

<b>22 November 2016</b>		<b>ITEM: 10</b>
<b>Corporate Overview and Scrutiny Committee</b>		
<b>Council Spending Review Update</b>		
<b>Wards and communities affected:</b> All	<b>Key Decision:</b> Key	
<b>Report of:</b> Sean Clark, Director of Finance and IT		
<b>Accountable Head of Service:</b> n/a		
<b>Accountable Directors:</b> <ul style="list-style-type: none"> <li>• All Directors</li> </ul>		
<b>This report is</b> public except for Appendix 4 which is EXEMPT		

## **Executive Summary**

This report summarises the main changes to the MTFS for the period 2017/18 through to 2019/20 and the governance structure for the Council Spending Review and Transformation Programme, including the budget planning table enabling agreement of the budget in February 2017.

This report specifically updates the committee on the proposals currently being considered that will affect central services budgets.

### **1 Recommendations**

**1.1 That Corporate Overview and Scrutiny Committee note the revised MTFS position and the Council Spending Review approach and timetable.**

**1.2 That Corporate Overview and Scrutiny Committee comment on the proposals currently being considered within the remit of this committee**

### **2 Medium Term Financial Strategy (MTFS)**

2.1 The MTFS presented to Council in February 2016 shows the budget gap over the 3 years 2017/18 to 2019/20 as £18.443m. This already assumes delivery of £2.484m savings previously agreed for 2017/18 (see Appendix 1) and assumes a Council Tax increase of 3.99% in each year.

2.2 As part of the ongoing budget planning process, the MTFS has been updated to reflect latest assumptions. The table below sets out the movements from the previous position and revised budget gap.

	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>Total</b>
February 2016	7.378	6.098	4.967	<b>18.443</b>
Business Rates	0.399	0.663	(0.463)	<b>0.599</b>
Inflation	(0.285)	(0.071)	(0.071)	<b>(0.427)</b>
Capital Financing	-	(0.042)	0.591	<b>0.549</b>
Government Grant	-	-	1.785	<b>1.785</b>
<b>Revised Budget Gap</b>	<b>7.492</b>	<b>6.648</b>	<b>6.809</b>	<b>20.949</b>

### 2.3 The key movements include:

- The position for 2017/18 and 2018/19 reflects a reduction in the provision for inflation but, adversely, also the possible impact of a significant category of business rate appeals that have been lodged;
- The majority of the increase is expected in 2019/20 and is largely as a result of further analysis on the four year funding settlement. It is prudent, at this stage, to reduce down the level of grant and business rate support in light of discussions on the removal or reduction of New Homes Bonus and further comments on grant levels; and
- The increase in Capital Financing reflects the likely interest rate increases towards the end of the MTFS period. This increased cost has been offset with significant savings in 2016/17 and smaller reductions over the following two years as a result of pushing back the impact in light of current economic forecasts.

2.4 One off funding has been identified to meet the costs of a Clean It, Cut It, Fill It pilot. The results of this pilot will be used to determine whether growth is required in the budget for a permanent increase to the Environment and Place budgets and this will be reported once known.

2.5 The position above includes the assumption of a 3.99% increase in council tax each year – 1.99% general increase and 2% adult social care precept. The table below sets out how any reductions to this assumption will increase the deficits set out in paragraph 2.2:

<b>An increase of:</b>	<b>Increases the budget gap by (£m)</b>			
	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>Total</b>
3.99%	0.000	0.000	0.000	0.000
3.00%	0.570	0.585	0.605	1.760
2.00%	1.140	1.170	1.210	3.520
1.00%	1.710	1.755	1.815	5.280
0.00%	2.280	2.340	2.420	7.040

## 3 Council Spending Review Process and Timetable

3.1 Given the level of saving previously delivered across the council, the pressures identified in 2016/17 and that there are minimal reserves to call

upon, it is essential that there is a clear strategy to close the budget gap set out in the MTF5. As a result, the focus will be on 3 key areas:

- Income generation – including increasing the Council’s commercial trading base. Council Tax increases also fall under this category;
- Achieving more / same for less – including further transformational projects, contract reviews, spend to save initiatives and alternative delivery models; and
- Demand management / early intervention. Examples include the Local Area Co-ordinators and Community Hubs.

3.2 However, in reality, where the budget gap cannot be fully closed through the above, the likely solution will be reductions to, or full cessation of, service provision.

3.3 Crossing through all of these areas is the need to adapt our workforce and change our culture to be an organisation which is more entrepreneurial, digitally-minded and commercially-aware.

3.4 The Council Spending Review will be underpinned by the following principles.

- Becoming financially self-sustainable;
- A target of 15-20% efficiencies in each service;
- A review of all services by March 2019 using common design principles (customer / demand management, commercial, digital/ICT, people, procurement, property and process);
- Non-statutory income generating services should be cost neutral; and
- Outcome focused including consideration of prevention and early intervention.

3.5 There has been some discussion that the Service Review is a top slice approach. It is important to note that the intention of these reviews is to ensure a stable provider of services within a reduced financial setting.

