

TEWKESBURY BOROUGH COUNCIL

Report to:	Executive Committee
Date of Meeting:	4 January 2023
Subject:	Medium Term Financial Strategy 2023/24 – 2027/28
Report of:	Head of Finance and Asset Management
Head of Service/Director:	Head of Finance and Asset Management
Lead Member:	Lead Member for Finance and Asset Management
Number of Appendices:	Six

Executive Summary:

The Medium Term Financial Strategy (MTFS) provides the financial plan for the Council for the period 2023/24 – 2027/28. It sets out the expected level of funding available to support the delivery of services, the likely cost of providing those services, the growth in service budgets that will be necessary to meet additional demands and the gap that exists between the funding available and the cost of service delivery. The strategy concludes with the plans that the Council has to close that funding gap.

Recommendation:

The Executive Committee is asked to RECOMMEND TO COUNCIL that the Medium Term Financial Strategy 2023/24 – 2027/28 be ADOPTED.

Financial Implications:

The Council could face a deficit in its base budget of £6.23m in the next 5 years. This is based upon on a set of assumptions around funding that are uncertain but are the best available at this time. Assumptions have also been made, based on latest forecasts, around the likely cost of services over the time frame.

The Council must set a balanced budget on an annual basis – it cannot run deficits and cannot borrow to fund day-to-day service delivery. In the event that it does not have sufficient resource to meet its expenditure needs, a s114 notice will need to be issued and a balanced budget re-established within the financial envelope available to the Council.

Legal Implications:

None.

Environmental and Sustainability Implications:

None directly associated with this report.

Resource Implications (including impact on equalities):

None directly associated with this report.

Safeguarding Implications:

None directly associated with this report.

Impact on the Customer:

None directly associated with this report.

1.0 INTRODUCTION

1.1 Financial planning is fundamental to good financial management and the strategic management of the authority over the long term. The Medium Term Financial Strategy (MTFS) sets out resource availability to meet service expenditure expectations and identifies where the two are not aligned.

2.0 MEDIUM TERM FINANCIAL STRATEGY 2023/24 – 2027/28

2.1 The Medium Term Financial Strategy (MTFS) is a key element within the Council's overall strategic planning framework. The Strategy takes a medium term perspective and is reviewed, updated and rolled forward annually to set a framework for how budget pressures and priorities will be managed within the best estimates of available resources.

2.2 The MTFS outlines the budget that will be delivered over the medium to long-term. A further report, specifically on the 2023/24 detailed budget, will be presented to both Executive Committee and Council in February 2023 for member approval.

2.3 It is important to understand that the MTFS does not constitute a formal budget in respect of the period 2023/24 to 2027/28 and as such the indicative annual assumptions included both within the projected spending pressures and the potential funding detailed, will be subject to a full review and decision making process as part of each of the annual Revenue Budget and Council Tax setting decisions.

2.4 Instead, the MTFS is intended to outline, in broad terms, the specific funding and service issues over the period based on the latest assumptions and how the Council will, within its financial constraints, fund its core services and priorities.

2.5 The position of Local Government finance has been uncertain for long period of time and successive MTFS's have tried to outline a medium term plan against this undefined backdrop. In producing this year's strategy, there is continued uncertainty with some of the issues contributing towards this including:

- A further minimum two year delay to funding reform.
- A further minimum two year delay to the business rates system reset.
- The introduction of a further 'one off' grant in the form of the Funding Guarantee.
- New Homes Bonus extended for a further year with clarity to be provided on a replacement scheme before the 24/25 settlement.
- Public spending expectations of not more than 1% for the next spending review period.
- The economic impact of a range issues leading to high inflation, increased borrowing costs and recession.
- The General Election expected in late 2024 or early 2025.

- 2.6** In addition to the national uncertainty the Council faces with regards to its financial plans, both corporate and service-related financial pressures continue to have a significant impact on the Council's forwards projections of its financial position. These include:
- Increased salary growth pressure.
 - The local impact of high inflation on service budgets.
 - Increasing demand for additional resources to meet a range of service requirements and pressures.
 - Growth within our services and our council plan ambitions.
- 2.7** The MTFS also contains important strategic planning in a number of areas in order that the Council can plan for the changes it will need to make in the medium term to ensure it is able to meet its statutory duty of producing a balanced budget on an annual basis.
- 2.8** Best estimates have been made of the future financial position of the Council within the attached MTFS based on current assumptions of both government and local policy. Clearly the projections within the MTFS are subject to potentially significant change as a result of government policy on local government finance, either positively or negatively, and therefore strategic financial management of this authority will need to be flexible to be able to respond to the rapidly moving agenda.
- 3.0 CONSULTATION**
- 3.1** Transform Working Group has been consulted on the production of the MTFS.
- 4.0 ASSOCIATED RISKS**
- 4.1** Financial risks are detailed within the strategy.
- 5.0 MONITORING**
- 5.1** The MTFS will be kept under continual review and amended in line with significant policy changes. Performance will be monitored against the plan by Members through the quarterly budget and performance monitoring reports whilst budget proposals will be presented in February of each year.
- 6.0 RELEVANT COUNCIL PLAN PRIORITIES/COUNCIL POLICIES/STRATEGIES**
- 6.1** None.

Background Papers: Interim Medium Term Financial Strategy 2023/24 – 2024/25.

Contact Officer: Head of Finance & Asset Management

Appendices:

- 1 – Medium Term Financial Strategy 2023/24 – 2027/28.
- A – Forecast Total Resources.
- B – Aged profile of Resources.
- C – Real terms funding impact.
- D – Forecast net expenditure.
- E – Live actions in the Deficit Reduction Programme.