

REPORT TO:	CABINET 24TH SEPTEMBER 2018
SUBJECT:	MEDIUM TERM FINANCIAL STRATEGY 2018/22
LEAD OFFICER:	RICHARD SIMPSON EXECUTIVE DIRECTOR OF RESOURCES
CABINET MEMBER:	CLLR SIMON HALL CABINET MEMBER FINANCE AND RESOURCES
WARDS:	ALL

CORPORATE PRIORITY/POLICY CONTEXT/ AMBITIOUS FOR CROYDON

The local elections on May 3rd returned a Labour administration to serve the London borough of Croydon. The commitments on which the Labour administration were returned will become the basis for the organisational delivery programme and the Corporate Plan being presented to this cabinet as a separate item outlines the key Council priorities for the next four years (2018 – 2022). This Medium Term Financial Strategy details the anticipated financial standing of the Council over the same four year period.

FINANCIAL IMPACT

The details of the Council’s anticipated financial position over the period of the plan 2018/22 are contained within this strategy which is attached to this report as appendix 1.

The MTFS is a living document and will change as more certainty is known on funding sources and expenditure.

The Leader of the Council has delegated to the Cabinet the power to make the decisions set out in the recommendations below

1. RECOMMENDATIONS

The Cabinet recommend to Full Council

- 1.1 The approval of the Medium Term Financial Strategy (MTFS) 2018/22 including the establishment of a £100m asset acquisition fund as referenced in the MTFS which is set out in Appendix 1 to this report.
- 1.2 Subject to recommendation 1.1 being approved, to agree that the Cabinet Member for Finance and Resources, acting in consultation with the Leader, be given authority to approve asset acquisitions made pursuant to the Asset Investment Strategy referenced in the Medium Term Financial Strategy 2018/22 and set out in full in Appendix 2 to this report.

2. EXECUTIVE SUMMARY

- 2.1 The Corporate Plan 2018/22 has been developed to reflect the priorities of the Council and Labour administration and is presented to this Cabinet as a separate item. The Medium Term Financial Strategy (MTFS or Strategy) is a key strategic document alongside the Corporate Plan that provides the framework against which the budget is developed, whilst helping to identify any significant risks and pressures at an early stage.
- 2.2 The strategy takes into account all factors to estimate the expenditure and income of the council over the next 4 years and consequent budget gaps. The strategy for closing the gaps is identified.
- 2.3 The MTFS for 2018/22 is attached at appendix 1 for approval and clearly details the anticipated expenditure, income and budget gap over the strategy's life.

3. DETAIL

- 3.1 The MTFS pulls together in one place all the financial implications of the Council's strategic priorities to produce a costed plan to enable long term financial planning and enable financial sustainability.
- 3.2 It is designed to aid strategic planning and is particularly important during this time of funding uncertainty. The current four year spending review ends in 2019/20 and the ongoing Fairer Funding Consultation means that the level of government funding for 2020/21 and beyond is unknown and therefore makes planning in the later years of the strategy more difficult.
- 3.3 While the MTFS outlines all the key Council financial priorities for the next four years (2018/22). It does make assumptions in some areas due to uncertainty and therefore regular reviews and updates of the Strategy are fundamental to maintain a strong financial grip.
- 3.4 Therefore, due to the living nature of the MTFS it will be updated annually and presented to Cabinet as part of the budget setting report each February. Regular reporting on the in year financial position of the Council will continue to be made quarterly to Cabinet.
- 3.5 Scrutiny and Overview Committee on the 10th July 2018 and provided pre decision scrutiny to the financial strategy. The recommendations are set out elsewhere on the Cabinet agenda. The response to those recommendations are set out below;
 - 3.5.1 There should be a fundamental rethink of the Council's Financial Strategy – *The previous strategy has been fully reviewed to reflect the council's current financial position and the external environment the council is operating in.*
 - 3.5.2 A principle should be established to inform how any income delivered from Brick by Brick was spent - *The strategy assumes a principal that all income from Brick by Brick is transferred to reserves.*

- 3.5.3 A principle should be established around how the Council worked with its partners, with a focus on local wealth building and a focus on social value as well as economic benefit. – *this is not dealt with directly in the strategy but is being worked as part of a refreshed approach to how we commission services.*
- 3.5.4 The principles should not be overcomplicated and effort should be made to ensure they were simple and understandable. - *The MTFs clearly shows the anticipated income and expenditure over the four years of the strategy.*
- 3.5.5 The Asset Investment Strategy which is detailed in full at appendix 2 to this report was presented to Scrutiny and Overview Committee on the 4th September 2018. The Committee welcomed the report, and its explanation of the Council's proposed decision-making matrices.
- 3.5.6 The Asset Investment Strategy details the Council's rationale for investing in property and the process to be undertaken including the clear and transparent set of criteria against which each acquisition will be appraised.
- 3.5.7 The Scrutiny and Overview Committee made two recommendations that have both been incorporated into the strategy. These were:
- Cabinet improves how the Minority Group is formally briefed prior to decisions being taken on individual investments as part of the Asset Investment Strategy, and ensures the briefing is done early in the process.
 - Any future asset acquisition papers should refer back to the proposed matrices and the judgements the Council has made to recommend approval of the purchase.
- 3.6 The key objectives of the Asset Investment Strategy are to :-
- 3.6.1 Acquire properties that provide a medium to long term investment return in accordance with the Council criteria
- 3.6.2 Reduce risk by building a diverse and balanced property portfolio
- 3.6.3 Support regeneration where appropriate
- 3.6.4 Protect capital invested in properties through proactive asset management
- 3.7 The primary focus will be to acquire investments within borough. Acquisitions will generally be made on the basis that they present a strong long-term income stream. However, acquisitions may be made on the basis that they provide a strategic benefit or support regeneration.
- 3.8 As detailed in the MTFs, it is recommended that an Asset Acquisition Fund of £100m is established in order to ensure we can compete in the competitive commercial market and invest in property as detailed in the Investment Strategy and enable the Council to generate returns to be used to deliver services.

