

MEDIUM TERM FINANCIAL STRATEGY (MTFS)

Executive Summary

The Medium-Term Financial Strategy (MTFS) update to the Executive in November reported the critical financial position of the Council and recognised that further actions would need to be taken with greater pace and certainty in order to address the forecast budget shortfall.

This report sets out the actions which need to be taken for the Finance Director (S151 Officer) to be able to provide the necessary statement on the robustness of the budget estimates and adequacy of reserves to set the 2023/24 budget in February 2023.

The Finance Director (S151 Officer) is of the view that, with the information and analysis that is currently available, the expenditure the authority is projecting for 2023/24 – 2025/26 may exceed the resources that the Council has at its disposal to meet the expenditure.

A fundamental review of the Council's budget is required to rebalance service costs within the resources now available post Covid. This analysis of service provision has commenced, with support from Surrey County Council officers. The review aims to identify areas of discretionary spend and spend on statutory services above the minimum required to meet statutory responsibilities. This analysis will provide details of the further opportunities for savings available to the Council to address the budget gap which is currently being met by reserves.

It is essential that these opportunities are recognised in sufficient detail and included within the Medium-Term Financial Strategy (MTFS), General Fund, Service Plans Budgets and Prudential Indicators 2023-24 report to the meeting of the Council in February 2023. This is required in order to provide confidence in the ability to secure a balanced budget position and address the use of reserves in the time afforded by the level of revenue reserves available.

It is proposed that a meeting of Council (Budget Council) will be arranged for 23rd February 2023. The Medium-Term Financial Strategy (MTFS), General Fund, Service Plans Budgets and Prudential Indicators 2023-24 report will be taken straight to this Council meeting. This will enable additional time to develop savings analysis and proposals and would provide a greater opportunity to align the Council's MTFS with the emerging findings of the non-statutory review that is being commissioned by the Department for Levelling Up Housing and Communities (DLUHC).

An additional MTFS report will be prepared for the 19th January 2023 meeting of the Executive in order to provide a further progress report and update on the Council's financial position in advance of the report to Council.

Alongside this work, this report recommends a number of actions that are targeted at delivering greater financial resilience. These actions would look to identify funds to increase the level of reserves in order to give the Council more time to deliver savings that are sustainable, can be implemented over a manageable and sustainable time frame and are informed by a greater level of strategic financial insight.

The Finance Director's ability to provide a statement of budget robustness is critical and is therefore the target for the work between now and February 2023. Without the ability to provide this statement the Finance Director will need to approach government for financial support, initially looking to the mechanisms established for such discussions. A Capitalisation Direction is such a mechanism that could be available.

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The Finance Director (S151 Officer) has a statutory and mandatory duty to produce a report under Section 114 of the Local Government Finance Act if it appears to them that the expenditure incurred or proposed to be incurred in a financial year is likely to exceed resources available to meet that expenditure. The Council has sufficient contingencies and is managing its budgets during 2022/23 to deliver a position which is projected to be within available resources at the end of the financial year.

The additional work, referred to within the Executive Summary, that will be taking place between now and the update report to the 19th January meeting of the Executive will need to provide additional assurance on the financial position for each of the years 2023/24 – 2025/26 in order to provide assurance the expenditure can be contained within resources. If this is not possible the Council will need to commence discussions with the government on financial support and the Finance Director will determine whether a Section 114 report is appropriate.

Recommendations

The Executive is requested to:

RESOLVE That

the update to the Medium Term Financial Strategy (MTFS), including the actions detailed in Sections 4 and 5 of the report, be noted.

Reasons for Decision

Reason: The decision is sought to develop further proposals to ensure the medium-term financial stability of the Council.

The Executive has the authority to determine the recommendation(s) set out above.

Background Papers: [Executive 17 November 2022 - Draft Medium Term Financial Strategy \(MTFS\) and General Fund Budget 2023-24 report](#)

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Medium Term Financial Strategy (MTFS)

1.0 Introduction

- 1.1 At its meeting In November, the Executive received a report on the Medium-Term Financial Strategy (MTFS) which updated financial planning assumptions and set out the forecast income, expenditure and use of reserves over the 4 years to 2025/26.
- 1.2 The forecast position described in this report was serious. The use of reserves to balance the budget was forecast to continue at such a rate that reserves fell below the Council's minimum set level by the end of 2023/24 and would be fully utilised during 2024/25.
- 1.3 It was reported that more far-reaching actions would need to be taken with greater pace and certainty in order to address the forecast budget shortfall.
- 1.4 The Council's work on financial resilience requires the Council to significantly reduce and eradicate its reliance on reserves to cover in year budget shortfalls and to establish a level of reserves which reflects the commercial and regeneration operations that the Council has established.
- 1.5 Without a plan to recover the position, it would not be possible for the Finance Director to provide the necessary statement on the robustness of the budget estimates and adequacy of reserves to set a balanced budget for 2023/24.

