NORWICH
City Council

Committee Name: Cabinet
Committee Date: 12/07/2023
Report Title: An update on financial planning and the Medium Term Financial Strategy assumption

Portfolio: Councillor Kendrick, cabinet member for resources

Report from: Interim chief finance officer S151

Wards: All Wards

OPEN PUBLIC ITEM

Purpose

To review the council's medium term financial planning assumptions and risks for the forthcoming 2024/25 year, extend the council's medium term planning projections to 2028/29 and to agree actions to eliminate budget shortfalls over the MTFS period and mitigate budget pressures in the current financial year.

Recommendations:

1) To note the current indicative MTFS projections;
2) To note the financial risks;
3) Endorse an approach to review the council's financial plans to support strong alignment with its corporate priorities; and
4) Endorse an approach to the early identification of on-going actions to close the estimated budget gap of £2.9m over the medium-term financial planning period.

Policy Framework

The Council has five corporate priorities, which are:

- People live independently and well in a diverse and safe city.
- Norwich is a sustainable and healthy city.
- Norwich has the infrastructure and housing it needs to be a successful city.
- The city has an inclusive economy in which residents have equal opportunity to flourish.
- Norwich City Council is in good shape to serve the city.

This report is relevant for all five corporate priorities.

It addresses the corporate priority to 'put the council on a sustainable financial footing and deliver services effectively and efficiently' by delivering on the action to review and update the medium-term financial strategy.

Background

1. Like all local authorities, Norwich City Council continues to face substantial financial challenges. Following on from a sustained period of austerity – the council is facing increasing demand for local services and significant inflationary rises in costs. The economic situation is putting huge financial pressures not just on council resources, but those of partners, local businesses, and residents, particularly the most vulnerable. The council also continues to manage the ongoing risk and uncertainty over future funding.
2. It is within this context and financial uncertainty that the council must review and develop its medium-term financial strategy (MTFS) and approach to setting the budget in 2024/25 and beyond. The MTFS looks to model the expected external financial changes and internal budget pressures, to assess the overall impacts on the council's financial position over the next four years and establish a strategy for ensuring financial sustainability.
3. It is important to note that the assumptions and modelling underpinning the analysis in this report are themselves subject to significant uncertainty and will change over time as government plans for the resources for local authorities becomes clearer and the economic environment evolves. Cabinet will continue to be kept updated as things change but at this point the level of uncertainty is high and this needs to be borne in mind.
4. The MTFS approved by Full Council in February 2023 indicated a broadly balanced financial position over the next four years; a cumulative budget gap of £5.593m was highlighted against which provisional saving proposals of £6.692m had been identified.
5. This paper outlines the key developments and factors influencing the MTFS, how they impact on the future savings challenge as well as the next steps for refining the budget options for 2024/25. The paper also looks at the emerging pressures on the approved 2023/24 budget particularly in relation to the council's companies.

Strategic Context

6. In February 2022, Full Council approved the Corporate Plan 2022-26. The document sets out the vision for the city and for the council over the next four years shaped by the Norwich 2040 City Vision. In May 2023, at the local elections, the previous Leader and Deputy Leader stood down and following this a new Cabinet was formed with a smaller number of portfolio holders. During 2023 officers will be working alongside the new Leader and Cabinet to identify any immediate changes to the Corporate Plan priorities pending a more comprehensive refresh in time for 2024.
7. A key priority in the corporate plan is putting the council on a sustainable financial footing and delivering services effectively and efficiently. Future budget decisions will need to balance delivering on the ambition and priorities of the council whilst ensuring the authority remains financially sustainable over the medium and long term. As part of delivering this priority, it is important to ensure the continuous review and development of the council's medium-term financial strategy. This then informs the options and decisions for delivering balanced and sustainable budgets into the future.

