

Agenda Item 18

For publication

Bedford Borough Council – Executive

Date of Meeting: 13 September 2023

Report by: The Finance Portfolio Holder and Assistant Chief Executive (Finance) and Chief Finance Officer

Subject: MEDIUM TERM FINANCIAL STRATEGY REFRESH

1. EXECUTIVE SUMMARY

- 1.1. In line with good practice, the Council refreshes its Medium-Term Financial Strategy (MTFS) twice a year. Executive last considered the MTFS in March 2023. This report provides an update considering the current forecast spend, demand and resourcing updates. This report covers the period from 2024/2025 to 2027/2028.

2. RECOMMENDATION(S)

The Executive is requested to consider the report and:

- (a) Note the projected changes in service spending and the overall resources available to the Council over the medium term, to 2027/2028 at Appendix A;
- (b) Note the General Fund Balance of £10.1 million as at 31 March 2023 that is at the lower end of the Risk Assessed range as set out at Appendix B;
- (c) Recommend to Full Council the updated Financial Forecasts at Appendix A and the Medium-Term Financial Strategy at Appendix C.

3. REASONS FOR RECOMMENDATION(S)

- a) To ensure that the Executive is aware of the financial challenges over the medium term, the key service and financial drivers of the financial forecast and the strategic response required to meet the financial challenge such that the Council will be in a position over the medium term to deliver sustainable and affordable public services.
- b) To ensure that the Executive is aware of the sufficiency of the General Fund within a risk assessed range.

4. THE CURRENT POSITION

The purpose of the Medium-Term Financial Strategy (MTFS) is to provide the strategic framework and a forward-looking approach to achieve long term sustainability. It is central to the delivery of priority outcomes in the Council Strategy in an affordable and sustainable way over the medium-term period. It aids robust and methodical planning as it forecasts the Council's financial position, considering known pressures, major issues affecting the Council's finances, including, where possible, external influences as well as local priorities and factors.

It helps the Council to respond, in a considered manner, to pressures and changes because of many internal and external influences. This is particularly important during a period when the Council is facing unprecedented changes and challenges. The MTFS recognises the key role that financial resources play in the future delivery of outcomes and in enabling the effective planning, management and delivery of services that contribute to the outcomes across the medium term.

An overarching MTFS is not only good practice but is required to provide the strategic financial framework for the authority at a time of considerable pressure and change, be this delivering key priorities and ongoing efficiency gains, closer budget scrutiny, the management of financial pressures, and political change.

The Council reviews all key financial assumptions on a bi-annual basis and identifies whether there are any material changes which need to be incorporated across the medium-term. The previous review of the MTFS, as undertaken in March 2023, showed a forecast cumulative shortfall over the MTFS period of £33.4 million.

DETAILS

5. Background

- 5.1. The Medium-Term Financial Strategy (MTFS) is the Council's overarching Financial Strategy document and gives financial expression to the Council's plans and fiscal challenges over the medium term, setting the parameters within which the Council will deliver key public services over the medium term.
- 5.2. The strategy has been reviewed and there are no significant changes proposed at this update. The report includes an updated financial forecast incorporating ongoing financial risks including the potential impact on demand and pay and prices as a result of inflationary pressures that were experienced in 2021/2022 and in the current financial year.
- 5.3. The MTFS forecast comprises two key elements:
 - (i) an assessment of the resources available to the Council over the medium term; and
 - (ii) an assessment of spending pressures based on existing levels of service delivery, known policy/legislative changes and demand driven service pressures.
- 5.4. Taken together the movement over the planning period of these elements represents the estimated financial challenge facing the Council.
- 5.5. The impact of cost-of-living crisis has continued to have an influence upon the level of certainty over the accuracy of financial forecasts. It should be noted that these assumptions within the MTFS are based on independent forecasts in relation to the level of resilience of the UK economy. The uncertainty regarding the extent and duration of the impact of exceptional additional inflationary costs and the economic uncertainty constitutes a major risk to the authority across the MTFS period.

Resources

Future Funding Implications

- 5.6. On 12 December 2022, the Secretary of State for Levelling Up, Communities and Local Government published a written ministerial statement which was accompanied by a policy statement on the 2023/2024 local government finance settlement and assumptions about the 2024/2025 local government finance settlement.

5.7. The Government set out some longer-term planning assumptions for the 2024/2025 local government finance settlement in lieu of a full two-year settlement which was previously announced by the then Secretary of State for DLUHC in the Summer 2022. These are set out as follows:

- The Review of Relative Needs and Resources ('Fair Funding Review') and a reset of Business Rates growth will not be implemented until the next Spending Review Period (i.e., 2025/2026 at the earliest);
- The council tax referendum principles will continue the same as 2023/2024 for the remainder of the Spending Review Period (i.e., for 2024/2025);
- Revenue Support Grant will continue and be uplifted in line with baseline funding levels, while social care grants will increase; and
- The Government will set out the future position of New Homes Bonus ahead of the 2024/2025 local government finance settlement.

Further Funding Developments

Extended Producer Responsibility for packaging (EPR)

5.8. It was expected that the 2024/2025 settlement would include a new funding stream, subject to the successful delivery of the Extended Producer Responsibility for packaging (EPR) scheme. The intention of the EPR scheme is to require producers of packaging to pay for the cost of its recycling and use the income from the scheme in the local government funding system, which would have included reviewing the impact of this income on relative needs and resources of individual authorities.

5.9. On 25 July 2023, the Department for the Environment, Food and Rural Affairs (Defra) confirmed that the roll out of the Extended Producer Responsibility (EPR) scheme is being delayed by a year, from October 2024 to October 2025. The delay means that this change to local government funding will not be going ahead for the 2024/25 financial year. No funding from EPR has been included in the MTFS at this time due to a deficit of information on the system methodology and funding allocations.

Social Care Funding

5.10. In July 2023, the Government announced the allocation of a further £600 million of funding set out in the 'Next Steps to Put People at the Heart of Care', which is to be focused on enabling councils to address the staffing crisis in social care, provide more care at home, support carers and meet the challenge of winter pressures. This will see £570 million distributed directly to councils through the existing Market Sustainability & Improvement Fund, with a focus on social care workforce and improvement but flexibility for councils to use the funding over the next two years in the most effective way to support people in their communities.

- 5.11. Of the £570 million - £365 million will be allocated for the current year, with the remaining £205 million in 2024/25. The remaining £30m of funding will be allocated to local authorities in the most challenged health systems, though we await further details on this element of the funding.

Transfer of LEP Functions to Local Authorities

- 5.12. On 4 August 2023, the Department for Levelling Up, Housing and Communities (DLUHC) issued a letter and associated technical guidance which confirmed its previous minded-to decision to cease providing central government funding to Local Enterprise Partnerships (LEPs). LEP responsibilities will be transferred to local authorities (counties or unitary authorities) where they are not already being delivered by combined authorities or the Greater London Authority. Local authorities are expected to cooperate with other councils within their functional economic areas.
- 5.13. The Government will provide additional funding to local authorities for these responsibilities in 2024/2025, but no further details are available at this time. Funding beyond 2024/2025 will be a matter for the next Spending Review and no commitment has been made for 2025/2026 onwards. The final annual payment for 2023/24 was £250,000 per LEP.
- 5.14. Local areas can choose to fund a separate body (e.g. the LEP as is) to deliver responsibilities, but this will be subject to usual contracting arrangements from 2024/2025. The Authority is part of discussions with other Members of the LEP on the transfer of responsibilities. The MTFS assumes a neutral position on this issue.

