



**REPORT of
INTERIM CHIEF FINANCE OFFICER**

**to
COUNCIL
15 FEBRUARY 2024**

MEDIUM-TERM FINANCIAL STRATEGY 2024 / 25 TO 2026 / 27

1. PURPOSE OF THE REPORT

- 1.1 To consider the revised Medium-Term Financial Strategy (MTFS) 2024 / 25 to 2026 / 27.

2. RECOMMENDATION

That the updated MTFS for 2024 / 25 to 2026 / 27 at **APPENDIX 1** be approved.

3. SUMMARY OF KEY ISSUES

- 3.1 The MTFS at **APPENDIX 1** sets out how the Council will manage its revenue finances up to the 2026 / 27 financial year. The MTFS supports the delivery of the Council's objectives and priorities as set out in the Council's Corporate Plan.
- 3.2 There remains uncertainty around the economic outlook and the impact this will have on the Council's finances, especially Council Tax and Business Rates. Therefore the MTFS will need to be kept under regular review.

4. MEDIUM TERM FINANCIAL STRATEGY 2024 / 25 TO 2026 / 27

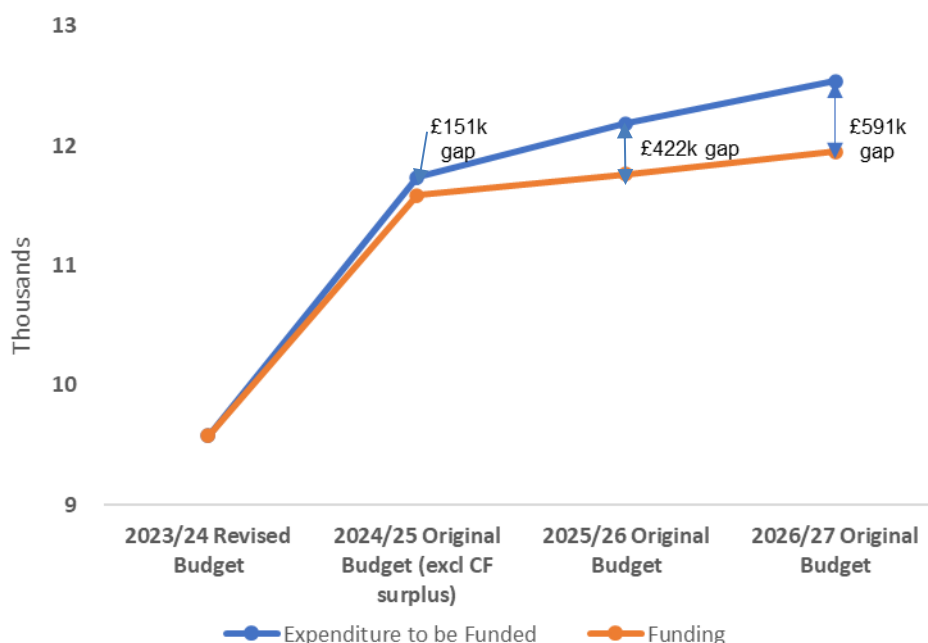
- 4.1 A summary of MTFS changes are provided in Table 1 below.

Table 1 – MTFS Summary

Components	2023/24 Original £000	2023/24 Revised £000	2024/25 Original £000	2025/26 Original £000	2026/27 Original £000
Prior Year Expenditure to be Funded	10,688	10,688	14,112	12,658	13,151
Inflation - including Salaries and Waste Contract	1,855	1,855	740	501	376
Contractual Pressures (Waste, Leisure and Audit)	416	416	73	0	0
2022/23 Revenue Commitments & Additional Reserve Funded Expenditure	-359	1,212	-1,572	0	0
Repairs & Renewals & Supplementary Estimates	-353	-353	6	-6	0
New Growth less Expired Non-Recurring Growth	56	56	-49	127	20
Increased Pension Service Costs	693	693	0	0	0
Savings, Commercial Income and Increased Fees and Charges	-455	-455	-653	-129	-83
Cost of Services	12,541	14,112	12,658	13,151	13,464
Investment Income	-750	-750	-1,000	-788	-738
Forward Funding of Pension Fund Deficit	351	351	0	0	351
Contribution to Reserves	0	0	259	120	0
Contribution from Reserves for Commitments and Approved One-Off Revenue Expenditure	0	-1,481	0	0	0
Contribution from Reserves for Pension Fund Deficit	-1,040	-1,040	0	0	-240
Contribution from Reserves for Growth	-343	-434	-182	-298	-298
Contribution (from)/to Reserves for Collection Fund (Deficit)/Surplus	-758	-1,179	2,671	0	0
Expenditure to be Funded	10,001	9,580	14,405	12,186	12,539
Funding	9,580	9,580	14,255	11,764	11,948
Gap / To be Funded from General Balances	421	0	151	422	591

- 4.2 Table 1 shows higher expenditure than originally budgeted this financial year due to approved revenue commitments brought forward from last financial year and other approved movements from earmarked reserves. Better than expected local taxation collection over the last couple of years has allowed a greater drawdown from the Council Tax and Business Rates Equalisation Reserve in 2024/25 to enable a balanced budget to be achieved.
- 4.3 There remains significant inflationary pressures in 2024/25; although these are expected to be lower than in 2023/24. However, the removal of previous one-off revenue budget items, new identified savings, improved investment income and the final local government settlement for 2024 / 25 being better than anticipated in 2023/24, closes most of the funding gap. Further savings are still needed to fully balance the budget, and these are reported separately to Council for consideration.
- 4.4 In 2025 / 26 and 2026 / 27 inflationary pressures are expected to reduce further; however, the expected funding levels are still not high enough to balance the budget without the Council identifying further savings and/or income generation. Chart 1 illustrates this below.