Wider Financial Context

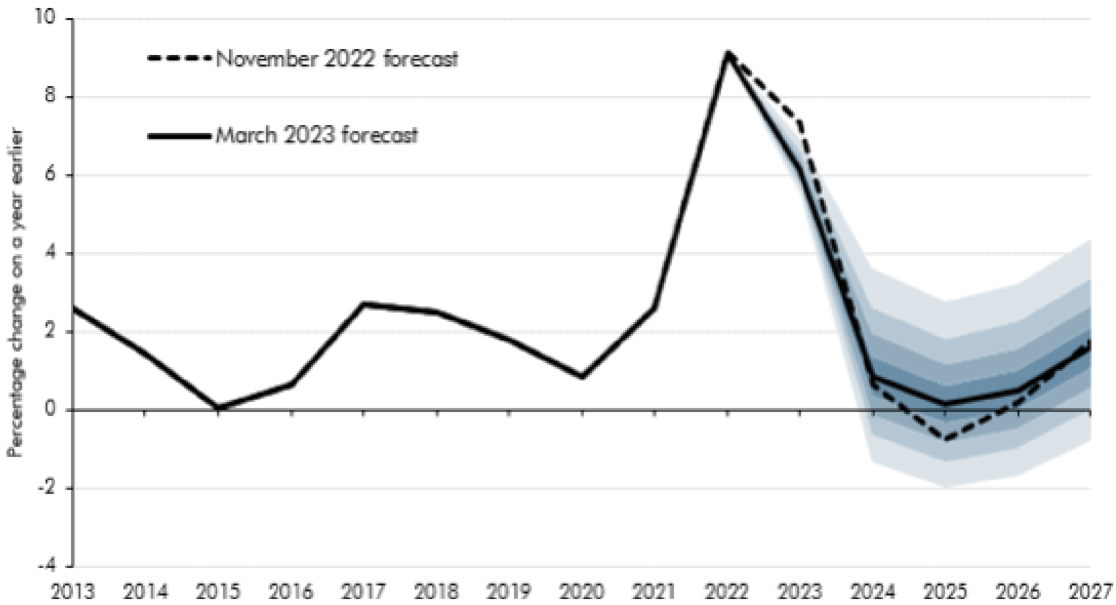
8. Recent years have seen a huge degree of economic uncertainty following the Covid-19 pandemic alongside supply bottlenecks, rising inflation and the conflict in Ukraine. The Office for Budget Responsibility (OBR) noted in their March 2023 economic and fiscal outlook what they believed to be an improving outlook since their November 2022 review with the near-term economic downturn set to be shorter and shallower; medium-term output to be higher; and the budget deficit and public debt to be lower.

9. Developments since their November 2022 forecast had been largely positive, but they considered that the economy still faced significant structural challenges. Wholesale gas prices more than halved over the six month period to March and are expected to fall further over the forecast period. At the time the OBR closed its forecast, Bank Rate was expected to peak at 4¼ per cent later this year, rather than the 5 per cent assumed in November.

10. However, the office for national statistics reported on 21st June that the Consumer Prices Index (CPI) had risen by 8.7% in the 12 months to May 2023; this mirrored the 12 month increase in April 2023 but was a surprise as it had been widely expected to fall significantly as the high energy increases seen over the last year were due to fall out of the 12 month comparison.

11. These events revealed stubbornly high inflation in April and May precipitating a rise in Bank Rate to 5% at the June 2023 meeting of the Monetary Policy Committee. Graph 1 sets out the March 2023 OBR forecast for Consumer Price Inflation indicating that the expected sharp fall in inflation is still predicted in 2023.

Chart 1: CPI inflation



Note: Successive pairs of lighter-shaded areas around our baseline forecast (black line) represent 20 per cent probability bands.
Source: ONS, OBR

Financial issues in 2023/24

Review and actions from the 2022/23 provisional outturn

12. The provisional outturn report for 2022/23 was presented to the Cabinet at their June 2023 meeting and subject to audit examination, this highlighted a £1.796m revenue underspend for the general fund and a £3.376m underspend for the Housing Revenue Account (HRA)

13. Both projections were largely in line with the Q3 position reported to the Cabinet and, for both areas, a significant proportion of the underspend was attributable to the strong performance of the council's treasury management activities where advantage was taken of the rising interest rate environment for investing surplus cash. As part of continuously improving the budget management information reviews are being completed with Heads of Service to understand in detail the factors driving budget variances, identify areas for enhanced forecasting approaches and establish where improved income performance is likely to be replicated in the future. Some immediate areas have been identified which are detailed further in this report.

