



## CABINET – 19TH DECEMBER 2013

**SUBJECT: BUDGET STRATEGY 2014/15, 2015/16 AND 2016/17**

**REPORT BY: ACTING DIRECTOR OF CORPORATE SERVICES & S 151 OFFICER**

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### 1. PURPOSE OF REPORT

- 1.1 This report outlines a process to ensure that the Authority can produce a draft budget proposal for 2014/15 by the last week in January 2014. This should deliver a balanced budget for 2014/15 and will allow time for adequate consultation prior to Special Council in the third week in February 2014. Members are also asked to support the proposed approach for 2015/16 and 2016/17.

### 2. SUMMARY

- 2.1 The report details a proposal for the next stage of the consultation period in respect of the Budget 2014/15 and the Medium Term Financial Plan (MTFP). In addition, the MTFP presented to Council on 23 October 2013 has been updated to include the final LG Settlement and the updated Council Tax Base for 2014/15 (see Appendix 1). This has resulted in a delay in the circulation of the report.

### 3. LINKS TO STRATEGY

- 3.1 The budget setting process encompasses the majority of resources used by the Council to deliver services and Council priorities.

### 4. THE REPORT

- 4.1 Members are reminded that following the Local Government (LG) Provisional Settlement announced on 16th October 2013, it became apparent that the LG Community in Wales were about to face a severe period of austerity.
- 4.2 The Final Settlement on 11th December 2013 has resulted in very minor changes to the initial Provisional Settlement and indicative allocations for 15/16. The main change relates to a transfer of funds into the Revenue Support Grant Funding in respect of a former grant to assist Old Age Pensioners with their Council Tax. This amounts to circa £250 k. A reworked MTFP has been attached as Appendix 1. This incorporates the Final Settlement and the Council Tax Base as agreed at Cabinet on 11th December 2013.
- 4.3 Since the Local Government (LG) Provisional Settlement announcement, a significant amount of work has been undertaken within each Directorate to identify further savings than originally anticipated for 2014/15 to 2016/17. There were plans in place to cope with the lower savings target anticipated in both February 2013 and June 2013, but the LG Settlement is now requiring an additional £7 m for 2014/15. Furthermore, there is currently no indication of the period of austerity coming to an end after 2016/17.

- 4.4 This work has been led by Corporate Management Team (in consultation with appropriate Cabinet Members), working with Heads of Service with support from colleagues in Finance. Service Managers have also been involved to ensure that all options are identified for consideration by Members.
- 4.5 A “Draft Long List” was considered, in summary, at a MTFP Seminar held on 21st November 2013. This has been followed by a series of Special Scrutiny Committee Meetings held in December 2013. In addition, the Housing Revenue Account (HRA) savings proposals have been presented to the Caerphilly Housing Task Group (CHTG) on 5th December 2013 as part of the consultation process. A further meeting of the CHTG has been convened for the 9th January 2014, to discuss the HRA savings proposals following a Seminar for the CHTG tenant representatives to be held on 8th January 2014.
- 4.6 The extent of the analysis in respect of the savings proposals over the 3-year period of the current MTFP has been extremely useful in determining:-
- (i) savings proposals that are deliverable in full for 2014/15.
  - (ii) savings proposals that are deliverable part way through the financial year 2014/15.
  - (iii) savings proposals that have a longer lead in time, require both further options appraisal, reports to Members and consultation, prior to a final decision.
  - (iv) the potential of further efficiency savings, without the need for either a fundamental review of service delivery or more than a marginal impact on services.
- 4.7 Whilst the long list has been useful in setting out all the options for initial consideration/consultation, it is essential that we quickly narrow this list down to a more manageable size that will facilitate more effective engagement with all parties (e.g. staff and Trade Unions). Clearly the eventual MTFP strategy will be heavily influenced by ongoing consultations but in order to make more immediate progress, the Corporate Management Team has identified an interim approach purely to facilitate more effective consultation.
- 4.8 This approach has entailed evaluating the options available and making a provisional assessment of realistic targets for each Directorate that reflects priorities, statutory responsibilities, staff protection and ease / speed of delivery. In this context, the officer presentations to Scrutiny have concentrated on the savings that could be delivered to produce a draft budget for consultation for 2014/15 and that ensures a balanced budget can be delivered for 2014/15. In the next few weeks, it is important to focus on 2014/15 in the first instance, to ensure that the Authority delivers this balanced budget and maintains its position and reputation for sound financial management and financial stability.
- 4.9 It is in this context that the Corporate Management Team have, in the light of the extensive work undertaken to date and the feedback from the consultation process undertaken so far, identified a shortlist of individual proposals as set out in the Appendices. A summary of these proposals is set out in the table below:-

