

Cabinet

Date: 19 June 2023

Subject: Budget 2024/25 and MTFS 2024-28

Lead officer: Roger Kershaw – Finance and Digital

Lead member: Councillor Billy Christie - Cabinet Member for Finance and Corporate Services

Contact Officer: Roger Kershaw

Recommendations:

1. That Cabinet notes the approach to rolling forward the MTFS for 2024-28
 - 2 That Cabinet note the initial reallocation of budgets to reflect the new Council structure into six directorates
 - 3 That Cabinet agrees the approach to strengthening transparency in financial management, and the revised process for the 2024/25 budget round.
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1. **Purpose of report and executive summary**

- 1.1 This report presents an initial review of the Medium Term Financial Strategy and updates it for development as part of the business planning process for 2024/25.
- 1.2 The report sets out proposed revisions to the budget process to strengthen transparency in financial management as an approach towards setting a balanced budget for 2024-2028.
- 1.3 A key element of the report is to set out the budget in the new management structure featuring the six new directorates compared to the previous four departments which were included in the budget papers agreed by Council in March 2023. The realignment is an initial step and it is acknowledged that further movement of budget may be needed as the financial year proceeds.
- 1.4 Given the current high level of uncertainty over a range of factors that have the potential to impact significantly on the MTFS there is a sensitivity analysis of a number of issues including the potential impact across the MTFS period of current issues that impact on local government such as the continuing current high level of inflation and also specific issues such as addressing the DSG deficit.

Details

2. Changes to the Budget Process and Timetabling

- 2.1 A lot was achieved in a short time to complete the MTFs work for 2023/24 onwards despite a late start in the process whilst also ensuring a wider engagement and transparency in the mechanics of the budget. We are now in a position to take a more measured and systematic approach to the MTFs process for 2024/25 onwards.
- 2.2 A key objective during this financial year will be to strengthen our Financial Management Framework, the key components of which are:
- Financial Governance and Leadership – top management are financially literate and understand the Council's financial environment.
 - Financial Planning – ensuring strong links between the strategic plan and the Financial Plan.
 - Financial decision making – reviewing where budgets are aligned to achieve strategic and corporate plans.
 - Financial monitoring and forecasting – strengthening financial monitoring and budget ownership.
 - Financial Reporting – that budget managers receive accurate, timely and intelligible financial information and are properly supported by Finance colleagues.

3. **Medium Term Financial Strategy 2024-28**

3.1 **Background**

Council on 1 March 2023 agreed the Budget 2023/24 and MTFs 2023-27. It was a significant achievement to set a balanced budget for both 2023/24 and 2024/25 but there is a gap remaining in future years which needs to be addressed, and in 2027/28 the gap increases significantly mainly due to the impact of the capital programme as shown in the following table:-

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
MTFS gap (cumulative)	0	2,296	3,836	13,533

- 3.2 The initial phase of the business planning process is to re-price the MTFs and roll it forward for an additional year. Development of the MTFs in recent budget processes allowed for various scenarios on a range of key variables to be modelled and it is intended to do the same this year and where feasible, to improve the approach to modelling.

Regular updates will be provided throughout the year as part of Business Planning reports for the MTFS period 2024-28 and the estimated impact of inflation, the capital programme and other significant budget issues incorporated into the forecast.

Budget Restructure

The Council on 1 March 2023 agreed a balanced budget.as follows:-

MTFS 2023-27	2023/24
Council 1 March 2023	Original Estimate
	£000
Corporate Services	14,760
Children, Schools and Families	69,531
Environment and Regeneration	18,001
Community and Housing	75,525
TOTAL NET SERVICE EXPENDITURE	177,816
Corporate Provisions/Appropriations	(177,816)
NET EXPENDITURE	0

Council on 14 September 2022 agreed a senior Council restructure which includes an increase from four service department directorates to six new directorates.