14. The council is in the process of implementing a new Enterprise Resource and Planning (ERP) system which will provide a further opportunity to refresh budget manager training with a focus on supporting budget managers to undertake improved scenario modelling and sensitivity analysis as part of budget forecasting. In addition, there is a need to embed a capital project management approach with enhanced capital governance that is responsive to delivery challenges and managing budget risks.

15. During August, a review of the alignment between the council's priorities and its budget will commence; this will be jointly led by the finance and strategy services in collaboration with service managers and the Future Shape Norwich (FSN) team. This review will look to identify where budgets need realignment, assess where improved income performance can be built in on a permanent basis or where actions are required to address budget pressures. The review will build assurance over all significant elements of the budget and thereby ensure a firm basis from which to monitor in-year performance. The outcome from this will inform the financial position for on-going discussions with the Cabinet and the corporate planning updates in the Autumn.

16. During the closure of the 2022/23 financial year a small number of items were identified that are expected to have an impact on 2023/24:

    (a) In 2022/23 there was a significant reduction (£2.8m) in the level of S31 grant received to compensate for the loss of business rates following COVID. This shortfall occurred because the business rate baseline rose more quickly than originally expected which meant that the resource was received as business rate income rather than it being necessary to be supported through the S31 grant. However, because the grant would have been received in 2022/23 but the increased baseline only feeds in to the 2023/24 budget there is a timing difference which required provision to be made from reserves in 2022/23 with repayment in 2023/24. In the event the loss of S31 grant in 2022/23 was able to be covered by the better overall performance in 2022/23 and so the budgeted repayment to the reserves is now not required. This provides a one-off benefit in 2023/24 which it is proposed is used in support of 2023/24 budget risks including the potential shortfall in salary budgets dependent on the outcome of the 2023/24 pay negotiations and the issues considered in the exempt report.

(b) The level of investment income has continued to rise above the level projected during the year because of the rising interest rates; this has persisted into 2023/24 and a revised income projection from treasury management activities has been included in our updated assumptions.

<u>In-year budget pressures</u>

17. There are financial pressures emerging in 2023/24 and given the volatility of the wider economic conditions there is an increased risk of these escalating as the financial year progresses and a clearer picture of service demand and costs is known.

18. Payroll costs is an identified area of budget pressure with the 2023/24 pay awards not having been agreed. There is a significant disparity between the employers offer which formed the basis for the budget provision, and the demands of the unions. The council's pay structure is primarily based on national negotiating body pay spines and nationally negotiated settlements; given that the process for 2023/24 has not yet concluded there is uncertainty on the financial impact in 2023/24 as well as the future years of the MTFS.

19. The 2023/24 budget included an assumed lump sum payment for most staff of £1,925 which overall equates to around a 4.0% pay award, and a range of scenarios have been modelled to understand the potential financial impact of any changes to that position. The current demands from the unions is for an RPI +2% award equivalent to around 12.7% and they are currently balloting their members on a mandate for strike action. As a clearer picture emerges of the national pay negotiations, the forecasts will be refined and reported to Cabinet through the quarterly assurance process. Similar pressures would also be seen in the HRA and will need to be reflected in the emerging business plan.

20. As part of the 2023/24 budget preparations, proposals for savings were made covering the full period of the MTFS (i.e. up to 2026/27) these have continued to be validated during 2022 and 2023 and there have been changes to the profile of some of those savings and the deliverability of others. The impact of those changes has now been reflected in the revised MTFS projections.

21. Many of the council's contracts have inflationary increases incorporated within them and how CPI and RPI measures move over the next few months will impact on those costs. Similarly the index for increasing business rates is normally based on the increase seen in September preceding the financial year (ie for 2024/25 the September 2023 measure); where the government caps the level of increase they have historically provided equivalent support to the lost resources through a S31 grant.

22. The economic situation is putting huge financial pressures on local businesses and residents, particularly the most vulnerable. It is likely that service demand pressures will continue to emerge in the coming months with increases already been seen in the council's homelessness service. This may also impact on council income streams and the levels of council tax and business rates collected.

