

Appendix 1

The Medium-Term Financial Strategy (MTFS) Update Quarter 2

Introduction

1. The Medium-Term Financial Strategy (MTFS) reported to Cabinet on 16 July 2024 has been updated to incorporate additional adjustments and assumptions. It reflects the forecast position as at Month 6 and the inclusion of projected transformation savings.
2. The month 6 position is an overall forecast positive variance of £13.2M against budget. This demonstrates the council continues its journey towards financial stability, and that the financial strategy agreed in March is paying dividends in terms of the delivery of positive budget variances across the council and the active management and mitigation of overspending areas.
3. The transformation strategy and plan will ensure the council addresses the underlying structural deficit of nearly £40M. Transformation savings are critical to addressing the structural deficit, and at this stage over £38M of projected transformation savings have been included across the MTFS period based on confidence of delivery, with nearly £30M included for 2025/26. It is anticipated that further transformation savings will be included when the budget is set in February 2025, again based on confidence of delivery.
4. As with the July report there remain areas of uncertainty including on funding and potential pressures the Council faces. This report is published ahead of the Chancellor's Autumn Statement (scheduled for 30th October). Should the Chancellor's announcements in that Statement alter any of the assumptions in this paper, an update report will be presented to November Cabinet.
5. Given this uncertainty, the MTFS is accompanied by scenario analysis setting out different budget gap outcomes depending on whether an optimistic, middle or pessimistic view is taken. This repeats and updates the exercise reported in July.
6. In each scenario a remaining budget gap is forecast. For this reason, the report sets out what will be required to close the remaining budget gap, including the application of cash limits to directorate budgets and the implementation of the business planning process described in the February 2024 report to Council, to ensure directorates have plans in place to manage within the cash limits set.

The MTFS 2024/25 to 2028/29

7. The revised Quarter 2 MTFS is summarised in Table 1 overleaf:

Table 1: The MTFS 2024/25 to 2028/29 (Quarter 2 Update)

	Base 2024/25 Budget	Forecast Changes	Base 2025/26 Budget	Forecast Changes	Base 2026/27 Budget	Forecast Changes	Base 2027/28 Budget	Forecast Changes	Base 2028/29 Budget
	£M	£M	£M	£M	£M	£M	£M	£M	£M
Children & Learning	61.83	0.26	62.08	(0.36)	61.72	0.05	61.76	0.00	61.76
Community Wellbeing	97.66	1.67	99.33	0.72	100.04	0.72	100.76	0.72	101.48
Enabling Services	26.52	0.18	26.70	0.70	27.39	0.00	27.39	0.00	27.39
Growth & Prosperity	38.64	1.16	39.80	1.53	41.33	1.92	43.24	1.83	45.07
Resident Services	25.14	(0.57)	24.57	(0.19)	24.38	0.20	24.58	0.00	24.58
Strategy & Performance	3.93	0.00	3.93	(0.05)	3.88	0.00	3.88	0.00	3.88
Sustainable Savings (based on M6 2024/25)	0.00	(4.25)	(4.25)	0.00	(4.25)	0.00	(4.25)	0.00	(4.25)
Transformation Savings	0.00	(29.87)	(29.87)	(7.27)	(37.14)	(1.32)	(38.47)	(0.09)	(38.56)
Inflation	(0.00)	6.49	6.49	6.32	12.81	6.09	18.90	5.31	24.21
Directorate Expenditure	253.72	(24.95)	228.77	1.39	230.16	7.64	237.80	7.76	245.57
Capital Asset Management (excluding EFS financing)	12.86	2.93	15.79	2.53	18.32	1.51	19.83	1.58	21.41
Exceptional Financial Support (EFS) Financing	0.00	8.45	8.45	0.00	8.45	0.00	8.45	0.00	8.45
Other Expenditure & Income (including central allocation, levies and contributions)	7.95	1.68	9.62	1.00	10.63	0.00	10.63	0.00	10.63
Movement in Reserves and Balances	4.00	(1.60)	2.40	3.48	5.88	1.44	7.32	0.00	7.32
Net Revenue Expenditure	278.52	(13.49)	265.03	8.41	273.44	10.60	284.03	9.34	293.38
Funding									
Council Tax	(120.44)	(8.42)	(128.86)	(6.31)	(135.17)	(6.47)	(141.64)	(7.07)	(148.71)
Business Rates	(54.45)	(2.56)	(57.00)	(1.11)	(58.11)	(1.11)	(59.22)	(1.22)	(60.44)
Revenue Support Grant	(13.73)	1.93	(11.80)	1.31	(10.50)	1.27	(9.23)	1.36	(7.87)
Revenue Support Grant assumed indexation	0.00	(2.20)	(2.20)	(1.59)	(3.79)	(1.56)	(5.35)	(1.65)	(7.00)
Non-Specific Government Grants & Other Funding	(50.62)	3.70	(46.92)	2.14	(44.78)	(0.36)	(45.15)	(0.37)	(45.52)
Total Funding	(239.24)	(7.55)	(246.79)	(5.56)	(252.35)	(8.23)	(260.58)	(8.95)	(269.53)
(Surplus)/Deficit	39.28	(21.04)	18.23	2.85	21.08	2.37	23.45	0.39	23.84
Exceptional Financial Support (EFS)	(39.28)	39.28	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(Surplus)/Deficit (after EFS)	0.00	18.23	18.23	2.85	21.08	2.37	23.45	0.39	23.84

8. The MTFS shows a revised budget gap of £18.2M for 2025/26 and £23.8M across the MTFS period. Table 2 breaks this gap down in more detail, showing the main reasons for the projected gap in each year of the MTFS period.

Table 2 Breakdown of Forecast Budget Gap 2025/26 to 2028/29

	2025/26	2026/27	2027/28	2028/29	Total
	£M	£M	£M	£M	£M
Removal of EFS support	39.28				39.28
Pay & Price Inflation	6.49	6.32	6.09	5.31	24.21
Demographic & Demand	2.34	2.35	2.59	2.55	9.83
Council Tax increase (4.99% increase)	(7.43)	(6.31)	(6.47)	(7.07)	(27.28)
Transformation Savings	(29.87)	(7.27)	(1.32)	(0.09)	(38.56)
Other New Savings	(4.25)				(4.25)
Previously agreed Pressures, Savings and Commitments	(1.56)	(0.03)	0.29		(1.31)
Capital Asset Management – revenue cost of capital expenditure	2.93	2.53	1.51	1.58	8.56
Capital Asset Management – EFS Financing	8.45				8.45
Other Income and Expenditure Changes	1.68	1.00			2.68
Transfers to/from Reserves and Balances	(1.60)	3.48	1.44		3.32
Remove Collection Fund 24/25 Surplus	2.25				2.25
Business Rates, Revenue Support Grant and other SFA funding	(2.30)	(1.32)	(1.71)	(1.82)	(7.15)
Change in Top Up grant	(0.20)	1.92	(0.09)	(0.09)	1.55
Service Specific Grant Funding Ending	1.91	0.02			1.92
Other Government Grants	0.12	0.15	0.03	0.03	0.34
Total Budget Gap	18.23	2.85	2.37	0.39	23.84

