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| SUBJECT: | DRAFT BUDGET PROPOSALS 2017/18 FOR CONSULTATION |
| MEETING: | Children & Young People Select Committee |
| DATE: | 12th January 2017 |
| DIVISION/WARDS AFFECTED: | All |

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 2017/18, for consultation purposes.
- 1.2 To consider the 2017/18 budget within the context of the 4 year Medium Term Financial Plan (MTFP) and the emergence of priorities to guide forward activities through Future Monmouthshire.

2. RECOMMENDATIONS:

- 2.1 That Select committee scrutinises the draft budget savings proposals for 2017/18 released for consultation purposes.
- 2.2 That Select committee notes that the consultation period and opportunity to present alternative proposals that have been Equality Impact assessed ends on 31st January 2017.
- 2.3 That Select committee notes that work is continuing on the areas required to balance the 2017/18 budget and Medium Term Financial Plan (MTFP), through those opportunities identified in the emerging Future Monmouthshire programme.

3. KEY ISSUES:

Background

- 3.1 Cabinet received a report on the MTFP and budget process at their meeting of 2nd November 2016. The report outlined the assumptions that were being used in the construction of the budget for 2017/18 and the MTFP and highlighted the outcome of the provisional settlement announcement for Monmouthshire.
- 3.2 As a reminder the following assumptions have been used for the 2017/18 budget:
 - Council Tax – 3.95%
 - Other external income – 2.5%
 - Pay inflation – 1%
 - Non pay inflation – 0%
 - Vacancy factor – 2% (except schools)
 - Superannuation – 21.1% (Actuarial review pending)
 - Schools Budget – 0%
 - Aggregate External Finance – 0.12% reduction based on the provisional settlement

- 3.3 The above assumptions led to a gap of £2.509 million in 2017/18 rising to a gap of £10.5 million over the medium term. At that time further work was being undertaken to assess the pressures both in the current year budget and any new pressures arising from changes in regulations for example. Savings and income generation proposals were also being worked up and reviewed through an internal and external challenge process guided by the principles and thinking established through Future Monmouthshire.

Pressures

- 3.4 The work on pressures has highlighted that a number of significant pressures need to be taken into account in next years budget. This is most notable in Social care where a combination of increasing complexity of care and demand for services together with changes implemented by Welsh government in relation to caps on charging for care and capital threshold limits and the impact of the National living Wage increase on care contracts has combined to generate £2 million pressure in next years budget. A summary table of pressures is provided below and further information on the other pressures is provided in Appendix 1. 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.

| | 2017/18 | 2018/19 | 2019/20 | 2020/21 |
|--|-------------|------------|------------|----------|
| Summary of Pressures by Directorate | £000s | £000s | £000s | £000s |
| Children and Young People | 0 | 0 | 0 | 0 |
| Corporate | 678 | 58 | 112 | 0 |
| Social Care and Health | 2016 | 434 | 434 | 0 |
| Operations | 679 | 47 | 72 | 0 |
| Resources | 608 | 0 | 0 | 0 |
| Enterprise | 585 | 0 | 0 | 0 |
| Chief Executive Office | 105 | 0 | 0 | 0 |
| TOTAL PRESSURES | 4671 | 539 | 618 | 0 |
| One off pressures to be reserve funded | -581 | 0 | 0 | 0 |
| NET TOTAL PRESSURES | 4090 | 539 | 618 | 0 |

- 3.5 Previously agreed savings that have not been achieved in the past have also been recognised as pressures in the model together with any current year budget overspends that look set to continue into 2017/18. In previous budgets Directorates have been asked to manage these pressures within services, however given the level of savings already being delivered by some service areas a decision has been taken to recognise these pressures in the budget for 2017/18 to mitigate this risk.
- 3.6 Some of the pressures have been recognised as one off pressures and so will be proposed to be met from earmarked reserves. The remaining gap created will be addressed ongoing through focussed work, involving service reviews and redesign, challenge-setting, transfer of external knowledge and best practice.

Budget Proposals for 2017/18

- 3.7 After several years of taking significant resource out of the budget the means of achieving further savings becomes increasingly more challenging. The work on Future Monmouthshire has meant some changes to the budget process for 17/18. Future Monmouthshire is about keeping the Council 'going' and 'growing' and whilst the pressure of 17/18 is immediate, a one-year process has been developed which aims to position

short-term decisions in the context of a longer-term programme which aligns with the medium Term Financial Plan. Across the board, all service areas were asked to consider how their services would look within a range of reductions available to them, whilst simultaneously, looking ahead and ensuring wherever possible, proposals support the medium term direction of travel. Over 240 proposals were highlighted through this work and is testament to the hard work of service managers willing to continue to look for every available possibility to make efficiencies and work differently whilst minimising the impact on the people and communities of Monmouthshire.

