

Environment Development and Transport Committee

Item No.....

Report title:	2017-18 Budget and Medium Term Financial Planning 2017-18 to 2019-20
Date of meeting:	14 October 2016
Responsible Chief Officer:	Tom McCabe - Executive Director, Community and Environmental Services

Strategic impact

This report provides an update on the Service Committee's detailed planning to feed into the Council's budget process for 2017-18. The Council's budget setting activity is informed by a range of documents including the Medium Term Financial Strategy, the County Council Plan, and the Efficiency Plan. Together these help to set the context for the Council's medium term service and financial planning, which will support the development of a robust, balanced budget for 2017-18.

Executive summary

This report forms part of the strategic and financial planning framework for Service Committees. It provides an update on the Council's budget setting process, and sets out details of the actions required by Service Committees to enable the Council to set a balanced budget for 2017-18.

Recommendations:

1. **Note that the Council's budget planning includes:**
 - a) **an assumed increase in council tax of 2% for the Adult Social Care precept, and an inflationary increase of 1.8% in 2017-18; and**
2. **Recommend to Policy and Resources the use of the £4.6m 2016/17 transitional grant monies to help ameliorate the level of savings required in 2017/18**
3. **In order to help close the 2017-18 budget gap as set out in section 2 of this report:**
 - a) **agree the proposed new savings for 2017-18 for consultation where necessary**
 - b) **consider what scope there is for bringing forward the 2017-18 savings (b) above) for implementation in 2016-17.**

1. Background

- 1.1. The Council's approach to medium term service and financial planning includes a rolling medium term financial strategy, with an annual budget agreed each year. In February, Full Council agreed spending and savings proposals which provided an overall surplus for the period to 2019-20, although with a gap identified for 2017-18 of £8.827m.
- 1.2. In July, Policy and Resources Committee received a paper setting out details of the progress of the Council's budget setting work and the wider financial context in which it is operating. The Committee noted the Council's progress in

developing further savings proposals for 2017-18 and recommended to County Council to accept the Government's offer of a four year funding allocation, which would provide a degree of greater certainty about future budgets.

- 1.3. This paper builds on the position reported to Policy and Resources Committee in July and represents the next stage of the Council's budget planning process. In particular, the paper sets out details of saving proposals identified for 2017-18 for the Committee's consideration.

2. Context for financial planning

- 2.1. County Council approved the 2016-17 Budget and the Medium Term Financial Strategy for the period 2016-17 to 2019-20 on 22 February 2016. The Medium Term Financial Strategy to 2019-20 set out a balanced budget for 2016-17, but a deficit remained of £8.827m in 2017-18, a surplus of £22.360m in 2018-19 and a deficit of £11.715m in 2019-20 (a small cumulative surplus of £1.818m). The Medium Term Financial Strategy's aim is to ensure a balanced budget to aid forward planning and help mitigate financial risk. The Medium Term Financial Strategy position is shown in the table below.

Table 1: Budget surplus / deficit as reported to Full Council on 22 February 2016

	2016-17 £m	2017-18 £m	2018-19 £m	2019-20 £m
Additional cost pressures and forecast reduction in Government grant funding	77.475	51.353	49.354	42.454
Council Tax base increase	-20.532	-10.300	-15.265	-16.266
Identified saving proposals and funding increases	-56.943	-32.226	-56.449	-14.473
Budget gap (Surplus) / Deficit	0.000	8.827	-22.360	11.715

The £51.353m assumed cost pressures and forecast reduction in Government grant funding in 2017-18 consists of:

- Inflationary cost pressures for pay and non-pay budgets of £9.993m
- Legislative changes of £5.428m including pension revaluation costs
- Demographic cost pressures in Adult social Care of £6.134m
- NCC policy changes of £0.186m
- Forecast funding reductions of £29.613m

- 2.2. It should be noted that the budget gap of £8.827m in 2017-18 **assumes a CPI increase in council tax** above the 2% Adult Social Care precept, based on the assumptions used by the Government at the time of the 2016-17 local government settlement. Any reduction in this increase will require additional savings to be found. The assumed increases in Council Tax for the Adult Social Care Precept and inflation (the OBR forecast of CPI) are set out in the table below. These are of course subject to Full Council's decisions on the levels of Council Tax, which will be made before the start of each financial year. In addition to an annual increase in the level of Council Tax, the budget assumes modest annual tax base increases of 0.5%.

