

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

### **Report of the Council Leader and Cabinet Member for Resources and Finance**

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

1.1 Within this report we outline our strategic approach in responding to the review of the medium-term financial plan. Whilst Stockport Borough continues to present opportunities for further enhancing the lives of our residents, we are also in a period of unprecedented uncertainty, linked to volatility in things like energy prices, and additional risk created by national and global issues, which are totally unpredictable. The pressures facing local government are clear for all to see as demonstrated by the recent issuance of a Section 114 notice by Birmingham Council and the reported financial challenges facing Councils up and down the Country. The Part A report outlines the increased financial pressures we are experiencing as a result of this.

1.2 Our ambitious vision and plans for our borough, residents, communities and businesses are clear and set out in the One Stockport Borough Plan and the Council Plan and is a collective focus for the Cabinet. Stockport is rightly being talked about as being at the forefront of so many good things; Town Centre Regeneration through the Mayoral Development Corporation, nationally recognised service provision and the relationship and approach to working with partners on our collective ambitions including our work with the Voluntary, Community, Social Enterprise and Faith sector in Stockport. In this context the Cabinet is clear of the importance of having a resilient and robust budget and Medium Term Financial Plan to ensure that our ambitious plans for the borough are realised.

1.3 This report outlines the budget options being considered by the Cabinet to address financial and demand challenges, enable longer term transformation, and ensure the delivery of shared strategic partnership ambitions. It should also be read in conjunction with our ambitious Borough Plan, Council Plan and the Cabinet's Portfolio Performance and Resource Agreements (PPRAs).

#### **Borough Plan**

1.4 Our One Stockport Borough Plan is a partnership plan that outlines priorities around three core pillars– One Heart, One Home, One Future. We continue to work closely with partners, residents, businesses, and colleagues to progress the ambitions outlined within it. These are underpinned by nine shared priorities and partnership delivery plans to ensure we deliver against these ambitions.

## Council Plan

1.5 The 2023/24 Council Plan sets out the priorities for the next year and the Council's contribution to the borough plan. The plan is developed by Cabinet, supported by officers, and has an overarching priority to deliver efficient and effective services. It also described four "Big Ambitions" and two cross-cutting themes. These outline ambition to deliver a Fair and Inclusive Stockport and take Climate Action.



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## Portfolio Performance and Resource Agreements

1.6 The PPRAs outline each Cabinet member's priorities for the year ahead and map across to the Council Plan and Borough Plan shared outcomes. The agreements set out:

- Portfolio Summary - key responsibilities in relation to services and budgets; relevant legislative and policy drivers.
- Portfolio Delivery Plan and Performance Framework – Cabinet priorities as set out in the Council Plan; projects; performance measures and targets.
- Financial resources available to the Portfolio, including any savings requirements, capital programme and reserves.

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<sup>1</sup> [The Stockport Borough Plan - One Stockport](#)  
[The Stockport Council Plan - Stockport Council](#)

<sup>2</sup> [Climate Change and Environment](#)  
[CCE PPRa 2023-24 v1.1 \(Cabinet\), item 7.](#) PDF 453 KB  
Communities, Culture and Sport  
[CCS PPRa 2023-24 v1.1 \(Cabinet\), item 7.](#) PDF 742 KB  
Children's, Families and Education  
[CFE PPRa 2023-24 v1.0 \(Scrutiny and Cabinet\), item 7.](#) PDF 675 KB  
Economy, Regeneration and Housing

## 2. CONTEXT

*What is driving the increased pressures on our budget*

2.1 Alongside the uncertainty at a national level, the budget pressures have been exacerbated, and the financial risks the Council faces increased, through:

- **Children's and Education services demand** – driven by further increases in Looked After Children placements, cost of external placements linked to the complexity of children's needs and resilience of our families and the cost of increased demand for SEN transport. Also exacerbated by the fall out of the pandemic
- **Adult Social Care demand** – financial risk emerging due to increase in numbers in residential and nursing care mainly associated with hospital discharge, increased waiting lists, demand and acuity of client base and increase in average fees due to wider provider pressures including workforce capacity/Inflation.
- **Increased demand emerging from the Cost of living crisis** including increased costs of service provision across social care and preventative services;
- **Ongoing implications of the Covid-19 pandemic** – including longer term implications for sales, fees and charges and reductions to other commercial income which has not recovered to a pre-pandemic position.
- **Workforce shortages, along with recruitment challenges** within Council services and that of our partners and supply chain affecting the delivery of services or supplies;
- **National Pay Offer** – The employers 2023/24 pay offer will cost the Council circa £6.850m. It is noted that the pay offer has yet to be agreed.
- **Price Inflation** – Inflation rates have continued to rise and surpass historic levels with the Consumer Price Inflation (CPI) measure of inflation currently 6.8% July 2023. Commentators are expecting Inflation forecast to be between 6% and 7% in September. The inflation rates being experienced is having an adverse impact on all goods and services bought by the Council.

