

Report Title:	Medium Term Financial Plan 2024/25 – 2028/29
Contains Confidential or Exempt Information	No - Part I
Cabinet Member:	Councillor Jones, Deputy Leader and Cabinet Member for Finance
Meeting and Date:	Cabinet - 27 July 2023
Responsible Officer(s):	Andrew Vallance, Deputy Director of Finance & Interim s151 Officer
Wards affected:	All

REPORT SUMMARY

This report sets out the council's proposed Medium-Term Financial Plan (MTFP) for 2024/25 - 2028/29.

The MTFP sets the context for the council's business planning process, which will run from now until February 2024. The business planning process will include the development of the Medium Term Financial Strategy, 2024-25 Budget and a new Corporate Plan, which will reflect the priorities of the council.

The financial outlook for local authorities continues to be difficult and, as such, RBWM will need to take a range of challenging decisions and actions to put the council on a more secure financial footing for the future. This paper sets out a framework for reviewing the council's financial sustainability over the medium term and its response to the challenges it faces. It provides the basis upon which the council will take decisions about its priorities and resource allocation over the next six months.

1. DETAILS OF RECOMMENDATION(S)

RECOMMENDATION: That Cabinet NOTES:

- i) the Medium-Term Financial Plan set out in Appendix A, including the forecast budget gap for the next financial year 2024-25 and over the medium-term;**
- ii) the proposed budget themes that will drive the budget process to identify savings and income growth; and**
- iii) the business planning process, and timeline for developing the new Medium Term Financial Strategy, Budget 2024-25 and new Corporate Plan.**

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

Options

Table 1: Options arising from this report

Option	Comments
To note the Medium-Term Financial Plan.	This is the recommended option.
To not note the Medium-Term Financial Plan.	If not noted the 2024/25 budget will be developed without regard to the wider financial challenge facing the council.

- 2.1 This report sets out the proposed financial plan for the Royal Borough of Windsor and Maidenhead across the next 5 years. It sets out the assumptions that the council is making about the wider financial context and the resources that will be available. It recognises that there is a high level of uncertainty in terms of the wider economic context, including inflation and interest rates, and a lack of clarity about levels of central government funding with the continuation of one year funding settlements.
- 2.2 However, it is clear that the financial outlook for local authorities including RBWM continues to be challenging. A growing number of authorities are issuing section 114 notices which limits spending and leads to intervention from government. Within this context, RBWM will need to take some challenging decisions about priorities and where savings can be found to ensure it remains financially sustainable over the medium-term.
- 2.3 The MTFP provides the budget envelope, which underpins the council's business planning process. The business planning process brings together the development of our 2024-25 Budget, Medium Term Financial Strategy, and a new Corporate Plan, which will reflect the priorities of the new administration. The business planning process will run from now, until the agreement of the new Corporate Plan, 2024-25 Budget and MTFS at February 2024 Full Council.

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 2029

4. FINANCIAL DETAILS / VALUE FOR MONEY

Introduction

- 4.1 The council faces serious financial challenges and must take some tough decisions and make changes to the way in which it operates, in order to ensure that it is on a sustainable financial footing going forwards.
- 4.2 The Royal Borough continues to have the lowest council tax in the country, outside of London. The low level of council tax results in an inability to raise funds to the same amount as other councils and provides the council with a lower level of income with which to fund services.
- 4.3 Our historically low levels of reserves coupled with increasing levels of borrowing have also made the RBWM financial position more challenging and present additional risk. Our reserves are insufficient to absorb the financial pressure projected for 2024/25 and beyond unless significant savings are made on an ongoing and sustainable basis.
- 4.4 The Royal Borough has a growing and ageing population, as shown in the 2021 Census results. Since 2011, there have been substantial increases in the population age-groups, 55-59yrs (+32.3%) and 70-74yrs (+33.2%). An ageing population has implications for demand for services, particularly adult social care. It also has implications for infrastructure planning and the suitability of housing stock to meet changing needs over people's lifetimes. There was a sharp increase in demand for adult social care during the period of the pandemic, and this has not reverted back to pre-COVID levels. Adult social care represents 42% of our 2023-24 service budget and a future trajectory of rising demand and costs is a key source of pressure on council finances.
- 4.5 The specific circumstances above present particular challenges for the Royal Borough and our short and medium term outlook. However, local authorities are facing serious financial challenges across all parts of the country. Just 14 percent of councils across England said they were confident in the sustainability of local government finance in a recent survey by LGIU. (LGIU statement: [State of Local Government Finance 2023](#))
- 4.6 Rising interest rates, the impact of inflation on labour costs and materials, and increased energy costs affect the council and also our partners – including contracted delivery partners, developers and businesses. These increased costs, coupled with a more uncertain and challenging economic outlook, have made the council's financial position more difficult and set a different and more uncertain context for investment decisions.
- 4.7 Continuing rises in the cost of living are also affecting residents, due to a combination of factors including: rises in energy bills, inflation causing increases in prices for necessities like food and fuel; and increased interest rates. Rising costs affect all residents, but the impacts are greatest on those who are already struggling financially. Our voluntary and community sector partners have seen increasing demand for food banks, debt advice and wider support services, and health partners are severely over-stretched. Cost of living rises are causing anxiety and stress for residents and can contribute to a

range of negative impacts across health, housing, and relationships, which can then feed through into increased demand for services.

