

ITEM 10

Minute Extract – Council Cabinet, 11 November 2015

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100/15 Medium Term Financial Strategy

The Council Cabinet considered a report on the Medium Term Financial Strategy. Due to the Government continuing to cut local government funding, the Council was forced to make significant changes to its budget, which would impact on Derby's residents.

With the critical financial position facing the organisation, the Council was no longer capable of affording the services it had provided for many years. Many of these services would have to stop unless they were provided externally and at no cost to the Council. The Council was on a forecast trajectory to only be able to provide statutory services by the end of the Medium Term Financial Plan - MTFP- and these would have to be at a greater level of risk.

The Council had already delivered £116m of savings since between 2010 and 2015, with a further £48m to deliver between 2016 and 2019. As the Council's budget decreases, and was redirected to address pressures and pay for statutory service areas, the ability to deliver savings of this level places the Council in a critical financial position.

Local Government was being continually impacted by reducing levels of funding, no funding to address inflationary pressures, underfunding to meet new legislative burdens and increasing demand for our services, at a time when some other public services were being protected.

The Council had previously evidenced that the level of funding it received was not aligned with the need to spend and the Council had had much needed funding totalling approximately £11m withheld by central government. The impact of this position was now becoming more critical, as the ability to meet the budget gap becomes more difficult.

The report outlined the Medium Term Financial Strategy - MTFS - for the revenue and capital budget over the three year period 2016/17 to 2018/19. The MTFS sets out the Council's strategic approach to the management of its finances. It details the resource projections for the forthcoming three years, the financial challenges that the Council faces and the approach planned to meet the priorities set out in the Council Plan. It also commented on the significant risks facing the Council in the forthcoming years and explained what the Council was doing to reduce these risks.

The purpose of the Medium Term Financial Strategy was to ensure that the overall vision, objectives and outcomes sought for the local community were affordable within the resources that were available or likely to be available in the medium term. The MTFS was also designed to ensure the Council continued to maintain a stable and sustainable budget capable of withstanding financial pressures. This position was becoming more difficult as funding continues to reduce at the same time as pressures were escalating.

Each year there was a short-term requirement to prepare an annual budget and set the Council's Council Tax. The achievement of the Council's longer term objectives, however, required service and financial planning to be undertaken over a longer period. The MTFS therefore looked to take into account the medium term implications of the key issues facing the Council and also examined longer-term considerations.

The Council's Medium Term Financial Strategy should ensure that any budgetary decisions were based on the priorities for the city. The 15-year Derby Plan set out the long term priorities for the city. The Plan showed how the Council would work with partners to deliver outcomes for local people.

The Council had been consulting with the public and partners on a broad scale since the launch of the Big Conversation in 2013, supported by local partners and community groups. The Budget Simulator, a tool to allow participants to set the Council's budget had been introduced. Last year there were approximately 10,000 participants and approximately 1,000 completions of the Budget Simulator. The simulator was currently open and available on the Council's website.

Decision

1. To endorse the Council's Medium Term Financial Strategy for 2016/17 to 2018/19 and recommend that Council approve this Strategy.
2. To note the budget risks associated with the MTFS, as set out in section 8 of the report.
3. To note the estimated financial position and funding gaps for 2016/17 to 2018/19, and the assumptions included within these forecasts, as set out in section 10 of the report.
4. To approve the key principles underlying the budget process outlined in section 11 of the report.
5. To approve the proposed financial methodology to identify service savings over the next three years, as set out in section 11 of the report.
6. To approve the recommended approach to public consultation on the budget to increase engagement and encourage community action, as set out in section 15 of the report.
7. To approve the outline timetable set out in paragraph 15.5 of the report.