

PART A - RESPONDING TO OUR MEDIUM-TERM FINANCIAL PLAN: CHANGE PROPOSALS

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

1. INTRODUCTION AND PURPOSE

- 1.1. Within this report and appendix, we provide a further update on our strategic approach in responding to the review of the Medium Term Financial Plan (MTFP). This follows on from the report presented at the cabinet meeting on the 19 September 2023¹ and scrutiny committees during October 2023, November 2023 and January 2024. It includes our final change proposals within the appendix following consultation and scrutiny comment ahead of the Budget Council meeting in February.
- 1.2. We recognise that we are responding to the medium term financial challenge in a period of unprecedented uncertainty. Whilst we continue to be committed to developing opportunities for further enhancing the lives of our residents, this uncertainty continues to be an important factor in our budget planning.
- 1.3. This report outlines the budget proposals being considered by the cabinet to address our financial challenges and balance the rising cost of delivering services to the people in our communities who need it most. The report sits alongside a suite of budget papers presented elsewhere on this agenda.

2. CONTEXT

- 2.1. The acute pressure on public services runs beyond local government spending with significant national coverage on pressures across all public services. Across the country councils are facing significant and urgent funding gaps.
- 2.2. We provide over 800 services to support and improve the lives of residents, businesses, and visitors in Stockport. Our annual budget is £310 million. Every year, we must balance our spend with the income we receive.
- 2.3. The cost of delivering our services is increasing, with spiking inflation, higher energy costs, and increases to the National Living Wage. At the same time, there are more people needing to access services for support, particularly in social care and homelessness is rising. This, alongside insufficient funding from central government, makes managing the council's budget in the months and years ahead extremely challenging. We are shaping our budget within an uncertain, unstable, and complex environment.
- 2.4. Resilient local public services are critical in providing much needed local leadership as well as support and services for local people. Now more than ever the council needs a robust and resilient budget, which can only be achieved through difficult

¹ Medium Term Financial Plan Update presented to Cabinet in September 2023:
<https://democracy.stockport.gov.uk/ie/ListDocuments.aspx?CIId=1015&MIId=28964&Ver=4>

decisions, 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.

3. OUR STRATEGY FOR A RESILIENT AND THRIVING COUNCIL

- 3.1. As we focus on the immediate and medium term pressures, we remain committed to delivering efficient and effective services to our residents and communities. This is alongside continuing to work closely with residents, partners, businesses, and colleagues to progress the ambitions outlined within our One Stockport Borough Plan. Accompanying the budget, we will also be sharing our new Council Plan. This outlines the council's priorities and key transformation programmes for the next 3 years.
- 3.2. During November 2023, we welcomed back members of the Local Government Corporate Peer Challenge team for our progress review following our Corporate Peer Challenge in November 2022. The peer team recognised the 'sophistication' of our approach to neighbourhood working. Our ambitious Neighbourhoods and Prevention Programme is enhancing collaborative working between statutory and Voluntary, Community, Faith and social enterprise (VCFSE) sector partners. The programme will support residents and communities to get the help they need at the right time and in the right place.
- 3.3. The peer team praised our strong place leadership role, acting as an enabler of real and ambitious change through close working with local partners to commission and deliver high-performing services that meet the needs of the local people well. Whilst focusing on our wider and long term ambitions remains a core part of our strategy, we need to make difficult but important decisions to balance our budget for the year ahead.

4. BUDGET OPTIONS

- 4.1. The council's 2023/24 gross revenue expenditure budget is £754 million and net revenue budget (expenditure net of service specific grant funding, sales, fees, and charges income etc.) is £310 million. Following the retesting of the underpinning MTFP assumptions and forecasts in September 2023, the council's 2023/24 forecast saving requirement was decreased to £10.861 million (from a £11.611 million forecast saving requirement approved in February 2023). This meant that without the identification of additional resources, a favourable financial settlement from government and/or favourable adjustments to the MTFP assumptions and forecasts, council expenditure needed to reduce by around 3.5% or to a net revenue budget of £299 million in 2024/25 to achieve a balanced budget as required by legislation.
 - 4.2. The adjustment to the forecast savings requirement reflects the adverse national economic position, increasing costs and pressures experienced during the year impacting on the council's budget and MTFP. We recognise that to address this challenge it will require difficult decisions about how we present our proposed 2024/25 Budget and MTFP to ensure it continues to be robust and resilient over the medium term, whilst recognising the significant pressures our residents and businesses are also facing with rising costs.
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4.3. In addressing the medium term budget challenges, we have considered a range of options open to us. Our strategy of response has formed around the following areas:

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

Budget Adjustments

4.4. During the year the MTFP updates have identified areas of the council's budget where adjustments could be made. Following the MTFP update in September, central government announcements in the 2023 Autumn Statement and the Provisional Local Government Finance Settlement, we have worked closely with the Deputy Chief Executive and Section 151 Officer to further test the underpinning MTFP assumptions and forecasts. This also includes considerations relating to emerging pressures which might need to be taken into account within our budget decisions.

