

Medium Term Financial Strategy (MTFS) Overview



Headlines



- A secure and sustainable financial position over the medium term = balance budget position across the coming 3 years period
- Risk Mitigated with an £18m risk reserve
- All priorities funded
- New growth funded
- ALL statutory services protected
- Capital expenditure funded
- No new General Fund debt
- Statutory Services Protected
- HRA has a balanced 30-year business plan
- Safer homes, more homes, less homeless people in B&B
- Savings of £43m all agreed
- Reduced Cost of Mayors Office by £327k, in line with peer review recommendations
- NO RELIANCE ON ONE OFF RESERVES TO FUND ANY RECURRING REVENUE COSTS
- Any household earning at or below £49,500 for the borough is protected against council tax rises.



General Fund



Starting Point



The MTFS Approved by Council in March 2023 included the following for the 24/25 and 25/26 financial years:

- The need to find £38m of additional savings
- Use of £20m from the Mayoral Priorities reserve

This was the starting point for this year's budget setting.

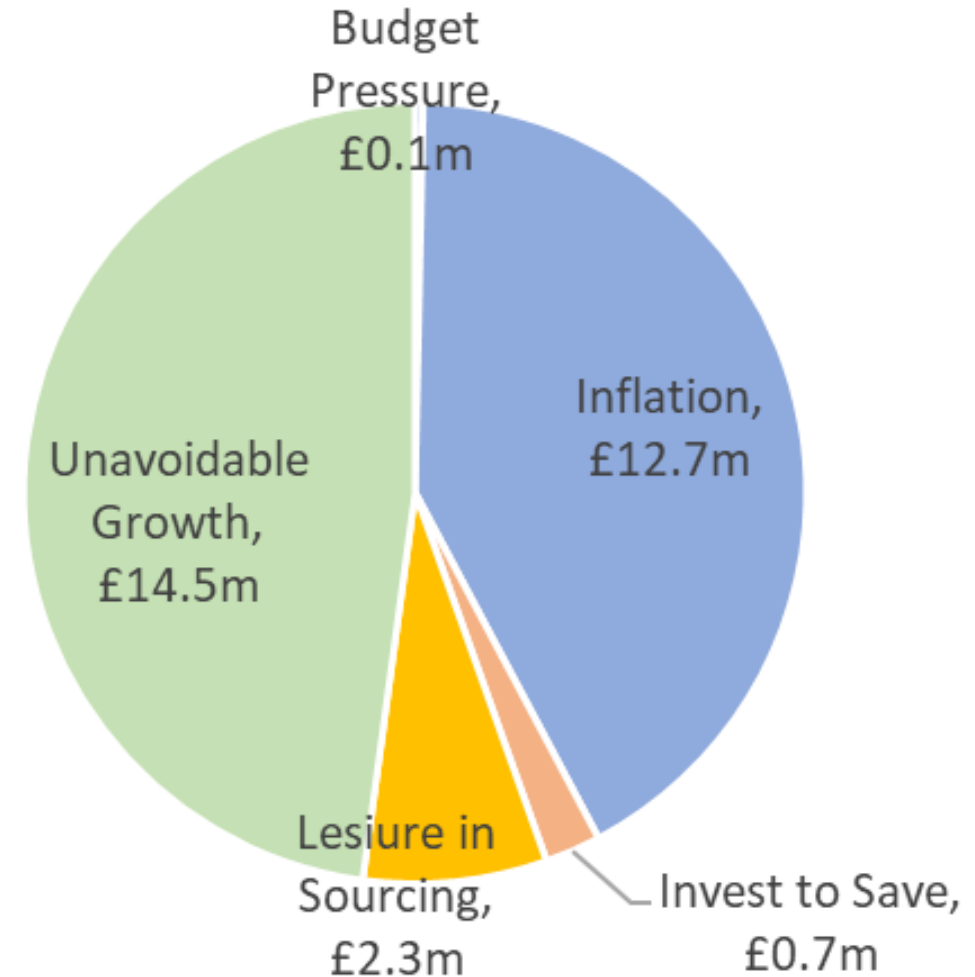


Additional Pressures

Reviewing assumptions and emerging pressures identified additional budget growth required of £30m by 26/27.