2.0 Risk and Financial Resilience

- 2.1 The Council has a Risk Management Strategy that is reviewed annually. Within the strategy the Council has a Strategic Risk Register that is held by the Council's Corporate Leadership Team. The Strategic Risk Register is being reported to the January 2023 meeting of the Executive and has been reviewed by the Overview and Scrutiny Committee at its meeting in November 2022 on its way through to the Executive.
- 2.2 In the Draft Strategic Risk Register, the risk of not being able to set a balanced budget has been identified as the most significant risk to the Council (risk 1 in the strategic risk register). The risk register reviewed by the Overview and Scrutiny Committee in November 2022, and due to be considered by the Executive in January, is attached as Appendix 1.
- 2.3 It can be seen from reference to Appendix 1 the recognition of the risk to setting a balanced budget and the mitigating actions the Council has put in place to manage this risk. Despite these mitigations, however, the level of risk remains outside of the Council's established risk appetite and therefore further mitigating actions are required to bring the risk towards a level that the Council can tolerate.
- 2.4 It has been recognised in updates to the MTFS over the last 2 years, from the outset of the Covid pandemic, that the financial position of the Council was in a critical position. The Council had been able to maintain services and provide community infrastructure as a result of its strategy to develop alternative sources of funding through investing in local assets that provide a commercial return for the Council. These returns are then invested in delivering services to the communities of Woking.
- 2.5 The pandemic resulted in an immediate, and dramatic, fall in activity and footfall severely impacting the Council's car parking revenue and affecting tenants across all of the commercial estate. It has become clear over the last 9 months that, despite the removal of all Covid restrictions, the economic model on which the Council's budget is based has changed.

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- 2.6 The Council made an application to Government in 2021 for exceptional support. This application was due to the impact the Covid 19 pandemic had on its commercial income budgets.
- 2.7 The basis of the application related to the impact that Covid 19 was having on the economy and specifically the reduction in income to the Council from car parks and its commercial estate. The Council maintained, at the time, that it had the financial strategy to withstand the vagaries of normal economic cycles but Covid impacts far exceeded the scenarios it envisaged and therefore the Council sought support to enable it to capitalise its “losses” so that these could be spread over time.
- 2.8 The application for Exceptional Support was not approved. It was recognised that although some elements of the financial position in the Council are exceptional, it did not have an immediate and pressing problem in its finances, rather it predicts that it may run out of resources in the medium term. Many other Councils are in this position and will need to rework their MTFS as the pandemic recedes, the economy recovers and more insight is gained to future reform of Local Government Finance.
- 2.9 Many other Councils are experiencing financial pressures from both the current high levels of inflation and the ongoing impact of the pandemic, Brexit and the war in Ukraine. In recent months increasing numbers within the sector have expressed concerns about the sustainability of budgets and ability to balance finances in the current economic climate. The challenge of inflationary pressures on services being experienced by the Council is one shared across the sector. This Council has, however, exposure to reductions in combined income which are more significant than most other local authorities. The costs and lost income experienced over the last 2 years, and the financial climate post pandemic, have resulted in the financial position now becoming an immediate problem.
- 2.10 The Council will provide details of the actions it has taken over the last 18 months against the criteria that was established for Exceptional Support to the non-statutory review that is being commissioned by the Department for Levelling Up Housing and Communities (DLUHC).
- 2.11 The Council has maintained ongoing contact with officers in DLUHC, keeping them updated on the progress of the Council’s MTFS. At this stage they have not had confirmation of appointments to the review panel or when it will commence. Further details are anticipated by 2nd – 3rd week in December and if this is the case it would provide the opportunity to provide some integration of this review with the emerging Council MTFS.
- 2.12 The July MTFS report provided an update on the development of the Council’s Financial Resilience Strategy, a key component of the Council’s MTFS. The framework of key indicators of good performance which are being used to manage our approach to the MTFS is included in Appendix 3 to this report, with the recommendations from within the EY assessment mapped to the Council’s Financial Resilience Framework at Appendix 4.
- 2.13 An update to the key elements of financial resilience work undertaken between July and October was reported in the Draft MTFS and General Fund Budget 2023-24 report to the 17th November 2022 meeting of the Executive. Since this update, further resilience work has been undertaken which has informed this report to the 8th December 2022 Executive. The key areas of additional work are:

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Financial Resilience Framework Area	EY Financial Resilience Recommendations	Update
Financial Governance	Challenge High-Cost Service Expenditure	<ul style="list-style-type: none"> • See section 6 of this report relating to the work plan over December – January 2023 • Sector support agreement with Surrey County Council – see Appendix 5 for Agreed Scope of work
Financial Governance	Evaluate the reporting and business intelligence landscape	<ul style="list-style-type: none"> • Sector support agreement with Surrey County Council – see Appendix 5 for Agreed Scope of work • Green Book review reported through Overview and Scrutiny Committee and agreed by Council

2.14 A full overview on all of the actions taken on the Financial Resilience Framework will be included in the MTFS update report to the 19th January 2023 meeting of the Executive. This overview forms an integral part of the S151 Officers view on their statement of budget robustness and sustainability.

2.15 The Council does not have the financial resilience to absorb the impacts of the current economic downturn in the short and medium term and cannot solely rely on its investment approach to protecting services. The Council needs to develop a more far reaching strategy of service rationalisation that will enable it to manage within the predicted level of funding available whilst both ensuring it maintains the services it is statutorily required to provide and uses the strategic priorities established within the Woking for All strategy to target funding.

3.0 A Balanced Budget

3.1 Local Authorities are required to set a balanced budget under the Local Government Finance Act. To set a balanced budget the Council must be content that the combination of income, use of reserves and having robust savings plans in place means that underlying income will cover on-going costs and future commitments in a sustainable and manageable way.

3.2 Since the beginning of the Covid pandemic in 2020 the Council has used reserves to cover additional costs and lost income. Whilst it is appropriate that reserves are used to cover the effects of financial shocks, losses of income or increases in costs, over time the position must be brought back into balance.

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- 3.3 The underlying financial position, post Covid, must now be assumed as the new baseline and can no longer be considered 'temporarily' impacted by Covid. The forecasts presented in November showed that, with no further action, costs continue to exceed income and will deplete reserves within the next 2 years.
- 3.4 If the Finance Director (S151 Officer) considers that the Council is unable to set or maintain a balanced budget, after all routes have been explored, then a Section 114 report must be made. The 114 process requires that all non-essential spending is legally suspended while the Council considers the implications. Further detail of the process is provided in Appendix 2.

4.0 Strategic Approach to setting 2023/24 budget

- 4.1 The MTFS update in November showed that the Council's reserves would fall below minimum levels by the end of 2023/24 and would be all be utilised during 2024/25 unless further actions were taken. Whilst savings have been identified through two 'Fit for the Future' exercises during 2021/22 and 2022/23, there have also been offsetting inflationary pressures. The savings to date have simply not been sufficient to alter the financial outlook.
- 4.2 As set out in the sections above, in the absence of a programme of mitigating actions, it would not be possible to set a balanced budget on this basis, nor for the Finance Director to provide the statement on the robustness of the budget estimates and adequacy of reserves to set the 2023/24 budget.
- 4.3 The Council must take some immediate actions in order to be able to present a budget which can be adopted in February for 2023/24. These actions fall into two categories which are further detailed below:
- Analysis to identify cost savings from discretionary services which demonstrate that a sustainable budget can be achieved in the time available, through temporary use of reserves
 - Actions that will have a direct and / or indirect impact on protecting the level of revenue reserves which provide more time to address the annual budget deficit
- 4.4 It is important to recognise that both of these areas must be addressed. Protecting reserves through temporary measures simply delays the use reserves without addressing the net cost of services. Identifying further savings at the level required, is unlikely to be possible before reserves are exhausted.

5.0 Stabilised Reserves 2022/23 onwards

- 5.1 As highlighted in 4.3 earlier in this report, the Council must take some immediate actions in order to be able to present a budget which can be adopted in February for 2023/24.
- 5.2 The actions in this section will have a direct and / or indirect impact on protecting the level of revenue reserves which provides more time to address the annual budget deficit.

Commercial Property transfer

- 5.3 One of the most significant budget pressures for the Council is the impact of fluctuations in commercial property income and void costs. Historically there would be an underlying level of tenant turnover or, at times, a pressure on a particular type of property or tenants in a particular sector. The pandemic impacted almost all businesses resulting in a concentration of business

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property decisions being made within a short timescale, and market pressure on the level of rents. Some of these changes are yet to be realised as tenants approach lease break clauses over the coming years.

