Agenda item 7

For decision - Council approval of the proposed approach to developing a Medium Term Financial Plan (MTFP) 2027/28 to 2031/32

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Summary (incl. recommendations)

The Peer Review report in 2025 identified a Medium Term Financial Plan (MTFP) as a key action for improvement. This report outlines the process for developing the MTFP.

The Council is responsible for managing public funds prudently whilst ensuring the continued delivery of the work programme and achievement of the Council Plan priorities.

With an annual turnover of £4 million in 2026/27, increasing financial pressures not least from devolved assets, changing demands, inflationary uncertainty and asset management responsibilities require a structured and forward-looking approach to financial planning.

This report proposes a framework and timetable for the development of a MTFP covering a five-year fiscal period April 2027 to March 2032. The MTFP will provide a draft five year budget incorporating the Council's vision, work programme plans, capital investment requirements and financial resources. This is in line with the actions set out in the Council's Improvement Plan that were approved by Council in February 2026.

The MTFP is not intended to be a fixed budget for future years but an initial annual template planning tool that identifies financial opportunities, risks and funding gaps, enabling informed decision-making by Council with longer foresight.

It can then be updated annually based on actual outcomes.

Recommendations

1. Approve the proposed approach to the preparation of the Medium Term Financial Plan.
2. Note the stages and timetable outlined in this report.
3. Authorise the Responsible Finance Officer to undertake the necessary research, modelling, consultation and analysis required.
4. Authorise the Responsible Finance Officer in consultation with the Town Clerk and Finance Lead Cllrs to prepare a brief and engage additional expertise and resource as needed to conclude the project in its first year, enabling the Council to be self-sufficient in future years.

The objectives of having a MTFP are to:

- Reinforce the short-term resilience and longer-term financial sustainability of the Council.
- Align resources with Council priorities and objectives, following the Council Plan and work programme, and remaining agile to address new opportunities and arising needs.

- Forecast future income, expenditure, reserves movement and capital investment requirements.
- Identify emerging budget pressures and funding risks as early as possible.
- Support informed decisions regarding work programme delivery and investment by providing a view of the longer-term effects.
- Support the existing framework for annual budget setting.
- Ensure adequate reserves and financial resilience are maintained.

The MTFP will form a key element of the Council's overall financial management framework.

Key Principles

The MTFP will follow the principles that already underpin FTC's annual budget setting process:

Financial Sustainability - Resources must be sufficient to support the work programme over the medium term without creating unsustainable reliance on reserves.

Prudence - Income assumptions will be realistic and expenditure estimates evidence-based.

Transparency - All assumptions, risks and uncertainties will be clearly documented.

Affordability - Investment decisions must be affordable within the Council's overall financial envelope.

Resilience - Appropriate prudent reserves (currently £678k) should be maintained to manage unforeseen events and financial shocks.

Strategic Alignment - Financial planning should support delivery of the Council's agreed priorities in its Council Plan, work programme and community outcomes.

Proposed MTFP Development Process

The preparation will be undertaken in eight stages.

Stage 1: Review of Current Financial Position

Annual Budget Review

Assessment of:
- Current budget performance
- Actual spend v budget balances
- Recurring expenditure commitments
- Work programme cost drivers (increases in demand or costs)

Reserves Review

Assessment of:
- General reserves levels – both prudent and surplus

- Earmarked reserves (EMRs) and their planned usage

Capital Programme Review

Review of:
- Existing capital commitments (if any not already funded by EMRs or PWLBs)
- Funding arrangements
- Asset investment requirements
- Borrowing implications

Treasury position - Cash, Savings & Investments, & Borrowing

Assessment of:
- Bank deposit accounts and the CCLA account
- Cash flow requirements
- Borrowing levels (currently PWLBs, Salix and LTA)
- Interest rate exposure

Outcome: Confirm the financial baseline from which future projections are developed.

Stage 2: Council Plan strategy and Work Programme reviews

The MTFP will reflect the ambitions of the Council Plan and work programme responsibilities.

This stage will involve contributions from all Councillors and staff in:
- Reviewing the Council Plan
- Assessment of emerging community needs
- Review of existing work programme delivery model.
- Identification of new/future devolved or discretionary assets or service pressures.
- Consideration of climate, environmental, community and social value objectives.
- Review of major projects and asset management plans.

Outcome: Identification of future work programme demands and financial implications.

