



CABINET – 17TH FEBRUARY 2016

SUBJECT: BUDGET PROPOSALS 2016/17 AND MEDIUM-TERM FINANCIAL STRATEGY 2016/2021

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

1. PURPOSE OF REPORT

- 1.1 To seek Cabinet endorsement of the 2016/17 budget proposals contained within this report prior to final determination at Council on the 24th February 2016.

2. SUMMARY

- 2.1 On the 14th October 2015 Cabinet received a report providing details of updated projected savings requirements for the period 2016/17 to 2018/19 pending confirmation of the Welsh Government (WG) 2016/17 Local Government Financial Settlement. The report sought Cabinet endorsement of an updated Medium-Term Financial Plan (MTFP), draft savings proposals for 2016/17 and a proposed 3.9% increase in the Council Tax. The report also provided a brief update on progress in relation to potential savings for the 2017/18 financial year. At the meeting Cabinet: -
- endorsed a proposed package of 2016/17 savings totalling £12.432m;
 - agreed that the 2016/17 savings proposals should be subject to a further period of consultation prior to final 2016/17 budget proposals being presented to Cabinet and Council in February 2016;
 - supported the proposal to increase Council Tax by 3.9% for the 2016/17 financial year to ensure that a balanced budget is achieved;
 - noted the current savings proposals for 2017/18 totalling £6.930m; and
 - agreed to a consultation process being undertaken in relation to proposed savings in 2017/18 for Home to School/College Transport.
- 2.2 This report provides an updated position based on the Provisional 2016/17 Local Government Financial Settlement announced by WG on the 9th December 2015. The report seeks Cabinet endorsement of the final 2016/17 budget proposals prior to consideration by Council on the 24th February 2016.

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 Background

- 4.1.1 The 'Draft Savings Proposals for 2016/17' report presented to Cabinet on the 14th October 2015 made reference to the Comprehensive Spending Review being undertaken by the UK Government and the fact that savings of between 25% and 40% may be required for non-protected areas. As a consequence of this, Cabinet was advised that the financial outlook for Local Government in Wales was likely to worsen and that this would be exacerbated by the likelihood of WG continuing to offer a degree of protection to the NHS.
- 4.1.2 The Spending Review outcome was not due to be announced until the 25th November 2015 and as a result details of the WG 2016/17 Provisional Local Government Financial Settlement were not expected until the 9th December 2015. However, in light of the messages coming from the UK Government, the October Cabinet report included an updated MTFP based on a range of revised assumptions. The updated MTFP is attached as Appendix 1 of this report and shows the following potential savings requirements for Caerphilly CBC: -

Table 1 – Updated Cash Savings Targets 2016/17 to 2018/19

| 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 |

- 4.1.3 Significant work had already been undertaken during 2015 to identify savings proposals in line with the following principles that had previously been agreed by Council: -
- 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.).
- 4.1.4 The October Cabinet report provided details of the savings proposals identified at that time and explained that all of the proposals had been subject to an impact assessment to determine whether there would be an impact on service users and/or the public. The savings proposals are summarised in the following table: -

Table 2 – 2016/17 and 2017/18 Savings Proposals (Cabinet 14th October 2015)

| Description | 2016/17 £m | 2017/18 £m | Total £m |
|---|---------------|---------------|---------------|
| Full-year impact of approved 2015/16 savings | 1.980 | 0.000 | 1.980 |
| New savings proposals: - | | | |
| Nil impact | 8.661 | 3.025 | 11.686 |
| Low impact | 1.973 | 0.797 | 2.770 |
| Medium impact | 1.521 | 1.894 | 3.415 |
| High impact | 0.277 | 1.214 | 1.491 |
| TOTAL: - | 14.412 | 6.930 | 21.342 |

4.1.5 The 2016/17 'nil impact' savings proposals totalling £8.661m were categorised into a single line for each service area in the Appendices attached to the 14th October Cabinet report. This was consistent with the approach adopted for the 2015/16 financial year and the proposals in this category consist in the main of vacancy management, structural reviews, budget realignment and minor changes to service provision. Details of the 2016/17 low, medium and high impact savings were appended to the Cabinet report and these were endorsed by Cabinet along with a recommendation that the proposals would be subject to a period of consultation as set out in the report. Cabinet also endorsed a proposed increase of 3.9% in the Council Tax for 2016/17 to ensure that a balanced budget could be achieved.