9. The Exceptional Financial Support (EFS) facility that the government is minded to agree for 2024/25 is for one year. This means that we start 2025/26 with the presumption that this facility will not be available to support the 2025/26 budget.
10. Pay and price inflation adds £6.5M to the cost base and demography and demand around £2.3M in 2025/26. This is not matched by the assumed increase in council tax even with the additional assumption of the 2% adult social care precept continuing. This result in a net cost increase for the council, especially as this pattern is repeated across the MTFs period. In this MTFs update inflation is held centrally and will only be distributed to Directorate budgets based on demonstrable need. Demography and demand is distributed, primarily for home to school transport and adult social care.
11. The MTFs includes £38.6M of planned Transformation Savings, with £29.9M planned for 2025/26 which goes a significant way to reducing the £40M structural deficit in the council's finances. The methodology and assumptions behind including these transformation savings are detailed later in this report.
12. The forecast budget gap is a significant reduction from the £48.5M forecast in the July report, which largely reflects the inclusion of projected Transformation savings in the MTFs alongside other movements in funding and cost pressures.
13. Table 3 below shows in more detail the changes to the MTFs that have been made since the first MTFs update was reported in July, and the changes that have resulted in the reduced projected budget gap.

Table 3: Changes to the MTFs (Quarter1 to Quarter 2)

	2025/26	2026/27	2027/28	2028/29	Total
	£M	£M	£M	£M	£M
Budget Gap MTFs Rebase Q1	48.54	14.34	8.08	1.80	72.76
Funding Changes					
Council Tax increase (ASC Precept)	(2.43)	(2.63)	(2.83)	(3.07)	(10.96)
RSG indexation (rather than flat cash SFA assumption)	(2.20)	(1.59)	(1.56)	(1.65)	(7.00)
Total Funding and Corporate Changes	(4.63)	(4.22)	(4.39)	(4.72)	(17.96)
Exceptional Financial Support and other Financing Costs					
Budget Gap 24/25 (based on M5 monitoring position)	2.77				2.77
Transformation Costs 24/25 (based on £10.62M in EFS application)	0.96				0.96
Equal Pay (based on the £52.0M in the EFS application)	4.72				4.72
Capital Programme Financing (roll forward to 28/29)				1.58	1.58
Total Exceptional Financial Support and Other Financing Costs	8.45	0.00	0.00	1.58	10.03
Budget Adjustment - Pressures, Savings and Commitments					
Recurring sustainable Savings (Non-Transformation) based on M6 Monitoring	(4.25)				(4.25)
Demographic Changes (school transport rolled forward to 28/29)				1.83	1.83
Total Budget Adjustments - Pressures, Savings and Commitments	(4.25)	0.00	0.00	1.83	(2.43)
Budget Gap before Transformation	48.10	10.12	3.69	0.48	62.40
Transformation Savings					
Transformation Savings Green Rated	(28.24)	(7.14)	(0.96)	0.00	(36.35)
Transformation Savings Amber Rated	(5.43)	(0.44)	(1.21)	(0.30)	(7.37)
Transformation Savings Amber Rated (Optimism Bias)	3.80	0.31	0.84	0.21	5.16
Total Transformation Savings	(29.87)	(7.27)	(1.32)	(0.09)	(38.56)
Budget Gap MTFs Q2	18.23	2.85	2.37	0.39	23.84

14. The changes since Quarter 1 are in the following areas:

- Funding Changes
- Exceptional Financial Support and other financing costs
- Budget adjustments
- Transformation Savings

Funding Changes

15. Council tax is assumed to increase by 4.99% in each year of the MTFs. This is in line with current referendum limits and comprises the general 2.99% and the additional 2% adult social care precept. Whilst the latter has not been formally confirmed for 2025/26, informed commentators say its retention is a sensible planning assumption at this stage. The Council tax funding also includes the assumption of the second homes premium.
16. The MTFs also assumes the indexation of Revenue Support Grant (RSG), which is subject to final determination as part of the local government finance settlement.

Exceptional Financial Support (EFS) and other financing costs

17. The MTFs now includes the financing costs of the Exceptional Financial Support (EFS) that government is minded to award via a capitalisation directive. Essentially, this allows the council for one year (2024/25) to use capital resources to fund the 2024/25 revenue budget gap of £39.3M and other defined areas of expenditure including transformation and equal pay. Capital resources comprise borrowing and the use of capital receipts.
18. Where borrowing is used to fund EFS, the payback period is 20 years and interest is charged at a 1% premium above Public Works Loan Board (PWLb) rates. In the MTFs we have assumed all anticipated EFS requirements in 2024/25 are funded by borrowing. In the scenario section, we show how this requirement is reduced if we utilise capital receipts to fund part of our EFS costs. The ability to use capital receipts is dependent on the council's ability to sell assets.
19. The EFS borrowing requirement, and consequent debt charges, is assumed to cover funding the budget deficit, the cost of the transformation programme in 2024/25 (equal to the amount requested in the EFS application), and to allow for equal pay costs and as these are not known, again these are assumed at the level of the EFS application. Regarding the budget deficit the borrowing requirement is reduced because the council is expecting a positive variance against the 2024/25 budget and therefore a reduced budget gap to fund from EFS.
20. The MTFs now includes a roll forward of assumed capital financing costs to 2028/29. This is to cover the cost of financing the council's capital programme in future years.
21. The strategy is still to close the gap without the support of EFS, as applying for further EFS will push the gap into the following year and will not provide a resolution whilst increasing the costs of borrowing for the next 20 years.

Budget Adjustments

22. The July report included several adjustments for savings, pressures and commitments, so these are fewer in this update. The main additional inclusion is an assumption that non-transformation underspends and provisions that are being forecast will be sustained in 2025/26 and can therefore be removed from budgets in future years. Further information is provided in the Directorate Position section of this report.
23. The other adjustment is a roll forward of demographic provision for additional home to school transport demand.

Transformation Savings

24. The Transformation savings have been included in the MTFs based on a prudent assumption that all green rated transformation savings are included at their full value, and the amber rated savings are included at 30% of their estimated value. This is set out in more detail later in this report and in the Transformation Update report that is also on the Cabinet agenda today.

Potential scenarios to reduce the projected gap

25. Given that currently future funding and flexibilities are uncertain as described above, we are presenting three scenarios in line with the practice followed in July 2023 and in the July 2024 report. Table 4 illustrates three scenarios representing the optimistic, middle, and pessimistic case, and the resulting gap that would remain under each scenario. A commentary on each follows.