	<b>£ m</b>
Whole Authority “corporate nature”	4.9
Corporate Services	2.2
HRA	1.3
Social Services	2.1
Education (excluding Schools) and LLL	1.2
Environment	2.9
<b>TOTAL</b>	<b>14.6</b>

- 4.10 During the first part of January, these proposals will be progressed but refined and amended to reflect responses from the ongoing consultation processes. There will also be a need to ensure that the eventual proposals align themselves with Council priorities and improvement objectives and the Single Integrated Plan etc. This exercise will ensure that by late January officers will be able to submit a set of draft budget proposals for consideration.

4.11 For 2015/16 and 2016/17, it has become quite apparent from the work undertaken to date that there is a need for a different approach. This conclusion has been reached after taking into account the following:-

- (i) After consecutive years of efficiency savings or doing more or the same for less, there is only so far that this approach can be taken. Efficiency savings should still be pursued but it is not realistic to expect anything more than 3% can be delivered during 2015/16 and 2016/17.
- (ii) Increasing fees and charges is another approach that once reviewed and exhausted is unlikely to deliver more than small inflationary increases that service users can tolerate.
- (iii) Council Tax increases – 2% above the 2.35% current MTFP assumption will give approximately £675 k per annum –

Hence, it is proposed that the Budget Strategy to be taken forward for 15/16 and 16/17 takes forward savings proposals via two main strands as follows:-

- (i) Further proposals for Members to consider in respect of up to 3% efficiency savings. These efficiency savings targets to be applied to those statutory and essential services that the Authority has to deliver, either directly or via a third party organisation. Reports to be presented to Special Scrutiny Committees after April 2014 and before August 2014.
- (ii) Discretionary services are reviewed in full with a view to identify savings proposals totalling over £8 m. Again, proposals to be presented to Special Scrutiny Committees after April 2014 and before August 2014.

4.12 Members are advised that this strategy will ultimately lead to a much higher percentage reduction in service in a number, if not all, discretionary service areas. Even up to 100% reduction, can and should be considered, to allow for some real choices.

4.13 During January, further work will be undertaken to produce a list of services covered by point (ii) above. The Budget Strategy for 15/16 and 16/17 can then be incorporated into the draft Budget proposals to be published late January 2014.

4.14 It has been emphasised throughout the most recent Seminars, Scrutiny Meetings and Cabinet Meetings that an “early start” and an agreed “Strategy” is crucial to ensure that the Authority can maintain financial stability and confidence in its ability to financially manage its way through this period of austerity.

4.15 Finally, it has become quite apparent during the extensive analysis of savings proposals that a review is required of the Council's priorities, improvement objectives and Single Integrated Plan to ensure that the reduced funding moving forward can sustain these priorities and objectives.

## **5. EQUALITIES IMPLICATIONS**

5.1 The equalities implications of savings proposals will be fully considered as part of the decision making process.

## **6. FINANCIAL IMPLICATIONS**

6.1 These are detailed throughout the report.

## **7. PERSONNEL IMPLICATIONS**

- 7.1 Savings proposals will impact on staffing. The Authority will work within its HR policies to reduce the impact on employees where possible and practical.

## **8. CONSULTATIONS**

- 8.1 All comments received from the consultees below have been included in this report.

## **9. RECOMMENDATIONS**

- 9.1. Members note this report and support the approach being taken by CMT to focus on a more manageable list of savings to facilitate more effective consultation.

## **10. REASONS FOR THE RECOMMENDATIONS**

- 10.1 To ensure financial stability and continued confidence in the Authority's ability to manage itself through this period of austerity.

## **11. STATUTORY POWER**

- 11.1 The Local Government Finance Act 1998 and the Local Government Act 2003.

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Consultees: Corporate Management Team  
Stephen Harris, Acting Head of Corporate Finance

Background Papers:  
MTFP 14/15

Appendices:  
Appendix 1 MTFP adjusted for Final Local Government Settlement and Council Tax Base  
Appendix 2 Whole Authority Savings Proposals for 2014/15  
Appendix 3 Corporate Services Savings Proposals for 2014/15  
Appendix 4 HRA Savings Proposals for 2014/15  
Appendix 5 Social Services Savings Proposals for 2014/15  
Appendix 6 Environment Savings Proposals for 2014/15  
Appendix 7 Education (excluding Schools) and LLL Savings Proposals for 2014/15