An initial reallocation of budgets has been undertaken and is set out in the table below. It includes virement from the corporate budget for service related expenditure (e.g. Executive Director salaries)

	2023/24
	Current Estimate
	£000
Initial Budget Allocations to six new directorate	
Innovation and Change	3,094
Finance and Digital	11,985
Housing and Sustainable Development	4,442
Environment, Civic Pride and Climate	21,011
Children, Lifelong Learning and Families	69,565
Adult Social Care, Integrated Care and Public Health	68,565
TOTAL NET SERVICE EXPENDITURE	178,662
Corporate Provisions/Appropriations	(178,662)
NET EXPENDITURE	0

It is expected that it will be necessary to make some further changes to budget allocations during the year as greater understanding of service needs and operations develops

3.3 Review of Assumptions

The pay and price calculations have been reviewed using the approved budget for 2023/24 as the starting point.

3.3.1 Pay

a) Pay Negotiations 2023/24

For 2023/24 the final pay award has not been agreed but provision of 3% was included in the MTFS. However, pay negotiations have begun and unions, UNISON, GMB and Unite, representing 1.4 million council and school employees, submitted a pay claim for staff in England, Wales and Northern Ireland as follows:-

- An increase of RPI + 2% on all spinal column points
- Consideration of a flat rate increase to hourly rates of pay in order to bring the minimum rate up to £15 per hour within two years
- A review and improvement of NJC terms for family leave and pay
- A review of job evaluation outcomes for school staff whose day to day work includes working on Special Educational Needs (SEN)
- An additional day of annual leave for personal or well-being purposes
- A homeworking allowance for staff for whom it is a requirement to work from home
- A reduction in the working week by two hours
- A review of the pay spine, including looking at the top end, and discussions about the link between how remuneration can be used to improve retention

The Local Government Employers have responded with an offer of:-

- A one year (1 April 2023 – 31 March 2024) pay increase of £1,925 (pro rata for part-time employees) to be paid as a consolidated, permanent addition on all NJC points 2-43 inclusive.
- An increase of 3.88% on all allowances (as listed in the 2022 NJC Pay Agreement Circular dated 1st November 2022).

In response to the other elements of the pay claim, the employer's position is:

- National employers propose that exploratory 'without prejudice' informal discussions are undertaken to map out considerations of how and when the pay spine may be reviewed.
- To enter into discussions on the broader family leave and pay issues raised in the claim.

- A review of all school support staff role profiles to be undertaken by the Job Evaluation Technical Working Group.

The employers rejected the following elements of the pay claim:-

- Consideration of a flat rate increase to a minimum rate of £15 per hour within two years.
- Establishing model role profiles for school support staff jobs, with advisory banding structures.
- A homeworking allowance for staff for whom it is a requirement to work from home.
- A reduction in the working week by two hours.

Unions will now engage further with employers on this offer.

It will be necessary to estimate the overall increase in pay arising from this offer and the extent to which it exceeds the 3% budget provision will require additional ongoing funding which will increase the MTFS budget gap. Each additional 1% will increase the MTFS gap by c. £1m on an ongoing basis.

b) Future Provision for Pay 2024-2028:-

Given the current position regarding pay award negotiations it is proposed to increase the provision for pay to 3% in 2024/25. The additional cost, compared to the 2% provision in the MTFS approved by Council in March 2023 is as follows:-

Provision for Pay Inflation:

(Cumulative £000)	2024/25	2025/26	2026/27	2027/28
Pay inflation (%)	2.0%	2.0%	2.0%	2.0%
MTFS 2023-27(Council 1/3/23)	1,983	3,966	5,925	7,932
Pay inflation (%)	3.0%	2.0%	2.0%	2.0%
MTFS 2023-27 (Latest)	2,975	4,958	6,917	8,924
Change (cumulative £000)	992	992	992	992

3.3.2 Prices

The current assumptions regarding price inflation incorporated into the MTFS are

- 2.0% in 2024/25 and 1.5% in each subsequent year of the MTFS

The MTFS agreed by Council on 1 March 2023 includes the following provision for price inflation

