

Thursday, 27 June 2024

Report of the Leader of the Council**Financial Stability Plan and Productivity Plan****Exempt Information**

None.

Purpose

The purpose of this report is to provide Cabinet with information and a timetable for the Financial Stability Plan and Productivity Plan. This report has been considered by Corporate Scrutiny on 25th June 2024.

Recommendations

It is recommended that Cabinet approve:

1. The approach and timetable detailed in the Financial Stability Plan.
2. The budget and medium-term financial planning process.
3. The Productivity Plan prior to submission and full publication to the Department for Levelling Up, Housing and Communities (DLUHC).
4. The delegation for finalisation and sign off of the Productivity Plan to the Leader and Chief Executive.

Executive Summary

The Budget and Medium-Term Financial Strategy report considered by Council on 27 February approved a 2024/25 budget which required the use of £1.1m of general fund reserves to balance the budget. By 2027/28 the budget deficit is expected to increase to £4.8m, at which point there will be insufficient general fund reserves to enable a balanced budget to be set. The budget report recommended that a sustainability strategy should be developed in order to avoid significant financial cuts in future years. This Strategy will form part of a larger organisational improvement plan for the Council and will be called the **Financial Stability Plan**. This Plan forms the basis of the budget process for 2025/26 and further supports the planning process for medium term budget setting process also included within this report.

The Council is required as part of the 2024/25 Local Government Finance Settlement to produce a **Productivity Plan**. All local authorities have to prepare and publish this Plan by 19 July 2024. This Plan provides a summary of Council activities to improve and monitor productivity as well as any barriers from Central Government that could be removed to improve the Council's efficiency and effectiveness. This Plan (attached at Appendix 1) fulfils the DLUHC requirements. Further this Plan details how the Council will transform services to make better use of resources, identify ways to reduce wasteful spending within systems and provides opportunities as to how the Council can take advantage of technological advances.

Financial Stability Plan

The General Fund budget position approved by Cabinet on 27 February 2024 is summarised in Table 1.

Table 1 – Five year Budget Forecast (assuming Yearly 2.95% Increases in Council Tax)

	2024/25	2025/26	2026/27	2027/28	2028/29
	£'000	£'000	£'000	£'000	£'000
Net Cost of Services	8,183	11,605	12,795	13,144	13,605
Financing:					
RSG	(322)	(328)	(335)	(342)	(349)
Collection Fund (Surplus) / deficit Council Tax	(27)	(27)	(27)	(27)	(27)
Collection Fund (Surplus) / deficit Business Rates	1,152	-	-	-	-
Business Rates Tariff	11,173	12,361	13,139	13,401	13,669
Business Rates net income	(14,265)	(15,407)	(15,715)	(16,030)	(16,350)
Council Tax	(4,759)	(4,941)	(5,130)	(5,326)	(5,528)
Gross Financing	(7,048)	(8,343)	(8,069)	(8,323)	(8,585)
(Surplus) / Deficit	1,135	3,262	4,726	4,822	5,020
Balances Remaining (-) / Overdrawn	(9,185)	(5,923)	(1,197)	3,625	8,645

The starting budget position for the 2025/26 budget is a deficit of £3.262m. This increases to over £5m by 2028/29, by which time there would be insufficient General Fund Balances to cover the deficit. Clearly this is unsustainable and the Medium-Term Financial Strategy approved by Council in February recognised the need for a Sustainability Strategy to be developed in order to make savings in a timely manner to avoid significant financial cuts in future years. This will be called the Financial Stability Plan.

There remains a significant amount of uncertainty around Local Government funding in the medium term. This will be impacted by the outcome of the General Election. The manifestos of the major parties would indicate that there will be little additional funding for local government.

There will be an opportunity for an incoming government to provide a multi-year funding settlement which would provide certainty moving forward. However, this remains unlikely for the first year of a new Government given the limited time for long term planning before the local government funding settlement is published.

There remains ongoing uncertainty around the fair funding review and business rates reset which it makes it difficult to plan in the longer term. There is also speculation around a revaluation of properties for Council Tax.

The figures in Table 1 indicate that General Fund balances would be insufficient to fund the deficit position from 2027/28. It is therefore the objective of the Financial Stability Plan to reduce the requirement for the use of General Fund Balances in a measured way between 2025/26 and 2027/28 to enable the budget to be brought back into balance without the use of reserves by this point.