Medium Term Financial Strategy Summary Position

- 5.15. Given the uncertainty in relation to the potential implications resulting from the Fair Funding Review the following assumptions have been made within the MTFS:
- (a) Revenue Support Grant and distribution is inflated in line with CPI forecasts across the MTFS;
 - (b) Public Health spending will be contained within the Public Health Grant;
 - (c) The Business Rates baseline will be reset in 2025/2026 with the associated loss of income subject to transitional arrangements across the life of the MTFS;
 - (d) The Adult Social Care Market Sustainability and Fair Cost of Care Fund reforms are cost neutral; and
 - (e) The MTFS assumes the maintenance of existing specific grants not mentioned elsewhere in this report.
- 5.16. Given the degree of uncertainty, this report focuses on a Central Case forecast as the basis for determining the funding gap over the medium term (this is set out in more detail at **Appendix A**)

Funding Gap	2024/2025	2025/2026	2026/2027	2027/2028
	£million	£million	£million	£million
Central Case - annual	11.4	13.3	6.4	7.1
Central Case – cumulative	11.4	24.6	31.0	38.1

Please note that rounding differences may be present in the table

The key assumptions included in the MTFS forecast include:

(a) Council Tax

- 5.17. The MTFS baseline model includes an increase in the level of core Band D Council Tax of 1.99% in each year, with the previous MTFS. No decisions have been made on any potential increase or decrease from the default position. An additional precept of 1.0% in respect of Adult Social Care has been applied across the MTFS period
- 5.18. **It is important to note that the increase is for modelling purposes only, and no decision has been made on the actual level of Council Tax increases in the medium term.**
- 5.19. In determining its spend forecasts and Core Spending Power assumptions, the Government assumes that every local authority will raise their council tax by the maximum amount permitted (i.e. at the referendum limit).
- 5.20. It is expected that the authority will continue to see growth in the number of dwellings over the MTFS period, with all other components of the taxbase, with the exception of Council Tax Support, being relatively stable across the MTFS period.
- 5.21. The taxbase estimates that determine the forecast level of council tax yield incorporate an estimate regarding the level of Council Tax Support that is awarded by the authority. In recognition of the nature of the awards generated by the scheme, the forecast Council Tax Support across the MTFS period is linked to forecast unemployment levels.
- 5.22. The Monetary Policy Committee unemployment forecasts published in August 2023, are set out below:

	2023 Q3	2024 Q3	2025 Q3	2026 Q3
Unemployment Rate	4.1%	4.3%	4.8%	4.8%

5.23. This demonstrates a forecast increase in unemployment across the medium term; on this basis it is assumed that Council Tax support will increase proportionately and this, in turn, will reduce the overall net forecast Council Tax yield. The volatility of the movements in unemployment do present a risk to the achievement of the forecast council taxbase assumptions across the short and medium term.

(b) Business Rates Assumptions

5.24. In estimating business rates yield for the medium-term financial strategy, the following key assumptions have also been made:

- The current provision for existing appeals is materially sufficient;
- There are no further significant changes to valuation schemes resulting from Tribunal or Court decisions;
- The authority will see moderate growth in rates yield through the introduction of new developments across the MTFS period.

5.25. In line with the revised retention requirements, the authority's Business Rates yield is now index-linked to CPI published in September of each year rather than RPI.

Business Rates Reset

5.26. Since 2013/2014, local government has retained 50 per cent of business rates through the business rates retention scheme. During the intervening period, the government has announced several plans to 'reset' local authority baselines (the target level of business rates it expects each local authority to collect each year).

5.27. A reset would involve each council's local share being recalculated based on its current percentage share of overall rates revenue, rather than its historic share implemented at the outset of the scheme. The stated purpose of a reset is to prevent councils gaining or losing disproportionately over time according to their ability to grow their rates revenue. However, due to various Central Government capacity issues, this 'reset' has yet to be implemented. One consequence of these delays is that the actual levels of business rates collected by local authorities has become increasingly decoupled from the baseline (target levels), which were set in 2013.

5.28. As stated in paragraph 5 above, the Government has reiterated its intention to undertake a reset of Business Rates growth, however, uncertainty remains regarding the timing of this exercise and this will not be implemented until 2025/2026, at the earliest.

5.29. It is currently envisaged that the reset would establish new baseline funding levels and business rates baselines for each local authority included within the rates retention system. Business Rates Baselines (BRBs), along with baseline funding levels are used to establish the tariffs and top-ups paid by, or to, authorities as part of the redistribution system.

- 5.30. The 'reset' of the system could therefore see significant changes in baselines that would, for those authorities whose business rate yields are significantly above baseline levels, result in a sharp "cliff edge" reduction in funding. It is recognised that a reset of this nature would potentially involve a high degree of volatility to this authority's business rates retention assumptions as this would result in the Authority's retained business rates being reverted to baseline levels.
- 5.31. It is expected that such a reset would result in a reduction in retained rates of circa £10.0 million across the MTFS period. An element of transitional funding is assumed within the MTFS estimates that will, in turn, partially offset this significant resource reduction. It should be noted that there is no indication from government about whether or how a transitional mechanism would be implemented.

S31 Grant and Change in Top Up / Tariff

- 5.32. As set out previously in the report, a reset of business rates would potentially involve a high degree of volatility to the authority's business rates retention assumptions as the reset would result in the authority's retained business rates being reverted to baseline levels; this includes a reduction in Section 31 grants that had been previously provided plus an amendment to reflect a forecast change in the top up / tariff arrangements.
- 5.33. As previously set out in the report, this is now anticipated to be implemented in 2025/2026. In the interim, Section 31 grants are expected to be increased by the same inflation uplift as Business Rates.

(c) Revenue Support Grant

- 5.34. Revenue Support Grant assumptions has been included in the MTFS; the estimate is linked to forecast CPI movements across the medium-term planning period. As previously set out in the report, uncertainty remains regarding the future local government funding framework that will determine the overall quantum and distribution methodology.

(d) Legislative/Funding Changes

New Homes Bonus

- 5.35. The future of the New Homes Bonus remains uncertain. The Government has not made a commitment to a new round of payments in 2024/2025 but has again committed to set out the future position in the year ahead. The value of such a commitment is unclear, given that it has been made several times in recent years and never fulfilled.

- 5.36. As a result, of this uncertainty, the MTFS assumes the cessation of the NHB scheme from the 2024/2025 financial year and no grant is included in the MTFS period.

Repurposed Adult Social Care Grants

- 5.37. Within the Autumn Statement announcement of November 2022, the Government announced the delay of the national roll-out of social care charging reforms (as set out in the Adult Social Care White Paper) from October 2023 to October 2025. Funding previously identified to implement the reforms was retained within Local Government to contribute towards existing adult social care pressures; the government has previously announced an extension to the funding to be provided to local government in the 2024/2025 financial year.

Improved Better Care Fund

- 5.38. There is currently no information available on the extent to which BCF/iBCF funding will continue beyond 2023/2024. It has been assumed in the MTFS that this funding will be ongoing in some form, however if this were not the case, the Council would need to consider its priorities to determine how, in the absence of such funding, current service levels would be affected.

(e) Demand/Demographics

Adults Services

- 5.39. The MTFS reflects the latest trend in growth and demand for adult care and support packages where both demand and additional complexity as well as vulnerability are evident. The acuity of many people with eligibility can be seen. The adult services have continued to be in post pandemic recovery with people who managed or reduced their interactions or supports with others for some time, without coming forward, who are now coming through with increasing complexity of need, requiring specialist and increased levels of support.
- 5.40. The Local Authority has a statutory duty to provide care and support following assessment, where care and support needs are found and to support them to achieve quality of life to meet essential needs of daily living and to promote independence reducing the risk of significant risk of harm and protection from abuse. The key cost drivers are residential care, supported living, specialised care across all age groups and needs from 18 to end of life.
- 5.41. The growth in the number and complexity of young people reaching the age of transition with learning disabilities, those with increasing neuro- diverse needs and rising levels of mental health cases for people in the working age bracket has increased. In addition to consideration for in house supports and strength based approaches; working with people by also using their own assets where

possible, the services promote the use of assistive technology, early help, re-ablement, working with partners and providing equipment and adaptations to support the maintenance of independence in people's own homes.

- 5.42. The care market is closely monitored to ensure services commissioned and run locally effectively meet the needs locally, in line with statutory duties under the Care Act. The care market is stable for adults at present but there is a need to work closely with the providers in the sector to monitor care, safety and quality, which is a key feature in preventing a failure thus placing additional financial pressure of the council, as the provider of last resort.

Children's Services

- 5.43. Additional costs have also been included to reflect the latest trend in demand for children's' placements in particular due to an increased number of children requiring more specialist care due to complexity of their needs. The Local Authority has a statutory duty to provide placements for children when necessary either due to complexity of need and/or where there is significant risk of harm. The Local Authority would be at risk of judicial review, litigation and claims for compensation if it did not provide placements that meet the identified need. The key cost drivers are residential care, foster placements with independent fostering agencies (IFA) and growth in 16+ placements. Residential placements and IFA placements used either when the needs of children cannot be met within in-house provision due to capacity / sufficiency of in-house placements or because of level of care needs which cannot be met in-house. The growth in the number of separated migrant children and children reaching the age of transition to semi-independent living has increased the demand for 16+ placements. The current market situation with providers increasing costs due to regulatory changes and inflation has had significant impact on the budget.