4.1.6 Cabinet noted the progress on identifying potential savings for 2017/18.

4.2 **Headline Issues in the 2016/17 Provisional Local Government Financial Settlement**

4.2.1 Details of the Comprehensive Spending Review were announced on the 25th November 2015 and the outcome was much better than anticipated. The UK Government block grant to WG for 2016/17 shows an increase of 0.85% and whilst this includes significant protection for the NHS, the ensuing cut in the 2016/17 Provisional Local Government Settlement is much less than feared. The key points of the 2016/17 Provisional Settlement are summarised below: -

- An average 1.4% cut across Wales in Aggregate External Finance (AEF). The AEF consists of the Revenue Support Grant (RSG) and Redistributed Non-Domestic Rates funding received from WG.
- The cut in AEF does vary by Authority due to the funding formula and the provisional position for Caerphilly CBC is a reduction of 0.9%. This reduction factors in the transfer into the RSG of the Outcome Agreement Grant (£1.876m) and results in an overall net cash reduction of £2.275m compared to the 2015/16 financial year.
- There were three other grants passported into the settlement totalling £125k and two grants passported out totalling £372k. Details are provided in paragraph 4.2.2.
- As in previous years, WG, through the RSG formula, has placed a requirement on Local Authorities to include provision of a 1% protection for schools based on the percentage applied by the UK Government to WG's block grant. For 2016/17 this represents a 1.85% increase in respect of schools formula funding.
- No indicative settlement figures have been provided by WG for future years.
- The capital allocations available to Caerphilly CBC in the RSG and from the General Capital Grant increase by £15k from 2015/16 levels.

4.2.2 Table 3 provides details of the grants passported into/out of the WG provisional financial settlement: -

Table 3 – Grants Passported In/Out 2016/17

| | £m |
|---|----------------|
| Transfers In: - | |
| LGBI – 21 st century schools | 0.076 |
| Council Tax Reduction Scheme (CTRS) | 0.046 |
| CTRS administration subsidy | 0.003 |
| Transfers Out: - | |
| First Steps Improvement Package | (0.171) |
| Private Finance Initiative | (0.201) |
| TOTAL | (0.247) |

4.2.3 As in previous years, it is proposed that the above (both the increases and decreases in funding) are passed directly to those services that they relate to.

4.3 Updated Medium-Term Financial Plan (MTFP)

4.3.1 As mentioned in paragraph 4.1.2, at its meeting on the 14th October 2015 Cabinet was presented with an updated MTFP which showed a potential savings requirement of £14.321m for 2016/17, £11.441m for 2017/18 and £9.423m for 2018/19. This assumed a reduction of 4.3% on the AEF for 2016/17 and 2017/18 with a further reduction of 3% for 2018/19. An assumed Council Tax increase of 3.9% was also factored in for each of the three financial years. Cabinet was also provided with details of potential savings totalling £12.432m for 2016/17 and £6.930m for 2017/18.

4.3.2 Following the announcement of the Provisional 2016/17 Local Government Financial Settlement the MTFP has been reviewed again. This latest update now covers a five-year period in line with Wales Audit Office (WAO) recommended practice and is based on a number of revised assumptions, the most significant of which are the following: -

- A 0.9% reduction in the AEF in line with the Provisional Settlement.
- An assumed reduction of 1.4% in the AEF for the three-year period 2017/18 to 2019/20.
- A cash flat position for the AEF in 2020/21.
- Council Tax increase of 1% for 2016/17 and 2017/18 with an indicative increase of 2.35% for the following three years.
- The schools “pledge” to be met throughout the five-year period covered by the Plan (i.e. schools funded at 1% above the UK Government block grant to WG).