Table 4 – Potential scenarios to address the forecast budget gap

	2025/26	2026/27	2027/28	2028/29
	£M	£M	£M	£M
Optimistic Scenario				
Forecast Budget Gap	18.23	2.85	2.37	0.39
Transformation Savings - Assume all amber rated transformation savings are delivered (re-instate all amber rated savings not in MTFs)	(3.80)	(0.31)	(0.84)	(0.21)
Target Transformation savings (Red Rated) - assume all red savings are delivered from 2026/27		(2.81)	(2.63)	(0.50)
Revenue consequences of Capital Asks of the Transformation Programme (not included in the current Capital Programme)	1.08	0.65	0.35	0.09
Use of Capital Receipts to fund Transformation and other EFS costs resulting in reduced EFS financing costs. Assumes full delivery of ADDP asset sales target of £15M (2024/25)	(1.36)			
Reduced EFS Financing Costs (based on full delivery of 24/25 Transformation Savings and M6 Forecast Outturn)	(0.56)			
Demand Management Savings (Prevention portfolio) (from 2026/27)		(2.35)	(2.59)	(2.55)
Collection Fund Projected Surplus (Optimistic Position)	(1.70)			
Baseline Funding assumed (service specific grants retained)	(1.91)	(0.02)		
Total Budget Gap Remaining	9.99	(1.98)	(3.35)	(2.78)
Middle Scenario				
Forecast Budget Gap	18.23	2.85	2.37	0.39
Transformation Savings (Re-instate 50% of Amber rated savings not in MTFs)	(1.90)	(0.15)	(0.42)	(0.11)
Target Transformation savings (Red Rated) Assume 50% are delivered from 26/27		(1.41)	(1.31)	(0.25)
Revenue consequences of Capital Asks of the Transformation Programme (not included in the current Capital Programme)	1.08	0.65	0.35	0.09
Use of Capital Receipts to fund Transformation resulting in reduced EFS financing costs. Assumes delivery of 2024/25 ADDP asset sales of £8M	(0.73)			
Reduced EFS Financing Costs (based on M6 Outturn projection including transformation savings currently forecast)	(0.40)			
Demand Management Savings (Prevention portfolio)				
Collection Fund Projected Surplus (Middle Position)	(0.84)			
Baseline Funding assumed (service specific grants retained)	(1.91)	(0.02)		
Total Budget Gap Remaining	13.54	1.93	0.98	0.12
Pessimistic Scenario				
Forecast Budget Gap	18.23	2.85	2.37	0.39
Transformation Savings (Re-instate 25% of amber rated savings not in MTFs)	(0.95)	(0.08)	(0.21)	(0.05)
Target Transformation savings (Red Rated); Assume 25% are delivered from 26/27		(0.70)	(0.66)	(0.13)
Revenue consequences of Capital Asks of the Transformation Programme (not included in the current Capital Programme). 50% only funded	0.54	0.33	0.17	0.04
Use of Capital Receipts to fund Transformation resulting in reduced EFS financing costs. Assumes delivery of 2024/25 ADDP asset sales of £4M	(0.36)			
Reduced EFS Financing Costs. Based on delivery of M6 Outturn projection (with a 20% Optimism Bias)	(0.16)			
Demand Management Savings (Prevention portfolio)				
Collection Fund Projected Surplus (Pessimistic Position)				
Baseline Funding assumed (service specific grants retained)				
Total Budget Gap Remaining	17.30	2.40	1.68	0.26

Optimistic Scenario

26. This scenario assumes:

- That the remaining 70% (by value) of amber rated Transformation savings not included in the MTFs are delivered in full. This adds a further £3.8M of savings in 2025/26.
- The currently red rated elements of the transformation target (£5.9M) are delivered progressively from 2026/27 through to 2028/29.
- Several of the Transformation Programme projects require capital expenditure to unlock savings notably in areas like homelessness prevention and investment in technology. These asks which were not already included in the capital programme are

assumed to be funded through borrowing, thus resulting in the financing costs included above.

- The ADDP programme delivers its asset sales target for 2024/25 and realises capital receipts of £15M. This enables these receipts to be used to fund some of the EFS requirement, specifically transformation, instead of borrowing. In turn this reduces the annual financing cost by £1.4M.
- EFS financing costs are based on achieving the Month 6 forecast outturn of £13.2M plus the remaining 2024/25 transformation savings not currently included in this forecast (£1.9M). This reduces the EFS financing requirement from 2025/26 by £0.6M compared to the amount included in the MTFS.
- Demographic growth is provided in 2025/26. However, from 2026/27 it is assumed to be contained within service budgets and managed by the transformation projects, particularly the Prevention workstream.
- The Collection Fund surplus on business rates and council tax is achieved at its current forecast level of £1.70M and used to support the 2025/26 budget.
- Time limited grants including Family Hubs and Adult Social Care Market Sustainability which are due to end continue at their current level.

27. If all the assumptions in this optimistic scenario are realised, the forecast 2025/26 budget gap is reduced from £18.2M to £10.0M.

Middle Scenario

28. This scenario differs from the Optimistic scenario with the following assumptions:

- Half of the remaining amber rated transformation savings not included in the MTFS are included in this scenario, resulting in an additional £1.9M savings in 2025/26.
- Half of the Red rated savings are delivered from 2026/27 through to 2028/29.
- The capital investment requirements of the Transformation Programme are assumed to be the same as for the Optimistic Scenario, so the financing costs remain.
- The ADDP programme delivers just over half of its asset sales target for 2024/25 and realises capital receipts of £8M. This reduces the annual EFS financing cost by £0.7M.
- EFS financing costs are based on the Month 6 Monitoring position (£13.2M underspend) which result in an EFS financing cost saving of £0.4M compared to the MTFS assumption (which is based on the Month 5 forecast).
- Demographic growth is maintained for the full MTFS period in this scenario with the expected increases subject to further modelling work.
- The Collection Fund surplus on business rates and council tax is achieved at the same level as 2023/24 of £0.8M above estimate.
- Time limited grants including Family Hubs and Adult Social Care Market Sustainability which are due to end continue at their current level.

29. If all the assumptions in this middle scenario are realised, the forecast 2025/26 budget gap is reduced from £18.2M to £13.5M. The middle scenario is our central (most likely) scenario that we use later in the report to estimate Directorate cash limits.

Pessimistic Scenario

30. This scenario assumes:

- One quarter of the remaining amber rated transformation savings not included in the MTFS are included in this scenario, resulting in an additional £1.0M savings in 2025/26
- One quarter of the Red rated savings are delivered from 2026/27 through to 2028/29.

- The capital investment requirements of the Transformation Programme are reduced to 50% of their value to reflect non-delivery assumptions in this scenario, so the financing costs are halved.
- The ADDP programme delivers just over a quarter of its asset sales target for 2024/25 and realises capital receipts of £4M. This reduces the annual EFS financing cost by £0.4M.
- EFS financing costs are based on the Month 6 Monitoring position (£13.2M underspend) reduced by 20% as an optimism bias. This result in an EFS financing cost saving of £0.2M compared to the MTFFS assumption.
- Demographic growth is maintained for the full MTFFS period.
- No Collection Fund surplus is assumed.
- Time limited grants including Family Hubs and Adult Social Care Market Sustainability will end in 2024/25.

31. If all the assumptions in this pessimistic scenario are realised, the forecast 2025/26 budget gap is reduced from £18.2M to £17.3M.

The In-Year Financial Position 2024/25

The in-year forecast financial position for both Month 5 (to end of August) and Month 6 (to end of September) are included in the Financial Position Update report that is also on the Cabinet agenda. As several of the forecast figures are used to inform the MTFFS and scenario assumptions, the in-year projections are summarised in Table 5 below.

