

Report to: Cabinet



Date of Meeting 10 October 2023

Document classification: Part A Public Document

Exemption applied: None

Review date for release N/A

Financial Plan 2024 - 2034

Report summary:

The annual formulation of the Financial Plan and approval process helps the Council plan ahead to maintain balance budgets.

Attached is the draft Financial Plan 2024 – 2034 for recommendation to Council. The Budget Setting and Capital Allocation Panel have considered the draft Plan and have recommended it to Cabinet.

The Financial Plan comprises of two parts.

Part A - The Medium Term Financial Plan Model (MTFP) - *(page 3 of the Plan)*

This is an essential part of the budget setting process. The MTFP provides a financial model and forecast of the cost of providing services over a rolling ten year period, together with an estimate of the financial resources that are likely to be available to the Council. The process is designed to provide an early warning of any potential deficit in the required level of resources.

As well as considering the General Fund, the MTFP also reviews the affordability of the Council's capital programme. The capital programme is easier to control as individual schemes can be approved or not by Council to match resources available. This has implications in meeting Council objectives but does not have the same degree of organisation complexity as the General Fund involving significant staff numbers, team interaction and service delivery.

The focus of analysis and emphasis is therefore placed on the General Fund, a summary position if given below.

Summary of the MTFP Model – Annual budget shortfall assuming previous year's shortfall was found - (page 12 of the Plan)

General Fund	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Budget Shortfall/(Surplus)	578	563	4,467	(154)	(126)	(131)	863	(142)	(258)	(44)

The reason for significant changes between years is that 2026/27 as explained is when rebasing of business rates is expected creating a significant funding shortfall.

Part B – Financial Sustainability Model (FSM) - (page 14 of the Plan)

The Plan outlines that addressing the funding gap comes in two stages linked to the uncertainty of Government funding for local authorities and possibly even the shape of local government going forward.

The funding gap for 2024/25 and 2025/26 is considered manageable exploring what savings/increased income can be achieved working with services. To follow the methodology in the Financial Sustainability Model (FSM) agreed in the previous Financial Plan adopted October 2022. The budget gap currently identified for 2026/27 will not be found through this process and requires significant service reduction based on member priorities, however as highlighted the scale of this task and timing is unclear until certainty is given by Government.

- **2024/25 and 2025/26 budget gap** - Continue to follow the Financial Sustainability Model (FSM) adopted in the previous Plan; with 3 months remaining to help address the 2024/25 budget shortfall and 15 months to address the 2025/26 shortfall.

Broadly of the £578k shortfall in 2024/25 it is consider approaching half of the required saving will be found through the FSM process, the remaining balance to be found revisiting key assumptions, and to look for cost reductions during the budget process. If necessary to bring forward some service reductions for members to consider. Then continue to work on the 2025/26 budget gap using the same principles.

The FSM process is described in the Plan and undertakes reviews to ensure we are delivering VFM, drive efficiencies to see what savings can be achieved and to form an evidence base that we have done what we can.

- **2026/27 budget gap** - If the funding gap estimated in 2026/27 of £4.5m materialises, which is dependent on Government direction, then efficiencies and income generation are not going to drive the level of savings required and we will need to propose significant service reductions. Importantly this action comes at a point when we are clearer on how much we need to find and by when, before radical service decisions are made. As stated in the Plan, we have a MTFP Risk Reserve in place to protect us against any immediate changes should Government carry out reforms without good notice.

This gap should not be ignored, and actions and scenarios need to be formulated to allow members to consider options, to be ready to implement when required, to the scale required. This modelling and member discussions can happen over the next 12 – 15 months.

Is the proposed decision in accordance with:

Budget Yes ☒ No ☐

Policy Framework Yes ☒ No ☐

Recommendation:

To consider the draft Financial Plan 2024 – 2034 and to recommend to Council its adoption.

Reason for recommendation:

It is essential the Council considers its financial resources in advance to allow time to make necessary amendments in its service provision to ensure balance budgets are maintained.

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Portfolio(s) (check which apply):

- ☒ Climate Action and Emergency Response
- ☒ Coast, Country and Environment
- ☒ Council and Corporate Co-ordination
- ☒ Communications and Democracy
- ☒ Economy
- ☒ Finance and Assets
- ☒ Strategic Planning
- ☒ Sustainable Homes and Communities
- ☒ Culture, Leisure, Sport and Tourism

Equalities impact Low Impact

At this stage there no recommendations effecting service provision

Climate change Low Impact

Risk: Medium Risk; These are identified within the Plan.

Links to background information [Financial Plan \(2024 -2034\)](#)

Link to [Council Plan](#)

Priorities (check which apply)

- ☒ Better homes and communities for all
- ☒ A greener East Devon
- ☒ A resilient economy

Financial implications:

Details are contained in the report and in the accompanying Plan

Legal implications:

There are no substantive legal issues to be added to the report.