


## LONDON BOROUGH OF WALTHAM FOREST

Meeting / Date	<b>Cabinet</b> <b>2 November 2023</b>	
Report Title	<b>Medium Term Financial Strategy (MTFS) Update and Next Steps</b>	
Cabinet Portfolio	Councillor Paul Douglas, Portfolio Lead Member for Finance & Resources	
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Wards affected	None specifically	
Public Access	OPEN	
Appendices	None	

### 1. SUMMARY

- 1.1 This report provides an update on the Council's Medium-Term Financial Strategy (MTFS) for the period 2023/24 to 2025/26
- 1.2 It sets out the financial challenges the Council faces as well as describing the initial budget management activities and longer-term transformational agenda that will enable us to meet those challenges.

### 2. RECOMMENDATIONS

- 2.1 Cabinet is recommended to:
  - 2.1.1 **Note** potential funding gap of £20-30m as per paragraph 3.1.9 in this report.
  - 2.1.2 **Note** the immediate response as set out in paragraph 3.2 and the longer-term transformational approach as set out in paragraph 3.3.
  - 2.1.3 **Delegate** to the Strategic Director of Resources the authority to distribute any contingency budgets and/or reserves, as described in paragraph 3.1.10, as per the Council's financial ground rules.

### **3. PROPOSALS**

#### **3.1 Financial Overview**

- 3.1.1 The Council is in the process of reviewing its financial position for the next three years to 2026/27 and an interim budget position will be reported to Cabinet in December. This is in advance of the Budget Report going to Cabinet in February 2024 and Full Council in March.

##### **National context**

- 3.1.2 At a national level, we can see significant pressure on local government finances, with high-profile cases of local councils struggling to balance their budgets. Birmingham City Council ceased non-essential spending in July after issuing a S.114 notice, and recent news coverage has indicated other local councils are likely to be in a similar position in the next six to twelve months.
- 3.1.3 The future funding position for local government beyond 2024/25 is uncertain as it is dependent upon several policies that have already been deferred, including the Fair Funding Review, the Business Rates reset and the Adult Social Care Reforms.
- 3.1.4 The Government announced a one-year financial settlement in February 2023 for 2023/24. The timescale for announcements for the 2024/25 funding position is currently unclear, but it is likely that the provisional settlement will be at the end of December. The current government spending review period covers 2024/25, so there will need to be a further comprehensive spending review for future years, which is likely to take place after the next general election.
- 3.1.5 These factors mean that the scale of the financial challenge across local government cannot be underestimated, and local authorities need to give careful consideration to how they can meet this challenge while continuing to provide high quality services to residents.

##### **Local context and financial position**

- 3.1.6 As part of the review of the Council's financial position, the assumptions included within the Budget Report approved at Full Council in March 2023 are being updated.
- 3.1.7 The 2023/24 Budget Report included a funding gap of £13.6m, with £11.6m projected for 2024/25 and £1.5m for 2025/26. These assumptions are being reviewed in line with the level of CPI and interest rates, which affect Council finances. The Consumer Price Index (CPI) rate, despite falling from 10.1% in March to 6.7% in August, remains higher than original forecasts. Indications are that the Bank of England's target of 2% is unlikely to be achieved until the second quarter of 2025. As the Bank of England continues with its policy of raising interest rates

in a bid to tackle inflation, the current rate of 5.25% is unlikely to reduce to 4% until March 2025.

- 3.1.8 The Council's month 6 budget monitor is forecasting an in-year pressure of £16.2m for 2023/24: of this, £14.2m relates to service pressures in social care provision for both children's and adults. Although the Council allocated additional funding of £12.6m to social care for 2023/24, this is insufficient to mitigate the costs of increasing demand for these services, which have been particularly evident since the Covid-19 pandemic. From March 2020 to March 2023, Adult Social Care client numbers have increased by 15%, Looked after Children numbers have increase by 13%, and Education, Health and Care plans have increased by 28%. While this reflects our commitment to protecting core services and prioritising those in need, it also presents a more acute financial challenge in some of these services, and requires fundamentally transformative longer-term solutions.
- 3.1.9 The latest financial projections are indicating a funding gap of between £20m to £30m to 2026/27, assuming all service pressures are resolved. These projections are dependent upon the final agreed budget assumptions, such as inflation, interest rates and the 2023/24 pay award, as well as confirmation of funding levels for 2024/25 from government. To ensure on-going financial sustainability, the Council is developing immediate responses as well as a longer-term approach to resolve these funding gaps.
- 3.1.10 Consistent with other local authorities, the Council has had to draw on the reserve balances to achieve a balance budget position. The exceptional pressures included additional inflation costs more than budget (e.g., 2022/23 pay award £4.3m), the impact of the delay to the Business Rates Reset £5m and support for service improvements following Covid-19. For 2022/23, the Council's earmarked reserves reduced by 11% to £69.4m and is forecast to reduce further for subsequent years. However, as part of the responses to achieve financial sustainability, the Council is also developing a strategy to replenish reserves, in particular the Budget Strategy Reserve.

