

<b>SUBJECT:</b>	<b>DRAFT BUDGET PROPOSALS 2016/17 FOR CONSULTATION</b>
<b>MEETING:</b>	<b>Economy and Development Select committee</b>
<b>DATE:</b>	<b>4<sup>th</sup> November 2015</b>
<b>DIVISION/WARDS AFFECTED:</b>	<b>All</b>

**1. PURPOSE:**

- 1.1 To provide detailed draft proposals on the budget savings required to meet the gap between available resources and need to spend in 2016/17, for consultation purposes.
- 1.2 To consider the 2016/17 budget within the context of the 4 year Medium Term Financial Plan

**2. RECOMMENDATIONS:**

- 2.1 That Select committee scrutinises the budget savings proposals for 2016/17 released for consultation purposes and provide their response by the 30<sup>th</sup> November 2015.

**3. KEY ISSUES:**

**Background**

- 3.1 In January 2015, Cabinet approved a balanced budget for 2015/16 and acknowledged an indicative MTFP position which forecast the gap in resources over the remaining three year period as £10 million. Each year the MTFP model is rolled forward to present a 4 year position and this produced a gap of £13 million, based on original assumptions contained in the model.
- 3.2 Cabinet received a further report on the MTFP in June, agreed some revised assumptions and assessed the level of pressures that needed to be considered. Work has continued over the summer to refine the modelling assumptions and outline the income generation or savings proposals that will need to be considered.

**3.3 Funding Assumptions**

Welsh Government funding – a reduction of 4.3% has been assumed in the absence of any further updates. It is expected that the provisional settlement normally expected in

October will be delayed until December 2015/January 2016, in order for the impact of the Spending Review (Nov 2015) on the Welsh Budget to be worked through.

Council Tax increases – this has been modelled on 4.95% across the 4 years

Fees and Charges – 2.5% increase has been assumed, however there is a proposal to consider higher increases.

### **3.4 Expenditure assumptions**

Pay award – 1% increase (except schools)

Vacancy factor for staff turnover – 2% reduction (except schools)

Non- pay inflation – 0%

Cash flat line for schools

### **3.5 Pressures**

In addition to this, the pressures going forward have been reviewed and the changes to the pressures going into the model since the last report are:

1. Demographic pressure in social care – has been taken out as it will be managed through the change in practice work that is already underway
2. The impact of the National living wage on social care contracts for residential care and domiciliary care
3. Waste – increase in recycling costs, specific WG grant reduction, growth in waste tonnages
4. Passenger transport unit – realignment of income budget, SEN transport costs, transport for welsh medium at Duffryn
5. Redundancy provision will be built into the base budget from 2017/18 onwards, with 2016/17 costs being met from reserves
6. National Living wage impact for MCC staff in the later years of the MTFP
7. Treasury impact of increased capital financing requirement, potentially to be offset by a savings from a change in the Authority's Treasury Strategy currently being worked on.

3.6 A summary table of pressures is provided in Appendix 1 and further detailed information on some of these pressures is provided in the Pressure mandates in Appendix 2. It is noticeable that there are a limited number of pressures identified for years 2 to 4 of the MTFP, however it is common for them to be recognised closer to the year in question and this needs to be borne in mind when considering the remaining gap in the MTFP.

3.7 In addition, previously agreed savings that have not been achieved in 2014/15 and 2015/16 (so far) have not been recognised as pressures in the model as Directorates are in the

process of identifying replacement savings during the course of this year. Whilst there is confidence that this can be achieved it does present a risk that will need to be managed.

- 3.8 The effect of the roll forward of the model, revised assumptions and pressures revisions above is to create a revised gap of £11 million over the period of the plan. The previously agreed MTFP contained savings targets of £844k which had mandates to explain how the savings were going to be found. These savings are therefore not being repeated here for approval.