Temporary Accommodation

- 5.44. The Housing team have faced an unprecedented rise in demand for homelessness advice and assistance (from 130 approaches per month in 2018 to 230 in 2023) and a steep increase in temporary accommodation (TA) placements (from 220 in April 2020 to 620 in April 2023). An invest to save project is underway to increase the housing team to deliver greater prevention work, reduce the number of households in temporary accommodation and identify ways to increase the supply of properties and partnership working. The MTFS makes provision for the cost of increased resources to manage demand as recommended by the Budget and Corporate Services Overview and Scrutiny Committee to the Executive, and for a reduction in demand over a two-year period as a result of this invest to save.

(f) Corporate and Inflation

- 5.45. It is recognised that inflationary pressures have had a fundamental impact on the authority's budget provision in the 2023/2024 financial year. It is assumed that, in line with the August 2023 Monetary Policy Committee (MPC) estimates, the level of inflation will reduce across the MTFS period. However, there remains uncertainty regarding the longevity and degree of continued inflationary pressures, and this presents a risk to the authority.
- 5.46. The Committee expects CPI inflation to continue to fall, to around 5% by the end of the year, owing to lower energy, and to a lesser degree, food and core goods price inflation. The MPC's medium-term forecasts are set out in below:

MPC CPI Forecast	2023 Q3	2024 Q3	2025 Q3	2026 Q3
	6.9%	3.1%	2.0%	1.9%

- 5.47. Allowance has been made in respect of inflation in respect of the Council's pay award and contractual costs. It is recognised that the cost of provision of adults and children's services is sensitive to inflation and market conditions.
- 5.48. The impact of the volatility of interest rates will influence the level of Capital Financing Costs across the MTFS period. The table below sets out the MPC's August 2023 Bank Rate estimates:

MPC Bank Rate Forecast	2023 Q3	2024 Q3	2025 Q3	2026 Q3
	5.3%	6.0%	5.2%	4.5%

(g) Other Service Net Pressures

- 5.49. The authority faces a wide number of challenges to the provision of its services across the MTFS period. Some key examples are set out below:
- 5.50. A Climate Change Strategy has been approved by the Climate Change Committee, notional funding for the impact arising from this strategy has been included within the MTFS, however, the scale of funding needed will become more apparent as the plans are developed.
- 5.51. The authority has recognised potential pressures in respect of Home to School Transport.

5.52. The authority's leisure contract is due to end on 31 January 2024, and the authority is undertaking a tender process for the operation of the eight leisure sites following the end of the current contract. It is recognised that market conditions in this sector have changed and therefore any new contract entered into will create a pressure.

(h) Adult Social Care Reform - Market Sustainability & Fair Cost

5.53. On 8 August 2022, the Department for Health and Social Care (DHSC) published a consultation on distribution of funding for adult social care charging reform in 2023/2024 comprising both the change in financial limits at which contributions for social care are payable and the impact of the contributions care cap. The government announced its intention to review its approach to distributing this fund and has stated that, to achieve this, it will work closely with local authorities, including reviewing information received from local authority cost of care exercises.

5.54. As stated in paragraph 5 above, the Government announced the delay of the national rollout of social care charging reforms (as set out in the Adult Social Care White Paper) from October 2023 to October 2025.

5.55. The potential impact of the Adult Social Care reform package measures is acknowledged. In the absence of more specific information regarding the implementation of the reform, for the purposes of the MTFS, the estimated funding is expected to be matched by equivalent levels of spend. It is important to recognise potential risks associated with the proposed arrangements.

Funding the Gap

5.56. The cumulative gap for the period 2024/2025 to 2027/2028 of £33.4 million represents a significant proportion of the Council's current net budget. The profile of the accumulation of the funding gap is set out below:

Funding Gap	2024/2025	2025/2026	2026/2027	2027/2028
	£million	£million	£million	£million
Central Case - annual	11.4	13.3	6.4	7.1
Central Case - cumulative	11.4	24.6	31.0	38.1

5.57. It is recognised that, to achieve a balanced budgetary position over the medium term the savings must be effectively planned, delivered and monitored in a timely and complete manner.

Transformation Programme

- 5.58. The Council's Transformation Programme was approved by the Executive (28 October 2020) to meet the funding gap over the medium term and incorporated a number of themes. The Programme is monitored so that there is clear oversight of its current and forecast position. This has been updated as part of the 2023/2024 budget setting process. The plans for the delivery of the Programme are well under way with a number of key themes evident; efficient business processes harnessing the Council investment in technology, continued supplier engagement to explore new and more cost effective ways of procuring services, building on those changes that have arisen during the crises, such as greater agile working, and Directorate Service Proposals (DSPs) that look at what and how specific services are delivered.

General Fund Balance and Reserves

- 5.59. The General Fund balance is considered as part of the MTFS as it relates to financial resilience and is therefore consistent with the purpose of the MTFS, i.e. there is a relationship with regard the risks faced by the Council and the level of balances needed to cover such risks. Set out at **Appendix B** is the Risk Assessment for the General Fund which, has been updated to reflect the perceived risk profile. The updated approach excludes Public Health on the basis that this continues to be ring-fenced (Public Health Grant) and there is a Public Health Strategic Reserve that should be used to mitigate financial risks.
- 5.60. It should be noted that the General Fund represents an assessment of risk that is beyond that set out in the annual budget process. The MTFS forecast incorporates emerging inflationary pressures the General Fund assessment reflects the risk that inflation, for example, may be greater than that assumed at budget set.
- 5.61. The risk assessment was undertaken in May 2023, and reviewed again as part of the MTFS process. The General Fund balance stands at £11.1 million at 31 March 2023 after drawing £2.6 million to fund the 2022/2023 budget gap. The projected balance remains at the lower end of the risk assessed range of £11.0 million to £13.0 million.

Medium Term Risks

- 5.62. In looking at the MTFS a Central Case has been determined. This Central Case is underpinned by a number of assumptions and as such, alternative scenarios have been developed through amending some of these key assumptions to model alternative scenarios.
- 5.63. It is recognised that by its very nature that there are risks inherent in medium term financial planning in addition to recognising some specific risks including:

- (a) Demand Led Pressures – these are discussed in more detail from paragraph 5.39; service pressures have increased over the last two years. Trends based previous activity and known changes are projected over the life of the MTFS however, it is difficult to accurately forecast demand and complexity of cases in Adults and Children’s social care. The Council is now experiencing changes in care as a result of covid, with individuals having delayed seeking assistance over the pandemic, now presenting with higher levels of need.
- (b) Economic - The ongoing impact of uncertainty caused by the war in Ukraine has resulted in a greater drag on the economy and as such may impact on the Council’s finances over the medium term both through Government funding pressures and exposure to welfare related costs. These risks are deemed to arise from: (i) reduced economic activity adversely affecting business rate income and increased levels of unemployment, (ii) reduced income arising from fees and charges, (iii) increased costs including welfare related costs and increased demand for services and (iv) potential impact on the Council’s supply chain and labour shortages and (v) inflationary pressures.
- (c) Climate Change – the Office for Budget Responsibility review of Fiscal Risks (July 2021) set out risks in relation to climate change and additionally recognised the need to develop greater sophistication in modelling such impacts. Adverse climate events will have financial consequences; an estimate of the one-off costs form part of the General Fund risk assessed level whereas those that potentially affect ongoing income / spending need to be considered as potential cost over an MTFS period.
- (d) Outcome of Changes to Local Government Funding – the Council recognises the potential impact caused by the planned review of local government funding. The timing of the revaluation and reset of business rates would significantly impact upon the level of resources available across the medium term. Successive roll-over settlements have significantly increased financial uncertainty. The 2014 changes to Local Government funding, in effect, locked in funding based on data that is now 10-20 years old. Business rates retention has weakened the relation to needs and Fair Funding Review delays have led to further funding gaps.

Alternative Scenarios

- 5.64. The Table/chart below set out the impact of alternative scenarios on the cumulative funding gap. The alternative scenarios reflect changes to Council Tax, Business Rates, Demand/Demographics, Corporate Pressures (including Inflation) and additional Service Pressures. The negative economic view also increases the Base Budget reflecting a broader assessment of an increased net spend.

