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Wednesday, 3 July 2024

Notice of Reports Received following Publication of Agenda.

Performance and Overview Scrutiny Committee

Thursday, 11th July, 2024 at 2.00 pm,
Council Chamber, County Hall, The Rhadyr USK

Attached are reports that the committee will consider as part of the original agenda but were submitted to democratic services following publication of the agenda.

Item No	Item	Pages
3.	Medium Term Financial Plan (MTFP) Financial Strategy - To provide formal feedback ahead of Council on 18th July 2024 (Strategy to follow after the pre-election period).	1 - 6

Paul Matthews
Chief Executive

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SUBJECT:	MEDIUM TERM FINANCIAL STRATEGY 2024-2029
MEETING:	PERFORMANCE & OVERVIEW SCRUTINY COMMITTEE
DATE:	11th July 2024
DIVISION/WARDS AFFECTED:	Countywide

1. PURPOSE:

- 1.1 For the Performance & Overview Scrutiny Committee to consider the Council's draft medium term financial strategy for the period 2024-2029 for consideration.

RECOMMENDATIONS TO PERFORMANCE & OVERVIEW SCRUTINY COMMITTEE:

- i. That the Performance and Overview Scrutiny Committee scrutinise the Council's proposed draft medium term financial strategy;
- ii. That the Committee provides feedback to allow for further comments to be considered and as necessary reflected in the final draft subsequently presented to Council for approval.

2. RECOMMENDATIONS TO COUNCIL:

- 2.1 To consider and approve the Council's medium term financial strategy (MTFS) for the period 2024-2029, providing the strategic framework for the medium-term financial plan (MTFP) to adapt over time to changing context and circumstances.
- 2.2 That Council approve the associated delivery plan and performance framework, delegating authority to the Cabinet Member for Resources and the Deputy Chief Executive (s151 officer) to keep its implementation under continual review.
- 2.3 That Cabinet receives a six-monthly update of the MTFP to Cabinet, including formal progress against the performance framework and delivery plan, and that will be subject to scrutiny by the Performance and Overview Scrutiny Committee and the Governance and Audit Committee.

3. KEY ISSUES:

- 3.1 The Council, like many local authorities across Wales and the United Kingdom, has had to endure a very tough set of financial circumstances over the past 14 years and since the financial crisis in 2009. It has had to generate over £77m budget savings since 2010/11. In the last two years alone, it has had to absorb cost pressures of over £30m.

- 3.2 The Council has an excellent track record in delivering value for money from public funding and has so far successfully navigated the financial challenges of government austerity, economic recession and a global pandemic.
- 3.3 The financial strategy sits alongside the Council's Community and Corporate plan, *Taking Monmouthshire Forward*, as part of our strategic framework. It sets out, and provides the context, for our current financial position. It details the risks, opportunities and cost drivers that will influence this over the next five years.
- 3.4 The strategy explains how the Council will respond to the challenges ahead, and the principles that will be adopted in managing and using financial resources.
- 3.5 The financial strategy is key to realising the aims and ambitions set out in the Community and Corporate plan. This strategy will guide financial decision-making and support work to make Monmouthshire an even stronger, fairer and more sustainable county. Delivering against the overarching priorities to reduce the impact of inequality on citizens and address climate change.
- 3.6 The financial strategy will be in place for the next five years and is underpinned by a commitment to fiscal prudence, strategic investment, and sustainable growth. The strategy sets the direction to address a modelled revenue budget shortfall over the medium term whilst managing pressures of service delivery.
- 3.7 The strategy emphasises the importance of a programme of service change, efficiency and improvement to meet the increasing demands on council services, while also considering the long-term financing implications and risks to the authority.
- 3.8 The strategy is underpinned by a delivery plan and performance framework that includes:
- a) An approach to change and improvement that will allow the Council to deliver against its priorities and address the budget shortfalls over the medium term.
 - b) A further strengthening of financial management arrangements including a full refresh and rollout of budget holder training, a formal exercise to assess the Council's arrangements against CIPFA's Financial Management Code, and an independent financial resilience review being undertaken.
 - c) Six monthly update and formal reporting of the MTFP including a more sophisticated approach being taken to modelling of cost in the MTFP to determine areas of growth, demand and inflation.
 - d) A reserves approach that allows for the Council to stabilize and then plan for a disciplined replenishment of reserves where circumstances allow.
- 3.9 A core aspect of the response to the financial challenge is the adoption of a clear set of financial principles that will be used across the medium term. These principles should help protect core funding sources, will allow for effective prioritisation of limited resources, will

help maintain financial stability, will enable prudent management of risk, and will offer flexibility to respond to changes that may happen over the next four years.