The key areas, timings and target savings are identified below:

Budget Manager Review

Timing - July to September 24

Target Savings £500k in 2025/26

As part of the budget process, Budget Managers will be requested to identify 5% to 10% savings within their budget for consideration at by the Executive Leadership Team (ELT). This will include looking at areas of persistent underspends and opportunities for making additional income

A review of HRA recharges will also commence in 2024/25.

Zero Based Budgeting – 2 budget areas per year.

Timing - July to September 24

Target 10% of budget

Identification of 2 budget areas per year to be identified by ELT as the most likely areas for potential savings.

Spend to Save

Timing - 2026/27 – 2027/28.

Target savings £500k

Opportunities for spend to save projects will be identified through the budget process. The Transformation Reserve contains in the region of £1m that could be utilised to fund spend to save projects. It is likely that this will be predominantly ICT based.

Opportunities for Service Transformation 2026/27 / 2027/28 – Target £1m in each of 2026/27 and 2027/28.

With a new administration in place, the forthcoming peer review and new Corporate Plan, the Council has an opportunity for major organisational change. This will include:

- Review of services statutory/non statutory whilst maintaining focus on our customers
- Making non statutory services as self-sufficient as possible
- Identifying opportunities for service transformation through peer challenge
- Identifying opportunities for more commercialisation
- Exploration of alternative delivery models
- Making better use of digitalisation to streamline services and free up resources to invest in front facing office customer service.

Future year savings targets will need to be kept under review as more detailed information comes out relating to future funding plans for local government.

Timetable

Significant milestones in the budget process are subject to review but currently planned as:

- a) Budget Consultation Members Seminar – by 30th September.
- b) Emerging Policy Changes / Capital Programme bids Members Seminar by 31st October.
- c) Consultation process - results to Cabinet by 21st November.
- d) Base budget and technical adjustments to Cabinet 21st November.
- e) Cabinet to consider Council Taxbase calculation on 12th December and Business Rates Forecast on 23rd January 2025.
- f) Cabinet proposals to a Leaders Budget Workshop 20th November.
- g) Provisional RSG settlement assessment to Corporate Management Team and EMT in December.
- h) Joint Scrutiny Committee (Budget) to be held on 28th January 2025
- i) Final Budget and Medium Term Plan reports to Cabinet 13th February 2025.
- j) Budgets set at Council 25th February 2025.

A more detailed budget timetable will be presented to Cabinet in August.

Productivity Plan

On 24 January 2024, the Department for Levelling Up, Housing and Communities (DLUHC) published details of additional funding which councils could expect in the final Local Government Finance Settlement. As part of this announcement, the Government asked all local authorities to publish a productivity plan before summer recess setting out how they will 'improve service performance and reduce wasteful expenditure'.

The council received a letter from the Minister for Local Government dated 16 April 2024 (Appendix 1), setting out the beginning of that process and a deadline for a plan to be submitted, albeit without any guidance over what the plan should look like or how it should be structured, by 19 July 2024. The letter considers the following four key questions:

- 1 How you have transformed the way you design and deliver services to make better use of resources.
- 2 How you plan to take advantage of technology and make better use of data to improve decision making, service design and use of resources.
- 3 Your plans to reduce wasteful spend within your organisation and systems.
- 4 The barriers preventing progress that the Government can help to reduce or remove.

As a response to the letter a Productivity Plan has been drafted and is attached at Appendix 2.

Options Considered

This report contains the process for considering the 2025/26 budget. Options for spend and Council Tax options will be considered as part of the budget process.

There is no option for the Council not to produce and publish a Productivity Plan.

Resource Implications

As set out in the report.

Legal/Risk Implications Background

The Council is required to set a balanced budget each year under Section 31A of the Local Government and Finance Act 1992 which includes having regard to the level of

reserves needed for meeting estimated future expenditure when calculating the Council Tax requirement.

There is a risk that the Council will not be able to balance its budget if insufficient savings are identified as part of the financial improvement plan.

A non-publication of the documents mentioned within this report could lead to reputational damage for the Council.

Equalities Implications

The equalities impact will be considered as part of the evaluation of policy changes and the Financial Stability Plan.

Environment and Sustainability Implications (including climate change)

The environmental and sustainability implications will be considered as part of the evaluation of policy changes and the Financial Stability Plan.

Background Information

[Corporate Vision, Priorities Plan, Budget and Medium Term Financial Strategy 2024/25](#)

Report Author

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List of Background Papers

MTFS report attached in Budget Information.

Appendices

Appendix 1 – Letter from the Minister for Local Government

Appendix 2 – Tamworth Borough Council Productivity Plan

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