- 3.8 To in-build an additional element of review, all proposals have been considered and tested through a process of internal and external independent challenge. The internal challenge resulted in an initial ranking of savings as red, amber or green and helped identify where further attention could be focused to develop a set of proposals to meet the resource gap. At this stage the list of proposals that fell into the red category have been set aside as requiring further work to assess the impact, risk and full implications of the idea. These now form part of the ongoing work programme of Future Monmouthshire and will ensure that there is an ongoing pipeline of schemes and proposals. This pipeline will support the annual budget process and moreover, embed and ingrain the task of ongoing improvement, efficiency and effectiveness in the every day. The green and amber proposals were then categorised in to the following areas: Income generation, Staff, Organisational efficiency and service reduction. 68 of the proposals were classed as organisational efficiency as they enabled the services to work better and smarter without impact on the service outcomes.
- 3.9 External challenge was also undertaken to provide a high level independent view and challenge of the 2017/18 budget proformas, whilst ensuring that proposals for efficiency savings are aligned to the strategic direction of the Council to be delivered through the Future Monmouthshire programme. The review considered data analysis, facilitated sessions, ranking of the proposals for deliverability and identifying any areas of additional opportunity. The feedback provided accorded in most areas with the internal challenge process and has been taken into account in presenting the proposals in this report. In addition the analysis, provided a useful overview of how the process can be improved in the future. Areas of additional opportunity were highlighted, in particular around future opportunities for service integration commercialisation, income generation, procurement and adult social care are currently being considered and will form part of the ongoing pipeline of activity being built out through Future Monmouthshire. There is a possibility some of these will be sufficiently developed in time to help with meeting the remaining gap as presented below. This remains priority work in progress.
- 3.10 A summary of all the proposals are shown in the table below, and are shown in more detail in the attached appendices 2 and 3.

| | | | Income | Org Efficiency | | Staffing | Reduction | | | |
|---------------------------|-----------------|-------------------|-----------------|----------------|-----------------|-----------|-----------------|-----------|-----------------|-----------|
| | No of proposals | TOTAL Value | Value | No. | Value | No. | Value | No. | Value | No. |
| Chief Executive Office | 11 | £174,034 | £0 | 0 | £25,742 | 4 | £144,292 | 6 | £4,000 | 1 |
| Children and Young People | 7 | £245,461 | £0 | 0 | £125,000 | 5 | £70,461 | 1 | £50,000 | 1 |
| Enterprise | 16 | £84,047 | £9,000 | 3 | £69,047 | 12 | £6,000 | 1 | £0 | 0 |
| Operations | 46 | £669,944 | £114,915 | 8 | £315,241 | 26 | £72,061 | 6 | £167,727 | 6 |
| Resources | 18 | £266,476 | £14,288 | 2 | £154,500 | 11 | £97,688 | 5 | £0 | 0 |
| Social Care and Health | 23 | £277,059 | £51,435 | 10 | £144,243 | 9 | £22,400 | 2 | £58,981 | 2 |
| TOTAL | 121 | £1,717,021 | £189,638 | 23 | £833,773 | 67 | £412,902 | 21 | £280,708 | 10 |
| Corporate | 2 | £118,000 | £98,000 | 1 | £20,000 | 1 | £0 | 0 | £0 | 0 |
| TOTAL | 123 | £1,835,021 | £287,638 | 24 | £853,773 | 68 | £412,902 | 21 | £280,708 | 10 |

Links to Vision and Priorities

3.11 This approach has been key to enabling a continued 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

3.12 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, in line with those functions that matter most to our communities, can be maintained. In the light of this, and current year pressures, the previously identified saving of £600k relating to changing practice in Adults social care has been reviewed and results in a reduction on the saving to £200k, as referenced above, additional review work is currently being undertaken in Adult Social Care to identify where ground can be regained, in future years. Chief Officers in considering the proposals and strategy above have also been mindful of the whole authority risk assessment.

3.13 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:

| Proposal | Link to Priority Areas / Single Integrated Plan | Link to Whole Authority Risk assessment |
|----------|---|---|
|----------|---|---|

| | | |
|---|---|--|
| Schools budgets have been protected at 2016/17 levels, | Direct Spending in schools is maintained People are Capable, confident and Involved Our County Thrives | Budget proposals are mindful of the risk in the register around children not achieving their full potential |
| Social care budgets will see additional resources going into the budget for Children's and adults social services to meet the pressures in these areas. | 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 drive for service efficiencies savings has continued across all service areas in order to avoid more stringent cuts to frontline services. | Further reviews of management and support structures and streamlining of processes, 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 examples are the income opportunities in and Highways, and operations to maximise trading opportunities | 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 contributes to the aims of creating a sustainable and resilient communities. | |

Treasury Impact

- 3.14 The Capital MTFP is being considered as a separate report on this agenda and for the purposes of establishing the revenue impact of the capital MTFP, the current summary position in the Capital report has been taken.
- 3.15 Members will be aware that Council recently considered and approved a change to its Policy in relation to the amount it sets aside in relation to the Minimum Revenue Provision for the repayment of supported debt. This has created a cash flow benefit in 2017/18 of £1.5 million.
- 3.16 Further work on the Treasury aspects of the budget are still being validated and include, a review of the current year underspend, the profile of capital expenditure and potential slippage, a review of maturing debt over the medium term and the balance between the level of fixed and variable rate debt in the Council's portfolio. The balance of risk is an important consideration in this review as are the principles of security, liquidity and yield when considering any investment strategies.

