

Agenda Item 12

For publication

Budget & Corporate Overview & Scrutiny Committee

Date of Meeting: 5 December 2024

Report by: The Finance Portfolio Holder and Chief Executive

Subject: Budget Preparation Process: 2025/2026 – Efficiency Plan Savings Proposals for Public Consultation

1. EXECUTIVE SUMMARY

- 1.1 To receive the content of the Executive report for discussion at Budget & Corporate Overview & Scrutiny Committee, which provided the Executive with an update on progress with the Council's ambitious Efficiency Plan, approved by the Executive on 22 November 2023, and budget savings proposals developed to respond to the financial challenges facing the Council. It focuses on work undertaken over recent months to review cost saving and income generation options across the Council which will contribute to bridging the estimated £47.7 million financial gap over the medium-term period to 2028/2029, including a funding gap of £15.7 million in 2025/2026. This is against a changing landscape that continues to evolve with increasing demands and changing demographics.
- 1.2 The Council has a good track record of delivering efficiencies through improved productivity, as demonstrated by the minimal level of reductions made to front line services over recent years, whilst delivering a balanced budget. However, it must continue the momentum and continue the ambitious 4-year plan to transform service quality, improve organisational and process efficiencies, realign resources to corporate priorities whilst protecting and improving services to the customer.
- 1.3 This report outlines a number of proposed measures to contribute towards meeting the budget gap in 2025/2026, whilst modernising Council services within the context of a continually challenging financial environment. Work is ongoing to challenge budget pressures and understand the funding position from the Government following the Autumn Statement with a view to balancing the 2025/2026 budget.

2. RECOMMENDATIONS

That Executive is invited to consider this report and, if satisfied, to:

- (1) Note the considerable financial challenge facing the Council given the financial outlook and the expectation that future cost pressures will exceed the resources available.
- (2) Support the proposed refresh of the Efficiency Plan and range of budget savings proposals detailed in Appendix A of the report, and acknowledge that these will undergo further refinement and consultation with residents, employees and other stakeholders prior to forming part of the Budget Setting Report in January 2025; and
- (3) Agree that the public consultation process can commence in respect of the savings proposals identified in (2) above.

3. REASONS FOR RECOMMENDATIONS

- 3.1 There is a requirement to continue the approved Efficiency Plan and budget savings proposals that ensure the Council achieves a balanced budget in 2025/2026 and can deliver sustainable public services over the medium-term.
- 3.2 To ensure that an appropriate framework exists to formulate and consider options for potential efficiency savings and service delivery variations.

4. THE CURRENT POSITION

- 4.1 The current Efficiency Plan, approved by the Executive on 22 November 2023, provided a range of policy options to achieve a savings target of £6.4 million in 2024/2025, with a further £10.4 million of measures for implementation in the period up to 2027/2028 (approved by Full Council on 7 February 2024). This includes savings to reduce third-party and employee costs, as well as increased income generation.

5. **DETAILS**

Prospects for Local Government

- 5.1 Local government funding and the delivery of local government services has been, and continues to be, the subject of significant scrutiny, with demands for increased efficiencies and cost effectiveness in the delivery of public services. There is continued emphasis on changing the way the public sector operates with the aim of achieving greater public choice, local decision making and efficiencies within an overall reduction in real spend.
- 5.2 The economic landscape has remained uncertain in recent years, with the ongoing financial challenges associated with the cost-of-living crisis and high inflation levels acting as a dampener on growth and impacting on Council services. The prospects for economic growth and recovery are now more encouraging, however, a cautious approach is being maintained as local authorities are facing higher levels of demand for services and cost pressures.
- 5.3 The future financial landscape for local government looks to remain challenging and it is inevitable that further pressures and constraints will arise. Whilst the Chancellor has indicated there will not be a return to austerity for Public Services, services such as the National Health Service, Defence and Schools have been highlighted as a priority, which could inevitably lead to other areas of the Public Sector seeing real terms funding cuts. Efficiency and value for money remain, therefore, firmly at the forefront of all public sector planning.
- 5.4 The Financial Settlement for Local Government will again be for a single year, with expectations that a multi-year settlement for the remainder of the Spending Review period will be considered in Spring 2025. This would enable better financial planning and certainty for public services.
- 5.5 The government is committed to reforming the approach to funding allocations within the Local Government Finance Settlement by redistributing funding to ensure that it reflects an up-to-date assessment of need and local revenues. This will start with a targeted approach to allocating additional funding in 2025/2026, ahead of a broader redistribution of funding through a multi-year settlement from 2026/2027. Further details will be made in the Finance policy statement which is expected in early December 2024.