Table 2: Council Tax increase assumptions in Medium Term Financial Strategy

	2017-18	2018-19	2019-20
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	£m	£m	£m
Adult Social Care precept (2%)	6.655	6.943	7.249
Inflation (OBR CPI forecast of 1.8%, 1.9% & 1.99%)	5.990	6.596	7.213
Total assumed Council Tax increase (from ASC precept and CPI)	12.645	13.538	14.463

- 2.3. Since the preparation of the Medium Term Financial Strategy, further pressures on the budget have been identified, resulting in changes to the Council's budget planning position. Alongside the assumptions about Council Tax, other key assumptions within the Council's current budget model include:
- Reversal of 2016-17 saving CHI001-4 £3.000m Looked After Children saving
 - £3.000m pressure from delay of transport saving ASC003 and cost pressures in Adult Social Care
 - Reversal of 2016-17 saving CHI012 £0.500m reducing the cost of transport for children with Special Education Needs
 - All previously agreed savings for 2017-18 are deliverable apart from reversal of EDT036 £1.600m saving introducing locality based structure for Community and Environmental Services directorate
 - No further pressures arising from the Better Care Fund
 - No change in Education Services Grant.
 - No new cost pressures (e.g. from waste).
 - Transitional funding of £4.561m in the 2016-17 Budget is retained to support delivery of the 2017-18 Budget allowing the Council to "ease the pace of reductions during the most difficult first 2 years of the settlement."
- 2.4. The above factors in the model mean that the actual level of savings that will be required of service committees will be in the range of £15-£20m. Officers have been working to an overall target of £20m, which has been allocated to committees for planning purposes pro-rata to net budgets.

Table 3: Allocation of £20m savings to Services (by Committee and Department)

Department	Savings Target Based on 2016-17 Net Budget	Committee	Savings Target Based on 2016-17 Net Budget
	£m		£m
Adult Social Care	7.1	Adults	7.1
Children's Services	4.1	Children's	4.1
CES	5.7	Communities	1.4
Resources	0.6	EDT	4.3
Finance and Property	0.5	Policy and Resources	3.1
Finance General	2.0		
	20.0		20.0

- 2.5. Details of the 2016-17 overall budget overspend position have been reported to Policy and Resources Committee on 26 September. As reported to the September Committee, CES is currently forecasting a balanced position and are expecting to manage expenditure within our overall funding envelope.
3. **2017-18 budget proposals**
- 3.1. Saving proposals for 2017/18 are set out in Appendix A.

- 3.2. There are a number of proposals relating to the services reporting to EDT Committee. There is also a proposal for the CES Department as a whole, the services of which report to EDT, Communities and Economic Development Sub-Committee.
- 3.3. As part of the budget setting process for 2016/17, Members have already previously agreed a number of specific savings proposals for both 2017/18 and 2018/19.
- 3.4. Some of the proposals are based on changes to organisational structures and therefore are subject to staff consultation. Arrangements are underway for a staff consultation, starting 24 October 2016, to ensure that we will be able to implement changes ready to deliver savings in 2017/18.
- 3.5. To develop new savings proposals for 2017/18, officers have carried out three main strands of activity, as below. In order to understand the full picture Appendix B shows the savings previously approved by Committee.