## 3.2 **The Council's Immediate Response**

- 3.2.1 The immediate response to the challenges has included a range of budget management activities focusing on managing down current expenditure.
- 3.2.2 A number of proposals are being implemented, such as maximising advertising income, increasing Parking fees and charges, and deletion of posts and vacancies across services. Further activities planned include a focus on reducing spend on agency staff, consultancy and will also include a voluntary redundancy scheme for staff.
- 3.2.3 These savings proposals will be taken through appropriate governance channels and will be developed with a clear focus on navigating our

financial challenge while continuing our commitment to protect core services for our residents and supporting those in need.

- 3.2.4 Delivering these immediate measures are crucial for ensuring our continuing financial stability. However, on their own they will not be sufficient to meet the challenges posed by the scale of the longer-term financial outlook and the growing demand for our services and support. The only way the Council can meet these challenges is to go further and deeper in developing a longer-term, transformational approach to how we are structured and how we serve our residents.

### **3.3 The Council's Longer-Term Approach**

- 3.3.1 Within this challenging financial context, we remain ambitious to ensure that all our residents can fulfil their potential. Delivering on this is imperative and will require us to tackle the key challenges facing communities in Waltham Forest. These include structural inequalities, the cost of living crisis, a lack of secure and affordable housing, the prevalence of insecure and low-paying work, a rising fear of crime, major gaps in health outcomes, and actions to tackle local climate challenges. Addressing these key challenges will also require us to fundamentally transform our approach to service delivery.
- 3.3.2 Focusing on and improving resident experience will be at the centre of everything we do. We will ensure all our communities are able to access the services they need with simplicity, convenience and ease. We will design services for and with residents, to be adaptable to changing needs, based on data, and utilising partnership levers wherever possible. This will mean we can utilise our resources in more efficient ways while delivering better outcomes for residents.
- 3.3.3 We will deliver effortless digital experiences, enabling residents to interact with us in the manner that best suits them, allowing Council resources to be focused on prevention and support. We will deliver personalised and relational experiences, with the aim to support and prevent situations becoming more complex, allowing Council resources to be targeted directly where there is most need. We will address this need through delivery of services providing an intimate experience, supporting residents who do have complex needs and contexts, in a relational manner and working closely with partner organisations.
- 3.3.4 Whilst this transformational work is in early development at present, this will be shared for input as it gets worked up into a detailed programme, including key activities, outcomes, and benefits. The current emerging themes and areas of focus are:
- Delivering process improvements and efficiencies for a range of transactional services, with a focus on encouraging digital self-serve wherever appropriate
  - Working proactively and adopting strength-based approaches with residents, putting prevention at the heart of our efforts to stop needs from escalating wherever possible

- Using data and insight to improve targeting of support to reach those who need it most and ensure it reaches those who are unequally impacted by the challenges facing communities
- Developing a targeted approach to reducing and managing cost and demand for services, especially relating to social care provision
- Coordinating more effective joined up work with partner organisations to ensure that outcomes for residents and families with complex needs are maintained.

3.3.5 Delivering process improvements and efficiencies will lead to a reduction in overall transaction costs for the Council as well as improved resident experience as residents' needs are met more quickly. A more data-led approach will enable the Council to identify where support is most needed and intervene to stop need from becoming more acute. Focusing on preventative approaches in areas such as social care, and working in conjunction with partner organisations will help to reduce or delay some of the financial burden on the Council, whilst giving residents greater control over their lives.

#### 3.4 **Next Steps**

- 3.4.1 The MTFS Refresh paper will be brought to Cabinet on 7<sup>th</sup> December.
- 3.4.2 Following final confirmation of the financial settlement in January, the 2024/25 Budget and 2025 MTFS Report will be presented to Cabinet on 22<sup>nd</sup> February and full Council on 29<sup>th</sup> February as part of the Budget Setting process.

### 4. **OPTIONS & ALTERNATIVES CONSIDERED**

- 4.1 The Council has a legal duty to set a balanced budget and to develop a financial strategy for the medium term. The revised MTFS sets out potential challenges facing the Council in future years.

### 5. **COUNCIL STRATEGIC PRIORITIES (AND OTHER NATIONAL OR LOCAL POLICIES OR STRATEGIES)**

- 5.1 The budget setting process aligns resources to the Council's priorities. This is essential to ensure that the Council's reduced financial resources are targeted to meet the needs of our residents.

### 6. **CONSULTATION**

- 6.1 Reviewing and updating the MTFS is a significant part of the process that leads up to the setting of the council tax for 2024/25. Appropriate consultation has taken place during this process, through the authority's consultation mechanisms.

- 6.2 In addition, the Council engages with the business rates sector on the overall budget strategy ahead of the council tax setting process. There is also regular engagement with residents through various fora on the overall council priorities and financial strategy.

