



Corporate Policy &
Resources Committee

Thursday, 14 November
2024

Subject: Working Group: Savings, Efficiencies and Income Generation

Report by:

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Purpose / Summary:

To set out proposals and Terms of Reference for the introduction of a Joint Member and Officer Financial Sustainability Working Group.

RECOMMENDATION(S):

1. Corporate Policy and Resources Committee establish a Financial Sustainability Working Group (to be known as the Savings Board)
2. To approve the Terms of Reference provided at Appendix 1.

IMPLICATIONS

Legal: It is a legal requirement for a council to set an annual budget and for that budget to be 'balanced' or fully funded. This is set out in the Local Government Finance Act 1992.

Financial: The purpose of this report is to set out the composition and Terms of Reference for a new Member Working Group to support Officers working collaboratively to identifying areas for new income generation and further cashable efficiency savings.

The latest estimations of the Medium-Term Financial Funding Gap are set out in the table below as reported to Corporate Policy and Resources Committee in September 2024.

Closing Balance as per 2025/2026 MTFP – CT 2.00%	588,000	1,574,500	1,637,000	1,150,400
Council Tax 2.99%	(79,000)	(79,000)	(79,000)	(79,000)
)			
Closing Balance as per 2025/2026 MTFP CT 2.99%	509,000	1,495,500	1,558,000	1,071,400

The next substantive review of the Medium-Term Financial Position will take place after the 30 October Autumn Statement announcement where it is anticipated that further detail will be provided on forecast future Central Government Departmental Spending limits, the future of UK Shared Prosperity Funding and high-level commitments to Business Rates resets and fairer funding settlements.

The Council is then expecting a written ministerial policy statement in November which will give some further certainty for 2025-26 funding and a draft financial settlement just before Christmas.

The purpose of this working group is to work through early solutions to deliver financial sustainability and a balanced budget.

Staffing: None arising directly from the report.
Documents, papers and resource support will be provided by the Finance Team within existing resources. The preferable route for the recording of papers and action points is Modern.Gov.

Equality and Diversity including Human Rights: None arising directly from this report.

Data Protection Implications: None arising directly from this report.

Climate Related Risks and Opportunities: None arising directly from this report.

Section 17 Crime and Disorder Considerations: None arising directly from this report.

Health Implications: None arising directly from this report.

Title and Location of any Background Papers used in the preparation of this report:

Risk Assessment:

The Strategic Risk Register details the following risk:

Inability to set a sustainable balanced budget for 2025-26.

The Financial Implications above detail the current estimated budget gap at the 27 September 2024 over the medium-term. A change in Government in July and the identification of unfunded future spending commitments has led to uncertainty over future funding settlements with an ongoing communication of ongoing future funding challenges. Local Government is an unprotected Central Government department which means that future funding levels are not guaranteed or protected unlike Defence, the NHS, Schools and Early Years.

Review of the Medium-Term Financial Plan has demonstrated that further uncertainty and a larger budget gap needs to be reduced for the period 2026-27 and 2027-28. The Strategic Risk register will be updated following the Autumn Statement in October 2024.

Call in and Urgency:

Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?

i.e. is the report exempt from being called in due to urgency (in consultation with C&I chairman)

Yes

No

Key Decision:

A matter which affects two or more wards, or has significant financial implications

Yes

No

Background

At the September meeting of the Corporate Policy and Resources Committee Members requested that proposals and Terms of Reference for a Financial Sustainability Working Group were brought forward to the next Committee meeting on Thursday 17th October 2024. It was subsequently agreed with the Chair of Committee that this would be presented to committee on Thursday 14th November 2024.

This report contains the proposals for the Working Group and the policy committee is asked to agree both the proposals in the report and the appended Terms of Reference.