Table 5: Summary of in-year forecast position 2024/25

	Month 5 2024/ 25 Forecast £M	Month 6 2024/ 26 Forecast £M
Forecast Variance	(8.79)	(13.18)
Of which Transformation Savings:		(7.27)
Of which transferred to Contingency:	(2.38)	(6.13)

32. The positive position continues the trend established early in the financial year. That is, an increasing positive variance month on month. Many of the forecast variances have been sustained over several months, so we have been able to transfer £6.1M of budgetary provision from Directorates to contingency (some subject to full council approval) and are recommending a further £2.2M of budget transfers at Month 6.

33. The in-year forecast also shows the early delivery and contribution of Transformation savings to the forecast position. This is reported in full in Month 6 and is estimated to contribute £7.3M to the £13.2M positive variance.

34. It is important to note that these positive variances are not under-spends because the Council set its 2024/25 budget with a £39.3M deficit, which was only closed due to the assumption of EFS. The positive forecast variances should therefore be viewed as a reduced reliance on EFS to fund the Council's in-year revenue budget. It can also be seen in the MTFFS and Scenario analysis, that the higher the positive variance, the lower the future years' EFS financing costs will be.

Transformation Programme

35. Table 6 below summarises the cumulative savings identified to date, which are set out in more detail in the Transformation Update report:

Table 6: Summary of Transformation Savings

	2024/25 In-Year Target	2025/26	2026/27	2027/28	2028/29
	£M	£M	£M	£M	£M
Savings Identified by Programme Portfolio					
Adults Social Care & Health	2.90	13.80	17.25	17.25	17.25
Children's services	2.90	6.70	8.40	8.40	8.40
Schools & SEND	1.32	2.56	3.21	3.67	3.67
Growth & Prosperity	0.83	1.45	3.75	3.75	3.75
Resident Services	0.33	8.65	9.46	10.97	11.77
Customer & Community	0.31	1.75	1.98	2.00	2.00
Enabling Services	0.54	1.97	2.82	2.82	2.82
Total Savings Identified (cumulative)	9.12	36.89	46.87	48.86	49.66
Incremental	9.12	27.77	9.98	1.98	0.80

36. The table shows the Transformation savings targets across the MTFS period, including the contribution of each programme portfolio area. Further details are provided in the Transformation Programme Update report.

37. Confidence ratings have been applied to each of the savings' targets based on confidence of delivery and maturity of financial proposals. This is summarised in Table 7 below:

Table 7: Summary of Transformation Savings – Confidence ratings

	2024/25 (In-Year)	2025/26	2026/27	2027/28	2028/29
	£M	£M	£M	£M	£M
Savings by Confidence Rating					
High Confidence (Green)	9.01	28.24	35.38	36.35	36.35
Medium Confidence (Amber)	0.01	5.43	5.87	7.07	7.37
Low Confidence (Red)	0.10	3.22	5.62	5.44	5.94
Total Savings Identified (cumulative)	9.12	36.89	46.87	48.86	49.66
Included in the MTFS		(29.87)	(37.14)	(38.47)	(38.56)

38. Ratings are set as at October 2024 and are expected to increase as business cases are further developed and implementation is progressed. Savings with a green confidence rating have been included in the MTFS at their full value. Amber savings have been included at 30% of their value and Red rated savings are not included at this stage. This treatment will be reviewed in the next update and at budget setting, including the confidence ratings of the identified savings.

Transformation Costs

39. The estimated forecast cost of the Transformation Programme for 2024/25 and 2025/26 are summarised in Table 8 below.

Table 8: Forecast Transformation Programme Costs

	2024/25	2025/26
	£M	£M
Forecast expenditure:		
Transformation Team Resource Requirements	3.6	3.9
Enabling Services additional resource to support the programme	1.4	2.6
Consultant support requirements (including Newton Europe)	7.1	5.0
Total forecast expenditure	12.1	11.5

40. The costs include the estimated cost of Newton Europe as the Council's Transformation Partner alongside other approved and anticipated resources.

41. The EFS request included an allocation for transformation costs to support the delivery of savings. These can be paid for using borrowing or capital receipts. The council can also utilise capital receipt flexibilities in this financial year only, if the spend required is more than the EFS allocation for transformation costs.
42. The transformation funding strategy is to use capital receipts as the first call to fund the Transformation Programme as the expenditure is one off in nature. For prudence however, we have assumed that the Programme is funded from borrowing up to the sum of the EFS application (£10.6M was the transformation component of the EFS application). In the scenario analysis we model different amounts of capital receipts received in 2024/25 and how this impacts upon borrowing costs if we use these to fund some or all the transformation programme costs.
43. Using borrowing or capital receipts will ensure that the Transformation Reserve remains intact (at £6.1M) to fund future years' transformation activities when neither EFS nor capital flexibilities may be available.

Source of Savings

The Transformation Programme has assessed where the savings will be delivered from based on savings proposals and outline. Table 9 shows the breakdown:

Table 9: Indicative sources of Transformation Savings

Savings Expectation		Prevention and demand reduction £M	Efficiencies and Productivity - Non-Establishment £M	Efficiencies and Productivity Establishment £M	Growth & Income £M	Establishment Savings - Range of Posts potentially affected	
Portfolio	£M					Posts	Posts
ASC & Health Total	17.25	12.45	1.70	3.10		55	65
Children's Services Total	8.40	8.40					
Schools & SEND Total	3.67		3.67				
Growth & Prosperity Total	3.75		3.59	0.16		2	2
Resident Services Total	11.77	3.23	3.75	2.05	2.74	37	54
Customer & Community Total	2.00		0.25	1.75		38	41
Enabling Services Total	2.82		2.63	0.19		4	6
Total	49.66	24.08	15.59	7.25	2.74	136	168

44. This shows that nearly 50% of the projected savings across the MTFs period will be from prevention and demand reduction, mainly in adults, children's and resident services. Efficiencies and productivity not affecting headcount account for a further 30% of target savings with income growth accounting for 5%.
45. Inevitably given the scale of the financial challenge and level of savings required, the council will need to be a smaller organisation. This means a reduction in posts of between 136 and 168 to deliver the £7.2M of establishment savings (15% of savings total). This does not equate to compulsory job losses as the figures includes both occupied and unoccupied posts and other means of headcount reduction will also be deployed including not filling the unoccupied posts, voluntary severance and natural workforce attrition. The range of potential posts quoted will be narrowed for the next update as we build greater certainty over establishment savings and impacts.
46. The allocation of cash limits requires further savings to be made over and above transformation, these may result in a further potential headcount reduction.

Exceptional Financial Support (EFS)

47. The budget gap for 2024/25 (the base year) of £39.3M was closed by the assumption of Exceptional Financial Support (EFS). Under EFS the council can use capital resources (capital receipts and borrowing) to fund revenue expenditure up to a limit agreed with central government.
48. This is called a Capitalisation Directive, and the Council has been advised that government is minded to issue such a directive to Southampton, subject to some assurance

requirements. This has included an assurance review undertaken by Grant Thornton who have submitted their report to government but has not yet been released to the Council. In addition, we have submitted full details of our transformation strategy and plan along with our MTFs to government, and this submission was based on the Cabinet reports of July 2024.

