

EXECUTIVE

23 November 2022

Medium Term Financial Strategy 2023/2028

Timetable	
Meeting	Date
CS/CHE/ERL/PI Policy Advisory Committees	November 2022
Executive Meeting	23 November 2022

Will this be a Key Decision?	Yes
Urgency	Not Applicable
Final Decision-Maker	Executive
Lead Head of Service	Mark Green, Director of Finance & Business Improvement
Lead Officer and Report Author	Adrian Lovegrove, Head of Finance
Classification	Public
Wards affected	All

Executive Summary

This report sets out the updated Medium Term Financial Strategy (MTFS) to reflect the latest position and describes the issues and risks involved. It sets out key assumptions to be made in preparing the MTFS.

The report concludes by setting out the subsequent steps involved in developing an updated MTFS and the Budget for 2023/24, including a timetable for consideration by Members.

Overall it shows that the future financial position is worsening with continued high inflation and potential reductions of local government funding. Scenario 4 provides the latest view on the size of the challenge. We have also developed a scenario 5 that shows a worst case scenario if inflation continues to remain high. Therefore the MTFS focuses on these two most likely scenarios.

There is still a huge amount of uncertainty. The recent mini budget caused significant risks to local government funding and borrowing. The reversal of these and appointment of the new Prime Minister have had a positive impact with interest rates returning to levels similar to that before the mini budget. 17th November has been set as the date for publishing an Autumn statement which it is hoped will give some clarity about local government funding and the wider UK financial implications such as inflation.

The Council continues to consider savings options that may be needed to balance the budget, as whichever scenario arises, we will need to consider such options.

It should be noted that the overall financial position of the Council’s balance sheet and the level of usable reserves puts us in a better position than many councils. It will give us flexibility to use reserves to manage the budget position in the short term while we develop sustainable savings options.

Recommendation to the Executive:

1. That the issues and risks associated with updating the Medium Term Financial Strategy are noted.
 2. That the Executive approve the MTFS and the proposed approach outlined to development of an updated Medium Term Financial Strategy for 2023/24 – 2027/28 and a budget for 2023/24 be approved.
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Medium Term Financial Strategy 2023/2028

1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	The Medium Term Financial Strategy and the budget are a re-statement in financial terms of the priorities set out in the strategic plan. They reflect the Council’s decisions on the allocation of resources to all objectives of the strategic plan.	Section 151 Officer & Finance Team
Cross Cutting Objectives	The MTFS supports the cross-cutting objectives in the same way that it supports the Council’s other strategic priorities.	Section 151 Officer & Finance Team
Risk Management	This has been addressed in section 5 of the report.	Section 151 Officer & Finance Team
Financial	The budget strategy and the MTFS impact upon all activities of the Council. The future availability of resources to address specific issues is planned through this process. It is important that the committee considers the strategic financial consequences of the recommendations in this report.	Section 151 Officer & Finance Team
Staffing	The process of developing the budget strategy will identify the level of resources available for staffing over the medium term.	Section 151 Officer & Finance Team
Legal	The Council has a statutory obligation to set a balanced budget and development of the MTFS and the strategic revenue projection in the ways set out in this report supports achievement of a balanced budget.	Interim Team Leader (Contentious and Corporate Governance) and Monitoring Officer
Privacy and Data Protection	Privacy and Data Protection is considered as part of the development of new budget proposals. There are no specific implications arising from this report.	Section 151 Officer & Finance Team
Equalities	The MTFS report scopes the possible impact of the Council’s future financial position on service delivery. When a policy, service or function is developed, changed or reviewed, an evidence based equalities impact assessment will be	Equalities & Communities Officer

	undertaken. Should an impact be identified appropriate mitigations will be identified.	
Public Health	The resources to achieve the Council's objectives are allocated through the development of the Medium Term Financial Strategy.	Section 151 Officer & Finance Team
Crime and Disorder	The resources to achieve the Council's objectives are allocated through the development of the Medium Term Financial Strategy.	Section 151 Officer & Finance Team
Procurement	The resources to achieve the Council's objectives are allocated through the development of the Medium Term Financial Strategy.	Section 151 Officer & Finance Team
Biodiversity and Climate Change	The resources to achieve the Council's objectives are allocated through the development of the Medium Term Financial Strategy.	Section 151 Officer & Finance Team

