



Committee Report

PURPOSE: Final Decision Report

Key or non-key decision: Key decision affects 2 or more wards

COMMITTEE: Strategy and Resources Committee

DATE: 14 October 2024

TITLE: Medium Term Financial Strategy and Capital Strategy

Ward(s) City Wide

Officer presenting the report: Tony Kirkham

Job title: S151 Officer

Committee Chair: Cllr Tony Dyer

Executive Director lead: Paul Martin: Chief Executive Officer

Proposal origin: Other

Purpose of Report:

This report presents the Medium Term Financial Strategy and Capital Strategy. These are fundamental parts of the Council's financial planning process and together they set out the Council's strategic approach to the management of its finances and provide a framework for delivery of the Council's priorities.

The Medium Term Financial Strategy and Capital Strategy are 'rolling' documents (covering the periods 2025/26 to 2029/30 and 2025/26 to 2034/35 respectively) and, in line with good practice, both are regularly refreshed so that their assumptions remain relevant, up-to-date and accurate.

Evidence Base:

1. The MTFs and Capital Strategy provide the financial and strategic context against which the Revenue budgets and Capital programme for the Council will be developed and put forward to Full Council for approval as part of the annual budget setting process.
 - 1.1. The refresh of the **Medium Term Financial Strategy** considers the financial outlook for the Council over the next five years. It reflects forthcoming legislative changes, the ongoing financial uncertainty due to continuing cost of living pressures and local government funding, delays to funding reforms, the financial impact of previous savings measures agreed and not delivered, emerging demands, pressures and opportunities.

This Medium Term Financial Strategy identifies a cumulative peak funding gap of **£68.4 million** by the penultimate year of the 2025/26 – 2029/30 period, with a funding gap of **£51.6 million** in 2025/26. This gap will need to be closed via a range of short and medium term interventions and will require budget reductions, income maximisation, transformation and savings to be delivered to ensure a balanced budget for both the coming financial year 2025/26 and for the medium term.

- 1.2. **The Capital Strategy** is an overarching document which sets the policy framework for the development, management and monitoring of the Council's capital investment. It is mandated by the Prudential Code. The main purpose of the Capital Strategy is to ensure the Council's decision to invest in capital projects has undergone rigorous assessment, that it supports the delivery of our corporate objectives and that it focuses on the core principles that underpin the Council's capital programme. It details the high-level approach and framework that will underpin the development of the 2025/26 to 2034/35 Capital Programme and support development of the detailed programme. It outlines the key issues and risks that will impact on the delivery of the programme and the governance framework required to ensure the capital programme can be delivered and in a balanced way will support the delivery of the Council's objectives.
2. The Capital Strategy is integrated with the Medium Term Financial Strategy and Treasury Management Strategy to ensure full account is taken of revenue implications and restrictions on capital resources i.e. the Minimum Revenue Provision (the notional repayment of principal) and debt financing costs which are incorporated into the Medium Term Financial Strategy and the Treasury Management Strategy.
3. The Chartered Institute of Public Finance & Accountancy (CIPFA) Financial Management (FM) Code sets out the standards of financial management and governance for Local Authorities. The Medium Term Financial Strategy and Capital Strategy are produced in compliance with the code.

Officer Recommendations:

That the Committee notes:

1. The outlook and projections within the 5-year Medium Term Financial Strategy and Capital Strategy (Appendices A1 and A2)
2. The updated Reserve Policy (Appendix A3)
3. The Medium Term Financial Strategy Principles (Appendix A4)

Corporate Strategy alignment:

1. The Medium Term Financial Strategy and Capital Strategy are a key development stage in ensuring that available funding and budgetary processes are aligned with corporate strategy and priorities.

City Benefits:

1. The Corporate Strategy is the Council's main strategic document and sets out the Council's contribution to the city as part of the One City Plan. The development of the financial framework represents the next stage in the process of the Council's strategic financial planning process and enables the resource to be aligned in achieving the priorities within the strategy

Consultation Details:

1. The Medium Term Financial Strategy and Capital Strategy have been subject to a range of internal consultations and engagement which have included the Council Leader, the Finance Sub-Committee and the Corporate Leadership Board.
2. An initial external consultation will seek views on the level of Council Tax and Social Care Precept for the coming year (2025/26).
3. However, Council Tax and Social Care Precept will not be enough on their own to set a balanced budget so the council will also explore other ways to do so. These may include proposals for other ways of raising income and reducing costs. Further consultation may be required in the coming

months to obtain stakeholders’ and the public’s views of spending priorities.

- The Schools Forum is also to be consulted on any factors impacting on the Dedicated Schools Grant with a consultation due to commence in early October 2024 with all schools and wider stakeholders.

Background Documents:

- Budget Report 2024/25 [Agenda Document for Full Council, 28/02/2024](#), pages 33-344
- Monthly Revenue and Capital monitoring reports

Revenue Cost	-	Source of Revenue Funding	-
Capital Cost	-	Source of Capital Funding	-
One off cost <input type="checkbox"/>	Ongoing cost <input type="checkbox"/>	Saving Proposal <input type="checkbox"/>	Income generation proposal <input type="checkbox"/>

Professional comments section:

1. Finance Advice: The financial implications are set out in the Medium Term Financial Strategy and Capital Strategy for the period 2025/26 to 2029/30 and 2025/26 to 2034/35 respectively.

Finance Business Partner:

Jemma Prince, Finance Business Partner – Planning, Reporting and Strategy, 30 September 2024

2. Legal Advice: The Medium Term Financial Strategy complies with the CIPFA Financial management code, and associated legislation and guidance. The code requires authorities to have a rolling multi-year medium-term financial plan consistent with sustainable service plans.

The aim of the strategy is to give clear and understandable information to decision makers in a public context on the actions that are needed to ensure long-term financial sustainability and provides the framework against which the Council’s annual budget should be formulated and set.

The Capital strategy complies with the CIPFA Prudential code. Local authorities are required to have regard to the Prudential Code when carrying out their duties and to produce a Capital Strategy. The strategy should cover capital expenditure, investments and liabilities and treasury management. The objectives of the Prudential Code are to ensure that the capital investment plans of local authorities are affordable, prudent and sustainable. It should enable procedures and risk appetite to be fully understood by all elected Members and allow Members to understand how stewardship, value for money, prudence, sustainability and affordability will be secured.

Legal Team Leader:

Nancy Rollason, Head of Legal Service, 30 September 2024

3. Implications on IT: There are no IT implications arising from the process of financial reporting. The council’s overall financial position is likely to have indirect implications for IT and digital, including stopping new projects and curtailing or slowing delivery of some existing projects once additional corporate spending controls are put in place. Projects addressing critical financial, statutory or major service failure risk will be prioritised.

IT Team Leader: Gavin Arbuckle, 26 September 2024.

4. HR Advice: The report recommendations have no direct HR implications, though any overspend mitigations relating to the Council’s employees will be subject to consultation, government notification requirements and the Council’s Managing Change Policy.

HR Partner: James Brereton, Head of Human Resources, 30 September 2024.

APPENDICES

Appendix A – Further essential background / detail on the proposal Appendices A1, A2, A3, A4	YES
Appendix B – Equality Impact Assessment (EqIA)	YES
Appendix C – Environmental Impact Assessment	NO
Appendix D – Risk assessment	NO
Appendix E – Exempt Information	NO
Appendix F – Details of consultation carried out - internal and external	NO