

	<p><b>Policy and Resources Committee</b></p> <p><b>10 June 2014</b></p>
<b>Title</b>	<p><b>Finance and Business Planning – Corporate Plan and Medium Term Financial Strategy 2015/16 to 2019/20</b></p>
<b>Report of</b>	<p>Andrew Travers, Chief Executive                  Chris Naylor, Chief Operating Officer                  Kate Kennally, Strategic Director of Communities                  Pam Wharfe, Strategic Director of Environment &amp; Growth</p>
<b>Wards</b>	<p>All</p>
<b>Status</b>	<p>Public</p>
<b>Enclosures</b>	<p>Appendix 1: Medium Term Financial Strategy 2015-20                  Appendix 2: Priorities and Spending Review Report</p>
<b>Officer Contact Details</b>	<p>John Hooton, Deputy Chief Operating Officer, 020 8359 2460</p>

## Summary

This report seeks approval from Policy and Resources Committee on the following:

- a) The process for Theme Committees to develop commissioning priorities for the period 2015-20 which will come back to this committee in December 2014 to form the basis of a refreshed Corporate Plan;
- b) The process for Theme Committees to develop savings proposals to meet the financial challenges over the period 2015-20 which will come back to this committee in December 2014; and
- c) The allocation of transformation funding to support the delivery of savings plans.

## Recommendations

- 1.1 That Policy and Resources Committee note the updated Medium Term Financial Strategy up to 2020 as set out in Appendix A and the assumptions underpinning this in section 1.3;**
- 1.2 That Policy and Resources Committee note the Priorities and Spending Review report as set out in Appendix B;**
- 1.3 That Policy and Resources Committee agree the process for updating the Corporate Plan, through the development of commissioning plans by Theme Committees, as set out in section 1.5;**
- 1.4 That Policy and Resources Committee agree the allocation of savings targets set out in section 1.6, along with the preferred option for allocating the remaining budget gap;**
- 1.5 That Policy and Resources Committee agree the draw-downs from the transformation reserve as set out in paragraph 1.7.2; and**
- 1.6 That Policy and Resources Committee agree the approach to consultation as set out in section 1.10.**