- 4.8 These challenges follow more than a decade of austerity, in which local authorities have faced significant cuts to their funding from central government. There has been a lack of certainty from central government concerning levels of funding, with one year settlements continuing since 2019. Policy on key areas, including Adult Social Care Reform, has been delayed, adding to uncertainty about the future operating environment and local authority responsibilities.
- 4.9 Whilst the Covid-19 pandemic is now over, its impacts have led to lasting changes in behaviours. The pandemic continues to have a legacy through reduced income in areas such as parking season tickets and leisure income budgets, which is expected to continue over a medium-term basis. It has also increased demand on demand led services, particularly in Children's Services and Adult Social Care, which has, in turn, placed considerable pressure on discretionary services, including Early Help services for children and families.
- 4.10 The current financial outlook therefore presents a high level of risk and uncertainty, which needs to be factored into both the council's short and longer-term financial planning. This document explains the financial context for RBWM and sets out the areas of focus for the business planning process.

Further detail: RBWM Financial Context

- 4.11 RBWM has already delivered around £80m of savings from the start of austerity. The council has implemented a range of changes to the ways in which it delivers services, including sharing services with other councils and changing delivery models particularly around Children's and Adults services. However, it is clear that a more ambitious programme of transformation is needed to ensure that we can continue to deliver quality services and better outcomes for our residents.
- 4.12 RBWM has several significant risks that need to be considered as part of its medium-term financial plans and any potential mitigations identified, where possible.
- **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 percentage increases will generate less as they start from a lower base.
 - **Council Reserves are under considerable pressure**. They are insufficient to absorb the financial pressure projected for 2024/25 and beyond unless significant savings are made on an ongoing and sustainable basis. Reserves have been strengthened over the last three 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 and higher interest rates** 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.
- **Growing pressures around Children and Adult Services and other demand led 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.
- **Inflation and interest rate risks.** Assumptions on these have been reviewed as part of the MTFP given the current inflationary and cost of living pressures.
- **Longer-term consequences of the pandemic.** Government support for the council has ended but the long term changes precipitated by the pandemic, to the ways in which residents and businesses operate, are still playing out.
- **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.**

4.13 In short, there is a considerable level of uncertainty around financial plans for 2024/25 and beyond. However, the council has some advantages that places it in a better position than some local authorities 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 the council to continue to fund its capital programme, at a time when government support for capital schemes has diminished.
- The borough is an attractive location for investment and development, and there are opportunities to maximise the benefits of inward investment, for the people of the borough.
- 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.

4.14 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.

5. MEDIUM-TERM FINANCIAL POSITION

5.1 A revised Medium-Term Financial Plan is attached as **Appendix A**. The table below shows the projected savings required during the period of the MTFP.

Table 3: Required savings

2024/25	2025/26	2026/27	2027/28	2028/29
£3.675m	£1.787m	£2.528m	£2.143m	£0m

5.2 The following assumptions have been made in determining the MTFP in Appendix A:

- Non-pay inflation 6.5% in 2024/25 then 4% each year thereafter.
- Pay awards 3% each year.
- Fees & charges inflated by 5% in 2024/25 then 2% each year thereafter.
- Council Tax increases of 2.99% each year but no Adult Social Care precept from 2025/26.
- Additional government funding of £1m for Adult Social Care, which was alluded to in the 2023/24 settlement without giving firm figures.

5.3 Appendix B shows the impact of any changes to these assumptions.

5.4 The council may need to deliver total ongoing savings of £10m over the 5-year period 2024/29, 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.

5.5 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. ALIGNING PRIORITIES AND RESOURCES: THE BUSINESS PLANNING PROCESS

6.1 The MTFP provides the budget envelope, which underpins the council’s business planning process.

6.2 The business planning process brings together the development of our 2024-25 Budget, Medium Term Financial Strategy, and a new Corporate Plan, which will reflect the priorities of the new administration. The business planning process will run from now, until the agreement of the new Corporate Plan, 2024-25 Budget and MTFP at February 2024 Full Council.

