

## Summary Sheet

### Report to Council 9<sup>th</sup> December 2015

**Title** The Council's Outline Medium Term Financial Strategy 2016-2019.

**Is this a Key Decision and has it been included on the Forward Plan?** Yes

**Strategic Director Approving Submission of the Report** Acting Director  
Resources and Corporate Services

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**Ward(s) Affected** All

### Executive Summary

Commissioners, through the corporate “Fresh Start” Improvement Plan, set out a target for the Council to have a new Medium Term Financial Strategy (MTFS) in outline form by the end of November 2015. Having a MTFS is a prerequisite for progressing towards ending Government Intervention in the Council. An ongoing process is underway to identify the specific proposals that will help ensure a balanced budget for 2016/17 and through to 2018/19.

Enclosed for Members' further information as an Appendix is the new outline Medium Term Financial Strategy (MTFS) document, which sets out the framework for understanding the challenges the Council faces and looks at the options for how these challenges may be met. It supports the authority's organisational aims and objectives and these in turn support the Council's overall vision.

The MTFS is currently in outline form as it is recognised that the document will require amendment following the Chancellor's Autumn Statement and Spending Review of 25<sup>th</sup> November 2015 and in light of the forthcoming Local Government Finance Settlement for 2016/17 provisionally expected in December 2015 (and confirmed early in 2016). In addition, the Council's own Budget process is still ongoing, reviewing and assessing savings proposals and growth/pressures bids. A finalised version of the MTFS is anticipated by the end of February 2016 in line with the requirements of the Improvement Plan. In accordance with the Council's

Constitution, Full Council will be asked to approve the MTFS at its 2<sup>nd</sup> March 2016 meeting as part of approving the Council's 2016/17 Budget and Council Tax setting.

Commissioners, however, are keen to share this outline version of the document with Members in order for them to reflect on it in the context of their wider, strategic consideration of the current budget process and savings proposals.

### **Recommendations**

Members are asked to note for information the appended Outline Medium Term Financial Strategy (MTFS) for the 3 financial years 2016/17 to 2018/19. In accordance with the Council's Constitution, a final proposed version of the MTFS for approval by Full Council will be submitted by Commissioners to the 2<sup>nd</sup> March Budget and Council Tax setting meeting.

### **List of Appendices Included**

- Outline MTFS, 2016-19

### **Background Papers**

- RMBC corporate "Fresh Start" Improvement Plan, 26<sup>th</sup> May 2015
- Medium Term Financial Strategy Report to Commissioners, 9<sup>th</sup> July 2015

### **Consideration by any other Council Committee, Scrutiny or Advisory Panel**

- The Outline MTFS (at appendix) was submitted by OSMB on November 26<sup>th</sup> for consideration and comments.

**Council Approval Required** No. Council approval of the final MTFS will be required at the 2<sup>nd</sup> March 2016 meeting.

**Exempt from the Press and Public No**

## **Title: The Council's Medium Term Financial Strategy 2016-2019.**

### **1. Recommendations**

1.1 Members are asked to note this update on the Budget setting process and consider the Council's outline Medium Term Financial Strategy (MTFS) for the 3 financial years 2016/17 to 2018/19 and to note in particular:

- The projected Budget Challenge;
- The Objectives of the MTFS;
- Financial Strategy Planning Assumptions; and
- The proposals for the delivery and monitoring of the strategy.

### **2. Background**

2.1 The current Government is committed to reducing public spending and given that spending on the NHS, schools, defence and international aid are to be protected, the rest of public sector expenditure will receive less grant support. In preparing for the November 2015 Spending Review and Autumn Statement, the Chancellor of the Exchequer has indicated that unprotected departments, such as Local Government, should identify savings of up to 40% over the next three years.

2.2 The Council's corporate "Fresh Start" Improvement Plan set out a target to establish an outline MTFS by the end of November 2015, in the understanding that by this date there would remain a number of areas of uncertainty, in light of the Government's Autumn Statement and Spending Review on 25<sup>th</sup> November and prior to the formal Local Government Settlement for 2016/17 (expected to be issued in December 2015 and confirmed January/February 2016). Nevertheless sufficient work would have been carried out on budget planning to set out a strategic approach to budget sustainability in outline form.

2.3 Given that work on the Council's Budget-setting for 2016/17 and beyond is continuing to progress through the Commissioner Decision Making process and Scrutiny, the MTFS remains in outline form, pending its finalisation in February 2016 when it will be submitted by Commissioners for approval by Council at its meeting on 2<sup>nd</sup> March 2016.