- 5.4 The Council has a substantial holding of commercial property within the town centre, acquired to support and facilitate the regeneration and growth of the town. Given the scale of the portfolio, and the importance of the income budgets within the Council's budget, it is critical that the Council manages these assets in the most effective and efficient way and protects the Council taxpayer from short term variations in the net income generated.
- 5.5 The Council's asset holdings and the future potential opportunity they offer the Council remains key to the movement towards a stabilised budget position over time. This includes identification of assets for sale, redevelopment or repurposing as well as attracting new business and private investment to the Borough.
- 5.6 It is recommended that the Council explores transfer of town centre strategic property assets to a wholly owned company structure achieving the following benefits:
 - Establishing a regular income from the commercial vehicle minimising annual budget fluctuations
 - Achieving efficiency and co-ordination in the management of the Council's commercial property estate
 - Assembly of regeneration assets to drive out greater regeneration synergies and attracting inward investment
 - Allowing greater flexibility over the profile of amounts set aside for the repayment of the underlying debt
- 5.7 The tax and financial implications would need to be fully assessed before a recommendation is made to the Council, however, it is estimated that the flexibility on debt repayment could enable £2.5m of revenue reserves to be preserved annually in the short term.

Car Park Management Fee

- 5.8 In March 2022 the new car parks opened as part of the Victoria Place redevelopment. It has long been recognised that the additional income generated from the new spaces would not initially cover the financing costs of the investment – that the assets were developed for future capacity.
- 5.9 As set out in the Victoria Square update report to the Executive in November, the car parks currently remain an asset of the company, VSWL, with a management arrangement to be put in place with the Council. The Council will retain income generated in parking fees and pay a management fee equivalent to the financing costs on the car park construction.
- 5.10 To date the income generated from new visitors to the town has been substantially less than initial projections, given the delay in the completion of Victoria Place and with the hotel not yet open. This is in addition to material, and ongoing, reductions in parking activity following the Covid pandemic.
- 5.11 It is therefore recommended that the Council negotiates a delay in the payment of the car park management fee until such time as the full development is open and activity has increased. The annual fee is circa £1.5m which could be saved for 2022/23 and 2023/24 with a gradual increase to the full fee over a timescale agreed with the company.

Development income

- 5.12 The Council holds some development income (s106 monies) which have been set aside for investment in affordable housing. There is a good level of confidence that it can be demonstrated that sufficient affordable housing has been delivered by the Council or through Thamesway Housing. Subject to providing the evidence supporting this confidence, these funds could be released to revenue, providing a one-off additional to reserves of approximately £6m.
- 5.13 It is recommended that this be explored with Thamesway with a view to these funds strengthening the reserves position in the short term. This recognises the immense investment the Council has made to housing delivery over recent years through its investment in Thamesway Housing Ltd.
- 5.14 A decision on this issue is not been asked for or required in this report, only that it is explored and brought forward within the update report to the 19th January 2023 meeting of the Executive.

Capitalisation of costs

- 5.15 To protect the use of reserves, project costs which have been financed by revenue or reserves will be reviewed to establish if any could have been funded by capital resources. This will include the cost of officers involved in projects as well as direct project expenditure and will consider spend from 2019/20 onwards where the statement of accounts are yet to be finalised.

6.0 Discretionary and Statutory Service Analysis

- 6.1 The objective of the actions in the section above is to provide time for the Council to realign its budgets within the annual resources available to provide services. Alongside these actions a fundamental review of the Council's services is required, to identify the scope for savings from discretionary services and statutory services where the level of expenditure exceeds the statutory minimum levels.
- 6.2 The Council provides services significantly beyond statutory levels. In order to achieve a balanced budget position, all expenditure beyond statutory level must be reviewed with a view to removing the net cost of any discretionary activity. Given the critical financial position this can no longer be an adjustment of the existing financial model, but must represent an essential structural reset of budgets and commitments.
- 6.3 Work has already commenced on analysing the Council's budgets to assess the opportunity within these to realise reductions in costs. It is critical that the right decisions are made and the impact of any actions are fully understood and costed.
- 6.4 The Council is very appreciative of the support that is being offered by SCC to undertake this analysis. This is part of a sector support approach that is being adopted that looks to maximise the capacity and capability that exists within public sector bodies in Surrey. SCC have provided both dedicated senior finance support at 0.4fte on a project basis as well as support from their commercial finance team to review treasury activity and the loan funding to companies.
- 6.5 The Terms of reference for this support is attached at Appendix 5.
- 6.6 In addition to the review of Council services, a realistic savings programme generating savings from transformation and efficiency is required. This will need to recognise capacity restrictions and resource requirements to support the change.

