

Cratus Strategic Review

Observations on Waverley's Financial Strategy December 2016

- The changing funding climate for local councils makes it imperative that the MTFP has regard for the impact on business rate income arising from the economic prospects of the borough; the impact on council tax collection and new homes bonus from new housing and the ability of the Council to intervene to achieve increased income streams, as well as direct sources of commercial income to support its revenue spending on services.
- The Council has good financial standing and has been prudently managed. There is a need to improve on the current strategy, linking it to the corporate plan and the wider strategic ambitions for the borough; including a more expansive efficiency programme; focusing on generating income and making provision for investment including the scope and role for borrowing.
- An ambitious vision needs to be underpinned by a sound MTFP so that the Council has the ability to intervene and invest alongside provision of good basic services. The new MTFP needs to move away from an annualised budget process, needs to incorporate a cross-cutting efficiency programme and modernisation of council business processes and needs a focus on growing the income base, including income generation and targeted investment proposals which are in synergy with the new Economic Development Plan.
- The Council should identify and establish a robust efficiency savings programme to support the new MTFP and to streamline business systems and ways of working. The scope to work in partnership with other neighbouring councils or provide a modern working environment should be explored. This may be particularly applicable for services which are under pressure, where the Council finds difficulty in recruiting and retaining staff or where others are known to provide best practice services.
- Waverley can take some comfort in that, although it faces financial challenges, those it faces are similar to many other Local Authorities, particularly District Councils. Nothing emerges from the Financial Accounts, nor from the Budget Strategy and Council Tax setting reports that indicate the Council is in a fundamentally risky financial position compared to other Local Authorities. The Balance Sheet is sound, and the revenue performance against budget, and issues such as pensions liabilities, levels of cash, and debt levels to assets all indicate that generally it is prudently managed. Notwithstanding this it is clear however that the on-going financial strategy requires more specific measures to

address the withdrawal of grant, and the need to reach a broadly self-sustaining position by 2020. Although recognised, these measures are not explicitly addressed beyond broad intentions. This is understandable given the uncertain financial prospects, however there is a need for a more developed set of targeted, strategically led, accountable proposals for the MTFS.

- Although universal “dumb targets” should be avoided, some degree of quantifiable driver should be considered, linking priorities to resource shifts. The objective being a strategy-led budget and MTFS linking to a more focused Corporate Plan. Creating “headroom” in the current financial climate is very difficult, but not impossible given that the budget will need to be balanced in the longer term in any case; therefore consideration should be given to timing the phasing of efficiencies, and reflect this in the MTFS together with a longer term financial prospects element, which will provide a longer term more strategic backdrop for the Corporate Plan (and the Local Plan), and will also serve to show the impact of growth and development initiatives in supporting future sustainability
- A key action identified in the MTFS is to maximise investing to save opportunities and make savings. This needs to be developed more, into a specific delivery programme with sufficient detail to drive proactive delivery and accountability. Joining the dots from this overall aim into specific management activity would help develop organisational focus and expectations. It is fruitless to pursue a detailed MTFS beyond a medium term horizon. However the Financial Strategy should signal “Financial Prospects”. It is fully understood that the future is extremely uncertain. However there will be a range of projects, initiatives and other activities where there will be a longer term view or ambitions. For example capital projects, assets, and assumptions about service continuity and demographics, will have validity beyond a 4 year horizon. Therefore, these assumptions should be played in and potentially reflected into the Corporate Plan and Local Plan, helping to inform and develop longer term growth and investment decisions.