

Meeting: EXECUTIVE
Portfolio Area: RESOURCES & TRANSFORMATION

Agenda Item:



Date: 18 SEPTEMBER 2024

GENERAL FUND MEDIUM TERM FINANCIAL STRATEGY UPDATE (2024/25 – 2028/29)

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1. PURPOSE

- 1.1. To update Members on the General Fund Medium Term Financial Strategy (MTFS).
- 1.2. To advise Members concerning the current and future position of the Council's General Fund budget over the next five years.
- 1.3. To update Members regarding the revised inflation projections and pressures for the General Fund MTFS.
- 1.4. To update the 'Balancing the Budget' Future Town Future Council (FTFC) financial targets for the period 2025/26 – 2028/29.

2. RECOMMENDATIONS

- 2.1 That Members approve the change to the MTFS principles, as outlined in paragraph 3.11 to this report and as amended in paragraph 4.9.7.
- 2.2 That, for modelling purposes, Council tax increases be set at the maximum threshold allowed by the government in order to help achieve a balanced budget as set out in paragraph 4.6.10. The MTFS has modelled a 1.99%, but the CFO recommends that if the threshold is set higher by the government this should be applied.
- 2.3 That the updated inflation assumptions used in the MTFS as set out in section 4 of the report be approved.
- 2.4 That the approach to the 'Balancing the Budget' options as set out in section 4.8 be approved.

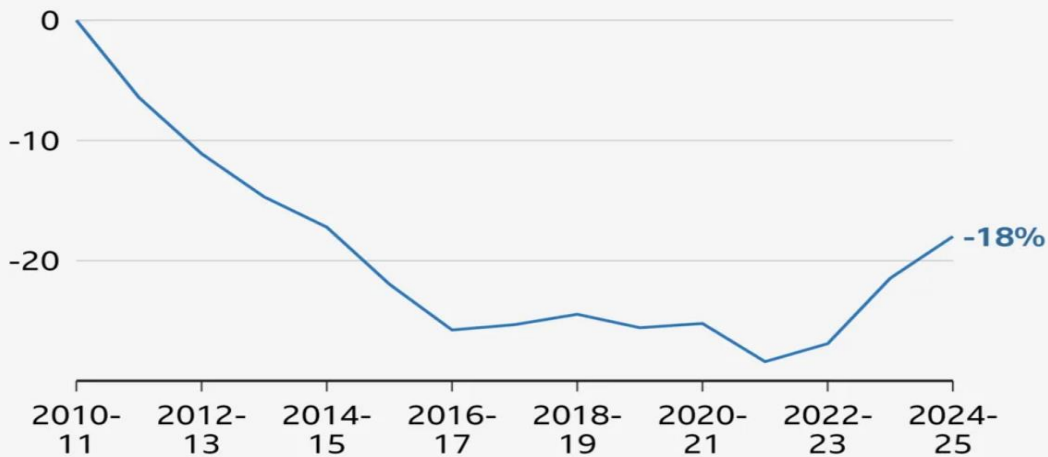
- 2.5 That a Balancing the Budget Target of £2.985Million, (of which £1.285Million relates to 2025/26), be approved for the period 2025/26- 2027/28, as set out in section 4.9 of the report.
- 2.6 That General Fund growth is only approved for the Council's FTFC priorities and that any growth would need to be funded from increased savings in addition to the £2.985Million target identified.
- 2.7 That a minimum level of balances for the General Fund of £3.45million be approved for 2025/26 as set out in paragraph 4.10.7.
- 2.9 The MTFS is regularly reviewed and revised to reflect any material financial pressures so forecasts are updated and re-presented to the Cabinet for approval.
- 2.10 That the Trade Unions and staff be consulted on the key messages contained within the MTFS and more specifically when drawing up any proposals where there is a risk of redundancy.

3. BACKGROUND

- 3.1 The MTFS is presented at least annually to the Executive and more often if financial risks are heightened which have included the impacts relating to COVID and the recent cost of living crisis.
- 3.2 This report will provide Members with a projection for the General Fund for the period 2024/25-2028/29, with particular emphasis on the current and next year's budgets. The 2024/25 original budget still contained legacy financial pressures which arose during the COVID pandemic such as lower parking income (with people adopting new hybrid working patterns) and higher inflationary pressures particularly for utilities and fuel following the Russian invasion of Ukraine and the ensuing cost of living crisis, although as reported in the 1st Quarter monitoring report to this committee these pressures are now projected to be reducing.
- 3.3 The financial challenges outlined above follow more than a decade of local authority funding cuts which, when considered alongside the need to absorb inflationary pressures and taxation changes results in the need to make significant savings in order to balance the books. Inflationary and service pressures have continued to outstrip the main source of General Fund net expenditure funding, income from council tax rises (capped by government policy at 2.99% for 2024/25).
- 3.4 In 2024 the British Broadcasting Company (BBC) reported on its website about an Institute for Fiscal Studies (IFS) Local Government report, which showed that Councils funding is still down by 18% when compared to 2010.

Councils' funding still down almost a fifth since 2010

Percentage change in inflation-adjusted core funding per person for English local authorities



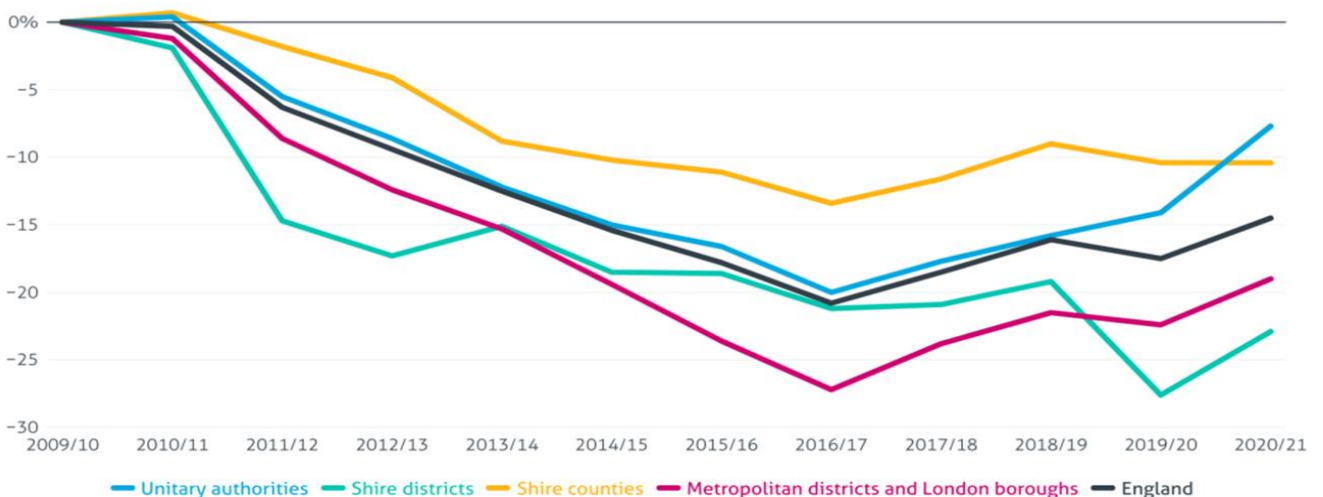
Source: Institute for Fiscal Studies

BBC

- 3.5 In an earlier IFS report (March 2020) they reported that the deepest local government funding cuts have been experienced by shire districts. In part this is because they did not benefit from the 2019/20 and 2020/21 social care uplifts given to upper and single-tier authorities.

Change in local authority spending power since 2009/10, by type of authority

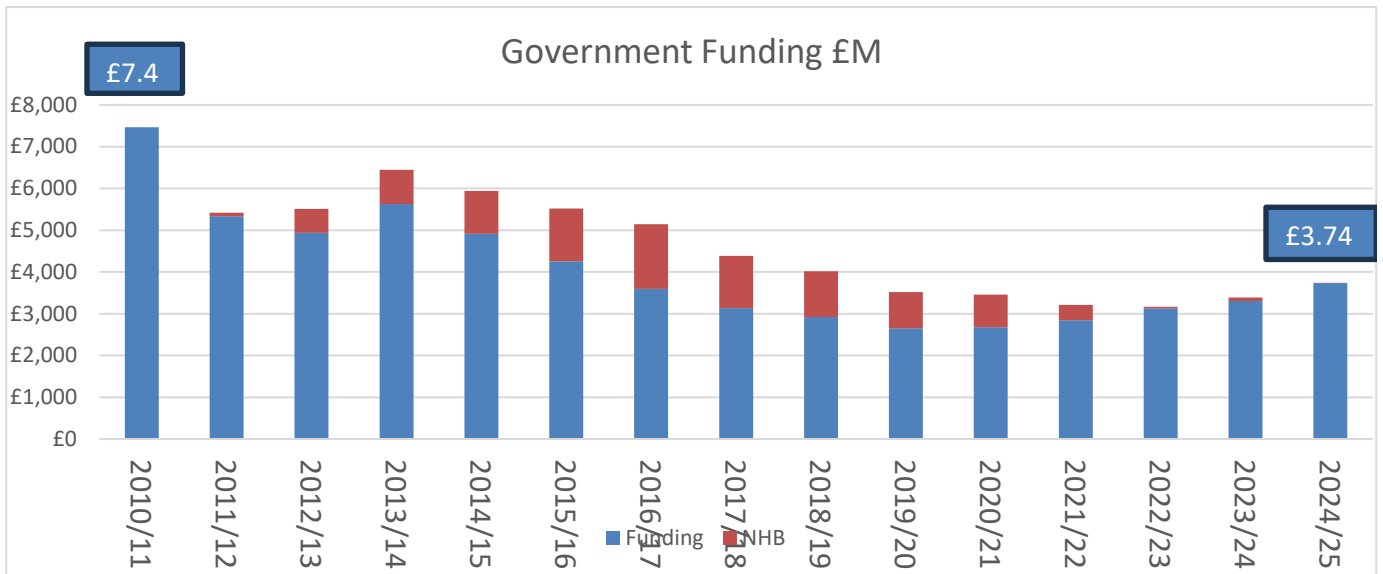
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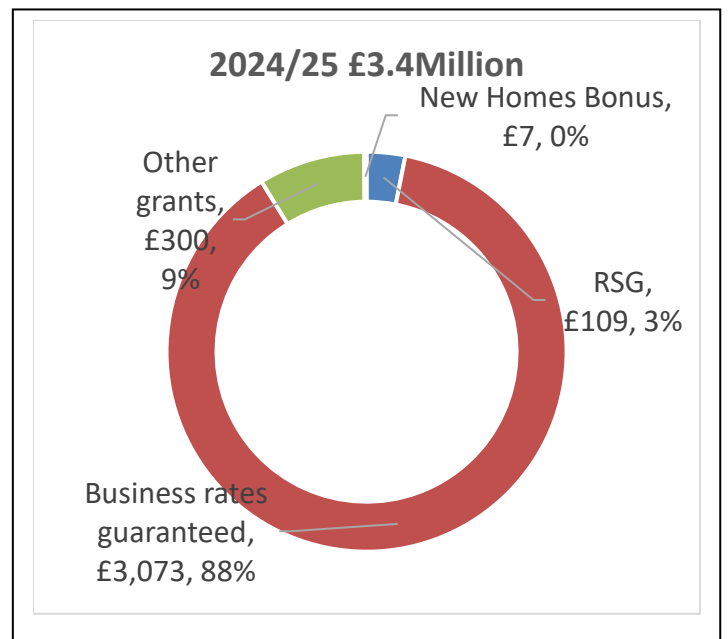
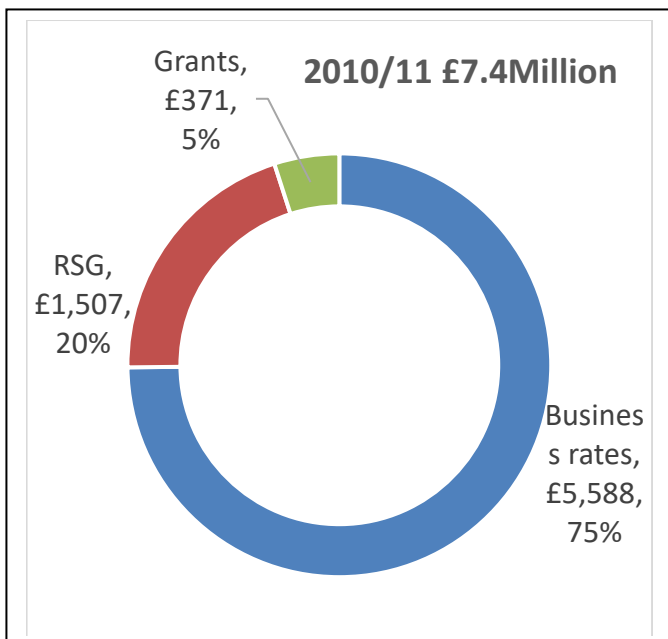
Source: Institute for Government analysis of DLUHC, Local Authority Revenue expenditure and financing in England: individual local authority data – revenue outturn. Notes: 'England' excludes 'Other' authorities, and excludes grants for education services, police, and public health. The sharp increase in Unitary authority spending power between 2018/19 and 2020/21 mostly reflects local authority reorganisations in Dorset and Buckinghamshire. This analysis excludes 2021/22 because totals are still provisional.