23. In the past allowance has been made for demographic growth and other unavoidable growth such as changes to legislation to be met from a sum built

into the budget. This has been provided for at £0.500m for each year of the MTFS although it is imperative that only unavoidable growth is allowed and as a first point of call efforts to contain within existing resources are made. As the planning cycle progresses this is an area where significant attention will be made to minimising this sum as it has a significant impact on the overall council's position.

Review of Medium-Term Financial Strategy Assumptions

24. The MTFS provides a projection of the cost of delivering current council services over the next 4 years alongside the expected scale of demand and projections for income forecasts. This provides us with an estimated budget gap, from which the council will need to identify options that deliver savings or generate additional income across all service areas.

25. In developing these savings options there is a need to address the budget position across the full four-year period. This is vital in creating a strategic medium-term approach to addressing the savings challenges and allows for the inclusion of projects that may have a longer lead in time or need up-front investment. The strategic use of reserves can assist with that process but fundamentally the identified budget gap needs to be resolved through the identification and implementation of on-going budget reductions or increased income.

26. It is important that the MTFS is refreshed, and this report details the key updates made to the model since the budget and MTFS were considered by Cabinet in February, to reflect the latest inflationary pressures as well as the impact from the budget validation work carried out on proposals for future financial years agreed in the budget. This update will inform the budget setting process for 2024/25 and beyond although beyond next year there is significant uncertainty associated with government funding for local authorities. Assumptions will continue to be updated over the Autumn as more information on government funding becomes available with the final update provided to Cabinet and Council as part of the budget papers in February 2024.

27. The financial modelling also includes the cost to the council of services commissioned through the council's wholly owned companies; income from the council's provision of support services and loan financing to the companies is also considered. A separate report covering the HRA and its revised business plan will be brought forward later this year.

<u>Payroll & Pension Costs</u>

28. Payroll and pension related costs make up a significant proportion of the general fund revenue budget and therefore the MTFS position is highly sensitive to changes in the modelling assumptions.

29. The council's pay structure is primarily based on national negotiating body pay spines and nationally negotiated settlements. The council also pays in accordance with Living Wage Foundation rates. The pay award process for 2023/24 has not yet concluded and therefore there is uncertainty on the financial impact across all years of the MTFS.

30. In the February 2023 MTFS, payroll-related inflation was estimated at around 4% for 2023/24 and at 2.75% beyond to allow for an annual pay settlement, pay increments, and the impact of the Living Wage. Considering the expected increases in the living wage foundation levels and current overall economic

inflation volatility, it is prudent to consider a range of possible pay scenarios across the life of the MTFS. Given the sharp fall in expected inflation during the latter part of 2023 or early 2024 the model has been updated to incorporate pay inflation of 2.5% over the next four years. An additional assumption has also been added to the 2024/25 budget to reflect the risk of the 2023/24 being insufficient given the wide disparity between the employer and union wage proposals. Any additional costs in 2023/24 will need to be accommodated from savings or other one-off actions. As shown in Table 4 the impact for every 1% on the pay award equates to around £0.3m additional cost. These estimates are not based on any evidential basis and are therefore illustrative.

31. Following the recent triennial review of the council's Local Government Pension Scheme covered the period 2023/24 – 2025/26 the council's contribution rates have been set and reflected in the MTFS; this included the benefit from forward funding the secondary contribution element to generate savings over the valuation period. No contribution rate changes are now expected until the next triennial review period which is 2026/27; whilst this falls within the MTFS review period no additional assumptions have been included at this stage.

Contractual and other inflation

32. **General assumption:** A review of the CPI inflationary forecasts from the Office for Budget Responsibility has been undertaken and future inflation has been included on premises costs, supplies and services, and transport throughout the MTFS planning timeline. Inflation has been assumed at 2% for all years of the MTFS reflecting the expectation of a sharp fall in inflation over 2023/24 and an assumption that the Bank of England's 2% target will be maintained. Where more specific intelligence exists about how costs are expected to be impacted, this has been built into assumptions as detailed below.

