

## **PART B - RESPONDING TO OUR MEDIUM TERM FINANCIAL PLAN**

### **Report of the Council Leader and Cabinet Member for Resources, Commissioning and Governance**

#### **1. SUMMARY / MATTER FOR CONSIDERATION**

- 1.1 Within this report we outline our approach to responding to the opportunities, challenges and uncertainty outlined within the review of the medium-term financial plan. Our focus remains on progressing our collective ambitions for Stockport by delivering impactful and outcomes-focussed transformational change for communities and businesses across Stockport. However, we have long recognised that a resilient budget is key to this by enabling us to face and respond to the unprecedented uncertainty ahead.
- 1.2 This report builds on previous updates to scrutiny and cabinet providing the latest considerations on how we intend to address financial and demand challenges, enable longer term transformation and shared ambitions.

#### **2. CONTEXT**

- 2.1 Throughout 2021 the momentum of collaboration and inspirational response from our local communities continues to shape how we collectively address the challenges and opportunities faced by our communities. Progress in responding to the Covid-19 pandemic, including the fantastic commitment and sacrifices of local people and businesses, has allowed for loved ones to reconnect, businesses to reopen and a cautious step forward into a newly-shaping way of living, working and spending time together. Despite this, we know that it remains a time of struggle and anxiety for many across Stockport's communities.
- 2.2 Our recently agreed partnership Borough Plan<sup>1</sup> emerged from this period of unique change and shared sense of purpose. The Plan sought to build on the momentum of close working and collective ambition to shape an even better borough for all people to live, work and spend time in. The plan reaffirms our collective commitment to working together and a series of shared priorities for the future of Stockport. It frames the Council's response to the MTFP and our commitment to a transformation led strategy which aims to manage service demand, deliver services more efficiently ensuring value for money is achieved and focus on the outcomes for Stockport residents and businesses.

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<sup>1</sup> [www.onestockport.co.uk/the-stockport-borough-plan](http://www.onestockport.co.uk/the-stockport-borough-plan)

- 2.3 However, the landscape ahead for local public services remains complex and uncertain. We continue to respond to the ongoing impacts of the Covid-19 pandemic, implementation of post Brexit agreements and arrangements, a heightened focus and urgency for leaders to address the effects of climate change, changes to health and care arrangements, rapid technological developments and continued exacerbated inequalities. In this context resilient local public services are critical in providing much needed local place leadership as well as support and services for local people.
- 2.4 The longstanding lack of clarity regarding medium term local government financing – including the challenge of adult social care financing which we have highlighted in previous reports – remains a significant challenge in providing resilient public services. The recently launched comprehensive spending review will need to be followed closely over the course of the coming months.
- 2.5 While cautiously welcoming the Government’s first announcement on the reform of social care, it is very disappointing that the announcements to date provide no immediate support to the challenges we face today and in setting a balanced budget for next year and a sustainable MTFP.
- 2.6 Invariably the ‘devil will be in the detail’ with social care financing and we will be following closely further announcements of how the new funding regime will be put into practice. In particular we welcome further detail about how issues of income loss; commitments to social care following NHS funding allocations; how the costs of embedding social care funding policy changes will be recompensed; and how the gap between income raised and anticipated demand will be met. More widely we will be continuing to work closely with leaders across Local Government to continue to lobby for a fair and sustainable funding regime for local public services.
- 2.7 To place this challenge into context within our own budgets. Our assessments of the financial impact of the coronavirus pandemic on the Council, outlined within the latest review of our medium-term financial plan, identifies a budget gap of £34.185m to 2023/24.

*Table.1 - Medium term financial landscape (2022/23 – 2023/24)*

	2022/23 £000	2023/24 £000
Cash Limit and Non-Cash Limit Expenditure Budgets	255,813	257,555
Corporate Contingency - Pay Award, Demand, Price Inflation	14,443	25,351
Covid-19 Financial Scarring Impacts	9,474	9,219
	<b>279,730</b>	<b>292,125</b>
Resources	(256,553)	(257,777)
<b>February Approved Cumulative Savings Requirement</b>	<b>23,177</b>	<b>34,348</b>
MTFP Update Adjustments – Net Favourable Adjustments*	(3,007)	(163)
<b>Revised Cumulative Savings Requirement</b>	<b>20,170</b>	<b>34,185</b>

