

CABINET
10 SEPTEMBER 2024

***PART 1 – PUBLIC DOCUMENT**

TITLE OF REPORT: MEDIUM TERM FINANCIAL STRATEGY

REPORT OF: *Service Director: Resources*

EXECUTIVE MEMBER: *Finance and IT*

COUNCIL PRIORITY: SUSTAINABILITY

1. EXECUTIVE SUMMARY

This report recommends the Medium Term Financial Strategy (MTFS) for 2025/26 to 2029/30 to guide and inform the Council's Business Planning Process. The focus is primarily on setting a budget for 2025/26, as well as determining the actions that will be necessary in setting a longer term budget following on from that. It reflects on the many uncertainties that the Council faces. Whilst it recommends a five year budget strategy, there will be a need to amend the strategy over time as further information becomes available.

The MTFS supports and is supported by the Council Plan. This reflects that the Council can only deliver priorities and projects that it can afford and should prioritise its spending around delivering its priorities.

2. RECOMMENDATIONS

- 2.1. That Cabinet recommend to Council the adoption of the Medium-Term Financial Strategy for 2025-30, as attached at Appendix A.

3. REASONS FOR RECOMMENDATIONS

- 3.1 Adoption of a MTFS and communication of its contents will assist in the process of forward planning the use of Council resources and in budget setting for 2025/2026 to 2029/2030, culminating in the setting of the Council Tax precept for 2025/26 in February 2025. Alongside the Council Plan, this will support the Council in setting a budget that is affordable and aligned to Council priorities.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1 The Council needs to have a strategy for setting its budget to ensure that it meets its statutory duty to set a balanced budget over the medium term, and ensure that spend is prioritised towards delivering statutory services and its strategic aims (as set out in the Council Plan).

- 4.2 In line with the Financial Management Code (published by the Chartered Institute of Public Finance and Accountancy), the Council aspires to set a longer-term financial strategy (e.g. 10 years) that considers the various risks and plans scenarios to deal with them. However, this MTFFS deliberately takes a shorter-term view, which reflects the significant uncertainty faced by the Council (and Councils in general) in relation to funding.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1 The Executive Member for Finance and IT has been consulted in developing this Strategy. The core working group on the Council Plan have also been consulted on the contents of this Strategy.
- 5.2 No external consultation has been undertaken in the preparation of this report.
- 5.3 Consultation is an integral part of the Corporate Business Planning process, and consultation on the individual actions and projects planned to support the objectives will be carried out in accordance with the Corporate Business Planning Timetable and the Council's Consultation Strategy. The MTFFS sets out that there is likely to be a need for significant savings as part of setting the budget for 2026/27. As part of this it references the planned budget consultation to take place during summer 2025, and what is already available through our budget hub "prioritising our pounds" (which can be found at <https://northhertscouncil.civilspace.io/en/projects/north-herts-budget-hub>).
- 5.4 As in previous years, Member workshops are being held in November to discuss budget proposals in advance of them being considered by Cabinet.

6. FORWARD PLAN

- 6.1 This report does not contain a recommendation on a key Executive decision and has therefore not been referred to in the Forward Plan.

7. BACKGROUND

- 7.1 The Council is required to set a balanced budget each year. This can include using reserves if this is affordable over the medium term. The Council therefore sets a 5 year Medium Term Financial Strategy each year to help determine the approach that it will take to setting the detailed budget for the following year. This explains why the period of the MTFFS is different to the period covered by the Council Plan. However they strongly align in terms of the actions required to deliver a medium-term balanced budget.

8. RELEVANT CONSIDERATIONS

- 8.1 The Medium Term Financial Strategy (MTFS) is attached as Appendix A. It details the forecast impact of reducing resources and quantifies what the Council will need to do to balance its budget in the medium term. It also reflects the significant uncertainty over funding, expenditure and income and therefore highlights the need to be able to react to any changes.
- 8.2 Council will be asked to approve the wording of the MTFFS. The Communications Team will then work on improving the presentation prior to it being published on our website.