4.3.3 The updated MTFP is attached as Appendix 2 and Cabinet will note that the revised potential savings requirement for the three-year period 2016/17 to 2018/19 is now £24.504m instead of the £35.185m reported to Cabinet in October 2015. However, the savings requirement for the five-year period 2016/17 to 2020/21 is £36.252m. This means that all of the £21.342m savings proposals identified in the October Cabinet report will still be required and further savings proposals will need to be identified. On a positive note, the Authority now has more time to agree and deliver the savings required.

4.3.4 If we focus on the four-year period 2016/17 to 2019/20, to tie in with a potential Local Government Reorganisation, the anticipated savings requirement for this period is £32.159m. This means that additional savings of £10.817m will be required over and above the proposals presented in the October Cabinet report.

4.4 Schools Medium-Term Financial Plan

4.4.1 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. The “pledge” requires schools to manage their own cost pressures and resulting savings requirements. Cabinet will note that there is a shortfall of 1.60% for 2016/17 but growth in subsequent years of 0.89% for 2017/18, 0.17% for 2018/19, 0.38% for 2019/20 and 0.41% for 2020/21.

4.5 2016/17 Budget Proposals

4.5.1 The net 2016/17 revenue budget for the Council, if approved, would be £324.384m (as shown in Appendix 4). The proposals contained within this report would deliver a balanced budget for 2016/17 on the basis that Council Tax is increased by 1%. Table 4 provides a summary: -

Table 4 – 2016/17 Budget Summary

| Paragraph | Description | £m | £m |
|-----------|---|---------------|---------------|
| 4.5.2 | Whole-authority cost pressures | 3.270 | |
| 4.5.3 | Inescapable service pressures | 4.603 | |
| 4.5.6 | Reduction in WG funding | 2.275 | |
| 4.6.3 | Draft savings proposals 2016/17 | | 11.117 |
| 4.6.2 | Earmarked Reserve – Dry recyclable waste | 1.600 | |
| 4.6.2 | One-off funding for carbon management initiatives | 0.215 | |
| 4.10.1 | Council Tax uplift (1%) | | 0.846 |
| | TOTAL | 11.963 | 11.963 |

- 4.5.2 The whole-authority cost pressures totalling £3.270m are set out in Table 5 (cost pressures for schools are excluded as the full cash pledge growth has been provided): -

Table 5 – Whole Authority Cost Pressures

| | £m |
|---|--------------|
| Pay excluding teachers and other school staff (weighted average 1.2%) | 1.386 |
| Living Wage increase (adjusted for schools and HRA) | 0.296 |
| Employer NI increase – April 2016 (adjusted for schools and HRA) | 1.792 |
| Increase in Fire Service levy | 0.043 |
| Passported grants in 2016/17 Provisional Settlement | (0.247) |
| TOTAL | 3.270 |

- 4.5.3 It is incumbent upon Council to set a realistic budget each year. Table 6 provides details of those 2016/17 inescapable service commitments/pressures that have been identified and require consideration in respect of funding: -

Table 6 – Inescapable Service Pressures and Other Service Commitments

| | £m |
|---|--------------|
| Council Tax Reduction Scheme additional liability | 0.146 |
| Education Workforce Council registration fees | 0.019 |
| Meeting the schools “pledge” | 1.938 |
| Social Services cost pressures contingency | 2.500 |
| TOTAL | 4.603 |

- 4.5.4 With effect from 1 April 2016, all learning support staff in maintained schools and FE colleges in Wales will need to be registered with the Education Workforce Council (EWC). School and FE teachers already register with the EWC. Registration does not depend on a job title and in general if a role supports learning and teaching, workers will need to be registered with the EWC. Following a consultation, the Welsh Government has set a fee for learning support staff of £15 for 2016/17. The Council currently pays the cost of registration with a specific registration body if there is a requirement by law to be registered in order to practice. Learning support staff will now fall into this category resulting in a cost to the Authority of £19k per annum.
- 4.5.5 The £2.5m Social Services cost pressures 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.
- 4.5.6 The WG Provisional Financial Settlement has decreased the available funding by 0.9% for the 2016/17 financial year. This reduction factors in the transfer into the RSG of the Outcome Agreement Grant (£1.876m) and results in an overall net cash reduction of £2.275m compared to the 2015/16 financial year. The Outcome Agreement Grant has funded core base budgets in previous years and it is proposed that this will continue now that the funding has been transferred into the RSG.