## **7. IMPLICATIONS**

### **7.1 Finance, Value for Money and Risk**

- 7.1.1 The Council has a legal duty to set a balanced budget for 2024/25. The MTFS takes a longer-term view of the financial plan and allows the Council to better plan resource allocations against priorities on a sustainable basis. Experience has shown that early planning helps secure financial certainty over the deliverability of savings proposals. It is important that approved savings are delivered in full to maintain the robustness of the budget strategy. Progress will continue to be closely monitored and reported to Cabinet through the normal revenue process report.

### **7.2 Legal**

- 7.2.1 As in previous years, the purpose of the MTFS is to pull together known factors affecting the Council's financial position and financial sustainability over the medium term in one place.
- 7.2.2 Looking in such detail now at the financial challenges provides a sufficient timescale against which to assess the options for service delivery, consult as necessary and carry out such other steps as may be required to implement the proposals.
- 7.2.3 The Council agreed the budget on 3 March 2023 and, pursuant to the Local Government Act 2000 and Regulations made thereunder, Cabinet decisions must remain within the framework agreed. Decisions flowing from this report to implement the Council's budget strategy will require adherence to the relevant decision-making processes. In making any decision, regard must be had to any relevant statutory provisions and administrative rules by taking into account relevant considerations and ignoring those which are irrelevant. Regard will be had to the Council's statutory duties, its vision and priorities and the financial constraints faced.
- 7.2.4 Regard must also be had to the Council's fiduciary duties which require the interests of Council/Business Taxpayers to be fairly balanced against the benefit/beneficiaries of a course of action. Additionally, increasingly in public decision making the concept of proportionality is a factor. This will form the overarching framework for formulating and implementing the courses of action required to achieve savings and deliver the Council's outcomes within the budget.
- 7.2.5 Where there are proposals for a reduction to a service which the Council is either under a statutory duty to provide, or which it is providing in the exercise of its discretionary powers and there is a legitimate expectation that it will consult, then consultation with all service users will be required before any decision to implement the proposed saving is taken.

Consultation should occur when proposals are at a formative stage, give sufficient reasons for any proposal to permit consideration and allow adequate time for consideration and response. Whilst the Council does not have to follow the outcome of the consultation it must be able to show that the decision maker has considered the consultation responses before taking the decision.

- 7.2.6 Whether to consult will depend on the issues, the nature and the impact of the decision and whether interested groups have already been engaged in the policy making process. Consultation may not be required for minor changes or matters with minimal impact or where adequate consultation has already taken place. However, where there is a more significant impact such as services are stopping or reducing then the more likely it is that the views and concerns of those affected should be consulted upon before a decision is taken. Likewise, if we have either promised to consult or ordinarily would do so that may give rise to a legitimate expectation that we will do so again.
- 7.2.7 Where the proposed savings will have an impact affecting staff, the Council will consult the staff affected and their representatives under its change management policies.
- 7.2.8 The Secretary of State has the power to designate two or more "relevant authorities" as a pool of authorities for the purposes of the provisions of Schedule 7B of the Local Government Finance Act 1988. The Council is a 'relevant' authority for the purposes of the Act.
- 7.2.9 Local authorities have a power to enter into arrangements between them including under section 111 of the Local Government Act 1972 which provides that, subject to any other restrictions, a local authority shall have power to do anything (whether or not involving the expenditure, borrowing or lending of money or the acquisition or disposal of any property or rights) which is calculated to facilitate, or is conducive or incidental to, the discharge of any of their functions.

### **7.3 Equalities and Diversity**

- 7.3.1 The Equality Act 2010 requires public authorities to have due regard to the need to eliminate discrimination and advance equality of opportunity. The Council must further take into account its wider Public Sector Equality Duty (PSED) under s.149 of the Equality Act 2010 when making its decisions. The public sector equality duty (s.149, Equality Act 2010) requires the Council, when exercising its functions, to have "due regard" to the need to: eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited under the Act, advance equality of opportunity between those who share a "protected characteristic" and those who do not share that protected characteristic and foster good relations between persons who share a relevant protected characteristic and persons who do not share it (this involves having due regard, in particular, to the need to (a) tackle prejudice, and (b) promote understanding).
- 7.3.2 The Council will consider the impact of changes that might arise as a result of implementing the proposals for change arising out of its budget

strategy on those with protected equality characteristics, in particular, where there is likely to be an impact on residents or service users from changes or any decommissioning of existing services. Individual proposals will be subject to a full equality impact assessment wherever relevant, prior to any decision taken to proceed, including the identification of mitigating action where possible. Where there is any potential impact on staff, the agreed HR procedures will be followed.

**7.4 Sustainability (including climate change, health, crime and disorder)**

7.4.1 None at this stage.

**7.5 Council Infrastructure**

7.5.1 None at this stage.

**BACKGROUND INFORMATION (as defined by Local Government (Access to Information) Act 1985)**

None