

TITLE: Medium Term Financial Strategy Update

Committee: Finance & Assets

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1.0 ISSUE

- 1.1. To provide Committee with an update on the Medium Term Financial Strategy (MTFS) since the 2023/24 budget was approved in February 2023.

2.0 RECOMMENDATION(S)

- 2.1. Members are requested to note the contents of the report, including the revised final outturn position for 2022/23.

3.0 BACKGROUND/OPTIONS

- 3.1 The Council approved the budget for 2023/24 and with it the MTFS for 2024/25 to 2026/27 at its meeting on the 20th February 2023. At that point, via the use of its Surplus Savings Reserve, the Council had a balanced budget for 2023/24 and 2024/25, but with then significant savings to be found in the following years.
- 3.2 The Budget / MTFS was approved on the basis that the Council would not put up Council Tax in the budget year, but then put it up by the maximum allowed, £5 per year, each subsequent year. This paper is drafted on the same assumption, no Council Tax increase in the budget year (2024/25), but then with a £5 increase in each future year.

4.0 CHANGES TO THE PLAN SINCE FEBRUARY 2023

- 4.1 The Council ended the 2022/23 financial year with an underspend of £1,645,109. This is a different value to that reported to Committee on the 3rd July 2023. As reported at the time, on the Committee date we were still awaiting confirmation of our final payment into the Business Rate Pool from the Pool administrator. When received this proved to be higher than had been forecast in the figures presented at the meeting. The total underspend value has been added to the Surplus Savings Reserve and is available to support the MTFS in future years.
- 4.2 The Council is currently forecasting a yearend underspend of £324,000 in 2023/24, all things being equal, this will be also be transferred into the Surplus Savings Reserve at yearend, and has again been included in the figures detailed in this paper.

5.0 ASSUMPTIONS MADE

5.1 Fair Funding Review

Members will be aware that the Fair Funding Review has been promised, but not delivered by Government for a number of years (originally planned for 2020). In simplistic terms, the Fair Funding Review is the process by which Government calculates how much of its overall funding for Local Government goes to each individual Council. As a full Business Rates Baseline reset is expected at this time, this Council would lose the benefit it is currently receiving from the high level of Business Rate growth in the District since 2013. The delay has therefore been good news for us.

The Government's current official position is that the Fair Funding Review will come into effect from April 2025. However, with the General Election expected to be mid to late 2024, the strong opinion of most commentators, including our own advisers, Pixel Financial Management, is that the Review will not be implemented until April 2026 at the earliest.

In preparing this report, it has been assumed that the Review will not now be implemented until April 2026, this is a year later than that detailed in the 2023/24 Budget Report and it therefore shows a more favourable position than previously as we gain from the Business Rate growth for a further year (2025/26).

Clearly if the Review does go ahead in April 2025, there will be a considerable downside to the Council, compared with the figures in this report, but this report does present what is strongly believed to be the most likely scenario. Officers are of course monitoring the situation throughout the autumn period and will update Committee if this assumption proves to be incorrect, before presenting the draft budget report to Committee in January, at which point we will have full details of all Government Funding.

5.2 Inflation

The Council has benefited in previous years until 2023/24 from low inflation levels that had allowed us to leave many budgets at the same cash value as the previous year. While this will remain the case on some budgets, far more budget lines had inflation added in 2023/24 and will need to have a further inflationary element added to them to ensure that service levels can be maintained in the coming year.

Officers have made some assumptions regarding inflation levels in this report, but over the coming months, the amount of inflation needed to be added to individual contracts and budget lines will be reviewed as additional information becomes available, especially, as an example, when the April 2023 pay claim is settled. The final budget report will further contain some sensitivity analysis about the impact of inflation at various levels moving forward.

A 3% inflationary rise has currently been assumed between the 2023/24 and 2024/25 budget for staff pay and the ECSS contract value has been increased by 6%.

5.3 Council Tax

The Council and all other preceptors determine, as part of their budget preparations, how much they wish to collect in Council Tax and subsequently set their tax level in February prior to the year of collection, at a value to ensure that the required amount is collected. In year, this Council (as the collection authority) will pay across to the other preceptors and indeed ourselves, the budgeted value from the Council Tax Collection Fund.

The amount of Council Tax collected is usually determined by two factors, the Council Tax value for a band D property as determined by the Council and the number of band D equivalent properties in the District. But perhaps a third factor this year, will be the number of accounts getting into arrears because of the cost of living crisis and an increase in households that become eligible for Council Tax Support.

It is assumed at this stage that the value of Council Tax in 2024/25 for a band D property will remain at £142.14.

An initial calculation of the number of equivalent Band D properties in the District will be undertaken shortly, but officers have made allowance in the figures in this report for the potential of more rate payers getting into arrears, as compared with the number assumed in previous years. Again, this figure will be reviewed and updated over the Autumn period.

5.4 Business Rates

Councils are required to prepare a report to Government (called the NNDR1) by the end of January each year, detailing the amount of Business Rates they anticipate collecting during the following financial year. The final budget presented to Council in February will reflect the figures detailed in this return, but for now, the figures in this report match those forecast by Pixel Financial Management and assume the continuation of the benefit we are gaining from Business Rate growth in the District as discussed in 5.1 above.

5.5 Future Spending Commitments

It is expected that the Council will begin the preparation of a new Local Plan in 2024 and provisional costs for this are therefore included in the report.

The Council's contract for the disposal of recyclable materials will be retendered with the new service starting mid-way through the 2024/25 financial year. At the moment, this retendering is forecast to result in an additional cost to the Council and an allowance for this is built into the figures.