33. **Utilities:** A significant increase in utility costs (+150%) was provided in the budget planning assumptions for 2023/24 reflecting the expiry of our gas and electricity contracts during that year. A review of the re-tendered prices will be factored into our Autumn update however, despite recent falls in utility prices from the highs seen during 2022 the volatility remains dependent on when commodities have been purchased; as such a further prudent 5% uplift has been assumed for 2024/25. A proportion of our utility costs is also subsequently re-charged to commercial tenants and some of our residents through service charges.

34. **Insurance:** In the context of high inflation it is reasonable to assume some continued volatility in insurance premiums through the links to material and supply costs although we will review opportunities to reduce potential costs (including coverage on individual lines and our settlement budgets) to mitigate this increase. An assumed 4% increase has been provided at this stage for 2024/25 only with 2% in subsequent years.

Fees & Charges

35. Fees and Charges covers areas where the Council can generate income from services where it makes a charge. Some fees are set by statute, but others can be varied to take account of costs. It is important that these charges are reviewed annually, and the expectation within the MTFS is that they will rise each year in line with inflation to ensure that they continue to recover the full costs of delivering those services.

36. We are proposing to review all fees and charges ahead of January 2024 to make sure that they recover the full cost of providing the services and benchmark fairly against other comparable local authorities; we feel it is only fair that those using these services are not subsidised by those that do not although alongside this review we will also consider our policy on granting concessionary rates to certain groups.

37. Inflationary uplift assumptions have been applied to the income budgets for fees, charges and rental income at the same rate as that applied to expenditure budgets.

Housing benefit

38. In recent years the council has seen reducing levels of subsidy recovery against its housing benefit expenditure, attributable to continuing growth in rent levels against fixed subsidy caps. The projection is this will continue to worsen over the life of the MTFS. Whilst every council is seeing increased natural migration to Universal Credit, Department of Work & Pensions (DWP) rules mean cases that attract 100% subsidy return are lost to councils, whilst DWP's strategy is to continue to leave temporary, exempt and supported accommodation cases with councils and it is these cases subject to punitive subsidy rules. Along with increased demand and rental market pressures, councils are therefore seeing increased subsidy loss.

Capital Financing

39. The capital financing budget includes interest charges from external borrowing and Minimum Revenue Provision charges.

40. No changes have been made to the capital financing assumptions in the MTFS, however this is an area that will be reviewed as part of the 2024/25 business planning process. The review will take into account projections for the capital programme and its financing as well as the treasury management requirements and the high interest rate environment which will mitigate against external debt being taken if possible.

41. An MRP review is also scheduled to take place during 2023 to consider whether other opportunities exist to better reflect the statutory requirements to charge amounts to revenue.

Extended Producer Responsibility (EPR)

42. From April 2024 extended producer responsibility will move the full cost of dealing with packaging waste away from households, local taxpayers and councils and on to its producer. Large organisations are required to record data on empty packaging and packaged goods supplies or imported to the UK from 2023. Waste management fees will be based on packaging reported as household packaging.

43. These fees are intended to generate over £1 billion of new money given to councils that will then be used to incentivise local businesses to reduce waste. There is a complex recharging relationship involving a new environmental regulator, data record management and regular audits, meaning there will be significant administrative costs to local government. Potentially Norwich might see its income and expenditure rise by £2 million plus with government expecting a net benefit to local government, however, there are risks that other sources of funding, e.g. recycling credits, currently given by the county council, may shrink in response. Moreover, DEFRA has recently acknowledged that it

will review the additional income accruing to lower tier councils. Announcements are expected over the summer on local government allocations and further information will be provided as it becomes clearer over the Autumn.

Government Funding

44. As a result of continuing to receive short term local government finance settlement allocations, the council does not have certainty over the future of grant allocations.

45. For 2023/24 the government introduced a new funding guarantee to ensure that all council's had a 3% increase in their Core Spending Power; the continuation of the guarantee in 2024/25 is unclear and therefore the receipt of government grants through RSG, NHB, together with the guarantee itself cannot be estimated with any certainty. In order to provide some reasonable planning assumptions the guarantee and other specific government grants have been inflated by 2% per annum over the timeframe of the MTFS; this reflects the view that some inflationary increase is essential to ensure local services can be delivered.