4.6 2016/17 Savings Proposals

4.6.1 The report presented to Cabinet on the 14th October 2015 included draft 2016/17 savings proposals totalling £14.412m as summarised in Table 7: -

Table 7 – 2016/17 Savings Proposals (Cabinet 14th October 2015)

| Description | £m |
|---|---------------|
| Full-year impact of approved 2015/16 savings | 1.980 |
| New savings proposals: - | |
| Nil impact | 8.661 |
| Low impact | 1.973 |
| Medium impact | 1.521 |
| High impact | 0.277 |
| TOTAL: - | 14.412 |

4.6.2 Cabinet will note from the updated MTFP attached as Appendix 2 that the savings requirement for 2016/17 based on the Provisional Local Government Settlement is now £9.302m. In light of this, the savings proposals in the October Cabinet report have been reviewed and a revised package of 2016/17 proposals has been put together totalling £11.117m. This exceeds the 2016/17 savings target by £1.815m but Cabinet should note that this £1.815m will be needed to balance the budget in 2017/18. For 2016/17 only, Cabinet is asked to endorse a proposal to set aside £1.6m of the £1.815m in an earmarked reserve to meet cost pressures in dry recyclable waste, and to set aside the remaining balance of £215k to provide one-off match-funding to support carbon management initiatives. The £1.815m funding will be held corporately in the first instance.

4.6.3 The updated proposed savings totalling £11.117m are summarised in Table 8: -

Table 8 – 2016/17 Revised Savings Proposals

| Description | 2016/17 Saving £m |
|---|----------------------|
| Full-Year impact of approved 2015/16 savings | 1.980 |
| New savings proposals: - | |
| Nil impact | 8.661 |
| Other (with a service user and/or public impact): - | |
| - Council Tax/NNDR – Increase in Court Fees | 0.075 |
| - Customer Services – Further reduction in opening hours | 0.052 |
| - Cease mobile Customer Services Centre | 0.070 |
| - Disposal of surplus buildings | 0.015 |
| - Market Place, Blackwood – Transfer of lease to HRA | 0.016 |
| - Pre-planning advice income | 0.005 |
| - Housing – Withdrawal of Care & Repair funding | 0.010 |
| - Housing – Withdrawal of funding for Family Intervention Project | 0.015 |
| - Schools – Introduction of charge for sandwich places | 0.102 |
| - Schools – Breakfast Club staff reductions | 0.070 |
| - Review of Community Centres | 0.046 |
| Total 2016/17 revised savings proposals: - | 11.117 |

| | |
|--|----------------|
| Updated 2016/17 savings requirement | 9.302 |
| | |
| Savings in advance (One-off for 2016/17 only) | 1.815 |
| | |
| - Earmarked Reserve – Dry Recyclable Waste | (1.600) |
| - One-off funding for Carbon Management Initiatives | (0.215) |
| | |
| NET POSITION | 0.000 |

4.6.4 As mentioned in paragraph 4.1.5, the 2016/17 'nil impact' savings proposals were categorised into a single line for each service area in the Appendices attached to the October Cabinet report and this is consistent with the approach adopted for the 2015/16 financial year. The proposals in this category consist in the main of vacancy management, structural reviews, budget realignment and minor changes to service provision.

4.6.5 Appendix 5 provides brief details of the proposed savings for 2016/17 that will have an impact on service users and/or the public. Detailed reports on these proposals were presented to Special Scrutiny Committees in November and December 2015.

4.7 Future Years Savings Requirements

4.7.1 As mentioned in paragraph 4.3.3, the updated potential savings requirement for the five-year period 2016/17 to 2020/21 is £36.252m. This means that all of the £21.342m savings proposals identified in the October Cabinet report will still be required and further savings proposals will need to be identified.

