



SPECIAL EDUCATION FOR LIFE SCRUTINY COMMITTEE – 15TH DECEMBER 2015

**SUBJECT: UPDATED MEDIUM-TERM FINANCIAL PLAN AND DRAFT SAVINGS
 PROPOSALS FOR 2016/17**

REPORT BY: CHIEF EDUCATION OFFICER

1. PURPOSE OF REPORT

- 1.1 To provide the Scrutiny Committee with an overview of the updated Medium-Term Financial Plan (MTFP) and draft 2016/17 savings proposals that were presented to Cabinet on the 14th October 2015.
- 1.2 To summarise the 2016/17 savings proposals for the Education & Lifelong Learning Directorate.
- 1.3 To provide an updated MTFP for schools.

2. SUMMARY

- 2.1 The report provides details of updated anticipated savings requirements for the Authority for the period 2016/17 to 2018/19 along with a summary of the draft savings proposals for the 2016/17 financial year.
- 2.2 The report also provides an updated MTFP for schools.

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 a Medium-Term Financial Plan (MTFP) that showed a potential savings requirement of £14.030m for the 2016/17 financial year and £12.105m for 2017/18. This position assumed a 3.4% cut for both years in the Aggregate External Finance (Revenue Support Grant (RSG) and Redistributed Non-Domestic Rates) funding received from the Welsh Government (WG).
- 4.1.2 Members will be aware that the UK Government has undertaken a Comprehensive Spending Review in recent months, the details of which were announced on the 25th November 2015. The Spending Review has resulted in a delay in the announcement of the WG 2016/17 Provisional Local Government Financial Settlement and this is not expected until the 9th December 2015.

- 4.1.3 In the absence of any details on the outcome of the Comprehensive Spending Review or the likely Local Government Financial Settlement, the 2016/17 Draft Savings Proposals Report presented to Cabinet on the 14th October 2015 assumed that the financial outlook for Local Government in Wales would worsen and that this would be exacerbated by the likelihood of WG continuing to offer a degree of protection to the NHS. In light of this, the anticipated reduction in the Aggregate External Finance (AEF) was increased from 3.4% to 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 (i.e. a total savings requirement of £31.050m).
- 4.1.4 The report presented to Cabinet on the 14th October 2015 included an updated MTFP with a range of revised assumptions (some of which have reduced the overall revised anticipated 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 is currently negative at -0.1%. 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 After all of the above adjustments have been factored into the updated MTFP the remaining projected savings requirement for the Authority 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 Overview of 2016/17 Draft Savings Proposals

4.2.1 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.).

4.2.2 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.

4.2.3 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 Table 2 below: -

Table 2 – 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

4.2.4 Table 3 provides a high-level summary of the new proposed savings for the 2016/17 financial year by service area: -

Table 3 – Summary of Proposed 2016/17 Savings

	£m
Whole Authority “corporate nature”	2.696
Corporate Services (including Non-HRA Housing)	1.931
Social Services and Public Protection	4.017
Communities Directorate	1.824
Education & Lifelong Learning	1.964
TOTAL	12.432

4.2.5 The total proposed savings of £12.432m in Table 3 along with the £1.980m full-year impacts in Table 2 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 ongoing consultation process or alternatively the £91k can be set-aside as savings in advance for the 2017/18 financial year.

4.3 **2016/17 Draft Savings Proposals for the Education & Lifelong Learning Directorate**

- 4.3.1 The report presented to Cabinet on the 14th October 2015 identified savings proposals totalling £8.661m across all service areas that do not have a direct impact on service users or the public. These proposals were categorised into a single line for each service area in the Appendices of the report. This is consistent with the approach adopted last year and the proposals consist in the main of vacancy management, structural reviews, budget realignment and minor changes to service provision.
- 4.3.2 The 2016/17 savings proposals for the Education & Lifelong Learning Directorate amount to £1.964m. Proposals amounting to £1.496m will have no direct impact on the public. The remaining proposals totalling £0.468m will have an impact on the public and these are summarised in Table 4 below: -

Table 4 – Summary of Education & Lifelong Learning Directorate 2016/17 Savings Proposals with an Impact on Service Users and/or the Public

Proposed Savings	2016/17 Saving £m
Libraries - Book Fund reduction	0.055
Removal of the revenue budget for a 50% contribution to schools one-off maintenance projects	0.329
Review of Community Centres	0.064
Reduction in contribution to GAVO Play Programme	0.020
TOTAL	0.468

- 4.3.3 A detailed report on the savings proposals in Table 4 is included separately on this evening's agenda and Members of the Scrutiny Committee are asked to consider and comment upon the content of the reports.

4.4 **Schools Medium-Term Financial Plan**

- 4.4.1 An updated Medium-Term Financial Plan for schools is attached as Appendix 1. 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. Members will note that there is a shortfall of 2.92% for 2016/17, 0.49% for 2017/18 and 0.81% for 2018/19.
- 4.4.2 In addition to schools having to manage the projected shortfall of 2.92% for 2016/17 there will also be a financial impact on schools arising directly from 2016/17 savings proposals put forward by the Authority. Details of these proposals are covered in a separate report on this evening's agenda.

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 service users and/or 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.

6. **FINANCIAL IMPLICATIONS**

- 6.1 As detailed throughout the report.

7. PERSONNEL IMPLICATIONS

- 7.1 The 2016/17 draft savings proposals totalling £1.964m for the Directorate of Corporate Services will result in the loss of up to 17 posts. To date, five months prior to the start of the next financial year, 11 of these posts are currently vacant. The remaining 6 posts will be removed through voluntary severance/early retirements and redeployment. However, there is a chance that there may be some compulsory redundancies, albeit that every effort will be made to avoid this situation.

8. CONSULTATIONS

- 8.1 An extensive consultation process on the 2016/17 draft savings proposals commenced on the 19th October 2015 and will end on the 8th January 2016. This process consists of the following: -

- Online and paper consultation.
- Articles in Newslines.
- 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.
- Consultation with Headteachers.

- 8.2 The views of the Scrutiny Committee will also form an important part of the consultation process.

9. RECOMMENDATIONS

- 9.1 Members of the Scrutiny Committee are asked to: -

- Note the updated Medium-Term Financial Plan and anticipated savings requirements.
- Consider and comment upon the range of specific savings proposals covered in the individual reports included elsewhere on this evening's agenda.

10. REASONS FOR THE RECOMMENDATIONS

- 10.1 To ensure that the views of the Scrutiny Committee are considered prior to final savings proposals being presented to Cabinet in February 2016.

11. STATUTORY POWER

- 11.1 The Local Government Acts 1998 and 2003.

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Background Papers:

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Appendices:

Appendix 1 Schools Medium-Term Financial Plan 2016/17 to 2018/19