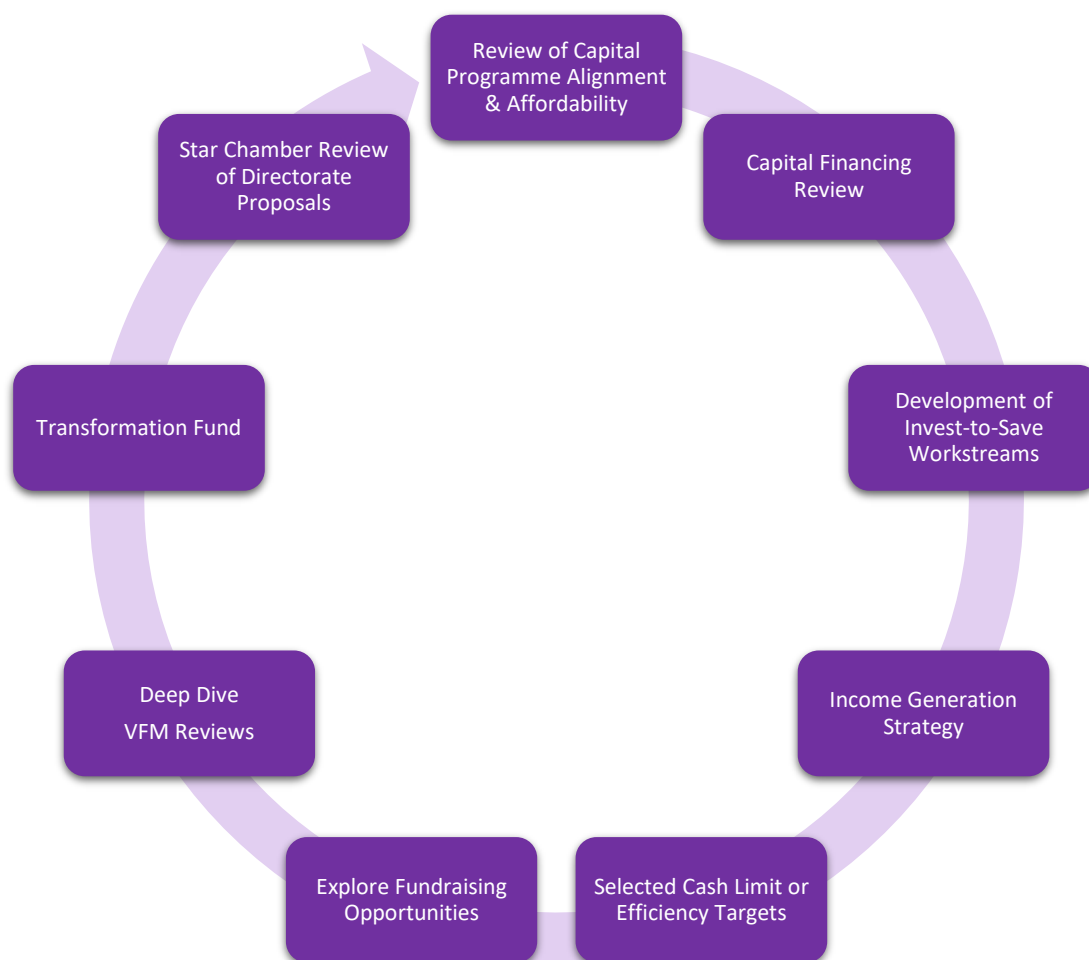


## Components of the Medium Term Financial Planning Process



The components are described below:

### **Review of Capital Programme Alignment & Affordability**

- 1.1 The council's capital programme was reviewed last year to improve alignment with Council Plan priorities. A number of schemes were decommitted, resulting in reduced capital financing costs. This process needs to continue to further improve alignment, continue to assess affordability, and consider opportunities to invest in new schemes that will support the Council Plan.

### **Capital Financing Review**

- 1.2 Linked to the Capital Programme review above, the associated Capital Financing budget will also be reviewed. The current capital investment plans will see very substantial capital financing costs start to flow from 2025/26, in the form of Minimum Revenue Provision charges for schemes supported by borrowing. Where schemes do not support Council Plan priorities they should therefore be decommitted or reduced as far as practicable to reduce pressure on the revenue budget.

### **Development of Invest-to-Save Transformation Programmes**

- 1.3 There are many potential options that can be explored to improve longer term financial sustainability. Everything from investing in prevention to reduce longer term social care costs, to developing new income sources, to redesigning care pathways, or insourcing or outsourcing services. However, these can take significant capacity and investment to bring to fruition and therefore need to be properly assessed and evaluated before embarking on a whole host of initiatives with questionable returns on investment. They are also likely to need one-off investment through a Transformation Fund. The Budget Update report to September Cabinet identified a minimum requirement of £16 million over the next 4 years but this may increase significantly, particularly if greater staffing reductions are required with concomitant redundancy and pension strain cost implications.

