

Report to Cabinet

15 November 2023

Subject:	Medium-Term Financial Strategy – Autumn 2023 Update
Cabinet Member:	Cabinet Member for Finance & Resources Cllr Bob Piper
Director:	Interim Director of Finance & Section 151 Officer Brendan Arnold
Key Decision:	Yes
Contact Officer:	Interim Assistant Director – Finance, Claire Spencer Claire_spencer@sandwell.gov.uk Strategic Lead – Service Improvement, Kate Ashley, kate1_ashley@sandwell.gov.uk

1. Recommendations

- 1.1 That approval be given to the Medium-Term Financial Strategy and embedded Medium-Term Financial Plan as an estimate of the Council's current financial position as at October 2023 noting that the figures will change as further updating takes place.
- 1.2 That the Director of Finance be authorised to commence a period of consultation regarding the savings opportunities referred to in Annex 6.
- 1.3 That the Guiding Principles be approved as a framework for financial planning for the period of the Medium-Term Financial Strategy.
- 1.4 That the Capital Planning Principles be approved to guide the preparation of the Capital Programme in the years ahead.









- 1.5 That the planned development of the Transformation Programme to date and through 2024/25 be noted and approval be given to endorse the extension of the transformational approach to other services of the Council.
- 1.6 That the Budget Timetable be noted.
- 1.7 That approval be given to submit to the Department for Levelling Up and Homes and Communities a proposal for the flexible use of capital receipts in financial year 2023/24 to support transformation and to delegate the approval of this proposal to the Portfolio Holder for Finance and Interim Director of Finance together with the Assistant Chief Executive and the Monitoring Officer.
- 1.8 That the Council be recommended to approve the Autumn 2023 update of the Medium-Term Financial Strategy at its next meeting.

2. Reasons for Recommendations

- 2.1 The Local Government Finance Act 1992 requires the Council to set a balanced, risk assessed budget each year and approve a Council Tax precept by 11 March.
- 2.2 The Council has a duty to consult with those who are liable to pay council tax or non-domestic rates, as well as those who use or are likely to use services provided by the authority. A public engagement exercise on the Council's budget was conducted in Summer 2023 seeking residents' views on how the Council should reduce spend in order to deliver a balanced budget. In order to set a balanced budget for 2024/25, the Council has developed a long list of savings options which, if adopted for 2024/25, will impact residents and businesses in the Borough.
- 2.3 This report presents the current position of the medium-term financial strategy and seeks approval to commence consultation on a range of potential savings options to support the Council in setting a balanced budget in February 2024.



3. How does this deliver objectives of the Corporate Plan?

     	<p>Under the One Council, One Team strategic outcome, the Council's aim is to make the most of our resources. The Council has stated that we will:</p> <ul style="list-style-type: none">a) update the Medium-Term Financial Strategy at least annually;b) set a sustainable and balanced budget each year; andc) ensure that the Medium-Term Financial Strategy is underpinned by a realistic savings plan. <p>This report sets out an updated Medium-Term Financial Strategy as at Autumn 2023 and details proposed actions required to work towards a sustainable and balanced budget in 2024/25.</p>
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4. Key Points of Briefing

Medium-Term Financial Strategy – Update Autumn 2023

- 4.1 The MTFs and accompanying Medium Term Finance Plan (MTFP) - following a detailed and extensive review - suggests that there is an estimated Budget shortfall of £13m in 2024/25 at the date of this report. This figure has changed in the course of financial year 2023/24, reflecting the expected refinement and testing of initial planning assumptions. Accordingly, the fact that the figures have changed is not a surprise given (a) the financial position of the Local Government sector in general and (b) given that the financial estimates inevitably change as fresh information becomes available and is taken into the budget forecasts.
- 4.2 The reasons for the increases in forecast net expenditure are shown in Annex 9 of the MTFs and include the net effect of:
- a. Additional savings identified.



- b. Downward adjustment of anticipated savings following a review of the underlying assumptions.
 - c. The challenging and adjustment of cost pressures previously admitted to the MTFP.
- 4.3 From the analysis presented it is clear that the Council must select savings amounting to £13m to balance the 2024/25 Budget and that the overwhelming proportion of these must be recurring in nature to remove the relevant costs in years following and to prevent the avoidable growth of future budget shortfalls.
- 4.4 In any local authority the overall suite of savings selected to ensure that the MTFP is balanced in the medium term will reflect a blend of (a) savings gathered from efficiencies and adoption of best practice (b) the adjustment of service levels (sometimes suspension or cessation of previous service levels) and (c) transformational savings. The Council will need to explore all of these dimensions as it considers the means of setting a balanced Budget for 2024/25.
- 4.5 As part of this process the Council is keen to further develop a *transformational* approach to delivering savings and has already taken steps in this direction. To this end a transformation programme to implement *Oracle Fusion* - a corporate Enterprise Resource Planning (ERP) system - is already underway and set to go live in April and July 2024. In addition, a Transformation Strategy has been prepared, and a Corporate Transformation Board has been established to guide and control the use of transformational approaches in the years ahead. These materials are attached to the MTFS at Annex 11. It should be clear that the benefits of the transformational endeavours described are to develop better value for service users and to enhance the customer journey.
- 4.6 As part of these ambitions the Council acknowledges the need to organise many of its activities along more commercial lines including adopting the Corporate Landlord Model (itself a transformational programme) for management of its property estate. As part of this emergent Property Transformation programme the Council acknowledges a need to further develop its proposals for significant asset disposals and to bring these to



decision at pace. Equipping these approaches with policies around flexible working, team building and to develop a One Team approach to service delivery are already underway and will be further developed.

