



CABINET – 14TH OCTOBER 2015

SUBJECT: DRAFT SAVINGS PROPOSALS FOR 2016/17

REPORT BY: ACTING DIRECTOR OF CORPORATE SERVICES & SECTION 151 OFFICER

1. PURPOSE OF REPORT

- 1.1 To provide Cabinet with an updated Medium-Term Financial Plan (MTFP) based on a range of assumptions pending receipt of the Provisional 2016/17 Local Government Financial Settlement.
- 1.2 To present Cabinet with details of draft savings proposals for the 2016/17 financial year to allow for a focussed period of consultation prior to a final decision in February 2016.

2. SUMMARY

- 2.1 The report provides details of projected savings requirements for the period 2016/17 to 2018/19 pending confirmation of the Welsh Government (WG) Local Government Financial Settlement.
- 2.2 The report seeks Cabinet endorsement of an updated MTFP, draft savings proposals for 2016/17 and a proposed 3.9% increase in the Council Tax. The report also provides a brief update on progress in relation to potential savings for the 2017/18 financial year.

3. LINKS TO STRATEGY

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

4. THE REPORT

4.1 Financial Outlook

- 4.1.1 At its meeting on the 25th February 2015 Council was presented with an updated MTFP that showed a potential savings requirement of £14.030m for the 2016/17 financial year and £12.105m for 2017/18 (see Appendix 1). This position assumed a 3.4% cut for both financial years in the Aggregate External Finance (Revenue Support Grant (RSG) and Redistributed Non-Domestic Rates) funding received from WG.
- 4.1.2 Cabinet will be aware that the UK Government is currently undertaking a Comprehensive Spending Review and has asked for savings of between 25% and 40% for non-protected areas. As a consequence of this the financial outlook for Local Government in Wales will inevitably worsen and this will be exacerbated by the likelihood of WG continuing to offer a degree of protection to the NHS.

- 4.1.3 The Spending Review will not be completed until late November and as a result details of the WG 2016/17 Provisional Local Government Financial Settlement are not expected until the 9th December 2015. However, it is evident that cuts are likely to be deeper than originally anticipated so the MTFP has now been revised to reflect a reduction in the Aggregate External Finance (AEF) of 4.3% for 2016/17 and 2017/18. In financial terms this equates to a further cash reduction of £2.555m for 2016/17 and £2.360m for 2017/18 above the levels originally assumed.
- 4.1.4 An updated MTFP is attached as Appendix 2 covering the three-year period 2016/17 to 2018/19. This update includes a number of assumptions and adjustments (some of which will reduce the overall savings requirement): -
- An assumed reduction in the AEF of 4.3% for 2016/17 and 2017/18, with a further reduction of 3% for 2018/19.
 - A proposed increase of 3.9% in Council Tax for 2016/17 along with an indicative increase of 3.9% for the following 2 years.
 - A 1% pay award in each of the three years.
 - An assumed annual increase of 20p per hour for the Living Wage.
 - Non-pay inflation at 0% for 2016/17 and 2017/18. Previous versions of the MTFP have assumed a 1.5% increase each year but the Consumer Prices Index (CPI) annual inflation rate was only 0.1% as at July 2015. This adjustment reduces the savings requirement by circa £1.7m per annum.
 - Non-Pay inflation reinstated at 1.5% for 2018/19 (subject to review at a later date).
 - A general 1.5% increase in Fees & Charges on an annual basis.
 - Following a review of Debt Charges the £150k per annum growth included in the MTFP presented to Council in February 2015 has now been removed.
 - A sum has been included each year to honour the schools “pledge” based on current WG guidance.
 - A contingency for Social Services cost pressures of £1.5m has been factored into the MTFP for 2016/17 along with £1m for 2017/18 and £1m for 2018/19.
 - A cost pressure of £1.815m is included in 2016/17 due to increased employer National Insurance contributions from April 2016. This arises as a consequence of the Local Government Pension Scheme (LGPS) no longer being contracted-out of the Additional State Pension when the new Single-Tier State Pension is introduced.
 - The £100k per annum for Welfare Reform included in the MTFP presented to Council in February 2015 has been removed. The Authority will continue to work with partners to manage the impact of Welfare Reform within existing budgets.
 - The £300k per annum for Other Service Pressures included in the MTFP presented to Council in February 2015 has also been removed. Any emerging cost pressures will be considered on a case-by-case basis.

