

Arun District Council

REPORT TO:	Special Policy and Finance Committee - 8 January 2024
SUBJECT:	Financial Strategy 2024-2028
LEAD OFFICER:	Karl Roberts & Philippa Dart: Interim CEOs
LEAD MEMBER:	Councillor Matt Stanley
WARDS:	N/A
CORPORATE PRIORITY / POLICY CONTEXT / CORPORATE VISION: This report addresses the legal requirement for the Council to set a balanced budget every year. Reserves are a legitimate way of balancing a budget, but it is not sustainable in the longer term. Therefore, it is beholden upon the Section 151 Officer and the Chief Executive Officers to produce a balanced budget without the use of Reserves in the medium to longer term.	
DIRECTORATE POLICY CONTEXT: This report outlines the approach proposed to achieve a balanced budget over the next four years alongside some of the proposed actions of the interim Chief Executives to address the predicted net revenue budget shortfall reported to this Committee of circa £5.2m in 23/24 and £5.0m in 2028/29 based on current predictions.	
FINANCIAL SUMMARY: The proposals (subject to consultation) have identified possible savings of in excess of £2 million (excluding redundancy and other associated costs) for the 24/25 financial year. This work will need to be ongoing into future financial years.	

1. PURPOSE OF REPORT

- 1.1. This report provides the Council not only with details of the key components of a strategy to deliver the transformation of the Council's financial position but also proposals for the re-organisation and reduction of the Senior Management Team.

2. RECOMMENDATIONS

- 2.1. Policy and Finance Committee is requested to Recommend to Full Council to:
 - A) Approve the financial strategy 2024-28.
 - B) Note that proposal to reduce the Senior Management Team as part of an organisational restructure

3. EXECUTIVE SUMMARY

- 3.1. This report outlines the proposed approach to achieve a balanced budget over the medium to longer term alongside some of the proposed actions of the interim Chief Executives to address the net revenue budget shortfall which includes a reduction and re-organisation of the Senior Management Team (in line with existing policies and employment contracts).
- 3.2. The strategy is based on undertaking a number of key tasks in each of the next four years and these are set out in more detail in Section (4) below.

4. STRATEGY

Context

- 4.1. The Council's detailed Medium-Term Financial Plan (MTFP) was last presented to Members on in the 26 October 2023. An updated forecast is the subject of a separate report on this agenda. The Plan has identified a funding gap of £5m in 2028/29 without corrective action (see table below).

2023/24 Budget £(000)	2024/25 Budget £(000)	2025/26 Budget £(000)	2026/27 Budget £(000)	2027/28 Budget £(000)	2028/29 Budget £(000)
5,186	2,938	2,277	5,033	5,217	4,923

- 4.2. There is a legal requirement for Councils to set a balanced budget every year and although reserves can be used to achieve this, it is imperative that the Section 151 Officer and interim Chief Executives develop a financially sustainable budget that isn't reliant on the use of reserves in the longer term.
- 4.3. Any strategy the Council adopts is not prepared or delivered in a policy vacuum and thus the Council will also need to be mindful of changes in Government fiscal policy. For example, there is a risk of further reduction in income in future years linked to the uncertainty around the New Homes Bonus grant and possible re-baselining of Business Rate income, both of which will have a significant negative impact on the Council. In addition, other external global factors have had a detrimental impact on the Council's financial position, e.g. high and prolonged levels of inflation. In the MTFP report to the October 2023 Committee, contract inflation costs alone were estimated to increase costs in excess of £600,000 in 2024/25.
- 4.4. The current proposal is that the forecast net deficit is dealt with in a number of ways including the use of reserves to smooth the impact over several financial years. The stated intention was to secure in year savings in 23/24 and an anticipated £2.6m positive reduction in the budget gap for 2024/25. Progress on starting this work was delayed by the resignation of the previous Chief Executive. This means the potential savings identified for 23/24 will now be largely realised in 24/25. The Council's Net Cost of Services in 2023/24 is about £33.5 million and Group Heads have already been asked to identify cost reductions and income generating opportunities. Further details are set out in section 5.

- 4.5. The operating revenue budget of the Council next year is approximately £32.5m so the predicted funding gap of £2.9m represents around a 9% reduction. This is predicted to climb to 14% in 28/29 or about £1 in every £7 without any corrective action.
- 4.6. The Council currently has no general fund debt (although Committee will note that some capital schemes are planned to be funded from borrowing) and a reasonable level of reserves, which means it is in a strong position to address these financial challenges in a measured and planned way.
- 4.7. Within this context of significant financial constraint, the Council has a strong updated vision based on four key themes as to how it wishes to move forward for the benefit of residents, businesses, visitors, and the environment. To deliver this in a time of financial challenge requires the Council to continue to improve its efficiency and effectiveness, transparency and communications and drive out any remaining residual waste, whilst at the same time explore new ways of delivering services and possibly cease some, in order to create some headroom for future investment to deliver the ambitions of the Councils vision.

