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<b>REPORT TO:</b>	<b>FINANCE AND MANAGEMENT COMMITTEE</b>	<b>AGENDA ITEM: 11</b>
<b>DATE OF MEETING:</b>	<b>14 MARCH 2024</b>	<b>CATEGORY: RECOMMENDED</b>
<b>REPORT FROM:</b>	<b>TRACY BINGHAM, STRATEGIC DIRECTOR, CORPORATE RESOURCES</b>	
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<b>SUBJECT:</b>	<b>MEDIUM TERM FINANCIAL STRATEGY 2024/25 – 2028/29</b>	
<b>WARD(S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE:</b>

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## **1.0 Recommendations**

- 1.1 That the Committee review the Medium-Term Financial Strategy 2024/25 – 2028/29 and recommend it to Council for approval.

## **2.0 Purpose of Report**

- 2.1 To present the draft Medium-Term Financial Strategy (MTFS) to the Committee ahead of approval by Council on 11 April 2024.

## **3.0 Executive Summary**

- 3.1 The Council's current Medium Term Financial Plan is characterised by funding gaps brought about by assumed funding reforms.
- 3.2 The MTFS is a five-year assessment of the resources required to deliver Council services, set against a new strategic Sustainable Finance Plan to close the ongoing budget gaps predicted by the Council's current medium-term financial plan (MTFP).
- 3.3 The Sustainable Finance Plan incorporates the generation of new income and reduction in expenditure, and alongside a new Reserves Strategy, enables the Council to project an ongoing balanced budget position.
- 3.4 The purpose of this report is for the Committee to receive the draft MTFS so that it may provide any comments it may have and recommend it to Council for approval.
- 3.5 The report also sets out the establishment of a new Sustainable Finance Reserve through transfer of the balance of reserves above the approved minimum level of reserves, for which the Strategic Director (Corporate Resources) has sufficient delegation.

## 4.0 Detail

### **Background**

- 4.1 The Council has maintained a MTFP in recent years, with reviews and updates being undertaken on a quarterly basis and aligned annually with the budget. The MTFP has included provisions for growth and inflationary demands alongside assumptions and associated financial risks. Recurring budget gaps forecast each year of the plan have been a persistent feature.
- 4.2 As part of developing the 2024/25 budget, councillors were consulted on the budget setting approach, including the proposed creation of a new, overarching MTFS to compliment the current approach to medium-term financial planning, previously managed through the MTFP practices.
- 4.3 The adoption of a MTFS is considered good practice and supports good public financial management. Alongside budget development, performance management and budget monitoring, the ability to strategically look beyond the current budget period of one year is crucial to supporting an organisation's ongoing resilience and long-term financial sustainability.
- 4.4 This overarching strategy considers the future funding expectations and opportunities for increasing the Council's self-sufficiency in the light of an uncertain future funding outlook and a cycle of recurrent 1-year local government funding settlements, whilst ensuring the Council can continue to fund and deliver excellent services.
- 4.5 The Chartered Institute of Public Finance and Accountancy (CIPFA) cite that a good strategy should provide the reader with a clear view of future sustainability and the decisions needed to address any gaps.
- 4.6 In the "Best Value Standards and Intervention – A statutory guide for best value authorities" consultation, published by the Department of Levelling Up , Housing and Communities (July 2023) a "financial strategy that is aligned with strategic priorities alongside a robust process for reviewing and setting the budget" was identified as being a characteristic of a well-functioning authority.
- 3.6 The draft MTFS set out at Appendix 1 presents a five-year assessment of the resources required to deliver Council services and a new strategic Sustainable Finance Plan, which along with a Reserves Strategy, will close the budget gaps predicted.
- 3.7 Necessary background information is included in the strategy to enable the reader to gain a comprehensive picture of the council's current and projected financial health – with and without interventions.
- 3.8 Section 4 of the plan provides reference to the Housing Revenue Account and projection over the medium-term. However, the focus of the MTFS is on the General Fund, recognising that the HRA requires a separate financial strategy that will form part of the Housing Revenue Account Business Plan. At the time of writing this report, the findings and recommendations of the Housing review are due to be presented to the Housing and Community Services Committee in the coming months and this will set out the timing of the review and updating of the HRA Business Plan.

## **Strategy development approach**

- 3.9 The strategy has been co-designed with elected Councillors, the Council's Leadership Team and Heads of Service.
- 3.10 An informal workshop with all elected councillors was held in December 2023 to scope the ambitions for the strategy and specifically the themes within the Sustainable Finance Plan. Similar sessions were held with the Leadership Team and Heads of Service to garner ideas. The level of savings that will be developed were subsequently scoped with Finance and the Leadership Team.