### **MTFP Strategy**

- 3.9 After several years of reducing budgets (over £22 million in last 5 years) the means of achieving further savings becomes increasingly more challenging. The work streams and lead in times require sustained leadership and management capacity to ensure that the proposals can be worked up and the changes made to ensure required outcomes and savings are delivered. In the light of these circumstances, the approach adopted has been to work up next years proposals, whilst taking into account the medium term position. Work is being undertaken on the savings targets further out in the MTFP and these will be the subject of a future report. However much more work is necessary in order to consider the remaining 3 years of the MTFP and what the future shape of the Authority needs to look like in the light of the emerging financial position.
- 3.10 This approach has been key to enabling a focus on the Council's Single Integrated Plan with its vision of sustainable and resilient communities and 3 themes of the County's Single Integrated Plan of; Nobody is left behind, People are capable, confident and involved, Our County thrives and their associated outcomes. This has also allowed the core priorities, as identified within the Administration's Mid Term Report and Continuance Agreement 2015-17, to be maintained, namely:
- direct spending in schools,
  - services to vulnerable children and adults and
  - activities that support the creation of jobs and wealth in the local economy,
  - maintaining locally accessible services
- 3.11 The budget proposals contained within this report have sought to ensure these key outcomes and priorities can be continued to be pursued as far as possible within a restricting resource base. This does not, however, mean that these areas will not contribute to meeting the financial challenges. The aim is to make sure everything is efficient so that as broad a range of service offer as possible can be maintained. Chief Officers in considering the proposals and strategy above have been mindful of the whole authority risk assessment.
- 3.12 The following table demonstrates the links at a summary level that have been made with the 4 priorities, Single Integrated Plan and the strategic risks:

<b>Proposal</b>	<b>Link to Priority Areas / Single Integrated Plan</b>	<b>Link to Whole Authority Risk assessment</b>
Schools budgets have been protected at 2015/16 levels,	Direct Spending in schools is maintained People are Capable, confident and Involved Our County Thrives	Budget proposals are mindful of the risk around children not achieving their full potential
Social care budgets will see additional resources going into the budget for Children's social services	Services to protect vulnerable people Nobody is left behind	These proposals seeks to address the risks around more people becoming vulnerable and in need and the needs of children with additional learning needs not being met
The service transformation projects in Adults social care and Children's services for special needs, aims to ensure that the needs of the vulnerable are still being met albeit in a different way	Services to protect vulnerable people Nobody is left behind	
Work has started on reshaping the leisure, tourism, culture, outdoor education and Youth service offer with a view to establishing an alternative service delivery model.	Activities that support the creation of jobs and wealth in the local economy and maintain locally accessible services	
The drive for service efficiencies savings has continued across all service areas in order to avoid more stringent cuts to frontline services for example looking at how we rationalise and use our properties in the light of the Asset Management Plan, ICT in the light of iCounty strategy and vehicles more efficiently	Further reviews of management and support structures and consolidation of office accommodation, contributes to the aims of creating a sustainable and resilient communities.	Addresses risks around the ability to sustain our priorities within the current financial climate
The need to think differently what income can be generated has been a clear imperative in working up the proposals. Clear	Being able to generate further income streams responds to the consultation responses in previous years regarding a preference for this compared to services cuts and	

examples are the income opportunities in and Highways, Planning and other discretionary charges	contributes to the aims of creating a sustainable and resilient communities.	
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3.13 The process adopted of capturing ideas through detailed mandates and business cases has sought to improve and formalise the links between individual budget proposals, the key priorities of the authority, key performance indicators and the strategic risks from the whole authority risk assessment.

### **Savings Targets**

3.14 It is recognised that so far, more emphasis has been put on the 2016/17 proposals and figures in order to set the budget and close the gap for next year. The individual proposals are outlined in Appendix 4 and have been through an initial Future Generations challenge, the results of which are linked to each proposal. The main headlines are:

- Establishing an alternative service delivery model for Tourism, Leisure, culture, outdoor education and youth services in the form of a wholly owned 'not for profit trust model'
- Working with Town and Community to sustain locally accessible services together, if this is not possible, reductions in services will need to be reviewed.
- Managing the increasing demand for social care by increasing the capacity for people to sustain independent lives within their own communities
- Enabling children with additional learning needs to have those needs met as far as possible within Monmouthshire schools
- Reducing spend on highways maintenance, grounds maintenance and property services
- Transferring some of our buildings to community groups and selling others where we can consolidate services in reduced accommodation
- Increasing discretionary fees and charges by 10% rather than 2.5% assumed in the MTFP model, following feedback from previous public consultation events

3.15 It is expected that Welsh Government will continue to seek protection for education budgets in the future although there have been no announcements on the specific details of this. The authority more than met its target in this respect in previous years, and for 2016/17 is protecting funding at cash flatline.

3.16 Work is continuing on the need to address the longer term issue of a reducing resource base. It is expected that further mandates and business cases outlining the detail to address the savings targets in the latter years of the MTFP will continue to be worked up and submitted for scrutiny through select committees. This will ensure that the work needed to balance the MTFP is undertaken now in order to deliver savings in the later years of the plan. This longer term plan will need to link closely with the work on the corporate Improvement Plan, so that the new shape of the Authority and its performance expectations are matched with the expected resource base for delivering services.