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- 3.6 At a local Council level Stevenage's 2010/11 government funding adjusted for subsequent changes for council tax support etc is £3.72Million for 2024/25 after 14 years and before consideration of a 10% population growth and 14 years of compound inflationary pressures.

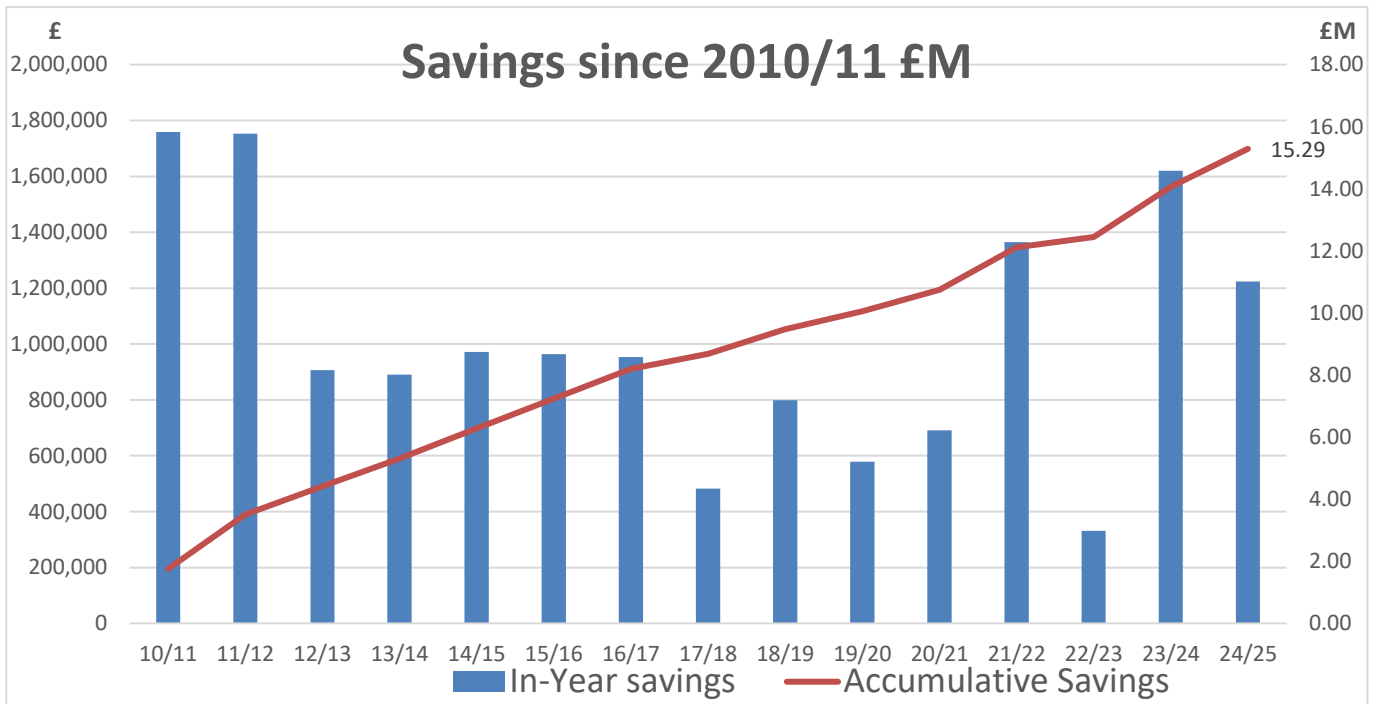


3.7 To illustrate that difference, In 2010/11, government funding support for SBC was £7.4Million (after adjusting for council tax support costs introduced in 2012/13), compared to £3.7Million for 2024/25. The business rate funding in 2024/25 is only guaranteed at 92.5% of the total funding with individual Councils having to pick up the first 7.5% of business rate losses. In addition, there is no certainty that grants such as the 4% guarantee grant will be on-going.



Numbers are £'000

3.8 Despite the significant financial pressures the Council has faced 2010/11 onwards the Council has had a track record of identifying and delivering permanent savings to reduce the over all financial footprint of the Council and to date has delivered £15Million through it's saving priority, currently 'Balancing the Budget' (see also section 4.8) as summarised in the chart below.



3.9 Looking forward the previous government’s projected public sector spending (using the 2023 spending review), funding increases beyond April 2025 were only slightly under 1% in real terms every year, baking in the erosion of real budgets from higher inflation. The conservative government’s commitment to spending increases on the NHS, defence, foreign aid and childcare implies real terms cuts for unprotected areas of spending such as services provided by District Councils and the Office for Budgetary Responsibility (OBR) estimate falls of over 2% per year in real terms. It is not clear what the new labour administration will do, whether they will use spend envelope of the last administration or increase funding.

3.9 These funding challenges further evidence the importance of MTFs planning which is the mechanism through which the Council assesses the financial impacts of national and local pressures. All budget challenges are modelled and the impacts on the draw and level of balances are considered, such as:

- National and local government policy on the five year forecast of resources for the General Fund (and Housing Revenue Account);
- Local pressures emerging from service provision, i.e. ICT licence costs
- Legacy COVID financial impacts that remain due to changes in customer behaviour.
- Inflationary pressures on the Council’s finances

3.10 Individually, in year or on-going financial pressures may sometimes be absorbed through a draw on balances or by a small increase to the level of savings, subject to the shortfall in any one year and post considering what is realistically achievable.

3.11 The current approved MTFs principles are set out below.

No	MTFS principles
1	To ensure the financial resilience of the General Fund that any net funding gap is reduced by 2027/28.

No	MTFS principles
2	To consider as part of the budget setting process, and throughout the year as necessary, what support can be given to the community, tenants, leaseholders and businesses in times of particular hardship.
3	To use the Council's reserves in a cost-efficient and planned manner to deliver the Council's priorities.
4	To maximise the Council's income by promptly raising all monies due and minimising the levels of arrears and debt write-offs.
5	To identify alternative means of resourcing the Capital Strategy to minimise the impact of borrowing (GF only).
6	In setting General Fund balances a % for overruns (currently 1.5%), specific known risks, loss of savings & risks associated with new ventures and the cost of borrowing for the capital programme is included.
7	To identify variations to the approved budget via quarterly monitoring and only incur additional on-going spending when matched by increased income or identified savings.
8	To propose Council tax increases in line with the Government 's annual thresholds for modelling purposes to ensure that the General Fund core resources are sufficient to meet the cost of running the Council's services.
9	To ensure that resources are aligned with the Council's Strategic Plan and FTFC priorities and growth limited to the Council's top priorities
10	The Council does not depend upon short term sources of funding such as business rate gains and in any one year only allows a proportion of the gains to be retained in the General Fund based on the MTFS projections.

4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

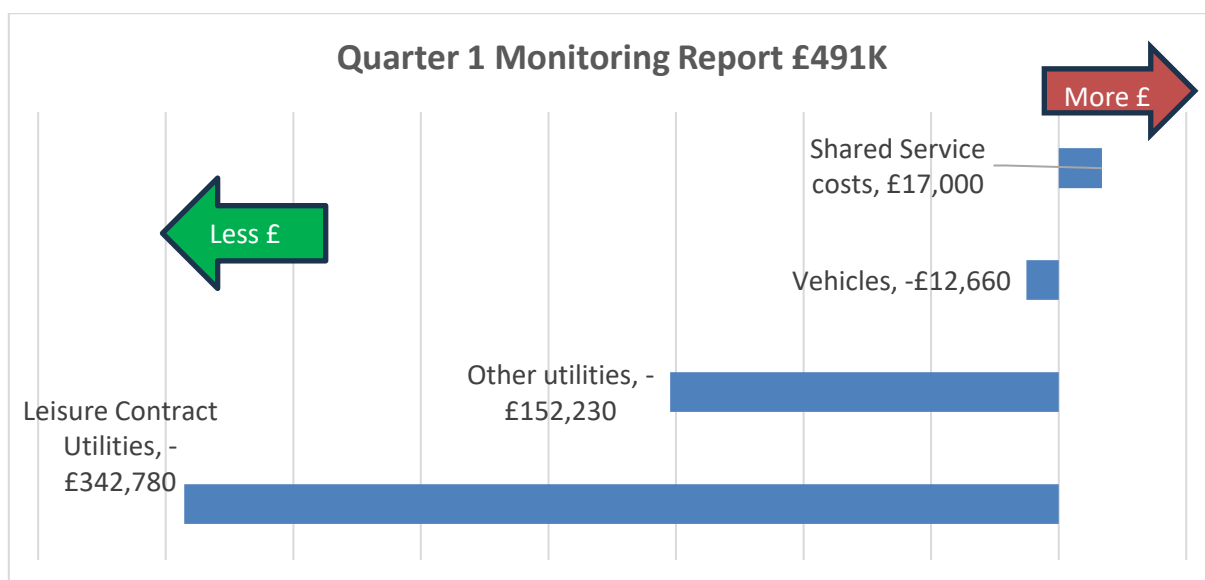
4.1 General Fund pressures

4.1.1 Included within the MTFS modelling are a number of considerations which are:

- Inflationary pressures (section 4.2)
- Consideration of new service or income pressures (section 4.3)

4.2 Inflationary Pressures

4.2.1 The 2024/25 MTFS projection for inflation has reduced from £931K (2023/24 £1.72Million) to £416K, £570K lower, largely due to lower utility costs (£495K) as included in the 1st Quarter Monitoring report to this committee. In total £491K of inflation reductions have been identified, (despite including the estimated shared service cost for 2025/26 increasing by a further £136K), contributing to the savings target for 2025/26.

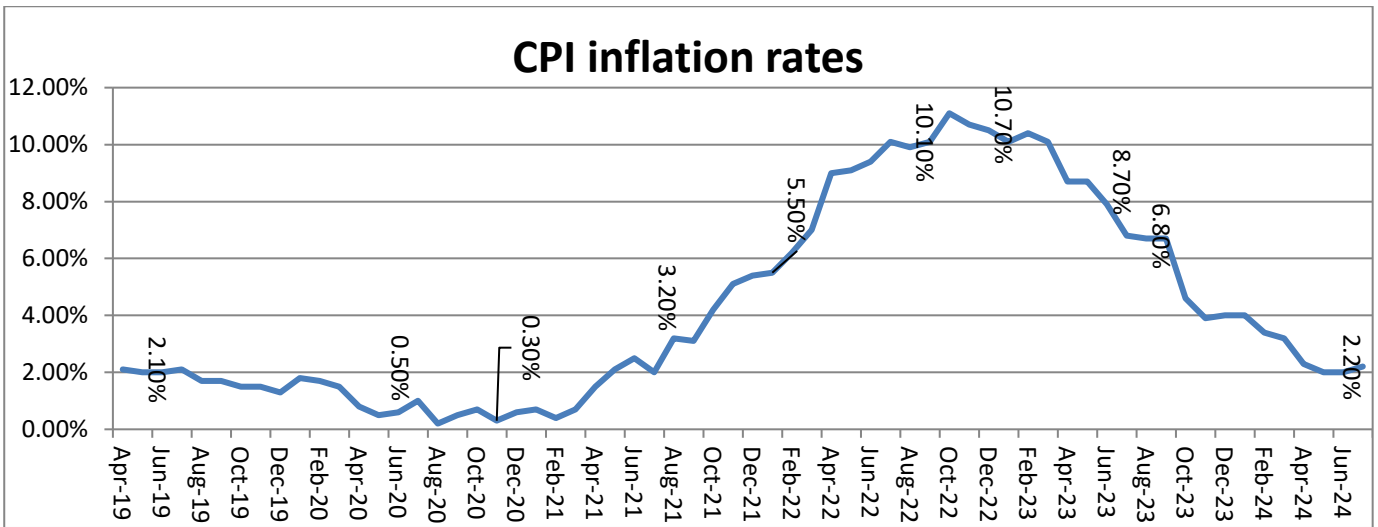


4.2.2 In addition to the 1st quarter changes the MTFs also includes an assumption regarding the cost of the 2024/25 pay award. The current 2024/25 employer offer has been rejected by the union Unison is a £1,290 increase for staff earning up to £51.5K (£1925 for 2023/24) with other officers receiving a 2.5% increase. The budget included a 3.5% increase for the pay award of £758K, (before HRA share of £144K). If the current deal was agreed there would be a reduction in General Fund costs of circa £80K. While this decrease has been reflected in the latest MTFs it has not been included in the 'Balancing the Budget' target, as the employer offer may be revised. The current deal is once again to mitigate the impact on the pay scales from the increases in the minimum wage (2023/24 and 2022/23 £1,925). While this is welcome for Local Government employees who face increased costs of living and have had below inflation pay increases in previous years pay awards, they are not government funded and also outside of the Council's control.