Table 4 – Funding Scenario Assumptions Over the Medium Term Period

	Pessimistic View	Optimistic View
Base Budget Requirement		
Council Tax	2.5% reduction in yield due to weaker economic recovery forecast	2.5% increase in yield due to improving economic conditions
Business Rates	2.5% reduction in yield due to weaker economic recovery forecast	2.5% increase in yield due to improving economic conditions
Demand / Demographics	5.0% increase in demand due to socio economic factors arising from a forecast weaker economic recovery	2.5% reduction in demand due to improving socio- economic factors leading to less demand for services
Corporate Pressures (including Inflation)	2.5% increase in demand due to socio economic factors arising from a forecast weaker economic recovery	2.5% reduction in corporate costs due to lower pay and price uplift assumptions

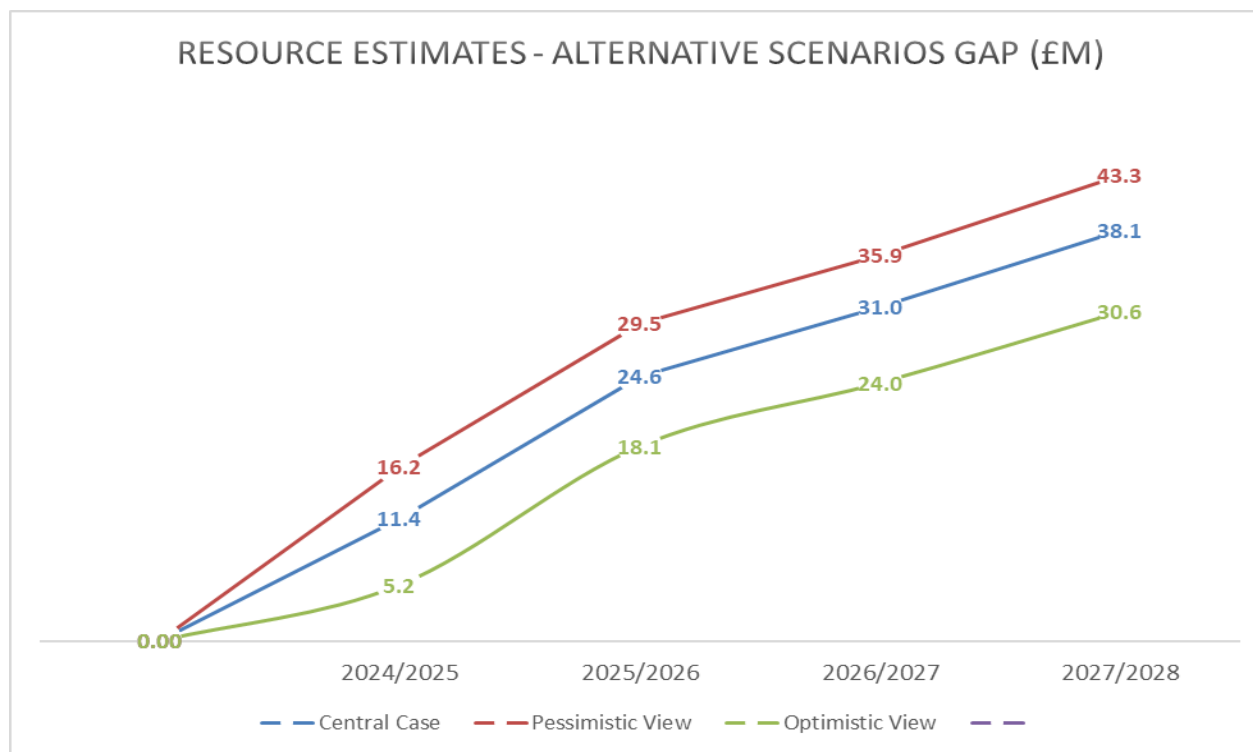
5.65. The impact of the scenarios is set out in the Table and Chart below. This demonstrates the gap in resources to spend over the medium-term period and compares the scenario to the Central Case. It should be noted that although these are high level assessments the scenarios nevertheless give an indication of the potential impact on the Council's budgets over the MTFS period.

Table 5 – Quantification of Funding Scenario Assumptions Over the Medium-Term Period

Outcome of Scenarios	2024/2025 £m	2025/2026 £m	2026/2027 £m	2027/2028 £m
Central Case	11.4	24.6	31.0	38.1
Pessimistic View	16.2	29.5	35.9	43.3
Optimistic View	5.2	18.1	24.0	30.6
Comparison to Central Case				
Pessimistic View	4.8	4.9	4.9	5.2
Optimistic View	(6.2)	(6.5)	(7.0)	(7.5)

The graph, as set out below, demonstrates the resources position over the medium-term period for each of the alternative scenarios.

Chart 2 – Alternative Scenarios



MTFS Strategy

5.66. The MTFS Strategy set out at **Appendix C** has been reviewed and there are no significant changes proposed.

6. ALTERNATIVES CONSIDERED AND REJECTED

- 6.1. The assessments within the report set out the impact of a range of alternative scenarios on the cumulative funding gap. The alternative scenarios reflect a change to Council Tax, Business Rates, Demand/Demographics, Corporate Pressures (including Inflation) and additional Service Pressures.

7. KEY IMPLICATIONS

7.1 Legal Issues	It is a legal requirement that the Council set a balanced budget for the ensuing financial year; the MTFS provides the framework to deliver this in that it brings together funding and spending assumptions over the medium term thereby identifying funding shortfalls and as such provides sufficient time for decisions to be made to achieve balanced budgets on an annual basis over the medium term.
7.2 Policy Issues	<p>To demonstrate financial resilience, the Council sets out its potential funding position over the medium term thereby enabling the most effective strategies to be put in place to ensure that the Council can set a balanced budget (as required by statute) on an annual basis.</p> <p>The increase in demand for services is projected to further outstrip available resources, coupled with inflationary pressures, potential funding reform (including the reset of business rates funding), the MTFS identifies a significant funding gap to be addressed over the medium term.</p> <p>The Corporate Plan sets out the priorities for the Council that informs the policy framework for achieving the required ongoing savings whilst meeting the Council's strategic objectives and statutory obligations. The Corporate Plan is part of the Council's adopted Policy Framework and articulates at a strategic high-level the Council's goals and priorities over the medium term.</p> <p>The MTFS will be revised to reflect the revised Corporate Plan at the next refresh. It is important to ensure that the MTFS remains aligned with Corporate priorities.</p>

7.3 Resource Issues	<p>The MTFS is the Council's key financial planning document and sets out the Council's strategic approach to the management of its finances and Council Tax levels over the medium term, thereby allowing sufficient lead time to develop services consistent with the forecast resource envelope.</p> <p>The MTFS forecasts for the period 2024/2025 to 2027/2028, at Appendix A, include a number of assumptions underpinning the financial projections. The forecasts show the level of savings that need to be achieved with the indicative Council Tax level and current legislative, funding and resource assumptions.</p>
7.4 Risks	<p>There are a range of inherent risks in developing a financial strategy over the medium term in that forecasts need to be made with regard to resources (e.g. review of the quantum and distribution of public spend budget allocations, higher inflation, higher interest rates, climate related pressures) and the demands placed on the Council in delivering its services (e.g. social care and population driven services such as waste collection and disposal).</p> <p>The current economic environment, arising from the ongoing impact of exceptional inflationary pressures and economic uncertainty creates further risks in the achievement of the Council's resource forecasts in respect of Council Tax and Business Rates yields. There is also uncertainty on the timing of the anticipated Government Business Rates reset which has significant detrimental impact on the finances of the Council.</p> <p>An assessment of the General Fund balance forms part of the MTFS process and addresses the wider financial and legislative risk over the medium term. More specific risks are matched against specific reserves (e.g. social care turbulence, insurance).</p>
7.5 Environmental Implications	<p>On the 5 March 2019 the Council declared a Climate Change Emergency, recognising the responsibility the Council has to safeguard the local environment by reducing its own carbon footprint, and working with the local community to reduce global warming to 1.5 degrees as recommended by the Intergovernmental Panel on Climate Change (IPCC). This declaration has an impact in terms of the investment required to deliver such changes, as well as the risk of climate change to the Council, the impact on residents, and in the delivery of services.</p> <p>A Climate Change Strategy has been approved by the Climate Change Committee, indicative funding for initiatives arising from this strategy have been included within the MTFS.</p>
7.6 Equalities Impact	<p>In preparing this report, due consideration has been given to the Borough Council's statutory Equality Duty</p>

	<p>to eliminate unlawful discrimination, advance equality of opportunity and foster good relations, as set out in Section 149(1) of the Equality Act 2010.</p> <p>A relevance test for equality has been completed. The equality test determined that the activity has no relevance to Bedford Borough Council's statutory equality duty to eliminate unlawful discrimination, advance equality of opportunity and foster good relation. An equality analysis is not needed.</p>
7.7 Impact on Families	Not applicable to this report.
7.8 Community Safety and Resilience	Not applicable to this report.
7.9 Impact on Health and Wellbeing	Not applicable to this report.