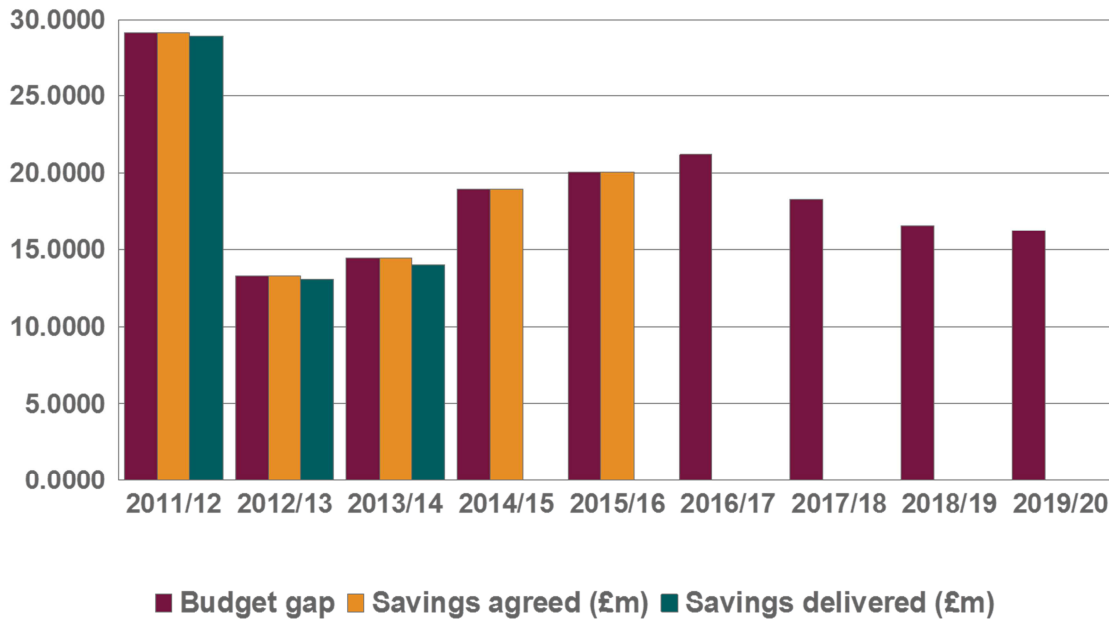
## **1. WHY THIS REPORT IS NEEDED**

### **1.1 Executive Summary**

- 1.1.1** In March 2014, the Council set a Corporate Plan and Medium Term Financial Strategy covering the period 2014/15 and 2015/16. The MTFs for this period includes savings proposals totalling £39m which, will produce a balanced budget position.
- 1.1.2** Following the local elections in May, this report sets out the process for re-defining the Corporate Plan priorities, and the process for setting a Medium Term Financial Strategy through to 2020. Following the move to a committee form of governance, this report also sets out the process by which Theme Committees will contribute to this process and enable the Policy and Resources Committee to set a Corporate Plan and Medium Term Financial Strategy for consultation in December 2014.
- 1.1.3** This report sets out the budget gap for 2016 through to 2020, which is estimated at a further £72m. Given the scale of cuts already made to local government budgets, this represents a huge challenge for the organisation to address.

### **1.2 Strategic Context**

- 1.2.1 The financial position of Local Government is extremely challenging, despite recent improvements in the UK economy. Growth has been slower than originally projected at the 2010 Spending Review. When the Coalition Government first sets its spending plans and deficit recovery programme, it was projected that the annual budget deficit would be eradicated by 2015. This target has been missed, and it is now expected to be in balance by 2018. Public sector debt as a % of GDP is not currently expected to start falling until 2016/17.
- 1.2.2 The Government is committed to addressing the budget deficit primarily by cutting expenditure (80%) compared to increasing taxation (20%). Of the total £732bn annual government expenditure, approximately half of this is “non-departmental” spend, primarily welfare and pensions, which is driven by demand. Welfare expenditure has already been subject to significant cuts. Of the remaining “departmental” expenditure, over 50% of this is protected as it relates to the NHS, schools, defence equipment and overseas aid. Local government, along with transport, police, skills, universities and defence, sits in the remaining non-protected expenditure group. For this reason, a disproportionate level of cuts will continue to fall on Local Government until the end of the decade.
- 1.2.3 In spite of the on-going financial challenges, the Council continues to provide high quality services to residents. Resident satisfaction with the Council has increased by 21% since 2010. Compared to 2010, residents think the Council is doing a better job, offering better Value for Money, is working to improve the local area, listening to concerns of local residents and responding quickly when asked for help. In addition, 91% of primary schools and 86% of secondary schools in Barnet are rated as ‘good’ or ‘excellent’ by Ofsted – among the best in the country - and Adults and Children’s services are recognised as ‘excellent’ by external inspectors. The Borough remains an attractive and successful place to live, with 87% of residents satisfied with their local area.
- 1.2.4 Over the period 2011-15, the Council has worked hard to reduce costs, cut waste, and improve efficiency. Over that period, a total of £75m of annual savings have been found in Council budgets. Tough decisions have been made, including outsourcing support services, setting up joint ventures and shared service arrangements to reduce costs and/or increase income, and better managing demand for social care. Importantly however, the Council is only half way through a decade of austerity, and therefore further work needs to be done to balance the budget to 2020. The graph below shows the scale of the challenge the Council has already faced, and the challenge that will continue to the end of the decade.



1.2.5 The Council's future regeneration programme will see £6bn of private sector investment over the next 25 years to ensure that the Borough remains an attractive place to live and do business. This will create around 20,000 new homes and up to 30,000 new jobs across the Borough and generate £5.6m of recurrent income for the Council by 2020 and one off income of £50m to be reinvested in infrastructure.

1.2.6 Residents from across the Borough will continue to share in the benefits of growth, with increasing housing development leading to an increase in the tax base and, subsequently, lower Council tax bills for residents. During these challenging times, the Council does not want to increase financial the burden on families and individuals. This is why the Council has frozen Council Tax from 2010-11 and 2013/14, and reduced Council Tax by 1% in 2014/15.

### 1.3 Medium Term Financial Strategy update

1.3.1 **Appendix A** sets out the Medium Term Financial Strategy for Barnet Council through to 2020, taking into account the national economic context such as government spending cuts and inflation, along with local factors such as population and demand pressures. The headline figure is a budget gap of a **further £72m for 2016-20** beyond the current Medium Term Financial Strategy which covers the period 2014-16.