Medium Term Financial Planning

- 5.6 The MTFS is the Council's overarching Financial Strategy document and gives financial expression to the Council's plans and fiscal challenges over the medium term. The MTFS identifies an estimated £47.7 million financial gap over the medium-term period to 2028/2029, including a funding gap of £15.7 million in 2025/2026. This is against a changing landscape that continues to evolve with increasing demands and changing demographics. The absence of a long-term funding model for Local Government has the effect of increasing financial uncertainty and risk. The Council's financial resilience will depend upon its ability to manage demand and take appropriate mitigating actions as well as having financial control, a clear financial strategy and strong financial governance. Understanding the likely implications of the proposed funding reforms at an early stage will be key to delivering a robust Efficiency Plan that delivers a stable financial outlook.
- 5.7 In considering the 2025/2026 General Fund Revenue Budget, the Executive have continued to pursue the Efficiency Plan that it approved in November 2023 and, in doing so, has sought to identify options to enable cost reductions to be realised over the medium-term whilst limiting the detrimental impact on front line services. This is part of an ambitious plan to protect services by ensuring efficient and effective operations. The overarching themes of savings/new income and the process and intentions of the Efficiency Plan are described more fully below.

Responding to the Challenge: Efficiency Plan

- 5.8 The Council's adopted Efficiency Plan is already delivering efficiencies and reducing pressures to the in-year 2024/2025 budget which will be rolled forward to the 2025/2026 financial year. Some examples include:
- Children's Transport – Following significant cost and demand increases, a review was undertaken of children's transport for all school routes and transport options. The review included full retendering of mainstream and SEND routes, as well as route optimisation through the better use of technology. This has led to a significant reduction in third party costs.
 - Children's Services Placements – A programme is underway to ensure that services provided to children and young people, and the processes used to commission these services, provides best value and good outcomes. This includes a review of governance and panels, funding contributions to care costs, in-house foster care provision, digital improvements and developing the approach to safely reunifying children who are in care with their parents.
 - Agency/Consultancy Spend – The Council is working to increase the number of permanent staff thereby reducing the cost of agency staff and consultants. A range of measures are in train which include the development of the employee value proposition (EVP), greater use of digital marketing (such as LinkedIn) to target and attract potential candidates, modernising the job application process, speeding up the process of

getting temporary workers into permanent posts and recruiting overseas for social care positions.

- 5.9 There is a continued commitment, in response to the financial challenges, to further transform service quality, realign financial resources to corporate priorities and improve customer service. The adopted 4-year Efficiency Plan continues, therefore, to target reviews aimed at improving services, but it will be coupled with carefully planned and affordable investment. This investment will seek to recognise the need to support town centres, the essential maintenance of highway and property assets, the commitment to high quality leisure services, a positive response to demand led services and the delivery of health and well-being improvements. It will also seek to provide essential capacity in the organisation to deliver quality services.
- 5.10 The adopted Efficiency Plan is aimed at delivering Council services more efficiently and in a more convenient way for Borough residents and businesses. The plan is being built broadly around the following principles:
- transforming service quality.
 - improving organisational productivity and process efficiencies.
 - improving customer service.
 - making prudent and affordable investment in services.
- 5.11 A series of service area reviews and workshops have taken place to determine saving options, which include changes in service provision as a result of new efficiencies and reduced demand. These opportunities, which will contribute to bridging the funding gap, fall into the following themes:
- Developing the Workforce Operating Model
 - Effective Contract Management & Commercialisation
 - Managing Demand Better
 - Service Offer
- 5.12 The four themes seek to ensure that resource can be allocated to corporate priorities:

THEMES	DESCRIPTION
<i>Developing the Workforce Operating Model</i>	This theme aims to continue with the creation of a 'one council' approach to service delivery, through a thorough review of structures, processes and skills. It involves reviewing the staffing structure and scope to rationalise with minimum impact on services, including a review of agency staff costs. The review is necessary to ensure that the Council maintains the staff capacity and

THEMES	DESCRIPTION
	skills necessary to deliver high quality services.
<i>Managing Demand Better</i>	This theme involves initiatives and work practices across service areas to best manage demand to achieve better outcomes for clients and service users, including the adoption of improved early intervention methods, particularly in Adults & Children's Services, and to help prevent homelessness. Demand management and behaviour change offer significant opportunities to save money over and above traditional savings approaches, leading to the reduced consumption of certain services and increase take-up of others.
<i>Effective Contract Management and Commercialisation</i>	This theme involves a programme of contract reviews to: (i) ensure that services and products are delivered when required, (ii) improve relationships with the provider by consolidating contact between the parties, (iii) governing and overseeing procurement processes and ensuring that they are in line with contractual agreements, (iv) seeking improvements in contractual terms and ensuring the contractual agreement remains relevant and up to date, and (v) continually evaluate quality and performance. Reviews and assessments will continue across the supply chain with a focus on high-spend areas and commercial opportunities, including in-house traded services.
<i>Service Offer</i>	This theme involves the ongoing focus on exploring alternative, improved methods of conducting business operations, including a review of essential accommodation needs and the positive transition to lean methods of operation. The aim is to adopt more streamlined approaches to business processes, with reduced bureaucracy and emphasis on a "right first time" culture. A better service for customers is paramount and the use of digital delivery channels will enable as many services as possible to be accessed by customers online at their convenience (mindful, of course, that there will always be a number of customers who will not be able to switch).