Council Tax

3.17 The Council Tax increase in the budget has been modelled as 3.95% per annum across the MTFP as a planning assumption. The Council tax base report on this agenda has concluded an assessment of collection rates and growth in properties. The effect of this is to increase the amount of income available from Council Tax as £515k. In addition, the demand for Council Tax Reduction Scheme payments has been assessed as reducing next year by £370k on the forecasts being projected forward from the current year activity.

Summary position

3.18 In summary, the 2017/18 budget gap is now £243k, if all the savings proposals contained in the Appendix 3 are approved. Clearly there is a gap still to meet and further work is progressing through Future Monmouthshire to bring forward measures to balance to budget as set out in 3.9 above around the themes of services integration, commercialisation, adult care and procurement. Specific areas being considered include:

- Implementing a corporate landlord model
- Reviewing whole place and 'place based' partnership resources
- Some cross cutting areas of spend such as marketing, photocopying, travel, pool cars and IT equipment.
- Procurement review
- Optimisation review of adult social care
- Validation of treasury budgets over the MTFP

| SUMMARY POSTION | |
|---|--------------|
| Item | £000 |
| Gap as per MTFP report to Cabinet 2nd Nov | 2,509 |
| Adjustments | |
| Net total pressure = £4,090k so add residual pressures | 1,590 |
| Adjustment to savings | 400 |
| Change of Policy on Minimum Revenue Provision for supported borrowing | - 1,536 |
| Reduced demand for Council Tax reduction scheme payments | - 370 |
| Council tax base, collection rate and number of properties | - 515 |
| Remaining gap | 2,078 |
| Service proposals | - 1,835 |
| Revised Gap/-Surplus | 243 |

Reserves strategy

3.19 Earmarked reserve usage over the MTFP is projected to decrease the balance on earmarked reserves from £9.3 million in 2016/17 to £5.6 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 £4 million. The general fund reserve is sustained at its current level of £7 million, and this is within the 4-6% of net expenditure range considered as appropriate to maintain.

3.20 The recently approved Reserves strategy has sought to ensure that earmarked reserves are not used to balance the budget for ongoing expenditure and that they are instead used

to the best effect and impact on one off areas of spend to help the authority transform itself to the new resource levels available to it. A review of the pressures highlighted above as part of the 2017/18 budget has identified that a number of these pressures are one off investments and as such can be reserve funded.

Next Steps

- 3.21 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 Assessment and Equality Impact Assessment and therefore a deadline to receive alternative proposals has been set as 31st January 2017.
- 3.22 Public consultation (to include the formal requirement to consult businesses) and Select Committee Scrutiny of Budget proposals, will take place between the 16th December 2016 and the 31st January 2017. In the past three years we have undertaken extensive community engagement around the budget and the impact of any potential changes under the banner of #MonmouthshireEngages. The budget proposals contained within this report are extensions of previously agreed changes and in addition there has not been any substantive or material service developments; on this basis we will not be conducting another large scale public engagement. There will be opportunity for the community to provide consultation responses via public meetings to be held in Usk, meetings of the Schools budget forum, JAG, and Equality and Diversity group and via the website and social media where details of the proposals will be published and a short film will be available.

In building the 2018/19 budget we will have the ability to rely upon the extensive quantitative and qualitative information generated through the wellbeing assessment (known as Our Monmouthshire).

- 3.23 The scrutiny of the budget proposals are key areas of this part of the budget process. The following dates have been set for Select committees:

Economy and Development – 5th January 2017
Children and Young People – 12th January 2017
Adults - 24th January 2017
Strong Communities - 26th January 2017
Joint Select committee – 31st January 2017

- 3.24 Final budget proposals following consultation and receipt of the final settlement will go to a special Cabinet in mid Feb 2017 and Council Tax and budget setting will then take place at Full council on 9th March 2017.

4 REASONS:

- 4.1 To agree budget proposals for 2017/18 for consultation purposes

5 RESOURCE IMPLICATIONS:

- 5.1 As identified in the report and appendices

6 FUTURE GENERATIONS AND EQUALITY IMPLICATIONS:

The future generation and equality impacts of the saving proposal have been initially identified per Directorate in Appendix 4. As the impact on services has been kept to a minimum, 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

8. BACKGROUND PAPERS:

Appendix 1: Pressures

Appendix 2: Summary of budget proposals by Directorate service areas

Appendix 3: Directorate proposals

- a - Chief Executive office
- b - Children and Young People
- c - Enterprise
- d - Operations
- e - Resources
- f - Social Care Health

Appendix 4: Future Generations Evaluation per Directorate

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