- 4.1.5 Cabinet will note from Appendix 2 that after all of the above adjustments have been factored into the updated MTFP the remaining projected savings requirement is as summarised in Table 1: -

Table 1 – Updated Cash Savings Targets

Year	Annual Cash Savings Target £m	Cumulative Cash Savings Target £m
2016/17	14.321	14.321
2017/18	11.441	25.762
2018/19	9.423	35.185

4.2 Schools Medium-Term Financial Plan

- 4.2.1 An updated Medium-Term Financial Plan for schools is attached as Appendix 3. This update assumes that the schools “pledge” will continue to be honoured but schools will be required to manage their own cost pressures and resulting savings requirements. Cabinet will note that there is a shortfall of 2.92% for 2016/17, 0.49% for 2017/18 and 0.81% for 2018/19.

4.3 2016/17 Budget Proposals

- 4.3.1 The proposals contained within this report would deliver a balanced budget for 2016/17 on the basis that Council Tax is increased by 3.9%. Table 2 provides a summary: -

Table 2 – Summary of 2016/17 Budget Proposals

Paragraph	Description	£m	£m
4.3.2	Whole Authority Cost Pressures	2.871	
4.3.4	Inescapable Service Pressures	2.699	
4.3.6	Reduction in WG Funding	11.339	
4.4.3	Full-Year Impact of 2015/16 Savings		1.980
4.4.4	Draft Savings Proposals 2016/17		12.432
4.4.5	2016/17 Savings in Excess of Target		(0.091)
4.5.2	Council Tax Increase (3.90%)		2.588
	TOTAL	16.909	16.909

- 4.3.2 The Whole Authority cost pressures totalling £2.871m are set out in Table 3 below (cost pressures for schools are excluded as the full cash “pledge” growth has been provided):-

Table 3 – Whole Authority Cost Pressures

	£m
Pay excluding Teachers and other school staff @ 1%	1.165
Living Wage increase (assumed at 20p per hour)	0.109
Employer National Insurance increase	1.815
1.5% increase on Fees & Charges	(0.218)
TOTAL	2.871

- 4.3.3 Cabinet is reminded that no funding is being allocated for non-pay inflation due to the current low level of the Consumer Prices Index (CPI). 1% has been set-aside in respect of the pay award but Cabinet will be aware that the pay settlement for 2016/17 is still subject to agreement and this has the potential to impact on the level of savings required.
- 4.3.4 It is incumbent upon Council to set a realistic balanced budget each year. Table 4 provides details of those 2016/17 inescapable service commitments/pressures that have been identified and require consideration in respect of funding: -

Table 4 – Inescapable Service Pressures and Other Service Commitments

	£m
Council Tax Reduction Scheme additional liability	0.571
Meeting the Schools “pledge”	0.628
Social Services Cost Pressures Contingency	1.500
TOTAL	2.699

- 4.3.5 The £1.5m Social Services Contingency will initially be held within Miscellaneous Finance. The contingency is required to meet the cost of anticipated increases in demand for services and to fund other potential cost pressures arising from UK Government and WG policy changes that will impact on this service area.

4.3.6 The assumed reduction of 4.3% in the WG Financial Settlement results in a cash reduction of £11.339m for Caerphilly CBC.