5. PROGRESS TO DATE

- 5.1. In the summer of 2023, the interim Chief Executives asked all Group Heads to set out how their individual net service budgets might be reduced by 10% or 20%. They were also asked to put forward suggestions for service delivery which would have a positive impact on the Council's financial position. The net savings' ideas have been reviewed over the autumn and have been used to inform the budget setting process for 2024/25. Where it has been possible to implement the saving immediately, this has been done. For example, a number of budgeted vacant posts which don't have staffing implications were identified for deletion, and these have been deliberately left vacant and will be removed as part of the consideration of the forthcoming budget. Others where there are staffing implications are subject to the requirement to carry out consultation (and thus they will still appear in the 2024/25 base budget).
- 5.2. The total of all the proposed savings identified as part of this process plus the anticipated changes to income receipts equates to circa £2.1m for 2024/25, with an additional £0.5m subject to consultation with staff. Further possible savings have been identified at this early stage as a net improvement in the budget position in respect of several other proposals. However, much more work is required to investigate a number of these proposals further and determine the true scale of any savings. It is likely that the sum of these proposals will fluctuate significantly during the course of the implementation of the strategy. In addition, a number of the proposals identified for future years (as set out below) don't yet have a nominal financial value attached to them.

- 5.3. The proposals for 2024/25 if taken forward would result in the loss of 18 posts, which are broadly spread across the organisation. The majority of these posts are vacant with the exception of 5, two of which are Group Heads. However, it is important to stress that this is subject to potential change following consultation. (A list of the post titles which can be identified in public at this time are set out in Appendix D). However, some services will be impacted more significantly than others in terms of the reduction of staff numbers. These include:
- Planning Policy – 2 vacant posts are proposed for deletion. The Council has agreed to review the Local Plan and that will largely be undertaken by an external team. Nonetheless the Council will need to prioritise future work and focus on work which supports the delivery of the Local Plan Review
 - Economy and Business – With the proposed removal of the Group Head post and a vacant post the team will need to reprioritise and focus on a limited number of core activities. The Council will need to cease work which might duplicate the activity other bodies such as the County Council and instead focus on a narrower range of activities including bidding for funds to enable the Council or others to deliver projects.
- 5.4. More detail on those items which have a significant impact upon the forthcoming budget in either a positive or negative manner will be provided as appropriate as part of the budget reports to the individual committees.
- 5.5. Subject to the consideration of responses to the required consultation these posts will be deleted from the organisation in 2024. Also there may be some consequential changes to remaining posts as a result which could have financial implications. What this also means is that in the budget monitoring reports for 2024/25 there will be potentially the reporting of significant underspends (as the budgeted posts identified for potential deletion become savings, assuming there are no unforeseen external changes). This will mean that the amount of reserves required to balance the budget will simultaneously reduce.
- 5.6. In undertaking the review, a number of suggestions were considered which were ultimately discounted for operational reasons. Those that are not specifically related to operational matters are listed in Appendix A. In addition, there are some matters for a decision by Councillors. These are listed in Appendix B and will be considered at the individual committee meetings when the 24/25 budget is considered.
- 5.7. There has been a drive to reduce our reliance on agency staff (who have been employed because of our difficulties in recruiting permanent Members of staff). Looking at salary levels is part of the solution, but it is also about offering potential candidates an opportunity to work in a progressive authority with a positive outlook and good officer/Member relationships.
- 5.8. Progress towards closing the budget gap will be reported as part of the ongoing process of updating Members on the medium-term financial plan which will take place on a more regular basis.

- 5.9. Finally, no significant individual budget growth items are proposed for 2024/25. Nonetheless the base budget has grown to reflect various cost pressures. In addition, there have had to be some adjustments of income projections such as planning fee income which has been adjusted downwards due to a downturn in the number of planning applications submitted.
- 5.10. Overall, whilst there is clearly further work to be undertaken it is positive that the Council has been able to take this step forward to address the financial challenges that exist and in doing so still preserve the breath of services that the Council has traditionally delivered. It is anticipated that the incoming new Chief Executive will wish to review progress on delivering the strategy and may wish to recommended changes.

6.0 ACTION PLAN FOR NEXT 4 YEARS

- 6.1 To achieve the required reduction in the funding gap a series of actions are proposed in each of the forthcoming years. These are set out below.