Provision for Prices Inflation:

	2024/25	2025/26	2026/27	2027/28
Price inflation in MTFS (%)	2.0%	1.5%	1.5%	1.5%
Original MTFS 2023-27 (cumulative £000)	3,043	5,325	7,608	9,890

Given the persisting high level of inflation, this has been reviewed assuming a 3% provision in 2024/25:-

(Cumulative)	2024/25	2025/26	2026/27	2027/28
Price inflation (%)	3.0%	1.5%	1.5%	1.5%
Revised Estimate (cumulative £000)	4,565	6,847	9,130	11,412

Each 1% of price inflation costs c. £1.5m.

Net change in Pay and Price inflation provision:

The overall change in inflation provision since Council in March 2023 is

(Cumulative) (£000)	2024/25	2025/26	2026/27	2027/28
Latest Inflation estimate	7,540	11,805	16,047	20,336
Original MTFS 2023-27 (Council March 2023)	5,026	9,291	13,533	17,822
Change	2,514	2,514	2,514	2,514

Current inflation

The Consumer Prices Index (CPI) rose by 8.7% in the 12 months to April 2023, down from 10.1% in March. On a monthly basis, CPI rose by 1.2% in April 2023, compared with a rise of 2.5% in April 2022. Electricity and gas prices contributed 1.42 percentage points to the fall in annual inflation in April as last April's rise dropped out of the annual comparison, but this component still contributed 1.01 percentage points to annual inflation. Food and non-alcoholic beverage prices continued to rise in April and contributed to high annual inflation, however, the annual inflation rate of food and non-alcoholic beverages eased, from 19.2% in the year to March 2023, to 19.1% in the year to April 2023.

Core CPI (excluding energy, food, alcohol and tobacco) rose by 6.8% in the 12 months to April 2023, up from 6.2% in March, which is the highest rate since March 1992; the CPI goods annual rate eased from 12.8% to 10.0%, while the CPI services annual rate rose from 6.6% to 6.9%.

The Consumer Prices Index including owner occupiers' housing costs (CPIH) rose by 7.8% in the 12 months to April 2023, down from 8.9% in March. On a monthly basis, CPIH rose by 1.2% in April 2023, compared with a rise of 2.1% in April 2022.

The RPI rate for April 2023 was 11.4%, which is down from 13.5% in March 2023.

Outlook for inflation:

The Bank of England’s Monetary Policy Committee (MPC) sets monetary policy to meet the 2% inflation target and in a way that helps to sustain growth and employment.

At its meeting ending on 10 May 2023, the MPC voted by a majority of 7–2 to increase Bank Rate by 0.25 percentage points, to 4.5%. Two members preferred to maintain Bank Rate at 4.25%.

The next Bank of England MPC base rate decision is on 22 June 2023.

In the minutes to the May meeting, the MPC gave a slightly more optimistic economic outlook stating that “there has been upside news to the near-term outlook for global activity, with UK-weighted world GDP now expected to grow at a moderate pace throughout the forecast period. Risks remain but, absent a further shock, there is likely to be only a small impact on GDP from the tightening of credit conditions related to recent global banking sector developments.”

Although inflation was 10.2% in the first quarter of 2023 and slightly higher than forecast the MPC forecast that “CPI inflation is expected to fall sharply from April, in part as large rises in the price level one year ago drop out of the annual comparison. In addition, the extension in the Spring Budget of the Energy Price Guarantee and declines in wholesale energy prices will both lower the contribution from household energy bills to CPI inflation. However, food price inflation is likely to fall back more slowly than previously expected.”

In terms of outlook over the MTFSS period, “in the MPC’s latest modal projection conditioned on market interest rates, CPI inflation declines to a little above 1% at the two and three-year horizons, materially below the 2% target. This reflects the emergence of an increasing degree of economic slack and declining external pressures that are expected to reduce CPI inflation.”