*\*Assumes approval of the MTFP Update adjustments identified.*

2.8 These budget pressures have been exacerbated and the financial risks the Council faces increased through:

- **Loss of sales, fees and charges** – such as the running of fewer events such as weddings and a loss in parking revenue resulting from the reduced footfall and long periods of closure across the retail and hospitality sectors;
- **Collection fund income losses** – as a result of the reduction of our council tax base;
- **Increased demand and spend in response to Covid-19** including increased costs of service provision across social care and preventative services;
- The **loss of key commercial income and other contributors to our budget** including the Manchester Airport dividend and commercial investment income losses linked to the Investment and Development Account;
- **Workforce shortages** within Council services and that of our partners and supply chain affecting the delivery of services or supplies;
- Expectation that whilst **direct employer cost increase** for the Council arising from the adult social care reforms will be compensated for this may not be the case for our partners and supply chain – placing further pressure on wider service and financial stability;
- **Inflationary pressures** resulting in increased costs across a range of different areas;
- **Expected strategic policy changes** including national waste strategy, white paper on social care and Integrated Care System reforms underway, resulting in anticipated additional cost pressures to embed new policy changes.

2.9 The areas outlined above have an immediate impact on local residents, businesses, colleagues and our partners. Balancing the pandemic response, alongside core service delivery requirements, whilst delivering longer term change - which is vital for our future sustainability - is acutely challenging. In practical terms this challenge is manifesting itself as increasing backlogs in services across all council departments, stress and pressure on colleagues, difficulty in recruiting key skill areas, and reductions in service offers.

2.10 Delivering a resilient budget can only be achieved through difficult decisions, robust prioritisation and ambitious changes in the way we work if we are to continue to meet the needs of local people today and in the future. This includes fundamental questions about what can and should still be delivered by the Council.

2.11 This needs a ‘whole council’ approach to budget management. We need to think and respond differently to; address the significant financial challenges and prepare for the complex challenges faced by the Council but also to seize the unique opportunity to change and keep those things that we have and should do differently to improve outcomes for our borough. The consequences of not achieving this are stark and increasingly visible across the wider local government sector with increased borrowing and further Section 114 notices issued in recent months.

2.12 We are well placed to meet this challenge and can build on the strong experience following a decade of delivering a resilient budget and ambitious change. Working collaboratively with our partners, including our residents will be key to this as we jointly shape new relationships and ways of working.

### 3. OUR STRATEGY FOR THE FUTURE

3.1 We need to look to the future whilst addressing the very real, immediate, challenges facing the Council and our communities. Our One Stockport partnership Borough Plan frames a shared vision and we have been working closely with partners, residents, businesses and colleagues to progress the ambitions outlined within it. This includes developing a new Health and Care plan for the borough; beginning to shape a new local plan for Stockport; assessing our economy to inform a new Economic Plan; and working towards partnership summits on important issues such as climate change and inequalities.

3.2 We have also continued to develop our new narrative for the Council, reflecting the aspirations of One Stockport and responding to the ambitions and expectations of our communities, partners and workforce. We know we need to be radical, brave and ambitious – reimagining what we do, how we do it and being clear on why we are doing it, putting local people and businesses at the heart of our new way of working at all times. The four unifying themes we have previously presented remain important in shaping how we work in the future, designing new ways of working for the modern, person centred and ambitious organisation we strive to be:

We are a council that is **built around our communities**

We are a council that **maximises the opportunities of digital**

We are a council that **values partnerships and collaboration**

We are a council that **cares about our staff and engages them in the future**

Above everything we are **ONE STOCKPORT**

3.3 These themes shape how we will work and are unpinned by our transformation programme. This includes key programmes of change which whilst having been important in our response to the Covid-19 pandemic are also fundamental for the future:

- Our **ambitious regeneration**<sup>2</sup> programme and town centre masterplan is more important than ever as we focus on levelling up, economic recovery, resilience and growth. Exciting developments within Stockport such as a new intergenerational community at St Thomas, our newest park at

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<sup>2</sup> Stockport Change Here <https://www.stockportchangehere.org/>

Interchange Park and the exciting redevelopment of Weir Mill continue to celebrate both our unique heritage but also ambitions for Stockport;