1.3.2 This budget gap that the Council faces includes assumptions about levels of expected Government grant, future levels of business rates and changes to the Council Tax base, along with a range of other assumptions about pay and non-pay inflation, future levies and other risks.

1.3.3 Modelling has been undertaken to understand the potential impact of growing demand on the council's budget resulting from demographic change and taking into account a range of factors including population increase, inflation and likely legislative changes. An allowance has been included within the budget envelope for demographic growth in line with population projections.

#### **Implications of the Care Bill**

1.3.4 It is important to note that this projection does not currently include the additional costs associated with the implementation of the Care Bill. Considerable uncertainty still exists in respect of the costs and associated funding of these changes. As a result of these legal changes that come into effect in April 2015, it is likely that there will be a considerable number of users and carers that will come forward for assessment, resulting in additional costs of both assessment and delivery of care. These costs, taken together, could be in excess of £10m per annum. The Government has a clear protocol in respect of new burdens and provision of funding to meet these, so it is hoped that the Care Bill will not result in additional costs for the Council. However, there is a significant risk that this may not be the case, and therefore the Council's reserves and contingency position must remain prudent.

#### **Budget assumptions**

1.3.5 The assumptions within the budget envelope are as follows:

- **Demographic pressures** – an assumption has been made in the budget envelope for future demographic pressure particularly for Adults and Children's Social Care costs.
- **Inflation (pay):** in line with the Local Government pay award for 2013/14, a 1% increase in pay is assumed for future years;
- **Inflation (non-pay):** Figures from the Office for Budget Responsibility (OBR) for inflation have been used to estimate the increase in non-pay costs;
- **North London Waste Authority levy:** figures for the NLWA levy are based on published figures for the period from 2014-16 and projected levy increases based on the waste disposal procurement exercise for the period from 2016-20;
- **Capital financing costs:** the current provision of capital financing costs is currently set in excess of actual spend until 2016 due to recent capital slippage, and a provision has been added beyond that point;
- **Contingency:** from 2016/17 a conservative estimate of £500k has been included in contingency;
- **Council tax support:** Over the next 2 years there are significant changes expected due to welfare reforms. Provision has been set aside in 2014/15 and 2015/16 for potential increases in these costs related to Council Tax increases or increases in take up;
- **Concessionary fares:** increases have been projected in line with demographic changes of 60+ in Barnet.
- **Public Health** allocations have been assumed to increase in line with GDP, the increase in expenditure shown here nets off against the amount

- earmarked for the service itself, so has a neutral effect on the Medium Term Financial Strategy ;
- Future allocations of **New Homes Bonus** are projected in line with known developments in the borough, and is currently transferred to balances to build up the infrastructure reserve, so has a neutral effect on the Medium Term Financial Strategy ;
- **Business rates**: there has been no growth assumed in business rates. An increase in yield has been estimated in line with inflation;
- **Business rates top up grant**: the business rates top up grant is assumed to increase in line with inflation;
- **Revenue Support Grant**: the assumption for the reduction in RSG is such that the reduction in the total quantum of retained business rates and RSG is approximately £10m per annum;
- **Council Tax**: a Council Tax freeze has been factored into the Medium Term Financial Strategy for 2015/16 and 2016/17, with an increase of 2% per annum beyond that point. The Council tax baseline takes into account current developments and regeneration schemes where developers are in place. It does not take into account schemes that are proposed, but where developers are not yet in place;
- **LACSEG and Council Tax & Housing benefit administration grants** have been assumed to reduce by 10% in line with previous reductions of specific grants; and
- The **PFI credit** is fixed and no change has been factored in.

1.3.6 Policy and Resources Committee are asked to note the assumptions set out above.

## **1.4 The Barnet Priorities and Spending Review**

1.4.1 The scale of the challenge is huge. Saving another £72m from the Council's annual budget will require a fundamental shift in the way public services are delivered. Such a scale of change will take time to deliver, and for this reason it is vitally important that the Council has a plan for the future, and this plan stretches not just a couple of years in advance, but for the next 5 years to 2020. As agreed in the budget report to Cabinet in July 2013, Council officers have undertaken a review of budgets, spending and potential opportunities to make further savings over the period 2016-20. This report is set out at **Appendix B**.