- 3.10 These principles, grounded in prudent financial management and professional accountancy expertise and judgement, will guide financial decision making and underpin the approach to Medium Term Financial Planning and budget setting.
- 3.11 The Council's capital and treasury strategies will focus on a financially sustainable core capital program, balancing the need for capital investment with policy commitments and service needs.
- 3.12 The strategy is also complemented by a robust risk management framework that prepares the Council to respond proactively in these challenging times.
- 3.13 The Council will continue to engage purposefully with residents and key stakeholders, ensuring transparency and accountability in financial decision-making.

4. EQUALITY AND FUTURE GENERATIONS EVALUATION (INCLUDES SOCIAL JUSTICE, SAFEGUARDING AND CORPORATE PARENTING):

- 4.1 The financial strategy sets out the strategic approach and framework over the medium term for the Council's finances and in ensuring that they fundamentally support the delivery of the objectives and aims set out in the Community and Corporate Plan, and that was subject to its own integrated impact assessment.
- 4.2 The strategy looks to ensure that Council's finances are put on a secure and sustainable footing and that delivery of the Council's policy objectives are affordable.
- 4.3 The financial strategy encapsulates the sustainable development principles in so far as:
 - It has a medium to long term focus on the Council's financial sustainability.
 - Collaboration and partnership working will be essential in responding to the financial challenges faced.
 - Consultation and engagement with members, residents, business and wider public and third sector partners will be a key aspect to the budget process and in the delivery of the financial strategy.
 - Prevention will be a key and ongoing focus for the financial strategy and the programme of change and improvement that allows the Council to make better use of limited resources over the medium to long term by tackling problems up front.
- 4.4 There are no significant impacts on those with protected characteristics or safeguarding or corporate parenting implications arising directly out of the financial strategy.
- 4.5 Future decisions that impact on the Council's budgetary framework will need to be prudent, sustainable and affordable, and be the subject of their own Integrated Impact Assessments. This equally applies to the Council's budget process and where budget proposals are subject to their own Integrated Impact Assessment, individually and collectively.

5. OPTIONS APPRAISAL

- 5.1 This is the first medium-term financial strategy the Council has developed. The strategy sets out a path and approach for the Council to secure a sustainable financial future. One that allows the Council to deliver its policy aims and objectives as set out in the Community and Corporate plan.
- 5.2 The Council has previously delivered its strategic intent, in so far as the Council's finances is concerned, through various means and that includes:
- Ongoing updates to the MTFP and that in turn have provided the framework to inform the budget setting process.
 - In-year monitoring of the budget, and any resultant budget recovery action that is needed.
 - The accounts closure process
- 5.3 The financial strategy looks to draw together all aspects of the Council's finances and to provide a strategic framework to allow the Council to remain on a secure and sustainable financial footing over the medium term.
- 5.4 The production of the strategy directly responds to a previous review of the Council's financial sustainability by Audit Wales and a recommendation to develop a medium-term financial strategy. CIPFA's Financial Management Code also advises for local authorities to have a medium-term financial strategy in place and more so at this time and given the challenges facing the sector.

6. EVALUATION CRITERIA

- 6.1 The MTFFS will be reviewed on an ongoing basis and any changes will be captured as part of six-monthly updates to the Medium-Term Financial plan. Whilst the context, circumstances and the specific nature of the financial challenges will evolve over the next few years the financial strategy should provide the strategic framework to allow the MTFP to adapt accordingly. The MTFFS will next undergo a full review in 2027-28.
- 6.2 The financial strategy is accompanied by a delivery plan that ensures that the Financial Strategy is put into practice and implemented. The plan will be in place for the duration of the strategy and undergo ongoing review. The plan contains the actions proposed in accordance with the strategy document, aligning with the strategy's key aims and objectives.
- 6.3 The delivery plan and its action list will be updated six-monthly, and incorporated into updates to the MTFP, such as to allow progress of the plan against the strategy's core objectives to be monitored.
- 6.4 A performance framework sits alongside the strategy and delivery plan and that include both qualitative and quantitative performance indicators within which good performance will be assessed.