4. CONSULTATION

- 4.1 In developing this strategy key services have been fundamental to developing future demand projections. With key areas being demand for both children's and adult social care services, growth in population and residential and business properties which will lead to an increase in council tax and business rates received.

5 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

- 5.1 There are no direct financial implications from producing the attached MTFS. The Strategy contains details of the anticipated funding and expenditure of the Council over the four year period. There are funding gaps for future years and the plans are being developed to manage and reduce these gaps with the key focus being on 2019/20.

- 5.2 There are financial implications associated with the Asset Investment Strategy. Purchase costs will be funded from the capital programme and investment income earned from the asset will be used to fund key services.

5.3 The effect of the decision

Adoption of a four year MTFS and Asset Investment Strategy will enable a greater focus on long term financial planning, ensuring links with all other corporate plans and strategies are aligned and their interdependencies are understood.

5.4 Risks

As with any long term strategy there is a risk that assumptions will change and therefore it is essential that regular reviews and updates are undertaken.

5.5 Future savings/efficiencies

There are no direct financial savings or efficiencies arising from this MTFS. The MTFS helps identify where savings and efficiencies are required and provides a platform to enable early service and financial planning for future years.

- 5.6 Investment in assets will generate an annual revenue income for the Council and this will be used in the revenue budget to fund key services.

Approved by: Lisa Taylor, Director of Finance, Investment and Risk

6. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER

- 6.1 The Solicitor to the Council comments that section 120 of the Local Government Act 1972 enables the Council to acquire property by agreement for the purposes of any of its functions or the benefit improvement or development of the area. Such land may be acquired inside or outside of the Council's area. The Council also has the power to invest for the purpose of its financial affairs under section 12 of Local Government Act 2003. In addition section 1 of the Localism Act 2011 enables a local authority to do anything that

an individual generally may do subject to certain limitations which are not applicable in the present circumstances. Given these three powers, the proposals with regards to the Asset Investment Strategy are within the Council's powers.

- 6.2 There are no other legal considerations arising directly out of the recommendations in this report.

Approved by: Sean Murphy, Head of Commercial and Property Law and Deputy Monitoring Officer on behalf of the Director of Law and Monitoring Officer.

7. HUMAN RESOURCES IMPACT

- 7.1 As there are no direct financial savings or efficiencies arising from this MTFs, there are no immediate direct staff implications. HR will continue to work closely with service areas on any future plans and proposals for savings or service redesign that affect the workforce. All proposals will be managed within the council HR procedures and policies and be subject to formal consultation with the trades unions.

Approved by: Sue Moorman, Director of Human Resources

8. EQUALITIES IMPACT

- 8.1 In developing its detailed budget proposals the Council aims to achieve best practice in equality and inclusion. The Council recognises that it has to make difficult decisions in order to reduce its overall expenditure to meet Government cuts in grant funding and to deliver a balanced budget while at the same time ensuring that it is able to respond positively to increases in demand for essential services. In doing so it will endeavor to ensure that it best meets the specific needs of all residents, including those groups that share a "protected characteristic".
- 8.2 Through its budget proposals, the Council will also seek to identify opportunities to improve services and the quality of life for all Croydon residents while minimising any adverse impacts of decisions, particularly in regard to groups that share protected characteristics. It will be guided by the broad principles of equality and inclusion and will carry out and publish equality impact assessments to secure delivery of that duty, including such consultation as required.

9. ENVIRONMENTAL IMPACT

- 9.1 There are no direct environment considerations arising from the MTFs.

10. CRIME AND DISORDER REDUCTION IMPACT

10.1 There are no savings in the current budget which should impact upon this Corporate Priority. As the detailed budgets are developed over the life of the MTFS consideration will continue to be given to this corporate priority.

11. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

11.1 This report details the MTFS and the importance of a having a financial strategy to ensure good strong financial planning and control, which is especially important during a time of increasing financial pressure in local government.

12. OPTIONS CONSIDERED AND REJECTED

12.1 It is essential that the Council has a MTFS and therefore the option consider was to develop a Strategy at the same time as the Corporate Plan to ensure alignment.

12.2 The option of not updating the MTFS was considered and rejected as not good practice.

REPORT AUTHOR AND CONTACT: Richard Simpson, Executive Director of Resources (s151 Officer)

APPENDICES TO THIS REPORT: Appendix 1 – Medium Term Financial Strategy 2018/22
Appendix 2 – Asset Investment Strategy

BACKGROUND PAPERS: None