- 6.3 Early public and stakeholder engagement on the MTFs, Budget and Corporate Plan will take place during Autumn 2023, followed by a public consultation on the draft plans following November Cabinet. Earlier engagement events will provide an opportunity for greater transparency about the process for identifying priorities, and about the council's approach to balancing the budget.
- 6.4 Key dates are as follows:
- **Cabinet, November 2023:** Draft Budget and Corporate Plan, for public consultation.
 - **Cabinet, February 2024:** Final Budget and Corporate Plan
 - **Full Council, February 2024:** Final Budget, Corporate Plan & Tax Setting
- 6.5 Taking forward strategic, financial and delivery planning as a single process helps to ensure that we consider decisions about prioritisation and resourcing in the round. It makes sure that we are setting out a work plan which is achievable within the resources available, enables us to deliver affordable and quality services, and delivers progress against the council's priorities.
- 6.6 **A new Corporate Plan:** The council's new priorities will be defined over the coming months, and in consultation with our residents and partners. Decisions about resource allocation will reflect these priorities, which include:
- Achieving financial sustainability
 - A cleaner, safer, greener borough
 - Prioritising Climate change and biodiversity
 - Strengthening partnership working with the voluntary and community sector, and businesses
- 6.7 Given the scale of financial challenges facing the council, the business planning process will need to prioritise those activities which will help set our finances on a sustainable footing going forwards. This recognises that financial sustainability is crucial to enable the council to deliver affordable services and improved outcomes for residents into the future.
- 6.8 These activities will be developed under the following six themes:
- **Service re-design and transformation:** making changes to the way in which services are delivered to improve efficiency and value for money. Looking for opportunities to deliver in partnership with other local authorities or wider partners (including health) where it makes sense to do so. Given the scale of the financial challenges faced, it may be that some lower priority services may have to be significantly scaled back or stopped but this would always be a last resort option.
 - **Prevention / demand reduction:** designing in prevention and strengthening early support which prevents problems from escalating, including through working more closely with community and voluntary

sector partners. This is a shift in resourcing to activities that reduce future demand.

- **Contract management:** ensuring that contracted services are managed effectively to achieve better value for money, and reviewing options for service delivery including bringing services back in house, where it makes sense to do so.
- **Maximising income:** looking for opportunities to increase the income received by the council, for example, through increased commercial income, and more effective management of debt.
- **Managing our assets:** the council is fortunate to own a wealth of diverse assets across the borough. We will review opportunities to improve the social and economic value of these assets to the council, for example through renting out under-used spaces. 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.
- **Economic growth and development:** supporting inclusive growth, stronger relationships with businesses, and investment which maximises benefits for the people of the borough. A healthy economy, supported by well-planned development and investment into the borough, makes a substantial contribution to the council's income, through business rates and capital receipts, as well as supporting development of new jobs and affordable housing.

7. SUMMARY AND CONCLUSIONS

7.2 This paper sets out the financial operating context for the council and outlines the challenges faced. Some tough choices will need to be taken to achieve long term stability. This report sets the context, framework and timeline for the process of resource allocation and priority setting.

7.3 In the current financial climate, there are few quick fixes. However, the council is committed to taking action across the six themes highlighted above. Unless we prioritise getting the finances right, the council will be unable to fulfil its responsibilities to its residents and to take forward its wider priorities for improving the borough. The business planning process will therefore prioritise activity which sets the council on to a surer financial footing. We are currently developing and assessing the viability of a range of ideas and proposals, including changes to the way in which the organisation delivers and for maximising the value of our partnerships, contracts and assets.

7.4 All councils face considerable financial uncertainty that is beyond their control. Like all councils, we need to have a clear understanding of how that uncertainty can impact on our financial plans and ensure that we protect ourselves, as far as possible, against that uncertainty.

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 Several assumptions have been made in developing the Medium-Term Financial Plan and any variation in these will impact on the required savings. Appendix B provides more detail on the financial implications from any movement in these assumptions.

9.4 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 Full Council in February 2024 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 2023 will be fully consulted on before final proposals are made to Cabinet and Full Council in February 2024. Appropriate consultation will also take place when developing proposals with our key stakeholders and partners.

12. APPENDICES

12.1 This report is supported by two appendices:

- Appendix A – Medium Term Financial Plan
- Appendix B – Sensitivity Analysis

13. BACKGROUND DOCUMENTS

13.1 This report is supported by one background document, the [Corporate Plan](#)

14. CONSULTATION

Name of consultee	Post held	Date sent	Date returned
<i>Mandatory:</i>		<i>Statutory Officers (or deputies)</i>	
Andrew Vallance	Deputy Director of Finance/Interim S151 Officer	Report Author	
Elaine Browne	Deputy Director of Law and Governance/ Monitoring Officer		
<i>Other consultees:</i>			
<i>Directors (where relevant)</i>			
Stephen Evans	Chief Executive	3/7/23	7/7/23
Andrew Durrant	Executive Director of Place		
Kevin McDaniel	Executive Director of Adults Services		
Lin Ferguson	Executive Director of Children's Services		

Confirmation relevant Cabinet Member(s) consulted	Deputy Leader and Cabinet Member for Finance	Yes
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REPORT HISTORY

Decision type:	Urgency item?	To follow item?
Key decision	No	No

Report Author: Andrew Vallance, Deputy Director of Finance
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