4.4 2016/17 Draft Savings Proposals

4.4.1 The budget strategy agreed by Council on the 25th February 2015 included the following principles that would be followed throughout the process of identifying savings proposals: -

- Protecting front-line services where we can and reducing expenditure on management and administrative costs.
- Increasing fees and charges where appropriate.
- Reducing, rather than removing services where possible.
- Focussing on priorities.
- Looking at alternative ways of delivering services (collaboration, partnerships, community trusts, etc).

4.4.2 The work to identify savings proposals has followed these principles and has been led by the Corporate Management Team in consultation with appropriate Cabinet Members. Heads of Service have been heavily involved throughout the process with support from colleagues in Finance. Service Managers have also been included to ensure that all options that are deliverable for 2016/17 have been considered.

4.4.3 Some of the approved savings for the 2015/16 financial year only had a part-year impact with the full-year impact now being available to support the savings required for 2016/17. These are summarised in the Table 5 below: -

Table 5 – 2016/17 Full-Year Impact of Approved 2015/16 Savings

Description	£m
Reduction in HMRC mileage rate (50p to 45p)	0.034
Project Gwyrdd	0.319
Customer First – Review of opening hours	0.109
Closure of Ty Pontllanfraith	0.600
Reduction in Street Cleansing budget	0.200
Public Libraries – Review of opening hours	0.067
Street Lighting – LED Panels etc.	0.350
Review of Passenger Transport services	0.126
Social Services – Cessation of Shopping Service	0.048
Social Services – Review of Day Care provision	0.127
TOTAL	1.980

4.4.4 Appendices 4 to 8 provide details of the new proposed savings for the 2016/17 financial year. Table 6 provides a summary: -

Table 6 – Summary of Proposed 2016/17 Savings

	£m
Whole Authority “corporate nature”	2.696
Corporate Services	1.790
Social Services & Public Protection	4.017
Education & Community Services	3.395
Econ Dev, Regeneration & Planning and Housing (Non-HRA)	0.534
TOTAL	12.432

- 4.4.5 The total proposed savings of £12.432m in Table 6 along with the £1.980m full-year impacts in Table 5 is £91k higher than the anticipated total savings requirement of £14.321m for the 2016/17 financial year. This provides a small buffer which can be used to reconsider some of the savings proposals at the conclusion of the forthcoming consultation process or alternatively the £91k can be set-aside as savings in advance for the 2017/18 financial year.
- 4.4.6 Cabinet should note that the 2016/17 savings proposals that do not have a direct impact on service users or the public have been categorised into a single line for each service area in Appendices 4 to 8. This is consistent with the approach adopted last year and these proposals consist in the main of vacancy management, structural reviews, budget realignment and minor changes to service provision. Across all service areas these savings proposals total £8.661m, which represents 69.7% of the total new proposed savings identified of £12.432m.
- 4.4.7 Whilst the majority of the proposed savings will not have a direct impact on the public it is important to stress that there will be reductions in posts. The total proposed new savings of £12.432m will result in the loss of 130 posts. To date, six months prior to the start of the next financial year, 51 of these posts are currently vacant and 30 could be removed through voluntary severance/early retirements. At the present time, the remaining 49 posts will require redeployment. There is a chance that there may be some compulsory redundancies, albeit that every effort will be made to avoid this situation.
- 4.4.8 Some savings proposals will have a part-year impact in 2016/17 but will deliver further savings in 2017/18. The most notable of these are the following: -

Table 7 – Main Proposals with 2016/17 Part-Year Impact

Ref No.	Saving Proposal	2016/17 Savings £m	2017/18 Savings £m
SS03	Blackwood Resource Centre – Review of care packages	0.050	0.050
SS07	Review of Team structures within Children’s Services	0.077	0.153
SS32	Review of in-house Day Care provision	0.250	0.250
SS33	Reduce number of in-house Learning Disabilities Respite Care establishments from 2 to 1	0.076	0.227
SS36	Supported Living – Externalisation of in-house provision	0.109	0.326
CL14	Bowling Green Rationalisation	0.050	0.120
CL25	Transfer of Bedwas Leisure Centre to Bedwas High School	0.050	0.050
ERP24	Evaluate options to reduce the deficit at Blackwood Miners Institute	0.037	0.111
ERP25	Evaluate options to reduce the deficit at the Winding House Museum	0.034	0.102
	TOTAL	0.733	1.389