5.13 With due regard to the immediate financial challenge faced by the Council, the focus has been on identifying savings for the 2025/2026 financial year that are realistic, achievable and sustainable (including possible invest to save initiatives and income generation opportunities). These proposals are detailed by theme in **Appendix A**. Proposals for the remaining MTFS period are being developed across all four themes. Some of these potential opportunities for later years may require

the development of feasibility studies and business cases to determine how to proceed.

- 5.14 The savings opportunities identified to date for the period 2025/2026 total £10.809 million and thus represent a considerable contribution to the funding gap.
- 5.15 It should be noted that the proposals set out in this report are a critical step towards closing the budget gap over the medium term. There will remain a focus on demand led service areas such as (i) the temporary accommodation and homelessness service, (ii) children's placement provision (iii) children's transport and (iv) adult social care service; further reviews and initiatives are being explored but have yet to conclude. These proposals will be reported to the Executive in further updates to the Medium-Term Financial Strategy.
- 5.16 The expectation is that this review process will continue to identify changes in service provision as a result of new efficiencies, changing service levels, demand reduction and changes in policy decisions. It is also expected that the review will continue to challenge existing delivery models that result in options for further change. Any changes will take into account the significant investment the Council has made in its technology infrastructure.
- 5.17 In addition to the above, there will be a continued focus on developing the Council's digital offer available on the website through the digital platform and other line of business systems. The website is the Council's primary contact channel and acts as a 'single front door' for residents who are able, to self-serve, 24/7. The aim is to build on the current offer of more than 200 self-serve online options. The recent launch of virtual parking permits and the migration/addition of more online forms into the digital platform means the online offer is growing, whilst maintaining more traditional contact channels for those who are not able to transact digitally.
- 5.18 This is further evidenced by the introduction of an integrated Customer Contact Centre solution and migration of telephony services into the Cloud to ensure a consistent user experience regardless of how customers contact the Council whilst still delivering the efficiency and productivity gains afforded by new technologies.
- 5.19 The Council recognises the importance of making best use of technology and data to improve productivity, performance and decision making. The Council's Data Academy, which was launched earlier in 2024, aims to upskill staff and enable the Council to become a truly insightful and data driven organisation.

Next Steps

- 5.20 There are a number of key next steps to ensure that the agreed and proposed savings can be delivered:
 - (a) To continue implementation of the adopted 2024-2028 Efficiency Plan.

- (b) To provide a clear focus on all opportunities that will contribute to meeting the financial challenges of 2025/2026.
- (c) To carry out appropriate consultation with residents, staff and other parties as appropriate for proposals programmed for 2025/2026; and
- (d) To refine all other additional proposals including those where savings targets have yet to be confirmed.

5.21 The MTFS sets out an indicative budget gap of £15.7 million for 2025/2026. Further work is still being undertaken to review the assumptions and levels of demand with a view to providing options to reduce the Budget Gap. In addition, the recent Autumn Statement for Local Government is being considered to inform the Council's Budget.

5.22 The gathering and review of information will enable consultation to take place and recommendations be put forward as part of the 2025/2026 budget setting process.

5.23 The Council has a 'duty to consult' and each year undertakes consultation in relation to the authority's proposed budget; some proposals may be subject to separate consultations, including those affecting employees.

6. **ALTERNATIVES CONSIDERED AND REJECTED**

6.1 The Council has undertaken a thorough review of all services and identified savings proposals shown in this report. Alternative options include ceasing frontline services. These have been discounted as there is a commitment to protecting services whilst realigning resources to corporate priorities.

7. **KEY IMPLICATIONS**

7.1 Legal Issues	7.1.1 The Council is required by law to set a balanced revenue budget each year. There are two specific dates in relation to budget and Council Tax setting that are required by statute to be achieved. Firstly, it is a requirement that each local authority approves its Revenue Budget by 28 February each year for the forthcoming financial year. Secondly, a billing authority is required to set the Council Tax for its area by 11 March each year for the forthcoming financial year. 7.1.2 It is a legal requirement (under Section 25 of the Local Government Act 2003) that before approving the ensuing year's Capital and Revenue Budget, the Council is required to receive and take into account a report of the Chief Finance Officer on the robustness of the estimates leading to the Council Tax requirement and the adequacy of reserves. This should cover issues of
-------------------------	--

	affordability (having regard to Council Tax implications), prudence (having regard to Council policies/strategies) and sustainability (having regard to forecast annual expenditure and income).
--	--

