

6 December 2016		ITEM: 10
Cleaner, Greener and Safer Overview & Scrutiny Committee		
Council Spending Review Update		
Wards and communities affected: All	Key Decision: Key	
Report of: Steve Cox, Corporate Director of Environment and Place		
Accountable Head of Service: Sean Clark, Director of Finance and IT		
Accountable Directors: <ul style="list-style-type: none"> • Sean Clark, Director of Finance and IT • Steve Cox, Corporate Director of Environment and Place 		
This report is public		

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 environment budgets.

1 Recommendations

1.1 That Cleaner, Greener and Safer Overview and Scrutiny Committee note the revised MTFS position, and the Council Spending Review approach and timetable.

1.2 That Cleaner, Greener and Safer 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.

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

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:

An increase of:	Increases the budget gap by (£m)			
	2017/18	2018/19	2019/20	Total
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 MTFS. 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, ICT / digital, 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
ICT / Digital	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

4.1 Management Actions Savings Proposals

4.2 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. Those which fall under the remit of each Overview & Scrutiny Committee have been presented to them for information. For this committee these include:

Proposal	Category/ Type	2017/18 £K	2018/19 £K	2019/20 £K
Trade Waste Year on Year Growth	Income	75	142	138
Trading grounds maintenance services	Income	40	20	20
Waste disposal contract negotiations	Cost Reduction	25		

4.3 Other considerations

4.3.1 Previously Agreed Savings – Appendix 1 sets out savings that were agreed during 2014/15 for delivery within the period of the MTFS. There were none identified for cleaner, greener, safer services

4.3.2 There are a number of cross cutting savings targeted with examples 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.

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.

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 – draft

8.1 Financial

Implications verified by: **Laura Last**
Senior Finance Officer

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: **Rebecca Price**
Community Development and Equalities

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 and reported.

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

Report Author:

Sean Clark, Director of Finance and IT

Steve Cox, Corporate Director of Environment and Place