



CABINET – 29TH OCTOBER 2014

SUBJECT: DRAFT SAVINGS PROPOSALS FOR 2015/16

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) reflecting the Provisional 2015/16 Local Government Financial Settlement announced by the Welsh Government (WG) on the 8th October 2014.
- 1.2 To present Cabinet with details of draft savings proposals for the 2015/16 financial year to allow for a further more focussed period of consultation prior to a final decision in February 2015.

2. SUMMARY

- 2.1 The report provides details of revised savings requirements for the period 2015/16 to 2017/18 based on the WG Provisional 2015/16 Local Government Financial Settlement.
- 2.2 The report also provides details of draft savings proposals for 2015/16 totalling £12.208m.

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 Headline Issues in Provisional Settlement

- 4.1.1 Published on the 8th October 2014, the key points of the Provisional 2015/16 Local Government Settlement for Wales are: -

- There have been three transfers into the settlement totalling £0.346m and three transfers out totalling £0.200m. Details are provided in paragraph 4.1.2
- The provisional Aggregate External Finance (Revenue Support Grant (RSG) and Redistributed Non-Domestic Rates) for Caerphilly CBC for the 2014/15 financial year is a reduction of 3.4% i.e. **a cash decrease of £9.087m.**
- As in previous years, WG have, through the RSG formula, placed a requirement on Local Authorities to include provision of a 1% protection for schools based on the percentage applied by Central Government to WG's block grant. For 2015/16 this represents a 0.6% increase for schools.

- No indicative settlement figures have been provided by WG for 2016/17 and 2017/18.
- The capital allocations available to Caerphilly CBC in the RSG and from the General Capital Grant have increased by £7k from the previous year.

4.1.2 Table 1 provides details of transfers in and out of the WG financial settlement: -

Table 1 – Transfers In/Out 2015/16

	£m
Transfers In: -	
Local Government Borrowing Initiative – 21 st Century Schools	0.133
Integrated Family Support Service	0.173
Autistic Spectrum Disorder	0.040
Transfers Out: -	
Student Finance Wales	(0.153)
Feed Safety Controls	(0.030)
National Adoption Service	(0.017)
TOTAL	0.146

4.1.3 Table 2 provides details of other passported grants included in the WG financial settlement: -

Table 2 – Other Passported Grants 2015/16

	£m
Local Government Borrowing Initiative – 21 st Century Schools	0.171
Council Tax Reduction Scheme	(0.106)
Private Finance Initiative	(0.202)
TOTAL	(0.137)

4.1.4 It is proposed that the above (both the increases and decreases in funding) are passed directly to those services that they relate to.

4.2 Updated Medium-Term Financial Plan (MTFP)

- 4.2.1 Cabinet will recall that the MTFP agreed by Council on the 26th February 2014 identified an estimated savings requirement of £6.5m for 2015/16 and £6.9m for 2016/17. This was based on an indicative reduction in WG funding of 1.34% for 2015/16 and, in the absence of further guidance from WG, an assumed reduction of a further 1.34% for 2016/17.
- 4.2.2 On the 24th June 2014 the Minister for Local Government and Government Business wrote to all Local Authorities in Wales informing them that there would be a significant shift in the likely financial settlement for 2015/16 and beyond. The Minister advised Authorities to consider how they would respond to a cut in funding of up to 4.5%.
- 4.2.3 Cabinet received a report on the 16th July 2014 outlining the impact of a cut in funding of 3% and 4.5%. Cabinet were advised that a 3% cut would increase the savings requirement for the two-year period 2015/16 and 2016/17 from the current planning level of £13.4m to £22.2m. A cut of 4.5% would increase the savings target to £30.1m.
- 4.2.4 Whilst the cut of 3.4% in the 2015/16 provisional settlement is better than the potential worst-case scenario of 4.5%, it still presents an extremely challenging financial position. It is also likely that austerity will remain for at least the medium-term and on this basis the MTFP has been updated for the three-year period 2015/16 to 2017/18 with an assumed reduction in WG funding of 3.4% for each of the three years. The updated position is attached as Appendix 1 and this shows a total savings requirement of £39m as summarised in Table 3: -

Table 3 – Cash Savings Targets

Year	Annual Cash Savings Target £m	Cumulative Cash Savings Target £M
2015/16	12.866	12.866
2016/17	14.030	26.896
2017/18	12.105	39.001

4.3 2015/16 Budget Proposals

4.3.1 The proposals contained within this report would deliver a balanced budget for 2015/16 on the basis that Council Tax is increased by 3.9%. Table 4 provides a summary: -

Table 4 – Summary

Paragraph	Description	£m	£m
4.3.2	Whole Authority Cost Pressures	2.886	
4.3.4	Inescapable Service Pressures	2.462	
4.3.5	Reduction in WG Funding	9.087	
4.4	Draft Savings Proposals 2015/16		12.208
4.5	Council Tax Uplift (3.90%)		2.227
	TOTAL	14.435	14.435