- 4.4.9 Cabinet is asked to endorse the proposed package of savings totalling £12.432m as detailed in Appendices 4 to 8. Cabinet is also requested to agree that the proposals should now be subject to a period of consultation prior to final 2016/17 budget proposals being presented to Cabinet on the 3rd February 2016, followed by Council on the 24th February 2016. The consultation process will run from the 19th October 2015 to the 8th January 2016 and will consist of the following: -

- Online and paper consultation.
- Articles in Newswire.
- Use of Social Media.
- Drop-In Sessions at locations across the County Borough.
- Meetings with the Viewpoint Panel, 50+ Forum, Youth Forum etc.
- Engagement with employees and the Trade Unions.
- Consultation with Town and Community Councils.
- Consultation with the Voluntary Sector.

- Posters at affected establishments.

4.4.10 As part of the consultation process there will also be a series of Special Scrutiny Committees to focus on the savings proposals. In addition to considering the content of this Cabinet report the Scrutiny Committees will receive further reports providing more detail on the savings proposals that will impact upon the public. Reports on some of the proposals will previously have been considered by Scrutiny Committees and the views expressed at that time will be fed into the consultation process. The dates of the Special Scrutiny Committee meetings are as follows: -

- 23/11/15 – Health, Social Care & Wellbeing.
- 26/11/15 – Regeneration & Environment.
- 03/12/15 – Education for Life.
- 07/12/15 – Policy & Resources.

4.5 Council Tax Implications 2016/17

4.5.1 The Medium Term Financial Plan presented to Council on the 25th February 2015 included indicative increases to Council Tax for 2016/17 and 2017/18 of 2.35%.

4.5.2 The budget proposals within this report include a proposed increase of 3.9% in Council Tax for the 2016/17 financial year. An indicative increase of 3.9% is also assumed in the updated MTFP for 2017/18 and 2018/19 but this will be subject to review at a later date.

4.5.3 The proposed increase of 3.9% for 2016/17 would result in the following totals for the Caerphilly CBC element of the Council Tax (the Police & Crime Commissioner and Town/Community Council precepts would be added to these totals when confirmed at a later date): -

Table 8 – 2016/17 Council Tax (CCBC Element) at 3.9% Increase

Band	Council Tax (CCBC Element) £	Weekly Increase £
A	687.14	0.50
B	801.66	0.58
C	916.19	0.66
D	1,030.71	0.74
E	1,259.76	0.91
F	1,488.80	1.07
G	1,717.85	1.24
H	2,061.42	1.49
I	2,404.99	1.74

4.6 2017/18 Savings Proposals

4.6.1 The updated MTFP attached as Appendix 2 shows a net projected savings requirement of £11.441m for 2017/18 based on a projected further cut of 4.3% in WG funding and an assumed increase of 3.9% in Council Tax.

4.6.2 A considerable amount of work has already been undertaken to identify potential savings for the 2017/18 financial year and these currently total £6.930m (details provided in Appendix 9). This leaves a potential shortfall of £4.511m and the Corporate Management Team will continue to work with Heads of Service and finance staff to identify further savings to meet the projected shortfall. Cabinet will receive periodic updates on progress.

4.6.3 The 2017/18 proposals are only presented for information at this stage and will not form part of a wider consultation at this point. However, Cabinet will note in Appendix 9 the inclusion of proposals in relation to Home to School/College Transport (Reference Numbers EDLL02b,

EDLL02c and EDLL02d). If agreed, these proposals would be implemented from September 2017 resulting in a part-year saving in the 2017/18 financial year with the remaining saving being realised in 2018/19. These proposals require a statutory consultation to be undertaken and to ensure that the proposals can be considered for implementation from September 2017, this consultation process will need to be completed and decisions made before the 1st October 2016. Cabinet is therefore requested to agree that this consultation process should be undertaken.

