

Medium Term Financial Strategy

Introduction

This strategy forms a key part of the council's policy, service planning and performance management framework. It sets out how we will plan for and meet financial challenges we face over the medium term. Delivering a robust and stable financial basis on which to deliver quality council services.

The strategy covers both the General Fund (GF) Revenue Account and the Housing Revenue Account (HRA). The GF is the day-to-day running of council services excluding the Housing Revenue Account. The Housing Revenue Account (HRA) records income and expenditure associated with the provision of council dwellings and related services.

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.

For 2020-21, the council developed a single year Medium Term Financial Strategy, reflecting the lack of clarity from Central Government around the future funding of local government at that time. The council finds itself approaching the end of its current Medium Term Financial Strategy period with even greater uncertainty around the future funding of local government. There is also significant uncertainty regarding the potential impacts on the economy due to the COVID-19 Pandemic. For these reasons, it has been considered prudent and most effective to put in place again a one year Medium Term Financial Strategy for 2021-22.

Strategic Direction

The Corporate Plan is the key document for setting the strategic direction of the council. The plan is developed through consideration of local priorities and understanding the key community characteristics of the borough. There was also consultation with residents, businesses and key stakeholders in the borough and government policies.

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.

Financial Planning

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.

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. In the last year, we have also faced financial challenges as a result of the COVID-19 Pandemic. However due to prudent financial stewardship the Council has remained in a strong financial position in comparison to other authorities. Whilst the council now has emerging financial pressures in future years, we have ensured a balanced budget for the next year. This is based on sound assumptions for how planned expenditure will be met and has time to effectively plan activity intended to restore financial sustainability in the medium term.

Financial Strategy

Moving forward, the council's financial strategy will seek to support the delivery of three primary objectives:

- To return the council to a financially sustainable position
- 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

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