- Our **Stockport Family**<sup>3</sup> approach, SEND transformation and ‘team around the school’ model continues to be accelerated, supporting children, young people and families as we adjust to living with Covid-19. We are also building ever stronger links with our **Adult Social Care operating model**<sup>4</sup>, shaping **all-age approaches** to supporting people and families. Within Adult Social Care the ongoing focus on neighbourhoods, prevention and care provider relationships continues to be key to the ongoing pandemic response and preparation for the winter flu season;
- Progressing our Stockport **Climate Action Now**<sup>5</sup> (CAN) strategy including working towards a CAN summit in November aligned to COP26. The recent appointment of a new Head of Climate Action provides further focus to drive forward this important area of work;
- Our ambition to become a radical **digital borough**<sup>6</sup> has been supercharged through flexible and home working at pace and scale and the expansion of our digital inclusion response. We will continue to build on the excellent work of the DigiKnow through investment into digital inclusion – supporting those who either don’t have the experience, confidence or means to access the benefits of being online. We are also focussing on improving citizen and colleague experience through further use of technology, such as automation, to improve efficiency and quality of services;
- We are continuing to progress our ambitions for **thriving communities**. For example, through neighbourhood working – identifying opportunities to join up public services further to improve the experiences and outcomes of those who need our support. Our close work with Sector3 also continues. Ensuring our Voluntary Community Faith and Social Enterprise (VCFSE) sector is supported to be resilient and well connected through developing new networks, volunteer hub and investing in innovation and great community ideas to deliver Stockport’s priorities;
- Our **One Stockport One Team** programme of workforce transformation will continue to bring about a fundamental, cross organisation change in how

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<sup>3</sup> Children and Families Scrutiny Committee, 18<sup>th</sup> December 2019

<http://democracy.stockport.gov.uk/documents/b82178/Agenda%20Item%204%20-%20Medium%20Term%20Financial%20Planning%20-%20Budget%20Choices%202021%2018th-Dec-2019%2018.00%20Childr.pdf?T=9>

<sup>4</sup> <http://democracy.stockport.gov.uk/documents/s179039/Portfolio%20Performance%20and%20Resources%20-%20ACH%20Draft%20Portfolio%20Agreement%202021.pdf>

<sup>5</sup> Stockport Full Council, 17<sup>th</sup> September 2020 <http://democracy.stockport.gov.uk/mgConvert2PDF.aspx?ID=178598>;  
<http://democracy.stockport.gov.uk/mgConvert2PDF.aspx?ID=178599>

<sup>6</sup> <https://www.digitalstockport.info/>

and where we work. Shaped by our values we have been engaging with colleagues about how people work in the future. This includes building on the flexibility experienced over the past 18 months and embracing hybrid working, further use of digital technologies and a radical rethink of our civic centre estate.

3.4 Achieving the degree of change we need to deliver excellent outcomes for our communities will be reliant upon strong and productive relationships with our partners, as well as the important involvement of all colleagues, as we jointly shape how we work differently to bring about radical change. Whilst we know there are significant challenges ahead, we remain inspired by the amazing ingenuity, kindness and passion seen across all who live and work in Stockport. By harnessing our collective experiences and spirit of collaboration, we can continue to make Stockport even stronger.

#### 4. ENABLING TRANSFORMATION, BUT DELIVERING A RESILIENT BUDGET

4.1 In order to deliver transformative change, we need a robust and resilient budget. As we have already outlined, local government budgets are facing significant pressures. These circumstances require critical review of all our services and bold decisions to ensure we are resilient and able to best meet the needs and aspirations for Stockport.