2024/25

- 6.2 **Restructure of the Senior Management Team** - This is intended to deliver a significant financial saving whilst also reflects the Council's priorities and its journey to a new operating model. Details are provided separately below.
- 6.3 **Use of different service delivery models** - The opportunity to cut service budgets further to achieve the required level of savings without some other form of change is not possible. In order to minimise the reduction of services, a key task for 24/25 will be to explore in more detail alternative service delivery models including sharing services with another authority. Progress on this work will be presented to individual committees where appropriate and collectively to Members at the beginning of 2025.
- 6.4 **Review 23/24 Budget** – The opportunity should also be taken to view the 2023/24 budget against actual performance in order to determine whether any budget underspends are one-offs or potential might signal areas for potential permanent savings.
- 6.5 **Maximise cost recovery** – For many services the level of fees that can be charged is limited by the principle of 'cost recovery'. A comprehensive review of all charges will ensure that any fees and charges are truly representative of the actual cost of delivering services.
- 6.6 **Asset Review** - Work will conclude on reviewing all our existing assets to determine whether that asset could deliver a better financial return for the Council. The intention will be to identify assets for investment, disposal, or maintenance. Alongside this it is intended to invite Members to adopt a property investment strategy and commercialisation strategy.
- 6.7 **Electoral Review** – It has been agreed previously by Full Council following a motion that the Council will undertake an electoral review.

- 6.8 **Future Accommodation Review** - It is anticipated that significant progress will be made in 2024/25 on reviewing our future accommodation requirements.
- 6.9 **Retender of Waste Contract** - New contract commences 2026 and the specification will be linked to amongst other things requirements stipulated by the Government.
- 6.10 These changes may require investment to arrive at definitive conclusions for Members to consider, whether that be in the form of temporary staffing, feasibility studies or business cases. The funding for this additional work will need to be identified (the transformation fund may be appropriate) but as explained in paragraph 4.6, the Council's overall general fund debt and reserves position means that it is well placed to be able to fund such investment.

2025/26

- 6.11 The main focus will be on implementing the agreed outcomes from the previous year's work alongside increased activity in respect of the retendering of our waste contract.

Review

- 6.12 It will be necessary to undertake a series of in year reviews to understand the scale of progress being made. Updates will be provided to Members through reviews of the Medium-Term Financial Plan.

7. CHANGES TO SENIOR MANAGEMENT

- 7.1 As explained above one of the proposals to reduce expenditure is to reduce the size of the Senior Management Team. Details of what is proposed is set out in Appendix C.

Timeline

- 7.2 Formal consultation will start in January and the changes are likely to be implemented (if agreed) in the Spring.

Legal Implications

- 7.3 Section 4 of the Local Government and Housing Act 1989 places a duty upon the joint interim Chief Executives, where he/she considers it appropriate to do so in respect of any proposals with respect to any of the matters specified below, to prepare a report to the authority setting out the proposals.

Those matters are:

- a) the manner in which the discharge by the authority of their different functions is coordinated;
- b) the number and grades of staff required by the authority for the discharge of their functions;
- c) the organisation of the authority's staff; and
- d) the appointment and proper management of the authority's staff.

8. OVERALL IMPACT OF THE CHANGES

- 8.1 The impact of the changes will be significant meaning the Council will not be able to operate in the same way. The joint interim Chief Executives will continue to develop and implement this programme of change.
- 8.2 It should be noted that until a full consultation process has taken place with the Union and any staff affected, the staffing proposals are not final and are subject to change.

9. CONSULTATION

- 9.1 Formal consultation with the staff and Unison on matters that affect staff will commence in January and continue over the following months. Not all matters require consultation to start at the same time.

10. OPTIONS / ALTERNATIVES CONSIDERED

- 10.1 A considerable number of options have been examined to arrive at the content of this report. It is for Members to determine whether the strategy as a whole requires modification.

11. COMMENTS BY THE GROUP HEAD OF FINANCE & SECTION 151 OFFICER

- 11.1 The financial implications are explained in the body of the report. As is clearly set out in paragraph 6, this programme of work will need to be ongoing for several years.
- 11.2 It is crucial that Members understand the importance of the Council setting a sustainable and balanced revenue budget. Should it fail to do so, the Section 151 Officer would be obliged to issue a Section 114 notice as required by the Local Government Finance Act, 1988. A Section 114 notice has serious operational implications. Full Council would be required to meet within 21 days to discuss the notice. During this time, all new spending would be prohibited. Officers and Members would also need to consider a recovery plan.

12. RISK ASSESSMENT CONSIDERATIONS

- 12.1 The Council's Corporate Risk Register will continue to need to be updated to reflect the ever changing financial situation. Individual projects will require their own risk registers.