2.2 To place this challenge into context within our own budgets, our assessments of the budgetary impact of this uncertainty within the latest review of our medium-term financial plan, identifies a budget gap of £44.059m to 2027/28.

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[ERH PPRA 2023-24 v1.1 \(Cabinet\), item 7.](#)  PDF 858 KB

Finance and Resources

[F&R PPRA 2023-24 v1.0 \(Scrutiny and Cabinet\), item 7.](#)  PDF 628 KB

Health and Adult Social Care

[HASC PPRA 2023-24 v1.0 \(Scrutiny and Cabinet\), item 7.](#)  PDF 729 KB

Parks, Highways and Transport

[PH&TS PPRA 2023-24 v1.1 \(Cabinet\), item 7.](#)  PDF 771 KB

Table.1 - Medium term financial landscape (2023/24 – 2027/28)

	2023/24	2024/25	2025/26	2026/27	2027/28
	£000s	£000s	£000s	£000s	£000s
Cash Limit and Non-Cash Limit Expenditure Budgets	281,814	288,824	290,871	293,549	296,025
Corporate Contingency - Pay Award, Demand, Inflation, Energy	22,397	29,988	39,382	48,973	58,486
Covid-19 Financial Scarring Impacts	8,580	8,445	6,936	6,039	5,035
<b>Expenditure</b>	<b>312,792</b>	<b>327,257</b>	<b>337,189</b>	<b>348,561</b>	<b>359,546</b>
Reserves	(2,724)				
MTFP Adjustments		(750)	985	1,850	2,711
Resources	310,068	315,645	313,372	315,772	318,198
<b>Cumulative Saving Requirement</b>	<b>0</b>	<b>10,861</b>	<b>24,802</b>	<b>34,640</b>	<b>44,059</b>

2.3 The areas outlined above have an immediate impact on residents, businesses, colleagues, and our partners. Achieving a resilient budget whilst delivering our longer-term ambitions is challenging. Delivering a resilient budget can only be achieved through difficult decisions, robust prioritisation, and ambitious changes in the way we work to deliver services if we are to continue to meet the needs of local people today and in the future. The consequences of not achieving this are increasingly visible across the wider local government sector with an increase in Government intervention and councils issuing further Section 114 notices this year.

2.4 We are committed to a ‘whole council’ approach to budget management with all portfolio holders working together to develop a joined-up Cabinet response to the challenges outlined in Part A of this report.

### 3. OUR BUDGET OPTIONS FOR DELIVERING A RESILIENT BUDGET

3.1 The challenging financial circumstances outlined within the MTFP review (Part A) report require careful and bold decisions to ensure we can deliver a resilient budget. In addressing the medium-term budget challenges, we are considering a range of options open to us, and our strategy is evolving around the following areas:

- Budget adjustments
- Use of reserves
- Change proposals

#### Budget Adjustments

3.2 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.

3.3 The financial challenge presented by the ongoing uncertainty, volatility, and risk of the MTFP forecasts is unprecedented particularly in relation to pay and price inflation, increased cost of capital, the current cost of living crisis and the continuing recovery from the pandemic.

3.4 During this year's budget setting process, officers continue to monitor the extent of the financial impact. The level of Covid-19 financial scarring impact, demand, Pay Award, Price Inflation and Energy contingency have all been considered in order to reflect the current expected financial impact over the medium-term. A revised total of £35.035m of financial scarring impact and £199.225m for all other contingency budgets is now set aside in the MTFP to mitigate the expected costs over the medium-term period (2023/24-2027/28). Given the uncertainty these contingency budgets are being held corporately and will be allocated as related costs are incurred.

### Reserves

3.5 We recognise the role that reserves can play in delivering financial sustainability – be that providing temporary short-term mitigation or investment in innovation. We have reviewed the reserve position outlined within the MTFP review report. The use of reserves is always a careful balancing act between supporting immediate pressures and ensuring longer term financial robustness as demonstrated through learning from recent Section 114 announcements at other authorities. We will continue to review this position as central government funding position becomes clearer.

