

# Full Council

## 31 October 2023



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

**Title:** Medium Term Financial Plan and Capital Strategy

**Ward:** Citywide

**Member Presenting Report:** Councillor Craig Cheney (Deputy Mayor, Cabinet Member with responsibility for City Economy, Finance & Performance)

### Recommendation

#### To note

1. The economic outlook and projections within the 5-year MTFP
2. The strategic planning approach

#### To approve

3. Medium Term Financial Plan for the period 2024/25 to 2028/29
4. The updated Reserve Policy
5. Capital Strategy for the period 2024/25 to 2033/34
6. The Children and Education Supplementary Estimate

### Summary

The MTFP and Capital Strategy are rolling plans which cover the periods 2024/25 to 2028/29 and 2024/25 to 2033/34 respectively. They provide the financial framework within which revenue and capital budgets for the council will be developed and put forward to Full Council for approval as part of the annual budget setting process. The financial planning assumptions included are kept under ongoing review against the backdrop of a fluctuating financial and economic climate.

### The significant issues in the report are:

This Medium Term Financial Plan identifies **a cumulative peak funding gap of £32.1 million** across the period 2024/25–2028/29. The strategy for closing this gap prioritises a 3-pronged approach involving the maximisation of those returns due from transformation programmes, review of income and targeted reviews for further service efficiencies.

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.

This report also includes a supplementary estimate for Children and Education Directorate for the current year 2023/24.

The Medium Term Financial Plan and the Capital Strategy have been produced in compliance with the Chartered Institute of Public Finance and Accountancy Financial Management code for Local Authorities.

**Issues to note:**

The MTFP forecasts a 'base case' peak funding gap across the 2024/25-2028/29 timeframe of £32.1 million. When considering the sensitivity of the service risks and core funding changes, by revising the forecast to best and worst case of these factors, **the position could vary between £4.7 million and £81.2 million by 2028/29**

**It will be necessary to continue to monitor and evaluate key assumptions which have been applied to this base case MTFP.**

The Capital Strategy has been refreshed. It is there 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. 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.

**Policy**

1. The Medium Term Financial Plan (MTFP) and Capital Strategy are key parts of the Council's financial planning process. They set out the Council's strategic approach to the management of its finances and provide 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 are set out in Appendices A1&A2. The Children and Education Supplementary Estimate is set out in Appendix A3.

**Proposal**

5. The Medium Term Financial Plan and Capital Strategy are set out in Appendices A1&A2. The Children and Education Supplementary Estimate is set out in Appendix A3.

#### **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**

8. No Impact

#### **Summary of Environmental Impact of the Proposed Decision**

9. 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).

#### **Legal and Resource Implications**

##### **Legal**

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 advice provided by Nancy Rollason - Head of Legal Service)**

##### **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 Jemma Prince – Finance Business Partner for Planning and Reporting)**

**Land**

Not applicable

**Human Resources**

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 advice provided by James Brereton – Head of Human Resources)**

**Appendices:**

A1 – Medium Term Financial Plan 2024/25 to 2028/29

A2 – Capital Strategy 2024/25 to 2033/34

A3 – Children and Education Supplementary Estimate

E – Equalities Impact Assessment

F – Environmental Impact Assessment

**LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985**

**Background Papers: None**