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- 6.7 A programme of reviews is being established to take place over December and January 2023 to identify further budget savings opportunities. This programme provides an essential element of assurance that the S151 officer will need to rely on to enable them to provide their budget robustness and sustainability assessment.
- 6.8 The Terms of reference for this programme of reviews is attached at Appendix 6.

7.0 February 2023 budget report

- 7.1 In order for the Council to set a budget for 2023/24 the Finance Director must be able to provide assurance over the adequacy of the budget estimates and the sustainability of reserves.
- 7.2 The sections above set out details of the work that is required to enable these statements to be made and the budget to be established on a reliable basis.
- 7.3 If all are actioned, the measures to generate additional resilience to the reserves position are likely to provide an additional year to deliver the necessary savings to meet the budget savings gap.
- 7.4 The February budget report will need to provide adequate detail over the level of savings which can be achieved through review of the Council's discretionary spend. Whilst it is likely that it will take longer to prepare business proposals to the level of detail required for final decision making, it will be necessary to understand the potential for savings which can be achieved, and the areas which will be targeted.
- 7.5 The Council must be clear where there is the opportunity to address the budget shortfall, with greater certainty than has previously, and in what timescales these savings can be secured. Without this level of detailed analysis and planning there cannot be confidence that the financial position can be balanced.

8.0 Autumn Statement

- 8.1 The Chancellor's Autumn Statement was delivered on 17 November 2022 alongside the Office for Budget Responsibility's (OBR's) Economic and Fiscal Outlook forecasts. The Autumn Statement responds to the OBR forecasts and sets out the medium-term path for public finances.
- 8.2 The Autumn Statement confirmed that departmental budgets in 2023/24 and 2024/25 will be maintained at least in line with the budgets set at the Spending Review, after removing costs relating to the Health and Social Care Levy which will no longer be introduced as a separate tax from April 2023.
- 8.3 Specific detail on local government funding at an individual local authority level will not be available until the Provisional Local Government Finance Settlement expected in the week commencing 19 December. However, the following announcements were made which directly impact the Council:
- The referendum limit for increases in council tax will be increased to 3% per year from April 2023. The previous policy was a limit of 2%, with additional discretion for District Council's up to a £5 increase. It is not clear whether the £5 will also be amended. For the Council an additional 1% increase generates approximately £110k. This would take Woking Council's share of Council Tax, for a Band D property, from £255.46 in 2022/23 to £263.12 in 2023/24.

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- From 1 April 2023 business rates bills will be updated to reflect changes in property values since the last revaluation in 2017. This will include business rates paid by the Council on its own properties. Transitional support will apply and the Council will be fully compensated for any loss of income from business rates as a result of revaluation and will receive new burdens funding for administrative and IT costs.
 - The increase in social housing rents, with the exception of supported housing, has been limited to 7% - under the current rules rents could have increased by up to 11.1%.
 - Increases were made to the National Living Wage to apply from April 2023.
 - The Energy Bill Relief Scheme (EBRS) will be reviewed to determine support for non-domestic energy consumers, excluding public sector organisations beyond 31 March 2023. The government states that the overall scale of government support offered will be significantly lower and targeted at those most affected.
- 8.4 The Provisional Local Government Finance Settlement is not expected to deliver substantial new funding announcements, with implementation of the fair funding review and business rates retention deferred to a future year. An update of the impact of announcements will be provided in the MTFS report to the Executive in January.
- 8.5 The Council will need to set its element of the Council Tax to achieve the maximum resources possible, currently assumed to be a 3% increase. For a Band D property this will be an increase from £255.46 to £263.12. Any further flexibilities offered through the Local Government Finance Settlement, which would increase revenue generation, will need to be adopted by the Council and will be incorporated into future updates of the MTFS.

9.0 Corporate Strategy

- 9.1 The Council's strategy for Council Investment to stimulate local growth; borough wide social and economic transformational change and delivering the local priorities of social and affordable housing regeneration and town centre regenerated vibrancy, remain and is a constant through the current and previous business planning periods.
- 9.2 Whilst there has been a change in the Council's administration in 2022, the priorities of the incoming administration have been established through the Working for All Corporate Strategy. Of particular relevance are the priority commitments and actions, extracted below, relating to being a High Performing and a financially responsible council with sustainable and affordable plans.

