

# **TONBRIDGE & MALLING BOROUGH COUNCIL**

## **CABINET**

**25 March 2014**

### **Report of the Director of Finance and Transformation**

#### **Part 1- Public**

#### **Matters for Information**

##### **1 MEDIUM TERM FINANCIAL STRATEGY**

**The purpose of this report is to confirm the latest published iteration of the Medium Term Financial Strategy following the 2014/15 budget setting process and the projected 'funding gap' identified as a result.**

##### **1.1 Medium Term Financial Strategy**

- 1.1.1 To recap the Council's Medium Term Financial Strategy (MTFS) covers both revenue and capital budgets and it is this Strategy that underpins the budget setting process each year and over the strategy period.
- 1.1.2 The Strategy sets out the high level financial objectives the Council wishes to fulfil over the agreed time span. The Strategy also sets out, based on current financial information, not only the projected budgets for the period, but also the levels of council tax that are projected to be required to meet the Council's spending plans.
- 1.1.3 The MTFS spans a rolling ten-year period with two fundamental objectives: to achieve a balanced revenue budget and to retain a minimum of £2.0m in the general revenue reserve by the end of the strategy period. All of the key objectives currently set out in the MTFS are set out below.
- To achieve a balanced revenue budget that delivers the Council's priorities by the end of the strategy period.
  - To retain a minimum of £2.0m in the General Revenue Reserve by the end of the strategy period.
  - Seek to set future levels of council tax having regard to the guidelines issued by the Secretary of State.
  - Over the strategy period, continue to identify efficiency savings and opportunities for new or additional income sources within the Council's budget to contribute towards the identified 'funding gap'; and, if necessary

thereafter, seek appropriate reductions in service costs following consultation, as necessary, with taxpayers.

- Set a maximum 'annual capital allowance' each year as part of the budget setting process for all new capital schemes (set at £320,000 from the Council's own resources) and give priority to those schemes that generate income or reduce costs.

- 1.1.4 Members will recall that following an assessment of the impact of the 2013 Spending Review announced in June on the Council's finances and, in turn, MTFS the savings target set for the 2014/15 budget cycle increased by £200,000 to £1.1 million; and in preparing the 2014/15 Budget I was pleased to report that in total net savings in excess of £1.1 million had been achieved. **[Annex 1]** provides details of the savings identified and implemented as part of the 2014/15 budget setting process.
- 1.1.5 Beyond March 2014 it is estimated further savings of circa **£1.875m** need to be identified and implemented over the medium term. Based on the above projection it was our initial intention to breakdown the savings target into three tranches (tranche one £650,000, tranche two £700,000 and tranche three £525,000 to be achieved by the start of the year 2016/17, 2017/18 and 2019/20). However, in order to maintain momentum and focus a savings target has been set for 2015/16 by breaking out the first savings tranche into two parts, i.e. £200,000 followed by £450,000. The latest published iteration of the MTFS following the 2014/15 budget setting process is attached at **[Annex 2]**.
- 1.1.6 It is important that attention is now directed at not only how we might deliver the next tranche of savings of £200,000 this financial year, but also give thought to options to deliver at least the next savings tranche of £450,000 recognising the 'lead in time' that might be required for one or more of the options identified. Management Team are due to consider areas for potential savings in the next few weeks, and monitoring reports will be brought forward to Members so that good management of the process can be maintained.
- 1.1.7 Clearly, the Council continues to face a significant financial challenge, but remains determined that the negative impact on service delivery and council tax increases are minimised, albeit recognising that some difficult choices will have to be made.

## **1.2 Legal Implications**

- 1.2.1 None.

## **1.3 Financial and Value for Money Considerations**

- 1.3.1 As set out above.

## **1.4 Risk Assessment**

- 1.4.1 The Medium Term Financial Strategy sets out the high level financial objectives the Council wishes to fulfil and underpins the budget setting process for the forthcoming year and over the Strategy period. As the Council's high level financial planning tool the Strategy needs to be reviewed and updated at least annually and in the current climate regularly reviewed by Management Team.
- 1.4.2 There is so much uncertainty and volatility particularly in some of our major sources of income that financial planning is becoming increasingly difficult with the increased risk of significant variances compared to projections.
- 1.4.3 In addition, not identifying and implementing the requisite savings will put at risk the integrity of the Medium Term Financial Strategy.

## 1.5 Equality Impact Assessment

- 1.5.1 See 'Screening for equality impacts' table at end of report

Background papers:

Nil

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Sharon Shelton  
Director of Finance and Transformation

Screening for equality impacts:		
Question	Answer	Explanation of impacts
a. Does the decision being made or recommended through this paper have potential to cause adverse impact or discriminate against different groups in the community?	No	Report provides an update on the projected 'funding gap' between expenditure and income following the 2014/15 budget setting process.
b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality?	No	Report provides an update on the projected 'funding gap' between expenditure and income following the 2014/15 budget setting process.
c. What steps are you taking to mitigate, reduce, avoid or minimise the impacts identified above?		See responses above.

*In submitting this report, the Chief Officer doing so is confirming that they have given due regard to the equality impacts of the decision being considered, as noted in the table above.*