There are risks around the projections which are related to inflation in wages and domestic prices which take longer to unwind than they did to emerge. The Bank of England also published the May 2023 Monetary Policy Report on 10 May.

In this report the MPC include forecast quarterly CPI inflation rates over the next three years as follows:-

2023	2023	2023	2024	2024	2024	2024	2025	2025	2025	2025	2026	2026
Qtr2	Qtr.3	Qtr.4	Qtr.1	Qtr.2	Qtr.3	Qtr.4	Qtr.1	Qtr.2	Qtr.3	Qtr.4	Qtr.1	Qtr.2
CPI %	CPI %	CPI %	CPI %	CPI %	CPI %	CPI %	CPI %	CPI %	CPI %	CPI %	CPI %	CPI %
8.2	7.0	5.1	4.4	3.4	2.9	2.3	1.5	1.1	1.0	1.0	1.1	1.2

The latest inflation and unemployment forecasts for the UK economy, based on a summary of independent forecasts are set out in the following table:-

Table: Forecasts for the UK Economy

Source: HM Treasury - Forecasts for the UK Economy (May 2023)			
	Lowest %	Highest %	Average %
2023 (Quarter 4)			
CPI	2.4	6.9	4.1
RPI	3.1	11.0	5.9
LFS Unemployment Rate	3.2	5.0	4.2
2024 (Quarter 4)			
CPI	0.5	4.3	2.5
RPI	0.4	5.4	3.3
LFS Unemployment Rate	2.8	5.1	4.4

Note the wide range between highest and lowest forecasts which reflects the volatility and uncertainty arising from volatile fuel and utility costs impacting on the cost of living and the difficulty of forecasting how the situation will evolve. Clearly where the level of inflation during the year exceeds the amount provided for in the budget, this will put pressure on services to stay within budget and will require effective monitoring and control.

Independent medium-term projections for the calendar years 2023 to 2027 are summarised in the following table:-

Source: HM Treasury - Forecasts for the UK Economy (May 2023)					
	2023	2024	2025	2026	2027
	%	%	%	%	%
CPI	6.8	2.9	2.0	2.1	2.2
RPI	9.1	3.9	2.6	3.0	3.4
LFS Unemployment Rate	4.0	4.2	4.2	4.2	4.2

3.3.3 Provision for Excess Inflation:

There is also a corporate provision which is held to assist services that may experience price increases greatly in excess of the budgeted inflation allowance provided when setting the budget. This will only be released for specific demonstrable demand. The provision was increased significantly in the budget agreed by the Council in March 2023 because of the cost of living crisis and persistently high level of inflation.

The provision in the MTFS is currently :-

	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Budget in MTFS 2023-27	3,808	3,808	3,808	3,808

The cash limiting strategy is not without risks and if the inflation rate fails to return to the Government's 2% target levels of inflation by 2025/26 it will lead to further pressure on service budgets.

Work is currently ongoing with Directorates to assess the impact, service by service of the prevailing levels of inflation. This will be fed into future MTFS updates.

3.3.4 London Living Wage (LLW) and Living Wage Employer Accreditation

Merton received accreditation as a Living Wage Employer in February 2023 and will introduce the Real Living Wage into Merton contracts - as and when the contracts come up for re-tendering

The MTFS 2023-27 currently includes provision for the additional cost of implementing the LLW for its contracts as follows:-

	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Provision in MTFS 2023-27	711	2,382	2,430	2,478	2,478

The provision needs to be reviewed and regularly updated to ensure that the MTFS reflects the latest forecast cost of renewing council contracts.

3.4 **Income**

3.4.1 The MTFS has not in recent years included targets for increased income from fees and charges in respect of inflation or for other reasons. However, in the business planning process service departments have been able to identify increased income as part of their savings proposals and increased income currently makes up c.37% of future savings.

