

Medium Term Financial Strategy

Summary

This report sets out the implications and challenges of the Financial Strategy and Forecast for the period from 2017/18 to 2020/21.

Portfolio - Finance

Date signed off: 1 July 2016

Wards Affected - All

Recommendation

The Executive is advised to:

- i) **NOTE and COMMENT on the Financial Strategy; and**
- ii) **RECOMMEND the adoption of the Medium Term Financial Strategy to Full Council.**

1. Resource Implications

- 1.1 The key objective of the financial strategy is to show how the Council can remain financially sustainable into the future. It does this by predicting what the potential financial pressures are and outlines a strategy for how these can be addressed.
- 1.2 Although the Council has made significant efforts in recent years to reduce expenditure and generate income, further action will be required to cover at least a £1m shortfall in resources caused mainly by reductions in funding from Government through business rates and grants.
- 1.3 The delivery of a balanced budget is a statutory obligation on the Council. Whilst if no action is taken, although the Council could cover the shortfall in funding with reserves in the short run, eventually services would have to be cut and/or stopped.

2. Key Issues

- 2.1 The financial forecast illustrates the need to make continued savings and increase income if the Council is to achieve financial sustainability.
- 2.2 In December 2015 the Government released a 4 year settlement to Councils to enable them to plan for the future, but the uncertainty around the changes to business rates in 2019/20 makes it difficult to predict from then onwards.

- 2.3 Although details of the proposed 100% Localisation of Business Rates are not known in any detail, the change carries significant risks for Surrey Heath and it is likely to end up with less than 1% of Business Rates paid locally for the delivery of services. If the Council was to be allowed to keep 5% this would bring financial stability certainty for a number of years and it is recommended that the Council works with its neighbours to lobby Government to achieve this aim.
- 2.4 The strategy sets out the following potential ways of dealing with the financial challenge:
- a) Increase significantly the level of housing development within the borough to not only stimulate economic growth but also to deliver additional Council Tax and New Homes Bonus to support services.
 - b) Work to reduce the costs of providing services through better contracting, working with partners, investment in IT and demand management;
 - c) Reduce the size of the bureaucracy by reducing the number of members and streamlining Council functions;
 - d) Introduce new charges to support existing services;
 - e) Increase income from assets through freeing up more space in Surrey Heath House for rental;
 - f) Review discretionary services to attempt to make them more self supporting through the use of new charges, trusts, joint working with other bodies etc.;
 - g) Finally be prepared to borrow to invest in income generating assets such as property. These would be driven by a robust business case and the focus would be on delivering income to support services in line with Key Priority 2.
 - h) Continue to increase Council Tax is increased to the maximum amount permitted without triggering a referendum.
- 2.5 The Financial Strategy sets out how the financial challenges facing the Council may be addressed. Its adoption does not give authority for these actions to be carried out but merely sets the direction of travel. Changes to services, investment in property etc. would all need to be approved by Executive and/or Council in line with normal procedures.
- 2.6 The Government has asked all Councils to sign up for a 4 year settlement covering 2016/17 to 2019/20 by submitting an "Efficiency Plan" by 14th October 2016. Although the format of the plan is not known it is unlikely to be particularly onerous. Full Council at its meeting in February agreed that the final decision as to whether to submit a plan would rest with the Executive Head of Finance in

consultation with the Portfolio Holder for Finance. Due to the significant uncertainty surrounding the settlement for 2019/20 it would be prudent that the Council consider signing up for 3 rather than 4 years and that this approach be put to Government on a Surrey wide basis.

3. Options

- 3.1 The Executive can accept, amend or reject the report.

4. Proposals

- 4.1 It is proposed that the Executive:

- i) NOTE and COMMENT on the Financial Strategy and;
- ii) RECOMMEND the adoption of the Strategy to Full Council

5. Supporting Information

- 5.1 The medium term financial strategy is included with this paper.

6. Corporate Objectives and Key Priorities

- 6.1 Without a sound financial strategy in place the Council risks not being able to deliver on any of its Corporate Objectives and Key Priorities. The financial strategy emphasises the need to deliver Key Priority 2 and Key priority 4 if the council is to remain financially sustainable.

7. Policy Framework

- 7.1 None.

8. Legal Issues

- 8.1 The Council is required to set a balanced budget and this strategy sets out how this may be achieved.

9. Governance Issues

- 9.1 None.

10. Sustainability

- 10.1 The strategy addresses the issue of financial sustainability in the medium term.

11. Risk Management

- 11.1 The risks of the delivery of various assumptions included within the forecast have been explored and are included therein. Similarly the adoption of the strategy itself is not without risk and this has been

explored also however the risk to services in doing nothing is potentially far greater.

12. Equalities Impact

12.1 Any changes to services stemming from this paper may need to be equality assessed.

13. Officer Comments

13.1 These are included within the strategy.

Annexes	Medium Term Financial Strategy 2017/18 to 2020/21
Background Papers	
Author/Contact Details	Kelvin Menon – Executive Head of Finance Kelvin.menon@surreyheath.gov.uk
Head of Service	Kelvin Menon – Executive Head of Finance

CONSULTATIONS, IMPLICATIONS AND ISSUES ADDRESSED

	Required	Consulted	Date
Resources			
Revenue	✓		
Capital			
Human Resources			
Asset Management			
IT			
Other Issues			
Corporate Objectives & Key Priorities	✓		
Policy Framework			
Legal			
Governance			
Sustainability			
Risk Management			
Equalities Impact Assessment			
Community Safety			
Human Rights			
Consultation			
P R & Marketing			