A high performing council

A financially responsible council with sustainable and affordable plans

Ensure that affordability, financial control and delivery of value for money are embedded in how the Council conducts its business

Additional priority commitments

- Get the Council's finances under control – this is our first priority
- Consider new approaches to increase income
- Make decisions in an open and transparent way

Actions

- Work constructively with the Department for Levelling Up, Housing and Communities (DLUHC) to deliver plans for a sustainable budget and directly address the concerns the Government has about the Council's levels of debt and exposure to financial risk
- Deliver clearer and more transparent financial performance reporting through to meetings of the Council
- Seek greater leverage of private sector and market investment into Woking to enhance the economic vitality of the borough and maximise the benefit that Woking communities experience from this investment

A high performing council

Develop and strengthen strategic and financial planning and performance and risk management

Additional priority commitments

- Review the financial model used to fund council owned companies
- Get expert opinion to advise on the financial sustainability of the Council's investments into companies

Actions

- Review all council investments and set clear performance targets for the returns these investments need to provide for the Council and the borough

9.3 The additional priority commitments highlighted above equally align with issues subsequently raised by the Minister within the Department for Levelling Up Housing and Communities in his letter to the Leader of the Council on 18th October 2022 which accepts the strategic regeneration ambitions of the Council but raises expectations (concerns) about:

- Needs to be sustainable
- Needs to have proportionality (Debt and funding arrangements)
- Needs to recognise and address financial risk

The details of this letter have already been made public and brought to the attention of all Councillors.

9.4 In addition to the above, role of the Council was, and is, to initiate; stimulate and create the foundations and conditions for economic and social regeneration – an exit / stage beyond full Council ownership of assets and regeneration vehicles was always envisaged whilst not being explicit about when this should be considered.

10.0 Implications

Finance and Risk

- 10.1 The finance implications are set out within this report, financial reliance and risk considerations are covered in detail in section 2.
- 10.2 The November Draft Medium Term Financial Strategy (MTFS) and General Fund Budget 2023/24 report set out the updated financial forecast for 2022/23-2025/26. The report showed that there remained a significant budget gap over the period. Whilst savings had been identified towards the £11m savings target recognised in July 2022, there were also additional pressures. Inflation on the Council's service expenditure, contracts, and energy in particular, has added significant costs over the MTFS. There has also been a substantial increase in interest rates in recent months which results in increased pressure in the short term.
- 10.3 The forecast £11m target in 2025/26 has reduced to £8m, but the short term position had worsened resulting in an increased use of reserves.
- 10.4 The Council's revenue reserves are currently forecast to fall to £16.7m by 31 March 2023 and £6.5m by 31 March 2024. The forecast shows all revenue reserves utilised with a deficit of £3.5m by 31 March 2025.
- 10.5 This report sets out the Council's response to this critical financial position.

Equalities and Human Resources

- 10.6 No specific human resources or training and development implications.
- 10.7 There are no equalities implications.

Legal

- 10.8 Section 151 of the Local Government Act 1972 places a general duty on local authorities to make arrangements for 'the proper administration of their financial affairs'. The Local Government Act 2003 places a duty on the Council's Chief Finance Officer to advise on the robustness of the proposed budget and the adequacy of reserves.
- 10.9 The MTFS is a fundamental element of the Council's strategic financial management arrangements. The MTFS is a policy framework document that is required by law to be adopted by Council.
- 10.10 The Council is required by statute to set a balanced budget. Members have a duty to seek to ensure that the Council acts lawfully. They are under an obligation to produce a balanced budget. Members must not come to a decision which no reasonable authority could come to; balancing the nature, quality, and level of services which they consider should be provided against the costs of providing such services.
- 10.11 The MTFS ought to be consistent with the Council's work plans and strategies, particularly the Corporate Strategy
- 10.12 The Council is required to obtain approval by Full Council of its MTFS.
- 10.13 If Finance Director considers that the Council is unable to set or maintain a balanced budget, after all routes have been explored, then she is under a statutory duty to make a Section 114 report.

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10.14 Section 114 (3) Local Government Finance Act 1988, states that: “The chief finance officer of a relevant authority shall make a report under this section if it appears to him that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure”.

11.0 Engagement and Consultation

11.1 The Council undertook a significant programme of engagement during 2021/22 in preparing for the adoption of the Working for All strategy. The feedback from this engagement has identified priority areas for the Council in allocation of resources over this MTFS.

REPORT ENDS