4.7.2 If we focus on the four-year period 2016/17 to 2019/20, to tie in with a potential Local Government Reorganisation, the anticipated savings requirement for this period is £32.159m. This means that additional savings of £10.817m will be required over and above the proposals presented in the October Cabinet report.

4.7.3 Work is ongoing to re-profile the remaining savings identified in the October Cabinet report and it is likely that most of the savings that have an impact on service users and/or the public will not be required until 2018/19 and 2019/20. However, further work will also be required to identify new proposals to address the additional savings of £10.817m that are likely to be required. This work will be led by the Corporate Management Team in consultation with appropriate Cabinet Members. Heads of Service will be heavily involved throughout the process with support from colleagues in Finance. Areas for consideration will include: -

- Further 'back office' efficiencies.
- Potential collaborations.
- Further channel shift.
- Asset rationalisation.
- Review of Treasury Management activities.
- Review of Leisure Services.
- Review of Youth Services.
- Review of Library Services.

4.7.4 The above list is not exhaustive and Heads of Service will be asked to review all budgets to identify potential future savings. Regular updates will be provided to Members as this work progresses.

4.8 Capital Programme 2016/17 to 2018/19

4.8.1 The proposed Capital Programme for the three-year period 2016/17 to 2018/19 is detailed in Appendix 6 of this report and is summarised in Table 9: -

Table 9 – Summary of Capital Programme 2016/17 to 2018/19

| | 2016/17 £m | 2017/18 £m | 2018/19 £m |
|--|----------------|----------------|----------------|
| Capital Programme proposals | 17.099 | 8.887 | 8.400 |
| WG funding available | 8.030 | 8.030 | 8.030 |
| Capital funding gap | (9.069) | (0.857) | (0.370) |
| | | | |
| Funded by: - | | | |
| Surplus/(Deficit) b/fwd | 1.971 | 0.971 | 0.242 |
| Capital underspends from previous years | 0.657 | | |
| Ring-fenced capital uncommitted | 0.610 | | |
| 2015/16 capital receipts | 0.829 | | |
| RCCO budget (Miscellaneous Finance) | 0.128 | 0.128 | 0.128 |
| General Fund working balances | 5.845 | | |
| Total Additional Funding | 10.040 | 1.099 | 0.370 |
| | | | |
| Surplus (Deficit) carried forward | 0.971 | 0.242 | 0.000 |

- 4.8.2 The proposals in Table 10 below have been provisionally included in the proposed Capital Programme. However, these proposals will require further review and/or business cases to justify seeking Cabinet approval to release the funds to the service area.

Table 10 – Proposals Requiring Further Review/Business Cases

| Service Area | Description | 2016/17 £000's | 2017/18 £000's | 2018/19 £000's |
|---------------|---------------------------------------|-------------------|-------------------|-------------------|
| | | | | |
| Countryside | Environmental Schemes | 217 | 230 | 232 |
| Economic Dev. | Voluntary Sector Capital Grants | 170 | 0 | 0 |
| Urban Renewal | Commercial and Industrial Grants | 50 | 50 | 50 |
| Urban Renewal | Town Centres | 30 | 40 | 20 |
| Urban Renewal | Navigation Colliery Site Regeneration | 0 | 20 | 20 |
| | | | | |
| TOTAL | | 467 | 340 | 322 |

- 4.8.3 Appendix 6 includes £7.9m that can be transferred to an earmarked capital reserve. This funding has been made available through the release of General Fund balances, capital underspends in previous years and 2015/16 capital receipts. This earmarked reserve is required to enhance the Authority's Leisure Centres and to generate additional 21st Century Schools match-funding which will likely be targeted at the primary phase. There are also some unfunded liabilities that may require the release of some of this reserve. Cabinet will need to be presented with the details of specific projects/liabilities, along with a business case where appropriate, prior to approving the release of these funds.

4.9 General Fund Balances

- 4.9.1 Details of the projected movement on General Fund balances are provided in Appendix 7. There are no known further allocations to General Fund at this time over and above those identified.