Local Taxation Considerations

4.5. As part of our strategy, we have previously acknowledged that we need to consider what role local taxation could play in addressing the financial challenge facing the council.

4.6. What has become increasingly clear is that the policy of central government continues to shift the burden of meeting the rising costs on local government to local taxpayers. Central government funding expects that local taxation will be included in the financial planning of local government, and the grants given to local government assume that we will levy the full Council Tax without a referendum. An example of this is within adult social care grant funding. We have an adult social precept which funds increasing pressures on delivering services in that area. The grant we will receive from central government has already been reduced to reflect the precept being levied.

4.7. Decisions relating to local taxation are not something that we take lightly however the central government decision has placed local authorities in a position where the use of local taxation to fund local services is unavoidable. The increasing pressures, uncertainty and volatility currently faced are unprecedented, and we continue to weigh up carefully the impacts on local people. Our view remains that this use of the regressive Council Tax regime is unfair and not sustainable for local government or our residents, particularly in the current climate. Unfortunately, we have no other alternative available but to consider an increase in local taxation to bridge the current estimated savings requirement.

Use of Reserves

4.8. Reserves can play an important role in delivering financial sustainability, be that providing temporary short term mitigation, investment in innovation, or supporting our significant regeneration projects. The use of reserves is always a careful balancing act between supporting immediate pressures and ensuring longer term financial sustainability, however we cannot produce a sustainable budget through filling revenue gaps with reserves.

4.9. We are acutely aware of learning from the Section 114 announcements at other authorities, highlighting the precarious position that an overreliance on reserves could place us in. We will continue to review this position alongside our review of the finance settlement and the production of the 2024/25 Reserves Policy.

5. CHANGE PROPOSALS

5.1. Our change proposals contribute £5.362 million of budget reductions to support the balancing of the council's 2024/25 budget. These proposals are an important part of ensuring we have a sustainable and resilient budget.

5.2. Since our updates to scrutiny in October and November 2023 and January 2024, we have finalised our change proposals responding to feedback we have received. Our proposals are appended to this report, appendix 2 through to 6.

6. UNDERSTANDING THE IMPACT OF OUR PROPOSALS

One Stockport One Team

6.1. The workforce's dedication, resilience, and commitment to local communities are essential in providing outstanding services, delivering high-quality support, and leading innovative, future-focused change and improvement. The invaluable insights gathered from our recent all-colleague survey shape the ongoing development of our People Plan. This plan sets out how we will continue to build a place where staff can grow and thrive in a positive workplace environment that remains responsive and dynamic, firmly focussed on employee wellbeing.

6.2. Our People Plan is our workforce strategy outlining our approach to recruitment and retention, the experience of colleagues and our ambition to be an inclusive employer that lives our values.

6.3. The current employment market is increasingly challenging, particularly in social care in both adults and childrens services (which includes occupational therapists in adult's), with staff shortages in key areas and higher rates of pay in the agency market. In local government, 94% of local authorities are experiencing recruitment and retention difficulties and 89% are concerned about the pipeline of staff for senior roles.

6.4. In this context we are moving to a more proactive workforce plan around recruitment and retention, prioritising social care in the first instance. To create a more sustainable model and address current pressures impacting both performance and finances, we will progress changes to pay and grading in line with market data and other Greater Manchester authorities. Doing this will retain our most experienced and talented workforce. We will also focus on converting agency contracts into permanent to reduce agency costs.

6.5. As proposals continue to develop, 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 how we approach the delivery of services. We remain committed to the shared priorities and values outlined within our One Stockport Partnership Borough Plan and will be working closely with partners during this period of change.

6.6. 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.

