

CABINET	AGENDA ITEM No. 6
17 September 2024	PUBLIC REPORT

Report of:	Executive Director of Corporate Services and S151 Officer
Cabinet Member(s) responsible:	Councillor Mohammed Jamil, Cabinet Member for Finance and Corporate Governance
Contact Officer(s):	Cecilie Booth, Executive Director of Corporate Services and S151 Officer Emma Riding, Service Director Financial Management & Deputy S151 Officer Jill Evans, Service Director Corporate Finance & Deputy S151 Officer

MEDIUM TERM FINANCIAL STRATEGY 2025-2028 QUARTER 1 UPDATE

RECOMMENDATIONS	
FROM: Cabinet Member for Finance and Corporate Governance	Deadline date: 09 September 2024
<p>It is recommended that Cabinet:</p> <ol style="list-style-type: none"> Notes the revised assumptions included within this quarter one Medium-Term Financial Strategy 2025-2028 update as outlined within Appendix A of the report. 	

1.0 ORIGIN OF REPORT

1.1 This report comes to Cabinet as part of the Council's process for developing a Medium Term Financial Strategy (MTFS) and the budget setting process.

2.0 PURPOSE AND REASON FOR REPORT

2.1 Purpose

This report is submitted for Cabinet to consider under its Terms of Reference No. 3.2.1, "To take collective responsibility for the delivery of all strategic Executive functions within the Council's Major Policy and Budget Framework and lead the Council's overall improvement programmes to delivery excellent services."

2.2 Background

The Council's MTFS financial assumptions (funding and expenditure) will be reviewed and updated on a quarterly basis to provide an accurate and up to date position, reflective of the financial challenges facing the Council. It will also set out the national operating context and the strategic direction the Council is taking to transform its services. A full MTFS and associated strategies such as the capital strategy and treasury management strategy will be published in January and will be supported by an annual revenue and capital budget for the following financial year.

The MTFS forms a key part of the Council's Performance and Improvement Framework. This aims to demonstrate that the Council's finances over the medium term are secured to deliver the Council's priorities over the next three years from 2025/26 to 2027/28.

Preparation of an MTFS is good financial practice. It's an important part of understanding the Council's financial challenges and risks, its financial resilience, and sets out the strategy to deliver long term financial sustainability and viability.

The key objectives of the MTFS are:

- To ensure the effective financial planning and management of the Councils finances
- To ensure that the Council is financially resilient - in line with the Councils City Priority 'Sustainable Future City Council'.
- To maximise the income from Council Tax, Business Rates, and Fees and Charges to support the priorities of the Council
- To continue to improve value for money by managing our people and money more effectively and efficiently by streamlining, seeking best practice and driving value from commissioning and procurement exercises. Whilst at the same time seeking to minimise the impact of budget savings on priority services.

2.3 EXECUTIVE SUMMARY

This report (Appendix A) outlines the latest forecast position over the life of the Medium-Term Financial Strategy (MTFS) based on a best- and worst-case scenario position. This is following a review of the assumptions for funding, demand and inflation. It also includes early indicative values relating to the transformation and savings programme or any unavoidable pressures.

The position outlined has changed considerably since the update at [Q4 2024/25](#), where gaps of £3.2m in 2025/26, £6.9m in 2026/27 and £9.7m in 2027/28 were set out. The report set out the scale of the challenge and the risks presenting, and further work has solidified this view.

- The NNDR forecast has been significantly impacted by slower than anticipated growth, much higher levels of empty properties attracting relief and the adverse effect of appeals relating to the 2017 Ratable Value (RV) list.
- The cost of borrowing is much higher than expected. From mid 2022 the base rate rose sharply to 5.25% and has only recently dropped to 5%, it isn't expected to fall to 3.5% until the end of 2027, therefore it will continue to impact the cost of refinancing maturing loans.
- Demand in areas such as Adults, Housing, Children's, Home to School Transport and Special Educational Needs is significantly outstripping the demand assumptions built into budget, in most cases this is not just a trend locally, and replicated on a national scale.

Taking this into account, the Council is currently estimating the budget gap in 2025/26 could range from £13.3m-£24.3m, with table 1 summarising the position in the following years.

Table 1- MTFS Funding Gap	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Best Case Scenario				
Funding	(220,310)	(223,415)	(238,436)	(247,535)
Net Revenue				
Expenditure	220,310	236,689	249,443	258,741
	0	13,274	11,007	11,206

Worst Case Scenario

Funding	(220,310)	(222,715)	(237,736)	(246,835)
Net Revenue				
Expenditure	230,585	246,998	261,378	272,524
	*10,275	24,284	23,642	25,689

**reflects the current pressure reflected within the June BCR*

In the current year reserves are expected to fall to £9m (including the DSG Deficit and ringfenced reserves), leaving the position fragile and with little scope to mitigate any future pressures, emergencies or transformation. For this reason the 2025/26 budget **must** balance without the use of these and the in year position **must** improve otherwise balances will remain insufficient and inadequate.