- 4.7 Additional opportunities in the application of transformational approaches exist with regard to the delivery of transactional services generally; significant work has been undertaken to inform development of a clear business case in this area during 2024/25 and 2025/26. Further transformational approaches are expected in the operation of the Housing Revenue Account to assure its future financial sustainability. In addition to significant programmes that are service focussed, a range of other projects has been assembled that have transformational characteristics.
- 4.8 The Council has commenced a resident engagement exercise through the summer of 2023 and this - together with the Consultation and Engagement Plan (See Annexes 4 & 5 to the MTFS) - forms the Council's proposed approach to meeting its responsibilities in this area as part of setting the Budget for 2024/25. Accordingly, the MTFS includes proposals to launch the Consultation and Engagement Plan for savings amounting to £18m in response to the gross budget shortfall of £13m currently identified. The savings for which Cabinet is asked to launch consultation are included at Annex 6 to the MTFS.
- 4.9 A Budget Timetable for the 2024/25 Budget process is also presented and appears at Annex 3. In line with the highest standards of transparent governance this timetable includes opportunity for specific challenge and review by the Council's Overview & Scrutiny Boards.
- 4.10 The MTFS (and MTFP) will be further updated for the meetings of the Executive, Budget Scrutiny and Full Council in January and February 2024 based on receipt of the Provisional Finance Settlement from Government which is expected in late December 2023 and other adjustments to assumptions.



Savings Options

- 4.11 Over summer 2023, Cabinet and Leadership Team undertook a 'Star Chamber' exercise for the second year running to challenge existing budgets and identify savings options. The Council has also continued to make use of benchmarking costs against our nearest neighbours.
- 4.12 This exercise has resulted in a basket of savings options being put forward to Cabinet for approval to consult on further, prior to making formal decisions to adopt in February 2024. These initial savings options amounting to £18m in 2024/25 are attached at Annex 6 of the MTFS.

Consultation Approach

- 4.13 The Council's proposed approach to consultation is set out in paragraph 49 and Annex 5 in the attached report.
- 4.14 Equality Impact Assessments will be conducted for all savings options, with outcomes also being built into the decision-making process.

Scrutiny of Budget

- 4.15 Effective scrutiny of the Council's financial position and strategy is integral to the Council's ability to deliver a sustainable MTFS that is aligned to its strategic priorities. Scrutiny Boards will be engaged throughout the 2024/25 budget setting process and have ample opportunity to review and challenge the Council's MTFS and proposed savings to achieve a balanced budget. This will take place between November 2023 and January 2024 in advance of the Cabinet meeting in February 2024.



Next steps

4.16 The assumptions and estimates currently being used in the draft budget will be constantly monitored and the funding position will be revised, if needed, once the Local Government Finance Settlement has been announced. Separate reporting arrangements are in place with regard to the general Fund Capital Programme and also the Housing Revenue Account and Capital programme.

5. Alternative Options

5.1 The Council is legally required to set a balanced budget during March 2024. There are no alternative options.

6. Implications

Resources:	This report sets out the Autumn 2023 update of the Council's Medium Term Financial Strategy.
Legal and Governance:	<p>This report forms a preparatory part of the process under the Council's obligation to set a balanced budget for 2024/25.</p> <p>As identified within the report, various options require consultation with the public and/ or recognised trade unions and authority is sought through this report to commence relevant consultation exercises. Such consultation must take place in the formative stages of decision-making, as is proposed in this report.</p> <p>In turn and under the provisions of the Local Government Finance Act 1992, the Council must consult with persons or persons representative of bodies subject to non-domestic rates each financial year and before the rates become due for payment. Any consultation activity must engage those directly affected by any proposed decision by providing sufficient information to allow for intelligent response and with adequate time to do so.</p>



	<p>The Local Government Act 1999 requires that the Council must consult with representatives of persons:</p> <ul style="list-style-type: none"> • liable to pay council tax, precepts or levies in respect of the authority; • liable to pay non-domestic rates in the authority area; • use or likely to use services provided by the authority; and • who have an interest in the area within which the authority carries out its functions. <p>The consultation outcomes must then be conscientiously considered by decision-makers. The process set out in this report provides clear and structured arrangements for consultation to take place in advance of 2024/25 and will allow for decisions to be made after the budget is set taking account of individual consultation outcomes. It must in turn be open to Cabinet not to proceed with an individual savings option as proposed in this report following consultation but, if so, compensatory savings will need to be made to balance the Council's budget.</p>
Risk:	<p>The Medium-Term Financial Plan and Resource Allocation is identified as a risk on the Strategic Risk Register (SRR 27) in that if the council is unable to identify sufficient savings and put in place necessary policies, processes and actions to manage pressures, inflation and manage its plans, then this will impact on the council's financial resilience and its ability to effectively discharge its statutory responsibilities including the setting of a balanced budget for future years.</p>
Equality:	<p>The Equality Act 2010 obliges the Council to have due regard to its equality duties in the budget setting process. To achieve this, Equality Impact Assessments (EIAs) will be conducted on all savings options where required ahead of the final options being put forward to Cabinet for approval.</p>



Health and Wellbeing:	The Medium-Term Financial Strategy and draft Budget for 2024/25 sets out how the council will allocate its resources to deliver its statutory functions and the priorities within the Corporate Plan. These priorities focus on improving the health and wellbeing of our residents and tackling health inequalities in a multi-faceted way.
Social Value:	No specific implications arising from this report.
Climate Change:	Certain budget options may have beneficial environmental and climate change impacts.
Corporate Parenting:	No specific implications arising from this report.

7. Appendices

1: The Medium Term Financial Strategy

8. Background Papers

None

