

14 July 2015		ITEM: 10
Children's Services Overview & Scrutiny Committee		
Shaping the Council and Budget Update		
Wards and communities affected: All	Key Decision: Key	
Report of: Councillor John Kent, Leader of the Council		
Accountable Head of Service: Sean Clark, Head of Corporate Finance and Section 151 Officer; Karen Wheeler, Head of Strategy & Communications		
Accountable Director: David Bull, Interim Chief Executive		
This report is Public		

Executive Summary

The Council set a balanced budget for 2015/16 having made some difficult decisions about where savings could be made which resulted in service reductions. The cumulative effect of £83.2m savings over 6 years now visibly impacts on communities. The ability to make further savings through efficiencies and 'top slicing' service budgets is increasingly challenging, pushing some services to statutory limits and unsustainable levels.

This report sets out the Medium Term Financial Strategy (MTFS) and need to meet an estimated budget gap of over £26m for the four years between 2016/17 and 2019/20. This is in the context of a growing population and service demand pressures within children's and adult social care and housing, and legislative changes such as the Care Act.

A robust approach to budget planning is needed more now than ever. Work has started on how we can improve the strategic approach to shaping the Council in this financial context with Leadership Group workshops in Strategy Week in June and cross-party consideration of the complexity and scale of the challenge that lies ahead.

This report seeks Cabinet endorsement of the Shaping the Council approach for 2016/17 and beyond. This work aims to develop sustainable and innovative solutions for our services and towards a Council that retains a focus on growth and is contemporary, digital, empowering and entrepreneurial for the benefit of all Thurrock's residents.

1. Recommendation(s):

That the Cabinet:

1.1 Note the Medium Term Financial Strategy (MTFS);

1.2 Endorse the approach to Shaping the Council and budget planning for 2016/17 and beyond including the establishment of a cross-party Budget Review Panel.

2 Introduction and background

2.1 The Council set a balanced budget for 2015/16 having made some difficult decisions about where savings should be made resulting in service reductions. The cumulative effect of £83.2m savings over 6 years now visibly impacts on individuals and communities where services have reduced or stopped and on the appearance of the borough.

2.2 The ability to make further savings through efficiencies and 'top slicing' service budgets is increasingly challenging, pushing some services to statutory limits and unsustainable levels. A robust approach to considering the future shape of the Council and budget planning process is therefore required.

2.3 In previous years the approach has been to set budget targets for services with proposals largely developed in isolation to meet the gap with little or no options and choices for Cabinet to consider. Communication and engagement with residents, stakeholders and staff has been limited apart from through formal consultation mechanisms. Although opportunities for Overview and Scrutiny Committees to consider the proposals have been built in to the overall approach and timetable, this could have been more effective.

2.4 The approach to shaping the Council for 2016/17 and beyond must therefore aim to develop sustainable and innovative solutions for our services and establish a direction of travel towards a Council that retains a focus on growth and is contemporary, digital, empowering and entrepreneurial for the benefit of all Thurrock's residents with a significantly reduced budget.

2.5 This report provides an update on the Medium Term Financial Strategy (MTFS) which shows savings required of £26m for the four years 2016/17 to 2019/20, and proposed approach to shaping the Council and finding longer-term solutions to addressing the gap.

3 Medium Term Financial Strategy (MTFS)

3.1 Statements from the government have been clear. Austerity measures – and for local government that means further reductions in resources provided by the government – will not only continue to reduce but will reduce at a higher level than seen in the previous five years. This is reflected in the Council's MTFS projections, the impact of which is set out in this report in monetary terms.

3.2 The figures used for this report reflect announcements made in the Autumn Statement in 2014 and the national budget in March 2015. Announcements before and after the parliamentary elections in May 2015 have clearly suggested that these may be increased and accelerated. Councils are expecting further direction in the budget on 8 July 2015, the date of this meeting, and a further update will be provided at the meeting as necessary.

