

MEDIUM TERM FINANCIAL STRATEGY (MTFS)

Report of the Section 151 Officer

Executive Summary

This report presents the updated Medium Term Financial Strategy ('MTFS') for the period 2024/25 to 2028/29 and sets out for Members a timetable with clear milestones for a further update of the MTFS in September 2023.

On 7 June 2023 the Section 151 Officer issued a Section 114 Notice to the Council which estimated a General Fund deficit ('the Deficit') of £1.200 billion by 31 March 2024. This means that on present estimates the Council requires £1.200 billion of financial support to enable the General Fund to be balanced as required by law at that date. The Section 114 Notice appears at Annex 3 to this report together with the Chief Executive's Response.

The Council needs to further develop its understanding and estimate of the Deficit and this work is underway. Complicit with this is a need to approach Government to make the case for financial support on a large scale. The journey towards financial recovery entails that the Council needs to take responsibility at a corporate level for addressing the mistakes of past years and to take clear and effective steps - insofar as it is able as a relatively small borough council - to meet a significant part of the Deficit from its own resources. Accordingly, the Council needs to consider divesting itself of a significant element of its property portfolio - but with the support of Government and Commissioners who were appointed by the Secretary of State on 25 May 2023 - to do so using methods that deliver the best returns for the 'public purse' generally and allow key services to be maintained.

The MTFS has the following strategic goals:

- a. To provide a framework within which the Council is eventually able to achieve a series of balanced budgets in the medium term to support the delivery of the Improvement & Recovery Plan and against the backdrop of the Section 114 Notice and past events.
- b. By so doing to reach for and deliver where possible both financial stability and sustainability to do so in the short, medium and long term.
- c. To enable successive budgets to be balanced using a set of Guiding Principles that are commonly adopted across the Local Government Sector and to apply these rigorously; and
- d. To provide a budget and risk structure within which the Improvement & Recovery Plan can be delivered successfully.

The MTFS and accompanying Medium Term Financial Plan (MTFP) is suggesting that if all savings opportunities currently under review were to be adopted that Council would have a remaining shortfall of c £2m for the 'business-as-usual' element of its budget shortfall in 2024/25. As, following consultation and investigation, not all of these opportunities are likely to be accepted or may be captured in years after 2024/25, it is appropriate to apply an adjustment factor of + £2m at the present time.

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Accordingly, further savings will need to be found and it is suggested that – on the basis of prudence – a savings target of £4m is adopted for further enquiry.

A Budget Timetable for the 2024/25 Budget has been prepared and which incorporates a high level of challenge and review by the Overview and Scrutiny Committee.

Aside from the 'business-as-usual' revenue shortfall of c £11m in 2024/25 the Council also has to deal with the Deficit highlighted in the recent Section 114 Notice (7 June) and needs to commence engagement with the Government Department (DLUHC) to seek agreement of a large package of financial support. This engagement is set to commence shortly led by Commissioners with the Council's statutory officers.

The MTFS (and MTFP) will be further updated for the meeting of Executive in September 2023.

The Provisional Finance Settlement from Government is expected in late December 2023; however on this occasion the agreement of support arrangements with Government is of overwhelming importance in allowing Council to set a Budget for 2024/25 which is balanced in line with the requirements of legislation.

Recommendations

The Executive is requested to:

RECOMMEND TO COUNCIL That

- (i) the Budget Timetable be noted;**
- (ii) the Guiding Principles be approved;**
- (iii) the Capital Planning Principles be approved;**
- (iv) it be noted that the Capital Planning Methodology will be re-designed before Budget Council on 8 February 2024;**
- (v) it be noted that the Investment Programme has been suspended indefinitely on grounds of affordability;**
- (vi) the savings for consultation (FFP 3(A)) including those relating to possible reductions in the Council's staffing establishment be approved;**
- (vii) it be noted that the Treasury Management Strategy, Financing Strategy, and related documents will be re-set for Budget Council in February 2024;**
- (viii) the MTFS and embedded MTFP as an estimate of the Council's current financial position be approved; noting that the figures will change as further updating takes place; and**
- (ix) the preparation of an Assets Rationalisation Plan be noted.**

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Reasons for Decision

Reason: The decision is sought to ensure open and transparent governance in the financial affairs of the Council in balancing the 2024/25 Budget.

The item(s) above will need to be dealt with by way of a recommendation to Council.

Background Papers: [Medium Term Financial Strategy agreed by Executive on 23 March and Council on 30 March 2023](#)

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Date Published: 5 July 2023