4.3.2 The whole Authority cost pressures totalling £2.886m are set out in Table 5 below (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 @ 1%	1.131
Living Wage increase (assumed at 20p per hour)	0.164
Non pay inflation 1.5% (net of 1.5% fess & charges increases)	1.432
Supported Borrowing (Capital Financing)	0.150
Transfers in/out and other passported grants	0.009
TOTAL	2.886

4.3.3 The updated MTFP includes an assumed pay award of 1% for 2015/16. Cabinet will be aware that the pay settlement for the current financial year 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 budget each year. Table 6 provides details of those 2015/16 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	0.332
Waste Management contingency	0.240
Contact Centre, Bargoed – Running costs	0.075
Meeting the Schools pledge	0.665
Social Services Demographics	1.000
Proposal for Waste Transfer Station (Ty Duffryn)	0.150
TOTAL	2.462

4.3.5 The WG Provisional Settlement has decreased the available funding by 3.4% for the 2015/16 financial year, representing a cash reduction of £9.087m for Caerphilly CBC.

4.4 2015/16 Draft Savings Proposals

4.4.1 The budget strategy agreed by Council on the 26th February 2014 consisted of 2 main strands. The first of these was further savings proposals for Members to consider in respect of up to 3% efficiency savings. These efficiency targets required savings of circa £5m and would be applied to those statutory and essential services that the Authority has to deliver. The second strand of the agreed budget strategy was a review of discretionary services with a view to identifying savings proposals totalling over £8m. A series of Special Scrutiny Committee meetings have taken place during recent months to consider savings proposals.

4.4.2 Since the announcement by the Minister for Local Government and Government Business on the 24th June 2014 a significant amount of work has been undertaken within each Directorate to identify further savings proposals to address the worsening financial outlook.

4.4.3 The work to identify savings has been led by the 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 that are deliverable for 2015/16 have been considered.

4.4.4 For 2014/15, General Fund balances of £800k were earmarked to make good any shortfall where savings were due to be delivered part way through the financial year. The very late announcement of the Provisional Settlement for 2014/15 and the significant movement in the savings target from the original indication left very little option but to set-aside this funding to support the delivery of savings. This is not now the case, a strong message has been given by WG that austerity and cuts to RSG are to be expected up until 2020, the Authority should plan accordingly to address the anticipated budgetary shortfall.

4.4.5 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. There could be an opportunity to release balances for one-off expenditure but the use of balances does not and will never be able to reduce an overall savings target. Balances can be used to defer a saving for a short period (less than a year) but this is not a good use of these funds. It is therefore proposed to maximise the impact of the use of any "excess" General Fund balances by utilising them for Capital/Invest to Save Schemes. This will ensure a lasting legacy for service users of the Borough and will improve service provision, rather than defer a saving that will ultimately have to be taken a short period later. It will also enable the Authority to provide match funding for grant related capital schemes i.e. 21st Century Schools, convergence and lottery.

4.4.6 Appendices 2 to 6 provide details of the proposed savings for the 2015/16 financial year. Table 7 provides a summary: -

Table 7 – Summary of Proposed 2015/16 Savings

	£m
Whole Authority "corporate nature"	3.957
Education & Lifelong Learning	0.809
Social Services	3.128
Environment	2.852
Corporate Services	1.462
TOTAL	12.208

4.4.7 Cabinet should note that savings proposals that do not have a direct impact on services users or the public have been categorised into a single line for each Directorate in Appendices 2 to 6. These proposals consist in the main of vacancy management, budget realignment and minor changes to service provision. Much of the detail of these proposals will have been presented to the Special Scrutiny Committees held during recent months. Across all

Directorates these savings proposals total £6.627m, which represents 54.3% of the total savings identified of £12.208m. Members at Special Scrutiny Committees were supportive of these types of savings proposals.

- 4.4.8 Some savings proposals will have a part-year impact in 2015/16 but will deliver significant further savings in 2016/17. The most notable of these are the following: -

Table 8 – Main Proposals with 2015/16 Part-Year Impact

Saving Proposal	2015/16 Saving £m	2016/17 Savings £m
Street Lighting – New technology to achieve energy efficiencies.	0.100	0.350
Review of Customer Services	0.125	0.125
Reduction in Street Cleansing	0.100	0.200
Closure of Ty Pontllanfraith	0.100	0.600
TOTAL	0.425	1.275

- 4.4.9 There will be a requirement to fund ‘one-off’ capital expenditure for some of the above and there will be an opportunity to utilise ‘excess’ General Fund balances.
- 4.4.10 Cabinet is asked to endorse the proposed package of savings totalling £12.208m as detailed in Appendices 2 to 6 and to agree that the proposals should now be subject to a further period of consultation prior to final 2015/16 budget proposals being presented to Cabinet in January 2015 and Council in February 2015.