6.5 The performance framework will fall under the direct responsibility of the Financial Management Board for ongoing monitoring, review and corrective action as needed. The performance indicators will as a minimum be reviewed formally on a six-monthly basis and reported in updates to the Medium-Term Financial Plan.

7. REASONS:

7.1 In so far as the primary aim of the Council's financial strategy is to enable the delivery of the Council's Community and Corporate Plan, more specifically it seeks to ensure that the authority has the financial capacity and capability to achieve its strategic aims. It is about the long-term financial sustainability of the organisation.

7.2 The financial strategy is directly informed by the Community and Corporate Plan but also provides the financial context within which the Council needs to operate. The financial strategy aligns with and informs the Council's capital strategy and treasury strategies, as well as informing the medium-term financial plan and in turn the Council's revenue, capital and school budgets.

7.3 The financial strategy is part of a suite of enabling strategies that will contribute to the delivery of the Community and Corporate Plan. The enabling strategies have complimentary activities and interdependencies. To successfully deliver the financial strategy and the Community and Corporate plan it will require the collective outcomes to be delivered from the procurement, asset management, digital and data strategy, people and customer strategies. Each contributing towards the Council being effective and efficient in its delivery of the aims and outcomes set out in the Community and Corporate Plan, and within the resources available to the Council.

7.4 The strategy builds on good foundations with good and prudent financial management, evolving from the budget framework established last autumn and that guided both in-year budget recovery and the budget process for 2024/25. The strategy looks to strengthen further the arrangements to counter the challenges upon our financial sustainability over the medium term.

8. RESOURCE IMPLICATIONS:

8.1 The future outlook, based on current modelling assumptions, illustrates a base case budget shortfall over the next four years of £34.7m. The regular and ongoing update of the MTFP will look to take account of changes in underlying budget assumptions.

8.2 Whilst subject to change it is clear is that the Council is facing some significant financial challenges over the medium term. The strategy sets out a framework within which those challenges can be addressed. It will require the Council to embark on a programme of change and improvement that allows for the budget shortfalls to be managed and over the medium term.

- 8.3 Low levels of reserves and useable capital receipts provide the Council with little buffer to financial shocks and makes the challenge of smoothing the transition that the Council's finances and operating model need to take greater than otherwise would be the case.
- 8.4 However, the strategy builds on good foundations with good and prudent financial management, evolving from the budget framework established last autumn and that guided both in-year budget recovery and the budget process for 2024/25. The strategy looks to strengthen further the arrangements to counter the challenges upon our financial sustainability over the medium term.
- 8.5 The strategy looks to create a line of separation between the medium-term financial strategy (MTFS) and a medium-term financial plan (MTFP), with the former there to inform the latter. Notwithstanding that the MTFS draws on the most up to date MTFP modelling available.
- 8.6 It provides an overview of the existing financial position and a forecast outlook over the medium term, detailing the cost drivers, risks, and opportunities that may impact the future financial position.
- 8.7 The strategy sets out plans for developing and managing budgets, the core principles that will guide financial decision making, and the governance arrangements that will help ensure that value for money is achieved from every pound that is spent.
- 8.8 The strategy itself does not require at this stage any resource commitments above those already in place. We have choices about the services we deliver and in what way – that is set by the Community and Corporate Plan, as well as by legislation and political direction. However, the Council must operate within its means. Affordability matters as does how resources are allocated and utilised. As not making effective use of the Council's resources carries significant opportunity cost.

9. CONSULTEES:

Cabinet
Strategic Leadership Team
Governance and Audit Committee
Performance and Overview Scrutiny Committee

10. BACKGROUND PAPERS:

Appendix 1 – Medium Term Financial Strategy 2024-29
Appendix 2 – Integrated impact assessment

11. AUTHOR: Peter Davies, Deputy Chief Executive (S151 officer)

12. CONTACT DETAILS:

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