8. **SUMMARY OF CONSULTATIONS AND OUTCOME**

8.1 The following Council units or Officers and/or other organisations have been consulted in preparing this report:

Finance Portfolio Holder

Management Team

8.2 No adverse comments have been received.

9. **WARD COUNCILLOR VIEWS**

9.1 Not applicable to this report.

10. CONTACTS AND REFERENCES

Report Contact Officer	Julie McCabe, Interim Assistant Chief Executive (Finance) - e-mail: julie.mccabe@bedford.gov.uk Rhian Bevan, Chief Officer for Finance - e-mail: rhian.bevan@bedford.gov.uk
File Reference	
Previous Relevant Minutes	Minute 86: Executive – 2 March 2023
Background Papers	None
Appendices	Appendix A – Financial Forecast 2024/2025 to 2027/2028 Appendix B – General Fund Balance – Risk Assessment Appendix C – Medium Term Financial Strategy - Proposed

FINANCIAL FORECAST 2024/2025 TO 2027/2028

Central Case	2024/2025	2025/2026	2026/2027	2027/2028
	£m	£m	£m	£m
Council Tax	112.0	115.5	120.1	124.8
Adult Social Care Precept	1.1	1.1	1.2	1.2
Council Tax (Deficit) / Surplus	1.0	0.0	0.0	0.0
Business Rates	45.7	48.3	50.2	52.2
Business Rates Deficit	0.0	0.0	0.0	0.0
Revenue Support Grant	7.4	7.6	7.8	7.9
Transitional Funding	0.0	5.0	2.5	1.3
Total Resources	167.2	177.5	181.7	187.3
Budget Requirement Carried forward	158.5	178.6	202.2	212.8
Other Service Net Pressures	5.3	0.4	-0.1	0.2
Legislative / Funding Changes	-2.6	0.1	0.1	0.1
Demand / Demographics	9.7	5.4	6.1	7.1
Loss of s31 Grant	-2.2	12.9	0.0	0.0
Tariff / Top Up Change	0.2	-0.4	0.0	0.0
Council Tax Surplus Spread	1.9	0.0	0.0	0.0
Corporate Pressures	0.4	-1.6	-0.5	0.0
Inflation	7.4	6.7	5.0	5.3
Net Spending	178.6	202.2	212.8	225.5
Net Resource Position	11.4	24.6	31.0	38.1

General Fund Risk Assessment

Appendix B

Directorates			Demographics		Inflation / Valuation		Legislation		Efficiencies		External Funding		Total Score		
			£000s		£000s		£000s		£000s		£000s		£000s		
Adults			5	1,000	5	1,000	4	750	3	500	5	1,000	22	4,250	
Children's			5	1,000	3	500	3	500	3	500	2	250	16	2,750	
Corporate Services			5	1,000	3	500	2	250	2	250	2	250	14	2,250	
Environment			1	100	3	500	1	100	2	250	1	100	8	1,050	
Public Health			0	-	0	-	0	-	0	-	0	-	0	-	
Council Wide															
Capital Financing			0	-	3	500	0	-	0	-	0	-	3	500	
Financing			0	-	2	250	1	100	2	250	4	750	9	1,350	
													12,150		
Risk Key		Score	£000s												
Catastrophic	5	1,000	Impact on Reserves over £1 million												
Critical	4	750	Impact on Reserves £750k - £1 million												
Major	3	500	Impact on Reserves £500k - £750k												
Minor	2	250	Impact on Reserves £250k - £500k												
Insignificant	1	100	Impact on Reserves £100k - £250k												
None	0	-	Impact on Reserves less than £100k												
													Balance 31 March 2023		11,008

Indicative Range:

Range	from:	11,000
	to:	13,000

General Fund Risk Assessment over the medium term in respect of the financial assumptions underpinning the MTFS

Demographics	- the extent to which demographic pressures increase demand and the risk that these require spending above budget provision
Inflation / Valuation	- the extent to which price increase / valuations exceed that forecast and the risk that this will increase the cost of provision
Legislation	- the extent to which legislative changes creates uncertainty and the risk that this results in financial impacts including climate related risk
Efficiencies	- the extent to which efficiencies are to be delivered and the risk that these will not be delivered as planned (time and value)
External Funding	- the extent to which external funding supports Service Provision and the risk that this may be reduced / removed



BEDFORD BOROUGH COUNCIL

**MEDIUM TERM
FINANCIAL STRATEGY**

2024 - 2028

Councillor Graeme Coombes
Finance Portfolio Holder

Julie McCabe
Interim Assistant Chief Executive (Finance) & CFO

CONTENTS

	Page
Introduction	3
Policy Context of the Medium Term Financial Strategy	3
Linkage of Medium Term Financial Strategy to the Sustainable Community Strategy and Corporate Plan	4
Revenue Budget	5
(a) Revenue Budget Strategy	5
(b) Revenue Budget Policy	6
(c) Revenue Budget Planning	7
(d) Revenue Budget Monitoring	8
(e) Value for Money	8
(f) Financial Procedural Rules	9
(g) One-Off Savings, Fortuitous Income and Fixed Term Funding	9
(h) Growth Prospects	9
(i) Investment Opportunities	9
(i) Reserves	10
(j) Contingency Allocation	10
Capital Budget	11
(a) Capital Strategy	11
(b) Capital Finance Policy	12
(c) Capital Budget Planning	12
(d) Service and Commercial Investment Strategy	13
(e) Treasury Management Strategy	13
Efficiency Requirements	13
Risk	14
Summary and Conclusion	15

INTRODUCTION

1. The Medium Term Financial Strategy (MTFS) is the Council's key financial planning and policy document. It sets out the:
 - Policy Context of the Strategy;
 - Linkage of Medium Term Finance Strategy to the Sustainable Communities Strategy and Corporate Plan;
 - National and Local Priorities;
 - Revenue Budget;
 - Capital Budget;
 - Financial Outlook – Capital and Revenue;
 - Efficiency Requirements;
 - Risk.
2. The MTFS has to be considered as part of a corporate wide process and it links into the wider decision making of the Council.

POLICY CONTEXT OF THE MEDIUM TERM FINANCIAL STRATEGY

3. The MTFS is the Council's overarching Financial Strategy and Policy document. The purpose of the MTFS is to give financial expression to the Council's plans over the medium term in the context of the Council's longer term plans as set out in its Corporate Plan.
4. The MTFS sets out the Council's funding plan, for achieving its goals and priorities, balancing available financing and spending ambitions. It highlights the financial projections for financing, spending (revenue and capital), and reserves. It also highlights the underlying financial strategy, the financial assumptions, and the inherent financial risks. Importantly, it links decisions on resource allocation to decisions on policy priorities.
5. In addition, the Council has approved corporate policies which, in addition to the MTFS, act as a cornerstone of its Financial Management. These include:
 - Capital Strategy;
 - Treasury Management Strategy
 - Corporate Asset Plan;
 - Value for Money Strategy;
 - Procurement Strategy;
 - Human Resource Strategy;
 - Risk Management Strategy;
 - Information Technology Strategy.

6. ~~Looking ahead,~~The Council's financial planning process ~~will continue~~^s to develop to make ~~–It will promote the best use of limited financial resources, and facilitate the alignment of these resources to the Council's priorities. Base budgets will be~~ ^{are} analysed with increasing sophistication. Spending that does not contribute to Council priorities will come under increasing scrutiny.

LINKAGE OF THE MEDIUM TERM FINANCIAL STRATEGY TO THE ~~SUSTAINABLE COMMUNITY STRATEGY & CORPORATE PLAN~~

7. The Council is committed to working with its communities and partners to improve local quality of life. The Council's contribution is articulated in its Corporate Plan.
8. The Council's purpose and key priorities are expressed in the ^{latest} approved Corporate Plan. Importantly, the allocation of resources over the medium term is intended to reflect the established priorities.
9. In developing the Corporate Plan and the MTFS, it is important to give full regard to the following:
- national and local priorities;
 - stakeholder and partner views;
 - external drivers, including funding variations and requirements to improve efficiency;
 - ^{levels of demand and the impact of changes in demographics;}
 - capital investment plans and their revenue implications;
 - risk assessments and financial contingency planning;
 - sensitivity analysis;
 - expected developments in services.
10. The Council needs to manage the continued high level of population growth and economic growth and resulting impact on Council services, while continuing to improve, in order to meet its ambition to become an excellent authority The MTFS must recognise these challenges and, in doing so, takes its lead from the strategic goals and priorities outlined in the approved Corporate Plan.

