

Report Title:	Medium Term Financial Strategy 2023/24 – 2027/28
Contains Confidential or Exempt Information	No - Part I
Cabinet Member:	Councillor Hilton, Cabinet Member for Asset Management & Commercialisation, Finance & Ascot
Meeting and Date:	Corporate Overview and Scrutiny Panel - 22 June 2022
Responsible Officer(s):	Andrew Vallance, Head of Finance Adele Taylor, Executive Director of Resources & Section 151 Officer
Wards affected:	All

REPORT SUMMARY

1. This report sets out the Council's proposed key themes of the medium-term financial strategy (MTFS) for 2023/24 - 2027/28, and shows the close relationship between this strategy and the Council's new Corporate Plan. This will need to be formally adopted by full Council following a recommendation from Cabinet, so this is an opportunity to help shape that strategy.
2. A further report, including a medium-term financial plan (MTFP), identifying future budget gaps, will be presented to Cabinet in July.
3. The Council is facing a significant financial challenge. Like many councils, it is experiencing growth in demand for a number of services, with Children's Services and Adult social care being some of the most significant impacted by demographic demands alongside other demand lead services. Alongside all other organisations and businesses, we are also impacted by current inflation and other cost of living pressures that will need to be addressed over the short to medium term.
4. The Covid-19 pandemic has led to increased costs and large reductions in income in the last two financial years. Uncertainty around the longer-term duration of these impacts still remains.
5. The position for the Royal Borough is more acute than many other councils, due to our inability to raise Council Tax to the same amount as other councils and our historically low level of reserves. These are insufficient to cover future projected funding shortfalls in 2023/24 and beyond without significant savings despite a strengthening of our financial position in more recent times. There is also uncertainty around future central government funding which remains a potential risk to us.
6. The Council therefore needs to consider the actions it needs to take to ensure the affordability of its services and ensure it reviews its financial sustainability over the medium term in response to the challenges it faces.

1. DETAILS OF RECOMMENDATION(S)

RECOMMENDATION: That the Panel notes and comments to Cabinet on:

- i) **The proposed key themes of the Medium-Term Financial Strategy set out in the report.**

2. REASON(S) FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED

- 2.1 This report sets out the proposed financial strategy for the Royal Borough of Windsor and Maidenhead across the next 5 years.
- 2.2 The report shows the close relationship between the new Corporate Plan and the MTFs, being based on the same principles that the corporate plan was developed against.

3. KEY IMPLICATIONS

Table 2: Key Implications

Outcome	Unmet	Met	Exceeded	Significantly Exceeded	Date of delivery
Services delivered within approved budget	Budget overspend >£250,000	Budget variance +/- £250,000	Budget underspend >£250,000 <£1,500,000	Budget underspend >£1,500,000	31 March 2028

4. FINANCIAL DETAILS / VALUE FOR MONEY

4.1 Introduction

- 4.1.1 Just like many other councils, the Royal Borough of Windsor and Maidenhead has faced considerable financial challenges as a result of the Covid-19 pandemic both in terms of impacts on our income but also the impact on our demand lead services.
- 4.1.2 Unlike some other councils, the lowest council tax in the country outside of London and our low levels of reserves coupled with increasing levels of borrowing have made the RBWM financial position more challenging when balancing increasing demographic pressures with other service demands.
- 4.1.3 The current financial outlook in terms of rising inflation and interest rates as well as the increasing cost of living risks that our residents and businesses are facing, alongside the council are also areas that the council will need to assess as part of both its short and longer term financial planning.
- 4.1.4 This document explains the financial context for RBWM and sets out the areas where the Council will seek to make savings, efficiencies and prioritise our resources in line with the objectives in the Corporate Plan.