- 4.9.2 The General Fund balance at the end of the 2014/15 financial year was £14.615m. This is higher than usual but due to the significant financial challenges facing the Authority and the uncertainty around WG financial settlements it was considered prudent at the time to maintain the balance at this higher level.
- 4.9.3 Cabinet will note that projected underspends for 2015/16 will result in £3.573m being transferred into the General Fund. A significant proportion of this underspend is due to MTFP savings in advance.
- 4.9.4 It is proposed that £5.845m should be transferred into the proposed capital earmarked reserve as detailed in paragraph 4.8.3 of this report.
- 4.9.5 The Authority has recently received notice from Municipal Mutual Insurance (MMI) that the levy imposed under its Scheme of Arrangement is likely to increase from the current level of 15%. MMI was previously the largest insurer for Local Authorities and provided insurance cover for the former Mid-Glamorgan and Gwent County Councils as well as Islwyn and Rhymney Valley District Councils. Following substantial losses suffered by MMI between 1990 and 1992 the company ceased to write new, or to renew, general insurance business. A Scheme of Arrangement was subsequently established under Section 425 of the Companies Act 1985. This is a legally binding arrangement between MMI and its creditors which allows a levy to be imposed to avoid MMI going into insolvent liquidation. An increase in the levy of up to 34% is possible and this would result in a cost of circa £1m for Caerphilly CBC. It is therefore proposed to establish a provision of £1m pending final confirmation of the increase in the levy.
- 4.9.6 The Authority has determined at Council, in recent years, to keep the General Fund reserves at a level of circa £10m, which is 3% of the net revenue budget. It is still considered appropriate to maintain the General Fund balance at this level. The proposals in this report, if approved, would result in a projected General Fund balance of £10.105m as at the 31st March 2016.

4.10 Council Tax Implications 2016/17

- 4.10.1 The budget proposals within this report include a proposed increase of 1% in Council Tax for the 2016/17 financial year. This will increase the Caerphilly CBC Band D precept from £992.02 to £1,001.94 i.e. an annual increase of £9.92 or weekly increase of £0.19.
- 4.10.2 Cabinet will note that the 2016/17 budget proposals set out in this report are based on the WG Provisional Financial Settlement. This is highly unusual but is due to the Comprehensive Spending Review and the consequential late announcement of the WG draft budget for 2016/17. The Final Settlement will be confirmed for Caerphilly CBC on the 9th March 2016, albeit that WG officials have advised that there will be minimal change from the Provisional Settlement. The Authority would normally set its budget after the Final Settlement has been agreed but for 2016/17 it will be necessary to agree the budget in advance of the confirmed Settlement to ensure that Council Tax collection arrangements are not compromised.
- 4.10.3 In the event that the Final Settlement requires additional savings to be made for 2016/17, it is proposed that the shortfall will be met from the proposed £215k funding set aside for Carbon Management Initiatives. It is not anticipated that the shortfall will be greater than £215k but if this situation does arise a further report will be presented to Council outlining proposals to ensure that a balanced budget is achieved.

5. EQUALITIES IMPLICATIONS

- 5.1 Equality Impact Assessments have been completed for all of the savings proposals contained in this report that impact on the public and/or service users. Arrangements are currently underway to ensure that these are available on the Council's website and a link will be emailed to Members as soon as they are available.

6. FINANCIAL IMPLICATIONS

6.1 As detailed throughout the report.

7. PERSONNEL IMPLICATIONS

7.1 The 2016/17 savings proposals will result in the loss of 97 posts. 67 of these posts are currently vacant and at least 12 posts will be lost through voluntary severances or retirements. The remaining 18 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 For schools there is likely to be a requirement to reduce school based posts by up to 35, the majority of which will be through voluntary redundancies and early retirements.

7.3 In addition to the above, the savings proposals in relation to the setting up of sandwich places in schools and the reduced staffing in Breakfast Clubs will require a reduction in paid hours: -

Sandwich places – Schools may decide not to pay the proposed charge for this service and use their lunchtime supervisors to undertake the task. On average, the service provides cover for 5 hours per week. In a worst-case scenario if all primary schools decided not to pay for the service a reduction of 375 paid hours per week would be required, potentially affecting 75 posts (working on average 1 hour per day). Some of the reduction would be met through casual workers and in larger sites it may be possible to spread the 5 hours per week loss across all staff. The Catering Service employs a total of circa 800 staff and there is regular turnover creating vacancies (45 vacancies in the last 6 months in addition to a number of relief workers being recruited). The redeployment opportunities arising from these vacancies, along with a reduction in casual workers and voluntary severances should cover the potential loss of hours. However, if this is not the case, the Authority will use service reserves until the required reduction in hours is achieved, thus avoiding compulsory redundancies.