REVENUE BUDGET

(a) Revenue Budget Strategy

11. The Council's financial strategy for 2024/2025 to 2027/2028, as set out in this Strategy, is to contribute to the Council's overall vision and priorities by:
 - Securing stable and sustainable budgets within the financial resources available;
 - Ensuring that **the Council's** limited resources are focussed towards the Council's highest priorities;
 - Recognising risks and ensuring an adequate level of financial protection against risk by maintaining a prudent level of financial reserves;
 - Securing an understanding of sources of potential finance;
 - Building financial capacity for fundamental change;
 - Being flexible to allow shifts in spending if circumstances change;
 - Ensuring that the Council is not overburdened with financial commitments.
12. The Council's MTFS is reviewed twice per year on a rolling basis and, through the revenue budget determination process, seeks to link decisions on resource allocation with decisions on policy priorities.
13. The clear message is that budget setting and medium term financial planning will be difficult over the duration of the MTFS and the following financial objectives will, therefore, help guide budget proposals:
 - A sustainable medium term financial plan that allows the achievement of the Council's key objectives;
 - Realistic levels of year on year spending which are supportable via annual income streams and do not require the use of general reserves to support recurring expenditure;
 - General reserves should be maintained at all times within the risk assessed level;
 - Constraining annual Council Tax increases to an acceptable level;
 - The pursuance of "invest to save" opportunities with a financial return on the investment in transforming activities over an acceptable payback period;
 - A commitment to explore income generation opportunities and to maximise income from fees and charges;
 - A commitment to maximise efficiency savings.
14. ~~Full regard will be given to~~ Revenue Budget forecasts and any increase in the ongoing annual Revenue Budget (by way of use of the contingency provision or virement) will be subject to the expenditure being either legally unavoidable or considered affordable after taking into account:

- any forecast savings targets;
- Implications on Council Taxpayers in future years.

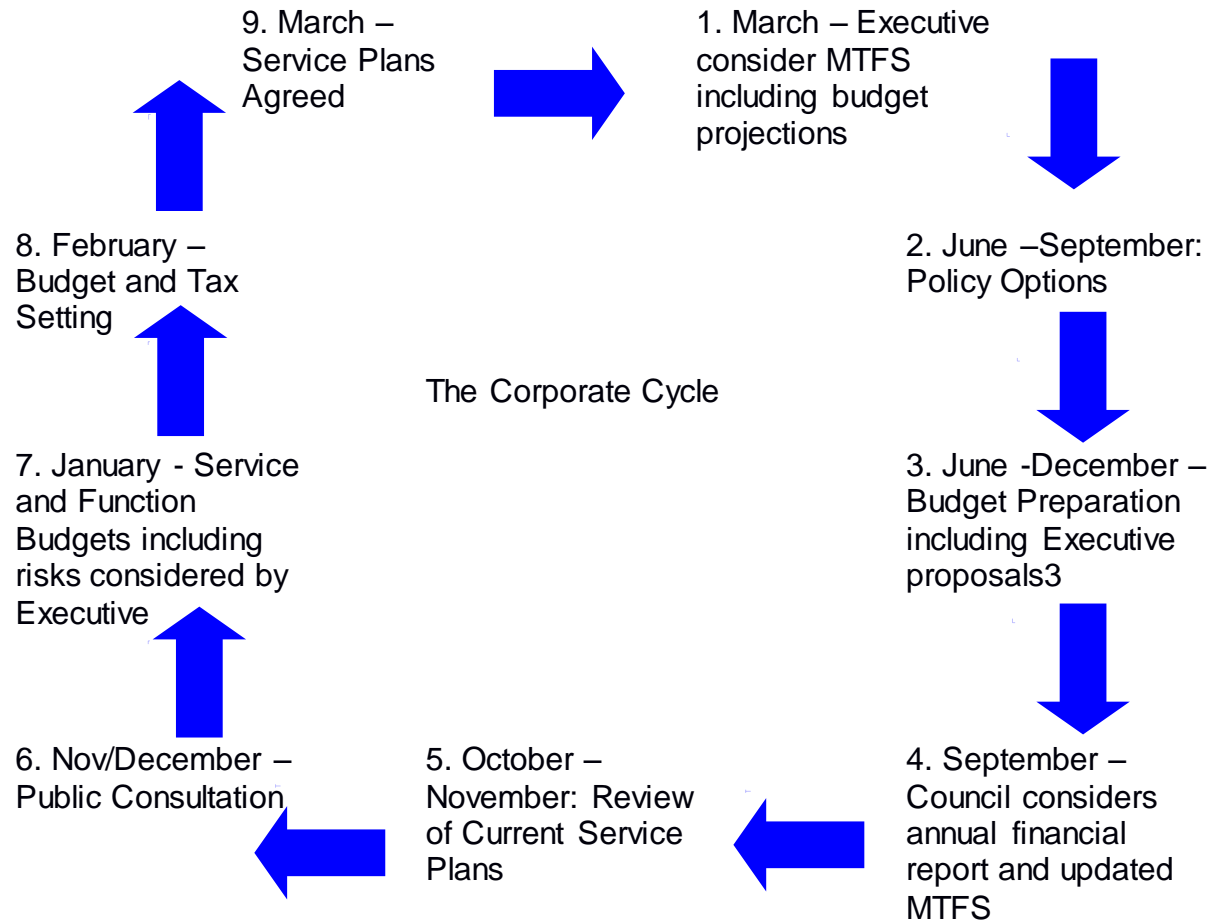
15. In the light of any forecast savings targets, every effort will be made to increase annual income sources and reduce annual expenditure without materially reducing front line services provided by the Council.
16. Notwithstanding 14 above, if the Council is facing a position whereby the ensuing year's forecast expenditure is more than the forecast total income to be received, it can elect to consult Council Taxpayers on either the option to reduce service levels or increase Council Tax and the Council will have regard to the consultation outcome before it reaches its final decision. The Council is required to hold a referendum for any Council Tax rise in excess of an amount set by the Secretary of State, in January each year, to ensure that Taxpayers support the proposed Council Tax increase.

(b) Revenue Budget Policy

17. To ensure a continuously stable financial base for the provision of Council services and functions, the Council will ensure that annual ongoing General Fund revenue expenditure can be covered by annual income sources across the period of the Strategy.
18. In setting out the above policy the Council recognises that any significant use of reserves to fund ongoing expenditure commitments is unsustainable in the medium term.
19. A prudent level of revenue contingency will be maintained to enable unforeseen and "one off" needs (i.e. having no long term ongoing revenue commitment) to be considered for funding.
20. Under Section 25 of the Local Government Act 2003, before approving the ensuing year's Capital and Revenue Budget, the Council is required to receive and take into account a report of the Chief Finance Officer on the robustness of the estimates leading to the Council's Council Tax requirement and the adequacy of financial reserves. The Council needs to consider:
 - affordability (having regard to Council Tax implications);
 - prudence (having regard to Council policies/strategies);
 - sustainability (having regard to forecast annual expenditure and income).
 - In addition, it must also take into account risks and impact on reserves.
21. The Council's financial strategy reflects the anticipated funding gap over the medium term and, as such, highlights that over the period resources are not going to be able to sustain the current level of spend. Consequently, the Council has put in place a programme of service and efficiency reviews that will look to reduce costs and better focus resources on the Council's priorities ~~along with a Transformation Programme centred on a Digital Operating Model~~ and providing an offering of core services.

(c) **Revenue Budget Planning**

22. With regard to integration to the wider policy making process, the annual cycle for the revenue budget is shown below:



23. In determining Council Tax increases, the Council will endeavour to keep increases within the Referendum Limit issued by the Secretary of State.

The determination of the revenue budget and capital programme will also have regard to the Corporate policies relating to Human Resources and Information Technology and, in particular:

(i) Human Resources Strategy

The Executive, when considering the staffing budget, will have regard to the needs and priorities of the Council and will seek to ensure a focussed, competent, skilled and well trained workforce necessary to deliver and support key services within a stable environment.

Processes to ensure optimum resource deployment will be encouraged to maximise efficient service delivery.

(ii) Information Technology Strategy

In order to support the Council's Information Technology requirements, the Council's IT Strategy provides for the funding of new/replacement IT equipment through:

- operating leases (where available and cost effective);
- ICT Reserve combining both hardware and software;
- **Borrowing (where required)**

Annual repayment to the Reserve will be made in order to provide the Council with financial stability in its budget planning in the medium to long term.