3.6 The transformation framework for achieving this is set out in the governance structure in Appendix 2. The officer Transformation Board will oversee a number of Strategic Boards each with a specific focus and cross cutting membership. Each Strategic Board will be sponsored by a member of Directors Board and guided by the principles outlined above and strategic policy direction set by Members. The governance structure also includes the cross-party Council Spending Review Panel.

3.7 The timing of these reviews is set out at Appendix 3.

## STRATEGIC BOARDS

Growth	Performance
Customer & Demand Management	Commercial
Digital / ICT	People
Procurement	Property
Service Review	

3.8 The Council Spending Review timetable has been prepared to achieve agreement of the budget by Cabinet and Council in February 2017. The main milestones are summarised below:

- July/August 2016 – Officer boards identify proposals and estimated savings for consultation with Cabinet Members;
- 7th September 2016 – Cabinet consider Q1 budget update including budget planning timetable and governance;
- September 2016 – Council Spending Review Panel (cross-party with Group Leaders and Deputies) consider savings options ahead of consultation;
- October/November 2016 – O&Ss consider proposals and public consultation where required;
- January 2017 – Cabinet agree proposals for implementation informed by O&S recommendations and draft budget referred to Corporate O&S; and
- February 2017 – Cabinet and Council budget setting.

3.9 At this stage, the £7.492m budget gap for 2017/18, set out in paragraph 2.2, has been reduced to circa £0.9m though this rises to £1.3m when the contribution to increase the general fund balance is added. This assumes:

3.9.1 A 3.99% council tax increase; and

3.9.2 No further investment in other services, including investment in Environmental Services, at this time.

3.10 Officers continue to work towards closing the remaining balance and identifying additional funds for further investment in services.

## 4 Savings Proposals from Boards 2017/18 – 2019/20

### 4.1 Management Actions Savings Proposals

4.1.1 The majority of the savings proposals are categorised as being “management actions” i.e. are operational matters under the responsibility of officers to implement without the requirement for member approval. For those areas relating to the remit of Corporate Overview & Scrutiny Committee, the following management action savings are proposed:

Proposal	Category/ Type	2017/18 £K	2018/19 £K	2019/20 £K
WiFi/Small Cell & Rooftop Concession contract – Tender	Income	75	-	-

documents issued 23/9 target date for contract award Jan 2017				
Counter Fraud & Investigation – expansion of traded services	Income	35	190	23
Maximise use of external funding opportunities	Income	40	45	50
Further income from advertising/ sponsorship/ filming including roundabouts	Income	20	20	20
IT – expansion of traded services	Income	30	20	20
Treasury Vehicles – full year effect of the solar farm investment	Investment	350	-	-
Smarter Working - Equip staff with skills and technologies to deliver services more efficiently and effectively	Productivity Saving	-	140	40
Citizen Journeys - Enable citizens and customers to do business with the council digitally	Productivity Saving	30	100	100
Legacy Digital Programmes - Ongoing benefits realisation from completed projects	Productivity Saving	100	40	50
Agency staff – reduce use of high cost agency staff through recruitment and retention initiatives and service/workforce re-engineering	Staff Cost reduction	200	200	200
Sickness Absence – reduce overtime and agency costs through effective attendance management	Staff Cost reduction	100	100	100
Reduction to employment budget growth	Staff Cost reduction	200	200	200
Review of overtime spend – currently at £1.5m	Staff Cost reduction	200	200	200
ICT Category – Achievable savings on main contracts and rationalisation of smaller ones	Cost Reduction	110	90	100
Insurance – modest savings secured through renegotiation of existing contract	Cost Reduction	30	-	-
Creative use of Purchase Cards – savings from a reduction of 2 FTE plus rebate from supplier	Cost Reduction	55	5	-
Overpayment Review – use of specialist no-win, no fee consultants to identify overpayments to contracts	Cost Reduction	100	-100	-
Review of Translation and Interpretation Services – procurement exercise to improve consistency via a framework agreement at an agreed price	Cost Reduction	20	10	5
Reduction of Consultancy Spend	Cost Reduction	600	-	-
Rental income stretch target Annual 5% increase in rent roll (excluding Purfleet Centre)	Income	50	50	50
Further letting income – from Civic Offices 1 (rent and service charge)	Income	50	100	100
Further letting income – Thameside Centre (rent and service charge)	Income	30	50	50
Relocation of YOS from Corringham Police Station	Cost Reduction	50	-	-
Corporate Landlord ie centralised maintenance and management of all corporate assets – 10% reduction in running costs through economies of scale	Cost Reduction	25	25	-
Corporate Landlord – Additional income target	Income	25	50	-
Traded Services to Schools	Income	-	20	20

4.1.2 The above management actions fall into one of five headings; income generation; investment; productivity saving; staff cost reduction; or cost reduction.