4.2.3 The 2025/26 onwards inflation assumptions are summarised in the table below. The July Consumer Price Index (CPI) was 2.2% (June 2024 2%), the MTFs assumes that inflation will remain at this level reducing inflationary pressures compared to previous years, however this remains uncertain. Lower inflation will reduce the financial pressure on the General Fund and in turn subject to other pressures being identified reduce the need to make higher levels of 'Balancing the Budget' savings.

	2025/26	2026/27	2027/28	2028/29
Inflation-Applied to:				
September CPI for business rate increases	2.00%	2.00%	2.00%	2.00%
Salaries - % increase	3.00%	2.00%	2.00%	2.00%
CPI indices increases	2.00%	2.00%	2.00%	2.00%
Investment interest	4.00%	3.00%	3.00%	3.00%
Fuel Increases	3.00%	5.00%	5.00%	5.00%
Gas & Electric Increases				
Gas (unit charge only)	5.00%	5.00%	8.00%	8.00%
Electricity (unit charge only)	5.00%	5.00%	8.00%	8.00%

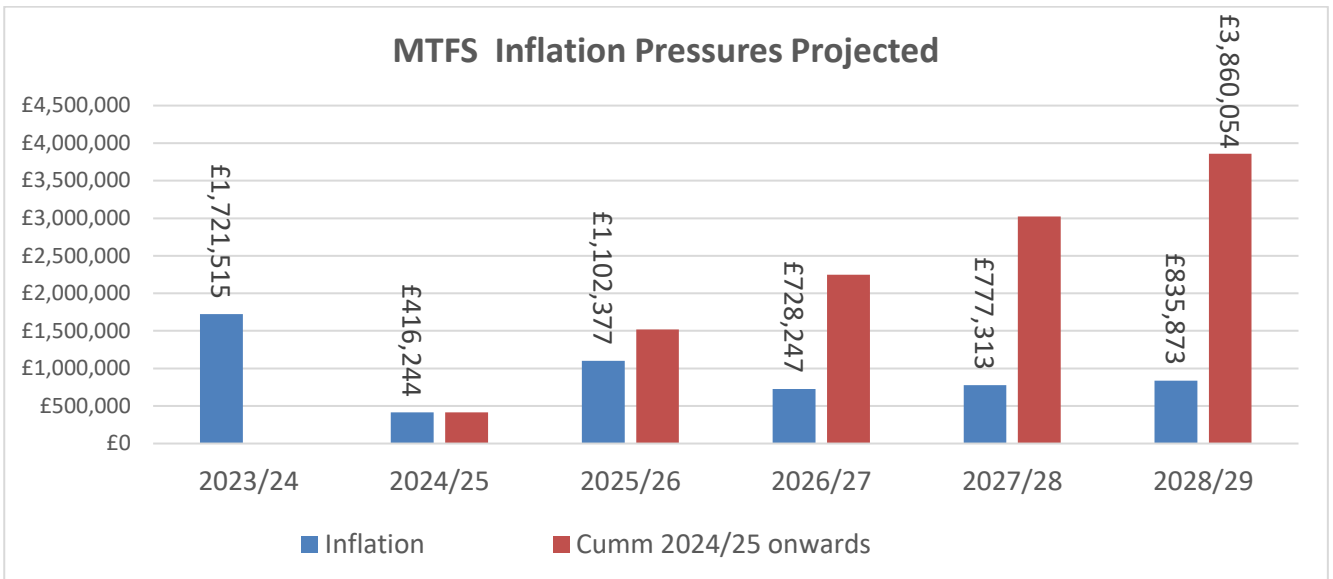
4.2.4 CPI is the tracked measure for inflation used by the government and also used for increases to business rates and Council housing rents, (September CPI). The historic CPI trend is shown below and the volatility with the impact of the cost of living crisis and higher utility costs.



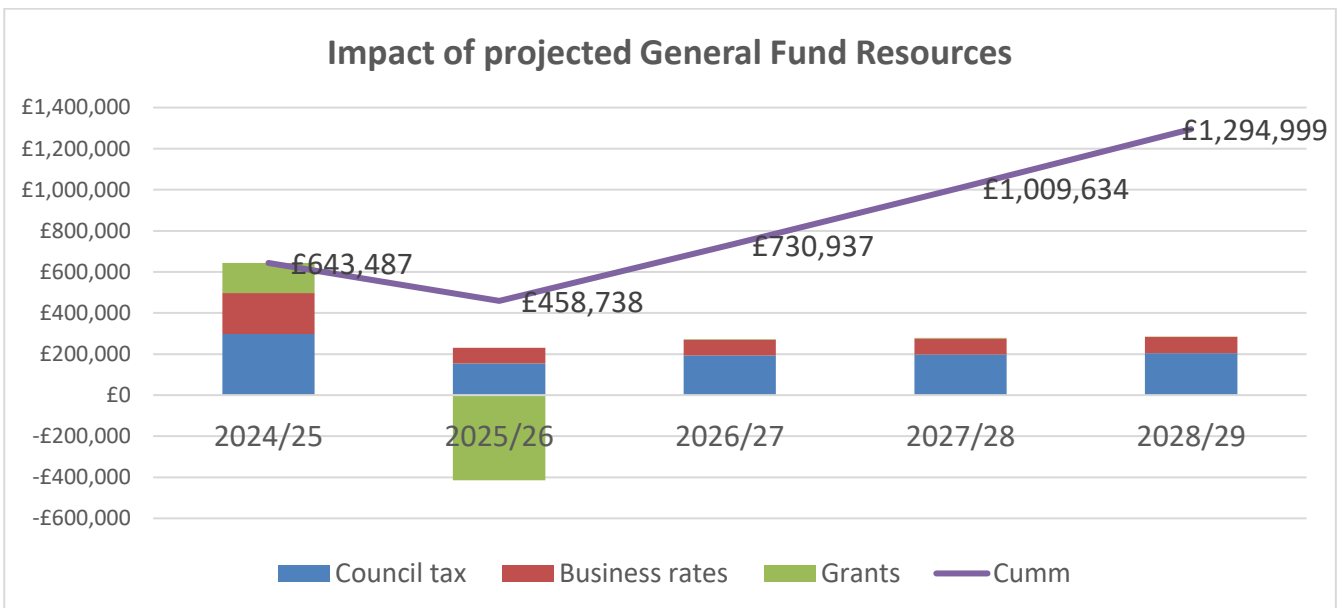
4.2.5 It is difficult to predict the sustainability of lower inflation over the medium term but the MTFS rationale and alternative scenarios are set out below.

Rationale for inflation assumption	
Salaries - % increase	The employer offer has fallen from 5.67% in 2023/24, to estimated at 3.4% for 2024/25. Based on lower inflationary increases the projection is 3% 2025/26 and thereafter 2%. This outside the control of the Council and subject to collective bargaining and whether pay offers will continue above CPI to reflect years of below inflation increases.
Utility increases	Overall utility costs have decreased and a lower increase is projected for 2025/26 to reflect prices may still reduce leading to a lower starting cost base. The level of increase going forward in the MTFS are based on historic average increases beyond 2026/27 and may fluctuate between individual years.
Consumer Price Index (CPI) indices increases	The July CPI was 2.2% and the MTFS has modelled inflation at a flat 2% during the MTFS. CPI has fallen from the levels shown in para. 4.2.4, the key will be whether this is sustained.
Business Rate Increases	Business rates were projected to increase by £144K in 2024/25 as a significant number of the Council's buildings experienced an increase in business rates as part of the 2023 revaluation. However most of the increase has been realised and just the September inflation % has been included.

4.2.6 The amount of inflation projected for 2024/25 to 2028/26 is summarised in the chart below and totals £3.8Million.



For the same period council tax, business rate income and government grant funding are projected to increase by £1.295Million a deficit of £2.57Million.

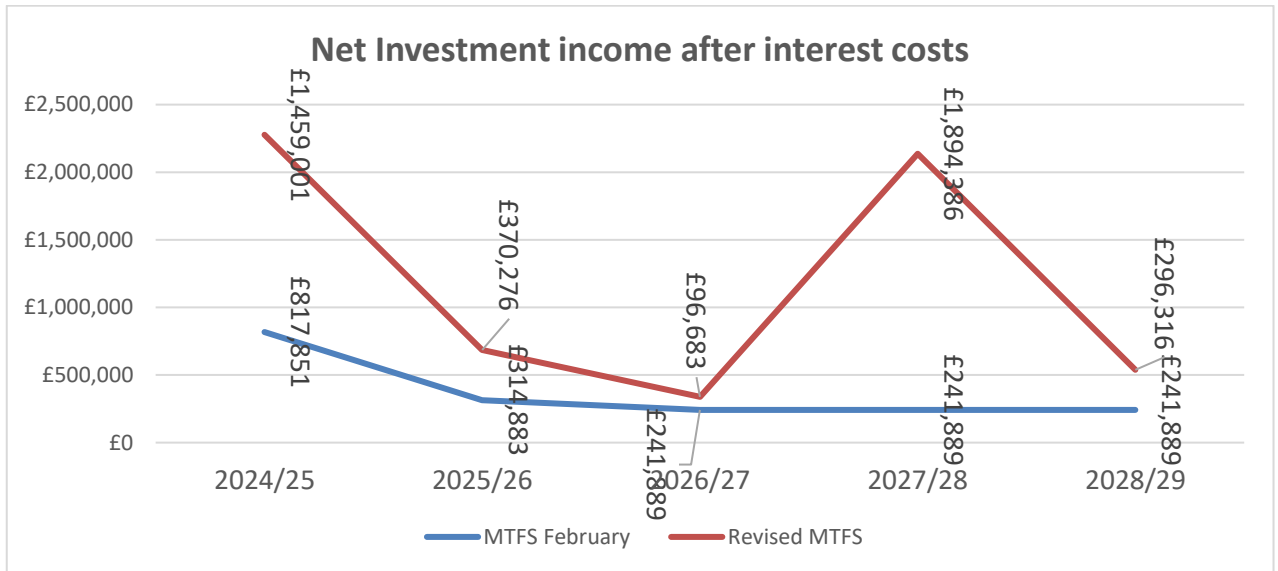


4.3 Other General Fund Pressures and Savings

4.3.1 In addition to meeting the inflation funding gap, the MTFS makes assumptions about other pressures for the General Fund these total £336,711 and are summarised in the table below.

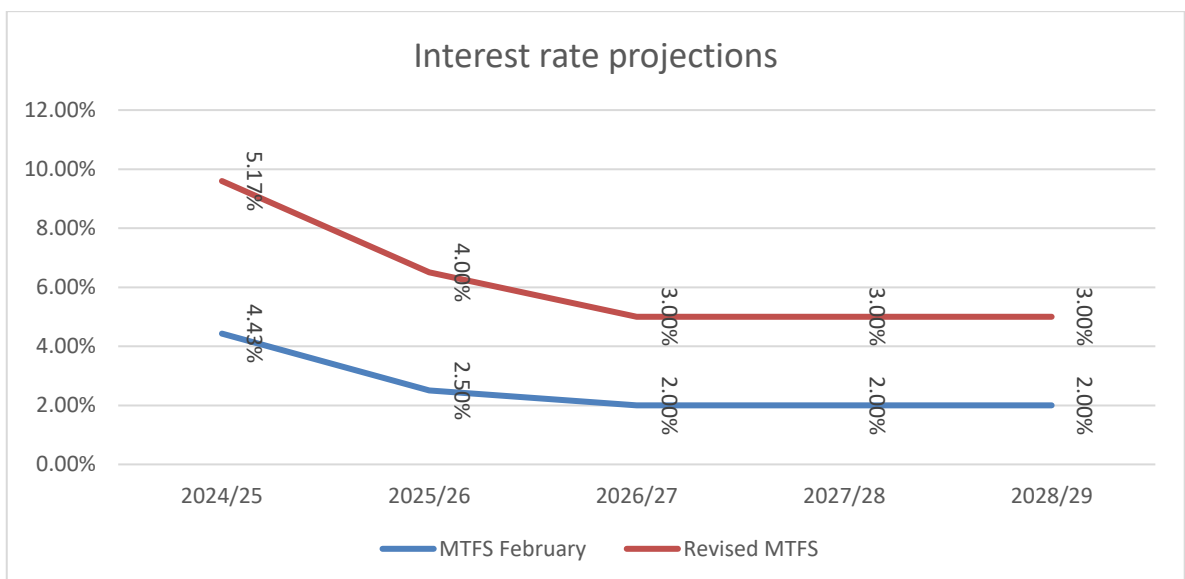
New	Additional MTFS Pressures	£ 2025/26	Rationale
Y	Apprentice Levy	£20,000	The amount the Council pays for the levy is linked to a % of the pay bill. Recent pay increases means the current budget is insufficient going forward
Y	Payment system upgrade	£59,051	General Fund share of the pay system upgrade, the price was fixed for the last seven years, which has led to a significant increase in price for 2025/26 as reported in the 1st Quarter Monitoring report.
Y	Cost of clinical waste	£17,400	Reported as part of 1st Quarter Monitoring report.
Upda ted	Car parking income	£200,000	The MTFS previously assumed a loss of £300K in 2024/25 with income fully recovered beyond that. It is unlikely that based on current income levels this will be realised, so a £200K loss has been assumed in 2025/26 and 2026/27 funded from a transfer from the income equalisation fund. From 2027/28 the assumption is that £200K will be removed from the income base permanently.
Y	Digitalisation of Streets and Grounds planning	£30,260	This is estimated to be a one off cost in 2025/26 as efficiencies and other savings have been identified which reduce the on-going software licence and staff costs.
N	Housing subsidy administration	£10,000	Subsidy payments are based on caseload which is reducing although the workload has not reduced at the same rate due to the increased real time information and changes of circumstances. The MTFS is assuming a £10K reduction in cost per year.
Y	Queensway LLP reserve	£50,000	The Council set up the LLP to act as a catalyst for regeneration in the town centre as set out in the 4th Quarter Monitoring report to the July 2024 Cabinet. In order to ensure that funding to invest in the asset and/or support the LLP over the 37 year lease, the CFO recommends a new contribution of £50K per year to the Queensway reserve is included in the MTFS. This is to ensure the financial resilience of the asset and town centre, (a contribution from 2024/25 is recommended).
	Total Revised Pressures	£386,711	

4.3.2 **Net Investment income after external borrowing costs-** The investment income and borrowing interest are shown in the chart below for the MTFS. The current Council position is to use internal borrowing to fund capital expenditure rather than take external loans. The revised position shows a higher long term investment rate of 3.0% (compared to 2% previously) and no external borrowing with the exception of the one loan for the investment property bought in 2017/18.

