

## Medium Term Financial Strategy 2025/26-2029/30 and Financial Health Monitoring 2023/24 - Month 5

Date: 14 October 2024

Report of: Head of Democratic Services

Report to: Scrutiny Board (Strategy & Resources)

Will the decision be open for call in?  Yes  No

Does the report contain confidential or exempt information?  Yes  No

### Brief summary

In line with Scrutiny Board Strategy and Resources remit the Board reviews the Council's Medium-Term Financial Strategy (MTFS) on an annual basis following consideration by Executive Board at its September meeting. In addition, the Board also keeps a watching brief on the in year financial health of the authority as the financial year progresses.

This Scrutiny Board has a number of functions within its remit that make both financial health monitoring and the MTFS important elements in the Board's work. These focus on financial Strategy, i.e. ensuring effective financial management and controls; policies and procedures for budgets and effective financial management and controls.

The MTFS is one of the key strategies of the Council, setting out the Council's commitment to provide services that meet the needs of people locally, that the Council is financially resilient, stable and sustainable for the future and that the use of resources represents good value for money. The updated MTFS for 2025/26 to 2029/30 is provided at Appendix 1 and the latest financial health monitoring report due to be considered at the 16 October Executive Board meeting is provided at Appendix 2 for members' consideration and review. Due to publication deadlines Appendix 2 will be circulated as a supplementary item once it is published for the Executive Board agenda on 8 October.

The MTFS sets out both the context and the factors that influence the shape of the financial plan providing an update on the level of resources available to the Council over the five-year period of the Strategy. In addition, it outlines the impact of budgetary pressures on the Council's revenue budget and provides an update on the Financial Challenge savings programme which contributes to the Council being able to present a balanced revenue budget for 2025/26.

The scale of the financial challenge is significant with an estimated General Fund budget gap of £273.7m for the five year period of which £106.7m relates to 2025/26. For the Housing Revenue Account (HRA) there is a cumulative deficit of £14.3m to 2029/30 of which £2.0m relates to 2025/26.

In addition to the scale of the financial challenge, there are also a number of assumptions and uncertainties contained within the strategy with further work required to manage them. These include staff pay awards, risks to funding linked to Government spending plans, energy and fuel inflation, resource risk in term of staffing, interest rates and continuing demand and demography risks, amongst others.

## Recommendations

- a) Note and comment on the updated Medium Term Financial Strategy for 2025/26 to 2029/30
- b) Note and comment on the latest in year Financial Health Monitoring report covering Month 5 of the current financial year.
- c) Note that savings proposals to be considered at future meetings of Executive Board and the budget proposals for 2025/26 which will be the focus of a Scrutiny Working Group in December 2024, following practice established in previous years.

### What is this report about?

- 1 Scrutiny Board Strategy and Resources considers the MTFs annually with a view to adding to and ensuring the Councils financial sustainability and robustness over the medium term. This approach is supported by annual consideration of budget proposals for the following financial year (this year for 2025/26) by each of the five scrutiny boards for services that fall within their remit. In doing this the scrutiny function provides a 'check and challenge' review of the Council's budget proposals and also ensures that the savings proposals being put forward have been developed with appropriate consultation and are mindful of the potential impacts on Leeds residents.
- 2 Given the clear links to future financial planning of in year budgetary performance, and therefore the MTFs, the latest Financial Health Monitoring report is also provided for month 5 of the 2024/25 financial year. Members should note that this will be provided as supplementary information due to the publication deadline for Executive Board, which is after the publication deadline for this Board meeting.
- 3 Board members will recall the Leeds Joint Strategic Assessment 2024 item considered at the meeting on 16 September. The work contained in that report will have significant influence over financial planning moving forward particularly in terms of commissioning.
- 4 Appendix 1 to this report provides the latest iteration of the Medium Term Financial Strategy that was considered at Executive Board on 18 September 2024. Appendix 2 has Month 5 Financial Health monitoring report.

### What impact will this proposal have?

- 5 Scrutiny Board Strategy and Resources has a clear interest in the financial health of the authority established through its remit. Ongoing scrutiny of budgetary matters will support the Council in terms of budgetary robustness and long-term sustainability and will support the delivery of the three pillars contained in the Best City Ambition.
- 6 The Vision for Scrutiny agreed by full Council sets out the nationally agreed four principles of good scrutiny. Within these is a commitment to 'Promote Scrutiny as a means by which the voice and concerns of the public can be heard.' Given the media coverage of financial difficulty being experienced in the public sector and by local authorities it is hoped that this report assists in responding to any concerns amongst Leeds residents on this subject.

### How does this proposal impact the three pillars of the Best City Ambition?

Health and Wellbeing

Inclusive Growth

Zero Carbon

- 7 The Best City Ambition sets out the Council's ambitions, outcomes and priorities on behalf of the City. This 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 ambitions against the financial constraints. This is a primary purpose of the Medium-Term Financial Strategy, which also provides the financial framework for the annual budget.

### **What consultation and engagement has taken place?**

Wards affected:

Have ward members been consulted?       Yes                       No

8 The Authority's Financial Strategy is driven by its ambitions and priorities as set out in the Best City Ambition. The determination of these ambitions was subject to consultation with Members and officers throughout its development, with additional extensive stakeholder consultation conducted on the range of supporting plans and strategies. This stakeholder consultation process will include public consultation in December and January in respect of the 2025/26 Proposed Budget and previous public consultations that have taken place as part of the annual budget setting process.

### **What are the resource implications?**

9 All resource implications are considered within the attached Medium Term Financial Strategy document at Appendix 1 and latest financial health report at Appendix 2.

### **What are the key risks and how are they being managed?**

10 This report has no specific risk management implications.

### **What are the legal implications?**

11 This report has no specific legal implications.

### **Appendices**

- Appendix 1: Medium Term Financial Strategy 2025/26 to 2029/30 report considered by Executive Board on 18<sup>th</sup> September 2024.
- Appendix 2 Financial Health Monitoring 2023/24 - Month 5

### **Background papers**

- None