1.4.2 The Barnet Priorities and Spending Review has been a process led by officers. It has been informed by public consultation, and officers have engaged with all three main political parties over the last 12 months. This report sets out options for the theme committees to consider in developing their responses to future budget challenges. It is important to note that no decisions on future budget savings are being made in this report, this report sets out options for members to consider through Council committees informed by consultation with residents.

1.4.3 The PSR is proposing a number of options to be considered by committees in responding to the budget challenge. They are set out below, with the PSR report appended to this document.

**Efficiency** – there are opportunities for the Council to become more efficient without discernibly affecting the quality of services to residents. The PSR has identified options as follows:

A series of measures to improve workforce productivity including a review of all terms and conditions and costs of management;

Further scope to drive down the cost of suppliers and contracts;

Reductions in accommodation costs if we modernise working practices and share buildings with other public sector bodies, such as the NHS;

Increasing energy efficiency across the Council estate;

Reducing subscription costs and membership fees to a minimum across the Council;

Consider the alternative options for the delivery of waste collection, recycling, street cleansing and grounds maintenance services to improve outcomes at lower cost; and

Adults and Safeguarding Committee to consider the level of integration of health and social care services and how this should be governed.

**Growth & Income** – the PSR has identified a number of options to increase revenue from growth and income.

There are opportunities for regeneration and measures to boost local economic growth to increase the Council's residential and commercial tax yield. There are also opportunities to raise additional income from fees and charges in a way that is fair to all residents and users of services.

Modelling predicts that business growth and the development of new homes over the next 5 years will raise almost £5m in additional tax to fund services.

The PSR also invites committees to consider legally viable options for fees and charges by 2% above inflation from 2016/17 to 2019/20 which would raise additional income.

Regeneration will also help reduce future demand on services – effective design of new communities will help support independence and avert social care costs.

**Reducing demand, promoting independence** – with less money and rising demand, the Council and residents will need to behave differently. The Council will need to focus on backing residents to help themselves and each other, providing different support and guidance where needed with the aim of reducing reliance on the state and investing in preventive services, alongside residents taking greater personal and civic responsibility. The PSR has identified options as follows:

More money could be spent on measures to support residents to live for longer in their own homes, increasing disabled facilities grants and funding for housing adaptations, and measures to build more extra care housing, as well as providing more support to carers to carry on caring.

Measures can be taken to increase the number of children and young people living in Barnet foster homes, and providing enhanced support to prevent placements breaking down and triggering more expensive residential placements.

Encouraging greater levels of recycling will reduce the overall cost of sending waste to landfill, with consideration to be given to the frequency of waste collection to help achieve this.

**Service redesign** – Adopting a first principles approach to how the Council fulfils a number of its statutory and non-statutory obligations to reduce services in a way that better targets support to those that use services and reduce cost. The PSR has identified options as follows:

An evidence led review of Barnet libraries to identify a new model of library services which utilises the latest technology to increase efficiency whilst maintaining a comprehensive network.

Early Years: Improved targeting of early years support to ensure a reduction in the number of children and young people entering social care.

Children, Education, Libraries and Safeguarding Committee invited to consider the option of an alternative delivery model for the Education and Skills service, in order to ensure the continued provision of high quality services through a partnership approach that brings together resources from different sectors.

## **1.5 Commissioning Plans and the Corporate Plan**

1.5.1 The Corporate Plan is the overarching strategic document for the Council, setting out its commissioning priorities and objectives. The latest Corporate Plan which covers the period 2014-15 to 2015-16 was published in April and has been revised to reflect the new freedoms offered by the Localism Act.



1.5.2 Following the local elections in May, the Corporate Plan needs to be updated. Following the creation of the new committee system, there is an opportunity for these committees to set the future direction of the Council. It is therefore proposed that Theme Committees agree commissioning plans for the period 2015-20, which will be reported back to Policy and Resources Committee in December 2014 as part of a refreshed Corporate Plan.