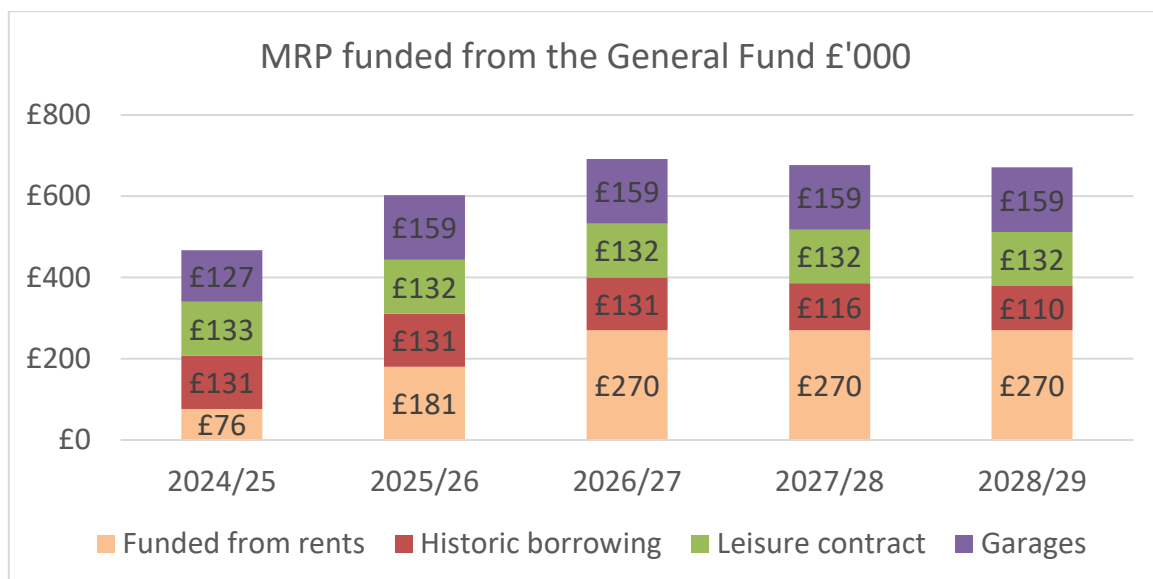


4.3.3 The September revised interest position shows a number of fluctuations which are as a result of:

- Higher net investment income in 2024/25 due to higher predicted interest rates (5.17% versus 4.43%), higher reserve levels than predicted and the re-profile of the Wholly Owned Company (WOC) loan to Marshgate being returned in 2024/25 rather originally anticipated in 2023/24.
- Higher investment interest projected in 2027/28 as the Council's Joint Venture on the Swingate site returns monies to the Council.
- Higher interest received as a result of interest rates longer term projected at 3% versus 2%.

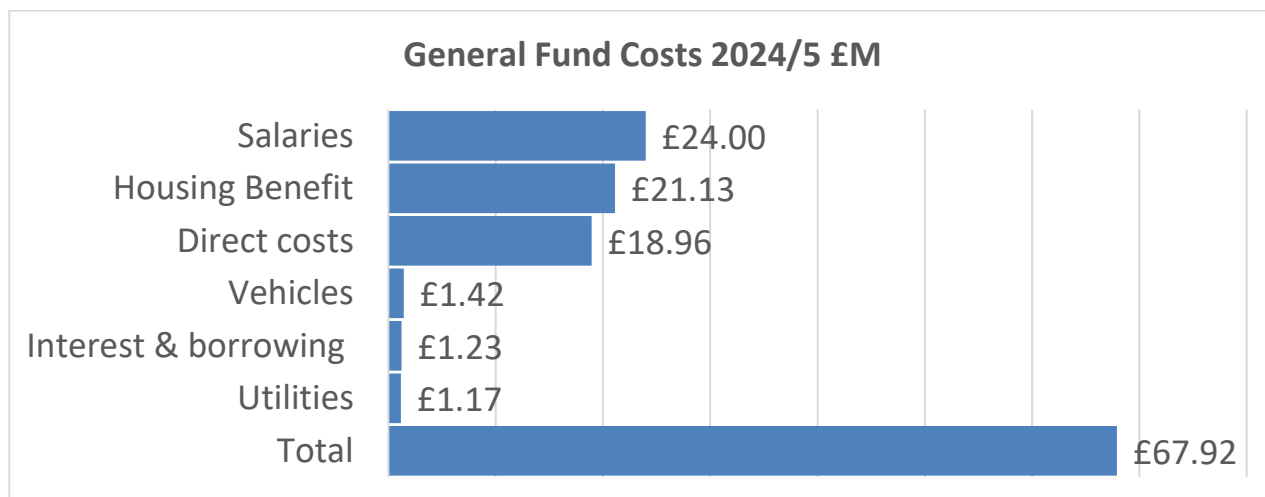


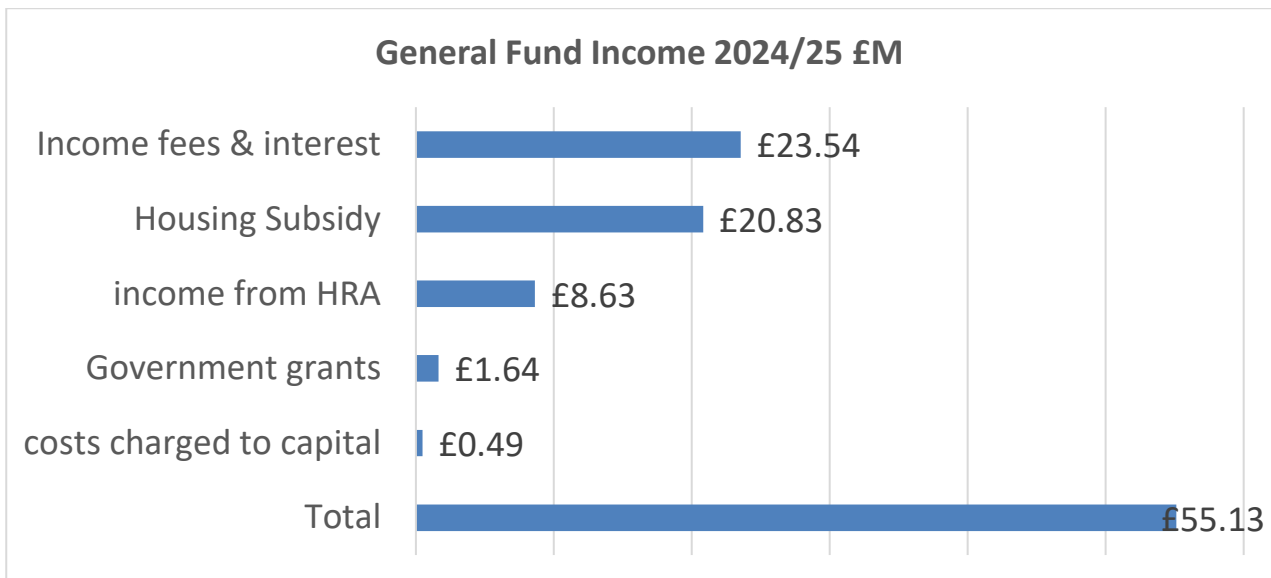
4.3.4 There is no allowance in the General Fund MTFS for new borrowing costs, other than that already approved. There is provision for the cost of repaying the borrowing or Minimum Revenue Provision (MRP), which is based on the cost of the asset divided by its life. The amount of MRP provided for is shown in the chart below.



4.4 General Fund Resources available to fund the Net Cost of Services

4.4.1 The original 2024/25 General Fund net budget was £12.78Million, before any of the changes that have been identified as part of the quarterly monitoring reports or this MTFS update.





4.4.2 The cost of General Fund services is not fully funded through fees and charges, service specific grants from central government i.e. flexible homeless grant, NDR admin allowance and housing subsidy grants. This means that each year the Council has to set a General Fund annual net expenditure budget.

4.4.3 The General Fund only has three 'core income resources' to meet the annual cost of providing those net services for local people and businesses. These are namely council tax, retained business rates and any additional non service specific government grants, such as the service grant or the 4% income guarantee grant, the latter of which is not guaranteed on-going. Although the new Labour government is committed to setting multi-year settlements, it is not clear whether this will be possible from 2025/26, if not this would be the sixth one year grant funding, making planning in the medium term more difficult.

4.4.4 The ongoing uncertainty around government funding levels compounds the difficulties in trying to set a balanced budget and in reality, council tax increase levels have been capped below inflation levels increasing the reliance on having to make savings to maintain services.

4.5 Business Rates

4.5.1 Retained business rates are the amount above which the government allows Councils to keep business rates generated within their boundary. This is calculated by:

Step one - The government sets a baseline need value - this is assessed as the amount needed based on the funding formula.

Step two – The Council collects business rates in Stevenage, net of reliefs, and keeps a notional 40%, (50% is sent to the government and 10% to Hertfordshire County Council).

Step three- Calculate the amount of section 31 grant due to the Council based on reliefs the government has legislated (post the business rate methodology was introduced), given to reduce the amount of collectable business rates (retail reliefs, extended small business rate relief, zero rating increases in business rates).

Step four -The government applies a tariff which then reduces the collected 40% share of business rates and reliefs (based on the last revaluation on rates), so that it is closer to the baseline need (as identified in step 1).

Step five - If there are still gains after step 4, a further levy is applied at 50% so effectively any gains above baseline need are split 50:50 with the government.

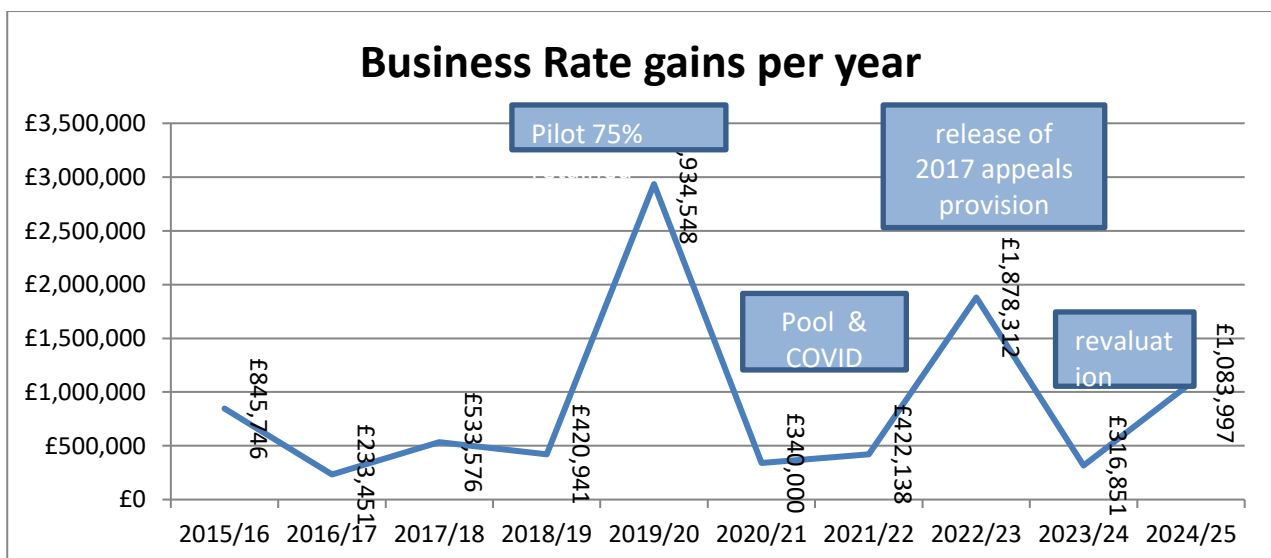
Or In the event that there are in fact losses (i.e. less business rate income was received than the baseline) SBC must fund the first 7.5% below the base line need (approximately £180,000). The rest of the losses are funded by the government via the 'safety net'.

