

REPORT OF THE CABINET

A. MEDIUM TERM FINANCIAL STRATEGY 2023/24 – 2026/27

Introduction

1. This report relates to the Cabinet’s consideration of the 2023/24 to 2026/27 Medium Term Financial Strategy (MTFS) which has the following four main elements:-
 - 2023/24 revenue budget;
 - 2024/25, 2025/26 and 2026/27 provisional revenue budgets;
 - 2023/24 – 2026/27 capital programme;
 - Financial strategies and policies including the capital strategy, Investing in Leicestershire programme strategy, risk management policy and strategy, earmarked reserves policy, insurance policy, treasury management and investment strategy, and an Equality and Human Rights Impact Assessment.

Background

2. Attached is a report considered by the Cabinet on 10th February 2023 which reflects the changes to the budget since it was approved for consultation in December including the final Local Government Settlement. The MTFS will be updated and rolled forward each year at budget setting time.
3. The report considered by the Cabinet on 10th February also contains the following appendices:

Appendix A	2023/24 Revenue Budget
Appendix B	Four Year Revenue Budget 2023/24 to 2026/27
Appendix C	Growth and Savings 2023/24 to 2026/27
Appendix D	Savings under Development
Appendix E	Detailed Revenue Budgets 2023/24
Appendix F	Capital Programme 2023/24 to 2026/27
Appendix G	Capital Strategy
Appendix H	Investing in Leicestershire Programme Strategy
Appendix I	Risk Management Policy and Strategy
Appendix J	Earmarked Reserves Policy

Appendix K	Earmarked Reserves Forecast
Appendix L	Insurance Policy
Appendix M	Council Tax and Precept
Appendix N	Treasury Management Strategy Statement and Annual Investment Strategy
Appendix O	MTFS Consultation Report
Appendix P	Equality and Human Rights Impact Assessment
Appendix Q	Comments of the Overview and Scrutiny Committees and Scrutiny Commission

Consideration by Scrutiny Bodies and the Corporate Governance Committee

4. As indicated above, the Cabinet's proposals were the subject of reports to Scrutiny bodies. The comments of these bodies are set out in Appendix Q to this report.
5. The Corporate Governance Committee at its meeting on 27th January approved the Risk Management, Insurance and Treasury Management Policies and Strategies which are set out in Appendices I, L and N.

Consideration by the Cabinet

6. On 10th February, the Cabinet noted that as a result of the final Local Government Settlement an additional £0.1m was received for the Services Grant. The Cabinet also noted the comments of the various Scrutiny bodies, the results of the consultations and other developments since it published the draft budget in December 2022.
7. The Cabinet was advised, that based on the latest review of proposed service reductions in the MTFS, it is now not expected that the full amount of the £1m contingency in 2023/24 will be required, and hence £0.4m of the balance can be released. The Cabinet agreed this be added to the £0.1m above to provide additional investment for highways maintenance of £0.5m.
8. The recommendations of the Cabinet to the County Council concerning the MTFS including the additional £0.5million for highways maintenance are set out in the motion which appears below.

Motion to be moved

- (a) That subject to the items below, approval be given to the Medium Term Financial Strategy (MTFS) which incorporates the

recommended revenue budget for 2023/24 totalling £512.1m as set out in Appendices A, B and E of this report and includes the growth and savings for that year as set out in Appendix C;