Unavoidable growth relates mainly to demand pressures e.g. Adult Social Care, Temporary Accommodation and SEND.

(Details in Appendix 3A of the Cabinet Report)



Funding



With one year funding settlements from central government, funding allocations were only confirmed on 5th February 2024.

Business Rates and Council Tax income assumptions are updated based on the latest information. Business rates has increased budget to growth in the base and pooling gains.

Grant Changes - £9.7m

NNDR - £24.8m

Council Tax - £5.1m



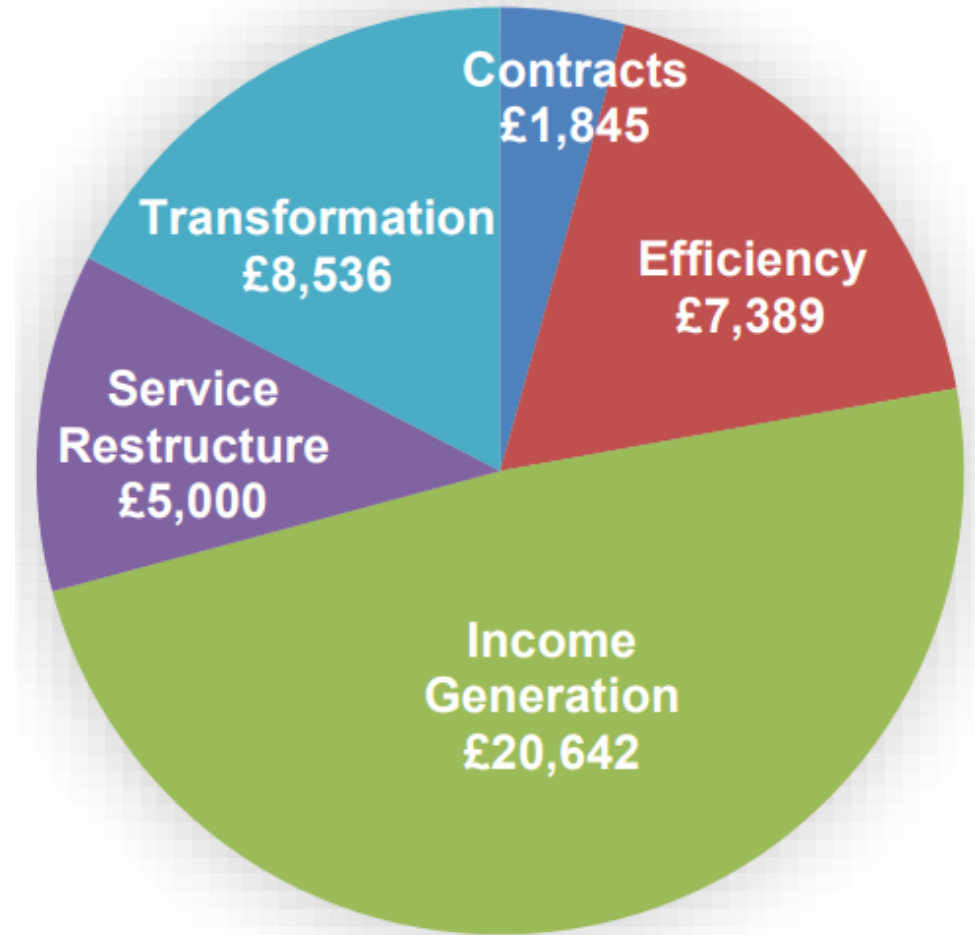
New Savings

The council set clear criteria for its savings identification process designed to protect frontline services to resident and avoid compulsory redundancies where possible.

New savings of over £43m a year by 2026/26 have been identified.

