
To: Finance and Corporate Services Scrutiny Board (1)

Date: 14th December 2020

Subject: Medium Term Financial Strategy 2021/22 to 2023/24

1 Purpose of the Note

- 1.1 The Scrutiny Board 1 work programme includes an item to review the Council's Medium Term Financial Strategy and a draft Strategy has been provided in an Appendix to this report to provide this opportunity to Scrutiny Board. The Strategy has been delayed this year as a result of the Covid pandemic and the ongoing medium uncertainty in relation to Local Government finance. The intention is that following comments from Scrutiny Board 1, the final Strategy will be approved as part of the overall Budget Report in February.

2 Recommendations

Members of Scrutiny Board are recommended to:

- 2.1 Note the contents of the presentation and the attached Medium Term Financial Strategy.
- 2.2 Identify any recommendations for the Cabinet Member (Strategic Finance and Resources)

3 Information/Background

- 3.1 The attached Medium Term Financial Strategy (MTFS) is the base on which the revenue budget and capital programmes are built, including the policy assumptions and financial management framework which underpin these.
- 3.2 Nationally, local authorities face acute financial pressures as a result of longer-term reductions in government financial support, exacerbated by the effects of Covid-19, both on businesses and directly on local authority income and expenditure levels. In addition, local authorities must plan in an environment of great uncertainty, for example about the future course of any recessionary dip, the impact of Covid-19 and the UK's future relationship with the EU. The recent Government Spending Review primarily covers only one year rather a multi-year period.
- 3.3 Locally, government funding of the Council is c£120m less in 2020/21 than in 2010/11. Against this backdrop the starting point for the Council has been a large 3-year budget gap of £19m rising to £38 by 2023/24 as at February 2020 (an accumulated three-year shortfall of £88m).
- 3.4 Despite unprecedented government support in response to Covid-19, huge financial challenges remain as a result of the pandemic, both in terms of the financial pressures that the Council is facing and the wider impact across the city.
- 3.5 The financial position, will be set out in further detail in the Pre-Budget report, and is updated from the February 2020 starting position as follows:

	2021/22 £m	2022/23 £m	2023/24 £m
Carried Forward from 2020/21 – Feb 2020	19.1	30.8	37.8
Changes including savings and pressures	(12.9)	(13.0)	(13.5)
Total Budget Deficit/(Surplus)	6.2	17.8	24.3

- 3.6 The 2020/21 financial forecast at quarter 2 is for a net overspend of £3.5m, taking into account the impact of Covid-19, and prior to the implementation of measures to balance spend to budget as at the year end. Significant pressures exist across several areas including children's services, waste and highways and transport including car parking income.
- 3.7 The Council has revenue reserve balances of £89.9m; £32.9m of capital reserves earmarked to fund major capital schemes, and £21.3m of reserve balances belonging to or earmarked to support schools. Scrutiny Board 1 will receive a note on reserves to be considered alongside this one.
- 3.8 The Council's substantial 4-year capital programme of £470m is funded in the main by grant (£321m) and prudential borrowing (£122m), across a number of areas including regeneration, transport and infrastructure, housing and investment in school buildings.
- 3.9 The MTFS document attached incorporates the strategic policy assumptions and a financial management framework which underpin the Strategy.

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