

**SUBJECT: Update on draft budget proposals for 2016/17**

**MEETING: Cabinet**

**DATE: 2<sup>nd</sup> December 2015**

**DIVISION/WARDS AFFECTED: All**

**1. PURPOSE:**

To provide the outline proposals to meet the remaining gap in the 2016/17 budget.

**2. RECOMMENDATIONS:**

- 2.1 That Cabinet approves the revisions to the draft budget savings proposals for 2016/17.
- 2.2 That Cabinet approves that the additional draft budget saving areas identified for 2016/17 are worked on further, including consultation with key stakeholders.

**3. KEY ISSUES:**

**Background**

- 3.1 The report to Cabinet in October identified the gap in the current set of budget proposals for 2016/17 as £1.7m. A recent 'test for soundness' applied to the mandate proposals suggests that circa £639k of the £3.3m of ideas may now not be feasible in 2016/17 principally due to doubt cast over the deliverability of proposed uplifts in fees and charges. See Appendix 1 for the adjustments made to the original budget mandates. In addition a pressure of £45k has been identified in response to the fact that the Welsh language commissioner is issuing notices to local councils, the Welsh government and national parks on the standards they will need to meet. This is an indicative figure at the moment and subject to negotiation with the Commissioner's office.
- 3.2 Members are reminded that we have yet to receive any notification relating to our settlement (pending the Comprehensive Spending Review to be announced by central government on 25<sup>th</sup> Nov 2015) and the assumptions in the above scenario may need to be adjusted. Even small changes in the percentage reduction in funding imposed by WG could have a significant effect (0.5% is equivalent to £500k). There is also considerable uncertainty around specific grants and in particular the Waste Management Grant. Whilst a grant reduction of 10% has been factored in, at this stage it is not clear if this reduction could be considerably greater than this.

- 3.3 The waste management pressure that has been taken into account in the original budget proposal will also need to be revised as the dry recycling pressure has been reviewed and additional costs of £220,000 need to be included.
- 3.4 In addition the month 6 forecast position for the current year is demonstrating the considerable financial strain that the organisation is under. Particularly acute is the overspend position in Children's Social services and whilst a pressure has been included in the 2016/17 budget, this is now insufficient, so an additional pressure of £1 million needs to be included in the budget.

The revised position is now a gap of £3.6 million, as follows:

	<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>
Adjustments to mandates	639
Pressure - Welsh language	45
Pressure - Children's Social services	1,000
Pressure - Waste recycling	220
<b>Revised gap</b>	<b>3,647</b>

- 3.4 Further work is also required to ensure that resources required to deliver the mandates has been accurately identified, this is in terms of capital investment and revenue resources. The expectation is that revenue consequences of this (such as prudential borrowing or the repayment of use of Invest to Save reserve) will need to be deducted from the saving proposed, further widening the gap.
- 3.5 Despite with the above uncertainty, the budget process needs to continue in order to ensure that when the above information is confirmed, a budget for 2016/17 can be constructed. Senior managers have worked hard to look at the options for closing the remaining gap whilst still adhering to the four priorities of the Council. Acknowledging that delivery of the savings needs to be in 2016/17, most of the additional ideas listed below are extensions to the mandates already considered.

### **3.6 Amendments to mandates to consider**

#### **Amended B5 - Community Asset Transfer**

This proposal extends the mandate around community asset transfer to looking at other options to work with other external organisations to optimise our assets through a Joint Venture profit-share arrangement by exploring opportunities to establish visitor attractions.

There are important procurement issues to work through and it is suggested that in order to take the discussion forward and introduce an element of competitive tension, an advert seeking Expressions of Interest for JVs or other types of partnership arrangements, is posted on Sell2Wales.

Given the level of interest shown, evidence of other public-private models operating profitably across the UK and the strength, diversity and flexibility of our asset-base, it is estimated that **£100k of new income** could be generated in 16/17, with the possibility of greater revenue development beyond this. In addition, it is not judged that this might negatively impact the ambitions of other community groups hungry to progress conversations about community development trusts, since we are not talking disposal or outright sale, but instead some kind of exceptional lease arrangement with the profits achieved being potential leverage for a community trust to attract external investment.

