

## Medium-Term Financial Plan (MTFP) 2023/24 to 2027/28

*Updated February 2023*

### 1. Background

- 1.1 The preparation of a Medium-Term Financial Plan (MTFP) provides the cornerstone on which the Council can build and deliver services in accordance with the aims and objectives outlined in the Corporate Plan 2018-2023, which are grouped under the three corporate ambitions: Stronger Communities, Stronger Place and Stronger Council.
- 1.2 Through 'horizon scanning' and anticipating necessary change at the earliest opportunity, providing resilience, and the ability to react to and withstand 'major shocks' is achieved.

### 2. Introduction

- 2.1 This is the third (and final) iteration of the MTFP within the 2023/24 budget cycle and covers both the General Fund and the ring-fenced Housing Revenue Account (HRA). It is a forward-looking document which provides a tentative look at the Council's General Fund financial picture over the next five years (2023/24 through to 2027/28) and re-evaluates the position in the light of the development and completion of the draft 2023/24 budget.

### 3. General Fund MTFP

- 3.1 The October 2022 MTFP revealed a projected General Fund deficit of £4.126 million for 2023/24, which reflected a range of inflationary pressures and the loss of Government grant of £1.154 million compared to 2022/23. Estimated net expenditure was £19.402 million, compared to funding of just £15.276 million.
- 3.2 The initial draft budget proposals presented to Cabinet on 20th December 2022 addressed the original deficit identified in October 2022, to achieve an early balanced position. However, the provisional Local Government Finance Settlement for 2023/23 had not been incorporated into the figures at that point; a range of interim assumptions therefore had to be made. In the context of the current economic crisis, it is also a rapidly evolving financial picture generally, which requires factoring into the Council's final budget assumptions.
- 3.3 The December 2022 **General Fund** MTFP projections can be summarised as follows:

General Fund MTFP (@ December 2022)		
Financial Year	(Surplus)/Deficit	Comment
	£000's	
2023/24	0	Assumed Government grant of £0.250 million (£1.154 million in 2022/23) + Contribution to Reserves of £0.221 million (£0.337 million in 2022/23)
2024/25	1,268	New Waste Management contract assumed with effect from November 2024
2025/26	1,033	
2026/27	196	
2027/28	353	

3.4 The Government announced the provisional Local Government Finance Settlement for 2023/24 in December 2022, and further work has been done by Finance officers on a range of issues (discussed in detail in **Appendix A**). This has enabled the initial draft budget to be refined and 're-balanced' for final consideration by Cabinet at this meeting. The updated MTFP (2023/24 through to 2027/28), reflecting the final draft General Fund budget for 2023/24, is illustrated in the table below.

