



**REPORT of
CHIEF FINANCE OFFICER**

**to
COUNCIL
12 SEPTEMBER 2024**

MEDIUM TERM FINANCIAL STRATEGY UPDATE AND SAVINGS STRATEGY

1. PURPOSE OF THE REPORT

- 1.1. To inform Council of the updated Medium Term Financial Strategy (MTFS) position and set out the requirement to address the budget gap in 2025 / 26 and beyond.

2. RECOMMENDATION

That Council reviews the updated Medium Term Financial Strategy (MTFS) position and notes that a further update will be reported in December 2024;

3. SUMMARY OF KEY ISSUES

- 3.1 At the Council meeting on 15 February 2024 the 2024 / 25 budget was agreed and the MTFS projections over the following two years were noted.
- 3.2 A balanced budget was set for 2024 / 25 based on the savings agreed by the Council. The projected 2024 / 25 position as at Quarter One will be presented to the Strategy and Resources Committee in September 2024 for consideration.
- 3.3 Based on the assumptions set out to the Council in February 2024, a small gap of circa £27k was forecast for 2025 / 26 rising to £188k in 2026 / 27.
- 3.4 Following a review of the agreed future year savings and the emergence of further unavoidable cost pressures, the projected 2025 / 26 to 2026 / 27 position has been updated. In addition, a high level review of core MTFS assumptions has been undertaken, although these have not yet been updated, due to no new firm information being available at this stage.
- 3.5 Further work on the MTFS will be carried out over the coming months and presented to Members for further consideration via the Finance Member Group before being brought to the Strategy and Resources Committee in November 2024. The position will therefore likely change further before being brought back to Council for agreement.
- 3.6 The overall updated forecasts for the period 2025 / 26 to 2026 / 27 are set out in Table 1 below.

3.7 **Table 1- Updated Projected Cumulative Budget Gap**

	2025 / 26 £000	2026 / 27 £000
Opening Budget Gap per Council in February 2024	27	188
Savings at risk of non-delivery	33	(37)
Indicative new pressures	430	401
Projected Cumulative Budget Gap	490	553

3.8 It should be noted that the savings at risk and indicative new pressures are high level estimates at this stage, based on the information available at the time of writing the report. A detailed review of all savings and pressures will be undertaken by the Finance Member Group over the next two months before being considered by the Strategy and Resources Committee for recommendation onto the Council.

3.9 It should also be noted that these forecasts are based on number of assumptions on the level of funding available, as set out at Table 2, which are subject to review and will be refined further as the budget process continues.

3.10 **Table 2 – Current Funding Assumptions (per agreed MTFS at Feb 2024)**

Current Assumption	2025 / 26	2026 / 27
Funding Settlement	Flat	Flat
Leisure contract income	Flat	Flat
Business Rates income	Flat	Flat
CT base increase	1%	1%
Salary inflation	2.5%	2%
Discretionary fees & charges uplift	3.1%	2%
Average return on investment income	3.15%	2.95%

3.11 The projected residual gap of £490k in 2025 / 26 rising by a further £63k to £553k in 2026 / 27 would deplete the Council's general balances by £1.043m over the next two years but would leave them in excess of the agreed minimum of £2.6m at the end of 2026 / 27.

3.12 **Table 3 – Changes to the Projected General Fund Balances**

	2025 / 26 £000	2026 / 27 £000
Projected Opening General Fund Balance	5,878	5,388
Projected Movement	(490)	(553)
Projected Closing General Fund Balance	5,388	4,835

3.13 An indicative 2027 / 28 position is also being modelled and will be reported to Council as part of the budget setting process over the coming months.

3.14 In order to address the projected gap action needs to be taken to identify savings. 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. Officers are currently working on savings and income generation proposals and will report back to the Finance Member Group who

are tasked to lead on this work in September / October 2024. This Group will then make clear recommendations back to the Strategy and Resources Committee in November 2024 for consideration.

- 3.15 It should be noted that no additional income relating to a new Leisure Contract has been assumed at this time, pending a Council decision on the award of a new contract. If a new contract award is agreed in autumn 2024, forecast income projections will be updated accordingly and could reduce the projected gap in future years.
- 3.16 It should also be noted that the new Chief Executive may wish to consider a review of the management structure of the Council once in post, which could give rise to future savings, although it will be unlikely that these will be quantified with certainty in time to feed into the 2025 / 26 budget process.

4. CONCLUSION

- 4.1 It can be seen that work to identify savings needs to be undertaken to address the projected budget gap. The Finance Member Group will be tasked with leading this work and making clear recommendations back to the Strategy and Resources Committee and the 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:

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