Chart 1 – Anticipated gap between future funding and expenditure



5. RISKS TO THE MTFS

- 5.1 Risks to the Council's financial position could potentially arise from a number of factors including unplanned budget overspends, lower than expected investment income, contractual / legislative failure, a shortfall in forecast business rates growth or challenge and emergency events. Historically, the Council's outturn has been within budget; however, robust budget management, monitoring and reporting will be a key discipline for all budget managers and ensuring that savings and income assumed included within the budget are achieved, will remain an essential focus.
- 5.2 The level of risk posed by contractual or legislative failure and emergency events is difficult to predict, but General Balances are held to mitigate against this possibility. In addition financial bonds / Parent Company Guarantees are being built into large contracts where appropriate.
- 5.3 It is important to recognise that under the Business Rates Retention Scheme, there is a considerable degree of uncertainty in the forecast for business rates growth as much of it depends on external factors including the impact of successful appeals. The Council's own economic development policies can have an impact on business rates growth and therefore it is important that the planning services, economic development services and the business rates service have a co-ordinated approach to inward investment policies.
- 5.4 The current cost of living crisis could affect households' and businesses' ability to pay Council Tax and National Non Domestic Rates (NNDR) respectively. This places a risk on local taxation collection rates.
- 5.5 Major contracts such as Waste and Leisure are also impacted by the wider economic climate. The Leisure contract currently only generates a fraction of income for the Council than it did pre-pandemic but is currently out for tender so there remains uncertainty around future returns pending appointment of a new contractor. The new Waste contract begins in February 2024, and will need to bed in. Waste contract

income is driven by recycling tonnage and prices, which are volatile; therefore income assumed in the MTFS for this contract is based on best known estimates.

6. GENERAL FUND

- 6.1 The impact of the items shown in Table 1 along with current year budget pressures on the General Fund balance is as follows:

Table 2 – Projected MTFS General Fund Balance

	23/24 £000	24/25 £000	25/26 £000	26/27 £000
Opening General Fund Balance	5,081	5,823	5,673	5,112
2023/24 Projected Budget Gap (Table 3)	742	-151	-561	-730
Projected Closing General Fund Balance	5,823	5,673	5,112	4,382

Table 3 – Projected General Fund Balance 2023/24

	2023 / 24 £000
Original MTFS Funding Gap	(421)
<i>Plus Additional Release from Council Tax and Business Rates Equalisation Reserve</i>	<i>421</i>
Revised Budget Gap (Table 1)	0
<i>Plus Service Variances</i>	<i>242</i>
<i>Plus Investment Income</i>	<i>500</i>
Net Projected In-Year Budget Surplus	742
Revised Funding Gap	742

- 6.2 The projections in Table 2 show that the General Fund balances would not fall below the current recommended minimum of £2.6m by 2024 / 25 and throughout the MTFS period if the current assumptions do not deteriorate.
- 6.3 It must be emphasised that the current MTFS projections are still unsustainable. The figures in Table 1 are based on a 'do nothing' scenario. Therefore, actions will be required to address the increasing budget gaps in the future and develop a sustainability plan. Actions continue to include:
- (i) Closer working with partners - to address resilience and improve efficiency,
 - (ii) Commercial activity - projects are underway but more certainly on income levels is required to include more in the budget,
 - (iii) Service standards review - to ensure value for money.

7. CONCLUSION

- 7.1 Medium-Term financial planning is a key component of the Council's strategic planning framework. The current economic climate remains uncertain due to the cost-of-living crisis and global events. Key financial decisions need to be set in the context of a corporate plan that links service and financial planning strategically.

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

- 8.1 The MTFS provides the foundation against which the Council will strive to deliver all of its priorities with the best possible value for money in the provision of efficient and cost-effective services across the District. Through the effective development and delivery of the Council's financial and other resource strategies it seeks to build upon past achievements as well as provide clear direction to the attainment of the Council's longer-term goals.

9. IMPLICATIONS

- (i) **Impact on Customers** – None arising directly from this report.
- (ii) **Impact on Equalities** – None arising directly from this report.
- (iii) **Impact on Risk** – The risks to the Council in respect of the available forecast resource envelope over the medium term are discussed at **APPENDIX 1**.
- (iv) **Impact on Resources (financial)** – The financial implications are set out in this report.
- (v) **Impact on Resources (human)** – Provision has been made for expected future increases in pay awards.

Background Papers:

MTFS to the Council, 22 February 2023,

MTFS Update to Strategy and Resources Committee, 23 November 2023,

Budgetary Control Report to Strategy and Resources Committee, 23 November 2023,

Discretionary Fees and Charges Report to Strategy and Resources Committee, 23 November 2023.

MTFS report to the Strategy and Resources Committee – 25 January 2024

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