<b>General Fund MTFP illustration (@ February 2023)</b>						
<b>Description</b>	<b>2023/24 (INITIAL DRAFT) Dec. 2022</b>	<b>202/24 (FINAL DRAFT) Feb. 2023</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
<b><i>NET EXPENDITURE</i></b>						
Employees	22,578	22,550	23,190	23,641	24,093	24,555
Premises	3,605	3,649	3,923	4,201	4,285	4,371
Transport	171	171	179	183	186	190
Supplies & Services	8,802	9,034	9,409	9,594	9,786	9,982
Support Services	3	3	3	3	3	3
Contracted Services	9,445	9,513	9,847	10,125	10,226	10,329
Transfer Payments	22,210	22,210	22,210	21,100	20,045	19,042
Financing Costs	3,309	3,589	5,632	5,688	5,990	5,925
S Contingency (Waste)	0	400	0	0	0	0
C Contingency (Qualis)	722	713	0	0	0	0
<b>Gross Expenditure</b>	<b>70,845</b>	<b>71,832</b>	<b>74,392</b>	<b>74,535</b>	<b>74,615</b>	<b>74,397</b>
Fees & Charges	(17,272)	(17,644)	(18,443)	(18,688)	(18,937)	(19,190)
Government Contributions	(24,137)	(24,022)	(24,015)	(22,897)	(21,835)	(20,826)
Miscellaneous Income (inc. Qualis)	(3,697)	(3,500)	(3,847)	(3,917)	(3,668)	(3,421)
Other Contributions	(4,099)	(4,041)	(4,041)	(4,041)	(4,086)	(4,041)
HRA Recharges	(4,981)	(4,984)	(5,134)	(5,237)	(5,341)	(5,448)
<b>Net Expenditure</b>	<b>16,659</b>	<b>17,641</b>	<b>18,913</b>	<b>19,755</b>	<b>20,747</b>	<b>21,471</b>
<b><i>FUNDING</i></b>						
Council Tax	(8,883)	(8,899)	(9,077)	(9,259)	(9,398)	(9,539)
Business Rates	(5,766)	(5,766)	(6,054)	(6,175)	(6,299)	(6,425)
Collection Fund Adjustments	(511)	(645)	(276)	0	0	0
CT Sharing Agreement	(748)	(615)	(715)	(765)	(815)	(815)
Revenue Support Grant	0	(129)	(135)	(138)	(141)	(143)
New Homes Bonus	0	(78)	0	0	0	0
2023/24 Services Grant	0	(129)	0	0	0	0
Other Grants	(250)	(929)	(929)	(929)	(929)	(929)
To/(from) Reserves	(501)	(451)	263	263	263	263
<b>Total Funding</b>	<b>(16,659)</b>	<b>(17,641)</b>	<b>(16,924)</b>	<b>(17,004)</b>	<b>(17,319)</b>	<b>(17,589)</b>
<b>In-Year (Surplus)/Deficit</b>	<b>0</b>	<b>0</b>	<b>2,389</b>	<b>762</b>	<b>677</b>	<b>454</b>
<b>Cumulative (Surplus)/Deficit</b>	<b>0</b>	<b>0</b>	<b>2,389</b>	<b>2,751</b>	<b>3,428</b>	<b>3,883</b>

3.5 As presented in **Appendix A**, the initially balanced General Fund budget for 2023/24 presented in the December 2022 MTFP has now been 're-balanced'. It is a complex exercise to draw detailed comparisons between the different iterations of the MTFP; there are multiple variables that 'roll up' cumulatively as the years progress. However, it is possible to highlight the key influences in Years 2 (2024/25) and 3 (2025/26) as follows:

- **2024/25 (£2.389 million deficit)** – this represents a deterioration compared to a projected deficit of £1.268 million in the December 2022 MTFP. The difference is primarily due to increased Financing costs driven partly by changes to the General Fund Capital Programme and partly by rising interest rates. The Financing costs for 2024/25 in December 2022 were assumed to be £3.894 million, but this iteration of the MTFP now assumes £5.632 million. The most significant factor is the proposed inclusion of the Waste Vehicle Fleet purchase on the Capital Programme at a capital cost of £9.220 million, thus triggering estimated annual Financing costs of £1.289 million. Although it is expected that these additional costs will be broadly matched by a saving on any future Waste Contract, the capital financing rules require a full "Minimum Revenue Provision" (MRP) charge in 2024/25 of £966,000, whereas the bulk of the saving (£563,000) will not be realised until 2025/26 (any new contract is expected to begin in November 2024, thus straddling two financial years); and
- **2025/26 (£0.762 million deficit)** – in contrast, this represents an improvement compared to a projected deficit of £1.033 million in December 2022. The timing difference on Financing costs for the Waste Vehicle Fleet described above alters the two-year profile, with a more pronounced deficit now anticipated in 2024/25, following by a sharper reduction in 2025/26.

3.6 Embedded in the overall forecasts are a range of net spending and funding issues and assumptions. Key **net spending** highlights and assumptions include the following:

- **Inflation** – the published CPI rate for December 2022 was 10.5% (down from 10.7% in November 2022). Most commentators (including the Bank of England) are anticipating that the spike in inflation peaked in October 2022 (at 11.1%). Therefore, a core inflation rate of 5.0% has now been assumed for the purposes of projecting the 2024/25 figures, reducing thereafter (2025/26 to 2027/28) to 2.0%, which is the Bank of England's long-term target rate. A notable exception is Employee Costs; as reported in **Appendix A**, a pay award of 4.0% has been assumed for 2023/24 and the provisional 3.0% increase assumed for 2024/25 in October 2022 has also been retained. From 2025/26 onwards, annual pay increases of 2.0% have been included.
- **Growth** – no discretionary budget growth items were assumed in the projections presented in October or December 2022. That assumption remains unchanged.
- **Financing Costs** – the cost of the expanded Capital Programme is driving an increase in Financing costs, although following a stepped increase in 2024/25 (up to £5.632 million), a relatively stable position is anticipated in the following years, with a peak of £5.990 million expected in 2026/27. The volatility of interest rates remains a concern.
- **Service Contingency (Waste)** – an assumed contingency of £400,000 in relation to the cost pressures faced by the Waste Management service is currently assumed for 2023/24 only.
- **Corporate Contingency (Qualis)** – an assumed contingency of £712,880 in relation to the Qualis income stream is currently assumed for 2023/24 only. This is something that will be kept under continuous review by Finance officers.

- **Qualis Income** – on-lending to Qualis is expected to gather pace in 2023/24 and 2024/25, leading to higher income levels from loan margins for the next three financial years, peaking at £3.269 million in 2025/26 (see discussion above on Contingency)
- **Fees and Charges** – income from Fees and Charges is assumed to track core inflation; an average increase of 5.0% is anticipated for 2024/25, reducing to 2.0% thereafter. No increases in Car Parking charges are assumed; and
- **HRA Recharges** – at this stage, recharges to the HRA are assumed to be relatively stable from 2024/25 onwards with just inflationary increases only applied. However, Transformation work on General Fund services can be expected to yield savings that can be shared with the HRA; this will be reflected in future iterations of this MTFP.

### 3.7 Key **funding** highlights and assumptions include the following:

- **Council Tax** – as reported in **Appendix A**, there is a proposal to increase the Council Tax by 2.98% for 2023/24. Thereafter, no Council Tax increases are assumed, with slightly higher growth in the tax base (of 2.0%) assumed in 2024/25 and 2025/26 as a gradual recovery from the current economic crisis is presumed (settling down to 1.5% from 2026/27 onwards). Members of course have the option to alter these assumptions.
- **Business Rates** – the estimated amount that the Council can expect to receive from the Business Rates Retention (BRR) scheme at this stage has been based on relatively sophisticated estimates for 2023/24 only. Thereafter, funding from this source is currently assumed to track core inflation (5.0% in 2024/25, followed by 2.0% from 2025/26 onwards).
- **Collection Fund Adjustments** – assumed Collection Fund adjustments are extremely difficult to forecast beyond the immediately forthcoming financial year. A prudent ‘neutral’ assumption has been included for Council Tax in this iteration of the MTFP from 2024/25 onwards. However, emerging intelligence on Appeals cases, means that a modest surplus distribution from Business Rates is anticipated in 2024/25, followed by a neutral assumption (as with Council Tax) from 2025/26 onwards.
- **Council Tax Sharing Agreement (CTSA)** – a dip in funding is expected in 2023/24 on the CTSA scheme, although a steady recovery is anticipated in 2024/25, 2025/26 and 2026/27 reflecting an assumed improvement in the economic position.
- **Grants** – the bulk of the Revenue Support Grant relates to the former Local Council Tax Support (LCTS) Administration Grant, so is expected to remain, and track core inflation. In contrast, although extremely uncertain, based on previous Government pronouncements, it is assumed that no equivalent funding for New Homes Bonus or the Services Grant will be made available from 2024/25. However, at the time of preparing this MTFP, it does seem reasonable to assume that the Government will continue to protect “core spending power” for some time yet; on that basis, it is assumed that the Funding Guarantee Allocation will remain at a static £929,050.

- **Use of Reserves** – as reported elsewhere on this agenda, the Council’s General Fund Reserve is now expected to fall below its recommended minimum contingency level of £4.0 million by 31st March 2023, with a forecast overspend of £1.313 million included in the Quarter 3 report for 2022/23. This iteration of the MTFP therefore assumes an annual repayment of £262,620 (£1.313 million over five years) to the General Fund Reserve; whilst the deficit is a moving target, a regular contribution of this size strikes a balance between prudence and affordability.

**4. Housing Revenue Account (HRA) MTFP**

4.1 The December 2022 MTFP revealed a projected HRA surplus of £0.371 million for 2023/24, with a broad breakeven position anticipated over the five-year period. The table below summarises the December position.