4.5 Council Tax Implications 2015/16

- 4.5.1 The Medium Term Financial Plan approved by Council on the 26th February 2014 included indicative increases to Council Tax for 2015/16 and 2016/17 of 2.35%.
- 4.5.2 The savings requirement to deliver a balanced budget for the 2015/16 financial year is £12.866m and savings proposals totalling £12.208m are presented in this report. This leaves a shortfall of £658k and it is proposed that this is met by increasing Council Tax by 3.9% for the 2015/16 financial year. This would result in Council Tax Band D being set at £992.02 per annum (an increase of 71p per week).

5. EQUALITIES IMPLICATIONS

- 5.1 Budget decisions at this level affect every resident in the County Borough, regardless of their individual circumstances and backgrounds.
- 5.2 A full impact assessment has not been undertaken on all of the draft savings proposals, however assessments will be made on all individual reports and projects during the financial year. This is in order 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.
- 5.3 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.
- 5.4 The list of proposed savings appended to this report does 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 It is impossible to conceive that savings of £39m over three years could be achieved without substantial reductions in staffing. The fact is that by the end of year three the Council will have to become a significantly smaller organisation, in some respects offering a reduced range of services.
- 7.2 The Council has always prided itself on seeking to avoid compulsory redundancies at all costs, and this general ambition remains. However, given the new situation in which the Council finds itself nothing can be guaranteed.
- 7.3 Where staff reductions are required the Council will firstly try to achieve the reduction through 'natural wastage' and not filling vacancies. It is unlikely, however, that staff turnover over a three-year period would be sufficient to deal with the likely numbers involved.
- 7.4 The Council has a policy on redeployment, which would be the next preferred option. Thereafter, the Council has recently adopted a number of policies, which will enable us to invite applications for voluntary severance. These will be applied on a service by service basis to assist with restructuring or 'downsizing' within those services rather than on an Authority-wide basis as this would run the danger of creating vacancies in the wrong areas and with the wrong skill sets to accommodate those displaced and requiring redeployment.
- 7.5 The budget strategy for the next three years is likely to require a more proactive approach to restructuring than we have seen in most areas and some difficult decisions will undoubtedly be needed to prioritise roles and functions, as the Authority itself develops a more focussed approach to priorities among its various services.

8. CONSULTATIONS

- 8.1 Appendices 2 to 6 identify where proposals that affect service users have been debated at Special Scrutiny meetings. It is acknowledged that it is difficult for Members to form a view as to whether to support a saving or not without an appreciation of the bigger picture. Overall, recommendations made to date by Special Scrutiny Committees have not delivered savings that would come close to the required target. Moving forward, the draft budget proposals included in this report will be discussed at a Members' Seminar event on the 3rd November 2014 with a further Seminar to be held in January 2015. This will allow an informed discussion and debate in the context of the whole Authority position. Following Cabinet on the 29th October 2014 this report will also be scheduled for discussion at the next available Scrutiny Committee meetings as part of the consultation process.
- 8.2 The extent of the savings required by the Authority in the next 3 years is estimated at £39m and the majority of frontline reductions in spend will need a lead in time prior to implementation. Officers will try to minimise the impact of the cuts on the public facing areas of service adopting more innovative ways of delivering services. It must be emphasised though that no innovative / different ways of working will bridge the budgetary shortfall. The Authority's services will reduce over the next 3 years and staff numbers will also reduce over that same period.
- 8.3 The Authority has undertaken a public budget consultation in recent months focussing on those areas that members of the public see as priority services that should be protected from cuts wherever possible. A total of 1705 surveys were completed and the three service areas identified as most important were Libraries, Sport & Leisure and Public Bus Services. The draft savings proposals for 2015/16 have little impact on these service areas.

- 8.4 The draft 2015/16 savings proposals as presented in this report will be subject to a further period of consultation during the next 3 months. Details of the outcome of this will be included in the final budget proposals reports to be presented to Cabinet in late January 2015 and to Council in February 2015.

9. RECOMMENDATIONS

9.1 Cabinet is asked to: -

- 9.1.1 Endorse the proposed package of 2015/16 savings totalling £12.208m, as detailed in Appendices 2 to 6.
- 9.1.2 Agree that these savings proposals should now be subject to a further period of consultation prior to final 2015/16 budget proposals being presented to Cabinet in January 2015 and to Council in February 2015.
- 9.1.3 Support the proposal to increase Council Tax by 3.9% for the 2015/16 financial year to ensure that a balanced budget is achieved (Council Tax Band D being set at £992.02).

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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David A. Thomas, Senior Policy Officer (Equalities and Welsh Language)

Background Papers:
Provisional Local Government Settlement (8th October 2013)

Appendices:

Appendix 1 Updated Medium-Term Financial Plan 2015/16 to 2017/18

Appendix 2 2015/16 Draft Savings Proposals – Whole Authority

Appendix 3 2015/16 Draft Savings Proposals – Education & Lifelong Learning

Appendix 4 2015/16 Draft Savings Proposals – Social Services

Appendix 5 2015/16 Draft Savings Proposals – Environment

Appendix 6 2015/16 Draft Savings Proposals – Corporate Services