

# Medium Term Financial Strategy and Efficiency Plan

## Introduction

This document sets out the Council's approach to closing the forecast medium term gap between General Fund net expenditure and funding. It sets out the efficiency plan that is required in order to take up the government's offer of a fixed minimum level of funding for the period until 2019/20.

This plan relates specifically to General Fund budgets.

## Links to Council Plans

This strategy is set in the context of the Corporate Plan, which was approved by Full Council in December 2015.

The Corporate Plan sets out the key priorities below:

- Sustainable Development
- Regeneration and Economic Development
- Financial Stability
- Customer-focused Services

A number of key actions have been identified which will help to support the drive for economic prosperity across the district and provide the best possible climate for business growth. This in turn will assist the Council in the management of its future financial challenge. The key commitments are set out below:

- Encourage Economic Development and Job Creation
- Invest in the Community
- Keep Council Tax Low
- Support Neighbourhood Plans
- Resist Inappropriate Development
- Deliver High Quality Jobs
- Enhance the Natural Assets of the Nene Valley
- Retain Free Car Parking

These all provide the framework for the delivery of the Efficiency Plan.

## MTFP – Projected Budget Gaps

Appendix 1 shows the projected increasing budget gap over the next few years. The Council set a balanced budget for 2016/17 and 2017/18, but forecasts a gap of £0.7m in 2018/19 rising to £1m by 2019/20 if no further action is taken.

The funding forecasts take account of the latest knowledge of likely levels of growth and the impact that will have on income from Business Rates, Council Tax and New Homes Bonus.

## **Approach to Efficiency – Key Work Streams**

### Work stream 1 - Economic Growth

This work stream focuses on increasing the pace of economic growth in housing and businesses in order to generate further increases in income from Business Rates, Council Tax and New Homes Bonus. It will also review section 106 receipts to ensure that they are utilised in support of the delivery of the Corporate Plan where possible.

### Work stream 2 – Contract Re-provision

The medium term financial plan assumes a level of costs in the delivery of existing contracts for leisure and waste service provision. The leisure contract expires at the end of 2016/17 and the council is currently tendering for a new provider with the aim of reducing the cost of this service. The waste contract ends in 2018/19 and the cost is expected to increase significantly. The Council will explore various options to ensure that any increase in costs is kept to a minimum.

### Work stream 3 -Being More Efficient

All services will continue to review their working practices to ensure that they deliver high quality services at the lowest possible net cost. This review will also include increasing digitalisation in the provision of services. The Business Transformation Team will also support this work stream through the identification of projects which will either generate income or reduce costs in order to contribute towards the financial targets set out in the plan that are required to produce a balanced budget.

### Work stream 4 –Commercial Approach

The Council will utilise available resources to generate commercial income. This work stream will look at options to invest in new assets that generate a good rate of return.

### Work stream 5 – Partnership Working

The Council has a number of shared service or partnership arrangements in place. This work stream will look at opportunities within the current arrangements where there is potential to make cost reductions. We will also work closely with other councils to investigate areas where efficiencies can be gained.

### Other Opportunities for Savings

The development of the Efficiency Plan has highlighted other opportunities for income generation or cost reductions in addition to the key work streams above.

One of these is income from Fees and Charges – while we have not set any targets for income generation in this area, we will continue to review the level of discretionary fees and charges to ensure that cost recovery is maximised, taking into account any potential impact on demand.

Appendix 2 sets out the financial targets in relation to each work stream.

### **Risks and Reserves**

The financial targets within this efficiency plan generate an increased level of financial risk, due to their scale and diversity. The key risks and mitigations are set out in the table below:

| <b>Risk</b>  | <b>Mitigation</b>  |
|--|--|
| Non delivery of financial targets                                      | Supported by robust business plans<br><br>Appropriate arrangements in place for monitoring and reporting<br><br>Governance process followed  |
| Conflict between Corporate Plan priorities and Efficiency Plan Savings | Full Council approval of Efficiency Plan as well as regular meetings with Leader/Chair of Finance Sub Committee/Chair of Policy & Resources Committee  |
| High level of earmarked reserves required to deliver plan              | Consolidation of reserves and controls over future allocations   |
| Possible capital investment required to deliver plan                   | Supported by robust business plans<br><br>Appropriate arrangements in place for monitoring and reporting<br><br>Governance process followed<br><br>Effective treasury management which utilises resources to achieve optimum interest levels |

The Council holds General Fund balances in order to provide cover for these risks. The level of General Fund balances is reviewed and adjusted as part of the annual budget process and again as part of the final accounts process.