2. INTRODUCTION AND BACKGROUND

- 2.1 The Medium Term Financial Strategy (MTFS) sets out in financial terms how the Council will deliver its Strategic Plan over the next five years. The Council adopted a Strategic Plan for the period 2021 – 2045 in December 2018, and the existing MTFS for the period 2022/23 to 2026/27 reflects the Strategic Plan. The new MTFS will continue to reflect the Strategic Plan priorities.
- 2.2 A key outcome of the process of updating the MTFS is to set a balanced budget and agree a level of council tax for 2023/24 at the Council meeting on 22 February 2023.
- 2.3 A draft MTFS is attached to this report. As background, it comprises an assessment of the economic environment and the Council's own financial position. It will be seen that the Council faces a difficult financial position, with continued high inflation and potential reductions of local government funding.
- 2.4 We have carried out an assessment of the Council's financial resilience. CIPFA provide a Resilience Index tool to test a council's financial resilience, which indicates no high risks and we have reviewed number of elements that contribute to financial resilience, according to CIPFA, using financial data and also considering financial management. Again this shows a positive position.
- 2.5 As in previous years, different future scenarios have been considered. Scenario 4 provides the latest view on the size of the challenge. We have also developed a scenario 5 that shows a worst case scenario if inflation continues to remain high. The MTFS focuses on these two most likely scenarios and sets out how the Council should respond.

- 2.6 The development of the MTFS and the detailed budget for 2023/24 will maintain short to medium term financial resilience.
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3. AVAILABLE OPTIONS

- 3.1 The Committee has the following options:
- 1 To note the contents but may choose to comment on the content.
 - 2 That the Committee recommend to the Executive to approve the MTFS and the proposed approach outlined to development of an updated Medium Term Financial Strategy for 2023/24 – 2027/28 and a budget for 2023/24 be approved.
 - 3 That the Committee do not recommend approval and Council runs the risk of operating without a clear MTFS and an unclear plan of how it can balance the budget in 2023/24.
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4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 The preferred option is option 2. That the Committee recommend to the Executive to approve the MTFS and the proposed approach outlined to development of an updated Medium Term Financial Strategy for 2023/24 – 2027/28 and a budget for 2023/24 be approved.
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5. RISK

- 5.1 The preceding paragraphs have indicated at several points the risks and uncertainty surrounding the Council’s financial position. In order to address these in a structured way and to ensure that appropriate mitigations are developed, the Council has developed a budget risk register. This seeks to capture all known budget risks and to present them in a readily comprehensible way. The budget risk register is updated regularly and is reviewed by the Audit, Governance and Standards Committee at each meeting.
- 5.2 It should be recognised that risks are not usually discrete. There are interrelationships between the risks, such that (for example) inaccurate inflation projections could impact the overall risk of failing to deliver a balanced budget.
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6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 6.1 Consultation with all relevant stakeholders is an important part of the process of developing the MTFS. A public budget consultation is taking place during November, then individual Policy Advisory Committees will be consulted in January on the details of the MTFS proposals as they affect the respective Committee portfolios.

- 6.2 Corporate Services Policy Advisory Committee on 13 July 2022 recommended that an additional alternative course of action be considered, namely a 0% council tax increase. Details of this were provided. The cost is around an additional £2m of savings that would be required by 2027/28.
- 6.3 This report has been to the Economic, Regeneration and Leisure PAC, the Planning and Infrastructure PAC, and will be going to the Communities Housing and Environment PAC on 15 November 2022 and the Corporate Services PAC on 16 November 2022. The Committees that have considered the report supported the recommendations and any comments from CHE and PI PACs will be reported to the Executive at their meeting.

7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 7.1 An outline timetable for developing the Medium Term Financial Strategy and budget for 2023/24 is set out below.

<i>Date</i>	<i>Meeting</i>	<i>Action</i>
23 November 2022	Executive	Agree proposed approach to updating MTFS for submission to Council
December 2022		Receive 2023/24 Local Government Finance Settlement
January 2023	All Policy Advisory Committees	Consider 23/24 budget proposals
8 February 2023	Executive	Agree 23/24 budget proposals for recommendation to Council
22 February 2023	Council	Approve 23/24 budget

8. REPORT APPENDIX

- Appendix 1: Draft Medium Term Financial Strategy 2023/28

9. BACKGROUND PAPERS

None.