Housing Revenue Account MTFP (@ December 2022)		
Financial Year	(Surplus)/Deficit	Comment
	£000's	
2023/24	(371)	
2024/25	(20)	
2025/26	282	Assumed £900,000 saving from Qualis re Housing Repairs
2026/27	(8)	
2027/28	58	

## Appendix D

4.2 The updated MTFP (2023/24 through to 2027/28), reflecting the final draft HRA budget for 2023/24, is illustrated in the table below.

<b>HRA MTFP illustration (@ February 2023)</b>						
<b>Description</b>	<b>2023/24 (INITIAL DRAFT BUDGET) Dec. 2022</b>	<b>2023/24 (FINAL DRAFT BUDGET) Feb. 2023</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Employees	5,013	5,013	5,130	5,217	5,322	5,428
Premises	6,113	6,218	6,659	6,813	6,983	7,123
Transport	78	78	82	84	85	87
Supplies & Services	1,402	1,402	1,257	1,486	1,189	1,213
Contracted Services	7,198	7,198	7,649	6,916	7,064	7,205
Support Services (GF Recharges)	4,981	4,984	5,134	5,237	5,341	5,448
Debt Management Expenses	65	65	69	70	71	73
Bad Debt Provision	99	99	107	108	110	114
Depreciation	9,137	9,137	9,320	9,506	9,696	9,890
<b>Total Expenditure</b>	<b>34,086</b>	<b>34,195</b>	<b>35,407</b>	<b>35,437</b>	<b>35,862</b>	<b>36,581</b>
Rental Income – Dwellings	(37,408)	(37,419)	(40,576)	(40,996)	(42,002)	(43,381)
Rental Income – Non-Dwellings	(936)	(936)	(983)	(1,002)	(1,022)	(1,043)
Fees & Charges (charged for services)	(2,793)	(2,793)	(3,004)	(3,075)	(3,147)	(3,283)
Other Contributions (shared amenities)	(383)	(383)	(393)	(401)	(409)	(417)
<b>Total Income</b>	<b>(41,520)</b>	<b>(41,531)</b>	<b>(44,956)</b>	<b>(45,474)</b>	<b>(46,580)</b>	<b>(48,124)</b>
<b>Net Cost of Services</b>	<b>(7,434)</b>	<b>(7,336)</b>	<b>(9,549)</b>	<b>(10,037)</b>	<b>(10,718)</b>	<b>(11,543)</b>
Interest Received	(9)	(8)	(8)	(6)	(4)	(3)
Financing Costs	5,610	5,616	(6,704)	(7,732)	(8,160)	(8,600)
<b>Net Operating Income</b>	<b>(1,833)</b>	<b>(1,728)</b>	<b>(2,853)</b>	<b>(2,311)</b>	<b>(2,562)</b>	<b>(2,946)</b>
<i>Appropriations:</i>						
HRA Contributions to Capital	1,462	1,364	2,878	2,606	2,566	3,016
Contributions to/(from) Reserves	0	0	0	0	0	0
<b>Total Appropriations</b>	<b>1,462</b>	<b>1,364</b>	<b>2,878</b>	<b>2,606</b>	<b>2,566</b>	<b>3,016</b>
<b>(Surplus)/Deficit</b>	<b>(371)</b>	<b>(364)</b>	<b>25</b>	<b>295</b>	<b>4</b>	<b>70</b>

- 4.3 Further work on the detailed budget assumptions in the initial draft budget has resulted in a limited number of refinements to the 2023/24 figures (covered in **Appendix A**). This has marginally reduced the projected 2023/24 surplus to £0.364 million (down from £0.371 million in December 2022). The rest of the MTFP – from 2024/25 through to 2027/28 – continues to present a very stable position, with a breakeven position still projected over the 5-year period 2023/24 through to 2027/28.
- 4.4 As discussed in **Appendix B**, the data in the “Fortress” (HRA Business Plan) model is still being further refined and will be updated during 2022/23 to reflect the outcome of an independent Stock Condition Survey, which is in progress at the time of preparing this iteration of the MTFP. This will help inform future iterations of the HRA MTFP.