



**REPORT of
INTERIM CHIEF FINANCE OFFICER**

**to
COUNCIL
13 JULY 2023**

MEDIUM TERM FINANCIAL STRATEGY UPDATE AND SAVINGS STRATEGY

1. PURPOSE OF THE REPORT

- 1.1 To update the Council on the revised Medium Term Financial Strategy (MTFS) position and set out the requirement to urgently identify a Savings Strategy to address the budget gap.

2. RECOMMENDATIONS

- (i) That the Council review the revised Medium Term Financial Strategy (MTFS) position;
- (ii) That the Council agree the requirement to urgently identify a Savings Strategy to address the budget gap.

3. SUMMARY OF KEY ISSUES

- 3.1 At the Council meeting on 22 February 2023 the 2023/24 budget was agreed and the MTFS projections over the following two years were noted.
- 3.2 The 2023/24 budget relied on a drawdown from General Balances of £421k to fund the planned expenditure for the year. A budget gap of £2,872k in 2024/25 and £3,507k in 2025/26 was anticipated, based on the assumptions set out in the report at that date. That would leave General Balances below the minimum recommended level of £2.6m in 2024/25 and in a negative position by 2025/26, which is unsustainable.
- 3.3 Following the closure of the 2022/23 accounts and the findings of the Finance Peer Challenge carried out in February 2023, the high-level funding assumptions for the period 2023/24 to 2025/26 have been further reviewed and refined.
- 3.4 The provisional 2022/23 business rates position was better than forecast, and it is anticipated that some of this growth can be built into the baseline position. This would close the expected gap for 2023/24 and improve the position in future years.
- 3.5 In addition, as recommended by the Peer Challenge findings, a review of assumptions around future funding levels has been undertaken, including assumed growth in the Council Tax base, and expected overall funding levels from central government. Taken together with the Business Rates growth these result in an anticipated net improvement in overall funding levels of £1,320k in 2024/25 and £1,476k in 2025/26.

- 3.6 It should be noted that other budget assumptions, including future cost pressures, have not been reviewed or refined at this stage, but that this work will be done as part of the MTFS process and brought back to Members for further consideration via the Finance Working Group and Strategy and Resources Committee.
- 3.7 The overall updated central forecasts for the period 2023/24 to 2025/26 are set out in Table 1 below.

Table 1- Changes to the Projected Budget Gap

	2023/24 £000	2024/25 £000	2025/26 £000
Opening Budget Gap	-421	-2,872	-3,507
Funding improvement	421	1,320	1,476
Revised Budget Gap	-	1,552	2,031

- 3.8 It should be noted that these forecasts are based on number of assumptions which are subject to change and will be reviewed and refined further as the budget process continues. An optimistic and pessimistic scenario will also be modelled for Member's consideration as suggested in the Finance Peer Review.
- 3.9 This central forecast leaves a projected residual gap of £1,552k in 2024/25 and £2,031k in 2025/26. This would deplete the Council's general balances by £3,583k over the next three years, leaving them below the agreed minimum level of reserves of £2.6m by 2025/26, which although an improvement compared to the position reported in February 2023, remains unsustainable.

Table 2 – Changes to the Projected General Fund Balances

	2023/24 £000	2024/25 £000	2025/26 £000
Projected Opening General Fund Balance	5,081	5,081	3,529
Projected Movement	-	-1,552	-2,031
Projected Closing General Fund Balance	5,081	3,529	1,498

- 3.10 An indicative 2026/27 position is also being modelled and will be reported to Members as part of the budget setting process over the coming months.
- 3.11 In order to address the projected gap urgent action needs to be taken to identify a Savings Strategy which will set out recommendations to address this. This will need to consider all possible options for savings and income generation, including the potential to stop or reduce non-statutory services, review the level and standard statutory services are being provided at, delivering services in different ways including outsourcing or shared services, and a full review of fees & charges and commercial income opportunities. The Finance Working Group will be tasked to lead on the Savings Strategy, and report clear recommendations back to the Strategy and Resources Committee and the Council for agreement.
- 3.12 In the separate report on the Finance Peer Challenge findings to the Council on 13th July 2023, it is recommended that the Terms of Reference for the Finance Working Group are reviewed, and its membership changed to comprise the Political Group Leaders plus the Chairperson of the Strategy and Resources Committee and Performance, Governance and Audit Committee. This will help to ensure a 'no silo' approach across the Council and to link the Corporate Plan objectives to the MTFS.

4. CONCLUSION

- 4.1 It can be seen that even with the improved funding assumptions set out within the report, the Council's MTFS remains in an unsustainable position over the next three years. Therefore urgent work to identify a Savings Strategy needs to be undertaken to address the projected budget gap. The Finance Working Group will be tasked with leading this work and making clear recommendations back to the Strategy and Resources Committee and Council for agreement.

5. IMPACT ON PRIORITIES AS SET OUT IN THE CORPORATE PLAN 2023 - 2027

5.1 Smarter finances

- 5.1.1 The 'Smarter Finance' corporate priority sets out the objectives of setting a robust Medium Term Financial Strategy and sustainable expenditure plans in order that the Council can provide services without relying on the use of reserves in future.

6. IMPLICATIONS

- (i) **Impact on Customers** – None directly arising from this report.
- (ii) **Impact on Equalities** – None directly arising from this report.
- (iii) **Impact on Risk** – If the Council does not take the actions suggested in the report there is a risk that it will remain in an unsustainable financial position and will not be able to meet its legal requirement to set a balanced budget in future years.
- (iv) **Impact on Resources (financial)** – As set out within the body of this report.
- (v) **Impact on Resources (human)** – None directly arising from this report.

Background Papers: None.

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