Stage 3: Economic and Financial Assumptions

The MTFP will outline the methods to be used for calculating:

Inflation

Including:
- Employee pay awards (National Joint Council & the unions)
- Utilities
- Contracts
- Supplies and services
- Construction & facilities management costs

Income Assumptions

Review of:
- Precept growth
- Fees and charges
- Rental/hire income
- Investment income (interest rates and CCLA Public Sector Deposit Fund performance)
- Grant funding

Staffing Costs

Including:
- Annual Pay increments based on existing permanent staff team
- Employer National Insurance costs
- Pension costs
- Staff team growth requirements

Interest Rates

Assessment of:
- Savings & CCLA income projections
- Potential borrowing costs

Demographic and Demand Changes

Consideration of:
- Tax base changes
- Boundary changes
- Work programme/service demand trends through devolved services and/or asset transfers
- Council Plan & Work Programme strategies
- Community expectations

Outcome: Agreed financial assumptions underpinning all forecasts.

Stage 4: Financial Forecast Modelling

Using the baseline and reassessed assumptions, a five-year financial forecast will be prepared to show:

Revenue Expenditure Projections

Including:
- Employee costs
- Buildings costs
- Facilities management costs
- Business & civic services costs
- Communities development costs

- Open Spaces management costs
- Climate Action work costs
- Town Centre costs
- Planning dept costs
- Marketing & Communications costs

Income Projections

Including:
- Precept income
- Rental/hirer income
- Other income opportunities (Markets, Market Yard, Boyle Cross, Discover Frome etc.)
- Grants

Capital Investment Requirements

Including:
- Capital replacement programmes (vehicles & equipment)
- Building maintenance programmes
- Infrastructure improvements
- New projects

Reserve Movements

Illustrating:
- Planned reserve growth
- Planned reserve utilisation
- Minimum prudent reserve level

Outcome: Identification of projected surpluses, deficits and funding gaps.

Stage 5: Scenario Planning and Sensitivity Analysis

Given the uncertainty surrounding economic conditions, a range of scenarios will need to be modelled.

Base Case

Most likely assumptions/high degree of certainty of the baseline service & work programme.

Optimistic Scenario

Including:
- Higher income growth (higher tax base, rents and hires)
- Lower inflation
- Additional external funding (grants, donations)

Pessimistic Scenario

Including:
- Higher inflation
- Reduced income growth (lower tax base through higher benefits claimed)
- Increased service demand through devolved asset/service liabilities
- Unexpected asset costs

Sensitivity testing will examine impacts of:
- 1% variation in inflation
- 1% pay award changes
- Interest rate movements
- Major asset failures
- Loss of income streams

Outcome: Understanding of financial resilience under different circumstances.

Stage 6: Savings, Efficiency and Income Generation Review

Where forecast gaps are identified, options to address them will be outlined.

Potential considerations include:

Efficiency Opportunities
- Process improvements
- Digital transformation
- Procurement savings

Income Generation
- Review of rents and hire charges
- Commercial opportunities
- Review of asset utilisation
- Grant funding opportunities

Work Programme & Service Prioritisation

Assessment of:
- Statutory obligations
- Work Programme priorities
- Community priorities
- Value for money

Outcome: Proposed actions to maintain a balanced financial position.

Stage 7: Risk Assessment

A formal financial risk assessment will accompany the MTFP.

Key risks likely to include:

Risk Area	Considerations
Inflation	Higher than forecast cost increases
Staffing	Recruitment and retention pressures
Assets	Unexpected maintenance liabilities
Income	Reduction in fees, rents or grants
Economy	Interest rate and economic changes
Regulation	Legislative and policy changes
Projects	Cost overruns on major initiatives

Each risk will be assigned:
- Likelihood
- Impact
- Mitigating actions
- Responsible officer/staff member

Outcome: Comprehensive understanding of financial risks and mitigation measures.

Stage 8: Consultation, Review and Approval

The draft MTFP will be considered through:

Councillor & staff engagement - Workshops and briefings to discuss assumptions and priorities.

Public Transparency - Publication of paper for consideration at Council.

Council Approval - Formal adoption by Full Council.

Outcome: Councillor-owned financial strategy supporting future decision-making.

