

# SUMMARY MEDIUM TERM FINANCIAL STRATEGY (MTFS) Refresh for 2024/25 – 2027/28



## What is the purpose of the MTFS?

Our MTFS is fundamental to securing the key ambitions and objectives of the council's Corporate Plan.

Its purpose is to:

- structure and manage the council's finances to support and deliver objectives.
- inform decisions on expenditure, savings and new income to sustain council services.
- engage officers and members in "owning" the process by which council finances are managed.

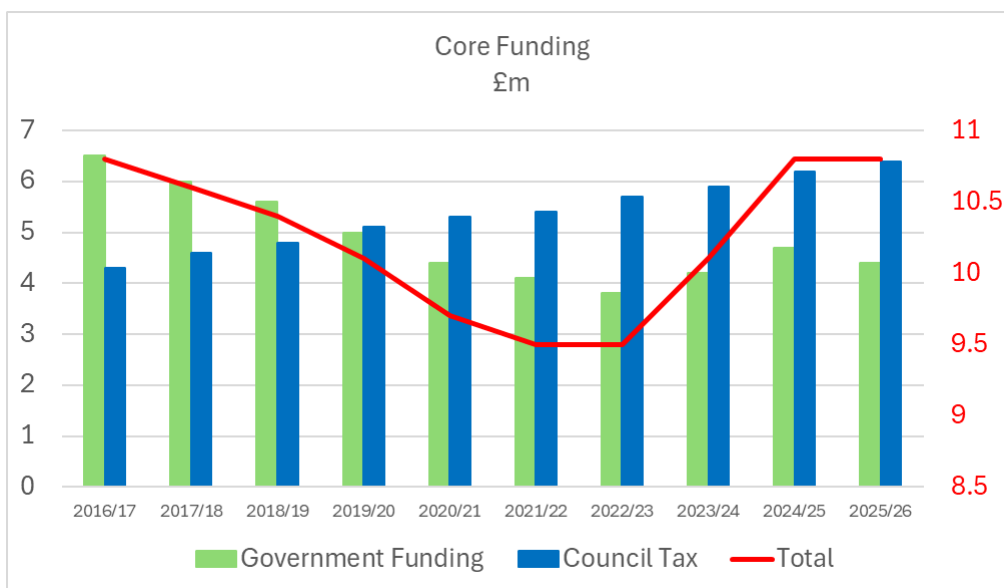
## Background to the refresh

This MTFS is being prepared at a time of very high levels of uncertainty not only due to the lack of a clear longer term financial settlement from Government beyond the repeat of a one year financial settlement but also from the Government's announcement that it intends to complete the following ambitions in a relatively short period:

- a fair funding review for 2026/27
- a business rates reset by 2026/27, which could see the Council losing almost all its £4.6 retained business rates growth
- local government reorganisation (LGR) in this MTFS period, and
- devolution for local Government in England during this MTFS period.

This is a significant programme of action, and it waits to be seen if all can be delivered at this pace suggested.

Our core support from Government has also fallen considerably since 2016/17 as seen in the Core Spending Power (CSP) changes. Since 2016/17, increases in CSP are mainly from council tax, with Government settlements placing a greater burden on the local taxpayer. Business rates growth has helped, but a reset is expected by Government in 2024/25 which is the single most significant risk to the council's finances. This is made worse by the major reductions in the New Homes Bonus scheme since 2016/17.



There have been some promising announcements in the budget statement, as well as areas of concern, some of which have been summarised in the covering report. The main increase in income outside the CSP is allocation for 2025/26 for the Extended Producer Responsibility for packaging (EPR). EPR is a policy tool to reduce the environmental impact of packaging. For 2025/26 the income is £1,063,000, which is expected to be a one off overall benefit of increased income.

This MTFS refresh presents a range of possible outcomes over a four-year outlook covering 2024/25 to 2027/28.

## Three possible scenarios

- No business rates reset – assumes past delays will continue until at least 2028/29, with no savings and new income needed, but no damping required. Based on past delays this is being used for planning the MTFS savings and new income needed and £2.8m of reserves
- Reset in 2026/27 – Takes a more pessimistic view, but still a possibility. Transitional relief of £3.9m (Damping) will be provided, and £2.7m of savings and new income needed, and £4.6m of reserves.
- Reset in 2027/28 – transitional relief of £2m (Damping) provided, and £0.5m of savings and new income needed, and £4.6m of reserves.