1.0 Introduction

- 1.1 The annual budget process is a significant and complex exercise which culminates in the statutory budget and council tax setting approved by Full Council at the beginning of March each year. The annual budget process is part of a longer-term forecast covering five years ahead which is known as the Medium-Term Financial Plan (MTFP). This allows us to take longer term revenue and capital decisions in the context of our longer-term financial position.
- 1.2 Whilst the technical accounting process is led by the Finance Team at the Council the impact of the work is far greater. Without a sustainable budget and medium-term financial resilience, aspirations and objectives contained in our Corporate plan may be at risk.
- 1.3 Following the General Election in July 2024 the Government has raised ongoing concerns around levels of UK Government Funding. Several large infrastructure projects have been stalled or stopped. In addition to this, a firm commitment has been made to protect and inject further funding into the NHS. Briefings from Senior Civil Servants to the Local Government Sector have suggested that whilst significant funding reform might not take place in time for setting our 2025-26 budget, work will take place during 2025-26 to enable a multi-year settlement to be provided for 2026-2028 with a likely trade-off between getting the certainty of a two-year settlement and a lower level of funding.
- 1.4 West Lindsey District Council has previously managed Central Government funding cuts without significant cuts to services and in recent years delivered its Transformational service improvement, change and savings programme known as Together 2024 (T24). T24 comes to an end this financial year, whilst the programme has largely focussed on change and improvement, £94K of savings have been identified and delivered during the programme. As T24 concludes, a continuous improvement programme of identified work will be delivered alongside delivery of Digital Technological advancements as set out in the Digital ICT vision.
- 1.5 For a number of years Central Government has promised a change to the way in which Local Government is funded. This has included

commitments to fairer funding settlements, multi-year settlements, revaluations of business rates, ending of New Homes Bonus and reconsideration of the current Council Tax model. Whilst there is no doubt that funding reform is needed it does bring significant uncertainty for West Lindsey District Council as efforts to reassign funding for Adult and Children's Social Care in a fairer funding model is likely to have a negative impact on districts' funding. The Council injected £400K of New Homes Bonus into its revenue budget in 2024-25 and is benefiting from £320K of business rates growth. Both of these funding streams are at risk if New Homes Bonus ends. Government confirmed as part of its October budget statement and a full revaluation of Business Rates will take place on 1 April 2026.

- 1.6 Consequently, the organisation now needs to plan how it will meet the new government's requirements, ensuring it is able to adapt to new government priorities and different streams of funding. It is essential that as decision makers and owners of our Medium-Term Financial Strategy Members are engaged in financial planning early in decision making processes. A working group will allow that to happen.
- 1.7 For Government to reform funding there is a requirement to consult with us and we are expecting many consultations to respond to over the next 12 months. We will need to find a way to incorporate Member views into our consultation responses. Some of these consultations will be complex and require detailed briefing and discussions. The group proposed in recommendation one will provide a forum to agree consultation responses.
- 1.8 West Lindsey District Council has prided itself on a resilient financial position and its commitment to reserves balances have allowed us to take decisions to fund ambitious programmes such as Levelling Up, Scampton and provided match funding into other capital schemes. West Lindsey District Council has also been able to build a portfolio of commercial assets which provides an annual income of £1.8m. To date the Council unlike other District Councils has not been concerned with short to medium-term Section 114 risks.
- 1.9 Whilst forecast budget gaps for 2025-26 and potentially 2026-27 may be met by reserves balances, there is concern that a material structural budget gap will remain. Structural budget gaps by nature will require complex decision making and cashable efficiencies take time to identify, approve, deliver and embed. It is therefore sensible that a programme be established early to enable us to identify and start delivering cashable efficiencies in time to meet budget gaps.
- 1.10 The budget needs to be consistent with the policy priorities of elected members and deliver clear policy outcomes. The process needs to enable difficult decisions and conversations to take place about priorities and be clear about trade-offs. This working group will enable a variety of options to be explored and tested which can subsequently be presented to committee for decision which can be implemented using our existing business planning and change management process.

1.11 Discussions with the administration prior to this meeting have taken place and as a result of these discussions the following elements have been incorporated into the terms of reference:

- The Working Group will be made up six members and chaired by the Chair of the Corporate Policy and Resources Committee.
- The Working Group will be cross-party, composed of four members of the Administration and two members of the Opposition. It is a working group of the Corporate Policy and Resources Committee, and all Members must be from that Committee.
- Meetings will be held every six weeks, and the frequency will be reviewed after three months.
- The Working Group will be known as the Savings Board.
- Meetings will ideally be face to face with hybrid options available for those that cannot attend in person.

1.12 In addition to the Members and Management Team attending the group, other officers from across the Council will be invited to the group as necessary to support specific themes of work or provide technical expertise.

DECISION(S) REQUIRED:

1. Corporate Policy and Resources Committee establish a new Working Group for Savings, Efficiencies and Income Generation.
2. To approve the Terms of Reference provided at Appendix One.