Government has announced that statutory planning applications fees will increase from the 1st April 2024 by between 25 and 35%, this income line has therefore been increased by 25% in this report.

The purchase of the new Waste vehicles in 2023/24 will result in an additional cost from 2024/25 onwards to cover the debt repayment for these vehicles. This additional cost will be charged onto ECSS, but ECDC will need to increase the ECSS management fee in order for this to be paid. This adjustment was already in the MTFs figures approved in February 2023.

6.0 IMPACT ON THE MTFS

- 6.1 As alluded to above, it is very difficult at this time to forecast the longer term implications on the Council's finances, with the major unknowns being around the timing of the Fair Funding Review for Local Government, inflation and Council Tax receipts.
- 6.2 The figures detailed in Appendix 1, therefore need to be treated with caution, these will be updated further during the coming months as further information becomes available, with the Director, Finance updating Finance and Assets Committee as appropriate.
- 6.3 The figures presented however show that the 2024/25 financial year remains balanced via the use of the Surplus Savings Reserve, and we are now also showing 2025/26 as balanced. This is mainly as the result of the change of assumption around the timing of the Fair Funding Review.
- 6.4 Therefore, whilst the Council is not expecting any issues with being able to publish a legal budget for 2024/25, savings are still required in year three of the MTFS period (2026/27), after the implementation of the Fair Funding Review. It is important therefore that work continues to look for opportunities and put in place plans to make savings or increasing income levels in 2024/25 and all future years, to reduce the immediate draw from the Surplus Savings Reserve, so that further funds are available in the future.
- 6.5 To this end, options to resolve the budget shortfalls in future years come from:
- Efficiencies in the cost of service delivery
 - Reductions in service levels
 - Increased income from fees and charges
 - Increased commercialisation via its trading companies

7.0 FINANCIAL IMPLICATIONS / EQUALITY IMPACT STATEMENT / CARBON IMPACT ASSESSMENT

- 7.1. There are no additional financial implications arising from this report other than those detailed within the body of the report.
- 7.2. An Equality Impact Assessment (EIA) is not required.
- 7.3. A Carbon Impact Assessment (CIA) is not required.

8.0 APPENDICES

Appendix 1 – MTFS Model as at 11th September 2023.

Background Documents:

2023/24 Budget as approved by Full Council on the 21st February 2023.

MTFS Model as at 11th September 2023.

	Budget 2023-24 £	Estimate 2024-25 £	Estimate 2025-26 £	Estimate 2026-27 £	Estimate 2027-28 £
Committees:					
Operational Services	6,904,891	7,370,064	7,581,004	7,809,281	7,980,032
Finance & Assets	6,030,783	6,150,061	7,068,129	7,404,303	7,416,583
Net District Spending	12,935,674	13,520,125	14,649,133	15,213,584	15,396,615
New Homes Bonus Grant	-837,838	-837,838	0	0	0
Rural Services Grant	-189,538	-189,538	-189,538	-189,538	-189,538
Service Grant / Funding Guarantee	-453,418	-463,940	-494,439	0	0
Internal Drainage Board Levies	632,991	658,311	671,477	684,907	698,605
Contributions to / from Corporate Reserves	287,642	465,500	465,500	465,500	465,500
Net Operating Expenditure	12,375,513	13,152,620	15,102,133	16,174,453	16,371,182
Contribution from Surplus Savings Reserve	-1,975,579	-1,800,615	-3,288,343	-1,813,915	0
Savings to be identified	0	0	0	-3,624,238	-5,181,669
ECDC Budget Requirement	10,399,934	11,352,005	11,813,790	10,736,300	11,189,513
Parish Council Precepts	3,000,653	3,075,669	3,152,561	3,231,375	3,312,159
DISTRICT BUDGET REQUIREMENT	13,400,587	14,427,674	14,966,351	13,967,675	14,501,672
<u>Financed by:</u>					
Council's share of Collection Funds Surplus/Deficit	100,507	0	0	0	0
Revenue Support Grant	-102,089	-108,214	-102,390	-239,931	-188,661
Locally retained Non-Domestic Rates	-4,843,526	-5,611,044	-5,834,042	-4,367,379	-4,612,249
Plus: NNDR from Renewable Energy	-1,011,335	-1,011,335	-1,011,335	-1,011,335	-1,011,335
COUNCIL TAX REQUIREMENT	7,544,144	7,697,081	8,018,584	8,349,030	8,689,427

	Estimate 2023-24 £	Estimate 2024-25 £	Estimate 2025-26 £	Estimate 2026-27 £	Estimate 2026-27 £
Unallocated Surplus Savings Reserve					
In hand at 1st April	8,554,452	6,902,873	5,102,258	1,813,915	0
Movement in year	-1,651,579	-1,800,615	-3,288,343	-1,813,915	0
In hand at 31st March	6,902,873	5,102,258	1,813,915	0	0

IMPLIED BAND 'D' COUNCIL TAX (District only i.e. excluding parish levies)					
Demand on Collection Fund as above	7,544,144	7,697,081	8,018,584	8,349,030	8,689,427
Less Parish Precepts as above	3,000,653	3,075,669	3,152,561	3,231,375	3,312,159
	4,543,491	4,621,412	4,866,023	5,117,655	5,377,268
Council Tax Base	31,964.9	32,513.1	33,070.7	33,637.8	34,219.6
District Council Tax - Band D	142.14	142.14	147.14	152.14	157.14