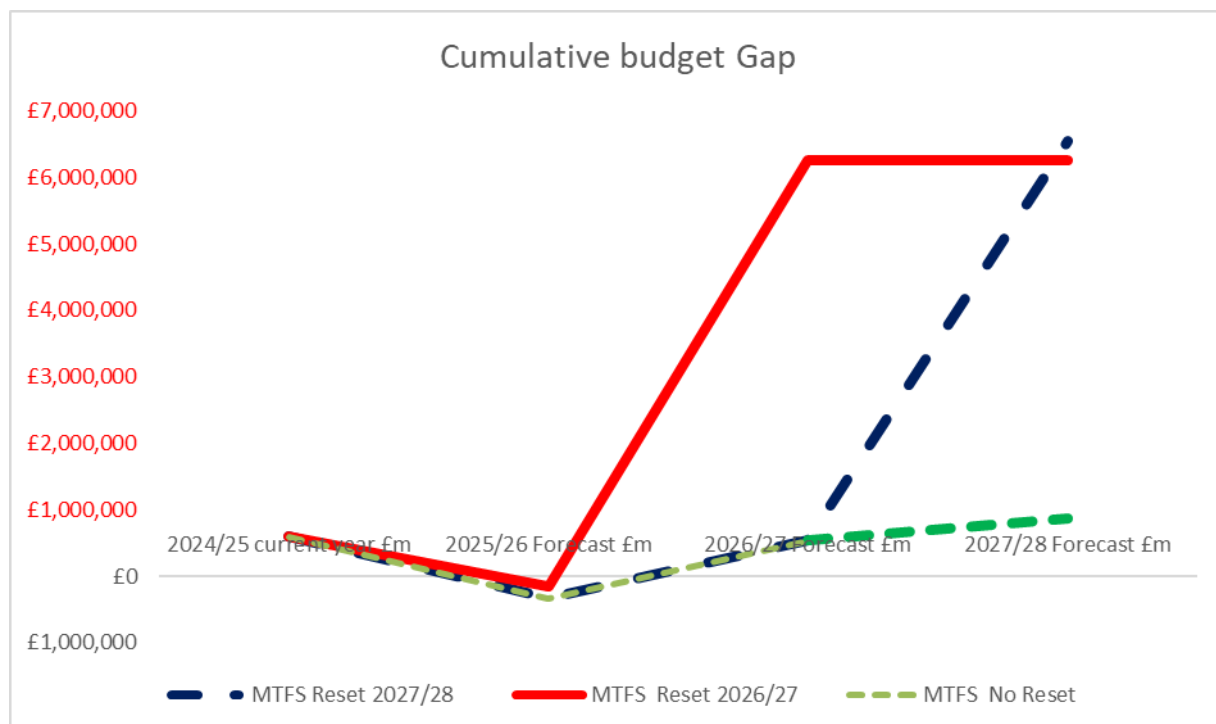
The key factors causing the pressure in the budget position are common to many councils nationally. These are primarily the increased costs of temporary accommodation, up by almost £1m since 2021/22, and pay costs increases to deal with cost of living pressures increasing by more than £3.m over the last two years. Neither has been covered by increased funding from Government.

## What these scenarios could look like

This table gives a summary of the MTFS requirements for new incoming/savings and reserves use for the three scenarios and provide the 15% KPI target for the general fund balance.:

<b>MTFS with Reset 2026/27</b>	<b>2024/25 Current Year</b>	<b>2025/26 Forecast</b>	<b>2026/27 Forecast</b>	<b>2027/28 Forecast</b>
Reserves use	£1,343,008	£207,132	£2,376,000	£719,141
Savings/New income	£0	£0	£0	£2,657,850
<b>MTFS with Reset 2027/28</b>	<b>2024/25 current year</b>	<b>2025/26 Forecast</b>	<b>2026/27 Forecast</b>	<b>2027/28 Forecast</b>
Reserves use	£1,343,008	£31,332	£531,582	£2,789,359
Savings/New income	£0	£0	£0	£473,394
<b>MTFS with Reset outside MTFS period</b>	<b>2024/25 current year</b>	<b>2025/26 Forecast</b>	<b>2026/27 Forecast</b>	<b>2027/28 Forecast</b>
Reserves use	£1,343,008	£31,332	£531,582	£868,740
Savings/New income	£0	£0	£0	£0

The graph below gives the cumulative budget gap, before action is taken through use of reserves, which can only be used once, and new income and savings are identified. In all cases, income is not enough to cover expenditure.



## What this means for the future

We have a net budget requirement higher than the amount received from business rates, council tax and other government funding. This is already happening, and the gap is expected to grow even if there is no change to our government funding.

There are only two ways to address this problem:

- increase income.
- reduce costs and / or service provision.

For the expected MTFS position, we will plan to close the budget gap as per table below based on the use of reserves and any new income or savings needed up to 2027/28.

EXPECTED (Budget Gap)	2024/25 Current Yr	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast
Net Income	£13,959,028	£14,512,879	£9,753,116	£10,075,463
Net Expenditure before reserve use /savings/Damping	£14,551,027	£14,349,284	£16,005,533	£16,338,874
Net Income	<b>£-591,999</b>	£163,595	<b>£-6,252,417</b>	<b>£-6,263,411</b>
Covered by				
Reserves use	£1,343,008	£207,132	£2,376,000	£719,141
Contribution to/from General Fund Bal	<b>£-751,009</b>	<b>£-370,727</b>	£155,740	£90,242

EXPECTED (Budget Gap)	2024/25 Current Yr	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast
Savings	£0	£0	£0	£2,657,850
Damping incomed assumed	£0	£0	£3,720,678	£2,796,177
<b>Total</b>	<b>£591,999</b>	<b>-£163,595</b>	<b>£6,252,417</b>	<b>£6,263,411</b>

We used £1m of reserves to balance the budget in 2023/24 , expect to use about £0.2m in 2025/26, before having to use £2.7m in 2026/27 if there is a business rates reset. Spending our short-term reserves to cover long-term costs is not sustainable; reserves will run out and an uncontrolled deficit will occur.

The MTFS will need to be reviewed as the government makes further announcements in relation to their plans for devolution and Local Government Reorganisation.

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