Breakfast Clubs – The Catering Service operates 68 Breakfast Clubs in the Authority's primary schools so the proposed 1 hour reduction in staffing per day would require a weekly reduction of 340 paid hours (potentially affecting 68 posts). Again, redeployment opportunities arising from turnover in the Catering Service, along with a reduction in casual workers and voluntary severances should cover the loss of hours. However, if the required reduction is not achieved within anticipated timescales the Authority will use service reserves until the reduction in hours is achieved, thus avoiding compulsory redundancies.

8. CONSULTATIONS

8.1 At its meeting on the 14th October 2015, Cabinet agreed that the proposed 2016/17 savings that would impact on service users and/or the public should be subject to an extensive consultation process prior to final budget proposals being presented to Cabinet and Council in February 2016. Full details of the consultation process adopted and the feedback received will be posted on the Council's website. Appendix 8 provides a summary report and the following are some of the key messages that have emerged from the consultation process: -

- Generally speaking, residents are aware of the financial pressures facing local authorities and the need for cuts in this period of austerity.
- General acceptance that our proposed savings are not too bad compared to other areas (i.e. no major closure of facilities or deep cuts).
- We should avoid increasing fees and charges if possible.
- We should prioritise frontline services.
- We should ensure that the elderly and vulnerable are protected.

- Strong agreement with our general approach to budget management in particular protecting frontline services, reducing management/admin costs and reducing office accommodation costs by rationalising council-owned buildings.
- Proposed cuts to Social Services raise most concern (respite, domiciliary care, day care services, children's services and foster care).
- Broad disagreement with proposals to increase fees and charges.
- Other areas of concern include car parking charges, cuts to road resurfacing budget and reduction of environmental health post.
- Need to consider the long-term impact of the proposed savings not just the short-term benefit.
- Think about the 'knock on effect' on service users and other agencies.
- Investment in prevention saves money in the long-term, especially where some of the savings are small and impact can be potentially big e.g. carers support, pest control charges etc.
- Mixed views on proposed 3.9% Council tax increase.

8.2 As mentioned in paragraph 8.1, the consultation process focussed on the proposed 2016/17 savings included in the 14th October 2015 Cabinet report that would impact on service users and/or the public. In light of the better than anticipated Financial Settlement only a small number of these proposals are now under consideration for 2016/17 as set out below: -

Table 11 – 2016/17 Savings Proposals with a Service User/Public Impact

| Description | 2016/17 Saving £m |
|--|----------------------|
| 1) Council Tax/NNDR – Increase in Court Fees | 0.075 |
| 2) Customer Services – Further reduction in opening hours | 0.052 |
| 3) Cease mobile Customer Services Centre | 0.070 |
| 4) Disposal of surplus buildings | 0.015 |
| 5) Market Place, Blackwood – Transfer of lease to HRA | 0.016 |
| 6) Pre-planning advice income | 0.005 |
| 7) Housing – Withdrawal of Care & Repair funding | 0.010 |
| 8) Housing – Withdrawal of funding for Family Intervention Project | 0.015 |
| 9) Schools – Introduction of charge for sandwich places | 0.102 |
| 10) Schools – Breakfast Club staff reductions | 0.070 |
| 11) Review of Community Centres | 0.046 |
| TOTAL | 0.476 |

8.3 Appendix 9 provides details of specific feedback received during the consultation process in relation to the above savings proposals.