4.2 In addressing the medium-term budget challenges, we have considered the range of options open to us and our strategy has evolved around the following areas:

- Budget adjustments
- Local taxation considerations
- Use of reserves
- Change proposals

4.3 The breakdown of the different contributions from these areas is outlined below:

*Table.2 – Summary of budget choices*

	2022/23 £000
<b>Transformation and robust corporate governance saving contributions from across the organisation</b>	<b>10,321</b>
<b>Strategic Financial Management</b>	<b>9,849</b>
- MTFP Update - Underpinning Assumptions and Forecasts	
- Covid-19 Financial Scarring Impacts	
- Local Taxation	
- Reserves	
<b>Total</b>	<b>20,170</b>

4.4 An overview of each area is outlined below:

## Strategic Financial Management

### *Budget adjustments and Covid-19 financial scarring impacts*

- 4.5 Whilst the MTFP Update identified areas of the Council's budget where favourable and adverse adjustments could be made, we know that the Council continues to face significant financial challenge over the medium-term period. We note the ongoing uncertainty, volatility and risk of the MTFP forecasts particularly in relation to the continuing response and recovery from the pandemic.
- 4.6 The financial challenge presented by the impact of the pandemic is unprecedented. We previously set aside £29.890m of financial scarring impact monies in the MTFP to mitigate the expected costs over the medium-term period. This was set in the middle of a national lockdown and period of restrictions and at the time it was expected that the financial impact would be long lasting, and a gradual lifting of restrictions would result in a slower recovery and longer lasting financial scarring. Since then, there have been significant developments with the pandemic response, including lifting of national restrictions and the success of the vaccine. However, given the continuing uncertainty about the impact of the pandemic on the national and local economy, we recognise the MTFP update report recommendation to not adjust the scarring impact forecasts at this time.
- 4.7 We expect further change over the coming months and as such will be working closely with the Deputy Chief Executive to fully understand the implications of any further changes to the MTFP forecasts and assumption as Covid-19 scarring impacts throughout 2021/22.

### *Local taxation considerations*

- 4.8 As part of our strategy we will also need to consider the role that local taxation could play in addressing the financial challenge facing the Council. This is never a decision that we would take lightly, and we would weigh up carefully the impacts on local people. Particularly considering the acute challenges faced by many across our communities and the immensely difficult 18 months that many have experienced.
- 4.9 However, the significant financial pressures facing the Council, including those relating to social care, which is by far where most council spend is directed, continue to present a significant risk to the sustainability of our funding. This is particularly in light of increasing demand for support resulting from the pandemic.
- 4.10 Central government has been clear that it expects local government to use local taxation in addressing this challenging area of demand. The Cabinet is concerned by the statement made as to how demographic and cost pressures within Adult Social Care should be funded and would highlight to Government our view that the use of Council Tax and the Adult Social Care Precept as funding sources is not

sustainable. The Cabinet also welcomes the fact that the spending review will be a multi-year settlement and believes it is prudent to await the results of the spending review and whether the review provides additional resources to relieve the pressures we face before finalising the Cabinet's view on the contribution local taxation will need to make to delivering a balanced and sustainable budget and MTFP for 2022/23.

#### *Reserves*

- 4.11 We have, in previous years, acknowledged the important role that reserves play in our financial sustainability strategy – be that providing temporary short-term mitigation or investment in innovation. This continues to be the case as we look to the medium term and we have reviewed carefully the reserve position outlined within the MTFP review report.
- 4.12 We must also recognise the need to balance the use of reserves to support immediate pressures against the longer-term impact this will have on our ambitions and priorities for the borough, as well as the Council's future financial resilience and robustness. A significant use of earmarked reserves to address the financial challenge will impact all of this. For this reason, we are supportive of the recommendation, as set out in the Deputy Chief Executive's MTFP review report, to set aside £20m in reserves to support future demands as well as opportunities for innovation and changes.

#### Change proposals

- 4.13 The table above identifies a contribution in 2022/23 of over £10m in savings from transformation and robust corporate governance from across the organisation. This will be delivered through four programmes of work:
- **Demand Management** - redesigning services and pathways to support people to live independently through a cross organisation focus on prevention which seeks to embed long term reliance and demand into services. This will involve changes to some public facing and enabling service offers. We will need to integrate and share services. Service offers will need to change and be robustly prioritised to ensure those who are most vulnerable within our communities have the support they need.
  - **Value for Money and Commissioning** - thorough review and renegotiation of all contracts. Ensuring value for money and delivery of key outcomes.
  - **Robust Corporate Governance** – We will continue to ensure we are applying robust corporate governance to how we spend public money throughout the organisation. This includes a thorough review of non-staffing spend; ongoing reviews of service structures; service design in line with an affordable resource envelope and fees and charges continuing to be set in line with inflation and existing 'balancing the cost of services' policy.