3.5.1. **Identifying opportunities for additional incremental savings from existing budgets**

The focus for this strand was on what savings would be possible without needing to make significant changes to our service standards. This includes opportunities to renegotiate contractual arrangements, reviewing staffing arrangements and 'cashing in' on potential savings we have been testing and planning, including deletion some vacant posts arising through vacancy management.

In addition, the move of Public Health into the CES Department in June 2016 provided further opportunity to take advantage of a new larger department and identify ways to do things differently for common areas of spend e.g. printing, stationery etc.

3.5.2. **Priority based budgeting**

The second area of focus was on a light touch priority based budgeting process. Essentially, this considered the range of CES services and assessed the priority of these services by considering factors such as statutory responsibilities, impact on vulnerable residents, delivery of corporate priority and risk. This produced a ranked list of priorities for existing services which could then be used to model potential savings e.g. with less saving from high priority services and more from low priority. The model assumes there is no significant change to the overall CES structure of ways of working.

This exercise has not driven any of the specific proposals, but has been a useful tool to help identify, sense check and discuss potential areas of saving. As we continue to develop budget proposals for future years it may be helpful for Members to receive further information on this type of approach, and consider how it could help inform future budget development.

3.5.3. **Developing a new locality working model for CES**

As part of the 2016/17 budget setting round, Members received information about the intention to introduce a revised service delivery model for the CES Directorate. As reported to Members at the time, the new model will be based around:-

- Lower costs;
- A greater focus on locality based working – using the seven district council areas as the basic building blocks for these localities;
- Maximising resource at locality level to deliver services, and minimising HQ/central costs;

- Increased/more effective working with the rest of NCC, district Councils and other public and community services, e.g. the health sector, police and community/volunteer groups.

This in practice would mean:-

- Developing and implementing a new organisational structure for the whole Department;
- A reduction in the overall number of staff;
- Fewer staff based at HQ and more staff based at local offices;
- Reductions in some service standards and activities to reflect our reduced capacity;
- Reduced capacity/funding/ability to deliver projects and schemes;
- A more generic approach to work rather than staff working in narrowly defined specialisms;
- A 'district manager' for each locality who would co-ordinate activity across a number of themes who would also seek opportunities to collaborate across NCC and with local stakeholders;
- Significant changes to systems and processes, including introducing more automated processes.

The principle of a locality model was considered as part of the public consultation exercise, the results of which was reported to Members in January 2016. Overall, there was broad support but some surprise that this was not already being done by the Council and that it may help reduce duplication in the wider public service.

CES is a large and diverse department and therefore it will take some time to fully develop a new model; we expect to be ready to consult staff in June 2017. In the meantime, some changes are starting to be made:-

- We have allocated a named Locality Co-ordinator in CES for each of the district council areas, and Members may have already been in contact with the Locality Co-ordinator for their Division. These Co-ordinators are helping to bring together to full range of CES services to enable us to work in a more co-ordinated and joined-up way, making better use of the resource available across the whole of CES.
- The proposals in Appendix A include some changes to existing staffing structures. We have developed these changes in the light of a new model so that they can be complementary, and essentially are incremental steps towards the locality working vision.

Officers will continue to develop the new model and will bring further information to the Committee to consider in due course

- 3.5.4. Committee discussions about proposed additional savings will be used to inform development of the Council's overall 2017-18 Budget.

4. **Financial Implications**

- 4.1. In the March 2016 Budget, the Chancellor confirmed that the Government still has to find savings of £3.5bn in the course of this parliament. Unprotected areas, which include local government, therefore anticipated further cuts in their funding during this period. However, the new Chancellor has signaled his intention to move away from the 2020 surplus target. The Autumn statement on November 23rd will give more clarity on how the Government may seek to 'reset' economic policy, but it remains unclear at this time what the implications for local government will be.