8.4 The specific savings proposals in Table 11 were also considered as part of the Special Scrutiny Committee meetings held during November and December 2015: -

- Proposals 1 to 5 and 7 and 8 were supported by the Policy and Resources Scrutiny Committee at its meeting on the 7th December 2015.
- Proposal 6 was supported by the Regeneration & Environment Scrutiny Committee at its meeting on the 26th November 2015.
- Proposals 9 and 10 were not supported by the Health, Social Care & Wellbeing Scrutiny Committee at its meeting on the 23rd November 2015. However, the proposals were supported by the Education for Life Scrutiny Committee on the 15th December 2015. It should be noted that by the 15th December it was apparent that schools would be receiving an additional £1.3m of cash growth due to the better Financial Settlement.
- Cabinet approved the proposed saving of £46k in community centres at its meeting on the 20th January 2016.

- 8.5 The Trade Unions acknowledge the need to reduce the Customer First arrangements to reflect reducing demand but require all efforts to be made to ensure that the Mobile Customer First bus is utilised by another service area in the Authority or even one of the Authority's partners.
- 8.6 At its meeting on the 14th October 2015, Cabinet agreed that a consultation process should be undertaken in relation to proposed savings in 2017/18 for Home to School/College Transport. These proposed savings will now be deferred and are unlikely to be considered further until 2019/20. The planned consultation will therefore now be postponed until the 2018/19 financial year.

9. RECOMMENDATIONS

- 9.1 Prior to consideration and determination at Council on the 24th February 2016, Cabinet is asked to endorse the following: -
- 9.1.1 That the grants passported into/out of the Financial Settlement are passed directly to those services that they relate to (paragraphs 4.2.2 and 4.2.3).
- 9.1.2 That the Outcome Agreement Grant of £1.876m transferred into the RSG continues to fund core base budgets as in previous years.
- 9.1.3 The proposed savings for 2016/17 totalling £11.117m as set out in paragraph 4.6.3 of this report.
- 9.1.4 The proposal to transfer £1.6m into an earmarked reserve for dry recyclable waste and the setting aside of one-off funding of £215k for carbon management initiatives (as set out in paragraph 4.6.2).
- 9.1.5 The Revenue Budget proposals for 2016/17 of £324.384m as set out in this report and summarised in Appendix 4.
- 9.1.6 The proposed Capital Programme for the period 2016/17 to 2018/19 as set out in Appendix 6.
- 9.1.7 The proposed use of General Fund balances as detailed in Appendix 7.
- 9.1.8 The use of service reserves to smooth the impact of the reduction in hours in the Catering Service to avoid compulsory redundancies (paragraph 7.3).

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 Medium-Term Financial Plan.
- 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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Cllr Barbara Jones, Deputy Leader & Cabinet Member for Corporate Services

Andrew Southcombe, Finance Manager, Corporate Finance
Lianne Dallimore, MTFP Programme Co-ordinator
Gail Williams, Interim Head of Legal Services & Monitoring Officer
David A. Thomas, Senior Policy Officer (Equalities and Welsh Language)

Background Papers: -

- Cabinet Report 14th October 2015 – Draft Savings Proposals for 2016/17.
- Provisional 2016/17 Local Government Settlement (9th December 2015).
- Reports to Health, Social Care & Wellbeing Scrutiny Committee (23rd November 2015).
- Reports to Regeneration & Environment Scrutiny Committee (26th November 2015).
- Reports to Policy & Resources Scrutiny Committee (7th December 2015).
- Reports to Education for Life Scrutiny Committee (15th December 2015).

Appendices: -

- Appendix 1 Updated Medium-Term Financial Plan 2016/17 to 2018/19 (Cabinet 14/10/15)
- Appendix 2 Updated Medium-Term Financial Plan 2016/17 to 2020/21
- Appendix 3 Schools Medium-Term Financial Plan 2016/17 to 2020/21
- Appendix 4 Net Revenue Budget 2016/17
- Appendix 5 2016/17 Savings Proposals with a Service User and/or Public Impact
- Appendix 6 Capital Programme 2016/17 to 2018/19
- Appendix 7 Movement on General Fund
- Appendix 8 Budget Consultation Feedback 2016/17
- Appendix 9 Consultation – Specific Comments on 2016/17 Savings Proposals with a Service User and/or Public Impact