- **Radically Digital** - Review of process (internal and external) maximising opportunities to automate and remove failure demand by improving citizen experience. This includes increasing access to services online and self-serve so that people can easily access information and support in line with 21<sup>st</sup> century expectations of citizen experience.

This will involve a fundamental change in how council services are accessed and experienced – increased digital self-serve and automating processes as far as possible. This may include automating standard operational decision making where possible and introducing newly designed communication channels to meet the needs and expectations of our citizens. We will continue to ensure that all citizens can access our services through the routes that are best designed to their needs.

4.14 Table 3 below provides a further summary of each of these strands:

Table.3 – Summary of change proposals

Programme	Savings Modelling (£m)			Programme summary
	22/23	23/24	24/25	
Demand management	4,198	2,000	2,000	<p>The Stockport Family Integration and the Adults Operating Model significantly contribute to this programme with proposals around management of care budgets.</p> <ul style="list-style-type: none"> <li>• A review of current practice, policies and procedures to ensure that they enable us to embed our operating model, deliver value for money and discharge our legislative duties.</li> <li>• Reducing inefficiencies, ensuring that individuals are receiving support at the right time based on their level of need.</li> <li>• Reduction of future demand funding for social care services</li> <li>• Review of day care services</li> <li>• All age services</li> </ul>
Value for money and commissioning	2,088	2,100	2,000	<p>Organisationally reviewing all contracts and how we commission with partners, STAR and other authorities. Ensuring value for money, renegotiating all existing contracts and reviewing opportunities for contract amalgamation. Reviewing service level agreements. This proposal includes contracts within Adult Social Care and Public Health, Life Leisure and Totally Local Company.</p>
Robust corporate governance	3,270	1,580	300	<p>Modelling smaller teams / core resources and reduction in staffing. Reviewing and reducing service offer. Reviewing income potential, fees and charges for services and additional revenue generating opportunities, maximising income from our assets.</p>
Radically digital	765	1,250	1,500	<p>Automation and self-service / digital first approach to accessing services and for service provision. Maximising income from previous digital transformation projects.</p>

4.15 An outline business case for each strand is available in Appendices 2 – 5 which provides further detail on our proposals.

Appendix 2 – Demand management

Appendix 3 – Value for money and commissioning

Appendix 4 – Robust corporate governance

Appendix 5 – Radically digital

4.16 This strategy sits within the context of our continued commitment to working across local government, with the Local Government Association and with Greater

Manchester neighbours to call for clarity and a fair and realistic strategy for local government financing. However, the approach we have outlined above will enable us to respond and flex to this ongoing uncertainty. The bold and difficult decisions involved will be vital to giving our local communities and businesses much needed stability in the services and support they need as we all respond to and plan for the future.

## **5. TAKING OUR PLANS FORWARD**

5.1 Over the course of the next few months we will continue to develop our MTFP response in line with the proposals and framework identified above. This will run alongside the ongoing development of our council transformation programme – including our plans for delivering a balanced budget over the medium term and progressing our partnership One Stockport Borough Plan. This will ensure that our MTFP programme complements and enables the wider, longer term aspirations, we, with our partners and communities, collectively hold for Stockport.

### *One Stockport One Team*

5.2 Our workforce is the lifeblood of our organisation. Their passion, resilience and dedication to local people and places is paramount to the delivery of excellent services, high quality support and innovative and future-focussed change and improvement. Shaped around our shared values, our new People Plan outlines how all of our colleagues in Stockport will work together and be supported. The changes outlined within this response can only be achieved by working very differently and invariably this will affect how colleagues work and the size and skill set of our workforce.

5.3 Current modelling indicates that our proposals appended to this report will equate to a reduction in approximately 50 full time equivalent posts (which is inclusive of vacant posts) from across all directorates. We recognise that this inevitably is a period of significant change for all who work for Stockport Council be that directly or indirectly. We will work closely with our partners, colleagues and with trade unions as we continue to shape our plans and will ensure that the right support mechanisms are in place to support colleagues going through change.

5.4 As well as our own workforce there are also proposals which may affect our partners or suppliers as we review contracts and how we approach the delivery of services. We are aware this could affect local suppliers and people employed locally. We remain committed to the shared priorities and values outlined within our One Stockport partnership plan and will be working closely with partners during this period of change to continue to support local employment and strong and productive partnerships.

