AUDIT & GOVERNANCE COMMITTEE

DATE 05/11/2026

REPORT OF Guy Lonsdale

SUBJECT Medium Term Financial Planning

STATUS Open

CONTRIBUTION TO OUR AIMS

The Budget and Medium Term Financial Plan provides the financial framework through which the Council aligns resources with the Council Plan, statutory responsibilities and agreed priorities. A robust, integrated and risk-informed process supports sound decision-making, financial resilience, value for money and the sustainable delivery of services for residents.

EXECUTIVE SUMMARY

This report provides the Committee with information on the governance, risk management, challenge and internal control arrangements supporting development of the 2027/28 Budget and Medium Term Financial Plan to 2029/30.

It also summarises the principal financial risks, the assurance framework and the next stages in the process.

MATTERS FOR CONSIDERATION

The Committee is asked to:

- Consider whether the governance, challenge and assurance arrangements described in this report provide sufficient oversight of the budget and medium-term financial planning process.
- Consider the principal financial risks and the arrangements for monitoring and escalating those risks.
- Provide observations on any further assurance it wishes to receive as the 2027/28 budget is developed.
- Note the next steps leading to Cabinet consideration and approval of the budget and council tax by Full Council.

1. BACKGROUND AND ISSUES

The Council is required to set a balanced budget for each financial year and to maintain adequate reserves. The Medium Term Financial Plan provides the longer-term framework for assessing affordability, directing resources and supporting financial sustainability.

The Council continues to operate in a challenging financial environment. The principal factors include demand for statutory services, pay and contract cost

pressures, uncertainty around future local government funding and the need for transformation to produce recurrent, cashable savings.

The budget process is intended to connect the Council Plan, service and business planning, the Capital Strategy, Treasury Management Strategy, asset planning, transformation activity, performance management and risk management. This integration is important so that policy and investment decisions are considered alongside their full revenue, capital, workforce and delivery consequences.

Development of the 2027/28 budget follows an established corporate timetable:

- September to October: update financial planning assumptions; assess current-year performance; review service demand, inflation, pay, funding and interest-rate assumptions; refresh the MTFP; and undertake early engagement.
- October to November: review pressures and opportunities; develop efficiencies, transformation and savings proposals; undertake budget challenge sessions; and engage Cabinet and Portfolio Holders.
- November to January: consider Government policy announcements and settlement information; refine funding assumptions and proposals; undertake member scrutiny, consultation and stakeholder engagement; and approve the council tax base and relevant assumptions.
- February 2027: Cabinet considers final proposals; the Section 151 Officer provides the statutory assessment of the robustness of estimates and adequacy of reserves; and Full Council considers the budget and council tax resolution.

The process is overseen through the Corporate Leadership Team, Cabinet and Portfolio Holder engagement, the Finance function and the Section 151 Officer.

Structured challenge sessions test service pressures, forecast assumptions, proposed efficiencies, deliverability, dependencies and risks. Proposals should identify responsible owners, implementation milestones, financial baselines and the timing of recurrent cashable benefits.

Current key financial risks are as follows.

- Demand and complexity in Children's Services, Adult Social Care, home-to-school transport and other demand-led services.
- Uncertainty regarding the Local Government Finance Settlement, grants, business rates, council tax collection and taxbase growth.
- Pay awards, National Living Wage changes, contract inflation, energy, insurance and borrowing costs.
- Deliverability and timing of transformation, efficiencies and savings, including organisational capacity and dependencies.
- Affordability and deliverability of the capital programme, including the revenue consequences of borrowing and investment.
- The level, purpose and sustainability of reserves, particularly where one-off resources are used to support transition or transformation.

Assurance is provided through monthly revenue and capital monitoring, regular forecasting, tracking of agreed savings, escalation of material variances, corporate

risk management and relevant Internal Audit work. Savings and transformation benefits is monitored against approved profiles, with corrective action where delivery is delayed or the recurrent financial benefit is uncertain.

The budget process will include an assessment of the adequacy of reserves, taking account of identified risks, volatility, one-off and recurring pressures and the Council's capacity to absorb future shocks. Reserves can support planned transition and manage short-term volatility but are not a sustainable response to recurring expenditure pressures.