3.4.2 It is intended to introduce a Council-wide annual income fees and charges report to provide transparency and consistency to proposed increases and that this be incorporated into the MTFS process and updated as part of annual budget setting..

3.5 **Forecast of Resources and Local Government Finance Settlement**

3.5.1 Background

The main elements of financial planning that are expected to impact on budget setting for 2024/25 are summarised as follows

Spending Review

Spending Reviews set out departmental Resource and Capital Departmental Expenditure Limits for forthcoming years. Details from the Spending Review will form the basis of allocations to local authorities for 2024-28 and beyond as announced in the Local Government Finance Settlement 2024-25. The total amount of funding available for local authorities is essentially determined by the amount of resources that Central Government has allocated as part of its annual Departmental Expenditure Limit.

Local Government Finance Settlement 2024/25 -

The government will set out key determinants such as council tax referendum principles, Settlement Funding Assessments, Core Spending Power and funding allocations for all local authorities in a provisional Settlement in December 2023 and final figures will be announced in January/February 2024.

3.5.2 The current level of resources included in the draft MTFS 2023-27 as agreed by Council in March 2023 is as follows:-

DRAFT MTFS 2023-27:				
	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Revenue Support Grant	0	0	0	0
*Business Rates (inc. Section 31 grant)	*(41,216)	*(41,658)	*(42,105)	*(42,556)
Adult Social Care Grants inc. BCF	(5,010)	(5,010)	(5,010)	(5,010)
Social Care Grant	(6,282)	(6,282)	(6,282)	(6,282)
PFI Grant	(4,797)	(4,797)	(4,797)	(4,797)
New Homes Bonus	(300)	(300)	(300)	(300)
Corporate Funding in the MTFS	(57,605)	(58,047)	(58,494)	(58,945)

These figures currently assume that there is an annual 1% uplift to the Business Rate multiplier.

Updates will be provided in future reports as part of the Business Planning process.

3.5.3 Social Care Funding

Social Care Grant – Government grant funding of £10.430m was received in 2023/24 and was allocated as follows:-

	£000
Children's Social Care	6,170
Adult Social Care	4,260
Total	10,430

It is assumed that this level of funding will continue in the MTFS 2024-28.

3.5.4 Business Rates - Update

Updates will be provided as the Business Plan process develops.

3.6 **Council Tax and Collection Fund**

3.6.1 Council Tax

The Council Tax income forecast in the current MTFS agreed by Council in March 2023 assumes that the Council Tax Base will increase by 0.5% per year with a collection rate 98.75% from 2024/25 to 2027/28. It also assumes the following changes in Council Tax over the MTFS period:-

	2024/25 %	2025/26 %	2026/27 %	2027/28 %
Council Tax increase - General	2.0%	2.0%	2.0%	2.0%
Council Tax increase – ASC*	2.0%	0%	0%	0%

On the basis of these assumptions the Council Tax income included over the period of the MTFS is:-

(Cumulative figures exc. WPC)	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Council Tax - No change in rate	113,019	113,562	113,893	114,902
Council Tax – General (2%)	2,264	4,549	6,859	9,191
Council Tax – ASC (2% in 2024/25)	2,264	2,275	2,287	2,298
Council Tax income	117,547	120,386	123,038	126,391

The Council Tax Referendum Principles for 2024/25 were announced as part of the Local Government Finance Settlement 2023/24. For 2024-25, the core council tax referendum principles will continue the same as 2023-24. The government has confirmed that the referendum limit for increases to council tax will remain at 3% per year. In addition, local authorities with social care responsibilities will be able to increase the adult social care precept by up to 2% per year. Councils can set higher increases if they wish via the consent of a local referendum.

There are several main issues that need to be considered when formulating a council tax strategy for the MTFS period 2024-28:-

- i) To what extent will the high cost of living inflation impact on collection rates in 2024/25 and beyond?
- ii) Will the Government revise the referendum principles to enable Councils to set higher council tax levels as part as a move towards balancing budgets from local taxation?