49. The current EFS facility offered by government is only available for one financial year (2024/25). This means that the full budget gap and structural deficit needs to be addressed for 2025/26. Any EFS used to fund the 2024/25 budget gap will need to be paid for using either capital receipts or borrowing.
50. Any borrowing taken out to fund EFS must be repaid over 20 years and attracts a 1% premium over normal PWLB rates. Capital receipts attract no such repayment costs but are limited to the amount of asset sales the council has or can achieve. Capital receipts are most appropriately used to fund new capital investment or to fund one-off initiatives such as transformation.
51. The in-year aim is to minimise the budget gap by implementing as many of the transformation savings early. This will reduce the amount that needs to be borrowed to fund the gap, and thereby reduce borrowing costs. For example, if the Council's final out-turn position reflects the position reported at Month 6 – that is a positive variance of £13.2M – then the EFS borrowing requirement for funding the 2024/25 budget gap is reduced from £39.3M to 26.1M and the financing cost is reduced by £1.2M per annum (from £3.6M to £2.4M).

Addressing the Remaining Revenue Budget Gap

52. The MTFs budget gap forecast is for a budget gap of £18.2M in 2025/26 and £23.8M across the MTFs period. In each of the scenarios we have modelled in this report (see table 4 above), a budget gap remains ranging from £10M in the Optimistic Scenario to £17.3M in the Pessimistic Scenario. Taking the Middle Scenario as the central (most likely) scenario results in a gap of £13.5M.
53. The initial aim will be to try to move the position towards the optimistic but that will require concerted effort to further build delivery and financial confidence in the amber and red rated transformation savings, accelerate asset sales to generate capital receipts, focus on the delivery of the prevention project to manage demand growth, and intensify efforts on the growth and prosperity agenda to increase the Council Tax and Business Rates base in the city.
54. Recognising there is a remaining budget gap in all scenarios additional measures will be required. Directorates are embarking on a business planning exercise that includes the identification of additional and tactical savings. This exercise will reflect the indicative cash limits that have been calculated for each Directorate, which are designed to close the budget gap in the Middle Scenario. This process, including the indicative cash limits for 2025/26, is set out in the following sections.

Directorate Position

55. The Directorate MTFs for 2024/25 to 2028/29 is set out in Table 10 below.

Table 10: Directorate MTFs 2024/25 to 2028/29

2024/25 Working Budget (M6) £M		Base 2024/25 Budget £M	Forecast Changes £M	Base 2025/26 Budget £M	Forecast Changes £M	Base 2026/27 Budget £M	Forecast Changes £M	Base 2027/28 Budget £M	Forecast Changes £M	Base 2028/29 Budget £M
61.31	Children & Learning	61.83	0.26	62.08	(0.36)	61.72	0.05	61.76	0.00	61.76
95.11	Community Wellbeing	97.66	1.67	99.33	0.72	100.04	0.72	100.76	0.72	101.48
26.13	Enabling Services	26.52	0.18	26.70	0.70	27.39	0.00	27.39	0.00	27.39
37.67	Growth & Prosperity	38.64	1.16	39.80	1.53	41.33	1.92	43.24	1.83	45.07
26.32	Resident Services	25.14	(0.57)	24.57	(0.19)	24.38	0.20	24.58	0.00	24.58
4.94	Strategy & Performance	3.93	0.00	3.93	(0.05)	3.88	0.00	3.88	0.00	3.88
0.00	Sustainable Savings (based on M6 2024/25)	0.00	(4.25)	(4.25)	0.00	(4.25)	0.00	(4.25)	0.00	(4.25)
0.00	Transformation Savings	0.00	(29.87)	(29.87)	(7.27)	(37.14)	(1.32)	(38.47)	(0.09)	(38.56)
(0.00)	Inflation	(0.00)	6.49	6.49	6.32	12.81	6.09	18.90	5.31	24.21
251.48	Directorate Expenditure	253.72	(24.95)	228.77	1.39	230.16	7.64	237.80	7.76	245.57

56. The MTFS for Directorates builds from the base 2024/25 budget shown in the first column. This is the position approved in March 2024 and reported in the rebase report in July.

57. This differs from the M6 working budget (shown in the left-hand column) because the latter includes budget movements and virements approved during the year. In building the MTFS we reset to the 2024/25 base position. Any on-going budget adjustments that are required will be built back into the base during the budget setting process.

58. The movement in forecast changes since the July report are set out for 2025/26 in Table 11 below:

Table 11: Movement in Forecast Changes 2024/25 Base to 2025/26

	Forecast Changes July 2024 £M	Centralisation of Inflation £M	Transformation and other savings £M	Forecast Changes Oct 2024 £M
Children & Learning	0.90	(0.64)		0.26
Community Wellbeing	4.80	(3.13)		1.67
Enabling Services	0.85	(0.67)		0.18
Growth & Prosperity	2.08	(0.92)		1.16
Resident Services	0.47	(1.04)		(0.57)
Strategy & Performance	0.09	(0.09)		0.00
Sustainable Savings			(4.25)	(4.25)
Transformation Savings			(29.87)	(29.87)
Total	9.18	(6.49)	(34.13)	(31.44)
Inflation	0.00	6.49		6.49
Total	9.18	0.00	(34.13)	(24.95)

59. The main movements are in relation to centralisation of inflation and the inclusion of Transformation and other projected savings.

60. A full breakdown of forecast changes by Directorate, including provisional allocations of Transformation and other projected savings are set out in Annex 1.

Inflation

61. The following inflation assumptions are assumed in the MTFS:

Table 12: Inflation Assumptions

MTFS Assumptions	2025/26	2026/27	2027/28	2028/29
Pay inflation (%)	2.0%	2.0%	2.0%	2.0%
Consumer Price Index (CPI) (%)	2.1%	2.0%	2.1%	2.0%
Adult Social Care Provider Uplift (£M)	2.50	2.50	2.50	1.50
Contract Inflation	3.2%	2.6%	2.0%	2.0%

62. The main change in the treatment of inflation is that for 2024/25 inflation provision was distributed to Directorates at the start of the financial year. For 2025/26 and future years inflation provision will be held centrally. It will be distributed to Directorates during the financial year based on demonstrable need and after productivity and other measures have been taken to mitigate inflationary impacts.

Provisional allocation of Transformation and other savings

63. The Transformation and other recurring savings in Table 11 above are included centrally in the MTFs. These are provisionally allocated to Directorates in Table 13 below. Transformation Savings are all the currently rated Green rated savings and 30% of the Amber rated savings. This is per the MTFs position.

64. Please note there is not a straight read across from Transformation Programme portfolios to Directorates, and appropriate adjustments have been made to ensure Transformation savings are tagged to the correct Directorate.

