

## BARNSLEY METROPOLITAN BOROUGH COUNCIL

**REPORT OF:** EXECUTIVE DIRECTOR OF CORE SERVICES / DIRECTOR OF FINANCE & S151 OFFICER

**TITLE:** Maintaining the Council's Long Term Financial Sustainability

<b>REPORT TO:</b>	<b>CABINET</b>
<b>Date of Meeting</b>	<b>24<sup>th</sup> January 2024</b>
<b>Cabinet Member Portfolio</b>	<b>Core</b>
<b>Key Decision</b>	<b>No</b>
<b>Public or Private</b>	<b>Public</b>

### **Purpose of report**

- To highlight the scale of the financial challenges facing the Local Government sector nationally and the potential implications for the Council, Barnsley, and its residents.

### **Council Plan priority**

All Council Priorities

### **Recommendations**

That Cabinet:

- Note the challenging financial context and the Council's plans to ensure its ongoing financial sustainability.

## **1. INTRODUCTION**

- 1.1 Much has been said in the national press and elsewhere on the state and future of council finances. This has been exacerbated by the rise in the number of councils going 'bankrupt' or issuing Section 114 [S114] notices - Birmingham, Croydon, Slough, Woking, Nottingham have all issued S114 notices in the last 12 months and the list goes on. In fact, a recent survey by the Local Government Association [LGA] showed that 1 in 5 councils are considering issuing S114

notices in the next year or so.

- 1.2 Whilst technically councils cannot go bankrupt, the impact for those places and residents is bleak; Government appointed commissioners deciding local policy & priorities, arbitrary and unplanned reductions to services that people rely on the most, excessive council tax rises of 10% or more, compulsory redundancies and the rest.
- 1.3 Barnsley Council is not yet in the position that some of those councils find themselves in, and whilst the Council has had to deliver services in incredibly challenging circumstances, it has maintained its reputation for being financially well managed.
- 1.4 The External Auditor's Accounts & Value for Money [VFM] work independently corroborates this, as does the last Corporate Peer Challenge review, and this was also a pivotal factor in the Council winning 'a double' in the Council of the Year awards (the first Council to achieve this feat).
- 1.5 This does not mean that the Council is immune to the cumulative impact of more than a decade of funding cuts, demand pressures linked to national issues in social care, the broader malign macro-economic picture, or any further as yet unknown eventuality [a new pandemic].

## **2. PROPOSAL**

### **Where are we now?**

- 2.1 As a consequence of the continued high levels of service demand and the rising cost of delivering services to the quality that the people of Barnsley deserve and have come to expect, together with a local government funding system that provides insufficient funding to address these pressures, the Council spent £10M more than originally anticipated in 22/23, with the forecast pressure for this year anticipated to be in the region of £23M.
- 2.2 The Council has been well managed over several years [despite continued funding cuts and a government policy of increasingly shifting the burden for paying for universal services to local taxpayers]. It has been able to call on reserves to balance the books over this period. As people will know too well with their own savings, this is not sustainable in the longer term because once those reserves have been used, they are gone.
- 2.3 However, this has afforded the Council the space, opportunity, and time to plan permanent and sustainable solutions to mitigate the longer-term budget gaps that we now predict [£10M in 24/25 with at least a further £15M in the two-year period thereafter i.e. £25M gap in total over the next 3 years).

- 2.4 As a consequence of a decade or more of austerity the Council is well used to dealing with these issues head on and has constantly reinvented itself and the services it provides to ensure it continues to deliver within its means, and the plan for the next few years is no different.
- 2.5 Through a programme of 'zero-based' [first principle] service reviews where everyone is encouraged to think differently to deliver services and outcomes for residents more efficiently, making increased use of the latest available technologies and streamlining and making better use of council owned assets and buildings, the plan is to deliver savings that ensure the Council's ongoing financial sustainability with the least possible adverse impact on services and residents.
- 2.6 However, having already delivered £130M per annum savings over the past decade and with no end in sight to the ongoing cost pressure and funding position, there is a limit to what this approach can continue to achieve. Indeed, if there are any further unanticipated shocks to the global economy [COVID, wars etc] there is little by way of headroom to cushion the blow, meaning potentially even more tough decisions than were seen during the decade of austerity.
- 2.7 Therefore, as we have seen with other councils and unless there is a change in Government & the approach to funding distribution, there will be difficult choices and decisions that may have to be made. These include but are not limited to increases in council tax, increases to housing rents, introducing or increasing charges for discretionary services, stopping or paring back discretionary services that people rely on the most and disposing of underutilised assets within our communities.
- 2.8 Difficult as this may be, we have a legal and moral obligation to safeguard the Council's ongoing financial sustainability, thus ensuring that we continue to provide excellent services for our residents and avoid the even worse position of the councils who are not able to deal with their finances properly & the consequences that come with that.
- 2.9 Therefore, proposals to balance the 24/25 budget will be presented to full Council for approval on the 29<sup>th</sup> of February, with a detailed plan for balancing the position over the longer term being produced for broader consultation later in 2024, thus ensuring the continued good financial management and long-term financial sustainability of the Council.

### **3 IMPLICATIONS OF THE DECISION**

#### **3.1 Financial and Risk**

## **Financial Implications**

3.1.1 There are no direct financial implications arising from this report.

### **3.2 Legal**

3.2.1 The Council has a statutory obligation to set a balanced budget for the forthcoming financial year, whilst also presenting a sustainable financial plan over the medium term.

3.2.2 Should the Council not be able to do this the Director of Finance (S151 Officer) has the powers to issue a Section 114 Notice under the Local Government Finance Act 1988.

### **3.3 Equality**

3.3.1 A full equalities impact assessment will be undertaken for any proposal presented as part of the 24/25 or future budget setting processes.

### **3.4 Sustainability**

3.4.1 There are no direct environmental sustainability implications stemming from this report.

### **3.5 Employee**

3.5.1 There are no direct employee implications arising from this report.

### **3.6 Communications**

3.6.1 A full communication and consultation plan will be brought forward for any future proposals.

## **4. CONSULTATION**

4.1 A full consultation exercise will be undertaken during the latter part of 2024.

## **5. ALTERNATIVE OPTIONS CONSIDERED**

5.1 N/a.

## **6. REASONS FOR RECOMMENDATIONS**

6.1 To appraise stakeholders of the financial challenges facing the local government sector and the Council.

**7. LIST OF APPENDICES**

None

**8. BACKGROUND PAPERS**

Budget pack to be presented to full Council on the 29<sup>th</sup> of February 2024.

If you would like to inspect background papers for this report, please email [governance@barnsley.gov.uk](mailto:governance@barnsley.gov.uk) so that appropriate arrangements can be made

**9. REPORT SIGN OFF**

<b>Financial consultation &amp; sign off</b>	Senior Financial Services Officer consulted and date. <b>Neil Copley, 18/01/2024</b>
<b>Legal consultation &amp; sign off.</b>	Legal Services Officer consulted and date. <b>Sukdave Ghuman, 18/01/2024</b>

**Report Author: Neil Copley**

**Post: Director of Finance & S151 Officer**

**Date: 17/01/24**