Scrutiny of Our Change Response and Change Proposals

6.7. We welcome and are committed to robust scrutiny of our response. An overview of our MTFP response, along with proposals, has been presented to scrutiny committees in October 2023, November 2023 and January 2024 for examination, comment, and oversight. October and November minutes can be found in the links below². At the time of publishing this report, the minutes from January committees are not yet published, therefore a summary of comments from these committees are appended to this report, appendix 8.

Consultation and Engagement Feedback

6.8. We have carried out engagement and consultation on all proposals and budget papers. This engagement has taken form in a number of ways including scrutiny committee engagement, awareness raising of proposals with colleagues and relevant partners and we carried out an overall budget public consultation between 15 November and 13 December 2023. This was an online consultation with paper versions available across libraries. We also did a targeted libraries engagement exercise around the proposals for libraries opening hours changes. We targeted all libraries users in this engagement. The full report our overall budget consultation can be found in appendix 1. Employee engagement for those potentially affected by the proposed changes was also completed as part of an internal process.

Equality Impact Considerations

6.9. We have committed to addressing inequality and holding ourselves accountable for all our residents feeling included and valued. This commitment is set out in our Borough Plan and reiterated within our Council Plan. To understand the impact of proposals on people who are socially and economically disadvantaged, Equality Impact Assessments (EqlAs) have been undertaken for each series of proposals. Wherever possible, we have proposed measures to mitigate against any negative impacts of proposals. Detailed assessments are appended to this report, appendix 7.

Environmental Impact Considerations

6.10. 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

² *Communities and Transport Scrutiny Committee*
<https://democracy.stockport.gov.uk/ieListMeetings.aspx?CI=1008&Year=0>
Corporate, Resource Management and Governance Scrutiny Committee
<https://democracy.stockport.gov.uk/ieListMeetings.aspx?CI=144&Year=0>
Children and Families Scrutiny Committee
<https://democracy.stockport.gov.uk/ieListMeetings.aspx?CI=1009&Year=0>
Economy, Regeneration and Climate Change
<https://democracy.stockport.gov.uk/ieListMeetings.aspx?CI=1010&Year=0>
Adult Social Care and Health
<https://democracy.stockport.gov.uk/ieListMeetings.aspx?CI=1004&Year=0>

proposals. Environmental Impact Assessments (EIAs) have been completed and are included in the change proposals appended to this report. The EIAs seek to 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.

7. TAKING OUR PLANS FORWARD

7.1. The final change proposals are set out in appendix 2 through to appendix 6.

7.2. The council's 2024/25 saving requirement of £10.861 million was approved by cabinet in September. Since then further retesting of the underpinning MTFP forecasts and assumptions has been completed taking account of government announcements and local updates. Following the announcement of the Provisional Local Government Finance Settlement on 18 December 2023 the council's 2024/25 forecast saving requirement is £5.655 million. This is net of the £5.362 million change proposals set out in this report. Further detail on the changes to the MTFP forecasts and assumptions post settlement, and recommendations for balancing the council's 2024/25 Budget are set out in the MTFP Update report and proposed 2024/25 Cabinet Revenue Budget report presented elsewhere on this agenda. The saving requirement will not be finalised until the Local Government Finance Settlement is confirmed by Government expected at the end of January/early February 2024.

7.3. As we look ahead to the medium term financial challenge, we will continue to develop our MTFP response. We will continue to shape this response to support the ambitions and priorities set out in the Borough Plan and the Council Plan whilst recognising the need to deliver a robust and resilient budget to respond to the uncertainty, complexity, and volatility of the financial landscape. In doing this we will work alongside officers to understand the government's response to the many challenges local government and the wider public sector face. This will inform our work over the medium term.

8. RECOMMENDATIONS

Cabinet is recommended to:

1. Note the further development of proposals and the feedback received from the engagement and consultation to date.
2. Approve the proposals for inclusion within the budget papers for Budget Council.

Appendix Documents

Appendix 1 - Let's Talk Budget 2024-2025 consultation report

Appendix 2 - Communities & Transport Scrutiny Committee final proposals

Appendix 3 - Corporate, Resource Management & Governance Scrutiny Committee final proposals

Appendix 4 - Children & Families Scrutiny Committee final proposals

Appendix 5 - Economy, Regeneration & Climate Change Scrutiny Committee final proposals

Appendix 6 - Adult Social Care and Health final proposals

Appendix 7 – All EqlAs

Appendix 8 – January scrutiny minutes 2024

If you would like to discuss the report contact Gill Lawton on 0161 474 3014 or by email at gill.lawton@stockport.gov.uk