### *Collaborative change delivery*

5.5 We will also work closely with partners, elected members, our workforce, trade unions and local people. Through our collaborative One Stockport approach and values we have committed to 'Working together openly and honestly'<sup>7</sup> on the decisions that affect them. We will engage and consult with partners, elected members, our workforce, trade unions and local people to understand the potential impact of our proposals and inform our decision-making process. Over the course of 2020 and 2021 we have built upon our existing networks and forums in order to hear the voices and experiences of a range of people across the borough. We will work with these networks to ensure that consultation and engagement is proportionate, delivered in a range of appropriate methods and forums and gives people an opportunity to shape future service delivery.

5.6 The following proposals are likely to require consultation and / or engagement. We will provide further information about how this will be approached, as we present our response to Scrutiny:

5.6.1 Value for Money

- Shared/selling services
- Adult Social Care and Public Health Contract Review

5.6.2 Demand management

- Managing future demand in Adult Social Care
- Existing care management budgets
- Stockport Family and education integration
- All Age approach, including disability services

5.6.3 Radically digital

- Automation and self-service

5.6.4 Robust Corporate Governance

- Vacancy management/ reduction/ change in the way we deliver services
- Review of subscriptions and all spend
- Highways discretionary budget
- Review of parking permit charging
- Service reviews – service reductions and budget alignment

*Scrutinising our plans*

5.7 We remain committed to robust scrutinisation of our response. An overview of our MTFP response along with proposals shared within the appendices will be presented to the next cycle of scrutiny committees (October 2021) for scrutiny comment and oversight.

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<sup>7</sup> One Stockport Borough Plan - <https://www.onestockport.co.uk/the-stockport-borough-plan/>

### *Understanding the impact of our decisions*

- 5.8 Through our One Stockport Borough Plan we have committed to addressing inequality and holding ourselves accountable for everyone feeling included and valued. This commitment is echoed within our Council Plan. To understand the impact of our proposals on our community we will undertake Equality Impact Assessments (EqIAs). These EqIAs will consider the impacts on those with protected characteristics alongside other groups that experience discrimination and will also detail mitigating actions taken to lessen any negative impact upon these groups. EqIAs will accompany developing business cases (where appropriate) and will be updated to reflect any additional insights resulting from consultation and engagement. We will also consider any cumulative impact of multiple proposals against any specific groups.
- 5.9 As part of our commitment to tackling climate change and our journey to being carbon neutral, we will ensure we understand any environmental impacts of our proposals. Environmental Impact Assessments (EIAs) will be completed and will also accompany developing business cases. The EIA will identify and understand any likely environmental impacts and consequences of the proposals across the borough and will suggest how negative impacts may be reversed or mitigated.

### *Decision making*

- 5.10 Subject to comment and any necessary consultation, proposals will accompany the Budget in the new year. We will be carefully following the Government's response to public service funding – including that of adult social care, economic measures and the ongoing pandemic response. These will of course inform our work over the coming months.

## **6. RECOMMENDATIONS**

- 6.1 Cabinet are asked to:
1. Note the approach and endorse the next steps, including agreeing to share with scrutiny, for comment, the proposals which support a resilient and sustainable MTFP; and
  2. Support the ongoing development of our council transformation programme.

## **BACKGROUND PAPERS**

There are none

Anyone wishing to inspect the above background papers or requiring further information should contact Holly Rae on telephone number 07800 617 550 or alternatively email on [holly.rae@stockport.gov.uk](mailto:holly.rae@stockport.gov.uk)

## Appendix.1 – Information to be shared with Scrutiny Committees

Outlined below is a summary of what will be presented to scrutiny committees:

<b>Item/ proposal</b>	<b>Communities and Housing</b>	<b>CRMG</b>	<b>Children and Young People</b>	<b>Adults and Health</b>	<b>Economy and Regeneration</b>
<b>MTFP review (Part A)</b>		X			
<b>Cabinet response (Part B)</b>	X	X	X	X	X
<b>Demand Management</b>			X	X	
<b>Value for Money</b>	X	X	X	X	
<b>Robust Corporate Governance</b>	X	X	X	X	X
<b>Radically Digital</b>	X				