

Bath & North East Somerset Council		
MEETING	Cabinet	
MEETING DATE:	13 November 2025	EXECUTIVE FORWARD PLAN REFERENCE:
		E 3661
TITLE:	2026/27 Medium Term Financial Strategy	
WARD:	All	
AN OPEN PUBLIC ITEM		
List of attachments to this report: Appendix 1 – Medium Term Financial Strategy		

## **1 THE ISSUE**

- 1.1 The Medium-Term Financial Strategy (MTFS) sets out the strategic direction and priorities for the Council as well as outlining the financial context and challenges the Council faces over the next five years and the strategy that will be used to inform its annual budget process.

## **2 RECOMMENDATION**

**The Cabinet is asked to;**

- 2.1 Approve the attached Medium Term Financial Strategy in Appendix 1.

## **3 THE REPORT**

- 3.1 The Medium-Term Financial Strategy (MTFS) provides the framework for strategic planning, articulating the organisation's key aims and ambitions and guiding our activities with medium term budget setting and planning. It sets out the current financial challenge, strategic direction and financial priorities for the Council, as well as the financing mechanisms available to the Council to achieve this.
- 3.2 The MTFS models future years funding requirement for the Council's revenue budget and identifies where there are income shortfalls that require new savings plans. The strategy sets out the approach to address funding gaps prior to budget setting and the associated risks. Due to the financial challenges the Council faces, the MTFS sets out the strategic management options based on the high-level planning assumptions used in the MTFS budget forecast.
- 3.3 One of the key priorities in preparing this strategy is on understanding the impacts of Fair Funding on the Council, which is the new government

mechanism allocating grants to local government through a new funding formula. At the time of writing the MTFS the government have not yet published the results of the fair funding consultation exercise and their final plans for how the new model will be implemented. We have therefore based the MTFS on the initial government proposals which we have attempted to model and then validate externally.

3.4 The MTFS therefore assumes fair funding will be implemented as proposed over the medium term and that it will have a significant negative impact on the Council's financial position. Along with prior years cuts to funding, constraints will continue and budget options will therefore be guided by the priority areas of service delivery as set out in the Corporate Strategy.

3.5 Following the updating of assumptions, including the projected impacts of the Fairer Funding reforms, the current MTFS shows a budget gap of £8.9m for 2026/27 with projected budget gaps in each year of the period covering 2027/28 to 2030/31 as follows:

Budget Planning	Future years assumptions £m					Total
	2026/27	2027/28	2028/29	2029/30	2030/31	
Growth Requirement	11.97	16.49	14.49	14.92	15.21	73.08
Funding Increase	2.10	5.58	4.49	9.88	10.29	32.34
<b>Annual Funding gap</b>	<b>9.87</b>	<b>10.91</b>	<b>10.00</b>	<b>5.04</b>	<b>4.92</b>	<b>40.74</b>
Savings Proposals	0.96	0.85	0.10	0.10	0.10	2.11
<b>Remaining Funding Gap</b>	<b>8.91</b>	<b>10.06</b>	<b>9.90</b>	<b>4.94</b>	<b>4.82</b>	<b>38.63</b>

3.6 The level of uncertainty and risk is abnormally high for this strategy due to the uncertainties and impacts of Fair Funding which have compounded an already challenging financial position.

3.7 Officers therefore have been actively working on options to manage the funding gap within the budget proposals for some months and these will be subject to consultation in the normal way later in the year.

3.8 All of this work will then culminate in the budget proposals for 2026/27 which Cabinet will formally review early in 2026.

## 4 STATUTORY CONSIDERATIONS

4.1 The Medium-Term Financial Strategy as outlined is part of the preparation for the budget and Council Tax setting for 2026/27 which will be considered by this Council in February 2026. Equality analysis will be carried out on specific budget proposals as part of that process.

## 5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

5.1 The resource implications are outlined within the Medium-Term Financial Strategy attached to this report.

## 6 RISK MANAGEMENT

6.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision-making risk management guidance.

6.2 The Medium-Term Financial Strategy includes a section on specific risks.

## 7 CLIMATE CHANGE

7.1 The Corporate Strategy highlights that “Addressing the Climate Emergency” is one of the key themes reflected in the administration’s priorities. This includes plans to work with local communities to deliver the Council resolution agreed in March 2019 to declare a climate emergency, and for the area to become carbon neutral by 2030.

## 8 OTHER OPTIONS CONSIDERED

8.1 The supporting paper outlines options for balancing future budgets.

## 9 CONSULTATION

9.1 A consultation plan is being assessed to ensure stakeholder engagement for the key aspects of the strategy and this will take place during December / January.

<b>Contact person</b>	Jeff Wring - Director of Financial Services, Assurance & Pensions (S151 Officer) <a href="mailto:Jeff.Wring@bathnes.gov.uk">Jeff.Wring@bathnes.gov.uk</a>  Gary Adams, Head of Financial Management <a href="mailto:Gary.Adams@bathnes.gov.uk">Gary.Adams@bathnes.gov.uk</a>
<b>Background papers</b>	Budget and Council Tax 2025/26 and Financial Outlook – Council Agenda February 2025
<b>Please contact the report author if you need to access this report in an alternative format</b>	