

CABINET	AGENDA ITEM No. 10
13 NOVEMBER 2023	PUBLIC REPORT

Report of:	Executive Director of Corporate Services and S151 Officer	
Cabinet Member(s) responsible:	Councillor John Howard, Deputy Leader and Cabinet Member for Corporate Governance and Finance	
Contact Officer(s):	Cecilie Booth, Executive Director of Corporate Services and S151 Officer	Jill Evans, Service Director Corporate Finance & Deputy S151 Officer

MEDIUM TERM FINANCIAL STRATEGY 2024-2027 QUARTER 2 UPDATE

RECOMMENDATIONS	
FROM: Cabinet Member for Finance and Corporate Governance	Deadline date: n/a
<p>It is recommended that Cabinet:</p> <ol style="list-style-type: none"> 1. Notes the revised financial assumptions included within this Medium-Term Financial Strategy 2024-2027 Quarter two update, as outlined within Appendix A of the report. 2. Notes the update from the budget simulator 3. Agrees to the updated disposal plan included within Appendix C of this report. 	

1.0 ORIGIN OF REPORT

1.1 This report comes to Cabinet as part of the Council’s process for developing a Medium Term Financial Strategy (MTFS) and budget setting process.

2.0 PURPOSE AND REASON FOR REPORT

2.1 Purpose

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 Background

The Council's MTFS financial assumptions are reviewed and updated on a quarterly basis to provide an accurate and up to date position, reflective of the financial challenges facing the Council. This aims to demonstrate that the Council's finances over the medium term are secured to deliver the Council's priorities over the next three years from 2024/25 to 2026/27. The MTFS forms a key part of the Council’s Performance and Improvement Framework.

2.3 EXECUTIVE SUMMARY

Expenditure

This quarter 2 MTFS 2024-2027 report, provides an update on the projected financial position taking account of the latest funding updates and the strategic direction of the Council. All assumptions have been reviewed as part of this update. It important to note that these are assumptions and provides an indication of our budget gap based on the current economic climate and local assumptions. As part of the MTFS and Budget process these will be refined as more information, especially about funding settlements, is known.

Table 1 sets out the projected funding gap.

Table 1: Budget Gap	2023/24	2024/25	2025/26	2026/27
Funding	(202,634)	(217,441)	(227,613)	(236,230)
Net Revenue Expenditure	202,634	223,618	236,240	249,982
Aggregated Budget Gap	0	6,177	8,627	13,752
Aggregated Budget Gap breakdown	2023/24	2023/24	2024/25	2025/26
2023/24	0	6,177	6,177	6,177
2024/25			2,450	2,450
2025/26				5,125
MTFS Q2- Nov 23	0	6,177	8,627	13,752
MTFS Q1- Sept 23	0	5,101	6,100	10,508
Movement		1,076	2,527	3,244

The MTFS shows an increased budget gap compared to the quarter one update.

The main reasons for this are:

- Increased inflation, which is increasing contract prices, especially energy, and capital financing costs
- Increased pressure on children's placements, both in terms of demand and complexity
- Increased demand for temporary accommodation

A summary by directorate and functional spend for 2024/25 is below

Table 2 Budget Gap By Directorate 2024/25 £k	Base 2024/25	Pay	Inflation	Savings & Efficiencies	Service Demand	Borrowing	Cost & Income Pressures	Service Transformation	Income Generation	Budget 2024/25
Children and Young People	48,456	0	2,764	0	4,001	0	473	(186)	0	55,508
Adult Social Care	72,129	0	2,529	(1,315)	(249)	0	0	0	0	73,094
Corporate Services	67,521	1,729	3,265	(1,549)	16	1,000	1,833	(250)	(242)	73,323
Place & Economy	23,262	0	1,242	(1,575)	208	0	485	0	(1,598)	22,025
Public Health	(332)	0	0	0	0	0	0	0	0	(332)
Total	211,037	1,729	9,800	(4,439)	3,976	1,000	2,791	(436)	(1,840)	223,618
Funding										(217,441)
Gap										6,177

The main reasons for the funding gap are inflation and increased service demand.

Transformation

To create short-term savings, the Council has set up workshops to look at 4 workstreams; children's pressures, energy, temporary accommodation, and Adults social care to ensure efficiencies and savings can be found to set a balanced budget for 2024/25. These workstreams are using officers from across the Council to work collaboratively together to find opportunities.

The Council has created 4 ambitious Portfolio Boards to transform the Council's processes and offerings to deliver long-term improvements and meet the changing needs of residents. The 4 Boards are looking at all aspects of not only what we do but how we do it, together with our City partners. These Boards will make services more efficient; creating savings in the medium-term which are mostly not yet quantified and so are not included in the MTFS but will create solutions to help tackle the budget gap in the medium-term. As transformation initiatives mature and a more comprehensive understanding of the benefits (savings, cost avoidance and better outcomes) emerges, these will be fed into the MTFS accordingly.

Funding

The MTFS assumes that the maximum amount of Council Tax and Adult Social Care precept is charged. This is included at 4.99% for each of the 3 years (including the 2% adult social care precept).

It includes all known grants and assumes that the current funding situation continues, uplifted by CPI, in the absence of alternate information. This is consistent with other Councils.

Appendix A outlines the full MTFS quarter two update.

The Budget and MTFS forms a key part of the Council’s Performance and Improvement Framework and aims to demonstrate that the Council's finances over the medium term are secured to deliver the Council's priorities over the next three years.

It is strongly geared towards enabling the Council to deliver on the following priority:

- *‘Supported by a Sustainable Future City Council - adjust how we work, serve, and enable, informed by strong data and insight capability, and led by a culture of strong leadership.’*

4. **TIMESCALES**

Is this a Major Policy Item/Statutory Plan?	NO	If yes, date for Cabinet meeting	N/A
Date for relevant Council meeting	N/A	Date for submission to Government Dept.	N/A

5.0 **CONSULTATION**

- 5.1. This report seeks to provide Cabinet with an update on the Councils MTFS, and no formal recommendations are being made which require consultation.
The results of the budget simulator are included within Appendix B of this report.

6.0 **ANTICIPATED OUTCOMES OR IMPACT**

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

7.0 **REASON FOR THE RECOMMENDATION**

- 7.1 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 2024/25.

The budget simulator feedback from 342 people shows the priorities for those people. Broadly it is to protect:

- Education and children’s social care services
- Cleansing, waste and recycling
- Transport and roads
- Community safety and neighbourhood services

And to increase Council Tax by a further 2.42% on top of the 4.99% already built in.

Council will need to agree how to build the feedback into the final budget proposal for 2024/25.

8 **ALTERNATIVE OPTIONS CONSIDERED**

- 8.1 No alternative option has been considered.

10.0 **IMPLICATIONS**

- 10.1 **Legal Implications**
At this time there are no legal implications arising from this report.
- 10.2 **Human Resources implications**
No specific implications in this report.
- 10.3 **Equality Impact Assessments**
No specific implications in this report.
- 10.4 **Carbon Impact Assessments**
No specific implications in this report.
- 11.0 BACKGROUND DOCUMENTS**
No specific background documents used.
- 12.0 APPENDICES**
- 12.1 Appendix A – Medium Term Financial Strategy 2024 – 2027 (Q2 update)
Appendix B- Budget Simulator feedback
Appendix C – Disposal Plan
Appendix D: Timetable

This page is intentionally left blank