

Report to the Cabinet

Report reference: C-020-2021/22
Date of meeting: 11th October
2021



Portfolio: Finance, Qualis Client & Economic Development – Cllr Philip
Subject: Updated Medium-Term Financial Plan 2022/23 to 2026/27
Responsible Officer: Andrew Small (01992 564278)
Democratic Services: Adrian Hendry (01992 564246)

Recommendations/Decisions Required:

1) To note the contents of the report, including:

- The General Fund element of the updated Medium-Term Financial Plan (2022/23 to 2026/27) (*Appendix A*); and
- The Housing Revenue Account element of the updated Medium-Term Financial Plan (2022/23 to 2026/27) (*Appendix B*), including the anticipated impact on the 2021/22 budget outturn; and

2) Discuss and agree any actions required, including the assumptions contained in the MTFP and the potential options for addressing the underlying budget deficit in order to set a balanced budget for 2022/23.

Executive Summary:

The Cabinet approved an updated Financial Planning Framework (2022/23 to 2026/27) at its meeting on 13th September 2021 and committed to receiving and considering and updated Medium-Term Financial Plan (MTFP) for 2022/23 to 2026/27.

The preparation of an MTFP provides the cornerstone on which the Council can build and deliver services in accordance with its aims and objectives. It also provides an early warning sign of potential budget pressures that lie ahead.

This is the first iteration of the MTFP within the 2022/23 budget cycle. It is a forward-looking document which provides a tentative look at the Council's financial picture over the next five years (2022/23 through to 2025/26) and sets the scene by providing a framework for developing both the General Fund and Housing Revenue Account (HRA) budgets for 2022/23.

The General Fund element of the MTFP can be found at **Appendix A**. It reveals a projected deficit of £1.504 million for 2022/23. This primarily reflects the impact of losing Government Support for Covid-19 (£1.263 million) and the contribution from the General Reserve (£1.350) compared to 2021/22. Estimated net expenditure in 2022/23 is £16.022 million, compared to available funding of £14.518 million.

Looking further ahead, a further budget gap is expected to open-up again from 2023/24, with a peak annual budget pressure of £1.139 million occurring in 2025/26, following the letting of the new Waste Management contract. The projections are summarised in the table below.

General Fund MTFP (@ October 2021)		
Financial Year	(Surplus)/Deficit	Comment
	£000's	
2022/23	1,504	Assumed no Government support for Covid-19 (£1.263 million in 2021/22) + no Use of Reserves (£1.350 million in 2021/22)
2023/24	336	
2024/25	579	New Waste Management contract assumed with effect from 1st December 2024
2025/26	1,139	
2026/27	74	

The HRA element of the MTFP can be found at **Appendix B**. It reveals a projected deficit of £2.755 million for 2022/23 (broadly offset by an initial surplus of £2.651 million in 2021/22). The initial volatility between 2021/22 and 2022/23 is primarily due to a change in financing assumptions as part of the initial rollout of the new HRA Business Plan model compared to current assumptions; Cabinet are requested to approve some limited (one-off) budget adjustments to aid the transition.

A very stable position is projected for 2023/24 onwards, with a surplus of £1.918 million anticipated in 2016/17. The table below provides a summary.

Housing Revenue Account MTFP (@ October 2021)		
Financial Year	(Surplus)/Deficit	Comment
	£000's	
2022/23	2,755	Deficit substantially offset by assumed surplus of £2.651 million in 2021/22
2023/24	2	
2024/25	0	
2025/26	2	53 Week Rent Year Assumed £900,000 saving from Qualis re Housing Repairs
2026/27	(1,918)	

The next stage in the process will see the assumptions and projections in both the General Fund and Housing Revenue Account further refined in accordance with the direction provided by Cabinet and emerging intelligence. Officers will begin to develop draft budget options for 2022/23, including options (such as additional income generation or capturing organisational efficiencies) for closing the budget deficit, for consideration by Cabinet in December 2021.

Reasons for Proposed Decision:

To provide an updated financial position for the Council based on latest available information, allowing Cabinet to consider the implications and potential options available, and provide strategic direction to senior officers in preparing a (balanced) draft budget for 2022/23.

Legal and Governance Implications:

The Council has a legal duty under the Local Government Finance Act 1992 to set a balanced budget. This report highlights a potential budget deficit on the General Fund that needs to be eliminated prior to setting the 2022/23 budget in February 2022.

Safer, Cleaner and Greener Implications:

There are no direct SCG implications contained within the report, although the implications will be considered in the detailed development of budget proposals.

Consultation Undertaken:

None. The proposals in the report require further development. Consultation at a later stage is an in-built feature of the proposed Financial Planning approach and timetable.

Background Papers:

None.

Risk Management:

The consideration of risk will form an integral part of the development of the proposals in the report. In particular, the MTFP is based on a series of estimates and assumptions that are informed by varying forms of intelligence (some certain, some uncertain); that process, including any residual risk in the decision-making process will be clearly indicated.