1.5.3 The tone of the Corporate Plan will be guided by an overall narrative of Barnet being a place:

1. Of **opportunity**, where people can expect a **good quality of life**
2. Where **responsibility is shared, fairly**
3. Where **services will be transformed** by a smaller, smarter public sector
4. Where people are **helped to help themselves**

## **1.6 Budget envelopes for Theme Committees**

1.6.1 Forward planning to identify opportunities for improving efficiency, and growing the local tax base in particular, will minimise the need for future cuts in service provision. This report recommends that theme committees are allocated a savings target for the period 2016-20 in line with the potential opportunity areas identified in the Priorities and Spending Review report. The opportunity areas for each committee are as follows:

### **Adults and Safeguarding Committee £12.6m**

- Improving efficiency – c£4.7m including:
  - Measures to improve workforce productivity, reviewing terms and conditions and management overheads; and
  - Re-procuring key contracts and improving contract management to drive down the cost of suppliers and contracts.
- Reducing demand and promoting independence – c£6.9m including:
  - Measures to help older people with dementia live longer at home;
  - Providing more support to younger people with learning difficulties so that they are better placed to support themselves in early adulthood;
  - Focusing social care assessment processes so that those most in need get the most extra support; and
  - Increasing disabled facilities grants, housing adaptations and building more extra care housing.
- Redesigning services – c£1.0m including:
  - Integrating service provision and commissioning with the NHS so that conditions associated with frail elderly residents are managed and supported more effectively.

### **Children, Education, Libraries and Safeguarding Committee £8.0m**

- Improving efficiency – c£2.3m including:
  - Measures to improve workforce productivity, reviewing terms and conditions and management overheads; and

- Re-procuring key contract and improving contract management to drive down the cost of suppliers and contracts.
- Reducing demand and promoting independence – c£0.5m including:
  - Measures to increase the number of children and young people living in local Barnet foster homes and providing enhanced support to prevent placements breaking down and triggering more expensive residential placements.
- Redesigning services – c£5.1m including:
  - Considering the option of an alternative delivery model for the Education and Skills service, in order to ensure the continued provision of high quality services through a partnership approach that brings together resources from different sectors; ;
  - Improved targeting of early years support to ensure a reduction in the number of children and young people entering social care; and
  - An evidence led review of the Library service to consider a new model of library services, utilising the latest technology to reduce overheads whilst maintaining a comprehensive network.

### **Environment Committee £5.9m**

- Improving efficiency – c£2.4m including:
  - Measures to improve workforce productivity, reviewing terms and conditions and management overheads;
  - Re-procuring key contracts and improving contract management to drive down the cost of suppliers and contracts; and
  - Examining how alternative delivery models may deliver improved outcomes for waste, recycling, street cleansing and grounds maintenance at lower cost; and
  - Affecting changes in the management and costs of disposing waste.
- Reducing demand and promoting independence – c£2.7m including:
  - Working with residents and community groups to achieve a reduction in the amount of waste generated and considering the frequency of waste collection to help achieve this.
- Promoting growth and raising income – c£0.8m including:
  - Exploiting commercial opportunities to sell services to businesses and private land owners; and
  - Increasing income from better utilisation across the parks and open spaces asset portfolio.

### **Assets, Regeneration and Growth Committee £10.1m**

- Improving efficiency – c£4.5m including:
  - Reducing the costs of office accommodation and increased income for Council assets;
  - Increasing energy efficiency of the Council estate;
  - Re-procuring key contracts and improving contract management to drive down the cost of suppliers and contracts; and
  - Capitalisation of regeneration related expenditure.
- Promoting growth and raising income – c£5.6m including:
  - Growing the Council's residential and business related tax base from regeneration and development activity.

### **Community Leadership Committee £0.8m**

- Improving efficiency - c£0.2m including:
  - Operational efficiencies in delivering the borough's CCTV services
  - Cancellation of the MOSAIC contract and using resources provided by the Council's Customer and Support Group.
- Promoting growth and raising income – c£0.6m including:
  - Considering moving to a full cost recovery model for the borough's CCTV services.

### **Health and Wellbeing Board £0.7m**

- Improving efficiency - £0.7m including:
  - Re-procurement of sexual health services across the borough.

### **Policy and Resources Committee £12.7m**

- Improving efficiency – c£9.2m including:
  - Measures to improve workforce productivity, reviewing terms and conditions and management overheads (including sharing posts with other Councils);
  - Re-procuring key contracts and improving contract management to drive down the cost of suppliers and contracts;
  - Reducing subscription costs and membership fees to a minimum across the Council;
  - Rationalising IT and printing costs across the Council;
  - Bearing down on redundancy costs;
  - Reducing financing and borrowing costs;
  - Sharing corporate services (for example emergency planning, audit, business continuity) with another Council; and
  - Review of Councillor allowances.
- Promoting growth and raising income – c£3.4m including:
  - Increasing fees and charges where legally permissible by 2% above inflation; and
  - Considering changes to Council Tax Support and the level of contribution from those eligible for support.

