget monitoring and updating for delivery of savings and additional income that was factored into the current and future financial forecasts as part of the 2019/20 budget process.
- 1.5 As part of the annual budget process the Financial Strategy is the first of a number of pieces of work which culminate in setting the annual budget for the forward financial year in February 2020.

2. Background

- 2.1 The Council's MTFS is the strategic document which supports the delivery of the Corporate Plan outcomes. It establishes how the Council's priorities will be achieved by setting out the framework within which resources are available over the medium term and the financial challenges facing the Council in terms of future funding gaps.
- 2.2 Traditionally this has been produced annually ahead of the budget setting process in February and an update is now due. However, best practice guidance from the Chartered Institute of Public Finance (CIPFA) recommends having a distinct split between the MTFS (which is produced ahead of the budget process) and what they consider to be a Medium Term Financial Plan (MTFP) which is considered alongside the budget.
- 2.3 The attached document has therefore been refocused to better align with this guidance.

3. MTFS vs MTFP

- 3.1 CIPFA identifies the MTFS as being the method by which the Council plans to translate its long-term goals into action by considering;
 - Where is the organisation now?
 - Where does the organisation want to be?
 - What are the organisations plans to get there?
- 3.2 It helps to ensure that the Council is 'doing the right thing' while taking account of internal strengths/weaknesses and external threats/opportunities. It should also provide a link between the Council's long-term service

objectives and its financial capacity, which effectively asks the question 'can the strategic objectives be achieved within the available financial envelope?'

- 3.3 The aim shouldn't be to provide provisional budget figures but to provide a framework and context to support and inform the medium term planning considerations and the budget setting process.
- 3.4 Essentially the MTFS should include consideration of a broad range of factors that influence the Council's long-term financial success including;
 - The nature, level and balance of income sources;
 - Exposure to volatile income streams;
 - The cost base, especially overhead costs;
 - The financial structure and staffing levels;
 - The financial context;
 - The organisation's financial management policies, systems and processes and;
 - The relationships with key financial stakeholders.
- 3.5 The MTFP however has a distinctly different focus, being the annual review of the Council's 3-year budgetary plan, giving consideration to the financial climate at both the local and national level together with available resources and budgetary pressures.
- 3.6 It focuses on the revenue expenditure for the day-to-day running costs of providing services and also the capital expenditure which considers long-term investment in infrastructure to support service delivery and income generation.
- 3.7 The MTFP should therefore provide;
 - A system that produces budgets over 3 years which are meaningful at the level of service delivery;
 - A planning mechanism which generates objectives and targets for 3 forward years;
 - A process which draws together the financial and planning processes and ensures they are consistent;
 - A mechanism to give the Council a firm indication of available funding in the forward years and;
 - A process which allows the outturn expenditure and outputs delivered to be measured against budgeted expenditure and targets.
- 3.8 The MTFS was significantly refocused last year so it isn't felt that it needs to be fundamentally changed but application of the best practice guidance should improve the overall budget process and strengthen both the MTFS and MTFP.

4. **Financial Implications and Risks**

- 4.1 The detail within the financial strategy has highlighted the significant challenges that Local Authorities are facing in terms of the forecast funding reductions.
- 4.2 The strategy provides an update to the funding forecasts for the period 2020/21 to 2023/24.
- 4.3 The Strategy provides details of a programme of key themes that will be delivered over the period of the financial strategy that will assist in reducing the forecast budget gap.

3 Sustainability

- 3.1 This report does not raise any sustainability issues.

4. Equality and Diversity

- 4.1 This report does not raise any equality and diversity issues.

5. Section 17 Crime and Disorder considerations

- 5.1 This report does not raise any Crime and Disorder considerations.