### **3. Key Issues**

3.1 In preparing the Council's new MTFS the working assumption is that the Council will have to manage with a reduction in its government funding allocation of on average 9% a year for the next 3 years.

- 3.2 As the final Local Government Settlement figures for 2016/17 and beyond will not be known until early in the New Year, 2016, it is anticipated that the financial projections contained in the MTFS will need to be kept under review.
- 3.3 Future financial budget planning will be even more important in light of the Government's stated intention to phase out government grant funding and move towards a more financially self-sufficient local government sector model as part of its ongoing devolution agenda. This is likely to require local councils to fund spending plans solely from local income (Council Tax, Business Rates and fees and charges) generated in its area.
- 3.4 The current MTFS indicates, as reported in July 2015, that the gap between likely available resources and current spending expectations if rolled forward is £20m in 2016/17, building to at least £41m over the next 3 years.
- 3.5 However, it is more than likely that the position will get worse: - children's social care expenditure is still increasing, the adult services budget is under pressure and there is a risk that the Council may not achieve its income expectations. Equally, changes in national policy (e.g. the implementation of the national living wage) and the extent to which government financial support is provided to the sector to help implement this will also be key factors.
- 3.6 The Council's ability to replace this loss of Government grant funding relies mostly upon growing its income from Council Tax and Business Rates. However, the Government has put in place a number of real and powerful constraints which hinder a council's ability to achieve this, which mean the Council has to prepare for less money overall year on year for the rest of this Parliament.

#### **4. Options considered and recommended proposals**

4.1 This MTFS commits the Council to urgent and persistent work to:

- Design and begin to implement a sustainable service to children and families, prioritising the most important interventions.
- Re-design its Adult Social Care services to make services more relevant to individual need and from this reduce expenditure on non-essential service costs.
- Work harder to get more value from the existing or modestly increased budgets for street and environmental services.
- Plan to increase housing, inward investment and jobs growth, to contribute towards income growth.

- Seek to work with partners and stakeholders to reduce our underlying cost base.
- Seek opportunities to responsibly generate more money, to replace lost government grant.
- Settle in 2016/7 on a new strategy for customer access using web access as much as possible to reduce transaction costs.
- Consider in 2016/17 a new plan to promote social cohesion and identify any resource requirements.
- Revise its 30 year HRA business plan in the light of new constraints.
- Consider a new Workforce Strategy.
- Utilise the 2015 public consultation results to ensure that our focus remains on our residents' priorities and that this is at the heart of decision-making.
- Spread understanding and ownership of the many other ways the Council has to adjust to less money and changing local circumstances.

## **5. Consultation**

5.1 The MTFS will be shared with partners and reflects what local people have said is important to them during the public consultation events held during 2015.

## **6. Timetable and Accountability for Implementing this Decision**

6.1 The Government Autumn Statement and Spending Review were announced on November 25<sup>th</sup> 2015, with the Local Government Finance Settlement being released in December and confirmed early in 2016. The Council will meet to set its Budget and Council Tax for 2016/17 on 2<sup>nd</sup> March 2016. In light of these factors, the Medium Term Financial Strategy presented will need to be revised and kept under review.

## **7. Financial and Procurement Implications**

7.1 As set out in the Strategy

## **8. Legal Implications**

8.1 In preparing its MTFS and Budget, the Council must be mindful of the potential impact on service users. Section 149 of the Equality Act 2010 in particular imposes an obligation on Members to have due regard to protecting and promoting the welfare and interests of persons who share a relevant protected characteristic (such as: age; disability; gender re-assignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sex and sexual orientation).

8.2 The Council is required to set its Council Tax in accordance with the Local Government Finance Act 1992 and in doing so set its 2016/17 budget, by no later than 11<sup>th</sup> March, 2016.

8.3 Where appropriate, savings proposals will be subject to consultation with the public, partners, clients and employees.

## **9. Human Resources Implications**

9.1 As set out in the Strategy

## **10. Implications for Children and Young People and Vulnerable Adults**

10.1 As set out in the Strategy

## **11 Equalities and Human Rights Implications**

11.1 As set out in the Strategy

## **12. Implications for Partners and Other Directorates**

12.1 As set out in the Strategy

## **13. Risks and Mitigation**

13.1 As set out in the Strategy

## **14. Accountable Officer(s)**

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Approvals Obtained from:-

Strategic Director of Finance and Corporate Services: - Stuart Booth

Director of Legal Services: - Catherine Parkinson

Head of Procurement (if appropriate):- N/A