13. COMMENTS OF THE GROUP HEAD OF LAW AND GOVERNANCE & MONITORING OFFICER

13.1 This report supports the Council's statutory obligations to maintain a balanced budget.

13.2 Section 151 Local Government Act 1972 requires the Council to make arrangements for the proper administration of their financial affairs and to secure that one officer has the responsibility for those affairs (the S151 Officer).

13.3 The Council's legal duty to set a balanced budget is set out in section 31 Local Government Finance Act 1992, which provides that the Council must balance its expenditure with its revenue.

14. HUMAN RESOURCES IMPACT

14.1 There is a proposed minor reduction in the number of established staff as a result of the savings identified for 2024/25. In addition, there may be an impact on existing staff in respect of some of the vacant posts are being deleted which will require consultation prior to final decisions being made. These proposals have been subject to informal consultation with Unison. Formal consultation will commence after this meeting.

15. HEALTH & SAFETY IMPACT

15.1 There are no Health and Safety implications arising directly from this report.

16. PROPERTY & ESTATES IMPACT

16.1 As set out in the main body of the report the intention is to complete a fundamental review of all of the Council's assets.

17. EQUALITIES IMPACT ASSESSMENT (EIA) / SOCIAL VALUE

17.1 No specific impacts have been identified as arising directly from the strategy in this report that would impact upon on any particular persons or groups with protected characteristics. However individual actions identified as part of the strategy will need to be subject to their own EIA.

18. CLIMATE CHANGE & ENVIRONMENTAL IMPACT/SOCIAL VALUE

18.1 There are no implications arising directly from this report.

19. CRIME AND DISORDER REDUCTION IMPACT

19.1 There are no implications arising directly from this report.

20. HUMAN RIGHTS IMPACT

20.1 There are no implications arising directly from this report.

21. FREEDOM OF INFORMATION / DATA PROTECTION CONSIDERATIONS

21.1 There are no implications arising directly from this report.

CONTACT OFFICER:

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Job Title: Chief Executive

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BACKGROUND DOCUMENTS: None

Appendix A

Areas for potential savings not being taken forward for 23/24 or 24/25 but will be subject to periodic review.

[external partnership funding]

[reduction in climate change funding]

[grants to community organisations]

[2-hour free parking]

Appendix B

Issues for Members to determine through the individual committees.

[Arun times – paper v digital]

[reduction in events budget by £50k]

[increase in cemeteries fees]

Appendix C

Senior Management Team Structure – Proposed 2024 (subject to consultation – possible changes underlined)

Group Head of Technical Services

- *Parking*
- *Property and Estates*
- *Facilities*
- *Private Sector Housing*
- *Environmental Health*
- *Licencing*
- *Building Control*
- *Land Charges*
- *Street naming & Numbering*
- *Economic Regeneration*
- *Major Regeneration Projects*

Group Head of Planning

- *Planning Policy*
- *Enforcement*
- *Development Management*
- *Historic Buildings*
- *Conservation*
- *CIL*
- *Biodiversity Net Gain*

Group Head of Law and Governance

- *Standards*
- *Legal advice to the Council in relation to the areas the post is responsible for*
- *Monitoring Officer*
- *Nominated Data Protection Officer*
- *Information Management & Support*
- *Data protection*
- *FOI*
- *Customers of concern*
- *Official complaints*
- *Committee Services*
- *Legal Services*
- *Elections*
- *Human Resources*
- *Communications*
- *ICT and Digital*
- *Organisational Performance and Improvement*

Group Head of Housing

- *Housing policy and performance*
- *Housing Options*
- *Neighbourhood*
- *Maintenance Services*
- *Wellbeing*

Group Head of Finance & Section 151 Officer

- *Revenues and Benefits*
- *Finance Transactions*
- *Treasury Management*
- *Customer Services*
- *Audit*
- *Payroll*
- *Procurement*
- *Print and Post*

Group Head of Environment & Climate Change

- *Carbon Reduction*
- *Climate Adaptation*
- *Habitat Creation*
- *Coastal and Drainage Engineers*
- *Foreshores*
- *Parks & Cemeteries*
- *Trees*
- *Landscapes and project delivery*
- *Emergency Planning*
- *Combined Cleansing Contract*
- *Events*
- *Leisure*

Appendix D

List of vacant posts to be deleted in addition to Senior Management posts (subject to consultation)

IT apprentice

0.5 Web post

0.3 HR advisor

Landscape & Project Officer post

Committee Services Officer post

Information Management Assistant Post

Economy Officer

Parking Services Permit Officer post

Senior Planning Officer – Planning Policy

Principal Planning officer Post – Planning Policy

Posts that are currently occupied are not listed.