The Council also holds a sufficient level of earmarked reserves. These are set aside for specific purposes, but will be re-focussed to ensure that they are targeted on two key areas;

- Delivering the Medium Term Plan - funding to facilitate the delivery of the financial targets, through investment in assets and efficiency projects. This may include funding of capital investment where this is required to generate income for the council or deliver cost reductions.
- Future Pressures and Risks - to ensure that there is sufficient funding to ensure ongoing service delivery during the transition period.

Appendix 3 shows how earmarked reserve levels will be utilised in accordance with the targeted areas set out above.

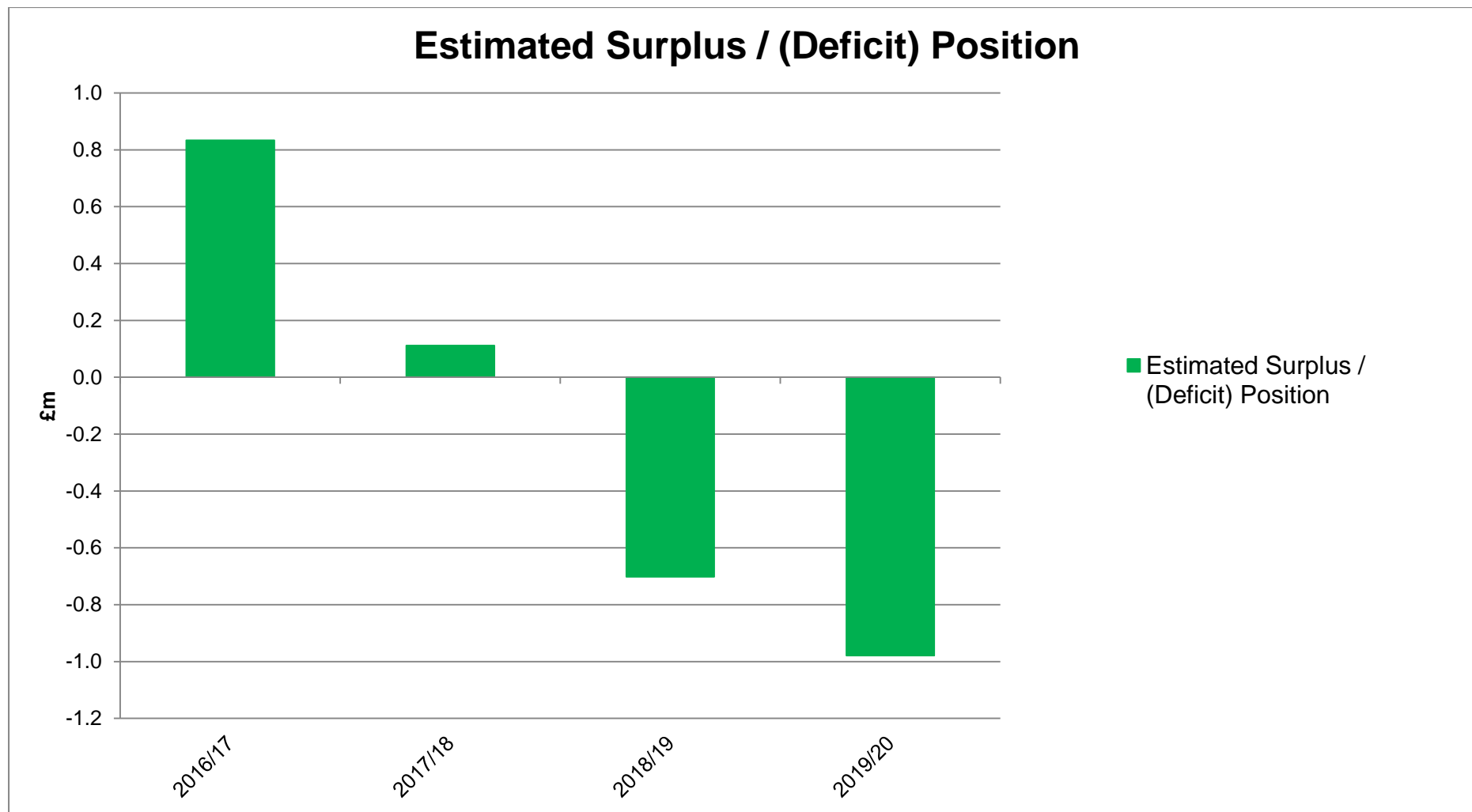
### **Appendices:**

Appendix 1 - MTFP Forecasts

Appendix 2 - Financial Targets by Work Stream

Appendix 3 - Earmarked Reserves

Medium Term Financial Strategy Position 2016/17 to 2019/20 (February 2016)



## Financial Targets by Work Stream

|   | 2017/18<br>£m | 2018/19<br>£m | 2019/20<br>£m | 2020/21<br>£m | 2021/22<br>£m |
|---|---------------|---------------|---------------|---------------|---------------|
| <b>Current Forecast Surplus / (Deficit)</b> | <b>0.1</b>    | <b>(0.7)</b>  | <b>(1.0)</b>  | <b>(1.0)</b>  | <b>(0.9)</b>  |
| <u>Economic Growth</u>                      | 0.0           | 0.0           | 0.0           | 0.1           | 0.1           |
| <u>Contract Re-provision</u>                | 0.2           | 0.3           | 0.4           | 0.4           | 0.4           |
| <u>Being More Efficient</u>                 | 0.1           | 0.1           | 0.2           | 0.3           | 0.3           |
| <u>Commercial Approach</u>                  | 0.0           | 0.0           | 0.0           | 0.1           | 0.2           |
| <u>Partnership Working</u>                  | 0.1           | 0.1           | 0.2           | 0.2           | 0.2           |