Table 13: Allocation of Transformation and other savings to Directorates

	Base 2025/26 Budget £M	Sustainable Savings based on M6 24/25 £M	Transformation £M	Indicative 2025/26 Budget £M
Children & Learning	62.08	(1.16)	(6.70)	54.22
Community Wellbeing	99.33	(2.45)	(13.80)	83.07
Enabling Services	26.70	(0.40)	(1.67)	24.62
Growth & Prosperity	39.80	(0.08)	(4.38)	35.34
Resident Services	24.57	0.00	(3.27)	21.30
Strategy & Performance	3.93	(0.16)	(0.05)	3.72
Sustainable Savings	(4.25)	4.25		
Transformation	(29.87)		29.87	
Directorate Indicative Budget	222.28	0.00	0.00	222.28
Inflation	6.49			6.49
Directorate Expenditure (including Inflation)	228.77	0.00	0.00	228.77

65. The other savings are the estimated savings based on spending patterns in 2024/25 that are likely to recur in 2025/26 and beyond. Specifically, the positive variances identified at Month 6 budget monitoring that are neither one-off nor are Transformation related savings. These estimates will be further refined during the budget setting process.

66. The indicative budgets for 2025/26 shown in Table 13 then form the basis of the Cash Limits set out below.

Cash Limits

67. The need for cash limits is because there remains a residual budget gap in the MTFs even after allowing for significant Transformation savings. This is also the case in the three scenarios that have been modelled.

68. Cash limits have been calculated based on the indicative budget above and with the assumptions included in the Middle Scenario as set out in Table 4. In that scenario additional amber rated savings are factored in so the indicative budgets must be adjusted further as illustrated in Table 14 below. As all amber savings in 2025/26 are in Resident Services, this only affects that Directorate.

Table 14: Adjustment to Indicative Budgets for the Middle Scenario

	Indicative 2025/26 Budget	Additional Transformation (Middle Scenario)	Indicative 2025/26 Budget (Revised)
	£M	£M	£M
Children & Learning	54.22	0.00	54.22
Community Wellbeing	83.07	0.00	83.07
Enabling Services	24.62	0.00	24.62
Growth & Prosperity	35.34	0.00	35.34
Resident Services	21.30	(1.90)	19.40
Strategy & Performance	3.72	0.00	3.72
Directorate Indicative Budget	222.28	(1.90)	220.38

69. In the Middle Scenario the remaining budget gap is £13.5M. This is allocated pro-rata to adjusted gross revenue budgets for 2024/25 to arrive at the Cash Limit for each Directorate. Several adjustments are made to ensure the pro-rata allocation is equitable. For example, the removal of Dedicated Schools Grant (DSG) budgets and internal recharges. In addition, the economic development and regeneration service within Growth & Prosperity are protected from cash limit adjustments, and their 'share' is re-allocated across the other Directorates.

70. Indicative Cash Limits are shown in Table 15 below:

Table 15 Indicative Cash Limits for 2025/26 (based on Middle Scenario)

	Indicative Budget 2025/26	Cash Limit Adjustment	Cash Limit 2025/26 MTFS
	£M	£M	£M
Children & Learning	54.22	(2.58)	51.64
Community Wellbeing	83.07	(5.24)	77.83
Enabling Services	24.62	(1.34)	23.28
Growth & Prosperity	35.34	(1.80)	33.53
Resident Services	19.40	(2.27)	17.13
Strategy & Performance	3.72	(0.31)	3.41
Total	220.38	(13.54)	206.83

71. At this stage these limits are a planning guide for the organisation and will continue to be reviewed as the work on moving red and amber transformational proposals to green continues and there is further clarification on funding from central government. However, Directorates are required to plan now based on these indicative cash limits.

Business Planning

72. The business planning process will be the primary mechanism by which Directorates will identify and deliver the tactical savings and other measures required to live within their allocated cash limits.

73. Business Plans will be at Service level and will then be rolled up to Directorate level. Business Plans will cover the next three years, with a particular focus on producing Plans that enable services (and Directorates) to manage within the cash limit targets set out above.

74. Draft Business Plans and initial proposals will be considered by the Council's Management Board in mid-November.

Directorate Position – Summary 2025/26 to 2028/29

75. Table 15 below summarises the Directorate position after all the changes and adjustments outlined above, and including the changes agreed in the July Quarter 1 Update report, have been incorporated. Full details by Directorate are provided at Annex 1.

Table 16 Summary of Directorate Position 2025/26 to 2028/29

All Directorates	Forecast 2025/26 Budget £M	Forecast 2026/27 Budget £M	Forecast 2027/28 Budget £M	Forecast 2028/29 Budget £M
Base Budget	253.72	228.77	230.16	237.80
Changes in MTFS Rebase Report (July 2024)				
Pay and Price Inflation	6.49	6.32	6.09	5.31
Demography	2.34	2.35	2.59	0.72
Changes to Specific Grants	1.91	0.02		
Pressures	(1.61)	(0.53)		
Savings	(0.59)	0.07		
Executive Commitments	(0.34)			
Reversals and other adjustments	0.98	0.43	0.29	
Total Forecast Changes (July)	9.18	8.66	8.97	6.03
Changes in Quarter 2 Update (October 2024)				
Demographic roll-forward (Home to School Transport)				1.83
Recurring sustainable Savings (Non-Transformation)	(4.25)			
Transformation Savings (included in MTFS)	(29.87)	(7.27)	(1.32)	(0.09)
Total Forecast Changes (October)	(34.13)	(7.27)	(1.32)	1.74
Total Forecast Budget	228.77	230.16	237.80	245.57
Cash Limits (Indicative) 2025/26				
Centralise Inflation Provision	(6.49)			
Additional Transformation (Middle Scenario)	(1.90)			
Cash Limit Adjustment	(13.54)			
Cash Limit Budget 2025/26 Indicative	206.83			

Other Income and Expenditure

76. Other Income and Expenditure includes Capital Asset Management and several centrally held budgets. The latter includes planned transfers and contributions to reserves and balances. All these movements are unchanged from the MTFS reported in July, except where indicated.

77. The breakdown of assumptions to Capital Asset Management are shown in Table 17 below:

Table 17: Capital Asset Management

Capital Asset Management	2025/26 £M	2026/27 £M	2027/28 £M	2028/29 £M
Base Position	12.86	24.23	26.77	28.28
Inflation on Capital Projects	0.10	0.11	0.08	
Slippage and re-phasing	0.18	(0.06)	(0.15)	
Impact of higher interest rates	1.46	0.84		
Borrowing on New Projects	1.12	1.67	1.58	1.58
Other Adjustments	0.07	(0.03)		
Total Movement - before EFS financing	2.93	2.53	1.51	1.58
Capital Asset Management – EFS financing	8.45			
Revised Base Position	24.23	26.77	28.28	29.86

78. The breakdown of the other elements of centrally held funds and planned transfers to and from reserves and balances are shown in table 18.

Table 18: Other Income and Expenditure Summary of Movements

Summary of Movements	2025/26 £M	2026/27 £M	2027/28 £M	2028/29 £M
Base Position	11.95	12.02	16.51	17.95
Other Income and Expenditure	1.68	1.00	0.00	
Transfer to/from Reserves	0.33	3.48	1.44	
General Fund balances	(1.93)	0.00	0.00	
Total Movement	0.07	4.49	1.44	0.00
Revised Base Position	12.02	16.51	17.95	17.95

Funding and Taxation

79. The assumptions on Funding and Taxation remains unchanged from the MTFS position reported in July except for revised assumptions on the Adult Social Care precept and RSG growth assumptions.