46. The future funding of local government is likely to be dependent on the outcome of several pending local government funding reforms including the Fair Funding Review, business rates baseline reset and a replacement scheme for the New Homes Bonus. These reforms were further delayed and there is still no clarity about the timing of the reviews and implementation dates. Considering the lack of progress from government on developing and consulting on changes, there is potential for the reviews to be further delayed even beyond April 2025. At this point no assumptions have been made for future funding changes in any years of the MTFS.

Council Tax & Business Rates

47. Any increase in the level of council tax is limited by the government's referendum principles; for district councils in 2023/24 this was set at a maximum of 3% which represented a rise above the 2% maximum levels seen previously and which considered some higher inflationary pressures for that year. For 2024/25 and future years of the MTFS, it has been assumed that there will be a return to increases at a maximum level of 2% given the expected fall in inflation. An increase in the council tax base of 1.25% per annum is also assumed for estimated growth in the number of dwellings in the Council's area. The assumption around growth in the council tax base is however highly dependent on the Nutrient Neutrality issue being addressed in Norfolk.

48. For every additional 1% increase in the Band D rate the council would generate approximately £115k of income.

Updated MTFS Position

49. Although there remains significant uncertainty about future funding levels the opportunity has been taken to extend the MTFS over a five year period such that it now runs to 2028/29. Taking all of the above factors into account, the updated MTFS shows a cumulative five-year savings target of £8.2m; it is important to note however that around £1.9m is consequent on extending the MTFS and in that sense is new. This updated position builds in inflationary

pressures over the next few years and assumed additional funding levels as set out above.

Table 1 – Summary 5 year saving requirement.

	2024/25	2025/26	2026/27	2027/28	2028/29
Budget base	22,683	21,823	22,761	22,254	22,894
Resources	(19,802)	(20,308)	(20,829)	(21,365)	(21,918)
Savings required (in-year)	**2,882**	**1,514**	**1,932**	**889**	**976**
Savings required (cumulative)	**2,882**	**4,396**	**6,329**	**7,218**	**8,194**

50. As a part of the 2023/24 budget setting process the council agreed a number of saving proposals spanning the MTFS to 2026/27. During 2023 further validation work has been carried out to strengthen the confidence in the delivery of those proposals. Table 2 below sets out the latest position on those savings proposals and the extent to which they help to eliminate the MTFS savings gap.

Table 2 – Residual savings challenge

	2024/25	2025/26	2026/27	2027/28	2028/29
Revised savings total	2,361	1,907	1,330	42	0
HRA savings element	(161)	(80)	(32)	0	0
Estimated savings identified	**2,200**	**1,748**	**1,298**	**42**	**0**
Savings required (in-year)	**2,882**	**1,514**	**1,932**	**889**	**976**
Savings to be found	**682**	**(234)**	**634**	**847**	**976**
Residual savings (cumulative)	**682**	**448**	**1,083**	**1,930**	**2,906**

51. Overall there has been a small element of reprofiling savings between years; however an assumed £1m benefit in 2025/26 from commercial letting of parts of City Hall has been removed at this stage. Apart from that there is only a small overall reduction in the level of savings (£234k) indicating high confidence in the savings agreed in February 2023.

52. The council has already identified potential future savings of £5.288m against the cumulative target of £8.193m; a shortfall of just under £3m over the 5 year period. These options are shown in Appendix 1 and are subject to on-going refinement through the business planning processes of the council.

53. The provisional balance on the general fund reserve as at 31 March 2023 is £8.2m. The prudent minimum level for the reserve has been assessed at £5.1m. This allows for headroom in the reserve of £3.1m which it can be seen is sufficient to meet the cumulative savings challenge of £2.9m in full. However, a strategy for eliminating the gap without recourse to reserves remains the proposed approach in order to support the council's financial resilience in the future.

54. Members are asked to endorse an approach which continues to identify the scope for savings, sufficient to eliminate any budget gap, on an on-going basis. This work will continue over the summer and the results will be brought back to Cabinet in early Autumn.

