

Full Council

7 December 2021



Report of: Denise Murray, Director of Finance & S151 Officer

Title: Medium Term Financial Plan and Capital Strategy

Ward: Citywide

Member Presenting Report: The Mayor and the Deputy Mayor, Cabinet Member for Finance, Governance and Performance

Recommendation

To note

1. The economic outlook and projections within the 5-year MTFP
2. The Strategic planning approach
3. The Reserve Policy

To approve

3. Medium Term Financial Plan for the period 2022/23 to 2026/27
4. Capital Strategy for the period 2022/23 to 2031/32

Summary

The MTFP and Capital Strategy provides the financial context within which revenue and capital budget for the Council will be set and the financial planning assumptions will be kept under constant review given the increased level of uncertainty in the financial and economic climate. The MTFP sets the principles under which the budget proposals are developed which are then put forward to Full Council for approval as part of the annual budget setting process.

The significant issues in the report are:

This Medium Term Financial Plan identifies a cumulative peak funding gap of £23.1 million during the 2022/23 – 2026/27 period. This gap is to be closed through targets for both short term and longer-term interventions which will require budget savings to be delivered to ensure a medium term financially balanced position. The report also sets out principles for a robust reserves policy to ensure resilience over this period.

The Capital Strategy is an overarching document which sets the policy framework for the development, management and monitoring of the Council's capital investment. The requirement to have an annual Capital Strategy approved by Council became mandatory in 2019/20 as part of the update to the Prudential Code.

Issues to note:

On 27 October 2021 the Government published its Autumn Budget and Spending Review (SR). A number of the announcements in SR '21 and the Autumn Budget, along with Cabinet decisions, have resulted in changes relating to capital financing and the MTFP presented to Cabinet on 2 November.

The following paragraphs and associated tables have been amended to reflect those changes:

Executive Summary: 2.12; 2.15; 2.16; 2.21

Financial Outlook: 5.7; 5.8

Five Year Financial Outlook: 6.5; 6.7; 6.15; 6.39; 6.40; 6.41

Capital Financing: 7.35; 7.36; 7.37; 7.38; 7.44

Summary: 8.1; 8.6; 8.7; 8.8

Policy

1. The Medium Term Financial Plan (MTFP) and Capital Strategy are a key parts of the Council's financial planning process and sets out the Council's strategic approach to the management of its finances and provides a framework within which delivery of the Council's priorities will be progressed. An annual refresh is undertaken to ensure they remain relevant and accurate.

Consultation**2. Internal**

The Medium Term Financial Plan and Capital Strategy are discussed and challenged by a Task and Finish Group of the Council's Overview and Scrutiny Management Board

3. External

Not applicable

Context

4. The Medium Term Financial Plan and Capital Strategy is set out in Appendices A1&A2

Proposal

5. The Medium Term Financial Plan and Capital Strategy is set out in Appendices A1&A2

Other Options Considered

6. Throughout the process, various data was analysed and reviewed in developing the resourcing principles and capital strategy. This is a complex process with many iterations and possibilities too numerous to present as discrete options. This report presents the final overall strategy and sensitivity scenarios.

Risk Assessment

7. Consideration of the economic context and financial risk to the Council is considered in detail in the MTFP.

Summary of Equalities Impact of the Proposed Decision

We have not identified any significant equality impact from the Medium Term Financial Plan and Capital Strategy at this stage. This is because any future individual proposals will be subject to their own separate Equality Impact Assessment/consultation if required at the relevant time; and because decision makers will have the ability to make changes to the individual spending plans following consultation (where necessary) and detailed evaluation of the impact of proposals.

Legal and Resource Implications

Legal

The CIPFA Financial Management code requires authorities to have a rolling multi-year medium-term financial plan consistent with sustainable service plans.

It gives clear and understandable information to decision makers 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 CIPFA Prudential Code requires the Council to produce a Capital Strategy.

The strategy should cover capital expenditure, investments and liabilities and treasury management overall strategy, and governance. 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 advice provided by Nancy Rollason, Head of Legal Services)

Financial

(a) Revenue

The financial implications are set out in the report.

(b) Capital

The financial implications are set out in the report.

(Financial advice provided by Glenn Hammons – Interim Head of Corporate Finance)

Land

Not applicable

Personnel

Our workforce strategy will be revised to support the requirements set out in the Medium Term Financial Plan and our Corporate Strategy. Any workforce changes which arise during the financial planning period will be addressed and considered during the annual budget setting process. Given the significant budget pressures identified, there will be a need to consider measures to control workforce costs as part of the 2022/23 budget setting process.

(Personnel advice provided by Mark Williams – Head of HR)

Appendices:

A1 – Medium Term Financial Plan

A2 – Capital Strategy

Equality Impact Assessment

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985
Background Papers: None