

Report of the Chief Officer – Financial Services

Report to Executive Board

Date: 24th September 2020

Subject: Medium Term Financial Strategy 2021/22 – 2025/26

Are specific electoral wards affected? If relevant, name(s) of ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Has consultation been carried out?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Will the decision be open for call-in?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, access to information procedure rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Summary

1. Main issues

The attached Medium Term Financial Strategy (MTFS) provides a robust, consistent and sustainable approach to establishing and maintaining a stable and prudent financial basis on which the Council’s services are delivered.

The MTFS is one of the key strategies of the Council and is a five year strategy which sets out the Council’s commitment to provide services that meet the needs of people locally and that represent good value for money.

This report provides Executive Board with an update of the Council’s Medium Term Financial Strategy 2021/22 to 2025/26.

2. Best Council Plan implications (click [here](#) for the latest version of the Best Council Plan)

- The Best Council Plan is the Council’s strategic plan, setting out its ambitions, outcomes and priorities for the City of Leeds and for the Local Authority. The City ambitions set out in the Best Council Plan are: the Council, working in partnership, will continue to tackle poverty and inequalities through strengthening

the economy and doing this in a way that is compassionate and caring. Three pillars underpin this vision: inclusive growth, health and wellbeing, and the climate change emergency, all of which aim to embed sustainability across the Council's decision-making. The Authority's internal 'Best Council' focus remains on becoming a more efficient, enterprising and healthy organisation. Together, these 'Best City' and 'Best Council' ambitions set the strategic context for the Medium Term Financial Strategy.

- The Best Council Plan can only be delivered through a sound understanding of the organisation's longer-term financial sustainability which enables decisions to be made that balance the resource implications of the Council's policies against financial constraints. This is a primary purpose of the Medium Term Financial Strategy, which also provides the financial framework for the annual budget.

3. Resource implications

- The Medium Term Financial Strategy details the significant financial uncertainties resulting from COVID-19 and how this will continue to impact upon the Council's financial position for the period covered by this Strategy. As well as the direct impact upon the Council's financial position COVID-19 has also resulted in a significant increase in Government borrowing. Plans to address the increasing Government deficit, and the implications of this for local government, will be outlined in the Comprehensive Spending Review alongside the Chancellor's Autumn Budget speech. The Council's financial position and the estimated budget gap for the period covered by this Medium Term Financial Strategy need to be seen against a backdrop of ongoing national economic uncertainty, which means the Council will continue to have to make some difficult decisions on how and where it allocates its capital and revenue resources in order to deliver its priorities as set out in the Best Council Plan.
- In the absence of any certainty about the implications of the Government's next Spending Review, the timing and implications of the Government's national rollout of 75% business rates retention, the outcome of the Government's Fair Funding Review and delays to the Government's Green Paper in respect of adult social care, a number of assumptions have had to be made as to the likely level of resources that will be available to Leeds City Council and these assumptions are detailed in the accompanying Medium Term Financial Strategy.
- The financial position set out in the Medium Term Financial Strategy identifies an estimated budget gap of £166.3m of which £118.8m relates to 2021/22. Budget savings proposals to address this gap are contained in another report on this agenda.

Recommendations

Executive Board is recommended to:

- a) Note the updated Medium Term Financial Strategy for 2021/22 to 2025/26.

1. Purpose of this report

- 1.1 Executive Board members are required to recommend a balanced Revenue Budget and Capital Programme for 2021/22 to Full Council in February. The Medium Term Financial Strategy provides a key part of the budget setting process.
- 1.2 This report presents an updated Medium Term Financial Strategy for 2021/22 to 2025/26 and the budget assumptions underlying that Strategy for Executive Board to note.

2. Background information

- 2.1 The environment in which local government operates continues to be one which presents significant financial challenges to all local authorities, including some areas of significant uncertainty.
- 2.2 Key amongst these is the uncertainty with regard to the Government's future spending plans as it seeks to reduce the level of public sector borrowing. Clearly their strategy for tackling the deficit will have implications for the levels of resources made available to local authorities.
- 2.3 The impact of COVID-19 has had the effect of not just simply increasing the known risks associated with the level of funding available from 2021/22 onwards but it also effects demand for services, increases business rate appeals, increases cost pressures and reduces income receivable from sales, fees and charges. Consequently there is a requirement to refresh the Medium Term Financial Strategy to take account of the impact of all of these issues on the overall level of resources available to support the Council's budget, and to roll the strategy on for a further year so that it now incorporates the five years to 2025/26.
- 2.4 While this Financial Strategy provides a financial planning framework through to 2025/26, it does not represent the proposed budget for the next five years. It should be stressed that, under the Council's constitution, decisions to set the annual budget, the Council Tax base and the rate of Council Tax can only be taken by Full Council and therefore these decisions will continue to be made as part of the Council's annual budget-setting process.

3. Main Issues

- 3.1 The Medium Term Financial Strategy (MTFS) links the Council's vision and priorities with its financial budgets and details how the Council's finances will be structured and managed to ensure that this fits with, and supports, the priorities of the Council and its partners.
- 3.2 The MTFS is aligned to the Council's Best Council Plan and other key Council strategies to ensure that our resources are directed to delivering the priorities for the City.
- 3.3 Medium term financial planning is critical to ensuring that the Council has a clear understanding of the level of available resources and the costs of delivering existing services and plans for new services. Financial planning facilitates strategic choices around service delivery, efficiency and service reductions.

