

<b>CABINET</b>	<b>AGENDA ITEM No. 5</b>
<b>11 JULY 2022</b>	<b>PUBLIC REPORT</b>

Report of:	Interim Corporate Director of Resources	
Cabinet Member(s) responsible:	Councillor Andy Coles, Cabinet Member for Finance and Corporate Governance	
Contact Officer(s):	Cecilie Booth, Interim Corporate Director of Resources Kirsty Nutton, Acting Service Director: Financial Services & DS151	Tel. 452520 Tel. 384590

## **MEDIUM TERM FINANCIAL STRATEGY 2023-2026 QUARTER 1 UPDATE**

<b>RECOMMENDATIONS</b>	
<b>FROM: Cabinet Member for Finance and Corporate Governance</b>	<b>Deadline date: 1 July 2022</b>
It is recommended that Cabinet notes:	
<ol style="list-style-type: none"> <li>The revised assumptions included within this quarter one Medium-Term Financial Strategy 2023-2026 update as outlined within Appendix A of the report</li> </ol>	

### **1.0 ORIGIN OF REPORT**

- This report comes to Cabinet as part of the Council's process for developing a Medium Term Financial Strategy and budget setting process.

### **2.0 PURPOSE AND REASON FOR REPORT**

#### **2.1 Purpose**

The Council's Medium Term Financial Strategy (MTFS) forms a key part of the Council's Strategic, Service Planning and Performance Framework. This aims to demonstrate that the Council's finances over the medium term are secured to deliver the Council's aims and objectives over the next three years from 2023/24 to 2025/26. Preparation of an MTFS is good financial practice. It's an important part of understanding the Council's financial challenges and risks, its financial resilience, and sets out the strategy to deliver long term financial sustainability and viability. The key objectives of the MTFS are:

- To ensure that effective financial planning and management contributes to the Council achieving the priorities in the Corporate Plan
- To ensure that the Council is financially resilient, stable and sustainable for the future
- To maximise the income from Council Tax, Business Rates, and Fees and Charges to support the priorities of the Council
- To continue to improve value for money – managing our people and money more efficiently and effectively to continue to improve value for money, standardise, streamline and share best practice, getting better value from commissioning and procurement, whilst seeking to minimise the impact of budget savings on priority services.

It is recognised that the financial landscape is constantly changing, and this has not been more apparent than in recent years with the outbreak of a worldwide pandemic, the Ukrainian War and the cost of living crisis. The MTFS and its financial assumptions will be reviewed and updated on a quarterly basis to reflect an up-to-date position, and will be supported by an annual budget plan which will set the revenue and capital budgets for the following financial year.

This report is submitted for Cabinet to consider under its Terms of Reference No. 3.2.1, “To take collective responsibility for the delivery of all strategic Executive functions within the Council’s Major Policy and Budget Framework and lead the Council’s overall improvement programmes to delivery excellent services.”

## 2.2 Overview- Future Sustainable Council

The Council’s financial challenge has developed over the years due to underfunding, rising cost of delivering services and exposure to greater levels of risk and low financial resilience, resulting from its low reserve balances. However, the Council has recently made some positive steps and ended the 2021/22 financial year with a £4.5m underspend which has helped the reserves balances and will enable the Council to invest in transformational change in service delivery and provide greater risk mitigation.

The Council has set a balanced budget for 2022/23 based upon the successful delivery of a challenging savings programme. As outlined within Appendix A, these require focus to ensure delivery, whilst at the same time the Council is required to identify opportunities to deliver financial sustainability over the short, medium and longer term.

The financial operating context for the Council remains highly challenging with new uncertainties, such as Adult Social Care and funding reforms, and from risks creating additional pressures such as the exposure to inflation risk. Although the Council still has some way to go, this report outlines the first MTFS 2023-2026 update, and the next steps being taken as part of the delivery of the Improvement Plan (agreed by Council in December 2021) which will lead to a future sustainable Council.

The following table outlines at a high level the forecast budget gap over the life of the MTFS:

<b>Budget Gap</b>	<b>2022/23 £000</b>	<b>2023/24 £000</b>	<b>2024/25 £000</b>	<b>2025/26 £000</b>
Funding	181,883	198,007	205,763	211,994
Net Revenue Expenditure (NRE)	181,883	207,527	218,639	227,117
<b>Aggregated Budget Gap</b>	-	<b>9,520</b>	<b>12,876</b>	<b>15,122</b>
<b>Aggregated Budget Gap breakdown</b>				
2023/24	-	9,520	9,520	9,520
2024/25	-	-	3,357	3,357
2025/26	-	-	-	2,246
<b>Budget Gap</b>	-	<b>9,520</b>	<b>12,876</b>	<b>15,122</b>

Appendix A outlines the full Medium Term Financial Strategy quarter one update which includes details on the following:

- Revised expenditure and funding assumptions
- Sensitivity analysis
- Strategic Direction and Proposals for 2023/24- 2025/26
- Budget Risks

### 3. **TIMESCALES**

Is this a Major Policy Item/Statutory Plan?	<b>YES</b>	If yes, date for Cabinet meeting	<b>11 JULY 2022</b>
Date for relevant Council meeting	<b>N/A</b>	Date for submission to Government Dept.	<b>N/A</b>

Further update on the Medium Term Financial Strategy will be provided to Cabinet in September 2022 and January 2023.

### 4.0 **CONSULTATION**

- 4.1 This report seeks to provide Cabinet an update on the Councils MTFS, and no formal recommendations are being made which require consultation. However, the Cabinet have sought feedback from the meeting of Joint Scrutiny Committees on 5 July on this report.

### 5.0 **ANTICIPATED OUTCOMES OR IMPACT**

- 5.1 For Cabinet to note the revised Medium Term Financial Strategy assumptions outlined within the report.

### 6.0 **REASON FOR THE RECOMMENDATION**

- 6.1 This report provides an update on the Council's Medium Term Financial Strategy and will support the delivery of the Council setting a lawful and balanced budget for 2023/24.

### 7 **ALTERNATIVE OPTIONS CONSIDERED**

- 7.1 No alternative option has been considered.

### 8.0 **IMPLICATIONS**

#### **Legal Implications**

- 8.3 At this time there are no legal implications arising from this report. This is an item to note revised MTFS assumptions. When it comes to making a formal budget decision in February 2023, at this point the Council is under a legal duty to meet the full requirements of Section 31A of the Local Government Finance Act 1992, which includes the obligation to produce a balanced budget.

#### **8.4 Human Resources implications**

No specific implications in this report.

#### **8.5 Equality Impact Assessments**

No specific implications in this report.

#### **8.6 Carbon Impact Assessments**

The report contains no proposals for changes to service delivery and therefore there is no decision to take which may impact carbon emissions of the council or the city.

## **9.0 BACKGROUND DOCUMENTS**

No specific background documents used.

## **10.0 APPENDICES**

11.1 Appendix A – Medium Term Financial Strategy 2023 – 2026 (Q1 update)