Step six - The levy, safety net and section 31 grants are paid based on the amount due in year, all other payments are paid based on estimate with gains and losses due/paid in future years.

4.5.2 Stevenage has benefited historically from business rate gains, which have been influenced by a number of factors such as opportunities to pool gains among Councils or the pilot in 2019/20 where Hertfordshire Councils kept 75% of all business rates. However, SBC has only been in the 'Hertfordshire pool' twice and the government has only allowed Hertfordshire Councils to be in one pilot scheme. This adds complexity to projecting income and, in addition to this complexity, gains are not realised in the year they were achieved but are based on the prior year estimates.

4.5.3 The new Labour government committed in its manifesto to replace current business rate rules, with 'a new system that will level the playing field between the high street and online giants'. It's unclear at this early stage what that would mean for the business rate yield in Stevenage. The previous government repeatedly moved back business rate re-sets meaning the actual levels of business rates collected by local authorities has become increasingly decoupled from their baselines (target levels) which were set in 2013. Any future "reset" of the system could therefore see significant changes in baselines meaning, authorities like Stevenage which benefits from gains would likely see a reduction in funding.

4.5.4 The reforms which have taken place have been around revaluations for what individual businesses pay, the last one being a revaluation for 2023 based on 2021 data. Unlike the previous revaluation in 2018, this led to an increase in collectable business rates in Stevenage, (increases for offices etc) . It could also lead to more appeals therefore an amount has been set aside to deal with those claims.



4.5.5 The current system, whilst allowing SBC to benefit from gains, is hard to predict as income fluctuates between years making income difficult to ‘bank’ on and to use as a source to fund services on an on-going basis. Accordingly, such gains have been used to increase financial resilience or fund priority one off growth pressures. The current MTFS policy position is to assume an amount of £200K per year for 2024/25-2028/29 as this is below the level achieved historically to support service expenditure. The Business Rates reserve has been used to support the cost of carry of the Council’s joint venture for the period 2024/25-2026/27 as approved by Members.

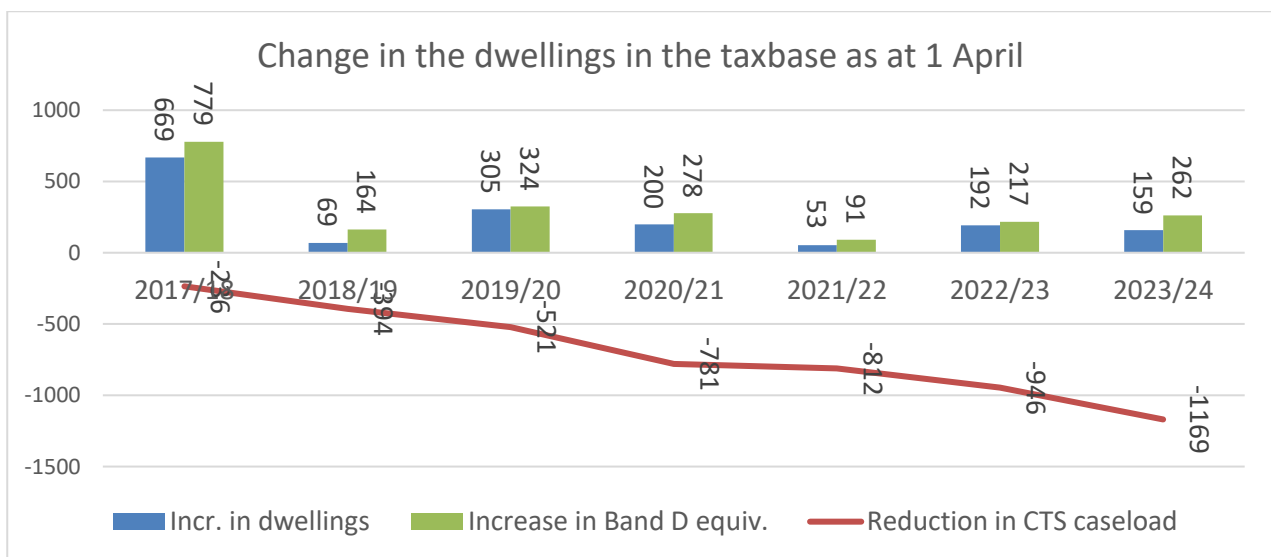
4.5.6 The Business rate yield for 2024/25 is slightly below the 2024/25 original estimate (£180K reduction) and is tracked on a monthly basis. Members will be updated as part of the November Balancing the Budget report on the projected level of business rates for 2024/25.

4.5.7 The business rate inflation projection built into the MTFS is 2% for 2025/26 and thereafter (based on a lower projected CPI inflation figure), the corresponding increase for 2024/25 was 6.7%. A 2% increase equates to £76K before any gains, (including assumptions about under-indexing).

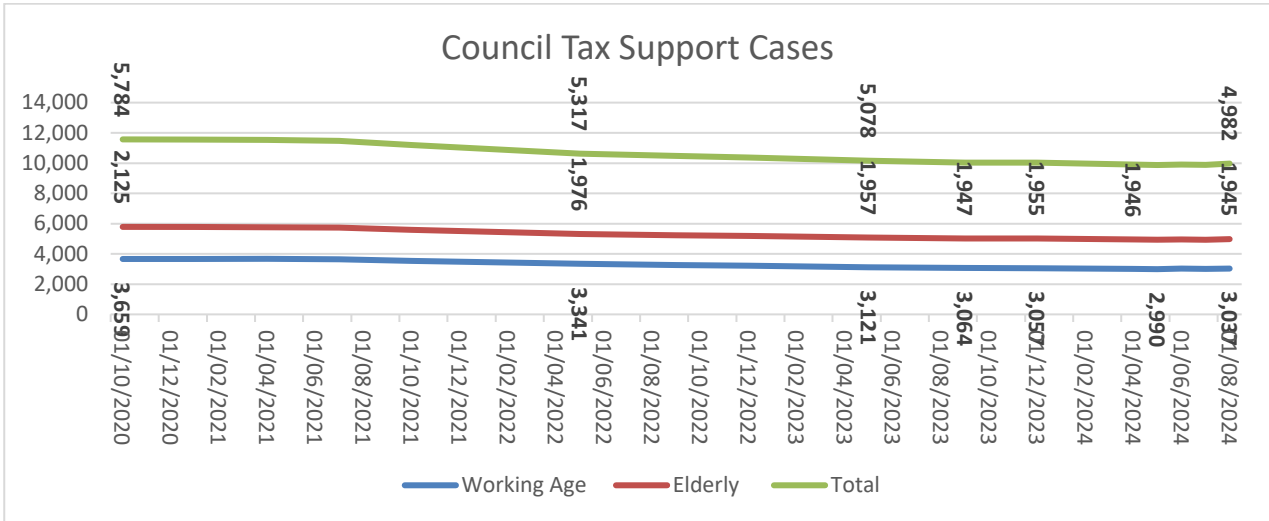
4.6 Council Tax

4.6.1 The amount of council tax that can be raised annually is influenced by two factors, firstly the growth in the tax base and secondly the inflationary increase applied each year. The tax base estimates when new properties will be brought into use and converts this to Band D equivalents for the year, together with all the existing properties and discounts given.

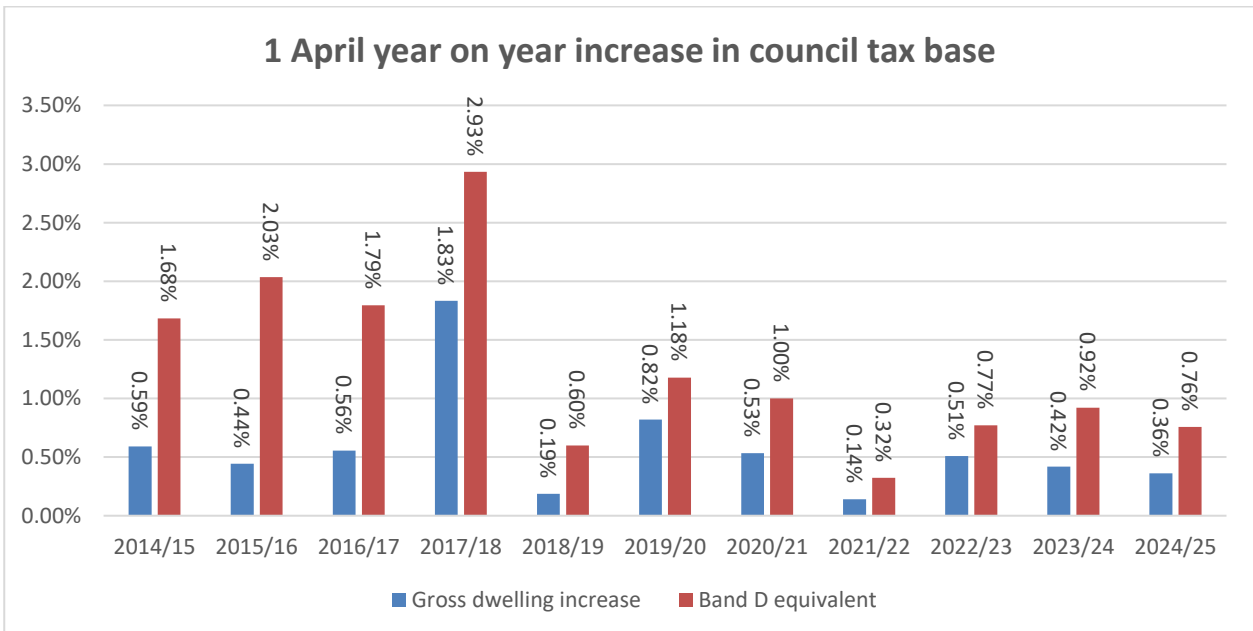
4.6.2 The tax base is calculated based on an estimate of the gross dwellings in Stevenage, reduced by the amount of discounts, (single person discount, council tax support and other exemptions). The increase in new properties fluctuates significantly based on economic development, however the net number of Band D properties has exceeded new homes in the town, (which should be less as there are more properties banded A to C), because the level of Council tax support (CTS) claimants has been reducing year on year.



4.6.4 However, in 2023/24 there has been slight increase in CTS caseload which appears to be linked to the increase in universal credit (UC) migration (CTS 1 April 2024 4,953, 1 August 2024 4,982 (0.6% increase). This does appear to have had an adverse impact on the taxbase yet, as officers think that that the amount of CTS payable per claimant is reducing where UC is in payment. This may be due to UC having some components that are intended to provide additional income for recipients which can lead to a reduced CTS entitlement. The impact on the current taxbase will continue to be monitored.



4.6.5 The percentage increase in the taxbase does fluctuate from year to year and for 2024/25 the taxbase is currently below the approved base by 143.82 Band D equivalents, (as at 1 August 2024). This would be a shortfall of circa £34K for a full year for SBC. A number of new builds anticipated in the taxbase have yet to come on stream and some demolitions have suppressed the taxbase.



4.6.6 The approved taxbase for 2024/25 increased 1.51% increase compared to the 2023/24 approved taxbase, but as at 1 August 2024 only a 1% increase has been realised.

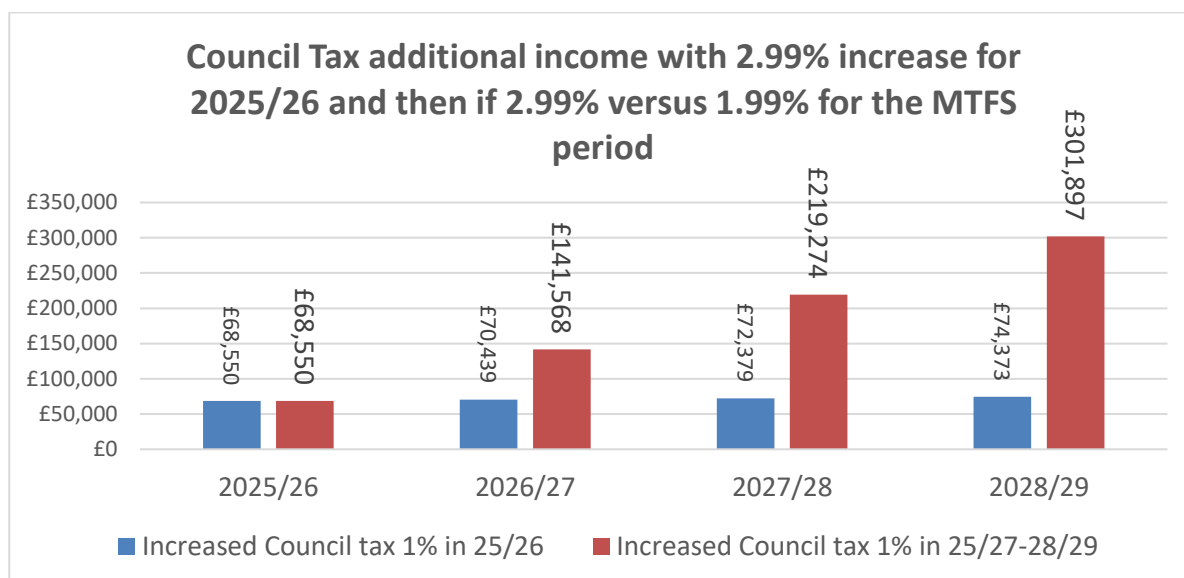
4.6.7 When calculating the taxbase, the level of collectable council tax must be estimated, currently a deduction of 1.75% is made for bad debt each year on the taxbase. However,

the in-year collection level has been much lower (94.3%, 2023/24), although some monies are collected in future years. The level of arrears has increased since 2019/20 from £4.6Million to £10.2Million as at 31 March 2023/24, with the number of customers in arrears increasing from 6,801 to 8,466. Some of this is as a consequence of higher council tax rises for social care and the PCC and an increase in arrears has been seen across Hertfordshire (2019/20 £47.7Million, 2023/24 £96.6Million). The Council's shared service has a process for recovery of debt and this will be reviewed to consider what further measures can be taken.