- 4.1.3 Although these are management actions and therefore do not require member approval to be implemented, it is important that members are aware of the wider changes that are taking place in order to come within budget.
- 4.1.4 Most of the above proposals will not be obviously perceived by residents and customers as most are internally-focussed, looking at becoming more efficient through better use of technology, being more self-sufficient through commercialisation and shrewd investment opportunities.
- 4.1.5 However some will have an impact on staff either directly or indirectly. For instance, reducing spend on agency staff by £200K per year, reducing consultancy spend by £600K in 2017/18 and reducing spend on overtime by £200K per year.

## 4.2 Savings Proposals requiring Cabinet approval

- 4.2.1 The Corporate Boards have also identified some areas of potential savings which require Cabinet approval before being taken forward and on which Overview & Scrutiny Committee are asked to comment. These include:

Proposal	Category/ Type	2017/18 £K	2018/19 £K	2019/20 £K
Fees & Charges * this will come separately to Full Council in the usual way and does not have a separate savings proposal	Income	250		
Customer Services Strategy (and service review) *a full and detailed report on this is also on the agenda, and therefore there is no separate proposal	Cost reduction	100	100	-
Refer to Exempt Paper (Appendix 4)	Cost Reduction	175	-	-

## 4.3 Other considerations

- 4.3.1 Previously Agreed Savings – appendix one sets out savings that were agreed during 2014/15 for delivery within the period of the MTFs. Savings related to the remit of Corporate Overview & Scrutiny Committee include additional Legal Services traded income and changes to staffing levels within corporate finance and revisions to prudential charges arrangements.
- 4.3.2 There are a number of cross cutting savings targeted including the reduction of the council wide spend on agency staff, consultants and overtime. The impact of these targeted reductions on services is currently being evaluated and will be in addition to any other service specific savings.

## 5. Reasons for Recommendation

- 5.1 The Council has a statutory requirement to set a balanced budget annually and to review its adequacy of reserves. The report outlines the budget gap over the next three years as per the MTFs and the approach and timetable to manage the position.

## 6. Consultation (including Overview and Scrutiny, if applicable)

6.1 The budget planning governance structure includes involvement and consultation with Officers, Portfolio Holders and Members. The timetable allocates October - December for Overview and Scrutiny committees to consider proposals and public consultation where required. The process also includes the Council Spending Review Panel, made up of cross-party Group Leaders and Deputies who will meet regularly during the budget planning period and ahead of key decision points.

## **7. Impact on corporate policies, priorities, performance and community impact**

7.1 The implementation of previous savings proposals has already reduced service delivery levels and our ability to meet statutory requirements, impacting on the community and staff. There is a risk that some agreed savings may result in increased demand for more costly interventions if needs escalate particularly in social care. The potential impact on the council's ability to safeguard children and adults will be kept carefully under review and mitigating actions taken where required.

7.2 The scale of future budget reductions as set out in this report are such that work is underway to follow a transformational approach to tackle the challenge.

## **8. Implications**

### **8.1 Financial**

Implications verified by: **Carl Tomlinson**  
**Finance Manager**

The financial implications are set out in the body of this report.

Council officers have a legal responsibility to ensure that the Council can contain spend within its available resources. Regular budget monitoring reports will continue to come to Cabinet and be considered by the Directors Board and management teams in order to maintain effective controls on expenditure during this period of enhanced risk. Austerity measures in place are continually reinforced across the Council in order to reduce ancillary spend and to ensure that everyone is aware of the importance and value of every pound of the taxpayers money that is spent by the Council.

### **8.2 Legal**

Implications verified by: **David Lawson**  
**Deputy Head of Law & Governance**

There are no direct legal implications arising from this report.

There are statutory requirements of the Council's Section 151 Officer in relation to setting a balanced budget. The Local Government Finance Act

1988 (Section 114) prescribes that the responsible financial officer “must make a report if he considers that a decision has been made or is about to be made involving expenditure which is unlawful or which, if pursued to its conclusion, would be unlawful and likely to cause a loss or deficiency to the authority”. This includes an unbalanced budget.

### 8.3 **Diversity and Equality**

Implications verified by: **Natalie Warren**  
**Community Development and Equalities**  
**Manager**

There are no specific diversity or equalities implications as part of this report.

A comprehensive Community and Equality Impact Assessment (CEIA) will be completed for any specific savings proposals developed to address future savings requirements and informed by consultation outcomes to feed into final decision making. The cumulative impact will also be monitored.

### 8.4 **Other implications** (where significant) – i.e. Staff, Health, Sustainability, Crime and Disorder)

Any other significant implications will be identified in any individual savings proposal business case to inform the consultation process where applicable and final decision making.

### 9. **Background papers used in preparing the report** (including their location on the Council’s website or identification whether any are exempt or protected by copyright):

- None

### 10. **Appendices to the report**

- Appendix 1 – 2017/18 Previously Agreed Savings Tracker
- Appendix 2 – Council Spending Review Governance Structure
- Appendix 3 – Service Review Timetable
- Appendix 4 – Exempt Paper

### **Report Author:**

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