### **Amended B20 – Phase 3 of Additional Learning Needs review**

Ahead of any wider re-purposing of Mounton House School there is a need to assess the charging levels for pupils coming to Mounton House School from outside the county and to review the delegated schools budget to align more closely with the numbers of Monmouthshire children currently at the school. Taken together, these two actions could contribute **£300,000 saving** to our budget challenge next year.

### **Amended B11 Review of Senior Staffing structures**

A comprehensive review of whole-Council engagement, communications, marketing and Whole Place functions to achieve an efficiency/ income of **£90k**

### **Amended B4 ICT Development**

There are potentially a number of technology solutions that could help with efficiency and effectiveness by automating processes. Therefore this proposal is to set a **£50k savings** target for this in 2016/17 to mobilise effort and create impetus.

### **Amended B23 Discretionary fees and charges**

Reconsider a 5% increase in charges rather than the original 10% increase proposed. This would put **£153k income** back into the proposals

## **3.7 Review of Minimum Revenue Provision (MRP) Policy**

Each year the council is required to set aside an amount of revenue budget as provision to repay debt. This provision is called the Minimum Revenue Provision (MRP), and each year the Council agrees, as part of its Treasury Strategy, a policy on how this amount will be calculated. Authorities must set aside an amount they consider prudent to repay borrowing and they must have regard to the statutory guidance on this issued by Welsh Government. The guidance sets out various options for the calculation of MRP and given the financial pressures facing local government many Councils are reviewing these

options again in order to reset their policies and deliver some financial benefit to their revenue budgets.

Audit Committee will shortly be scrutinising a proposed revision to this Authority's Policy for 2016/17, which principally involves changing the method used to calculate the MRP on unsupported borrowing from an equal instalment method to an Annuity method. Subject to Audit committee consideration and consultation with the Wales Audit Office, a change in policy could result in a one off cash flow benefit to the 2016/17 budget of £2.136 million. Further information is provided in the report to Audit Committee on 3<sup>rd</sup> December 2015.

### **3.8 Council Tax Base**

The Council Tax base report elsewhere on this agenda, provides the estimate of Council Tax base next year. Whilst earlier estimates were included in the budget proposals report to Cabinet in October, the most recent calculations indicate that the Council Tax Base figure now calculated will raise an **additional £200k** in income towards the budget gap.

It is considered that all these proposals need to be considered and worked on further, in order to ensure there are sufficient proposals to set a budget for 2016/17.

### **3.9 Summary**

The above package of measures, if all prove feasible, would deliver a further £3.02 million of savings to the budget. This leaves a gap of circa £600k to be managed. Further work is being carried out on the pressures to see if any can be reduced to close the gap further. In the absence of this consideration will be given to top slicing an efficiency saving from all budgets across the authority. Consultation and scrutiny of the above proposals will need to be carried out over the next few weeks and a Special Joint Select committee is being arranged for 16<sup>th</sup> December 2015, to which all members will be invited, in order to scrutinise the proposals and receive feedback from the public engagement that took place in November.

## **4. REASONS:**

- 4.1 Further work has been undertaken to meet the remaining budget gap, and given the uncertainty regarding the assumptions on the settlement in the MTFP model, various options have been identified for further work.

## **5. RESOURCE IMPLICATIONS:**

As identified in the report and appendices

## **6. WELL BEING OF FUTURE GENERATIONS IMPLICATIONS:**

The future generation and equality impacts of each individual saving proposal will need to be reassessed in the light of the new extensions to the original proposals and further consultation with key stakeholders will need to be undertaken.

**7. SAFEGUARDING AND CORPORATE PARENTING IMPLICATIONS**

There are no safeguarding and corporate parenting implications

**8. CONSULTEES:**

SLT  
Cabinet  
Head of Legal services  
Head of Personnel

**9. BACKGROUND PAPERS:**

**Appendix 1:** Schedule of original budget mandates with adjustments

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