- (b)** That approval be given to the projected provisional revenue budgets for 2024/25, 2025/26 and 2026/27, set out in Appendix B to the report, including the growth and savings for those years as set out in Appendix C, allowing the undertaking of preliminary work, including business case development, consultation and equality and human rights impact assessments, as may be necessary to achieve the savings specified for those years including savings under development, set out in Appendix D;
- (c)** That approval be given to the early achievement of savings that are included in the MTFS, as may be necessary, along with associated investment costs, subject to the Director of Corporate Resources agreeing to funding being available;
- (d)** That the level of the general fund and earmarked reserves as set out in Appendix K be noted and the use of those earmarked reserves as indicated in that appendix be approved;
- (e)** That the amounts of the County Council's Council Tax for each band of dwelling and the precept payable by each billing authority for 2023/24 be as set out in Appendix M (including 2% for the adult social care precept);
- (f)** That the Chief Executive be authorised to issue the necessary precepts to billing authorities in accordance with the budget requirement above and the tax base notified by the District Councils, and to take any other action which may be necessary to give effect to the precepts;
- (g)** That approval be given to the 2023/24 to 2026/27 capital programme as set out in Appendix F;
- (h)** That the Director of Corporate Resources following consultation with the Lead Member for Resources be authorised to approve new capital schemes, including revenue costs associated with their delivery, shown as future developments in the capital programme, to be funded from funding available;
- (i)** That the financial indicators required under the Prudential Code included in Appendix N, Annex 2 be noted and that the following limits be approved:

	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Operational boundary for external debt				
i) Borrowing	262	262	275	309
ii) Other long term liabilities	1	1	1	1
TOTAL	263	263	276	310
Authorised limit for external debt				
i) Borrowing	272	272	285	319
ii) Other long term liabilities	1	1	1	1
TOTAL	273	273	286	320

- (j) That the Director of Corporate Resources be authorised to effect movement within the authorised limit for external debt between borrowing and other long-term liabilities;
- (k) That the following borrowing limits be approved for the period 2023/24 to 2026/27:
- (i) Upper limit on fixed interest exposures 100%;
 - (ii) Upper limit on variable rate exposures 50%;
 - (iii) Maturity of borrowing:-

	<u>Upper Limit</u>	<u>Lower Limit</u>
	%	%
Under 12 months	30	0
12 months and within 24 months	30	0
24 months and within 5 years	50	0
5 years and within 10 years	70	0
10 years and above	100	25

- (iv) An upper limit for principal sums invested for periods longer than 364 days is 20% of the portfolio.
- (l) That the Director of Corporate Resources be authorised to enter into such loans or undertake such arrangements as necessary to finance capital payments in 2023/24, subject to the prudential limits in Appendix N;
- (m) That the Treasury Management Strategy Statement and the Annual Investment Strategy for 2023/24, as set out in Appendix N, be approved including:
- (i) The Treasury Management Policy Statement, Appendix N; Annex 4;
 - (ii) The Annual Statement of the Annual Minimum Revenue Provision as set out in Appendix N, Annex 1;

- (n)** That the Capital Strategy (Appendix G), Investing in Leicestershire Programme Strategy (Appendix H), Risk Management Policy and Strategy (Appendix I), Earmarked Reserves Policy (Appendix J) and Insurance Policy (Appendix L) be approved;
- (o)** That it be noted that the Leicester and Leicestershire Business Rate Pool will continue for 2023/24;
- (p)** That the Director of Corporate Resources following consultation with the Lead Member for Resources be authorised to make any changes to the provisional MTFS which may be required as a result of changes arising between the Cabinet and County Council meetings, noting that any changes will be reported to the County Council on 22 February 2023;
- (q)** That the Leicestershire School Funding Formula is subject to capping and scaling continues to reflect the National Funding Formula for 2023/24;
- (r)** That the funding rates for early years providers, as set out in paragraph 114 of the report, be approved.
- (s)** That the additional investment of £0.5m for Highways Maintenance described in paragraph 36 be approved.

10th February 2023

**N. J. Rushton
Leader of the Council**

Background Papers

Report to the Cabinet 16 December 2022 – Provisional Medium Term Financial Strategy 2023-27 – Proposals for Consultation.

<https://politics.leics.gov.uk/documents/s173971/MTFS%202023-27%20Report%20-%20Cab%2016-12-22%20-%20at%2012.12.22%206pm.pdf>

Report to the County Council 23 February 2022: Medium Term Financial Strategy 2022-26 - <https://bit.ly/3Wdxiwf>

County Council Strategic Plan

<https://www.leicestershire.gov.uk/about-the-council/council-plans/the-strategic-plan>

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