Risks & Uncertainties

55. There are number of significant financial risks and uncertainties over the period of the medium-term financial strategy. These include:
    - Uncertainty over future inflationary levels and impacts on council expenditure;
    - Implications of the Government's ongoing reviews of local government funding, business rates and a replacement for New Homes Bonus;
    - Capital requirements arising from the ongoing strategic review of the council's asset portfolio and possible changes to capital accounting requirements;
    - Uncertainty over the cost implications of delivering the council's Environmental Strategy and Biodiversity Strategy including its net carbon zero ambitions;
    - Impact of nutrient neutrality on planning income and council tax levels.
56. A sensitivity analysis has been conducted against the key variables and Table 3 shows the potential impact in changes in the assumptions.

Table 3 – sensitivity analysis

Area	Variable modelled	Impact (£000)
Council Tax	1% movement on the Band D rate	115
Payroll	1% movement in the pay award	300
Contractual inflation	1% movement in CPI assumption	216
Utilities	1% movement in cost inflation level	150

<u>Environmental Strategy & Biodiversity Strategy</u>

57. Aligned to commitments made in the 2040 City Vision and the Corporate Plan, strategies are being progressed which set out the principles and direction of travel for significant environmental programmes. These programmes include biodiversity improvement across the city and the decarbonisation of council owned homes and operational buildings, towards net zero targets. With regards the latter particularly, significant resources will be required to further insulate council owned homes and general buildings, and to provide renewable energy solutions, albeit over a longer time frame. A significant element of this cost will be reflected in the HRA business plan.

<u>Nutrient neutrality</u>

58. Along with other councils in Norfolk and elsewhere in the country, the city council has been notified by Natural England to adopt a more rigorous approach to assessing the effects of changes in water quality, arising from additional overnight accommodation, in order to achieve 'nutrient neutrality'. As with all affected councils, this means the city council is currently unable to grant planning permission where a development is likely to add nutrient pollution to water, unless 'credits are available. NCC joining in the development of a Joint Venture company has been agreed in principle subject to a robust business case being produced.

Priority Themes

59. As the council takes decisions about how to achieve the required savings it will need to consider the balance not only between how savings are made – for

instance, savings to workforce, suppliers and assets – but also the relative balance between spending reductions and increased income.

60. As part of the Future Shape Norwich programme, broad focus areas have been identified which have the potential to improve service delivery, operational efficiency and/or support the financial sustainability of the council. These themes cover:

- Contract reform
- Commercialisation
- Driving value from our assets
- Growth and regeneration
- Service redesign
- Workforce, culture and organisational development

HRA business plan

61. There is an ongoing comprehensive review of the HRA business plan (including stock condition data) which will support us in understanding how HRA financial capacity (over the 30-year term of the plan) can be aligned to invest in existing priorities and ambitions to meet new investment challenges arising from building safety legislation and climate change targets, including retrofitting our homes. The outcomes and implications from the review will continue to be reported to Cabinet.

Consultation

62. In line with the approach used in previous years, citizens, HRA tenants, partners and local businesses will be consulted on the proposed approach to meeting the savings target for 2024/25 and the proposed council tax level for that year alongside their views on the strategic priorities of the council.

Implications

Financial and Resources

63. Any decision to reduce or increase resources or alternatively increase income must be made within the context of the council's stated priorities, as set out in its Corporate Plan and Budget.

64. There are no direct proposals in the public report that would reduce or increase resources. The financial position of the council is the focus of the report with the financial implications of the medium-term modelling detailed throughout.

65. The exempt financial planning report sets out proposals for additional expenditure which is set out in that report.

Legal

66. The Local Government Finance Act 1992 requires the Council to set a balanced budget before the statutory deadline and the early identification of the estimated budget gap is essential to the achievement of that requirement.

67. The Council's Chief Financial Officer (S151) has a duty to report to Council on the adequacy of its reserves and the robustness of its budget estimates before the final decisions are taken on the budget and setting of the council tax.