- iii) What impact will the high level of inflation have on the level on collection rates in 2023/24 and therefore what level of budget deficit relating to council tax will it be necessary to fund in 2024/25 ? (This will be reflected in a Collection Fund deficit as at 31 March 2024)

The Council Tax Base will be updated later in the year following the return of the Government's CTB statistical return, usually in October, which is based on properties on the valuation list in September. The collection rate will impact on the council tax base.

3.6.2 Collection Fund

In the MTFs approved by Council on 1 March 2023, the shares to preceptors of the collection surplus/deficit for Council Tax and NNDR based on the estimated Collection Fund balance at 31 March 2023 are summarised in the following table:-

	Surplus/ (deficit) as at 31/03/23 Estimate Council Tax	Surplus/ (deficit) as at 31/03/23 Estimate NNDR	Total surplus/ (deficit) as at 31/03/23
	£000	£000	£000
Central Government	N/A	(1,860)	(1,860)
GLA	314	(2,085)	(1,771)
Merton	1,018	(1,690)	(672)
Total	1,332	(5,635)	(4,303)

3.6.3 Merton's share of the surplus/deficit for council tax and NNDR were built into the MTFs agreed by Council in March 2023.

3.6.4 Since then, the Council has produced its draft 2022/23 accounts as at 31 March 2023 which are currently being audited. The draft accounts for 2022/23 include the following surplus/deficit for Council Tax and NNDR as at 31 March 2023.

	Surplus/ (deficit) as at 31/03/23 Outturn	Surplus/ (deficit) as at 31/03/23 Outturn	Total surplus/ (deficit) as at 31/03/23
	£000	£000	£000
	Council Tax	NNDR	
Central Government	N/A	(22)	(22)
GLA	397	(28)	369
Merton	1,296	(23)	1,273
Total	1,693	(73)	1,620

3.6.5 The overall change in shares of surpluses/deficits is:-

	Surplus/ (deficit) as at 31/03/23	Surplus/ (deficit) as at 31/03/23	Total surplus/ (deficit) as at 31/03/23
	Council Tax	NNDR	
	£000	£000	£000
Central Government	N/A	1,838	1,838
GLA	83	2,057	2,140
Merton	278	1,667	1,945
Total	361	5,562	5,923

3.6.6 The net change in Merton's share of the surplus/deficit is therefore:-

	Estimated Surplus/ (deficit) as at 31/03/23	Outturn Surplus/ (deficit) as at 31/03/23	Surplus/ (deficit) as at 31/03/23 Change
	£000	£000	£000
Council Tax	1,018	1,296	278
NNDR	(1,690)	(23)	1,667
Total	(672)	1,273	1,945

3.6.7 There is no change to the surplus/deficit figures agreed for 2023/24 as all variations are managed via the Collection Fund. However, the net surplus of £1.945m will need to be taken into account when calculating the Merton General Fund's share of any surplus/deficit due to/from the Collection Fund in 2024/25.

3.6.8 The calculation of the estimated surplus/deficit on the Collection Fund as at 31 March 2024 will be made later in the budget process when key variables are firmed up and council tax base and NNDR returns have been completed. Until this time, the increase in the net surplus carried forward from 2022/23 of £1.945m will be included in the draft MTFS for 2024/25.

3.7 Reserves – Review of Earmarked Reserves

3.7.1 Reserve for Use in Future Year's Budgets

The Business Plan and MTFS for 2023-2027 approved by Council on 1 March 2023 made a determined effort to reduce the reliance of balancing the budget on the use of reserves.

Following the final accounts process for 2022/23 (subject to audit), the balance on the Reserve for use in Future Year's Budgets (subject to audit) on 31 March 2023 is £9.882m.

Consideration will be given over the forthcoming budget process as to the level of reserve needed as cover and any excess can be released for other purposes.

