

ABERDEEN CITY COUNCIL

COMMITTEE	City Growth and Resources
DATE	28 October 2020
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Medium Term Financial Strategy for the Council's General Fund
REPORT NUMBER	RES/20/200
DIRECTOR	Steven Whyte
CHIEF OFFICER	Jonathan Belford
REPORT AUTHOR	Jonathan Belford
TERMS OF REFERENCE	1.2

1. PURPOSE OF REPORT

- 1.1 The purpose of a medium term financial strategy (MTFS) is to pull together in one place all known factors affecting the financial position and financial sustainability of an organisation over the medium term. To draw out the scenarios that the Council faces and to describe the approach to addressing the conclusions.

2. RECOMMENDATION(S)

That the Committee: -

- 2.1 Approve the Medium Term Financial Strategy for the General Fund as outlined in Appendix 1;
- 2.2 Note that the 2021/22 Budget will be discussed by the Council on 2 March 2021;
- 2.3 Instruct that the Chief Officer – Finance consider how the Council could develop its financial resilience with reference to the Cipfa Financial Resilience Index, reporting back as part of the budget setting process.

3. BACKGROUND

- 3.1 The Council has in place medium term financial planning, that relies on a number of documents, including the underpinning review of the Council finances as part of the budget setting process.
- 3.2 In the changing and increasingly more complex and uncertain environment that the Council is operating in I have brought together the various components into a single document, the Medium Term Financial Strategy for the Council's General Fund, attached as Appendix 1.
- 3.3 This is to provide the Committee with an overview of the financial situation and how this is evolving in these uncertain times, to consider how sensitive the

financial situation is 'to changes in income and exposure to demand and inflation.

- 3.4 The strategy draws on a range of information and data and relies on scenario planning to express a range of financial consequences that will only become certain with actual experience and with more and better information over time.
- 3.5 The strategy sets out a range of principles for income, expenditure and capital investment that are designed to support financial resilience and financial sustainability, these are included at paragraphs 1.13 to 1.15 of the Strategy.
- 3.6 The question of financial resilience is one that has been particularly important this year and leads me to recognise the value of work that had been done prior to 2020/21 to have a strong balance sheet, effective performance reporting and improved year end closure plans that have reaped rewards when dealing with the Covid-19 impact. The Strategy recommends exploring how financial resilience could be developed and to do this makes reference to the Cipfa Financial Resilience Index that has been developed for English Local Authorities. The Council should consider how it can develop its approach and the report recommends this is done and reported on as part of the budget process.

4. FINANCIAL IMPLICATIONS

- 4.1 There are none arising directly from the report, the Medium Term Financial Strategy sets out the financial implications for the Council's General Fund and will be the financial framework within which the annual budget setting process will be undertaken.

5. LEGAL IMPLICATIONS

- 5.1 While there are no direct legal implications arising from the recommendations of this report, there are additional reporting requirements due to the London Stock Exchange listing, for example the requirement to notify them ahead of publication of the report.
- 5.2 The Council has a statutory duty to set Council Tax and balanced budget and the Strategy sets out the challenges and parameters within which this will have to be done.

6. MANAGEMENT OF RISK

Category	Risk	Low (L) Medium (M) High (H)	Mitigation
Strategic Risk	Failure to recognise the consequence of the economic and local circumstance	L	The Strategy is in place to look forward into the medium term and plan for the future to improve the likelihood of resource allocation being

	could lead to poor use of resources		aligned to strategic outcomes.
Compliance	Failure to set balanced budget.	L	A robust process is in place to ensure budgets are prepared and presented for approval by the Council at the start of March.
Operational	None identified		
Financial	The assumptions are insufficiently sensitive to the situations that might arise, resulting in a larger financial challenge.	M	The strategy is based on scenarios that present a range of potential impacts for the Council's finances. It will be kept under review.
Reputational	There is a risk that through the reduction of expenditure the Council may be criticised that spending isn't in line with public expectation of service delivery.	M	The Council has continued to address priority spending areas, and to protect people. It is equally accountable for the use of public funds and to ensure that they are managed robustly. There are a wide range of unknown external factors that require to be balanced to deal with the current operating environment. Regular reporting during the year provides an ongoing description of the position the Council is in and the situations it faces.
Environment / Climate	None identified		

7. OUTCOMES

<u>COUNCIL DELIVERY PLAN</u>	
	Impact of Report
Aberdeen City Council Policy Statement	Financial planning, budget setting and resource allocation are all enablers for the delivery of the outcomes and regular performance reviews ensure that the Council's stewardship and financial management are robust.
Aberdeen City Local Outcome Improvement Plan	
Prosperous Economy Stretch Outcomes	The Council continues to invest in front-line services across its statutory responsibilities as well as capital

	infrastructure. Investment in the city will have a positive impact on the economy.
Prosperous People Stretch Outcomes	Robust and effective management of the Council's finances will ensure that services can continue to be provided.
Prosperous Place Stretch Outcomes	Investment will enhance the place by creating a better and more vibrant city in which to live.

8. IMPACT ASSESSMENTS

Assessment	Outcome
Impact Assessment	not required
Data Protection Impact Assessment	not required

9. BACKGROUND PAPERS

None.

10. APPENDICES

Appendix 1 – Medium Term Financial Strategy for the Council's General Fund

11. REPORT AUTHOR CONTACT DETAILS

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