3.3 Before moving onto the MTFs for future years, it is worth considering what has already been achieved. The following table is an extract from the Portfolio Holder report for Strategy and Finance considered by Council on 24 June 2015. It has been updated to show where the majority of savings and unavoidable growth, over the period 2010-2016, have been achieved so as to give Members the full context of the financial impact on services:

3.4

Savings Requirements	2010/11 - 2014/15 £m	2015/16 £m
Reduced Grant	25.0	9.9
Inflation / Service Pressures / Other	36.4	11.9
Savings Requirements	61.4	21.8
Cumulative	61.4	83.2

Planned Savings and Unavoidable Growth	2010/11 – 2015/16 £m		
	Savings	Growth	Net
- Adults, Health and Commissioning	(13,601)	2,971	(10,630)
- Children's Services	(17,839)	8,115	(9,724)
- Environment	(8,199)	595	(7,604)
- Planning and Transportation	(4,696)	703	(3,993)
- Chief Executive's Office and Delivery Unit	(9,360)	2,992	(6,368)
- Commercial Services	(4,671)	22	(4,649)
- Public Protection	(1,986)	265	(1,721)
- Housing Services (General Fund)	(767)	673	(94)

NB: there has also been significant cost avoidance and treasury related savings.

3.5 There are already a number of pressures within the 2015/16 budget that need to be considered and, if not resolved, become an addition to the 2016/17 projected deficit reported elsewhere in this report.

3.6

- The report considered by Cabinet on 10 June 2015 reported a budget pressure of £1.546m that has come from the target saving of £0.700m from Serco and £0.846m from employees' terms and conditions not being achieved. This has been allocated to services to meet through additional in-year expenditure reductions;

- There remains a £0.200m pressure, as reported in previous reports, from no longer receiving shared service contributions towards the cost of senior management. The February budget was set on the basis that the restructure started by Graham Farrant would deliver these savings although any restructure has now been put on hold until the arrival of a new Chief Executive;
- The government has announced a £200m in-year national reduction to the Public Health Grant. If this was reduced in-line with original allocations to local authorities, this would mean a reduction of £0.614m to Thurrock. This would be difficult to achieve as the full award of £8m has been fully committed with at least 75% contracted out for the full year with any contract requiring 6 months' notice to terminate; and
- The commitment to Environmental Services announced at 10 June 2015 Cabinet has an estimated impact of £0.550m in 2015/16 relating to charging for brown bins, a further £0.100m for four additional teams throughout the Summer and a further £0.219m as the Environment's share of the £1.546m target above. There is then a further increase of £0.250m in 2017/18.

3.7 To summarise, the impact on the MTFs to be met from either reserves or additional savings, is as follows:

	2015/16	2016/17
	£m	£m
Shortfall in Serco and Terms and Conditions targets – all being delivered with the exception of Environment	0.219	-
Senior Management	0.200	-
Public Health grant	0.614	-
Environmental Services	0.650	0.250
Totals	1.683	0.250

3.8 Any 2015/16 pressure met through the use of reserves needs to be added to the 2016/17 total for MTFs terms. This is because a permanent saving will not have been achieved to meet the pressure and so the pressure remains within the base budget.

3.9 The latest version of the MTFs is attached at Appendix 1 and has been amended for the following material items:

- An assumption that there will be a further Council Tax freeze grant and so no increase has now been factored in for 2016/17. Despite this, officers would still recommend an increase as the additional funding would protect services and, once in the base, provides more certainty over future years;

- The budget outturn report considered by Cabinet in June identified Minimum Revenue Provision (MRP) savings of £2.5m per annum and a net benefit to the GF of £0.3m per annum from the transfer of commercial properties; and
 - The final accounts process has identified changes to the impact of the Council Tax and Business Rates Collection Fund on 2016/17.
- 3.10 The overall impact of the above has been to reduce the projected deficit for the period 2016/17 to 2019/20 of £29.8m of which £4.8m relates to 2016/17. Should there be no mitigating action on the 2015/16 pressures within the table at 3.3, these increase to £31.7m and £6.7m respectively.
- 3.11 It does mean that the budget setting methodology set out later in this report can and should take two different approaches that can run in parallel. The projected deficit of £4.8m – £6.7m needs to be addressed for 2016/17 and can partly be achieved through efficiencies and use of the demographic provision within the MTFS and conversations with Serco about the future of the Strategic Services Partnership continue and should make a contribution towards this budget gap. In all probability, there will also need to be service reductions if the deficit is at the higher end.
- 3.12 If this can be achieved, this would allow officers and Members to concentrate on reshaping the Council and reaching agreement on proposals for implementation to impact the budget for 2017/18 and beyond.
- 3.13 To put all of the above in perspective, the Council's net published budget in 2010, increased for comparison purposes for Public Health, was calculated as £134m and, despite significant inflationary, demand and new burden pressures, is estimated to be circa £93m by the end of this decade.