4.2 Corporate Priorities

- 4.2.1 The Council's priorities must be at the heart of any financial strategy. In many ways they inform one another. The Council's Corporate Plan for the period 2021-2026, "Creating a sustainable borough of opportunity and innovation", was agreed at Full Council on 23rd November 2021.
- 4.2.2 The Corporate Plan forms the overarching strategy for the Council for the next four years and replaced the Interim Strategy 2020-21, which was developed as a temporary plan in response to the pandemic. The Corporate Plan sets out the Council's new objectives, and the specific goals to be achieved in support of those objectives, over the 2021-26 period. It was agreed in December 2021 and so this is now the opportunity to refresh the financial strategy to reflect the outcomes of that plan.
- 4.2.3 The Corporate Plan has been designed to crystallise focus on where the Council most needs to drive change. It recognises that the Council has to make difficult choices about where it focuses its resources. The Corporate Plan acts as a strategic framework to guide resource allocation decisions.
- 4.2.4 Finance is both the enabler that allows the Council to deliver its goals and objectives, and the constraint within which the Council needs to work as it makes tough decisions on what it can deliver. The goals within the Corporate Plan have been formulated to be deliverable within current and expected future resource levels although as the delivery plans continue to crystallise for all aspects of the corporate strategy, the Medium Term Financial Strategy and Plan will be regularly refreshed to ensure there is a close alignment between these two integral strategies.
- 4.2.5 In addition to setting out what we aim to achieve, the Corporate Plan also sets out the Council's approach to achieving change – how it will work as well as what it will focus on. 'Making the most effective use of resources – delivering the best value for money' is included as an underpinning principle of our approach in order to emphasise its importance across every area of the Council's work. This includes making best use of the opportunities offered by digital technologies, working in closer partnership with communities, and maximising income generated. The Corporate Plan also includes a focus on prevention and early intervention, which can help to reduce demand on the most cost-intensive services.

Creating a sustainable borough of opportunity and innovation

Thriving communities

Where families and individuals are empowered to achieve their ambitions and fulfil their potential.

Inspiring places

Supporting the borough's future prosperity and sustainability.

Supported by:

A council trusted to deliver its promises

Over the next 5 years we will prioritise

A ladder of housing opportunity, to support better life chances for all.

Quality infrastructure that connects neighbourhoods and businesses and allows them to prosper.

Taking action to tackle climate change and its consequences, and improving our natural environment.

Championing innovation and partnership working, our approach is to:

Empower and enable individuals, communities and businesses to maximise their potential

Invest in prevention, and intervene early to address problems before they escalate.

Shape our service-delivery around our communities' diverse needs and put customers at the heart of all we do.

Make the most effective use of resources – delivering the best value for money

Promote awareness of a sustainable and biodiverse environment across all our decision-making

Promote health and wellbeing, and focus on reducing inequalities, across all areas.

4.3 Financial Climate

- 4.3.1. Over recent years all local authorities have faced significant cuts to their funding from central government as a result of austerity, at a time when pressure on core service delivery has increased, particularly in Children's Services and Adult Social Care.
- 4.3.2. This has placed considerable pressure on discretionary services, including Early Help services for children and families.
- 4.3.3. The Covid-19 pandemic has increased costs in many areas but has also severely reduced councils' income on both a temporary basis as well as potentially eroded some income budgets over a medium term basis.
- 4.3.4. All councils have adopted different approaches to address their budget gap during that time. This has included reviewing the operating frameworks for some of our services including partnerships with other councils.
- 4.3.5. The current financial outlook in terms of rising inflation and interest rates as well as the increasing cost of living risks that our residents and businesses are facing, alongside the council are also areas that the council will need to assess as part of both its short and longer term financial planning.

4.4 RBWM Financial Context

4.4.1 RBWM is on the face of it better placed than some councils to meet the financial challenges that it faces.

- Lower levels of deprivation mean that it does not have the same level of pressure on Adult Care and Children's Services that some councils have experienced. We have relatively low numbers of people that we support although this does make any increases proportionally larger
- Significant capital assets have enabled it to continue to fund its capital program at a time when government support for capital schemes has diminished.
- Lower reliance on Government Grant also meant that the impact of austerity was less than in some other councils, noting the corollary of the increased importance of Council Tax, compared to others.

4.4.2 RBWM has still had to make significant savings and has already delivered around £75m savings from the start of austerity. It has also been able to protect "discretionary" local services to a greater extent than other councils through some of the actions that it took including sharing services with other councils and changing delivery models particularly around Children's and Adults services.

4.4.3 In more recent years RBWM has also embarked on significant investment in regenerating the borough which will in the medium to long term provide some financial benefits overall, both directly and indirectly in terms of helping to manage future demand for some services.

4.4.4 For all councils there is a fine line between financial security and a financial position that can give rise to concern. The tipping point will be different from council to council and ensuring that we understand both risks and opportunities is an important part of ensuring ongoing financial sustainability.

