

SUBJECT:	MEDIUM TERM FINANCIAL PLAN UPDATE – OCTOBER 2026
MEETING:	PERFORMANCE AND OVERVIEW SCRUTINY COMMITTEE
DATE:	13 October 2026
DIVISION/WARDS AFFECTED:	WHOLE AUTHORITY

1. PURPOSE:

- 1.1. To present the refreshed Medium Term Financial Plan (MTFP) update at Appendix 1 and to provide the covering context for Scrutiny and Cabinet consideration. The report sets out the planning framework for the 2027/28 budget, the current scenario-based budget range, the principal financial resilience issues, and the governance route through which detailed budget proposals will be developed.

RECOMMENDATIONS TO PERFORMANCE AND OVERVIEW SCRUTINY COMMITTEE

- i. That the Performance and Overview Scrutiny Committee scrutinise the latest six-monthly update of the Council's Medium Term Financial Plan (MTFP), reflecting updated assumptions, risks, and strategic context.

2. RECOMMENDATIONS (to Cabinet):

- 2.1. That Cabinet notes the refreshed MTFP update at Appendix 1, including the current scenario-based planning range for 2027/28 of £3.0m favourable, £4.5m mid-case and £6.5m adverse, and the four-year cumulative planning range of £19.3m to £31.4m.
- 2.2. That Cabinet notes that the MTFP update is a planning framework rather than the statutory budget decision, and that assumptions will be refreshed as the UK Autumn Budget, Welsh Government budget, provisional settlement and directorate budget packages become clearer.
- 2.3. That Cabinet notes the key areas requiring continued scrutiny through the budget process, particularly schools' financial recovery, reserves and financial resilience, demand-led pressures, savings deliverability, capital affordability and the development of a recurring route to a balanced budget.

3. KEY ISSUES:

- 3.1. The Council reviews its budgetary position annually and maintains a rolling Medium Term Financial Plan. The MTFP links the Council's policy objectives, service priorities and

financial capacity, and provides the framework within which the annual budget is developed.

- 3.2. The refreshed MTFP update moves the budget process towards scenario-based planning rather than a single fixed estimate. For 2027/28 the current range is £3.0m favourable, £4.5m mid-case and £6.5m adverse. The same approach is being extended across the four-year MTFP period, showing a cumulative planning range of £19.3m to £31.4m.
- 3.3. The purpose of this approach is to support earlier, more transparent choices. It allows assumptions on pay, price inflation, funding, income, borrowing and reserves to be tested as new information becomes available, while avoiding a false impression that the budget gap can be known with precision at this stage.
- 3.4. The central message is that the Council is not facing a one-year balancing exercise. Even where the 2027/28 gap is considered manageable, pressures accumulate over the medium term. The budget response therefore needs to focus on recurring proposals that reduce the underlying gap, supported by clear evidence on deliverability, risk and service impact.
- 3.5. The latest in-year monitoring position provides a more stable platform for planning than in some previous years, but the position remains finely balanced. School balances, capital affordability, service demand and the limited flexibility within usable reserves remain material issues for the budget process.
- 3.6. The Appendix sets out the evidence base in detail. The main issues for Scrutiny and Cabinet consideration are whether the planning assumptions are reasonable, whether the main risks are clearly understood, and whether the proposed budget process provides sufficient challenge before draft proposals are finalised.
- 3.7. The planning range will be updated as national funding information, directorate budget packages and capital programme choices become clearer.
- 3.8. Schools' budgets remain a significant financial resilience issue. Cumulative schools deficits are forecast to increase to £9.337m by the end of 2026/27, which will require continued focus on the credibility and delivery of recovery plans, including staffing assumptions, pupil numbers, ALN pressures and reliance on grants.
- 3.9. Reserves continue to provide important protection against volatility, but they are finite and cannot be used as a substitute for recurring budget solutions. The Appendix therefore distinguishes between headline reserves and those balances that are genuinely available to manage future risk after allowing for commitments, school balances and planned use.
- 3.10. The capital programme will need to be considered alongside the revenue scenarios. Additional borrowing, capital receipts risk and infrastructure pressures all have potential revenue consequences, and any additional capital investment will need to be assessed through the approved capital priority matrix and the wider affordability framework.
- 3.11. The budget process will therefore develop rounded directorate packages that bring together pressures, mitigations, savings, income, demand management, service choices and capital consequences. This will enable Cabinet to consider the net contribution of each package to the budget gap, rather than considering separate lists of growth and savings in isolation.

Budget timetable

- 3.12. The indicative timetable in Appendix 1 is structured around establishing the planning range, developing directorate packages, refreshing assumptions following national budget announcements and the provisional settlement, officer and SLT challenge, political consideration of emerging options, scrutiny and consultation, and final approval of the revenue budget, capital programme and Council Tax requirement.

Phase	Main activity	Indicative timing
Establish planning range and evidence base	Refresh assumptions, confirm the scenario range, test the approach with SLT and Cabinet.	Sep-26
Member framing and engagement	Present the MTFP update, explain the scenario approach, and brief Cabinet, political groups and members before detailed proposals are settled.	Oct-26
Directorate budget package development	Develop rounded directorate packages covering pressures, savings, income, service change, demand management and capital implications.	October to early November 2026
Settlement and scenario refresh	Review the UK Autumn Budget, Welsh Government draft budget and provisional settlement, then refresh the favourable, mid-case and adverse scenarios.	Late October to early December 2026
Challenge, prioritisation and draft budget	Undertake officer and SLT challenge, integrate revenue and capital choices, and refine a coherent draft budget package.	November to January 2027
Draft budget, scrutiny and consultation	Cabinet considers draft proposals, followed by scrutiny and consultation with residents, businesses, partners, staff and trade unions.	20 January to 18 February 2027
Final settlement and budget decision	Update for final settlement, consultation and scrutiny feedback, then take final budget proposals to Cabinet and Council.	Late February to 4 March 2027

4. EQUALITY AND FUTURE GENERATIONS EVALUATION (INCLUDES SOCIAL JUSTICE, SAFEGUARDING AND CORPORATE PARENTING):

- 4.1. This is a contextual planning report and therefore carries no direct impacts. Equality, Future Generations, safeguarding, social justice and corporate parenting implications will be considered as specific budget proposals are developed for consultation and decision.

5. OPTIONS APPRAISAL

- 5.1. This report provides an update on the Council's financial planning framework and does not itself approve individual budget proposals. Options appraisal will be undertaken for substantive savings, pressures, income proposals and service changes as part of the draft budget process.

6. EVALUATION CRITERIA

- 6.1. The budget process will be evaluated through officer and SLT challenge, member engagement, scrutiny, consultation feedback and the final budget decision-making process.
- 6.2. The six-monthly MTFP update also provides a mechanism for reporting progress against the MTFS delivery plan, which is included at Appendix A to Appendix 1.

7. REASONS:

- 7.1. To provide Scrutiny and Cabinet with an updated planning framework for the 2027/28 budget and the wider medium-term financial outlook. This includes the current scenario range, the principal financial risks, the resilience issues requiring attention, and the governance process for bringing forward detailed budget proposals.

8. RESOURCE IMPLICATIONS:

- 8.1. There are no resource implications arising directly from noting this report. The resource implications of the 2027/28 budget, capital programme and Council Tax requirement will be considered through the draft and final budget reports.

9. CONSULTEES:

Strategic Leadership Team
All Cabinet Members
Performance and Overview Scrutiny committee

10. APPENDICES:

Appendix 1 - Medium Term Financial Plan update - October 2026

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