

# Medium Term Financial Strategy - 2020-21

## 1. Introduction

- 1.1. This strategy forms a key part of the council's policy, service planning and performance management framework and sets out how the council will plan for and meet the financial challenges it faces over the medium term as a means of delivering a robust and stable financial basis on which to deliver quality council services.
- 1.2. The strategy covers both the General Fund (GF) Revenue Account (concerned with the day to day running of council services excluding the Housing Revenue Account) and the Housing Revenue Account (HRA) (which records income and expenditure associated with the provision of council dwellings and related services).
- 1.3. The Medium Term Financial Plan (MTFP) and the HRA Business Plan provide numerical representations of the council's future financial projections and are informed by the MTFS. The MTFP and HRA Business Plan are regularly reviewed and updated to ensure that they continue to reflect the best estimates of likely levels of spending and income and takes into account any in-year agreed changes to budgets.
- 1.4. The council finds itself approaching the end of its current Medium Term Financial Strategy period with even greater uncertainty around the future of local government. The forthcoming year will see the 2020 Spending Review and decisions being taken by Central Government on a number of other local government funding reforms that are planned for introduction from April 2021 (including the Fair Funding Review and reforms to the current Business Rates Retention System). There is also significant uncertainty regarding the potential impacts on the economy after the UK leave the European Union. For these reasons it has been considered prudent and most effective to put in place a one year Medium Term Financial Strategy for 2020-21.

## 2. Strategic Direction

- 2.1. The Corporate Plan is the key document for setting the strategic direction of the council. The plan is developed through consideration of local priorities, understanding the key community characteristics of the borough, consultation with residents, businesses and key stakeholders in the borough and government policies.
- 2.2. In October 2019 the council adopted a new Corporate Plan covering the 2019-2023 period with the ambition of *Delivering a Gravesham to be proud of*. In seeking to deliver against that ambition the council has established a suite of corporate objectives:

**People:** a proud community; where residents can call a safe, clean borough their home.

**Place:** a dynamic borough; defined by a vibrant and productive local economy taking advantage of growth in the area, supported by its strong and active community.

**Progress:** an entrepreneurial authority; commercial in outlook and committed to continuous service improvement, underpinned by a skilled workforce and strong governance environment.

### **3. Financial Planning**

- 3.1. To support the ambitions of the new Corporate Plan, the council is going to have to do things differently. In terms of financial planning, the council will need to retain its sound financial management arrangements while becoming more progressive and entrepreneurial in its activity.
- 3.2. Over the last decade Gravesham Borough Council, along with the rest of local government, has experienced significant and sustained cuts to its funding whilst demand on services has risen. The council has faced these challenges head-on and, as set out in the Medium Term Financial Strategy 2016-17 to 2019-20, followed a multi-faceted, proactive programme of activity to reduce its budget requirement and ensure a balanced budget which is based on sound assumptions for how planned expenditure will be met. This activity has been successfully delivered, resulting in the council being able to present a fully balanced budget for the current Medium Term Financial Plan which requires no additional savings to be delivered in the plan period to 2028-29. After a decade of austerity the council is in a position to bring forward the ambitions set out in the Corporate Plan 2019-2023 to deliver a Gravesham to be proud of.

### **4. Financial Strategy**

- 4.1. Moving forward, the council's financial strategy will seek to support the delivery of three primary objectives:
  - To maintain the financial sustainability of the council
  - To ensure sound and robust financial management arrangements
  - To support the delivery of quality services and activity which has a positive impact of the lives of local residents
- 4.2. The core principles that will underpin the delivery of these objectives are:
  - To ensure that the finite resources available are aligned to the council's Corporate Plan objectives
  - To preserve a minimum level of £5.25m General Fund working balances and a minimum level of £3m Housing Revenue Account working balances
  - To regularly review its earmarked reserves to ensure these remain fit for purpose and appropriately funded
  - To ensure that decisions relating to Council Tax setting are made with due regard to the guidelines issued by the Secretary of State
  - To maintain robust budget setting, budget management and control arrangements