(Details in Appendix 4 of the Cabinet Report)

MTFS Savings By Type
£000



Priorities



Increased funding and savings created capacity to fund additional priorities

Priority	2024-25 £'000	2025-26 £'000	2026-27 £'000
Member Development Programme	45	45	45
Bengali Comms and Engagement team & General Engagement Officer	505	505	505
Love Tower Hamlets	300	300	234
Somali Community Hub - Granby Hall	60	60	60
Women's Resource Centre	400	400	400
EMA / University Bursary Grant Funding / Education Awards	1,350	1,350	1,350
Waste Operations	5,000	-	-
Free Swimming for Women and 55+ Male Seniors	248	248	248
Culturally Sensitive Extra Care Housing Development	-	305	-
Council Tax Cost of Living Relief Fund	658	1,411	2,278
Total	8,566	4,624	5,120



Final Settlement Changes



Changes from the Final Settlement announced on 5th February to the 31st January Cabinet Report are detailed below:

Discription	2024-25 £'000	2025-26 £'000	2026-27 £'000
Social Care Grant	(3,052)	0	0
Service Grant	(69)	0	0
Public Health Grant	(125)	(125)	(125)
Additional Reserouces	(3,246)	(125)	(125)
Additional resources for Public Health	125	125	125
Transfer to Social Care Risk Reserve	1,529	0	0
Resources transferred to ASC to meet additional ringfenced obligations	1,523	0	0
	3,177	125	125
Net Increase in Resources Transferred to Reserves	(69)	0	0



Final MTFS Position



A reduction of £19m (93%) in budgeted use of reserves.

Changes	2024-25 £'000	2025-26 £'000	2026-27 £'000
MTFS Savings to be Identified - March 2023	46,435	42,648	42,648
Growths (inc priorities) - New	19,158	18,016	22,758
Funding changes	(32,772)	(34,047)	(37,929)
Inflation Changes	6,250	6,190	12,700
Savings - Unachievable	1,213	1,213	1,213
Savings - New	(33,808)	(39,415)	(43,412)
Risk Reserve Contribution	2,300	-	-
Budget Gap / (Surplus) Before Reserves	8,776	(5,395)	(2,022)
Previously Approved use of Reserves	(15,622)	(4,822)	0
Contribution to Reserves	6,846	10,217	2,022
Revised Budget Gap / (Surplus)	0	0	0



Reserves

Budgeted use of £20m of reserves has been reduced to £1m in the latest MTFs.

There is a Risk Reserve of £18m to mitigate inflation and savings risks.

The minimum recommended general fund balance of £20m has been met.

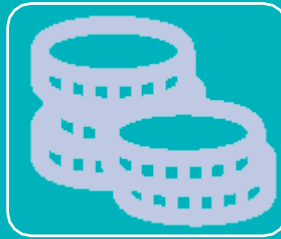
Discription	2024-25 £'000	2025-26 £'000	2026-27 £'000
General Fund Balance	20.0	20.0	20.0
Earmarked Reserves			
Ristrictions on Use	66.6	60.1	56.7
Unrestricted	55.1	60.0	61.7
Total Earmarked Reserves	121.7	120.1	118.4
General Fund Revenue Reserves	141.7	140.1	138.4



Risks and Mitigations



Key Risks and Mitigations



Commercial income

- Risk of not delivering the £20m income
- Scenario analysis and risk reserve – £18m over the 3 years
- Commercial Team to be setup to oversee delivery



Delivering the plan and agreed savings

- Strong Governance and Budget board to accelerate delivery
- Collaboration and accountability with key officers



Housing

- Ambitious investment plan
- Borrow to invest in current and future stock
- Create headroom using accounting rule change



Commercial Income

Existing Schemes Low Risk

Fees and Charges increase Medium Risk

New Schemes High Risk

Risk Rating	Saving Areas	Risk %	2024-25 Income £'000	2024-25 Risk £'000	2025-26 Income £'000	2025-26 Risk £'000	2026-27 Income £'000	2026-27 Risk £'000
Low	Existing income generating schemes	5%	(12,489)	(624)	(7,859)	(393)	(7,219)	(361)
Medium	Fees and charges demand or charge increase	25%	(1,128)	(282)	(5,070)	(1,268)	(7,556)	(1,889)
High	New Income generating schemes	50%	(1,585)	(793)	(4,568)	(2,284)	(5,867)	(2,934)
Total			(15,202)	(1,699)	(17,497)	(3,944)	(20,642)	(5,183)
Cumulative Total								(10,826)