7.2 Policy Issues	7.2.1 The Medium-Term Financial Strategy (MTFS) is the Council's key financial planning document; it sets out the Council's strategic approach to the management of its finances and Council Tax levels over the medium term. 7.2.2 To demonstrate financial resilience, the Council sets out its potential funding position over the medium-term thereby enabling the most effective strategies to be put in place to ensure the Council is able to set a balanced budget (as required by statute) on an annual basis. Given the inflationary pressures and demand for services outstripping income sources, the MTFS identifies a funding gap that needs to be addressed over the medium term. 7.2.3 The Council adopted its Corporate Plan for the period 2022-2026 at its meeting on 16 March 2022. The Corporate Plan is currently being reviewed.
7.3 Resource Issues	7.3.1 The General Fund MTFS and financial forecasts have been reported to the Executive and identify a funding gap of £47.7 million over the medium-term period to 2028/2029, of which a funding gap of £15.7 million is identified in 2025/2026. The Efficiency Plan was developed during 2023 in response to the funding gap and the financial challenges over the medium term. Delivery of the proposed Efficiency Plan and associated savings proposals will require some suitable investment and expected costs will include new technology, staff redundancy costs and specialist resources. This will be met from existing Transformation reserves and capital budgets, and these will be subject to further review as part of the budget setting process.
7.4 Risks	7.4.1 The Council's overall reputation and performance assessment is at risk if it is not aware of, and does not respond to, the financial challenges that exist and their impact on key areas of the Council's performance. This report seeks to outline the Council's strategic direction in order to mitigate risks and respond to the areas of concern outlined in the report above. In doing so, the impact of legislative changes affecting local government and changes to local government funding must be considered.

7.4 Risks	7.4.2 As in previous years, savings targets are set against individual proposals based on information known at a point in time. However, these savings targets may not be fully realised due to a range of factors, such as increases in demand for services or that implementation of proposals takes longer than anticipated. This risk will continue into 2025/2026 and will be monitored by the Programme Management Office who will provide oversight and a single view of all proposals. Continuing to adopt a programme management approach will ensure that there is an overall plan, governance arrangements, an agreed approach to benefits realisation and a process for ensuring that the cost of implementing any potential changes are captured and monitored.
7.5 Environmental Implications	7.5.1 This report has no impact on the Council's environmental duties. Individual proposals may have environmental impacts that need to be considered as part of the proposal.
7.6 Equalities Impact	7.6.1 Section 149 of the Equality Act 2010 sets out the public sector equality duty which requires the Council, when exercising its functions, to have "due regard" to the need to eliminate discrimination (both direct and indirect), harassment and victimisation and other conduct prohibited under the Equality Act 2010, and to advance equality of opportunity and foster good relations between those that share a 'protected characteristic' and those who do not. 7.6.2 For the proposals listed in Appendix A to the report, consultation will be carried out from 21 November 2024 to 20 December 2024 (midday), with consultation responses considered as part of the equality impact assessments, as appropriate. In addition, for any proposals that are likely to have an adverse impact on equalities, a full equality impact assessment will be completed, and findings considered as proposals are developed.
7.7 Impact on Families	7.7.1 There is no direct impact on families as a result of the content of this report.
7.8 Community Safety and Resilience	7.8.1 There is no direct impact on community safety and resilience as a result of the content of this report.
7.9 Impact on Health and Wellbeing	7.9.1 There is no direct impact on health and well-being as a result of the content of this report.

8. **SUMMARY OF CONSULTATIONS AND OUTCOME**

8.1 The following Council units or Officers and/or other organisations have been consulted in preparing this report:

- Cabinet
- Corporate Leadership Team

8.2 No adverse comments have been received.

9. **CONTACTS AND REFERENCES**

Report Contact Officers	<i>Laura Church, Chief Executive, laura.church@bedford.gov.uk</i> <i>Julie McCabe, Assistant Chief Executive (Finance), julie.mccabe@bedford.gov.uk</i> <i>Lynne Davison, Lead Officer for Transformation, lynne.davison@bedford.gov.uk</i>
File Reference	<i>N/A</i>
Previous Relevant Minutes	<i>Minute 67, Executive: 24 January 2024: General Fund Revenue Budget 2024/2025, Appendix D Service Efficiencies/Modernisation Opportunities 2024-2028</i> <i>Minute 82, Executive: 6 March 2024 – Medium-Term Financial Strategy</i> <i>Minute 84, Executive: 2 March 2022 – Corporate Plan</i> <i>Minute 31, Executive: 18 October 2023 – Corporate Plan 2024/2025 - 2027/2028</i>
Background Papers	<i>None</i>
Appendices	<i>A: Efficiency Plan – Service Efficiencies/Modernisation Opportunities 2025/2026</i>