- 4.2. The Committee proposals set out in this report, for both 2016-17 remedial actions, and new 2017-18 proposals, will be reported to Policy and Resources Committee in October and November to enable an overall assessment of the Council's 2017-18 budget position to be made.
5. **Issues, risks and innovation**
- 5.1. There are no significant risks or implications beyond those set out in the financial implications section of the report.
6. **Background papers**

County Council Budget 2016-17 to 2019-20: Medium Term Financial Strategy 2016-20, County Council, 22 February 2016, Item 4, Annexe 9:

<http://norfolkcc.cmis.uk.com/norfolkcc/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/438/Committee/2/SelectedTab/Documents/Default.aspx>

Budget 2017-18 Planning and Efficiency Plan, Policy and Resources Committee, 18 July 2016, Item 10:

<http://norfolkcc.cmis.uk.com/norfolkcc/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/499/Committee/21/SelectedTab/Documents/Default.aspx>

Finance Monitoring Report P4 July 2016, Policy and Resources Committee, 26 September 2016, Item 7:

<http://norfolkcc.cmis.uk.com/norfolkcc/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/501/Committee/21/SelectedTab/Documents/Default.aspx>

Officer Contact

If you have any questions about matters contained in this paper or want to see copies of any assessments, e.g. equality impact assessment, please get in touch with:

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2017/18 budget proposals

EDT Committee

Reference	Proposal	Saving 2017-18 £m	Full Year Saving £m	Risk Assessment (officer view on deliverability)	Impact of earlier decision / potential to bring forward savings
	Vacancy management and deletion of vacant posts	0.403	0.403	Green	Early decisions on some of these proposals will be useful to help officers to plan out the associated activities. However, early decisions will not enable delivery of additional savings in 2016/17.
	Further reductions in back office spend	0.148	0.148	Green	
	Reduction in Economic Development project fund	0.010	0.010	Green	
	Waste – efficiency savings through robust management of costs	0.050	0.050	Green	
	Bring forward part of EDT032 from 2018/19 to 2017/18 – implementing new waste strategy	0.250	0.250	Red	
	Rationalise our highway depot provision and change inspection frequency for main roads	0.473	0.473	Green	
	Implement new national guidance for winter maintenance	0.100	0.100	Green	
	Further capitalisation of highways maintenance activities to release a revenue saving	1.000	1.000	Green	See proposal below.
	One off saving - Further capitalisation of highways maintenance activities in 2016/17, to release a revenue saving to carry forward to 2017/18	1.500	0.000	Green	This proposal relates to early delivery in 2016/17
Total		3.934	2.434		

Budget change forecasts for 2017-19 Environment, Development and Transport				
Consultation Ref	Reference		2017-18 £m	2018-19 £m
16171a	EDT036	Service re-design - introduce a locality based structure for the Community and Environmental Services directorate	-2.638	-5.355
16171b	EDT027	Environment service - redesign the environment service so that it operates at 75% of current budget and increases use of volunteers and interns		-0.200
16171b	EDT028	Intelligent transport systems - put new technology and models in place for delivery of the intelligent transport systems approaching the end of their economic life, including replacing rising bollard technologies at bus gates with camera enforcement and co-locating the control room with another public service provider	-0.383	-0.085
16171b	EDT032	Waste strategy - implementing a new waste strategy focussed on waste reduction and minimisation with a target to reduce the residual waste each household produces by at least one kilogram per week		-2.000
16171c	EDT033	Agency and contracted spend - 25% savings from agency and contracted spend across a number of teams		-2.074
16171c	EDT034	Transport costs - 15% saving on transport costs, including highways vehicle fleet costs, through procurement, reducing use and better journey planning		-0.458
16171c	EDT035	Supplies and services - further 20% saving on supplies and services spend across all teams in Community and Environmental Services		-2.468
16171d	EDT019	Economic development sector grants funding - Cease the direct funding to support economic development projects, and work with others to identify alternative ways to secure funding	-0.050	
16171d	EDT020	Economic development match funding - cease providing match funding to Hethel Innovation for European funding bids and seek alternative match funding opportunities		-0.051
			-3.071	-12.691