80. These main taxation assumptions are summarised in Table 19.

Table 19: Funding and Taxation Assumptions

Assumption	2025/26	2026/27	2027/28	2028/29
Increase in Core Council Tax Charge	2.99%	2.99%	2.99%	2.99%
Increase in Adult Social Care Precept	2.00%	2.00%	2.00%	2.00%
Council Tax Base (No. of Band D equivalents)	67,710	67,651	67,518	67,518
Increase in Small Business Rates Multiplier	3.20%	2.10%	2.00%	2.10%
Increase in Standard Business Rates Multiplier	3.20%	2.10%	2.00%	2.10%
Change in Revenue Support Grant	2.00%	2.00%	2.00%	2.00%
Change in Top Up Grant	3.20%	-30.55%	2.00%	2.10%

81. This assumes funding growth of £7.6M from 2024/25 to 2025/26 and a total of £22.7M across the remaining years of the MTFS.

82. In relation to Council Tax, the assumption is for a 2.99% increase in core council tax each year which is the maximum currently allowable without referendum. It also assumes the introduction of the second homes premium from 2025/26. The MTFS assumes a continuation of the 2% additional adult social care precept.

83. The council tax and business rates bases will be updated in the February report following the masterplan work and a review with the Growth and Prosperity Directorate. The assumption in the MTFS is that Revenue Support Grant (RSG) increases in line with inflation. The assumption differs from the 'flat cash' Settlement Funding Assessment position in the July MTFS update (which was in turn based on the previous government's 2023 Autumn Statement). Further confirmation of the position may be forthcoming in the 2024 Autumn Statement.
84. There are several known and anticipated changes to specific grant funding, and these are reflected in the assumptions in the table.

Additional Updates

85. The remainder of this report provides additional financial updates covering:
- Collection Fund
 - Housing Revenue Account (HRA)
 - Capital Programme

Collection Fund

86. There are no changes to the Collection Fund position because of the re-basing exercise. Therefore, the position reported in March 2024 is reflected in this MTFS update, that is no Collection Fund surplus or deficit included for 2025/26. The potential scenarios to reduce the projected budget gap include the current forecast Collection Fund net surplus of £1.70M to support the 2025/26 budget in the optimistic scenario and a net surplus of £0.8M in the middle scenario based on the improved 2023/24 outturn position compared to estimate.
87. To improve collection performance several initiatives are currently being implemented. To better monitor in-year collection performance an improved collection tracking approach is being developed, to monitor actual versus expected performance monthly. A new Debt Management Service is in the process of being implemented, and this will take a centralised approach to debt management including on council tax. This is expected to increase collection performance and reduce debt levels.

Housing Revenue Account (HRA)

88. The Housing Revenue Account (HRA) is a self-financing element of Council activity and covers both planned capital and revenue activity. The HRA can only be funded via the rents and other housing related charges it generates, being a ring-fenced account.
89. The Transformation Programme includes proposals for a 'Being a Good Social Landlord Project' designed to fundamentally change the way the council delivers its landlord function. This includes by providing quality housing across the city and access to support when needed. The project will have implications for both HRA capital investment and operations, and these will be developed and incorporated into HRA business and service planning.

Capital Programme

90. The planned capital expenditure and the associated financing is detailed within the budget report that was approved by Council in March 2024. The Capital Programme for 2024/25 to 2028/29 totals £446.6M and includes £206.1M for the General Fund and £240.5M for the HRA.
91. As at Month 6, The General Fund capital programme is reporting a favourable variance of £16.63M and the HRA a positive variance of £1.06M. The main reason for the variance is slippage across several schemes including residential homes (children), Great Oaks, client case management replacement and various transport related schemes. In the HRA there is slippage on new homes and Townhill Park regeneration. Further details are provided in the Financial Position Update report and a full Quarter 2 Capital update will be presented to November Cabinet.
92. Consideration has been given to the most appropriate use of capital resources in supporting the programme and meeting the investments and the priorities for the city. All capital projects must ensure purposeful investment and focus on delivering the optimum value for money for the council and its benefits are fully considered against taking account of the financial challenges the council faces.
93. The Transformation Programme will include the need to increase capital expenditure. Some elements of capital investment that will support transformation business cases are already included in the capital programme including for the social care case management system and investment in special schools. The capital financing costs of other Transformation Programme capital asks are included within the scenario modelling at Table 4 above.
94. There are therefore no proposed amendments to the Capital Programme, and therefore no additional revenue impacts have been factored into the MTFs at this stage but will be once the full capital approval process has taken place prior to budget setting for 2025/26.
95. The business planning process will cover the requirements for new investment, this will be on a business case basis. The business case will need to demonstrate the delivery against the Council's agreed strategy of purposeful investment. Each case will need to meet the following criteria:
 - All capital schemes will be reviewed to ensure they are an investment that reflects the priorities of purposeful investment and a sustainable organisation.
 - Identify further opportunities to invest in the city and the council including innovative ideas and ensuring business cases have been developed in anticipation of funding becoming available.
 - The Capital Board will ensure capital projects are being prioritised and the investment is based on strong business cases and delivery plans.

Next steps

96. Over the next quarter the following actions will be taken to further develop the MTFs and model.
 - Continue to work with Cabinet and the Management Board to set clear financial policies and priorities.
 - Continue to work towards building additional confidence in the 'amber' rated transformation savings, prioritise assets sales to generate capital receipts, and focus on demand and prevention work to move towards the Optimistic Scenario.
 - Provide updates to reflect the outcome of any funding or legislative changes, specifically any implications on the MTFs assumptions of the Chancellor's Autumn Statement.

- Further development of business planning and the identification of further proposals to close the financial gap in 2025/26 onwards, in line with the cash limits set out in this report.
- Further develop and refine the assumptions in the MTFS as part of the budget setting process.

Annex 1: Directorate MTFs movements 2024/25 to 2028/29

This annex sets out the Directorate by Directorate spend and funding movements from 2024/25 to 2028/29 showing how these change over the five-year life of the MTFP, starting with the base year (2024/25).

This includes the provisional allocation of Transformation and other savings as well as indicative cash limits.