- 3.4 Local authorities have faced unprecedented reductions in Government funding since the Government Spending Review of 2010, coupled with rising costs and increased demand for services by local residents. This has meant that our Council has had to make significant budget savings.
- 3.5 The period covered by this Financial Strategy will continue to present Local Government with some of the most significant operational and financial challenges ever experienced by those leading and managing the delivery of local services. Managing our money well is now more important than it has ever been. The funding outlook for local authorities will remain challenging into the medium-term.
- 3.6 There are numerous issues which impact on the Council's budget. Budget assumptions in this Strategy will be regularly reviewed and updated to ensure that the medium term forecasts provide an early indication of any changes, both as a result of Government changes and local pressures affecting the Medium Term Financial Strategy.
- 3.7 The financial position set out in the Medium Term Financial Strategy identifies an estimated budget gap of £166.3m of which £118.8m relates to 2021/22. Budget savings proposals to address this gap are contained in another report on this agenda.
- 3.8 An updated Medium Term Financial Strategy for 2021/22 to 2025/26 is appended to this report.

4. Corporate Considerations

4.1 Consultation and engagement

- 4.1.1 The Authority's Financial Strategy is driven by its ambitions and priorities as set out in the Best Council Plan 2020 to 2025. The Best Council Plan was subject to consultation with Members and officers throughout its development, with additional extensive stakeholder consultation carried out on the range of supporting plans and strategies.
- 4.1.2 The proposed Medium Term Financial Strategy has also been informed by the public consultation on the Council's Initial Budget Proposals for 2020/21. Whilst the consultation covered the key 2020/21 proposals, it also incorporated questions around the Council's priorities and the principles that underlie the Authority's financial plans and so the results are relevant to this report. The full results of the consultation are publicly available in the [2020/2021 Revenue Budget and Council Tax](#) report considered by Full Council on 26th February 2020.

4.2 Equality and diversity / cohesion and integration

- 4.2.1 The Equality Act 2010 requires the Council to have 'due regard' to the need to eliminate unlawful discrimination and promote equality of opportunity. The law requires that the duty to pay 'due regard' be demonstrated in the decision making process. Assessing the potential equality impact of proposed changes to policies, procedures and practices is one of the key ways in which public authorities can show 'due regard'.

- 4.2.2 The Council is fully committed to ensuring that equality and diversity are given proper consideration when we develop policies and make decisions. In order to achieve this, the Council has an agreed process in place and has particularly promoted the importance of the process when taking forward key policy or budgetary changes. Equality impact assessments also ensure that we make well informed decisions based on robust evidence.
- 4.2.3 Equality impact assessments will be carried out on each of the specific service and budget review proposals that are contained in the related report elsewhere on this agenda and these will be reported back to Executive Board.
- 4.3 **Council policies and the Best Council Plan**
- 4.3.1 The refreshed Best Council Plan 2020-2025 sets out the Council's priorities, aligned with the Medium Term Financial Strategy and the annual budgets. Developing and then implementing the Best Council Plan will continue to inform, and be informed by, the Council's funding envelope, staffing and other resources.
- 4.4 **Climate emergency**
- 4.4.1 There are no specific implications for the climate emergency resulting from this Medium Term Financial Strategy.
- 4.5 **Resources, procurement and value for money**
- 4.5.1 All resources, procurement and value for money implications are considered within the attached Medium Term Financial Strategy document.
- 4.6 **Legal Implications, access to information, and call-in**
- 4.6.1 There are no legal implications arising from this report. The report recommends the approval of the Financial Strategy itself and any proposals resulting from ongoing service / policy reviews will be subject to specific decision-making processes in which the legal implications, access to information and call-in will be considered in accordance with the Council's decision-making framework. This includes compliance with the legal requirements around managing staffing reductions.
- 4.7 **Risk Management**
- 4.7.1 The Council's current and future financial position is subject to a number of risk management processes. Not addressing the financial pressures in a sustainable way is identified as one of the Council's corporate risks, as is the Council's financial position going into significant deficit in any one year. Both of these risks are subject to regular review.
- 4.7.2 Risks relating to some of the assumptions contained within this Medium Term Financial Strategy are addressed specifically in the appended Financial Strategy.

5. **Conclusions**

- 5.1 This Medium Term Financial Strategy needs to be seen in the context of significant inherent uncertainty for the Council in terms of future funding and spending assumptions, which have also been impacted upon by COVID-19.
- 5.2 The Council's Medium Term Financial Strategy covers a five year period, which is considered to be an appropriate timescale for financial planning. The main principle underpinning the Strategy over the five years is to ensure that Leeds City Council is robust, financially sustainable and resilient with less reliance upon short term solutions to fund recurring expenditure.
- 5.3 In addition this Medium Term Financial Strategy recognises the requirement to closely align the determination of both revenue and capital budgets.
- 5.4 The Medium Term Financial Strategy 2021/22 – 2025/26 identifies an estimated budget gap of £166.3m for the period, of which £118.8m relates to 2021/22.

6. **Recommendations**

- 6.1 Executive Board is recommended to:
 - i) Note the updated Medium Term Financial Strategy for 2021/22 to 2025/26.

7. **Background Documents¹**

- 7.1 There are no background documents relating to this report.

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.