(d) Revenue Budget Monitoring

- 24.** ~~The Council operates a robust budget monitoring process which considers the financial position alongside performance data to re-~~
~~is a need for effective budget monitoring to be undertaken~~ in line with the Council's Financial Procedure Rules. Effective budget monitoring ~~as this will~~ enables the Executive to put in place **timely** plans to address forecast budget issues.
- 25.** ~~The Executive will, therefore, receive~~s regularly reports in respect of budget trends and, ~~as part of these monitoring reports, will~~
~~identify potential variations to the approved budget~~ **in order to** and consider **and take** appropriate action to **balance the budget**.
~~Where possible, performance data will be developed and reported as part of the process of linking budget allocations to~~
~~performance attainment.~~

(e) Value for Money

27. Each Service and Function Budget submitted to the Executive/Council as part of the annual budgetary process will have regard to the requirements to secure economy, effectiveness and efficiency as detailed in the Council's approved Value for Money Strategy.

(f) Financial Procedure Rules

28. The Mayor/Executive and Council shall adhere to all Budgeting (including Budget Preparation, Monitoring and Control) requirements as set out in the approved Financial Procedure Rules of the Council. Officers shall adhere to the detailed financial procedures set out by the Assistant Chief Executive (Finance) (as the statutory Chief Finance Officer) ~~as required by Financial Procedures.~~

(g) One-Off Savings, Fortuitous Income and Fixed Term Funding

29. Given the Council from time to time achieves one-off revenue savings or receives fortuitous income these monies will ordinarily accrue to the general contingency and could be used to meet:
- any unavoidable one-off expenditure;
 - one-off expenditure consistent with Corporate Priorities.

(h) Growth Prospects

30. The Local Government Finance Act 2012, and associated subsequent regulations, introduced extensive changes to local government finance from April 2013, including provisions for local authorities to retain a portion of the revenue that is collected from the Non-Domestic Rates payable in respect of properties situated in their area. The Business Rates Retention Scheme is based upon a policy initiative to promote economic growth through aligning financial and business growth benefit for Councils ~~and, given the economic outlook and the~~ to increased reliance on locally raised taxation, the Council's financial planning needs to address the benefits and risks of this funding structure. This system is subject to ongoing resets of local authority baselines (the target level of business rates that local authorities are expected to collect each year). However, due to various significant events, these resets have not occurred as initially planned. One consequence of these repeated delays is that the actual levels of business rates collected by local authorities have become increasingly decoupled from their baselines (target levels), which were set in 2013. A re-set of this nature would potentially involve a high degree of volatility to the authority's business rates retention assumptions as this re-set would result in the authority's retained business rates being reverted to baseline levels.

31. The Council will, therefore, actively pursue growth opportunities through its Growth Plan in order to maximise revenue from this source but also give due regard to the potential for and impact of reduced yield arising, for example, from rating appeals (i.e. reductions in rateable value).

(i) Investment Opportunities

32. The Council has finite resources and will seek to supplement its resource base by exploring income generation opportunities, with appropriate emphasis on the pursuance of “invest to save” opportunities where statutory powers exist and where there is a financial return on the investment over an acceptable payback period. The Capital Programme incorporates Invest to Save Schemes where a Business Case has demonstrated that savings derived from such investment exceeds the associated capital financing costs. This will normally be direct acquisition of assets required for service delivery being more cost effective than entering a fully contracted provision. Investment opportunities solely for yield (i.e. acquisition of commercial assets) is not part of the Council’s Capital Strategy.

(j) Reserves

33. The Executive will, as part of the annual budgetary process, or at such other times where it is necessary, identify one-off unavoidable expenditure and one-off expenditure for identified requirements. Such funding will be held in earmarked reserves until spent but will be subject to annual review by the Executive as part of the annual budget process to determine whether the monies still need to be held and that the balances held comply with professional guidance.
34. The General Fund Balance is based on a risk assessment and is an integral element of the MTFS in that the General Fund’s purpose is Financial Resilience over the medium term.
35. Thus, the policy on Reserves is to:
- establish Earmarked Reserves for specific commitments ~~and make them~~ subject to review as outlined above;
 - only adjust the General Fund Balance based on a full risk assessment.
 - enable Directorates to carry forward legitimate under spends for project based work and planned expenditure commitments subject to:
 - An overall underspend within the Council (with any overspends taking first call on any underspends);
 - An overall underspend within the Directorate (with any overspends taking first call on any underspends);
 - A brief explanation by the service demonstrating the reasons for the underspend and the continuing service requirement;
 - Approval by the Assistant Chief Executive (Finance).

(k) Contingency Allocation

36. The appropriate level of contingency will be assessed as part of each budget setting process in the context of the risk profile and the level of reserves available.
37. The contingency is to cover:
- any net reductions in income sources during the year compared to the levels estimated;
 - any unavoidable expenditure falling on the Council during the year which is not known at this time;
 - any “one-off” expenditure needs which arise during the year and are considered critical to achieving the Corporate Plan requirements.

CAPITAL BUDGET

(a) Capital Strategy

38. The Council's Capital Programme is determined, prioritised, delivered and monitored in accordance with the Council's approved Capital Strategy. This Strategy is subject to annual review by the Executive and Full Council.
39. The Capital Strategy outlines the Council's approach to capital investment ensuring that it is directed to the Council's corporate priorities. It provides the framework for the Council to maximise the finance available for investment together with the allocation of capital reserves.
40. The Strategy, therefore, provides a mechanism for the Council, the Executive and its officers to manage, measure and monitor the Council's Capital Programme including an annual review of investment needs targeted to key investment priorities.
41. Capital Scheme Bids will be evaluated and prioritised in accordance with the approved Capital Strategy and based on the themes of the Corporate Plan.

(b) Capital Finance Policy

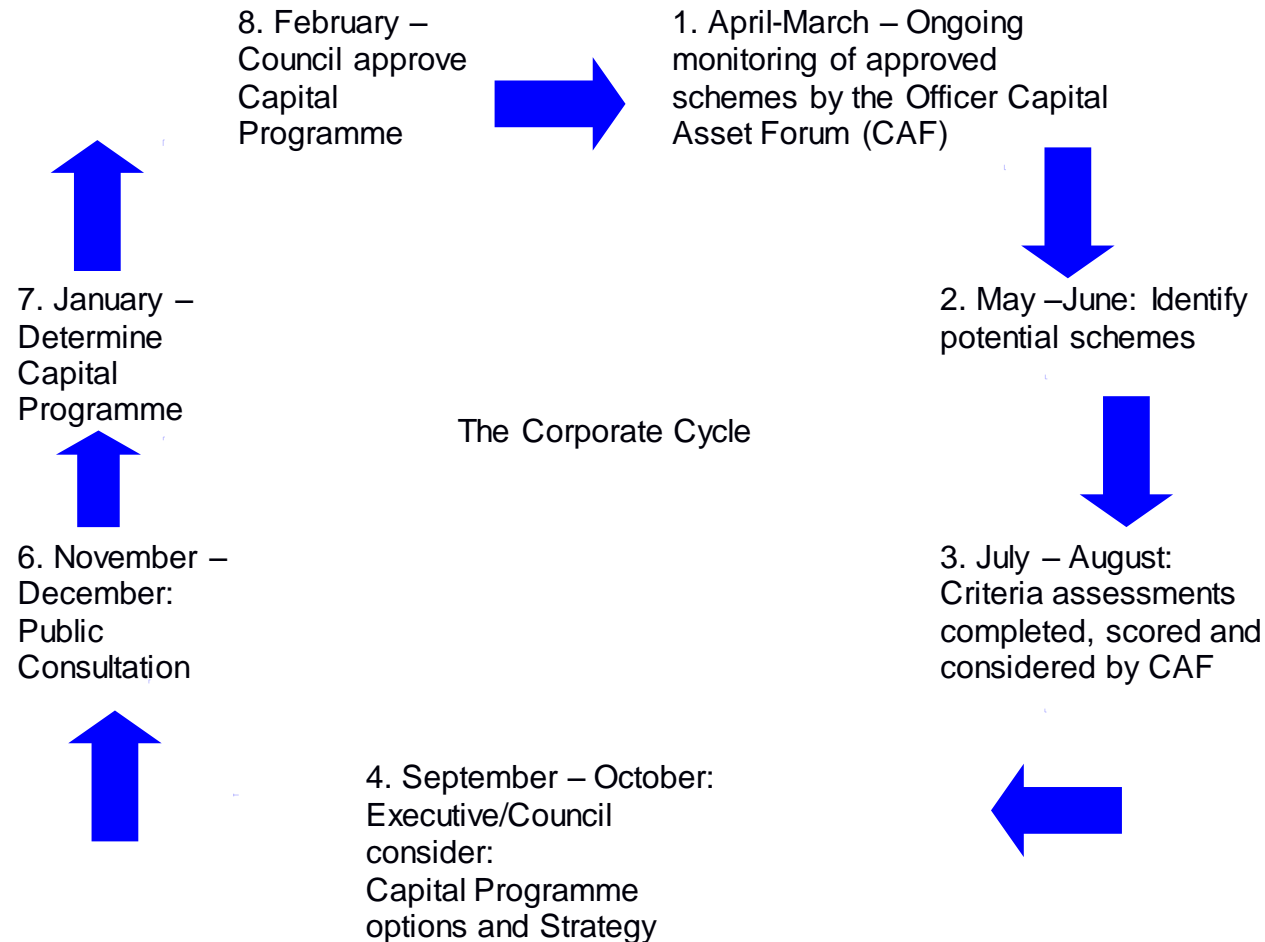
42. The Council has a number of methods of ensuring the most effective use of available capital finance. These include:
- (i) The Council will each year consider the proposed Capital Programme having regard the CIPFA Prudential Indicators. Council will consider the extent of borrowing based on these indicators.
 - (ii) The Council will seek to maximise resources for capital investment from all potential sources.