Actions, as set out in the Quarter 1 Budgetary Control Report (also on this cabinet agenda) have been put in place to ensure savings plans are being delivered, key areas of pressure have additional focus, expenditure is limited, and good financial management is in practise across the organisation.

Work is also ongoing to identify and implement savings and longer-term transformation plans, to ensure the Council can set a balanced budget by 11 March 2025 and have a sustainable MTFS for the years beyond that.

Appendix A outlines further details around the assumptions used in this updated MTFS position.

5. TIMESCALES

Is this a Major Policy Item/Statutory Plan?	NO	If yes, date for Cabinet meeting	10 July 2023
Date for relevant Council meeting	N/A	Date for submission to Government Dept.	N/A

The following timetable outlines the key meeting dates in relation to the MTFS and the Budget for 2025/26

Date	Meeting	Report
17/09/2024	Cabinet	Launch of Consultation- Councils Corporate Priorities and MTS MTFS Q1 update BCR Report Q1 (June BCR)
27/10/2024	Consultation close	Close of Consultation
12/11/2024	Cabinet	BCR Report Q2 (September BCR) - including MTFS update
03/12/2024	Cabinet	Councils Corporate Priorities and MTS-Consultation Feedback Launch Budget Consultation
06/01/2025	Consultation close	Close Budget Consultation
29/01/2025	Joint Scrutiny	To consider the draft MTFS (Q3 update) & Budget Report and recommend any changes to Cabinet

11/02/2025	Cabinet	To approve the Draft MTFS (Q3 update) & Budget Report and recommend to Council BCR Report Q3 (December BCR)
19/02/2025	Council	To approve the Final MTFS & Budget Report including: MTFS Q3 update Treasury Management Capital Strategy Reserves Strategy Asset Management Plan Budget Setting Report, including: * Council Tax Resolution * Any Final amendments as a result of the Final settlement * Revenue and Capital Budgets for 2025/26 * Section 25 (Robustness)Statement

In addition to the timetable above, all budget proposals including savings, investment and revised financial assumptions and consultation feedback are considered within the following groups:

- **Budget- Corporate Leadership Team (CLT)**- made up of the council's corporate directors and finance officers as support.
- **Cabinet Policy Forum (CPF)**- informal meeting of Cabinet.
- **Financial Sustainability Working Group (FSWG)**- Cross-party working group focussed on supporting the delivery of financial sustainability for the council. During the year, this group has convened monthly to consider the Councils financial position and develop proposals to support the Councils budget position.
- **Independent Improvement and Assurance Panel (IIAP)**- who are experts in specific fields of local government to challenge, scrutinise and advise on our budget proposals to ensure they are robust and provide best value.

6 CORPORATE PRIORITIES

The Budget and MTFS form a key part of the Council's Performance and Improvement Framework and aims to demonstrate that the Council's finances over the medium term are secured to deliver the Council's priorities over the next three years from 2025/26 to 2027/28.

This therefore supports all the council's priorities, and forms a key element of the council's budget setting process, it is strongly geared towards enabling the council to deliver on the following priority:

Supported by a Sustainable Future City Council - adjust how we work, serve and enable, informed by strong data and insight capability and led by a culture of strong leadership.

6.0 CONSULTATION

- 6.1 This report seeks to provide Cabinet with an update on the Councils MTFS, and no formal recommendations are being made which require consultation. At this Cabinet meeting (17 September) a consultation is being launched to seek residents views of the Council Corporate

Priorities and allocation of resources.

7.0 ANTICIPATED OUTCOMES OR IMPACT

7.1 For Cabinet to note the revised Medium Term Financial Strategy assumptions outlined within the report.

8.0 REASON FOR THE RECOMMENDATION

8.1 This report provides an update on the Council's Medium Term Financial Strategy and will support the delivery of the Council setting a lawful and balanced budget for 2025/26.

9 ALTERNATIVE OPTIONS CONSIDERED

9.1 No alternative option has been considered.

10.0 IMPLICATIONS

10.1 Legal Implications

At this time there are no legal implications arising from this report. This is an item to note revised MTFS assumptions. When it comes to making a formal budget decision in February 2025, at this point the Council is under a legal duty to meet the full requirements of Section 31A of the Local Government Finance Act 1992, which includes the obligation to produce a balanced budget.

10.2 Human Resources implications

No specific implications in this report.

10.3 Equality Impact Assessments

No specific implications in this report.

10.4 Carbon Impact Assessments

No specific implications in this report.

11.0 BACKGROUND DOCUMENTS

No specific background documents used.

12.0 APPENDICES

12.1 Appendix A – Medium Term Financial Strategy 2025 – 2028 (Q1 update)