### **Income Generation and Commercialisation Strategy**

- 1.4 Many fees & charges are regulated and in general fees & charges are set to recover costs and overheads of the service provided. However, in some areas the council has more discretion. There are still many areas where the council does not charge but could legally do so. A key concern with fees & charges is the equality impact and impacts on those with low incomes. This can be managed by designing the fee or charge to accommodate such impacts, for example, introducing means tests. Many councils have become increasingly reliant on fees & charges to protect service provision due to the limitations on Council Tax increases and reduced government grant funding. Approximately one third of the council's General Fund council services are now funded by fees & charges. Further opportunities will continue to be explored.

### **Apply Productivity or Efficiency Targets**

- 1.5 Continually improving efficiency is good business practice for any organisation. This can be achieved through continually reviewing and improving processes (i.e. service redesign), using IT, digital and AI technologies to automate workflows and on-line services, and effective procurement, contract management and commissioning strategies to utilise the council's purchasing power to shape local provision or secure more competitive terms. To recognise this, some expenditure categories, e.g. supplies and services, can be cash limited (i.e. provided with a lower or no inflationary budget uplift or even reduced) or services can be targeted with generic efficiency targets (e.g. 1% or 2% cost reduction targets) to ensure that all areas of the council strive for improved value for money. Such targets can therefore also be applied to staffing budgets. These opportunities will be a key area to explore in the forthcoming budget process.

### **Explore Fundraising Opportunities**

- 1.6 The council has been successful over many years in bidding for additional revenue and capital funding including Heritage Lottery funds, Arts Council Funds, Homelessness and Rough Sleeping (RSI) funding, Levelling Up funding, Family Hub funding, Department for Transport funding (e.g. the substantial Bus Partnership bid), Shared Prosperity Funding and so on. However, there may be other opportunities available to the council to attract funding or even to explore changing the funder of some services.
- 1.7 A key area to watch is the Household Support Fund (£2.280m for BHCC) which is due to expire on 30 September 2024 and which has provided limited but important local welfare assistance for low income households. All parties, including the LGA, are currently lobbying for its extension to avoid potentially serious impacts on council services including increased homelessness.

### **VFM Reviews**

- 1.8 The council has a Best Value duty under the LG Act 1999 requiring it to ‘make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.’ This is generally referred to as improving Value for Money (VFM). There are many ways to test and assure the value for money of services provided by the council including:
- Comparing the cost and quality of services with similar authorities or service providers;
  - Comparing the cost of services per capita of the relevant population groups or service groups e.g. cost of Children’s Services per 1,000 children and young people aged 0 to 24 in the local authority area;
  - Using external, independent peer challenge to help identify improvements e.g. LGA peer reviews;
  - Utilising best practice research or commissioning new research to improve services provided by the authority;
  - Engaging expert consultancy to help identify and design specific services or interventions to help improve VFM;
  - Comparing the cost and quality of in-house provision versus contracted or outsourced provision (so-called ‘make or buy’ reviews).

### **Transformation Fund**

- 1.9 Transformation funding is discussed in the main report but is now becoming problematic. Funding has been supported by the government’s ‘capital receipt flexibilities’ enabling capital receipts to be used to fund revenue expenditure provided such expenditure supported improved value for money and future revenue savings. These flexibilities have been extended to March 2030, however, the demand on capital receipts across a range of objectives is such that they may not provide sufficient resources. Future invest-to-save transformation activities may therefore need to consider using a range of funding options including:
- Using capital receipt flexibilities subject to availability of capital receipts and any change to the use or extent of flexibilities introduced by the new government;
  - Where a clear return on investment can be demonstrated over a reasonable time period (max 5 years), this could potentially be supported by internally borrowing from reserves with subsequent repayment (subject to availability of reserves);
  - Alternatively, investment requirements can be netted off against savings proposals, meaning that the saving in the first year or more is reduced but then increases to its full extent in later years once the initial investment is repaid, or;
  - If any element of the invest-to-save/transformation proposal is of a capital nature, borrowing could be considered, provided that a return on investment can be evidenced in the business case.

### **Star Chamber Review of Proposals**

- 1.10 Star Chambers are common practice across business and local authorities and are effectively a form of internal peer review. They can involve both officers and members as desired. The intention is to utilise a Star Chamber process later in the budget process when proposals are reaching a more developed state to fully test

delivery risks, review the capacity required to achieve change, understand cumulative impacts on equalities and consider any cross-cutting impacts on other council services.

- 1.11 The above processes are in addition to the basic requirement for all services, Directorate Management Teams (DMTs) and the Corporate Leadership Team (CLT) to explore all potential options for generating savings and efficiencies within their directorates, including on a cross-cutting, council-wide basis.