### **Impact of Capital MTFP**

- 3.17 Work is continuing on the Capital MTFP and this will be considered by Cabinet at the next meeting. For the purposes of establishing the revenue impact of any changes to the capital MTFP it has been assumed at this stage that any additional schemes which are established as priorities will displace schemes or budget allocations already in the capital programme rather than add any additional pressure which would require financing and therefore potentially impact on the revenue budget.

### **Council Tax**

- 3.18 The Council Tax increase in the budget has been assumed as 4.95% per annum across the MTFP as a planning assumption.. The Council tax base will be formally set by Cabinet in December. This will include an assessment of collection rates and growth in properties but early indications are that the budget could be increased. In addition, the demand for Council Tax Reduction Scheme payments has been assessed as reducing next year based on the forecasts being projected forward from the current year activity. Taken together £400,000 of additional Council Tax has been used in the calculations so far and this will be revisited when more detailed assessments are made.

### **Summary position**

- 3.19 In summary, the 2016/17 budget gap is now £1.738m, if all the savings proposals contained in the Appendix 4 are approved.

	<b>2016/17</b>
<b>Summary Draft MTFP</b>	<b>£000s</b>
<b>Gap</b>	<b>6,319</b>
MTFP savings agreed	844
Savings with mandates	3,332
Council Tax base	400
<b>New Gap</b>	<b>1,743</b>

- 3.20 However, this still leaves a gap of £6.5 million to be found over the whole of the 4 year period.

### **Reserves strategy**

- 3.21 Earmarked reserve usage over the MTFP is projected to decrease the balance on earmarked reserves from £9 million at the start of 2015/16 to £6.2 million at the end of 2019/20. Taking into account that some of these reserves are specific, for example relating to joint arrangements or to fund capital projects, this brings the usable balance down to £5 million.
- 3.22 Whilst every effort will be made to avoid redundancy costs and the Protection of Employment policy is used to ensure redundancy is minimised, it is expected there may be some that are inevitable and reserve cover may be required for this, possibly in the region of £500,000 per year. Over the MTFP this could require £2 million reserve funding cover, if services are unable to fund the payments from their budgets. The MTFP model now includes a fund for redundancy costs in the base budget from 2017/18.

### **Next Steps**

3.23 The information contained in this report constitutes the budget proposals that are now made available for formal consultation. Cabinet are interested in consultation views on the proposals and how the remaining gap may be closed. This is the opportunity for Members, the public and community groups to consider the budget proposals and make comments on them. Cabinet will not however, be prepared to recommend anything to Council that has not been subject to a Future Generations and EQIA and therefore a deadline to receive alternative proposals has been set as 30<sup>th</sup> November 2015.

3.24 Public engagement sessions (to include the formal requirement to consult businesses) and Select Committee Scrutiny of Budget proposals, will take place over the course of October and November. The scrutiny of and consultation on the budget proposals are key areas of this part of the budget process. The following dates have been set of the Select committees and work is continuing on providing dates for public consultation in the same timescales:

20<sup>th</sup> Oct 2pm Adults

21<sup>st</sup> Oct 2015 10am CYP

22<sup>nd</sup> Oct 2015 10am Strong Communities

4<sup>th</sup> Nov 2015 10am Economy and Development

3.25 The aim this year has been to enable more time to consider the responses to the consultation on the budget proposals. To that end it is proposed that the consultation will end on the 30<sup>th</sup> November 2015 to enable Council to consider the responses and approve final budget proposals in January 2016 if possible. There may need to be some flexibility around this date given the expected late notifications of funding to be received from Welsh Government. Formal Council Tax setting will still take place at full Council on 26<sup>th</sup> February 2015 once the Police precept and all the Community Council precepts have been notified.

#### **4 REASONS:**

4.1 To agree budget proposals for 2016/17 for consultation purposes

#### **5 RESOURCE IMPLICATIONS:**

As identified in the report and appendices

#### **6. SUSTAINABLE DEVELOPMENT AND EQUALITY IMPLICATIONS:**

The future generation and equality impacts of each individual saving proposal have been initially identified in the assessment and are linked to the saving proposal document. No significant negative impact has been identified. Further consultation requirements have been identified and are on going. Further assessment of the total impact of the all the proposals will be undertaken for the final budget report.

The actual equality impacts from the final budget report's recommendations will be reviewed and monitored during and after implementation.

#### **7. CONSULTEES:**

SLT

Cabinet  
Head of Legal Services  
Head of Strategic Personnel

**8. BACKGROUND PAPERS:**

Appendix 1: Summary table of Pressures  
Appendix 2: Detail of individual pressures  
Appendix 3: Summary list of budget savings  
Appendix 4: Individual proposals – detailed mandates or business cases with attached  
Future Generation assessments, numbered between B1 and B23

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