

OVERVIEW AND SCRUTINY COMMITTEE

DATE OF MEETING: 14 NOVEMBER 2023

TITLE OF REPORT: INTERIM REVIEW OF MEDIUM-TERM FINANCIAL STRATEGY

Report of: Director of Corporate Services and S151 Officer

Cabinet Member: Councillor James Radley, Deputy Leader and Finance

1 PURPOSE OF REPORT

1.1 The Medium-Term Financial Strategy (MTFS) and the annual budget setting are major decisions for Hart District Council. Scrutiny of budget proposals demonstrates transparency and good governance. This report provides an interim review of the MTFS, the Overview and Scrutiny Committee is requested to review and to forward comments to Cabinet.

2 OFFICER RECOMMENDATION

2.1 That the Overview and Scrutiny Committee reviews this report and passes any comments to Cabinet on the interim Medium-Term Financial Strategy.

3 MEDIUM TERM FINANCIAL STRATEGY

3.1 The purpose of the Medium-Term Financial Strategy is to set a robust overall financial framework for the Council's spending plans over the next four years to support delivery of the Corporate Plan priorities within the context of a balanced annual budget.

3.2 The main objectives of the Medium-Term Financial Strategy are:

- To look to the longer term to help plan sustainable services within an uncertain external economic and funding environment.
- To help ensure that the Council's financial resources are directed to support delivery of the Corporate Plan priorities and achievement of value for money.
- To illustrate the financial effects of existing financial commitments over the medium term, both revenue and capital, under several possible scenarios, and to set the parameters for the efficiency and savings strategy necessary to achieve a balanced budget.
- To provide a robust framework to assist the decision-making process.
- To maximise the Council's financial resilience and manage risk and volatility, including maintaining adequate reserves.
- To secure, maintain and develop the Council's capital assets consistent with asset management plans and the Capital Strategy.
- To provide a single document to communicate the financial context, aims and objectives to staff and stakeholders and support working with partners.

4 MTFS AND BUDGET 2024/25

- 4.1 The Council needs to plan over the medium term for an increase in financial risk and year on year volatility. The economic outlook and the future of government funding to councils continues to be unclear and it remains important that the Council has a level of reserves that allows it to withstand unanticipated financial impacts of future developments at a local and national level. The interim reserves review approved by Council in September laid the foundations for strengthening financial resilience.
- 4.2 For context, Appendix 1 summarises the main components of Hart's income and expenditure budgets and sets out how the net annual budget is funded, including from government grant. This analysis illustrates the risk to government grants in future as the government is committed to review each funding element.
- 4.3 Appendix 1 also summarises the current year's projected outturn as this, and the previous year's outturn are important reference points when preparing future year's budget forecasts. The appendix then develops the latest position on the MTFS and identifies risks, opportunities and potential actions for addressing future budget gaps.
- 4.4 In summary, current forecasts indicate that actions taken during the current year plus the continuation of some favourable budget variations should give sufficient flexibility to balance the revenue budget in 2024/25. It should be noted that this position is predicated on a further freeze in government grant and a council tax increase set at the maximum permitted level. There are clearly other assumptions and estimates factored into the forecast, including for inflation and interest receipts, and these may change in the coming months before the final budget and MTFS is considered by Council so they will be closely monitored.
- 4.5 In terms of future years beyond 2024/25, the forecast is currently showing a significant budget deficit, growing each year. This is mainly due to:
- inflation on costs being higher than income from permissible council tax increases
 - an assumed annual reduction in government grant from 2025/26, following the funding review(s)
 - the impact of waste collection costs and recycling income
- 4.6 A firm budget strategy and action plan for the MTFS period will be developed once the 2024/25 budget has been agreed. Based on this interim MTFS forecast, to ensure that a balanced and sustainable medium-term budget, it is likely that further on-going efficiency savings and agreed strategies for increased investment income will need to be delivered.

5. EQUALITIES

All activity will comply with the authority's statutory duties.

6. CLIMATE CHANGE

- 6.1 The budget and MTFS will support the council's ambition to become a carbon neutral authority by 2035. There are no direct carbon/environmental impacts arising from the recommendations, however, it should be noted that the base budget includes the salary cost of the climate change officers and an amount to

deliver projects. In addition, every effort will be made to lever in external funding to help deliver the action plan.

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APPENDICES:

Appendix 1 – Budgets, MTFS forecasts and budget assumptions