

Medium Term Financial Plan 2019/20+ - Initial Assessment and Proposed Approach

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Division and Local Member: All

1. Summary

- 1.1. This report sets out the initial assessment of the likely gap between budget requirement and funding sources for the years 2019/20 to 2021/22.

The initial assessment of the funding gap for 2019/20 is £19m, which implies that proposals for change of at least this amount will need to be prepared over the autumn period and for consideration by the Scrutiny Committees, the Cabinet and the Council in early 2019. There are initial assessments of further gaps of £7m and £2m in the subsequent years, although additional work is required to finally validate these figures and they are particularly likely to vary due to the as-yet-unknown national funding arrangements.

In addition, the report is seeking Cabinet recommendation to Council to expand the capital investment programme to allow for the purchase of waste vehicles for the Somerset Waste Partnership as a better value for money option than requiring the private sector to provide the vehicles.

- 1.2. Preparing a coherent, confident and realistic Medium Term Financial Plan (MTFP) for the County Council is essential to ensure that the corporate plan and service delivery priorities of the Council can be achieved, and that financial sustainability can be secured.

2. Issues for consideration / Recommendations

- 2.1. The Committee is asked to:

- (i) consider the initial assessment of the funding gap for 2019/20 (£19m) and comment on the actions being taken to prepare proposals for change to address the funding deficiency and service pressures.
- (ii) consider and comment on the proposed recommendation to County Council to approve the expansion of the Capital Investment Programme in 2019/20 to commit a sum of up to £10m to facilitate the purchase of waste vehicles and depot infrastructure for the Somerset Waste Partnership, provided that it can be proved that this offers better value for money than the vehicles being supplied by the private sector provider.
- (iii) consider the proposed timetable for developing the MTFP and plan of action, in particular the involvement of the various Scrutiny Committees in the development of the MTFP
- (iv) consider any issues or information they would like to be addressed or included

in future reports.

3. Background

- 3.1.** This report looks forward, particularly, into the final year of the four-year settlement, 2019/20. This local authority, like most others, accepted the four-year settlement as, while it brought a great deal of financial pain through funding reductions, it also brought some certainty with regard to future financial settlements and allowed longer term planning. Looking over the horizon beyond 2019/20 is now much more unpredictable, with many more assumptions having to be made. Further work is needed to assemble a draft MTFP covering the period to 2021/22, although the initial assessment is of further gaps of £7m and £2m in 2020/21 and 2021/22 respectively. Much more information and detailed evaluation is needed about those years before a more accurate assessment can be made.

Given the proximity of the 2019/20 budget decision process, culminating in the Council meeting in February 2019, it is important to commence planning for the funding gap, estimated at this stage as being £19m.

- 3.2.** The Somerset Waste Partnership is currently tendering for Recycle More – a new method of waste collection that will result in additional materials being collected at kerbside. This will commence roll-out across the County from April 2020. Under the guidance of the Waste Board, this is following a dialogue-based procedure, with significant input from the tenderers.

As part of the new service, there is a need to replace vehicles, equipment and potentially depots (the recycling fleet is nearing the end of its life in any event). The potential outlay is up to £25m. Most tenderers are interested in an arrangement whereby all the Councils within the Waste Partnership fund the vehicles through PWLB borrowing, in return for a discount to the contract price. A similar arrangement is already in place with the existing collection contractor.

Provided that the contract discount offered is sufficient to cover the costs of borrowing, opportunity cost and the Minimum Revenue Provision (MRP), this would offer a relatively safe and almost immediate financial benefit to all Councils willing to borrow.

4. Consultations undertaken

- 4.1.** See Appendix 1.

5. Implications

- 5.1.** The only specific financial implications created by this report are those in regard of the expansion of the Capital Investment Programme to allow for the purchase of waste vehicles and depots. The expansion could be up to £10m and will only occur if the revenue costs of this borrowing are more than paid for by the revenue benefits received through the Waste Partnership.
- 5.2.** It is a statutory requirement under the Local Government Finance Act 1992 for the Council to set a balanced budget by 11 March of the preceding financial

year.

- 5.3.** There are no specific HR implications arising from this report, but as any, relevant specific proposals are created then the normal HR processes will be followed.
- 5.4.** The key risks are identified on the strategic risk register and particularly within risk ORG0043. These include:
1. Slippage or under achievement of the proposed savings within the 2018/19 budget as there are limited resources available to address any significant in-year overspends and maintain a sustainable budget;
 2. The failure to address areas of overspend that are occurring in 2018/19, which may impact in the next financial year.

The Government's continued deficit reduction programme has significantly reduced the levels of funding available to local government. The Council faces substantial on-going challenges to achieve a sustainable balanced budget due to this and the increasing demand on its key services, especially those for vulnerable children and adults.

It is important that Members understand the risks to approved budgets, maintaining sufficient reserves, balances and contingencies as well as managing a range of mitigations to limit as much as possible potential impacts on core services, especially those prioritised in the County Plan. As savings become ever more difficult to identify and then deliver, it is imperative that expenditure is kept within existing budgets.

6. Background papers

- 6.1** Appendix 1 – Cabinet Decision Report, MTFP 2019/20+ - Initial Assessment and Proposed Approach – 17th October 2018
- 6.2** Medium Term Financial Plan report to Council – 21 February 2018
<http://democracy.somerset.gov.uk/documents/s6011/Paper%20B%202018-19%20Medium%20Term%20Financial%20Plan%20and%20Revenue%20Budget.pdf>
- 6.3** Month 4 Revenue Budget Monitoring report to Cabinet – 12 September 2018.
<http://democracy.somerset.gov.uk/documents/s8012/Month%204%20Revenue%20Monitoring%20Report%20for%20Cabinet.pdf>