1.6.2 The opportunity areas set out above provide the basis for savings targets to be set for each theme committee, summarised as follows:

<b>Committee</b>	<b>Total budget for theme committee (£m)</b>	<b>Total of potential savings (£m)</b>	<b>% saving against budget</b>	<b>Allocation of remaining gap (£m)</b>
Adults and Safeguarding	81.2	12.6	16%	5.4

Children, Education, Libraries and Safeguarding	49.9	8.0	16%	3.4
Environment	33.5	5.9	18%	2.5
Community Leadership	1.7	0.8	48%	0.3
Health and Wellbeing Board	14.3	0.7	5%	0.3
Policy and Resources	91.7	12.6	24%	5.4
Assets, Regeneration and Growth	5.2	10.1		4.3
<b>Total</b>	<b>280.6</b>	<b>50.8</b>		<b>21.6</b>

1.6.3 These opportunity areas enable £51m of savings to be made against a budget gap to 2020 of £72m. To enable the gap to be closed in full, Policy and Resources Committee will need to decide how to allocate this gap. The options are either:

- a) To allocate the remaining £21m gap to committees in the same proportion as the savings targets set out above; or
- b) To hold the remaining £21m gap within the Policy and Resources Committee remit and review the approach to Council Tax increases. An increase of approximately 4% per annum over and above current assumptions would see the gap closed.

1.6.4 In working up proposals, Committees will need to consider the legality of options, and also have regard to the equalities impact.

#### **Implications of PSR savings proposals for Delivery Units**

1.6.5 It is important for the committee to have regard for the impact of these savings targets in terms of delivery unit budgets. This analysis, along with the percentage of total budget, is set out below:

Delivery Unit	Total budget (£m)	Total of potential savings (£m)	% saving against
---------------	-------------------	---------------------------------	------------------

			<b>budget</b>
Adults and Communities	82.0	13.5	16%
Assurance	3.8	0.5	12%
Commissioning Group	6.8	1.3	19%
CSG	20.1	4.6	23%
Education and Skills Non-DSG	5.8	0.9	15%
Family Services Non-DSG	44.1	7.2	16%
Street scene	33.5	5.9	18%
Re	0.5	2.7	*
Public Health	14.3	0.7	5%
Other (central expenses, Council Tax increases)	69.7	13.6	20%
<b>Total</b>	<b>280.6</b>	<b>50.8</b>	

\* The Re budget is nearly net £nil due to income raised from services, so the comparison between budget and savings is not applicable.

1.6.6 This report sets out the opportunity areas for future savings to be made. It looks to maximise opportunities for further back office savings, and savings from growth of the tax-base, thus minimising the impact on front-line services. Policy and Resources has the highest quantum of savings to find from the commissioning group, assurance, customer and support group and central expenses. The Assets, Regeneration and Growth Committee has a significant target representing opportunities to grow Council Tax receipts from regeneration activity, and opportunities to reduce costs of office accommodation. The Adults and Safeguarding committee has a high savings target, but it also has the largest budget area, so the percentage saving is lower than for back office services. Similarly the savings percentages for Family Services and Education and Skills are lower than for back office services.

## 1.7 Current budgetary position and Medium Term Financial Strategy 2014-16

1.7.1 The 2014-16 medium term financial strategy was agreed by full Council on 2 March 2014. While the 2013/14 outturn position is expected to report a balanced position, pressures exist in respect of the delivery of services in the current budget envelope. Demographic pressures exist in Adults and Children's social care. Pressures exist within the Streetscene budget as a result of the parking judicial review and the increased costs of disposal of recyclates. The Performance and Contract Monitoring Committee will monitor this position throughout the year and take action as appropriate to address any issues arising.