4.6.8 An assessment will be made about what level of bad debt provision should be included in the taxbase later in the year, however based on the below anticipated growth in the taxbase for 2024/25 and the level of collection an assumption has been made that the tax base will only increase by 0.25% for 2025/26 and 0.75% per year thereafter. Hertfordshire CFO's discussed collection rates and levels of arrears at their September 2024 meeting.

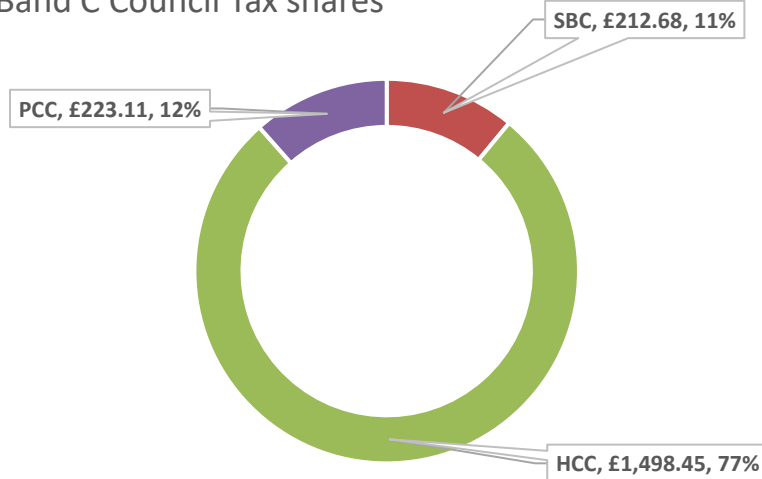
4.6.9 The MTFs includes a 1.99% increase in council tax for 2025/26 onwards, (2024/25 2.99%). It is not clear with lower inflation circa 2%, what level the new labour government will allow Councils to increase it by, albeit there are significant funding issues with the sector. the Local Government Association (LGA) has called for the council tax referendum limit to be abolished.

4.6.10 A 1% in council tax increase would give circa £70K additional income per year and if included throughout the MTFs period an extra £302K per year by 2028/29. Based on the level of financial pressures facing the Council and the need to make annual savings, the CFO recommends that council tax is increased by the maximum allowed during the MTFs period to improve the financial resilience of the Council.



4.6.11 SBC only retains a relatively small part of the overall council tax raised for the year. To illustrate this, taking a Band C property (which makes up 58% of total properties in Stevenage as at 1 August 2024), SBC keeps £212.68 or 11% of the total charge as shown below.

2024/25 Band C Council Tax shares

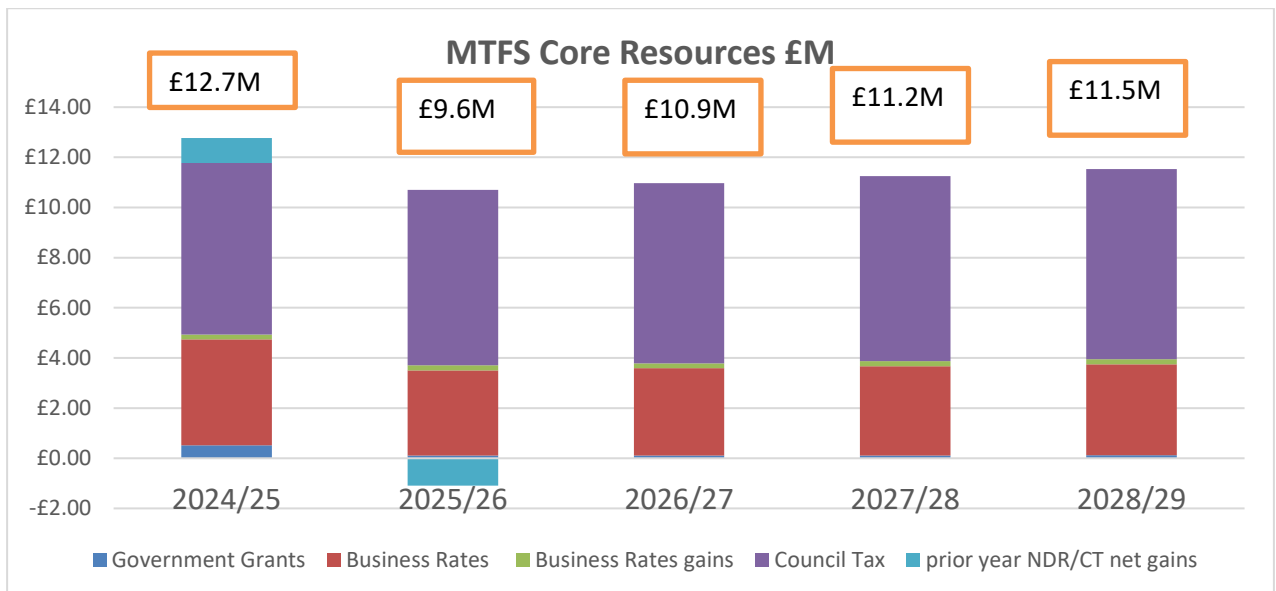


4.7 Finance Settlement including New Homes Bonus (NHB) and Support Grants

4.7.1 The 2023/24 finance settlement assumed a 4% overall increase in funding before council tax increases or use of reserves, this was increased from 3% in the final 2024/25 settlement for which Councils were required to publish a Productivity Plan. SBC's Productivity Plan can be found on the Council's website and was appended to the Annual report to the July 2024 Cabinet. The CFO has assumed that grant funding will reduce based on the analysis set out in para. 3.7, with the following assumptions made in the MTFS. This will be revised when the Labour Government produces their Autumn Statement on the 30 October 2024.

Funding projections £'000	2024/25 Provisional Settlement	Final Settlement	2025/26	2026/27	2027/28	2028/29	Rationale
Business Rates	(£2,813)	(£2,813)	(£2,869)	(£2,927)	(£2,985)	(£3,045)	2% increase
Under indexing	(£509)	(£509)	(£529)	(£549)	(£569)	(£589)	
Total Business Rates	(£3,322)	(£3,322)	(£3,399)	(£3,476)	(£3,555)	(£3,634)	
Revenue Support Grant	(£109)	(£109)	(£110)	(£112)	(£115)	(£117)	2% increase
New Homes Bonus (NHB)	(£7)	(£7)	£0	£0	£0	£0	minimal amounts 2023/24 onwards
Services Grant	(£16)	(£18)	£0	£0	£0	£0	Based on SR 2023 reductions in unprotected services expected no funding beyond 2024/25
3%/4%guarantee	(£292)	(£391)	£0	£0	£0	£0	
Total	(£3,747)	(£3,847)	(£3,509)	(£3,589)	(£3,669)	(£3,751)	
(Increase)/decrease to MTFS £'000			£338	(£80)	(£81)	(£82)	

- 4.7.2 **NHB** was introduced in 2011/12. Essentially money is paid to Council's based on the increase in properties in the tax base, (top sliced from nationally business rate revenues). The scheme has been amended over the last few years which has made it less financially beneficial to Council's, by:
- Reducing the number of years a payment is made for, from six to four years and then to one year only;
 - Introducing a threshold of 0.4% of the tax base before any new payment is made.
- 4.7.3 The Council received £7,290 in 2024/25 (2023/24 £86,736, 2022/23 £32,200). The previous government had considered reforming the scheme. The level of payment SBC have received have significantly reduced and no assumptions have been made in the MTFS 2025/26 onwards.
- 4.7.4 **Service Grant and income guarantee funding.** In previous years service grant numbers were distributed via 2013/14 Settlement Funding Assessment (SFA) shares (service £18K 2024/25, income guarantee £391K). Taking into consideration a reduction in the public sector funding envelope, using the previous governments cost projections no monies has been included in the MTFS beyond 2024/25. The Labour government has made a commitment to multi-year funding settlements which would provide more clarity when looking at finances over the medium term. If the 2025/26 funding settlement was to be in line with 2024/25 then a further £406K would support General Fund spend, which included that 4% funding guarantee versus the draft settlement 3%.
- 4.7.5 The MTFS makes no assumption about '**Extended Producer Pays**' funding an initiative which the Department for Environment and Rural Affairs (DEFRA) was due to introduce for 2024/25. A letter to the CFO dated 30 July 2024 deferred the digital Local Authority payments function from summer 2024 to April 2025, but said Authorities would be notified in November 2024 of payments due with amounts received late 2025. There is no clarity about the amounts that would be receivable or how this would actually be calculated, therefore no assumptions have been made in the MTFS. This would have seen Councils compensated by packaging producers for the costs of efficiently and effectively managing household packaging waste collected from households. However, MHCLG has maintained that any gains would be adjusted through the finance settlement.
- 4.7.6 From April 2026 Councils must collect separate food waste, the MTFS assumes that the Council will be fully compensated by the government for the increased costs incurred. To date only capital amounts have been released.
- 4.7.7 The MTFS Core resources estimated for the period are summarised in the following chart and the reduction between 2024/25 and 2025/26 reflects the removal of the 4% guarantee and service grant. The majority of core funding comes from council tax which increases from 562% in 2024/25 to an estimated 64% by 2028/29.



Note: 2024/25 includes £1M prior year business rate gains and £1.1M in year estimated gains (£985K transferred to the NNDR reserve), 2025/26 contains £1M prior year business losses

4.7.8 Included in core resources are prior years gains and losses for council tax and business rates. When the budget for the year is set an estimate is made of business rates (NNDR1), this is revised as part of the following years return and again at the outturn for the year (NNDR3). There was a significant adverse swing in business rates losses for 2023/24 (actual or NNDR 3) due a rating adjustment given by the valuation office which was significantly higher than expected. The business rate adjustments are ‘matched’ by a transfer to/from the NNDR reserve as no gains are spent until realised and used for one off spend (with the exception of the £200K supporting General Fund services).

Collection Fund Core Resource movements	2024/25	2025/26	Total
2023/24 Business rate (gains)/losses	(£397,238)	£1,056,964	£659,726
2022/23 Business rate gains	(£440,820)		(£440,820)
2023/24 Council Tax gains/(Losses)	(£162,403)	£27,939	(£134,464)
Total	(£1,000,460)	£1,084,903	£84,443

4.7.9 `Council tax gains and losses tend to be much smaller as they not complicated by appeals and large revaluations. No assumption has been made in the MTFS for 2024/25 gains and losses for business rates and council tax, this will be reviewed as part of the 2025/26 budget. Members should note however as stated earlier in the report both NDR and council tax are trending slightly below the approved budget.

4.8 Balancing the Budget

4.8 1 The Balancing the Budget is one of the Council’s key priorities to ensure that the Council remains financially resilient whilst striving to deliver against its service and high-level ambitions across both the General Fund and the HRA. Balancing the budget consists of four main streams. The graphic below sets out the process for 2024/25 onwards.



- 4.8.2 **Transformation (including digital)** –Members approved a set of principles to be applied to securing improvements to customer access to services, through the use of digital design at the August 2021 Executive meeting Further reports were made to the Executive in October 2022 and September 2023, updating on the delivery so far. Customers are at the heart of the Council’s services, so the aim of the programme is to ensure that they will be served in a straightforward way, with resolution at the first point of contact and, where deemed possible, through the provision of easy to access online services that are so good, people choose to use them. A five year pipeline is being compiled to support the balancing the budget savings target.
- 4.8.3 In addition to the Corporate Transformation Team’s work, Members approved a part two report on investing in Town Centre Assets at the July Cabinet meeting (Agenda item 16). This is projected to realise budget savings for the Council and a Balancing the Budget savings assumption has been made in the MTFS of £140K for 2025/26 onwards.
- 4.8.4 **Commercialisation & Insourcing** -The Council approved the latest Co-operative Commercial and Insourcing Strategy at the October 2023 Executive. This strategy set out a number of work streams which are overseen by an Executive working group. This work has already contributed to Balancing the Budget and the October report will also include proposed fees and charges increases for 2025/26.
- 4.8.5 A further update on the work arising from the Co-operative Commercial and Insourcing Strategy will be included in the November 2024 Balancing the Budget Report to the Cabinet.
- 4.8.6 **Efficiency savings** are reported and removed from the General Fund as part of the formal quarterly monitoring process and are included in the 1st Quarter monitoring report to this meeting and are summarised below and included in the MTFS, recommended to be used on-going to reduce the savings target by £422,770.