- (iii) Any savings made on capital schemes will potentially reduce the need for external borrowing.
- (iv) A prudential financial framework will be maintained so that, once priorities have been determined, no capital scheme can be authorised (and no commitment made) until:
 - (a) capital finance ~~is in place~~ **has been agreed** to cover the full capital costs; and
 - (b) it has been determined by Council that the ongoing revenue cost consequences are affordable in the light of forward three year Revenue Budget forecasts and related Council Tax consequences.

- 43.** An annual review of the Capital Programme will be undertaken and, in doing so, full regard will be given to the Prudential Indicators before any proposals/decisions are made in respect of a revised programme. There is a need to be cautious in terms of future borrowing requirements given the capital financing costs and future decisions will need to balance the need for, and cost of, investment or failure to invest. ~~Continued endeavours will be made to support revenue contributions to capital expenditure to ensure that funding is available for essential ongoing investment needs.~~
- 44.** The Council's Flexible Use of Capital Receipts Strategy is set out in the Capital Strategy and allows for the revenue costs of transformation projects (i.e. revenue saving) to be treated as capital expenditure and as such funded by capital receipts arising during the period. Application of this approach can only be utilised in the timeframes set by DLUHC.

(c) **Capital Budget Planning**

45. With regard to integration to the wider policy making process the annual cycle, for the capital budget is shown below:



(d) Treasury Management Strategy

46. The Council has borrowed and invested substantial sums of money and, therefore, has exposure to financial risks including the loss of invested funds and the effect of changing interest rates. The successful identification, monitoring and control of risk, is therefore central to the Council's Treasury Management Strategy.
47. Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2017 Edition* (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. The Treasury Management Strategy is supported by Treasury Management Practices that set out in more detail the parameters by which staff operate the Council's treasury management functions on a day-to-day basis.
48. The Council will take into account the advice it's Treasury Management Advisors ahead of making any new investment or borrowing decisions to ensure that decisions taken are robust and all potential risks have been considered and are understood across the Council.
49. The impact of decisions made by the Authority under the Treasury Management Strategy and Practices are incorporated within the Medium Term Financial Strategy.

EFFICIENCY REQUIREMENTS

50. The indications are that future spend pressures will significantly exceed the forecast growth in resources (with a significant impact on the delivery of services), which requires the Council to plan for ongoing efficiencies in relation to the provision of services. The financial planning process will, therefore, facilitate the identification and delivery of efficiency savings with emphasis on challenging service delivery, comparing performance, outcomes and delivery options, ensuring competitiveness and consulting fully on emerging proposals and service options.
51. In recognition of the level of Government Grant, set against anticipated spending demands, and the ongoing commitment to efficient and cost effective service delivery, the Council has put in place a programme of initiatives designed to review services delivered, review and improve internal processes and reappraise the workforce model required to deliver services in the most efficient and effective manner.
52. ~~The Council continues the implementation of the Digital Operating Model (DOM) that will reduce the 'cost of the Council being in business'. The DOM changes how the Council can be best organised to deliver the Corporate Plan, with the technology needed to deliver services efficiently, with reviewed functional processes that support the business, and changing the level and capacity of staff.~~

53. The Council will continue to look for efficiencies and better ways of working as part of the day to day operations of the business, including:
- (a) Creating capacity through additional efficiencies and service delivery options;
 - (b) ~~Using the Digital Operating Model (DOM) to maximise productivity including greater agile working.~~
 - (c) ~~Implementing demand management strategies including investing in Channel Shift;~~
 - (d) Increasing Business Rate income through economic development activity;
 - (e) Raising additional revenue such as increasing income and external funding;
 - (f) Identifying opportunities to “invest to save”.
 - (g) Reductions in costs through a proactive procurement and strategic sourcing approach.
 - (h) Adopting a commercial approach to contract management and monitoring
 - (i) Considering alternative approaches to existing service delivery methods
54. As part of this process, all bids for additional resources must be accompanied by a ~~quality~~ robust financial business case and proposals will be subjected to ~~more~~ rigorous challenge through the strong corporate ‘management line’ within Services, as well as peer review by other Services.

RISK

55. As far as possible, changes in the Council's financing and spending from year to year should be predictable and manageable so that key services can be protected. That can never be entirely the case, hence the need for the Council to recognise and manage financial risks, including the identification of the significant risks in terms of the spending assumptions (see section above). Sound financial planning processes are critical in predicting and managing the limited resources available.
56. The purpose of this strategy is to provide the key financial planning tool of the Council. Without forward financial planning difficulties will arise in respect of:
- not meeting the Council’s own policy on Council Tax increases;
 - not meeting any Government targets on Council Tax increases so as to avoid a Council Tax Referendum;
 - not having sufficient Capital Resource to fund the approved Capital Programme.

57. It is important that, in considering Revenue and Capital Budgets, factors which could make the projections worse are identified. The Council will, therefore, as part of its Decision Making Protocol, consider the risk implications of all proposals **and the risks identified in the Council's Strategic Risk Register**. By adopting the actions in this Strategy, the risks outlined above should be mitigated.
58. The Council has declared a Climate Emergency. Climate Change brings unprecedented challenges and far reaching risks not only for the Council but the world at large. The financial risks are potentially wide ranging and cover both physical factors such as extreme weather, both locally and more widely, economic risks to the Council's investments through the transition to a carbon-neutral economy, and the Council's own plans to reach carbon neutral status by 2030. The costs and impacts of Climate Change ~~will be~~ **are** incorporated into the MTFS as they continue to be identified.
59. ~~The impact of the Covid-19 pandemic has and continues to have an impact on the demand for Council services, both in terms of how services are delivered and the income generated by the Council. The on-going impacts of COVID have now been incorporated into the Council's base budget.~~

SUMMARY AND CONCLUSION

60. This Strategy sets out how the Council will resource its Revenue Budget and Capital Programme over the Medium Term having regard to the policy objectives of keeping Council Tax increases within Government guidelines.
61. The MTFS represents the Council's overarching Financial Strategy and Policy document and gives financial expression to the Council's plans for the next five years, in the context of the Council's longer term plans set out in its Corporate Plan. It, therefore, sets out the Council's funding plan, for achieving its goals and priorities, balancing available financing and spending ambitions and, in doing so, highlights the underlying financial strategy, the financial assumptions, and the inherent financial risks. Importantly, it links decisions on resource allocation to decisions on policy priorities.
62. The Carbon Reduction Delivery Strategy sets out the approach the Council will take to become Carbon Neutral by 2030. There are resource implications implicit within this Strategy, (i) in terms of redirecting existing resources (e.g. vehicle replacement/ property maintenance) and (ii) new investment primarily capital. It is anticipated that this investment will meet the carbon challenge and reduce operating costs.
63. The Strategy will also be kept under review and will, as a minimum, be reviewed twice a year as follows:
- in Autumn prior to considering the annual financial report to Council;
 - in Spring as part of the forward financial projections.