68. There are no other specific legal implications arising from this report.

Statistory Considerations

Consideration	Details of any implications and proposed measures to address:
Equality and Diversity	No direct implications
Health, Social and Economic Impact	No direct implications
Crime and Disorder	No direct implications
Children and Adults Safeguarding	No direct implications
Environmental Impact	No direct implications

Risk Management

Risk	Consequence	Controls Required
Current assumptions in the MTFS vary in the medium term to worsen the projections.	This increases the on-going financial shortfall.	Regular review and updates of the medium term financial strategy. Maintenance of council earmarked reserves for specific identified risks (e.g. budget risk reserve, commercial property reserve). The maintenance of a Prudent Minimum Level of General Fund reserve. On-going monitoring of financial performance and remedial action as necessary.

Other Options Considered

69. There are no alternative options to this report.

Reasons for the decision/recommendation

70. To highlight to Cabinet the impact of the updates to the medium-term financial strategy based on the current position which has evolved since the budget and MTFS were last considered in February 2023, including the implications for the budget process for 2024/25 and beyond.

Background papers: None

Appendices:

Appendix 1: Provisional identified budget savings/ increased income.

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Appendix 1: Budget savings/increased income over MTFS period

The council has identified future savings of £5.288m against a cumulative target of £8.194m. These proposals are shown in the table below and will continue to be refined as part of the 2024/25 corporate business planning cycle.

		£000	£000	£000	£000
Summary title	**Category**	**2024/25**	**2025/26**	**2026/27**	**2027/28**
Support services review	FSN Project Enabling Services	35	35	35	
Internal Audit Contract review	Small project - service area led	15	10		
Pension added years projections	BAU	15	15	15	
Finance review	Service Review	30			
Finance review - phase 2	Service Review		20	10	
Review of contingency levels	BAU		25	25	
Council Tax- Second homes premium	Small project - service area led	185			
Increase in court cost recovery	Small project - service area led		80		
Revenues and Benefits service review	Service Review	25	98	33	
Review of PO efficiencies from ERP	FSN Project Enabling Services	11			
Alternative solution to ASK HR	FSN Project Enabling Services	14			
HR review	Service Review	65	65		
Income generation (HR services)	Small project - service area led	17	5	5	
CIVICA/MDM Process improvements	FSN Digital Strategy	160			
Review of applications NDL, JAdu, remote access	FSN Digital Strategy	65	34		
Review End User Licences	Small project - service area led	9	51	4	
IT Service review	Service Review	117	45	51	
Review of external grant funding	Small project - service area led	23			
Housing and Community Safety - additional grant	Small project - service area led	70			
Increased income from The Halls	FSN The Halls		13	37	42
Events review of cost	Small project - service area led	20			
Review community enabling transport grant	Small project - service area led	23			
Review community enabling team HRA function	Small project - service area led	96			

Summary title	Category	£000 2024/25	£000 2025/26	£000 2026/27	£000 2027/28
Communications restructure	Service Review	45			
Review of waste collection efficiencies (Biffa)	Service Review	107	108		
Parking in parks expansion	FSN Project - Parking in Parks	10	65		
Car parking fee and charges review	Small project - service area led	480	360	120	
Markets fees review	Small project - service area led	38			
Review of NCSL contract	Contract review	198	396	419	
Implementation of new Market Strategy	Service Review	72	156	156	
Restructure of Environment Services	Service Review	37	37		
Review of green waste service	Service Review		46		
Review of environment services customer contact	Service Review	41			
Review of allotment service to ensure cost neutral	Small project - service area led	10			
Review of street traders' licences	Service Review		49	49	
Review of Multi Storey Car Parks	Service Review		120	120	
Additional rental income Carrow House	Small project - service area led	50			
Gypsy and traveller site management	Small project - service area led	50			
District Lighting	Service area led	80	80		
Advertising	FSN Project	50			
Contaminated land inspection strategy	Small project - service area led	25			
Food safety pre-inspection audits	Small project - service area led	20	24	26	
a) Introduction of additional HMO licensing (£60k) b) Ensure cost recovery position of service (£130k)	FSN Project PRS Digitalisation	(87)	(30)	225	
Planning fee increase (legislatively set fees)	Small project - service area led	140	0	0	
	Totals	**2,361**	**1,828**	**1,330**	**42**
	HRA element of proposals	**(161)**	**(80)**	**(32)**	0
	Revised savings totals	**2,200**	**1,748**	**1,298**	**42**