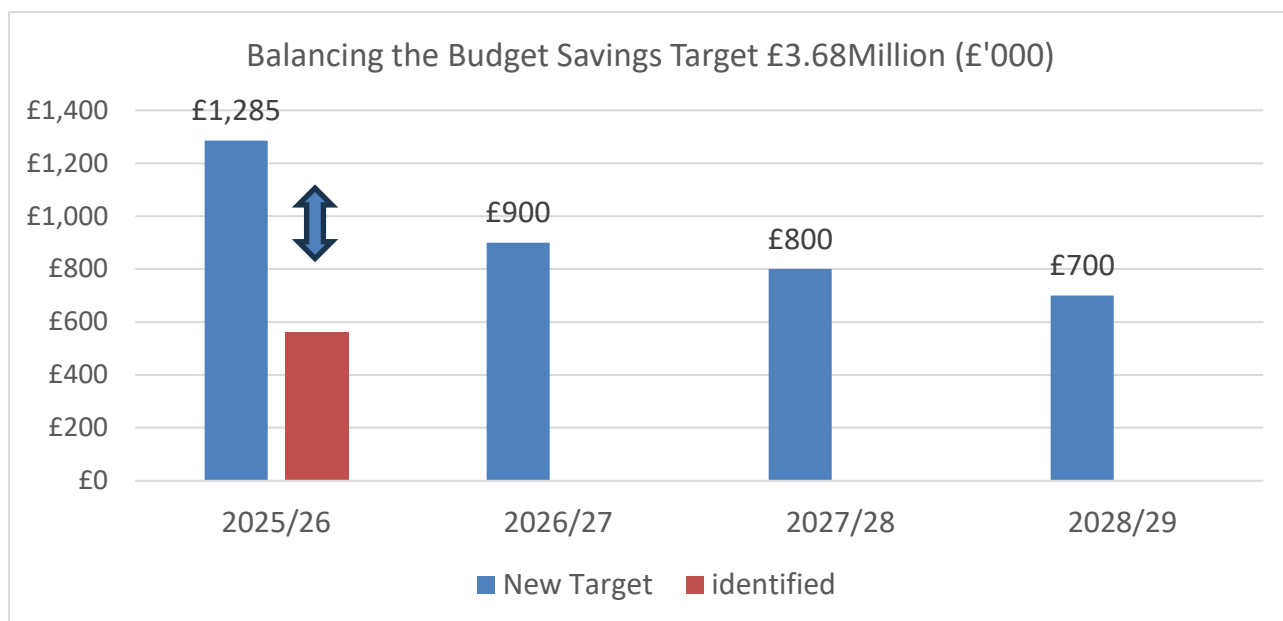
BALANCING THE BUDGETS EFFICIENCIES	£
SAVINGS	
Utilities - Leisure contract	342,780
Utilities - General Fund Share	152,230
Vehicles	12,660
Corporate Budgets	48,460
Postage	43,000
EV Chargers	20,000
Bank Charges	20,000
TOTAL SAVINGS	639,130
GROWTH	
Revenues & Benefits	152,840
Civica Contract (payment system)	26,120
Collection of Clinical Waste	17,400
Apprenticeship Levy	20,000
TOTAL GROWTH	216,360
NET SAVINGS	422,770

- 4.8.7 The last strand of the programme is to **prioritise services**. If a funding gap remains for the General Fund after efficiencies, Transformation and commercial, then the final lever is to reduce the level of service provision, after giving due regard to the Council's stated priorities. In 2022/23 and 2023/24 the Council had to reduce discretionary spend and ceased both the Community Transport and Play services. The financial environment Councils operate in has become difficult exacerbated by COVID and cost of living crisis. Utility inflationary pressures seem to be easing, with costs projected below budget but the pay award has still to be agreed and the MTFS is estimating lower inflation as set out in section 4.2 and still requires a significant savings target annually.
- 4.8.8 The CFO does not consider it prudent to set an undefined savings target for any of the Balancing the Budget workstreams, as any interventions need to be identified, scoped, discussed with and ultimately agreed by Members. Furthermore, setting an undefined target would compound risks to the budget and the Council's financial resilience.

4.9 Balancing the Budget Target

- 4.9.1 The General Fund MTFS has had to set an annual Balancing the Budget savings target due to the level of aforementioned funding reductions and increased financial pressures as set out in this and previous reports. The previous funding gap target for 2024/25-2026/27 was £3.2Million.
- 4.9.2 In setting the savings target, consideration needs to be given as to whether the target sum is achievable in any given year versus setting an amount which delivers no draw on balances. This should be done whilst at the same time, ensuring the Council is still able to deliver on its priorities and that a budget can be set with a prudent level of balances. Even with the savings targets set out below there is still a General Fund draw on balances until 2028/29.

4.9.3 The projected budget gap for 2025/26 net of the savings identified to date (para. 4.8.5-4.8.6) is currently £722K. For the following three years beyond 2025/26 there is a further £2.4Million to be found as set out below. The next three year's target 2025/26-2027/28 is £2.985Million which the CFO recommends is identified.



4.9.4 The Council's Senior Leadership Team will be holding 'Star Chamber' sessions in September to identify further options to meet the gap currently identified for 2025/26 and the following two years. Members will have an opportunity to consider the BTB options at the November 2024 Cabinet meeting.

4.9.5 This planned approach to looking beyond the next year in conjunction with the BTB work streams will enable the Council to achieve a level of savings whilst continuing to deliver on priorities. However, this is subject to inflationary pay and contract pressures remaining around the 2% threshold, no further erosion of government funding and those savings being identified.

4.9.6 This level of savings target will be challenging to meet and will undoubtedly necessitate the Council taking a blended approach, potentially requiring options to be presented from all four strands of the Balancing the Budget work stream. There are a number of opportunities that could contribute to future years savings targets which are currently not included in the MTFS including;

- An increase in 2025/16 council tax by 1% (MTFS 1.99%) would deliver a further £70K (see also para. 4.6.10)
- An increase in a multi-year funding settlement above that included in the MTFS (see also para.4.7.1), however a one year settlement would not give any certainty around future years and the CFO recommends that this would contribute to reducing balances rather than the BTB savings target as it cannot be guaranteed beyond one year.
- The financial impact of the new Aqua Park offer at Fairlands Valley beyond that assumed within the budget, which opened the summer of 2024
- Fees and Charges to be presented to the October 2024 Cabinet for consideration and approval.

- Building a new leisure centre by 2027 will generate a reduction in the cost of the management by an estimated £1Million. This will be included in the MTFS once the funding strategy for the leisure centre is finalised. This is because a proportion of the saving may be used to support the cost of borrowing.
- Extended Producer Pays (EPR), however this has already been delayed and it is not clear whether other funding reforms would offset the increase in income.
- Reduction in operational building costs with the building of the Council's multi-partner hub building in the town centre as part of SG1 regeneration programme.

4.9.7 The current MTFS principles require a contribution to balances by 2027/28 but the MTFS now predicts this to be 2028/29 which includes a requirement to find £3.68Million savings. Closing the gap by 2027/28 would mean a further £138K to be delivered by that year or in total £3.1Million by 2027/28. Due to the size of the existing target the following amendment is recommended to the principles.

No	MTFS principles
1	To ensure the financial resilience of the General Fund that any net funding gap is reduced by 2028/29.

4.10 General Fund Balances and Reserves in the MTFS

4.10.1 Council's General Fund reserves are classified as either general or as being held for a specific purpose. The General Fund or the Council's main reserve is designed to cushion the impact of unexpected events/emergencies and to help absorb the impact of uneven cash flows.

4.10.2 The Council's General Fund balances projected in the MTFS are summarised in the table below and requires the £3.68Million savings to be modelled in the MTFS. The projected lower inflation pressures for 2024/25 versus the September 2023 MTFS has meant that General Fund year end balances are estimated to be higher at circa £5Million.

General Fund balances	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000
Opening Balance	(£5,303)	(£5,565)	(£5,464)	(£5,397)	(£5,259)
In Year	(£262)	£101	£67	£138	(£75)
Closing Balance	(£5,565)	(£5,464)	(£5,397)	(£5,259)	(£5,334)

() equals surplus

4.10.3 Guidance issued by CIPFA emphasises this requirement, particularly in light of the responsibilities placed upon the S151 Officer on an annual basis (under the Local Government Act 2003), to report on the adequacy of proposed reserves when Council sets the council tax for the forthcoming year.

4.10.4 The Act includes a reserve power for government to lay down the minimum reserves local authorities must allow for when they set their budgets. It is therefore expected, that authorities will have regard to the CIPFA guidance when considering the adequacy of balances and allocated reserves.

4.10.5 Reserves can be held for three main purposes:

- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing;
- A contingency to cushion the impact of unexpected events or emergencies; and
- A means of building up funds to meet known or predicted liabilities (this is often referred to as allocated reserves).

4.10.6 In order to assess the adequacy of unallocated general reserves when setting the budget, the CFO must take account of the strategic, operational and financial risks facing the authority.

4.10.7 In terms of determining the level of general balances, the CFO has based her advice on consideration of the factors included in the table below which projects a £3.45Million (2024/25 £3.53Million) minimum level. This assessment is indicative at the current time and will be further reviewed as part of the budget setting process and is lower than the projected level of balances in the MTFS.

General Fund balances Minimum Level Assessment	2025/26 £Million
Amount to cover a 1.5% overrun in gross expenditure	£1.02
Amount to cover a 1.5% overrun in gross income	£0.83
Amount to cover pay award above the budgeted amount	£0.40
Amount to cover higher prices with higher than forecast inflation	£0.50
Amount to cover fee and charges losses through price fluctuation	£0.30
Amount to cover risk to Balancing the Budget savings	£0.40
Total Estimated General Fund Reserves	£3.45

4.11 Allocated Reserves

4.11.1 The Council's Allocated revenue reserve projections are summarised in the table below. The reserves have been categorised as being allocated for a specific use or available to support the General Fund.

Reserves £'000	Closing 2023/24	Use	Closing 2024/25	Use	Closing 2025/26	Use	Closing 2026/27
NHB reserve	(£253)	£243	(£10)	£0	(£10)	£0	(£10)
Transformation Reserve	(£690)	£222	(£467)	£0	(£467)	£0	(£467)
Homeless reserve	(£390)	£150	(£240)	£0	(£240)	£0	(£240)
Planning Delivery	(£287)	£110	(£177)	£0	(£177)	£0	(£177)
Queensway monies	(£122)	(£93)	(£215)	(£143)	(£358)	(£193)	(£551)

Reserves £'000	Closing 2023/24	Use	Closing 2024/25	Use	Closing 2025/26	Use	Closing 2026/27
Regeneration Reserve	(£225)	£0	(£225)	£100	(£125)	£0	(£125)
Town square reserve	(£1,507)	(£183)	(£1,689)	£0	(£1,689)	£0	(£1,689)
Insurance reserve	(£72)	£10	(£62)	£0	(£62)	£0	(£62)
ICT reserve	(£190)	£95	(£96)	£0	(£96)	£0	(£96)
New Leisure	(£340)	£340	£0	£0	£0	£0	£0
Stevenage works	(£20)	£0	(£20)	£0	(£20)	£0	(£20)
Asylum seekers reserve	(£197)	£50	(£147)	£0	(£147)	£0	(£147)
Future Councils reserve	(£459)	£375	(£84)	£0	(£84)	£0	(£84)
Commercial Property repair reserve	(£41)	£0	(£41)	£0	(£41)	£0	(£41)
Ukraine reserve	(£20)		(£20)	£0	(£20)	£0	(£20)
Syrian refugees	(£185)		(£185)	£0	(£185)	£0	(£185)
Afghan	(£97)		(£97)	£0	(£97)	£0	(£97)
Domestic abuse reserve	(£196)		(£196)	£0	(£196)	£0	(£196)
Total Allocated for use	(£5,289)	£1,319	(£3,970)	(£43)	(£4,013)	(£193)	(£4,206)
Gains (NNDR)	(£2,711)	(£1,657)	(£4,368)	£1,370	(£2,998)	£102	(£2,897)
Income equalisation Reserve	(£758)	£0	(£758)	£200	(£558)	£200	(£358)
Total Available to support the GF	(£3,469)	(£1,657)	(£5,126)	£1,570	(£3,556)	£302	(£3,255)
Total allocated reserves	(£8,758)	(£338)	(£9,096)	£1,527	(£7,569)	£109	(£7,460)

4.11.2 There are balances of £3.256Million estimated at the end of 2026/27 that would be available to support the financial resilience of the General Fund if inflationary pressures continue to increase and if fees and charge are impacted such as recyclates and parking income. However, the total includes an assumption that 2024/25 NNDR gains will be realised and then transferred to the gains reserve of £985K.