It should be recognised that the use of reserves is a one-off form of funding and alternative ongoing savings would need to be identified to address the budget gap over the long-term.

3.7.2 Review of Earmarked Reserves

The use and availability of Reserves is monitored throughout the year as part of the monthly monitoring process.

It should be recognised that reserves are a one-off source of funding and should not be used to fund ongoing expenditure commitments.

3.8 **Review of Outturn 2022/23 and Current Budget and Spending 2023/24**

3.8.1 There may be issues identified during the final accounts process and from monthly monitoring that have on-going financial implications which need to be addressed in setting the budget for 2024-28.

3.8.2 COVID-19

It is not expected that COVID-19 will have a significant impact in 2023/24 although there may be some reconciliations required relating to some government funding.

3.8.3 Savings under pressure

Monitoring of the delivery of savings is important and it is essential to recognise as quickly as possible where circumstances change and savings previously agreed are either not achievable in full or in part or are delayed. If this is the case, departments will need to identify replacement savings from elsewhere within their overall budgets. If it is not possible to find replacements, if any of the savings included in the MTFs approved by Council in March 2023 are not achieved this will result in an increase in the budget gap and increase pressure on services. Any projected shortfall in savings of will add to the budget gap and make it more difficult to achieve the balanced budget that is a statutory requirement.

Progress on delivering agreed savings will be regularly reported as part of monthly monitoring and any ongoing implications will need to be considered as part of the budget and MTFs process for 2024-28.

4. Re-priced MTFS 2024-28

- 4.1 As indicated in the report, there have been a number of changes to information and data to factors which impact on the Council's MTFS and budget gap.
- 4.2 The net result of making these adjustments is to amend the forecast budget gap to the following:-

(cumulative)	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
MTFS Gap (Council March 2023)	0	2,296	3,836	13,533
Ongoing impact of 3% pay award in 2023/24	992	992	992	992
Impact of increased pay and price inflation in 2024/25	2,513	2,513	2,513	2,513
Collection Fund (Surplus)/Deficit change on outturn	(1,945)	0	0	0
Revised MTFS Gap 2024-28	1,560	5,801	7,341	17,039

- 4.3 The revised gap assumes no additional use of reserves and savings at this stage.

5. MTFS Issues and Proposed Process for the 2024/25 Budget Round

- 5.1 There has been a substantial improvement in the council's strategic approach to business planning in recent years and it is important that this is maintained. Planning should be targeted towards the achievement of a balanced budget over the four year MTFS period.
- 5.2 To complete the work started on the Capital Programme in Autumn 2022 there still needs to be a sift of the schemes currently in the programme to avoid the need to borrow externally in future years. It is worth noting that this review will need to reflect the work that is progressing on identifying sites suitable for Housing and the extent to which Capital Receipts may be specifically earmarked for funding Housing development rather than funding the general Capital Programme.

Further revision is required to the Capital Programme as the current programme is oversubscribed if the need to undertake new external borrowing is to be avoided. This further review will identify if it is a realistic aspiration to avoid borrowing against the capital programme for at least the next 5 years.

The root and branch review of the Capital Programme management and delivery started during 2022 and urgently needs to be concluded to address the degree of optimism bias exhibited by scheme managers leading ultimately to

excessive slippage throughout the year. This will also require a review of the work of the Capital Programme Board together with its composition and chair.

6. Approach to Setting a Balanced Budget

6.1 This is the initial report on the business planning process for 2024/25 and there is a great deal of work to be done.

6.2 A further report will be brought to Cabinet setting out how savings and growth proposals will be determined.

7. Alternative Options

7.1 The range of options available to the Council relating to the MTFs 2024-28 and for setting a balanced revenue budget and fully financed capital programme will be presented in reports to Cabinet and Council.