### Change and savings proposals

3.6 Proposals have continued to be shaped around four cross cutting MTFP lens which frame the options adopted by the Cabinet. These are now best regarded as our established ways of working:

### Demand Management

3.7 Demand Management – redesigning services and pathways to support people to live independently through a cross organisational focus which seeks to prevent long term reliance on and demand into services. This will involve changes to some public facing services. In recognition of the increased demand pressures outlined in this report, we have established robust financial recovery programmes – such as within Children and Young Peoples services – to proactively work together with partners to address growing areas of spend and demand more efficiently and cost effectively by working intensively to support our vulnerable families and young people, enabling us to reduce our longer term spend and enable better outcomes for families in Stockport. Our programme of work across Adult Social Care, will also be a key component of this strand and focuses on maximising prevention, independence and community assets. We will maximise the use of Technology Enabled Care to support more people with the community.

3.8 Within demand management, but contributing to other lenses, is our neighbourhood and prevention programme. The programme sets out a partnership approach to neighbourhood working, bringing together work across the three pillars- thriving places, collaborative health and care and connected communities. This means services are delivered in an integrated way, close to communities and making the best use of resources. We will concentrate on responding to the different strengths and needs that exist across the Borough with a relentless focus on prevention. Working in this way will achieve better care and support, better outcomes and better value for money, as well as vibrant places and public spaces.

#### Value for Money and Commissioning

3.9 Value for Money and Commissioning – working with STaR Procurement and suppliers to ensure procurement and commissioning across our IT service is offering effective value for money. Within Children and Young Peoples services we will review accommodation options for care leavers and increase our internal children's homes to reduce the reliance on external placements. The programme of work across Adult Social Care will focus on managing our external care market to manage spend within the sector and ensure packages of care meet the assessed need of individuals.

#### Robust Corporate Governance

3.10 Robust Corporate Governance – Review non-staffing and staffing spend, service structures, service redesign 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. Through this lens we will pursue opportunities to further align and integrate functions with associated bodies and locality public sector partners and develop a corporate core for Stockport. This includes functions such as human resources, policy, service transformation and change, finance, communications, governance and digital alongside a shared use of estates.

#### Radically Digital

3.11 Radically Digital – We will continue to improve the online experience of our residents. This includes reviewing our processes and increasing access to on-line solutions such as digital self-serve and automation options, so that our residents can easily access information and support. We will also continue to review internal processes to maximise automation opportunities.

3.12 Further detail on each of these areas is continuing to be developed and will be shared with Scrutiny Committees for consideration and comment.

3.13 Finally, it is important to note that this strategy sits within the context of our 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 manage this ongoing uncertainty.

#### **4. TAKING OUR PLANS FORWARD**

4.1 Over the course of the next few months, we will continue to develop our MTFP response in line with government announcements and the framework identified above. This will run alongside the ongoing development of our transformation plans and our ambitious Council Plan to ensure that our MTFP programme complements and enables the wider, longer-term aspirations, we, with our partners and communities, collectively hold for Stockport.

4.2 The changes we will need to deliver to respond to the MTFP can only be achieved by working very differently and this will bring adjustments. As proposals are developed we will work to understand both the impact on our workforce as well as how this may affect our partners or suppliers as we review contracts and consider how we approach the delivery of services. 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 alongside strong and productive partnerships.

4.3 We will work closely with our partners, colleagues and 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.

4.4 . 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. We have continued to build upon our existing networks and forums 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.

##### Scrutinising our plans

4.5 We welcome and are committed to robust scrutiny of our response. An overview of our MTFP response, along with proposals, will be presented to the October and January scrutiny committees for examination, comment, and oversight.

##### Understanding the impact of our decisions

4.6 We have committed to addressing inequality and holding ourselves accountable for all our people feeling included and valued. This commitment is set out in our Borough Plan and echoed within our Council Plan. To understand the impact of our proposals on our communities we will undertake Equality Impact Assessments (EqIAs). These EqIAs

will consider the impacts on people who experience discrimination, including those with protected characteristics, and will also detail mitigating actions taken to lessen any negative impact upon these people. EqlAs 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 of people across the Council's services, to understand the aggregate effects of multiple separate initiatives.

4.7 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 accompany developing business cases. The EIAs will identify and understand any environmental impacts and consequences of the proposals across the borough and suggest how negative impacts may be reversed or mitigated. As with EqlAs, EIAs will also consider the cumulative impacts of multiple proposals and initiatives across the Council.

Decision making

4.8 Subject to comment and any necessary consultation, proposals will accompany the Budget at full council in February.

## **5 RECOMMENDATIONS**

5.1 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 MTFP response and transformation programme.

## **BACKGROUND PAPERS**

There are none

Anyone wishing to inspect the above background papers or requiring further information should contact Gill Lawton at [gill.lawton@stockport.gov.uk](mailto:gill.lawton@stockport.gov.uk)