4.4.5 RBWM has a number of significant risks that need to be considered as part of its medium-term financial plans and any potential mitigations identified, where possible.

- **Council Reserves are under considerable pressure** – and are insufficient to absorb the financial pressure projected for 2023/24 and beyond, unless significant savings are made on an ongoing and sustainable basis. These have been strengthened over the last couple of years but this will need to remain a focus going forwards to ensure the council can remain financially resilient.
- **The Pension fund deficit** means that a growing share of council funding is required to cover pension deficits in the future
- **Substantial levels of borrowing** mean that an increasing share of the Council's budget is required to service debt before money can be spent on day to day services. There is also a reliance on capital receipts in future years.
- **Maintaining a low level of council tax**, means that the Council has missed out on additional revenue from raising council tax in previous

years. It also means that any future increases will generate less as they start from a lower base.

- **Growing pressures around Children and Adult Services and other demand lead services** have been widening the budget gap further. This is compounded by the inflexibility of having low spend and comparatively smaller numbers of clients in these services.
- **The longer-term consequences of the pandemic are not yet apparent.** Government support for the Council has ended but the full economic and health effects of the pandemic are yet to be revealed. This may lead to impacts on the Council's budget in terms of pent up demand for services and a more permanent change to the way in which residents and businesses operate **Inflation and interest rate risks.** Assumptions on these will be reviewed as part of the MTFP given the current inflationary and cost of living pressures that are becoming apparent.
- **Reforms to Adult Social Care.** Work is currently underway to identify the full impact of the proposed reforms on future Council budgets.
- **Reforms to future national funding arrangements.** Assumptions on these will be reviewed as part of the MTFP.
- **Other legislative changes.**

4.4.6 In short, there is a considerable level of uncertainty around financial plans for 2023/24 and beyond. The MTFP will review all of our assumptions and set out a range of medium term scenarios and the associated budget gaps for each one.

5 Medium Term Financial Position

5.1 Base position

The table below shows the base projected savings required during the period of the MTFS as set out in the budget papers in February 2022:

2023/24	2024/25	2025/26	2026/27
£4.883m	£1.638m	£2.834m	£3.303m

5.2 The Council may need to deliver total ongoing savings of £15m over the 5 year period 2023/28, unless government funding in the form of grant or council tax flexibility improves before the council identifies other interventions. This also does not take account of the significant changes that are affecting adult social care in the future and other legislative changes..

5.3 The Council has insufficient reserves to sustain a budget deficit, and will therefore have to generate substantial cost reductions or increased income plans. These will need to be linked to the Corporate Plan objectives.

6 Delivering a Sustainable Budget in line with Corporate Plan Objectives

- 6.1 RBWM continues to face considerable financial pressures. The only uncertainty is around the scale of the financial pressures in some areas.
- 6.2 All councils are having to make some tough choices around the way they manage their finances in order to remain financially viable.
- 6.3 This section sets out how the Council will align its financial objectives to several of those in the Corporate Plan and the objectives are based on the principles of the corporate plan.
- 6.4 The types of activities that will deliver against those objectives are indicated

Objective 1 – Empower and enable individuals, communities and businesses to maximise their potential

- 6.5 The Council will encourage the community to support the design of more efficient and effective services. This will produce long-term savings as part of the prevention agenda by investing in early intervention where possible and shift resourcing to activities that reduce future demand.
 - 6.6 The Council will continue to build partnerships with the voluntary sector and build its organisational resilience so that it can lead these initiatives.
- 6.6 The Council will also review service provision with other organisations and improve engagement with partners.

Objective 2 – Invest in prevention, and intervene early to address problems before they escalate

- 6.7 The Council will identify preventative and early measures to contain growth given we have both low unit cost and relatively low numbers.
- 6.8 The focus will remain on:
 - Adult Social Care
 - Children’s Services
 - Homelessness
- 6.9 This may require significant investment in preventative measures with savings or reduced growth requirements in later years so the council will review how it can fund those activities in the short term

Objective 3 – Shape our service delivery around our communities’ diverse needs and put customers at the heart of all we do

- 6.10 The Council will work with partners such as health and the police to integrate services for our communities to ensure that our focus is on our customers rather than organisational structure and boundaries.
- 6.11 The Council will review contracts and procurement activity to respond to legislative change and improve services and improve value for money.
- 6.12 The Council will undertake targeted reviews of specific services to improve efficiency and effectiveness and enhance the transformation agenda.