8. Consultation Undertaken or Proposed

8.1 All relevant bodies have been consulted.

9. Timetable

9.1 In accordance with current financial reporting timetables.

10. Financial, resource and property implications

10.1 As contained in the body of the report.

11. Legal and statutory implications

11.1 As outlined in the report.

12. Human rights, equalities and community cohesion implications

12.1 None for the purposes of this report, these will be dealt with as the budget is developed for 2024-28

13. Crime and Disorder Implications

13.1 Not applicable.

14. Risk Management and health and safety implications

- 14.1 There is a specific key strategic risk for the Business Plan, which is monitored in line with the corporate risk monitoring timetable.

15. Appendices – The following documents are to be published with this Report and form part of the Report.

Appendix 1 – Revised MTFS 2024-28

16. Background Papers

- 16.1 The following documents have been relied on in drawing up this report but do not form part of the report:

2022/23 Budgetary Control and Final Accounts Working Papers in the Corporate Services Department.

2023/24 Budget Monitoring working papers

MTFS working papers

17. REPORT AUTHOR

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DRAFT MTFS 2024-28:				
	2024/25	2025/26	2026/27	2027/28
	£000	£000	£000	£000
Departmental Base Budget 2022/23	188,790	188,790	188,790	188,790
Inflation (Pay, Prices)	14,051	18,517	22,648	26,620
NI increase	0	0	0	0
Pension Fund Revaluation	48	72	96	120
FYE – Previous Years Savings	(315)	(814)	(844)	(844)
FYE – Previous Years Growth	(355)	(332)	(332)	(332)
Amendments to previously agreed savings/growth	0	0	0	0
Change in Net Appropriations to/(from) Reserves	0	0	0	0
Taxi card/Concessionary Fares	2,705	4,879	7,053	9,227
Social Care - Additional Spend offset by grant/precept	(2,453)	(2,453)	(2,453)	(2,453)
Growth	0	0	0	0
DSG Safety Valve	0	0	0	0
Provision - DSG Deficit	1,130	700	(3,600)	0
Contract increases	0	2,700	3,900	3,900
Other	(4,286)	(4,206)	(4,126)	(4,046)
Re-Priced Departmental Budget	199,315	207,853	211,132	220,982
Treasury/Capital financing	4,937	4,819	6,799	11,880
Pensions	0	0	0	0
Other Corporate items	(19,989)	(20,452)	(20,047)	(20,442)
Levies	635	635	635	635
Sub-total: Corporate provisions	(14,417)	(14,998)	(12,613)	(7,927)
Sub-total: Repriced Departmental Budget + Corporate Provisions	184,898	192,855	198,519	213,055
Savings/Income Proposals 2023/24	0	0	0	0
Sub-total	184,898	192,855	198,519	213,055
Appropriation to/from departmental reserves	(843)	(843)	(843)	(843)
Appropriation to/from Balancing the Budget Reserve	1,449	29	0	0
ONGOING IMPACT OF COVID-19 (NET)	0	0	0	0
BUDGET REQUIREMENT	185,504	192,041	197,676	212,212
Funded by:				
Revenue Support Grant	0	0	0	0
Business Rates (inc. Section 31 grant)	(46,704)	(48,105)	(49,548)	(51,035)
Adult Social Care Grants inc. BCF	(5,010)	(5,010)	(5,010)	(5,010)
Social Care Grant	(7,518)	(7,518)	(7,518)	(7,518)
PFI Grant	(4,797)	(4,797)	(4,797)	(4,797)
New Homes Bonus	0	0	0	0
Council Tax inc. WPCC	(117,970)	(120,810)	(123,462)	(126,814)
Targeted Council Tax Discount	0	0	0	0
Collection Fund – (Surplus)/Deficit	(1,945)	0	0	0
ASC Market Sustainability and Improvement Fund	0	0	0	0
ASC Discharge Fund	0	0	0	0
Services Grant	0	0	0	0
TOTAL FUNDING	(183,944)	(186,240)	(190,336)	(195,174)
GAP including Use of Reserves (Cumulative)	1,560	5,801	7,341	17,039