The capital programme is reviewed alongside the revenue budget. Proposals need to demonstrate strategic alignment, deliverability, whole-life cost, funding and financing arrangements, revenue consequences, risk and compliance with the Prudential Code. The cumulative effect of borrowing and investment decisions will be assessed against the Council's medium-term affordability and sustainability.

The Section 151 Officer is responsible for the proper administration of the Council's financial affairs and provides professional advice and challenge throughout the process. Before the budget is approved, the Section 151 Officer will report under section 25 of the Local Government Act 2003 on the robustness of estimates and the adequacy of reserves.

Next steps in the 2027/28 budget setting process

- Complete budget challenge sessions and identify any further mitigating action required in response to the current-year forecast.
- Refine MTFP assumptions following Government announcements and settlement information.
- Develop and assure detailed savings, transformation, growth and capital proposals.
- Undertake the planned member scrutiny, consultation and stakeholder engagement.
- Prepare final budget reports for Cabinet and Full Council, including the Section 25 assessment.

2. RISKS, OPPORTUNITIES AND EQUALITY ISSUES

The principal risks are that demand, cost or funding assumptions change; planned savings are delayed or not delivered; or capital and transformation programmes create additional revenue pressures. These risks are being managed through scenario planning, challenge, monitoring, escalation and the assessment of reserves. The process also creates opportunities to reprioritise resources, strengthen value for money, accelerate transformation and improve financial resilience.

This report concerns the governance of the budget process and does not itself propose a service change.

Equality implications will be assessed for individual budget proposals as they are developed. Those assessments will inform recommendations and decision-making, including consideration of cumulative impacts where appropriate.

3. REPUTATION AND COMMUNICATIONS CONSIDERATIONS

There are potential reputational implications if the financial challenge, assumptions or impact of proposals are not communicated clearly, or if agreed savings are not delivered.

Communications and engagement will therefore be aligned with the formal budget process, statutory requirements and public consultation, with clear explanation of the Council's financial position, choices, risks and proposed responses.

4. FINANCIAL CONSIDERATIONS

This report does not seek approval for expenditure or a change to the budget. It describes the process through which the revenue budget, capital programme and MTFP will be developed and assured.

The process will consider funding and financing, the effect on revenue and capital expenditure, the adequacy and proposed use of reserves, income and charging assumptions, risk and value for money. The objective is to support a balanced 2027/28 budget and a credible plan for medium-term financial sustainability.

5. CHILDREN AND YOUNG PEOPLE IMPLICATIONS

There are no direct implications arising from this assurance report. Individual budget proposals affecting children and young people will require specific assessment, including service, equality, safeguarding and financial implications, before decisions are taken.

6. CLIMATE CHANGE, NATURE RECOVERY AND ENVIRONMENTAL IMPLICATIONS

There are no direct environmental implications arising from this report. Relevant implications will be assessed within individual revenue, capital and transformation proposals, including whole-life cost and alignment with the Council's environmental commitments.

7. PUBLIC HEALTH, HEALTH INEQUALITIES AND MARMOT IMPLICATIONS

There are no direct public health or Marmot implications arising from this assurance report. Individual budget proposals will be assessed for their impact on health, inequalities and the wider determinants of health where relevant.

8. MONITORING COMMENTS

In the opinion of the author, this report does not contain recommended changes to policy or resources (people, finance or physical assets). As a result, no separate monitoring comments have been sought. The report has been prepared by the Section 151 Officer and addresses financial governance and assurance directly.

9. WARD IMPLICATIONS

All wards are potentially affected by the Council's overall budget and MTFP. This report does not propose ward-specific changes.

10. BACKGROUND PAPERS

- Council Plan.
- Current approved Budget and Medium Term Financial Plan.
- Capital Strategy and Treasury Management Strategy.
- Financial monitoring reports and Corporate Risk Register.
- CIPFA Financial Management Code.
- Local Government Act 2003, including section 25.

11. CONTACT OFFICER(S)

Liz Brummer, Head of Finance

GUY LONSDALE
SECTION 151 OFFICER