

Meeting of: Corporate Resources and Economy Scrutiny Committee

Meeting Date: 5 December 2024

Publication: Open

Council Priority: All

Wards: All

Report of: Corporate Director of Resources

Report No: No Key Decisions – Not Required

Subject: Autumn MTFs Update CRESC Cover Report

1. Recommendations

Corporate Resources and Economy Scrutiny Committee are asked to:

- 1.1. To note the latest Medium-Term Financial Strategy (MTFS) assumptions contained in Section 3 of the report and the changes since the Summer MTFs Update.
- 1.2. To note the latest General Fund revenue reserves forecast over the medium term. (Section 4)
- 1.3. To note the Housing Revenue Account (HRA) update. (Section 5)
- 1.4. To note the 2025/26 budget setting timeline. (Section 6)

2. Report Summary

- 2.1. Since the last update to the Executive in July 2024, the estimated 2025/26 budget gap has increased by £2.772m (from £27.853m to £30.625m) and the 5-year gap has increased by £8.217m (from £122.226m to £130.443m). The most significant changes are:
 - Increased pressure on pay budgets, primarily due to changes in employer National Insurance Contributions in the Autumn Budget.
 - Heightened inflation on non-pay (contract) budgets due to the impact of the government's changes to employer National Insurance Contributions and higher than forecast London/National Living Wage announcements.
 - In common with other councils, a rapid escalation in Temporary Accommodation costs in the current financial year (driven by a 42% increase in demand) which shows no sign of easing.
 - Partially offset by additional government grant funding (mainly social care grant) that can be reliably estimated and a marginal increase in council taxbase growth. There is likely to be further grant funding (not yet assumed) from the £700m announced in the Autumn Budget for general pressures. However, the council's allocation from this additional funding is currently too uncertain to reliably estimate.
- 2.2. This leaves a significant remaining budget gap to be closed from a combination of new savings proposals, any additional funding in the provisional local government finance settlement and increases in the level of council tax.
- 2.3. The council's already comparatively low reserves are forecast to significantly decline over the 5-year MTFs period. In the 2024/25 budget report, the council's Minimum GF Balance and Earmarked Reserves Level was set at £80m with the target of increasing reserves where

possible. If directorates continue to overspend in future years at the same level as the current year, usable revenue reserves would breach the Minimum GF Balance and Earmarked Reserves Level of £80m by the end of year 3 (2027/28) of the MTFS. It could be breached even sooner if significant new spending commitments are made against reserves or if the 2025/26 and 2026/27 budget gaps are not fully balanced by robust and deliverable savings.

2.4. The HRA is experiencing unprecedented financial pressures, which mean that local authorities must make difficult decisions between investing limited resources in maintaining and improving existing council homes and building new homes. The HRA 30-year Business Plan is currently being updated to reflect new pressures, other changes to assumptions and recent government announcements including rent increase policy.

3. Implications

3.1. The Autumn MTFS Update report outlines the financial, legal, environmental, and equalities implications for setting the council's budget and council tax for 2025/26 in Section 7 of the report. The legal implications detail the need for a lawful, balanced budget, the importance of evidence-based decision-making. Environmental and equalities implications are also considered. The report does not seek immediate decisions affecting the environment or residents but provides updated budget assumptions and estimates.

Appendices

Autumn MTFS Update

Appendix A: Forecast MTFS 2025/26 to 2029/30

Appendix B: Previously Agreed Savings

Background Papers: None

Signed by:		
	Corporate Director of Resources (Section 151 Officer)	Date