

Name of meeting: Corporate Scrutiny Panel
Date: 11 October 2018
Title of report: Financial Management Update 2018-19

Purpose of report

High level overview of the Council's budget strategy update report to Cabinet/Council 2nd & 10th October.

Key decision – is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	Report produced for information only
Key decision - is it in the Council's Forward Plan (key decisions and private reports)?	N/A
The Decision - Is it eligible for “call in” by Scrutiny?	N/A
Date signed off by Strategic Director & name	Jacqui Gedman, 1 October 2018
Is it also signed off by the Service Director for Finance	Eamonn Croston, 1 October
Is it also signed off by the Service Director – Legal, Governance & Commissioning ?	N/A
Cabinet member portfolio - Corporate	Cllr Graham Turner

Electoral [wards](#) affected: All

Ward Councillors consulted: All

Public or private: Public

1. Summary

- 1.1 The annual re-refresh of the medium term financial plan or MTFP sets out the financial planning framework or forecast resources available over the Council's forward plans. This in turn will inform consideration of budget proposals through the remainder of the budget round, to deliver a 'balanced budget' requirement in 2019-20 and following 2 years.

- 1.2 The financial planning framework underpinning the budget strategy update report to Cabinet / Council took into account the following :
- i) a review of 2017-18 financial outturn performance,
 - ii) current year 2018-19 performance,
 - iii) key emerging, unfunded pressures , in particular High Needs,
 - iv) demographic and other key service pressures over the medium term,
 - v) general price inflation, interest rates, pay award, national living wage impacts
 - vi) review of existing planned savings over the 2018-20 period
 - vii) review Housing Revenue Account key assumptions/HRA longer term business plan model
 - viii) early review of further investment considerations (revenue and capital), and treasury management affordability envelope,
 - ix) profiling/review of the corporate capital plan, and
 - x) key Council priorities over the period, informed by emerging strategies and plans
 - xi) re-fresh of general fund reserves requirements in light of the above
- 1.3 On the funding side, the following have been reviewed and incorporated as appropriate :
- i) Council tax base – prudent growth of 700 properties per annum over the medium term, and forecast annual council tax increase of 2.99% in 2019-20 and 1.99% for years 2 and 3;
 - ii) Joint Leeds City Region/North Yorkshire 75% business rate pool pilot bid for 2019/20; anticipated successful bid & one-off revenue resource gain for 2019-20 of £2m;
 - iii) Business Rates Retention Scheme – prudent assumption that baseline business rates income growth will remain static over the next 3 years
 - iv) Impact of the Government fair funding review assumed will be broadly neutral in terms of any assumed re-distributive impact of existing funding between Councils, to be implemented from 2020-21 onwards
 - v) Assumed continuation of national funding reductions on Councils at 2.5% each year, over the next 3 years;
 - vi) Adult Social Care funding – anticipated that there will be additional funding from 2020-21 of about £3.7m, and further similar uplifts the following 2 years, to offset adult social care demand/cost pressures over the medium term.
- 1.4 There is continued uncertainty on the national funding landscape for local government beyond 2020, against a current backdrop of post-Brexit uncertainty, and the anticipated Spending Review sometime during 2019.
- 1.5 There is also current national scrutiny and concern on the general state of Council finances, sectoral financial sustainability and financial resilience over the medium term; in particular with regard to Councils with statutory responsibility for children and adult services.

- 1.6 The budget strategy update incorporates a range of modelled financial planning framework scenarios to reflect the extent of budget risk uncertainty/volatility affecting Councils like Kirklees, over the medium term.
- 1.7 The above approach, alongside an updated corporate risk register, sets out the financial context and scale of potential budget risk over the Council's forward plans, which will have informed consideration of current and future reserves requirements going forward.
- 1.8 Budget assumptions underpinning the updated financial planning framework as presented to Cabinet/Council early October, will continue to be reviewed and refined through the remainder of the current budget round, alongside emerging budget proposals for member consideration in due course.

2. Information required to take a decision

- 2.1 Attached to this covering report is the detailed budget strategy update report 2019-22 presented to Cabinet/Council on 2nd/10th October 2018. This report sets out the underpinning assumptions resulting in updated funding and spend forecasts over the 2019-22 period for general fund, Housing revenue Account and starting point for the review of the 5 year capital plan.

3. Implications for the Council

- 3.1 The Council's budget plans support the overall delivery of the following Council objectives and Priorities within available resources:
 - i) Early Intervention and Prevention (EIP)
 - ii) Economic Resilience (ER)
 - iii) Improving Outcomes for Children
 - iv) Reducing demand of services

4. Consultees and their opinions

- 4.1 The detailed budget strategy update report is based on consultation with the Council's Executive Team and Cabinet Members in assessing the current issues, risks and factors to be addressed.

5. Next Steps

- 5.1 Resultant budget proposals will be submitted to Cabinet and full Council. The Council's Chief Finance Officer (& Service Director, Finance) will co-ordinate the development of draft budget proposals and options, and supporting budget documentation within the budget framework and planning totals.
- 5.2 Cabinet will bring forward detailed budget proposals in the new year, for consideration at Budget Council on 13 February 2019.

6. Officer recommendations and reasons

Scrutiny Panel are asked to consider the overall financial planning framework approach set out in the detailed report attached; in particular the three year planning

horizon for revenue, key funding assumptions, use of reserves and the use of scenario modelling to inform medium term planning and budget risk.

7. Cabinet portfolio holder's recommendations

N/A

8. Contact Officer

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9. Background papers and History of Decisions

Annual budget report 2018-20

Government Financial Settlement 2018-19

Technical Consultation – 2019-20 Local Government Finance Settlement

Annual financial outturn and rollover report 2018-19

Financial monitoring report 2018-19; Quarter 1

MHCLG Guidance; flexible capital receipts strategy

Council Corporate Plan 2018-20

Housing Strategy 2018-23

10. Service Director responsible

Eamonn Croston, Service Director, Finance

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