9. LEGAL IMPLICATIONS

- 9.1 Cabinet's terms of reference include at 5.7.38 the power, by recommendation "to advise the Council in the formulation of those policies within the Council's terms of reference". Council's terms of reference include at 4.4.1(b) "approving or adopting the budget". The MTFS is part of the budget setting process. Paragraph 2.7 of the Council's Financial Regulations (Section 19 of the Constitution) details that "[t]he Medium Term Financial Strategy ... require[s] approval by Full Council".
- 9.3 Councillors are reminded of the requirement, under section 30 of the Local Government Finance Act 1992, to set a balanced budget prior to the commencement of the financial year in question; and also that the Local Government Act 2003 requires the Chief Finance Officer to report on the robustness of estimates and the adequacy of reserves allowed for in the budget.

10. FINANCIAL IMPLICATIONS

- 10.1 Revenue financial implications are covered in Appendix A.
- 10.2 The main purpose of the Medium Term Financial Strategy is to consider the revenue funding, income and expenditure for the Council. This includes considering the revenue implications of capital expenditure.

11. RISK IMPLICATIONS

- 11.1 Good Risk Management supports and enhances the decision-making process, increasing the likelihood of the Council meeting its objectives and enabling it to respond quickly and effectively to change. When taking decisions, risks and opportunities must be considered.
- 11.2 The key risks within the budget assumptions are referred to in Appendix A.
- 11.3 There are financial and reputational risks involved in arriving at a balanced budget against the uncertainty surrounding levels of government funding. We seek to mitigate the risks through the use of the established corporate business planning process and early involvement of members in the process.

12. EQUALITIES IMPLICATIONS

- 12.1. In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 12.2 The MTFS attempts to align resources to the delivery of the Council Plan, which sets the corporate objectives. Through its corporate objectives the Council is seeking to address equality implications in the services it provides and through the remainder of the Corporate Business Planning Process will carry out Equalities Impact Assessments for relevant efficiency or investment options.

13. SOCIAL VALUE IMPLICATIONS

- 13.1. The Social Value Act and “go local” requirements do not apply to this report.

14. ENVIRONMENTAL IMPLICATIONS

- 14.1. There are no known Environmental impacts or requirements that directly apply to this report.

15. HUMAN RESOURCE IMPLICATIONS

- 15.1 The MTFS makes assumptions in relation to pay inflation. As the actual rate of inflation will be subject to national pay bargaining, the actual costs will depend on the results of those negotiations. The budget also makes assumptions around funding for increments. Whilst the MTFS states that we need to consider improving our employment offer to attract staff, the budget does not currently make any allowance for the costs of this (e.g. pay increases above inflation). This means that if a decision is taken to improve the employment offer then this would need to be covered by savings elsewhere. We have already looked at low cost non-pay benefits that we can implement.
- 14.2 The delivery of projects to deliver council objectives depends on having adequate people resources with the requisite skills.
- 14.3 The development of budget proposals will take up staff time. As they are developed these budget proposals will identify the ongoing impact on staff.

16. APPENDICES

- 16.1 Appendix A- Medium Term Financial Strategy 2025-30

17. CONTACT OFFICERS

- 17.1 Ian Couper, Service Director: Resources ian.couper@north-herts.gov.uk; ext 4243
- 17.2 Antonio Ciampa, Accountancy Manager Antonio.ciampa@north-herts.gov.uk, ext 4566
- 17.3 Isabelle Alajooz, Legal Manager and Deputy Monitoring Officer, Isabelle.alajooz@north-herts.gov.uk, ext 4346
- 17.4 Ellie Hollingsworth, Policy and Strategy Trainee, ellie.hollingsworth@north-herts.gov.uk, ext: 4220

18. BACKGROUND PAPERS

- 18.1 None