The final MTFP will provide:
- Five-year revenue budget forecasts.
- Five-year capital programme forecasts.
- Reserve strategy.
- Savings and income generation programme.
- Financial risk register.
- Sensitivity analysis.
- Funding gap analysis.
- Recommended actions to maintain long-term financial sustainability.

Conclusion

A robust Medium Term Financial Plan is essential to ensure that the Council remains financially sustainable whilst continuing to deliver its priorities, services & work programme. The proposed approach provides a structured framework for assessing future opportunities and risks, enabling Councillors to make informed decisions and maintain the Council's strong financial position over the medium term.

Proposed timetable for development of the Medium Term Financial Plan (MTFP)

August 2026	Stage 1: Review of Current Financial Position	RFO & lead Finance Cllrs	Meetings and email
September 2026	Stage 2: Budget and Work Programme reviews	All Cllrs & staff	Workshop(s)
October 2026	Stage 3: Economic and Financial Assumptions	RFO & expert consultant	Meetings and email
October 2026	Stage 4: Financial Forecast Modelling	RFO, additional finance staff resource & expert consultant	Meetings, desktop work and email
October 2026	Stage 5: Scenario Planning and Sensitivity Analysis	RFO, additional finance staff resource & expert consultant	Meetings, desktop work and email – consulting with Town Clerk, Council Chair & Leader, other key Cllrs and management team
November 2026	Stage 6: Savings, Efficiency and Income Generation Review	RFO, additional finance staff resource & expert consultant	Meetings, desktop work and email – consulting with key relevant staff and Cllrs
November 2026	Stage 7: Risk Assessment	RFO, additional finance staff resource & expert consultant	Meetings, desktop work and email – consulting with key relevant staff and Cllrs
December – January 2026	Stage 8: Consultation, Review and Approval	Full Council	Final presentation to Council January 2026 alongside 27/28 budget

Other options considered	The Council could continue to rely solely on the annual budget-setting process. However, this limits longer-term financial planning. Development of a Medium Term Financial Plan is considered best practice and was recommended by the Peer Review.
Key considerations for the Council	Cllrs are asked to consider the proposed methodology, timetable, assumptions, consultation arrangements and additional resource requirements for developing the MTFP.
Consultation and feedback	The development of the MTFP will include consultation with budget holders, managers, councillors and relevant committees. Engagement may also be undertaken with community stakeholders where significant work programme or investment decisions are being considered. Feedback received will inform the final MTFP presented to Council.
Links to Council Plan and Medium-Term Financial Plan	The MTFP will be a key mechanism for delivering the Council Plan by ensuring that financial resources are aligned with agreed priorities and objectives. It will provide the financial framework to support the delivery of the Council's ambitions over the medium term.
Financial and Risk Implications	The MTFP will identify future financial pressures, resource requirements, funding gaps and financial risks. It will strengthen financial planning, support sustainable decision-making and improve the Council's ability to manage risk, maintain adequate reserves and respond to changing economic conditions. Timeline for implementation of this process will depend on availability of resource.
Legal / HR Implications	The Council has a statutory duty to ensure proper administration of its financial affairs and to set a balanced budget. Staff resource implications will be considered during the preparation of the MTFP. Note - this project will require additional staff resource to complete but it is anticipated that the cost can be met from the existing staff budget underspend.
Equalities Implications	There are no direct equalities implications arising from approval of the proposed approach to developing the MTFP. Equalities impacts of specific budget proposals

	identified through the MTFP process will be assessed as part of future decision-making.
Community Safety Implications	None directly. However, future financial planning decisions will consider the potential impact on community safety services, facilities and partnerships where relevant.
Climate Change and Sustainability Implications	The MTFP will take account of the financial implications of the Council's climate change commitments, environmental objectives and sustainability priorities.
Health and Safety Implications	None directly. The MTFP will however, consider the ongoing financial requirements associated with maintaining safe assets, facilities, services and compliance with statutory health and safety obligations.
Constitutional Requirements	Approval of the Medium Term Financial Plan falls within the responsibility of Full Council. This report seeks Council approval of the proposed approach and delegation to the Responsible Financial Officer to prepare the draft MTFP for subsequent consideration by councillors.
Background Papers	Council Plan Annual Budget & work programme 2026/27 Quarterly Finance Reports & year end forecasts Investment Policy Risk Management Policy & Risk Register
Report Sign-Off	Peter Wheelhouse, Town Clerk 28/07/26

Recommendations

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