1.7.2 The transformation reserve has been set aside by the Council to fund programmes and projects to deliver savings and improve service performance. While this report primarily deals with the process for delivering budgets for the period 2016-20, considerable challenges remain in delivering agreed savings for 2015/16 and implementing legislative change within the agreed medium term financial strategy. It is recommended that the following draw-downs are approved:

- **Family Services:** A drawdown of £1m, to ensure that the Family Services department continues to deliver the required level of performance for statutory services. In addition, this programme sets out to develop services to meet current need, encourage and develop targeted early interventions, to provide efficient processes and structures across the Delivery Unit, to reduce the social care placements bill and deliver Medium Term Financial Strategy savings of £6.2m.
- **Adults and Communities:** A drawdown of £550k to support Adults and Communities Delivery Unit in preparing for the implications of the anticipated Care Act, improving access to services, increasing capacity to support individuals in the community and manage growing demand for services. In addition, this transformation programme will deliver a range of projects to deliver £8.4m of savings in the Medium Term Financial Strategy for 2015/16.
- **Education and Skills:** A drawdown of £150k to research options to improve service provision, identify potential savings in 2015/16 and beyond and seek options to improve support to schools in future years.
- **Streetscene:** Cabinet Resources Committee (2 April) approved the in sourcing of the Go Plant transport contract, delivering savings of £125k in 2014/15 and further savings in later years. To achieve this saving a drawdown of £200k is requested related to project management and HR activities.
- **Smarter Working:** A drawdown of £160k to support the integration of workforce changes, IT systems, and office accommodation to enable further

savings. This programme will develop detailed options and proposals to transform how the Council's employees and promoting mobile working.

- **Portfolio and Programme Management:** The funding of a Portfolio Management function and Programme Management Office (PMO) to will oversee and support delivery of projects, efficient resourcing, improving how the Council manages changes and providing a focus on delivery of benefits. This is the continuation of PMO funding from previous years, to enable delivery of the Medium Term Financial Strategy and support identification and delivery of a further £70m base budget savings. A requested drawdown £1.7m to fund this function in 2014/15 and 2015/16.

## 1.8 Capital Programme

- 1.8.1 The Medium Term Financial Strategy includes provision for future capital expenditure on Council priorities through to 2020. It is important to note that some priorities, such as school places, are funded in full to the end of the decade. Other priorities, such as housing, investment in roads and pavements, and rolling/cyclical programmes of maintenance, will need to be considered for 2016-20. Theme committees should consider their capital requirements as part of their budget proposals and feed these back to Policy and Resources Committee in October. Policy and Resources Committee will receive a report in October that considers options for the future capital programme alongside a review of contingency and reserves balances.

## 1.9 Timetable

- 1.9.1 Theme Committees will be supported by officers throughout the summer and autumn to develop their response to these targets, agree a package of proposals by November, to enable a draft medium term financial strategy for the Council to be set by Policy and Resources Committee in December 2014.
- **June:** Finance and business planning process commences. Each Theme Committee receives a report on the budget and business planning process, the budget envelope to 2020, and a summary of potential savings opportunity. Each Committee is asked to develop commissioning priorities and proposals to inform a new Corporate Plan, commissioning strategy for the Committee, and savings proposals.
  - **July – September:** Each Theme Committee initiates working group(s) to work with Officers to identify commissioning priorities and budget savings.
  - **October – November:** Each Theme Committee to agree draft commissioning priorities and savings proposals, for submission to Policy and Resources Committee in December.
  - **December:** Policy and Resources Committee (2 December)

## **1.10 Consultation**

1.10.1 Consultation has already commenced to enable the Council to plan for the future, and will continue as options set out in this report are considered further. Consultation follows three broad phases:

- a) Phase 1 – Citizens’ panels and focus groups have targeted service users, businesses and some protected characteristic groups to gauge residents’ views about local services and priorities.
- b) Phase 2 – the “Call for Evidence” is on-going. This has involved online channels, asking local and national commentators and stakeholders for views on how we meet future challenges, and ensures this thinking is informed by best practice. It was suspended in purdah, and re-opened on 27<sup>th</sup> May. The findings of phases 1 and 2 will be shared through Theme Committees in July to inform decision making.
- c) Phase 3 – consultation on specific savings proposals will commence as they are formulated. Theme committees will run consultation on groups of ideas over the summer/autumn to inform proposal development. Individual consultation on specific proposals will take place following agreement of a draft Medium Term Financial Strategy and Corporate Plan at Policy and Resources Committee in December.

1.10.2 Existing Medium Term Financial Strategy savings for 2015/16 are planned for Education and Skills. To facilitate the development of a business case for these savings which will come back to committee in the autumn, the Policy and Resources Committee is asked to approve consultation with stakeholders for this specific saving proposal.