Objective 4 – Make the most effective use of resources – delivering the best value for money

- 6.13 The Council will continue to seek commercial and income generation opportunities where these support our delivery agenda.
- 6.14 The Council will undertake a fundamental fees and charges review on a regular basis to ensure that these are proportionate, fair and relevant
- 6.15 The Council will co-ordinate the introduction of several new systems to maximise the potential benefits from digitalisation of services. This will include a pilot of Robotic Process Automation.
- 6.16 The council will build on its transformation activities to date particularly in Adult Social care and look to identify opportunities to improve the way in which we do things and work with others to ensure we maximise the value for money opportunities in terms of service delivery.
- 6.17 The Council will make the best use of its assets for the benefit of our residents and local taxpayers including appropriate levels of investment, disinvestment and commercial activity

7 Summary and Conclusion

- 7.1 The proposed key themes of the strategy in this paper sets out a way forward for the Council to make its finances as sustainable as possible in the medium to long term.
- 7.2 Achieving sustainable finances is not going to be an easy task for the reasons outlined in this report and some tough choices will need to be taken to achieve long term stability but having a close link between our agreed corporate plan outcomes and the resources to deliver in a sustainable way is important.
- 7.3 In the current financial climate, there are no quick fixes and all councils face considerable financial uncertainty that is beyond their control.

- 7.4 All councils need to have a clear understanding of how that uncertainty can impact on their financial plans and ensure that they protect themselves as far as possible against that uncertainty.
- 7.5 The success of this strategy and subsequent financial plan will depend in part on decisions beyond the control of the council particularly Government decisions around future funding and council tax levels

8. LEGAL IMPLICATIONS

- 8.1 None at this stage of the budget process.

9. RISK MANAGEMENT

- 9.1 Failure to identify sufficient savings as part of the budget process would risk the Council being unable to maintain minimum levels of reserves.
- 9.2 The Council is already at a more significant risk because it has moved up the commercial risk curve and is anticipating income for charges and capital schemes.
- 9.3 Whilst not a current likelihood and because of all the factors mentioned in this report, the Council remains at significant risk of financial failure due to the inability to raise council tax income. Any significant unexpected financial change could have serious consequences.

10. POTENTIAL IMPACTS

- 10.1 **Equalities.** A full EQIA will be undertaken on the budget submitted to Council in February 2023 and a draft EQIA developed alongside the Medium Term Financial Plan and updated throughout the budget setting process as appropriate
- 10.2 **Climate change/sustainability.** The potential impact of budget recommendations will be considered once details of budget submissions are published.
- 10.3 **Data Protection/GDPR.** Not applicable.

11. CONSULTATION

- 11.1 The draft budget approved by Cabinet in November 2022 will be fully consulted on before final proposals are made to Cabinet and Council in February 2023. Appropriate consultation will also take place when developing proposals with our key stakeholders and partners

12 APPENDICES

- 4.5 12.1 None

13 BACKGROUND DOCUMENTS

13.1 Corporate Plan

14 CONSULTATION (MANDATORY)

Name of consultee	Post held	Date sent	Date returned
Mandatory:	Statutory Officers (or deputies)		
Adele Taylor	Executive Director of Resources/S151 Officer	9/6/22	14/6/22
Emma Duncan	Monitoring Officer & Director of Law, Strategy and Public Health	9/6/22	14/06/22
Deputies:			
Andrew Vallance	Head of Finance (Deputy S151 Officer)	Report Author	
Elaine Browne	Head of Law (Deputy Monitoring Officer)	9/6/22	14/6/22
Karen Shepherd	Head of Governance (Deputy Monitoring Officer)	9/6/22	13/6/22
Other Directors:			
Duncan Sharkey	Chief Executive	9/6/22	
Andrew Durrant	Executive Director of Place	9/6/22	14/06/22
Kevin McDaniel	Executive Director of People Services	9/6/22	
Confirmation relevant Cabinet Member(s) consulted	Cabinet Member for Asset Management & Commercialisation, Finance and Ascot	Yes	

16 REPORT HISTORY

Decision type: Overview & Scrutiny for noting and comment	Urgency item? No	To Follow item? No
Report Author: Andrew Vallance, Head of Finance		