4.11.3 Reserves are held for a number of specific reasons such as the Town Square reserve, or due to higher risk levels where funding levels cannot be guaranteed year on year. The MTFS does now assume a level of business rate gains of £200K per year, with any other annual gains retained in the NNDR reserve and released to support the General Fund resilience.

4.12 CFO commentary

4.12.1 The MTFS projects that 2025/26 general balances will be above minimum levels - based on the revised calculation in paragraph 4.10.8, with an additional £3.56Million of allocated financial resilience reserves. However, the General Fund faces a level of financial uncertainty including for the reasons set out below:

- There is still a draw on balances projected until 2028/29 and this relies on inflation levels reducing to circa 2% levels.
- There is a potential on-going risk to income streams from cost of living crisis and parking income has not recovered to pre-pandemic levels. An assumption has been modelled to use £200K of income guarantee reserves for 2025/26 and 2026/27 after such point a £200K parking income reduction has been assumed in the MTFS.

- there is a risk to higher inflationary pressures from utilities with an expected 10% increase in October 2024 in the price cap for domestic customers and contract prices for commodities such as software licences are trending much higher than CPI.
- The 2024/25 pay negotiations have not been settled and the MTF5 assumes a lower pay award in 2025/26 at 3% and 2% thereafter in line with assumed lower inflation pressures.
- There is uncertainty around future government funding and what the new governments public sector funding plans are, however even funding at 2024/25 levels requires significant savings.

4.12.2 It is critical that General Fund reserve resilience measures, such as the Locality Review receipts, meet the in-year target required and the Balancing the Budget targets are achieved as set out in the Strategy. This means that options, identified and presented to the November Executive, need to meet the target for 2025/26 onwards.

4.12.3 Growth should be limited to that which is necessary to deliver the Council's top priorities only, based on the ability to deliver the existing Corporate Plan commitments and should be met by increasing the savings target. The growth allowance for 2025/26 is modelled at £75,K, however £66K of this has been earmarked for the full year impact of the HVO fuel introduced on the 1 October 2024. There is a need to increase resources to enable the Council to meet its 2030 net zero pledge including maximising grant funding opportunities and the ongoing development of the strategy and implementation of the related action plan which will be necessary to meet the deadline and mitigate costs to both the General Fund and the HRA. It should be noted though that further support from the Government with regards to elements such as social housing decarbonisation will also be needed in order for that target to be met.

4.13 Approach to Consultation

4.13.1 Previously the Council has sought the views of residents and stakeholders through consultation, finding out their preferences for reducing services, increasing fees and charges and increasing Council Tax. The recent residents' survey results showed what priority the Council should make savings.

4.13.2 The 2021/22 Residents survey shows that resident's preferences are firstly to reduce costs through the provision of more on line services. Moving services on line was ranked the highest (out of five options in 2021 and 2017) with 41% of those responding to the survey indicating that this was their preferred option; this ranking has increased from 2017 and supports proposals being developed via the Transformation programme as a method to reduce costs and improve customer satisfaction / response times.

Please tell us your order of preference for each of the following options by ordering them 1 to 5	2021 rank	2017 rank	1st
Reduce time and money spent on paperwork by interacting with more residents and customers online	1	1	41%
Increase income from fees and chargeable services, to keep the council's element of Council Tax as low as possible	2	3	24%
Spend less by reducing or cutting the services that you tell us are not a priority	3	2	16%

Please tell us your order of preference for each of the following options by ordering them 1 to 5	2021 rank	2017 rank	1st
Make money by selling more of our services to residents and customers	4	5	9%
Increase our element of Council Tax (for example from 51p per day to 55p per day)	5	4	10%

4.13.3 In addition, the CFO is reviewing what additional consultation and engagement with residents could be developed concerning the 2025/26 Balancing the Budget options. These options will be discussed with Members and through the Member Led cross party group.

4.14 Decision Making Process

4.14.1 It is currently planned that the following approval process will be followed:

Date	Meeting	Report
Oct-24	Executive	2025/26 Fees and Charges
	Overview and Scrutiny	2025/26 Fees and Charges
Nov-24	Executive	Balancing the Budget Report with the savings proposals for the General Fund and HRA
	Overview and Scrutiny	Balancing the Budget Report with the savings proposals for the General Fund and HRA
Dec-24	Executive	Draft 2025/26 HRA budget and rent setting report
	Overview and Scrutiny	Draft 2025/26 HRA budget and rent setting report
Jan-25	Executive	Final 2025/26 HRA budget and rent setting report Draft 2025/26 General Fund budget, Council Tax and Council Tax Support
	Overview and Scrutiny	Draft 2025/26 General Fund budget, Council Tax and Council Tax Support
	Council	Final 2025/26 HRA budget and rent setting report
Feb-25	Executive	Final 2025/26 General Fund budget, Council Tax and Council Tax Support
	Overview and Scrutiny	Final 2025/26 General Fund budget, Council Tax and Council Tax Support
	Council	Final 2025/26 General Fund budget, Council Tax and Council Tax Support

4.14.2 Following the approval of the proposed options for 2025/26, the Council will have an obligation to begin consultation with staff and partners.

5. IMPLICATIONS

5.1. Financial Implications

- 5.1.1 The CFO view is set out within this report. There is still a draw on balances which increases the necessity to adhere to the spending and saving plans.
- 5.1.2 There may also be pressure on fees and charges targets as increases in fees or new commercial options may conflict with other business objectives and new ways of working following COVID and the cost of living crisis have diminished the ability to achieve previous levels of rents and charges.

5.2. Legal Implications

- 5.2.1 The objective of this report is to outline a MTFS and forecast for the next five years. There are no legal implications at this stage of the planning cycle, however, Members are reminded of their duty to set a balanced budget.
- 5.2.2 Balancing the Budget savings options considered will have due regard to any consultation carried out, if consultation is required.

5.3. Risk Implications

- 5.3.1 A review of the risks facing the General Fund budgets has been listed in the table below, not all the impacts are known at the present time. The current MTFS projections are based on prudent assumptions and include the CFO's best assessment of the financial risks. However, if any of these risks become a reality then the MTFS will need to be updated once the actual impacts are known.

Risk Area	Risk Mitigation	Likelihood	Impact
Anticipated savings options not achieved (Negative Risk) –agreed options do not deliver expected level of savings either on a one-off basis or On-going.	Regular monitoring and reporting takes place, but the size of the net budget reductions increases the risk into the future. Non achievement of options would require other options to be brought forward. General Fund reserves should be held to ensure that decisions to reduce net costs are taken in a considered manner. This may become more of a risk as options around commercialisation are explored.	Medium	Medium
Council Tax Support (CTS) (Negative Risk) – increased demand is under- estimated.	An increase in demand would impact on future years as the deficit in the collection fund would need to be repaid by the General Fund. However, the modelling in the MTFS leaves the higher level of CTS caseload	Medium	Medium
NEW Council Tax collection rates remain	The trend has been towards lower collection rates and this could	High	Medium

Risk Area	Risk Mitigation	Likelihood	Impact
lower and the taxbase is reduced	mean the amount included in the taxbase will need to increase for bad debt. The CFO is tracking trends across other Herts Councils and looking at measures to reduce arrears		
Localisation of Business Rates (Potential Negative) – A major employer leaves the town and impacts the business rate yield due to the Council	Negative: The safety net means a maximum loss in year of £190K which the council has included in an allocated reserve. On-going this would impact on the savings target and ultimately services.	Medium	Medium
Loss of Business Rates due to Companies going into administration	As above.	Medium	Medium
The NDR Check Challenge Appeal process impacts on the Council's baseline assessment and increases the level of successful appeals and reduces the yield (Negative risk)	Officers will be monitoring changes to the NDR system and will be talking to the Valuation office. However, since the system has been introduced. There are still appeals outstanding on the 2017 list and the revaluation for 2023 has seen an increase in business rates which inevitably will lead to an increase in appeals for the new list.	Medium	Medium
Impact of the Universal Credit (Negative Risk) – The grant given to the Council is cut before the Revenue and Benefits Partnership is able to reduce costs. The Welfare reform bill may impact on residents' ability to pay council bills.	A reduction in the amount of grant assumed within the MTFs would require compensating reductions in planned spending within services. UC rollout has increased in 2024/25 with 5% of the Housing Benefit caseload reducing between April and August 2024.	Medium	High
pay inflation pressures increase	General balances are risk assessed to ensure overall levels are maintained that can meet higher than expected inflation rates. The inflation projections include a 3.5% pay award for 2024/25 (was 3%) and 3% for 2025/26 based on lower inflation projections, however this remains a significant risk for an insourcing Council. However, it	Medium	High

Risk Area	Risk Mitigation	Likelihood	Impact
	reduces the risk to inflationary pressures on external contracts		
Utility inflation pressures increase	General balances are risk assessed to ensure overall levels are maintained that can meet higher than expected inflation rates. The 1 st Quarter monitoring report identifies a reducing in utilities, however the domestic price cap will be increasing by 10% October 2024. The inflation projections for 2025/26 are modelled at 5%. However this remains a risk for the Council.	Medium	High
Recession risk due to high inflation	General balances are risk assessed to ensure overall levels are maintained that meet an in-year short fall in income and higher costs. In addition the Council has an income equalisation reserve to mitigate against fluctuating income levels.	Medium	High
Impact of Future Welfare Reforms (Negative Risk) – There could be an increase in the need for the council’s services requiring additional resources to be put into those services	Regular monitoring and reporting and the council has a welfare reform group which monitors impacts.	Medium	Medium
All MTFS risks not adequately identified (Negative or Positive Risk) – Financial risks and their timing are not accurately judged leading to either a pressure or benefit to the MTFS.	Council’s risk management framework ensures operational and strategic risks are identified as part of the annual service and MTFS planning process.	Low	High
Impact of future years capital programme (Negative) There could be increased pressure from the capital programme on the General Fund.	There is a robust challenge process for capital bids. Officers will be required to confirm that resources are in place to deliver any approved spend. The Locality reviews should identify capital receipt opportunities.	Medium	High
The Council’s regeneration of SG1	The Council has already approved the use of ring fenced NDR gains	High	High

Risk Area	Risk Mitigation	Likelihood	Impact
increases the financial resources the Council must find.	for this purpose and the MTFS recommends this continues. The Council has identified NDR reserves to support the holding costs associated with the Swingate site in conjunction with Mace.		
Fees and Charges target may not be reached (negative risk)	Non achievement of the target may require other options to be brought forward, for future years. But the Council has an income equalisation reserve to meet in year losses and an assumption is also contained within the minimum level of balances to meet an in year loss.	High	High
Homeless Bed and Breakfast costs increase	The actual spend was £5K for 2023/24 with £21K spent up the 23 August 2024 which is within the £80K budget.	Medium	Medium
New Labour Government Funding model for Councils reducing more than the MTFS	The MTFS assumes no service grant or 3% guarantee funding for 2025/26 based on the previous governments funding envelope. In addition only a 1.99% council tax increase has been assumed.	Medium	Medium

5.4. Equalities and Diversity Implications

- 5.4.1 The Council has committed itself to providing high quality services that are relevant to the needs and responsive to the views of all sections of the local community, irrespective of their race, gender, disability, culture, religion, age, sexual orientation or marital status. The General Equality Duty (Section 149 of the Equality Act 2010) requires the Council to have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations in the exercise of its functions. The Equality Duty and the impact of decisions on people with protected characteristics must be considered by decision makers before making relevant decisions, including budget savings.
- 5.4.2 The process used to develop the Council's budget has been designed to ensure appropriate measures are in place to ensure the impact of decisions on the community is considered as part of the decision making process. It is officers' view that undertaking an Equalities Impact Assessment (EqIAs) on the strategy is not appropriate at this stage. EqIAs will be done on individual savings proposals (when relevant) at an early stage in the budget savings process to aid decision makers in their consideration of the Equality Duty. This work is being planned into the budget setting process.

5.5. Policy Implications

- 5.5.1 The approval of the revised budget framework includes a link for the Council's service planning requirements to ensure service priorities are identified. In addition, the budget

framework represents a development of a policy led budgeting approach across Council services and the overall Financial Strategy.

5.6 Staffing and Accommodation Implications

5.6.1 It will be evident that there are potentially staffing implications in this report. The associated matters will be discussed with the Trade Unions at the earliest opportunity.

5.7 Climate Change Implications

5.7.1 The Budget and Policy setting process has prioritised growth for climate change as part of the 2022/23, 2023/24 and 2024/25 budget setting process. However, there will be a need to provide more resource than is currently included in the budget to meet the 2030 deadline. The 2025/26 process should have due regard for climate change implications based on the Council's approved Climate Change Strategy.

BACKGROUND DOCUMENTS

BD1 – 2023 September MTFS Strategy

APPENDICES

Appendix A MTFS