

# Decision Pathway – Report



**PURPOSE:** Key decision

**MEETING:** Cabinet

**DATE:** 03 October 2023

<b>TITLE</b>	<b>Medium Term Financial Plan and Capital Strategy</b>	
<b>Ward(s)</b>	N/A	
<b>Author:</b>	<b>Denise Murray</b>	<b>Job title: Director of Finance</b>
<b>Cabinet lead:</b>	<b>Councillor Craig Cheney</b>	<b>Executive Director lead: Stephen Peacock</b>
Proposal origin: Other		
Decision maker: Cabinet Member Decision forum: Cabinet		
<p><b>Purpose of Report:</b> This report relates to the Medium Term Financial Plan 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.</p> <p>The Medium Term Financial Plan and Capital Strategy are ‘rolling’ plans and this report covers the period 2024/25 to 2028/29 and 2024/25 to 2033/34 respectively.</p> <p>In addition, this report also includes a supplementary estimate for the Children and Education Directorate for the current year 2023/24.</p> <p>The recommendations within this report are proposed for consideration by Cabinet and, if endorsed, will then follow the decision pathway to Full Council for approval.</p>		
<p><b>Evidence Base:</b> The rolling Medium Term Financial Plan (MTFP) and Capital Strategy are key parts of the Council’s Policy and Budget Framework and financial planning process. They are both regularly refreshed to ensure they remain relevant and accurate. An updated outlook was presented to Cabinet in July 2023 regarding the current year 2023/24 and this report will be presented to Council in the Autumn for approval. The MTFP and Capital Strategy provide the financial and strategic context against which the Revenue budgets and Capital programme for the Council will be developed and then put forward to Full Council for approval as part of the annual budget setting process.</p> <p>The Medium Term Financial Plan and Capital Strategy have been prepared in compliance with the relevant codes and, as good practice recommends, the financial planning assumptions are kept under constant review.</p> <p>The refresh of the <b>Medium Term Financial Plan</b> considers the financial outlook for the Council over the next five years. It reflects the 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.</p>		

This Medium Term Financial Plan identifies a cumulative peak funding gap of **£32.1 million** during the 2024/25 – 2028/29 period. 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 medium term financially balanced position, including a balanced budget for the coming financial year 2024/25. 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. 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 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 2024/25 to 2033/34 Capital Programme and sets out the framework for the 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.

The Capital Strategy is integrated with the Medium Term Financial Plan 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 incorporated into the Medium Term Financial Plan and the Treasury Management Strategy. The proposed changes to the strategy are predominantly to ensure Local Authorities’ capital investment remains sustainable, affordable or minimises exposure to risks as appropriate when developing future capital programmes and provides greater clarity in relation to capital governance.

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 Plan and Capital Strategy are produced in compliance with the code. The strategies have been developed through analysis of relevant data sets and engagement with officers and members including a scrutiny task and finish group endorsed by the Council’s Overview and Scrutiny Management Board.

A **Supplementary Estimate** for the Children and Education Directorate is also included within this report.

#### **Cabinet Member**

1. Notes the outlook and projections within the 5-year Medium Term Financial Plan and Capital Strategy
2. Recommends the Medium -Term Financial Plan for the period 2023/24 to 2028/29 to Full Council for approval.
3. Recommends the Capital Strategy for the period 2024/25 to 2033/34 to Full Council for approval.
4. Recommends the updated Reserve Policy (Annex 2) to Full Council for approval.
5. Recommends the Children and Education Supplementary Estimate to Full Council for approval.

#### **Corporate Strategy alignment:**

The Medium Term Financial Plan and Capital Strategy aim to ensure available funding and budgetary processes are aligned with corporate priorities.

#### **City Benefits:**

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:**

The Medium Term Financial Plan and Capital Strategy have been subject to a range of internal consultation and engagement. This has included a Scrutiny Task and Finish Group endorsed by the Council's Overview and Scrutiny Management Board, Deputy Mayor and cabinet member with responsibility for City Economy, Finance & Performance and the Corporate Leadership Board.

The external consultation method for obtaining stakeholders and the public's views of spending priorities, individual proposals to meet savings requirements and acceptable levels of Council Tax, will be considered as part of the preparation of the Council's budget for 2023/24. 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 with all schools and wider stakeholders in relation to Schools Funding and indicative DSG Mitigations, respectively.

**Background Documents:**

Financial Outlook Update  
Cyclical reports

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

**Required information to be completed by Financial/Legal/ICT/ HR partners:**

**1. Finance Advice:** The financial implications are set out in the Medium Term Financial Plan and Capital Strategy for the period 2024/25 to 2028/29 and 2024/25 to 2033/34 respectively.

**Finance Business Partner:** Jemma Prince, FBP - Planning and Reporting, 26 September 2023

**2. Legal Advice:** The Medium Term Financial Plan 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 Code is evidence of compliance with statutory and professional frameworks. The aim of the plan 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 by regulation to have regard to the Prudential Code when carrying out their duties. The code requires Authorities 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, 22 September 2023

**3. Implications on IT:** IT/Digital Services are supportive of the MTFP and Capital Strategy and are actively

working to support the Efficiency Principles through planned programme activity, with support/oversight from Finance colleagues.

**IT Team Leader:** Paul Day, Interim Head of IT Operations, 26 September 2023

**4. HR Advice:** The potential budget gap is significant so careful workforce planning will be needed because we wish to continue to avoid the need for compulsory redundancies. This may be aided by the rate of staff turnover, which has been higher in the past year than in previous years. Recruitment controls remain in place, and within the gift of Directors/Executive Directors. There are no plans to further tighten these at this stage, but this will be kept under on-going review. All staffing changes will continue to be undertaken in accordance with the Council's Managing Change Policy.

**HR Partner:** James Brereton, Head of Human Resources, 25 September 2023

<b>EDM Sign-off</b>	Denise Murray	26 September 2023
<b>Cabinet Member sign-off</b>	Councillor Craig Cheney	27 September 2023
<b>For Key Decisions - Mayor's Office sign-off</b>	Mayor's Office	27 September 2023

<b>Appendix A – Further essential background / detail on the proposal</b> A.1. Medium Term Financial Plan 2024/25 to 2028/29 A.2. Capital Strategy 2024/25 to 2033/34 A.3. Children and Education Supplementary Estimate	<b>YES</b>
<b>Appendix B – Details of consultation carried out - internal and external</b>	<b>NO</b>
<b>Appendix C – Summary of any engagement with scrutiny</b>	<b>NO</b>
<b>Appendix D – Risk assessment</b>	<b>NO</b>
<b>Appendix E – Equalities screening / impact assessment of proposal</b> Summary assessment – No Impact	<b>YES</b>
<b>Appendix F – <a href="#">Eco-impact screening/ impact assessment of proposal</a></b> Summary assessment – BCC's Environmental Impact Assessment has determined significant beneficial impacts from the proposal: Ongoing maintenance and delivery of the Zero Carbon Initiatives and Decarbonisation Fund outlined in the capital strategy are essential components of delivering the city's 2030 net-zero targets (ENV1).	<b>YES</b>
<b>Appendix G – Financial Advice</b>	<b>NO</b>
<b>Appendix H – Legal Advice</b>	<b>NO</b>
<b>Appendix I – Exempt Information</b>	<b>NO</b>
<b>Appendix J – HR advice</b>	<b>NO</b>
<b>Appendix K – ICT</b>	<b>NO</b>
<b>Appendix L – Procurement</b>	<b>NO</b>