

21 November 2017

ITEM: 8

Corporate Overview and Scrutiny Committee

Council Spending Review (CSR) - 2018/19 Budget Setting Update

Wards and communities affected:

All

Key Decision:

Key

Accountable Assistant Director: Sean Clark, Director of Finance and IT

Accountable Directors: Sean Clark, Director of Finance and IT

This report is public

Executive Summary

This report summarises the main changes to the MTFS for the period 2018/19 through to 2020/21 and the proposals being considered to close the current budget gap.

Where growth and cross cutting proposals have provisionally been allocated to services, these have been set out in Appendix 3 so as to inform Members of overall changes to Directorate budgets. These are draft and will be updated as allocations are refined.

1 Recommendations:

1.1 That Corporate Overview and Scrutiny Committee note the revised MTFS position; and

1.1 That Corporate Overview and Scrutiny Committee comment on the proposals currently being considered to close the budget gap.

2 Medium Term Financial Strategy (MTFS)

2.1 The MTFS presented to Full Council on 22 February 2017 showed pressures of £20.2m between 2018/19 and 2020/21 that, after Council Spending Review (CSR) identified savings, reduced to a net three year pressure of £16.6m. The assumptions have now been updated to reflect current information and these figures are now revised to £20.8m and £14.9m respectively, of which, £6.6m is in 2018/19. Appendix 1 sets of the three year MTFS. Key changes include:

- a) Improved forecasts for council tax and business rates totalling £1.8m;
- b) An improved position on inflation and other increases of £1.4m;

- c) Additional growth included to meet Children's and Environmental Services pressures; and
 - d) The inclusion of service review savings of £2.3m over the three years.
- 2.2 Council tax assumptions included within the MTFS include:
- a) A 3% Adult Social Care precept in 2018/19 that is fully passed onto the service; and
 - b) A 1.99% general council tax increase in each of the three years.
- 2.3 The council adopted the CSR approach last year that concentrated on meeting the budget pressures through:
- a) Increased income – this can be through the trading of core services through to investments from the treasury or property function;
 - b) More or same for less – focussing on better value from contracts and wider procurement, reducing spend on agency staff and more efficient processes; and
 - c) Reducing the growth pressures in demand led services – such as concentrating on early intervention.
- 2.4 This is underpinned by a detailed review of all services and is delivered through a number of officer Boards that ultimately bring proposals through the CSR to Overview and Scrutiny Committees and the Cabinet.

3 Saving and Income Proposals from Boards 2018/19 – 2020/21

- 3.1 The full list of saving and income proposals as identified through the Strategic Boards is in Appendix 2. They are categorised as being 'management action' ie, are operational matters under the responsibility of officers to implement without the requirement for member approval.
- 3.2 In addition to service specific savings, the People Board saving proposals are targeted at reducing council wide spend on agency staff and overtime. They have been allocated to services based on an assessment of historic spend and future plans to manage use and spend.
- 3.3 Service Review savings will be allocated to specific services as part of the review process. In addition to the service reviews currently being undertaken, the Service Review Board will focus on cross-cutting reviews to deliver the savings target. As the reviews develop, the saving will be allocated to the relevant service area. The allocation of ICT/Digital savings is currently being evaluated by the Board.
- 3.4 The overall impact of proposals and any growth allocations on service areas is shown in Appendix 3. This is still indicative as final allocations are being agreed by the relevant Strategic Boards. The position reflects a budget gap of

£6.6m and hence is subject to change dependant on the approach taken to close the gap.

4 Investment Approach

- 4.1 There is a statutory duty on Members and Officers to balance the budget. There are two approaches available to close the gap - either by following an investment approach or by reducing service budgets further through reductions in expenditure and increases in income.
- 4.2 The CSR and Cabinet have agreed to follow an investment approach where possible to close the gap and protect front line services. Officers are currently considering opportunities to achieve this. It is believed that opportunities will go a considerable way in bridging the budget gap for 2018/19 but will depend on both due diligence gateways and Member approvals.
- 4.3 The alternative to an investment approach would involve further reductions to service budgets. When considering Thurrock has the third lowest Unitary budget in the country, it is clear that whilst some efficiency savings can be made, difficult decisions would need to be made that would impact service delivery. Given the size of the remaining budget gap, the services with the largest budgets would need to be reviewed: Adults'; Children's; and Environment.

5 Reasons for Recommendation

- 5.1 The Council has a statutory requirement to set a balanced budget annually and to review the adequacy of reserves. The report outlines the budget gap over the next three years as per the MTFS and the approach and timetable to manage the position.

6 Consultation (including Overview and Scrutiny, if applicable)

- 6.1 The budget planning governance structure includes involvement and consultation with Officers, Portfolio Holders and Members. The timetable allocates November for Overview and Scrutiny to consider proposals and public consultation where required. The process also includes the Council Spending Review Panel, made up of cross-party Group Leaders and Deputies who will meet regularly during the budget planning period and ahead of key decision points.

7 Impact on corporate policies, priorities, performance and community impact

- 7.1 The implementation of previous savings proposals has already reduced service delivery levels and our ability to meet statutory requirements, impacting on the community and staff. There is a risk that some agreed savings may result in increased demand for more costly interventions if needs escalate particularly in social care. The potential impact on the Council's ability to safeguard children and adults will be kept carefully under review and mitigating actions taken where required.

7.2 The scale of future budget reductions as set out in this report are such that work is underway to follow a transformational approach to tackle the challenge.

8 Implications

8.1 Financial

Implications verified by: **Carl Tomlinson**
Finance Manager

The financial implications are set out in the body of this report.

Council officers have a legal responsibility to ensure that the Council can contain spend within its available resources. Regular budget monitoring reports continue to be presented to Cabinet and be considered by the Directors Board and management teams in order to maintain effective controls on expenditure during this period of enhanced risk. Measures in place are continually reinforced across the Council in order to reduce ancillary spend and to ensure that everyone is aware of the importance and value of every pound of the taxpayers money that is spent by the Council.

8.2 Legal

Implications verified by: **David Lawson**
Deputy Head of Law & Governance

There are no direct legal implications arising from this report.

There are statutory requirements of the Council's Section 151 Officer in relation to setting a balanced budget. The Local Government Finance Act 1988 (Section 114) prescribes that the responsible financial officer "must make a report if he considers that a decision has been made or is about to be made involving expenditure which is unlawful or which, if pursued to its conclusion, would be unlawful and likely to cause a loss or deficiency to the authority". This includes an unbalanced budget.

8.3 Diversity and Equality

Implications verified by: **Becky Price**
Community Development and Equalities

There are no specific diversity and equalities implications as part of this report.

A comprehensive Community and Equality Impact Assessment (CEIA) will be completed for any specific savings proposals developed to address future

savings requirements and informed by consultation outcomes to feed into final decision making. The cumulative impact will also be monitored.

8.4 Other implications (where significant – i.e. Staff, Health, Sustainability, Crime and Disorder)

Any other significant implications will be identified in any individual savings proposal business case to inform the consultation process where applicable and final decision making.

9 Background papers used in preparing the report (including their location on the Council's website or identification whether any are exempt or protected by copyright):

None.

10 Appendices to the report

- Appendix 1 – Medium Term Financial Strategy
- Appendix 2 – Saving and Income Proposals
- Appendix 3 – Indicative Service Budget Impact 2018/19

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Finance and IT