| <b>Revised Forecast Surplus / (Deficit)</b> | <b>0.5</b>    | <b>(0.0)</b>  | <b>(0.2)</b>  | <b>0.0</b>    | <b>0.2</b>    |

## Reserves Forecast

## Appendix 3

|  | 2015/16       | 2016/17       | 2017/18       | 2018/19       | 2019/20       | 2020/21       | 2021/22       |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|  | £000          | £000          | £000          | £000          | £000          | £000          | £000          |
| Earmarked Reserves - Delivering the Corporate Plan       | 8,707         | 6,028         | 5,685         | 5,715         | 5,625         | 5,655         | 5,685         |
| Earmarked Reserves - Delivering the MTFS/Efficiency Plan | 0             | 2,963         | 2,963         | 2,963         | 2,963         | 2,963         | 2,963         |
| Earmarked Reserves - Managing Risk                       | 1,188         | 2,421         | 2,129         | 2,129         | 2,129         | 2,129         | 2,129         |
| <b>Total Earmarked Revenue Reserves</b>                  | <b>9,895</b>  | <b>11,412</b> | <b>10,777</b> | <b>10,807</b> | <b>10,717</b> | <b>10,747</b> | <b>10,777</b> |
| Minimum level of reserves                                | 1,500         | 1,500         | 1,500         | 1,500         | 1,500         | 1,500         | 1,500         |
| <b>Total Revenue Reserves</b>                            | <b>11,395</b> | <b>12,912</b> | <b>12,277</b> | <b>12,307</b> | <b>12,217</b> | <b>12,247</b> | <b>12,277</b> |
| <b>Total Capital Reserves</b>                            | <b>4,081</b>  | <b>2,398</b>  | <b>1,600</b>  | <b>775</b>    | <b>118</b>    | <b>0</b>      | <b>0</b>      |
| <b>Total Reserves</b>                                    | <b>15,476</b> | <b>15,310</b> | <b>13,877</b> | <b>13,082</b> | <b>12,335</b> | <b>12,247</b> | <b>12,277</b> |