Children & Learning MTFP	2025/26 £M	2026/27 £M	2027/28 £M	2028/29 £M
Base Budget (commencing 2024/25)	61.83	54.22	52.16	52.21
Virements	(0.02)	0.00	0.00	0.00
Pay and Price Inflation	0.00	0.00	0.00	0.00
Pressures previously reported:				
Expenditure pressures within Children's Services from continued high demand	0.09			
Residential Units Revenue Pressures	(0.29)	(0.44)		
New pressures:				
Savings previously reported:				
Virtual School - Utilise additional funding		0.02		
Not use surplus from Holiday Activities Fund.	0.01			
Maximise impact of Family Hubs grant.	0.42			
Holiday Activities and Food efficiencies	0.01			
Increasing offset with Family Hubs grant	0.03			
Education Property budget no longer needed re academisation	0.02	0.06	0.05	
New savings:				
Transformation Savings	(6.70)	(1.70)		
Other New Savings	(1.16)			
Net Movement	(7.60)	(2.06)	0.05	0.00
Forecast Budget	54.22	52.16	52.21	52.21
Cash Limits (Indicative) 2025/26				
Cash Limit Adjustment	(2.58)			
Cash Limit Budget 2025/26 Indicative	51.64			

Community Wellbeing MTFP	2025/26 £M	2026/27 £M	2027/28 £M	2028/29 £M
Base Budget (commencing 2024/25)	97.66	83.07	80.34	81.06
Virements	0.00	0.00	0.00	0.00
Pay and Price Inflation	0.00	0.00	0.00	0.00
Pressures previously reported:				
Adult Social Care (ASC) - demography	0.72	0.72	0.72	
ASC Demography - July 2024 MTFS				0.72
New pressures:				
Savings previously reported:				
Additional Government funding to meet Adult Social Care cost pressures (Market Sustainability Grant)	0.95			
New savings:				
Transformation Savings	(13.80)	(3.45)		
Other New Savings	(2.45)			
Net Movement	(14.59)	(2.73)	0.72	0.72
Forecast Budget	83.07	80.34	81.06	81.78
Cash Limits (Indicative) 2025/26				
Cash Limit Adjustment	(5.24)			
Cash Limit Budget 2025/26 Indicative	77.83			

Enabling Services MTFP	2025/26 £M	2026/27 £M	2027/28 £M	2028/29 £M
Base Budget (commencing 2024/25)	26.52	24.62	24.92	24.92
Virements	0.00	0.00	0.00	0.00
Pay and Price Inflation	0.00	0.00	0.00	0.00
Pressures previously reported:				
Additional cost of running local elections		0.11		
Cost of elections		0.17		
Minor Rebasing pressures - corporate services	(0.03)	0.03		
New pressures:				
Savings previously reported:				
Budget for Added Years pension payments adjustment to reflect forecast actual payments to Hampshire LGPS scheme	0.02	0.19		
Remove the contribution to the Self Insurance Fund for 1 year	0.70			
Discontinue Insurance cover for Schools IT Equipment	(0.01)			
Fallow Year on Elections - 2025	(0.20)	0.20		
Compliance (non transformational)	(0.02)			
I&E - service redesign from debt management programme	(0.01)			
Supplier Management Redesign	(0.15)			
New savings:				
Transformation Savings	(1.67)	(0.39)		
Other New Savings	(0.40)			
Other MTF amendments	(0.12)			
Net Movement	(1.90)	0.30	0.00	0.00
Forecast Budget	24.62	24.92	24.92	24.92
Cash Limits (Indicative) 2025/26				
Cash Limit Adjustment	(1.34)			
Cash Limit Budget 2025/26 Indicative	23.28			

Growth & Prosperity MTFP	2025/26 £M	2026/27 £M	2027/28 £M	2028/29 £M
Base Budget (commencing 2024/25)	38.64	35.34	35.31	36.30
Virements	0.00	0.00	0.00	0.00
Pay and Price Inflation	0.00	0.00	0.00	0.00
Pressures previously reported:				
Home to School Transport costs	1.39	1.58	1.83	
Update of Local Plan		(0.16)		
Network Eagle Labs	(0.06)			
Procurement strategy post in Corporate Estates & Assets team	(0.08)			
Concessionary Fares increase in patronage	0.05	0.05	0.05	
Visitor Economy	(0.05)			
Highways & Street Lighting Contracts Pressure & Unachievable Income	(0.06)	0.01		
New pressures:				
Demographic Changes (home to school transport rolled forward to 2028/29)				1.83
Savings previously reported:				
Founding partner contributions to Cultural Trust to deliver City of Culture legacy will be made from existing budgets		0.03		
Service Redesign - Construction project delivery	(0.01)	(0.01)		
Service Redesign - Design Team		(0.11)		
Building Control - Competition Account Review		0.14	0.04	
School Crossing Patrol Service Reduction – replacement of vacant School Crossing Patrol sites with permanent pedestrian crossing infrastructure	(0.03)			
Sale of Library Bus	0.01			
New savings:				
Transformation Savings	(4.38)	(1.56)	(0.92)	
Other New Savings	(0.08)			
Net Movement	(3.30)	(0.03)	1.00	1.83
Forecast Budget	35.34	35.31	36.30	38.13
Cash Limits (Indicative) 2025/26				
Cash Limit Adjustment	(1.80)			
Cash Limit Budget 2025/26 Indicative	33.53			

Resident Services MTFP	2025/26 £M	2026/27 £M	2027/28 £M	2028/29 £M
Base Budget (commencing 2024/25)	25.14	21.30	20.94	20.74
Virements	0.00	0.05	0.00	0.00
Pay and Price Inflation	0.00	0.00	0.00	0.00
Pressures previously reported:				
Waste volumes due to City growth	0.10			
Temporary closure of Itchen Bridge for capital works	(0.44)			
Private Sector Housing condition survey		(0.25)		
Housing Benefits Subsidy & homeless costs - increase in deficit due to unsubsidised costs of homelessness provision	(0.60)			
New pressures:				
Savings previously reported:				
Meet homelessness service staff costs from ringfenced grant funding	0.50			
Remove funding requirement for Condition of Private Sector Housing	0.25			
Barrier control at Mayflower Park	(0.04)			
Remove Waste Transformation budget	0.12	0.01		
To simplify the Itchen Bridge tariff by replacing the current fees with a flat fee of £1 / 40p (smartcards)	(0.13)			
Electricity generation in Waste contract			0.20	
New savings:				
Transformation Savings	(3.27)	(0.17)	(0.40)	(0.09)
Other New Savings				
Commitments previously reported:				
Homes for Ukraine - continuation of scheme in 2024/25 in absence of government funding	(0.34)			
Net Movement	(3.84)	(0.36)	(0.20)	(0.09)
Forecast Budget	21.30	20.94	20.74	20.65
Cash Limits (Indicative) 2025/26				
Additional Transformation (Middle Scenario)	(1.90)			
Cash Limit Adjustment	(2.27)			
Cash Limit Budget 2025/26 Indicative	17.13			

Strategy & Performance	2025/26	2026/27	2027/28	2028/29
MTFP	£M	£M	£M	£M
Base Budget (commencing 2024/25)	3.93	3.72	3.67	3.67
Virements	0.00	(0.05)	0.00	0.00
Pay and Price Inflation	0.00	0.00	0.00	0.00
Pressures previously reported:				
New pressures:				
Savings previously reported:				
New savings:				
Transformation Savings	(0.05)			
Other New Savings	(0.16)			
Net Movement	(0.21)	(0.05)	0.00	0.00
Forecast Budget	3.72	3.67	3.67	3.67
Cash Limits (Indicative) 2025/26				
Cash Limit Adjustment	(0.31)			
Cash Limit Budget 2025/26 Indicative	3.41			