5. EQUALITIES IMPLICATIONS

- 5.1 An equalities impact assessment will be completed for all of the 2016/17 savings proposals that will have an impact on the public. This is to ensure that decisions that affect different individuals and groups are assessed at an appropriate and relevant level and at the correct stage in the process.
- 5.2 Consultation with residents, when done in accordance with the Council's Public Engagement Strategy and the Equalities Consultation and Monitoring Guidance, also ensures that every resident, regardless of circumstances, has the opportunity to have their views heard and considered in the Council's decision-making process.
- 5.3 The list of proposed 2016/17 savings in Appendices 4 to 8 contain high-level narrative around the possible impact of some proposals and this will provide a starting point for assessments when specific areas are being looked at to provide savings.

6. FINANCIAL IMPLICATIONS

- 6.1 As detailed throughout the report.

7. PERSONNEL IMPLICATIONS

- 7.1 As outlined in paragraph 4.4.7 of this report the 2016/17 savings proposals will result in the loss of 130 posts. 51 of these posts are vacant and at least 30 posts will be lost through voluntary severances or retirements. The remaining 49 posts will be dealt with through the Council's redeployment policy with a view to finding alternative suitable employment. Every effort will be made to redeploy staff but where this is not possible then compulsory redundancy will need to be considered.
- 7.2 In addition to the above, for 2016/17 there is likely to be a requirement to reduce school based posts by up to 50.

8. CONSULTATIONS

- 8.1 Details of the consultation process to be adopted in respect of the 2016/17 savings proposals are set out in paragraphs 4.4.9 and 4.4.10 of this report.

9. RECOMMENDATIONS

- 9.1 Cabinet is asked to: -
 - 9.1.1 Approve the updated MTFP as detailed in paragraph 4.1.4 and Appendix 2.
 - 9.1.2 Endorse the proposed package of 2016/17 savings totalling £12.432m, as detailed in Appendices 4 to 8.

- 9.1.3 Agree that the 2016/17 savings proposals should now be subject to a further period of consultation prior to final 2016/17 budget proposals being presented to Cabinet on the 3rd February 2016 and Council on the 24th February 2016.
- 9.1.4 Support the proposal to increase Council Tax by 3.9% for the 2016/17 financial year to ensure that a balanced budget is achieved.
- 9.1.5 Note the current savings proposals for 2017/18 totalling £6.930m as set out in Appendix 9.
- 9.1.6 Agree to a consultation process being undertaken in relation to proposed savings in 2017/18 for Home to School/College Transport.

10. REASONS FOR THE RECOMMENDATIONS

- 10.1 The Council is required annually to approve proposals to set a balanced budget, agree a Council Tax rate and update its MTFP.
- 10.2 Council is required to put in place a sound and prudent financial framework to support service delivery.

11. STATUTORY POWER

- 11.1 The Local Government Acts 1998 and 2003.

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Consultees: Corporate Management Team
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Background Papers: -

Please contact Stephen Harris, Interim Head of Corporate Finance

Appendices: -

- Appendix 1 Medium-Term Financial Plan (Council 25/02/15)
- Appendix 2 Updated Medium-Term Financial Plan 2016/17 to 2018/19
- Appendix 3 Schools Medium-Term Financial Plan 2016/17 to 2018/19
- Appendix 4 2016/17 Draft Savings Proposals – Whole Authority
- Appendix 5 2016/17 Draft Savings Proposals – Corporate Services
- Appendix 6 2016/17 Draft Savings Proposals – Social Services & Public Protection
- Appendix 7 2016/17 Draft Savings Proposals – Education & Community Services
- Appendix 8 2016/17 Draft Savings Proposals – Econ Dev, Regen & Planning and Housing
- Appendix 9 2017/18 Draft Savings Proposals