

**TAVISTOCK TOWN COUNCIL
BUDGET AND POLICY COMMITTEE
TUESDAY 3rd SEPTEMBER, 2019
BRIEFING NOTE
FINANCIAL PLANNING & RESILIENCE**

1. INTRODUCTION

- 1.1 The Committee will recall, at the recent Finance Training Session, the view being expressed that the suggestion of the Council's Accountant and Responsible Finance Officer (that the Council consider putting in place a medium-term financial strategy (MTFS)) be considered.
- 1.2 A medium-term financial strategy is a core document adopted by most Councils, typically spanning either four or five years. It is subject to annual review and has been described by the Chartered Institute of Public Finance and Accountancy (CIPFA) as:-

"Alongside budget preparation, performance management and stakeholder reporting, the ability to look strategically beyond the current budget period is a crucial process to support an organisation's resilience and long-term financial sustainability...It is more important than ever that public sector organisations have a thorough understanding of their financial outlook and are planning effectively for the future... Developing a medium-term financial strategy (MTFS) will help bring together all known factors affecting an organisation's financial position and its financial sustainability into one place. This should be as wide ranging as possible and include all the assets and liabilities on an organisations balance sheet. It allows the Finance Team to balance the financial implications of objectives and policies against constraints and resources. This should in turn form the basis for decision making...

A good MTFS should provide a clear and concise view of future sustainability and the decisions that need to be made in order to address in any gaps in long-term financing. [It links] "the organisations ambitions and constraints into deliverable options for the future"...*the key to the effectiveness of the MTFS, however, is its ability to give a clear and understandable message to decision makers on the actions that are needed to ensure long-term financial sustainability. It is for this reason that while it may be produced by the Finance Team, it should be owned by the*

wider organisation, especially by decision makers. Financial forecasting cannot be separated from Project Management."

- 1.3 Should the Council wish to adopt this approach it is suggested that the logical start point would be to seek to develop an early iteration alongside the Autumn/Winter budget setting process. This would enable the two processes to run alongside and inform one another, whilst avoiding overlaps or duplication of works.
- 1.4 It should also be noted that there is a strong and fundamental relationship between a MTFS and the corporate/strategic planning process which provides the goals and objectives for which funding is sought.
- 1.5 A MTFS would include information such as the agreed approach to the allocation of reserves¹, the application of loans² and the projected impact of external changes and corrections³ and how the agreed goals of the organisation will be funded.

2. THE CURRENT POSITION

- 2.1 Historically the Council has planned financially primarily on a "project by project" basis. This has been broadly successful during periods when resources have not been scarce. However, a combination of factors, not least:-
 - a reduction in the resilience of commercial income streams;
 - rationing, withdrawal and termination of services by principal authorities;
 - increasing public expectations;
 - difficulties in maintaining financial discipline in the face of conflicting demands;
 - the full commitment of all reserves (alongside uncertain future costs – both capital (eg building works) and revenue (eg job evaluation))suggest that a more robust approach to financial planning to support an evidence led and plan based decision making process can provide higher levels of protection to the public purse, improve co-ordination of resources and better inform decision making.
- 2.2 An example of a medium-term financial plan (albeit for a principal authority) can be found at <https://www.westdevon.gov.uk/article/3699/Medium-Term-Financial-Strategy>. Whilst this is necessarily more complex than would be either

¹ As discussed at the training session

² For example whether for the Guildhall project should be more or less supported by reserves and/or loan

³ For example the overspend in 2018/19 of £26,334 on revenue budgets arising from, principally, reduced Pannier Market takings arising from works.

necessary or appropriate for Tavistock Town Council it serves to set out in a helpful format the core areas which could be addressed should Council wish to proceed along these lines.

3. CONCLUSION

3.1 It is a matter for the Council to decide as to whether or not it wishes to develop a medium-term financial strategy. However, if it does it is important that

- whilst recognising it is an organic document it is both acknowledged and used as the central tool for financial planning alongside the strategic and organisational/service planning process;
- and aligned to a clear commitment to the robust and disciplined husbandry of public monies.

3.2 Centrally it requires a sizeable culture shift toward the strategic planning of resources, both by Members and Officers and represents the final outstanding step in adopting a long term plan led decision making approach. However, without commitment to such a shift a MTFS is unlikely to prove useful and may even become misleading and wasteful of resources. To proceed therefore requires a new way of working.

4. RECOMMENDATION

4.1 Should the Council wish to proceed as outlined it is recommended that

- a Medium Term Financial Strategy be developed alongside and for consideration with, the 2020/21 Tavistock Town Council Budget and informed by the Councils strategic plans;

to facilitate same

- no new significant spend⁴ be incurred/committed on projects not already agreed and funded within the budget or service planning process prior to completion of the draft MTFS and adoption of the 2020/21 Budget in December.

**CARL HEARN
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TAVISTOCK TOWN COUNCIL
AUGUST 2019**

⁴ ie over £5,000