1.10.3 The Policy and Resources Committee is asked to agree this approach to consultation.

## **2. REASONS FOR RECOMMENDATIONS**

2.1 As set out in the report above, Local Government is facing significant cuts in funding which will require a fundamental change to the way services are delivered by 2020. Such a scale of change takes time to deliver, and for this reason it is vitally important that the Council has a plan for the future, and this plan stretches not just a couple of years in advance, but for the next 5 years to 2020. As agreed in the budget report to Cabinet in July 2013, Council officers have undertaken a review of budgets, spending and potential opportunities to make further savings over the period 2016-20. This report feeds back on that process, and makes recommendations for committees to take this forward.

## **3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED**



- 3.1 This report in itself does not ask that members make any decisions on specific savings options; rather it sets out a process for engaging all members and theme committees in the development of budget proposals for the period up to 2020.

#### **4. POST DECISION IMPLEMENTATION**

- 4.1 Following approval of these recommendations, reports will be taken to theme committees to enable them to consider the development of commissioning plans and savings proposals to meet the targets in this report. These committees need to be in a position to recommend commissioning plans and draft budget proposals to Policy and Resources Committee on 2 December for consultation.

#### **5. IMPLICATIONS OF DECISION**

##### **5.1 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)**

- 5.1.1 This report covers the Council's Medium Term Financial Strategy and annual business planning process. In March 2014, the Council set a two year Medium Term Financial Strategy covering the period 2014-15 to 2015-16. Following the local elections in May, this report sets out the process for re-defining the corporate plan and priorities, and the process for setting a budget and medium term financial strategy extending through from 2016 through to 2020.

- 5.1.2 In addition to continued austerity, demographic change and the resulting pressure on services poses a significant challenge to the Council. The organisation is facing significant budget reductions at the same time as the population is increasing, particularly in the young and very old. Given that nearly two thirds of the Council's budget is spent on Adult Social Care and Children's Services, this poses a particular challenge as these services are predominantly 'demand led'. There will also be costs related to infrastructure development. The annual allocation of New Homes Bonus funding is allocated to the infrastructure reserve as a contribution towards these costs.

##### **5.2 Legal and Constitutional References**

- 5.2.1 All proposals emerging from the business planning process need to be considered in terms of the Council's legal powers and obligations (including, specifically, the public sector equality duty under the Equality Act 2010) and, where appropriate, mechanisms put into place to ensure compliance with legal obligations and duties and to mitigate any other legal risks as far as possible.

- 5.2.2 Constitution, Responsibility for Functions, Annex A, sets out the terms of reference of the Policy and Resources Committee.

##### **5.3 Risk Management**

- 5.3.1 The Council has taken steps to improve its risk management processes by integrating the management of financial and other risks facing the organisation. Risk management information is reported quarterly to Committees and is reflected, as appropriate, throughout the annual business planning process.
- 5.3.2 Previous budget setting reports have referred to risks in respect of future spending cuts for Local Government. In December, the Government confirmed spending totals for Councils for 2014/15 and 2015/16. This announcement also indicated that austerity is likely to continue until the end of the decade. Current modelling suggests that this is likely to equate to further annual reductions of between £15m and £20m to the Council's budget. For this reason, it is important that the Council continues to be prudent with its use of reserves and contingency to mitigate against future cuts.
- 5.3.3 The challenges set out in this report require fundamental change in the way Council services are delivered, which impacts on the human resources of the organisation and related policies and practices. This process will be managed in conjunction with Trade Unions and staff.

## **5.4 Equalities and Diversity**

- 5.4.1 Equality and diversity issues are a mandatory consideration in the decision-making of the Council. This requires elected Members to satisfy themselves that equality considerations are integrated into day to day business and that all proposals emerging from the finance and business planning process have properly taken into consideration what impact, if any, there is on any protected group and what mitigating factors can be put in train.
- 5.4.2 The projected increase in the borough's population and changes in the demographic profile will be key factors that need to be considered when determining both the corporate strategy and service responses. Both of these need to also reflect the aspirations and contributions of current residents
- 5.4.3 Similarly, all human resources implications will be managed in accordance with the Council's Managing Organisational Change policy that supports the Council's Human Resources Strategy and meets statutory equalities duties and current employment legislation.

## **5.5 Consultation and Engagement**

- 5.5.1 As set out above.

## **6. BACKGROUND PAPERS**

- 6.1 None