## **The Council's Financial Outlook**

- 4.7 As the 2024/25 General Fund budget was approved, the MTFP was updated and an assessment of all assumptions that drive the future financial forecasts in the plan undertaken. Along with the effect of the structural changes to the 2024/25 budget from the 2023/24 position, this review of assumptions altered the forecast deficits of the council over the forthcoming five-year period.
- 4.8 The current MTFP outlook projects budget gaps each year of the plan as set out below. With the exception of the final year of the plan (2028/29), the Council can balance the budget with the use of reserves – until those reserves are depleted in 2028/29.
- 4.9 Analysis is provided to set out the worst- and best-case scenarios against a “base case” (the most likely outcome). A further scenario around there being no future reform of funding is also set out to show the favourable position of the Council, if the current funding regime were not to change.
- 4.10 The current financial plan is set out in Section 3 of the Strategy at Appendix 1.

## **Delivering a balanced budget – the Sustainable Finance Plan and Sustainable Finance Reserve**

- 4.11 Section 5 of the strategy sets out the 5 themes to how the Council will generate income and reduce its expenditure to close budget gaps via the Sustainable Finance Plan.
- 4.12 There is a strong emphasis in the Sustainable Finance Plan on generating more and new income. There are reductions in expenditure, but these are not characterised by reductions or cuts. As such, the Sustainable Finance Plan
- 4.13 Over the term of the strategy, the plan sets out total “savings” via income generation and tradition expenditure savings of £11 million.
- 4.14 The accompanying Reserves Strategy, also outlined in Section 5, determines that the balance of General Fund reserves above the minimum operating level required (£1.35 million, as approved by Council 28 February 2024) is set aside in a new Sustainable Finance Reserve. This new reserve will be maintained to balance the budget where income and savings do not close budget gaps in full, but also used to fund projects and/or initiatives to deliver this income/savings.
- 4.15 Existing powers are delegated to the Strategic Director (Corporate Resources) are in place for the creation of this reserve.

## **5.0 Financial Implications**

- 5.1 Budget gaps are estimated to occur within the current financial year and forthcoming financial years. This MTFS sets out a Sustainable Finance Plan for closing the budget gaps through the generation of more and new income and reduction in expenditure and a Reserves Strategy to determine how the Council can use reserve to facilitate this plan or close any remaining budget gaps.

## **6.0 Corporate Implications**

- 6.1 The MTFS sets out the finances required to deliver the Council Plan over the period.
- 6.2 Delivery of the Sustainable Finance Plan will be led by the Council's Chief Executive. A member of the Leadership team will be nominated by the Chief executive to lead a theme of the Sustainable Finance Plan.
- 6.3 Effective monitoring of the plan will be undertaken and regular updates to Committee will be provided as part of this.

## **Employment Implications**

- 6.4 There are no direct employment implications arising from these proposals. In the future, it is likely that there will be service reviews under the Transformation theme of the Sustainable Finance Plan. However, the aim of these reviews will be about service enhancement rather than identifying cashable efficiencies, so job losses are not featured. Relevant staff and the Trade Unions will be engaged and involved in service reviews.

## **Legal Implications**

- 6.5 There are no direct legal implications arising.
- 6.6 The Best Value Duty relates to the statutory requirement for local authorities and other public bodies defined as best value authorities in Part 1 of the Local Government Act 1999 to "make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness". The draft MTFS set out at Appendix 1 seeks to ensure the Council can continuously improve its operations.

## **Risk Impact**

- 6.7 The Council has recognised a strategic risk in its risk register around a reduction on core funding from government and a proposed mitigating action to develop a MTFS was included in Q2 2023/24.
- 6.8 Development of this MTFS enables the Council to mitigate the risk that future funding reductions could effectively bankrupt the Council.

## **7.0 Conclusions**

- 7.1 The current outlook for the Council necessitates the approval of an overarching Medium Term Financial Strategy.

## **8.0 Background Papers**

- 8.1 Report to Finance and Management Committee on 5 October 2023: [Budget Setting Approach 2024/25](#)

- 8.2 Report to Finance and Management Committee on 23 November 2023: [Consolidated Draft Budget Report 2024/25 and Medium Term Financial Plan to 2028/29](#)
  
- 8.3 Report to Finance and Management Committee on 15 February 2024: [Consolidated Budget Report 2024/25 and Medium Term Financial Plan to 2028/29](#)
  
- 8.4 Report to Council 28 February 2024: [General Fund Revenue Budget Report 2024/25 and Council Tax Setting 2024/25](#)