4 Shaping the Council

4.1 As set out above there is unrelenting pressure from reduced Government funding and other demands impacting on the Council's financial position. Work has started on how we can improve the strategic approach to shaping the Council in this financial context. Strategy Week, held in June 2015, focused on this challenge and brought together the Council's Leadership Group with other officers from across services, partners and Members to consider the areas of priority and cross-cutting opportunities. Discussions in Strategy Week reinforced how well placed Thurrock is and the unique opportunities available which could help alleviate some of the budget pressure.

4.2 The vision and priorities provide a consistent strategic ambition for Thurrock:

Thurrock: a place of opportunity, enterprise and excellence, where individuals, communities and businesses flourish

- Create a great place for learning and opportunity
- Encourage and promote job creation and economic prosperity

- Build pride, responsibility and respect
- Improve health and well-being
- Promote and protect our clean and green environment

In this context the Council needs to work towards financial self-sustainability through place leadership, facilitating economic growth, protecting the most vulnerable, and enabling communities and individuals. A Council that is **contemporary, digital, empowering** and **entrepreneurial** for the benefit of all Thurrock's residents.

Strategy Week

4.3 Strategy Week provided an opportunity to consider these challenges in more detail and the possibilities for changing the way the Council operates and provides services. Workshops were run with Leadership Group, other officers and health partners, including sessions on:

- External partnerships
- Managing demand and early intervention
- Implications and benefits of growth
- Enabling communities
- Alternative delivery models and income generation
- Procurement
- Health and social care integration
- Workforce reform
- Communication and engagement

4.4 Specific examples of areas identified in Strategy Week for further work (in addition to existing initiatives) include:

- Considering integrated public realm functions including services in environment, housing and highways
- Reducing bureaucracy in internal processes including procurement, recruitment and ICT
- Developing alternative service delivery models
- Identifying projects for the next round of bidding to SELEP
- Reintroducing Let's Talk (Cabinet and Directors Board question and answer sessions in the community) and increased use of social media

4.5 The outcomes from the workshop discussions will now be developed into a co-ordinated Shaping the Council work programme framed around becoming contemporary, digital, empowering and entrepreneurial. This will reflect work that is already underway and feed into the budget setting process where big strategic solutions will be identified as potential savings opportunities.

Budget Review Panel

4.6 As a key part of the Shaping the Council programme, a cross-party Budget Review Panel will be established to support a fundamental review of services

and how they are resourced. The Panel will hold a series of meetings informed by and running in parallel with the work coming out of Strategy Week. This has been agreed in principle with Group Leaders.

4.7 The purpose of the Panel is to:

- Build and strengthen awareness and ownership of portfolio budgets and issues across Group Leaders, shadow portfolio holders and other opposition leads
- Consider and comment on the Council's draft 2020 Vision, the four change programmes, and the on-going bottom up review of Council functions
- To explore options for budget savings in either 2015/16 or 2016/17 to be taken forward through the autumn scrutiny process, ensuring proposals are broadly consistent with the 2020 Vision and direction of travel
- To refer to Corporate O&S the task of overseeing the BRP process

4.8 Group Leaders, Deputy Group Leaders, the Interim Chief Executive and Head of Corporate Finance will form the Panel and attend all the sessions supported by the Head of Strategy and Communications. The Leader will Chair the Panel. Portfolio Holders and Directors will be invited to attend specific sessions.

4.9 The Panel will meet in August and early September. The first session will focus on Environment.

4.10 The Panel is not decision making. Areas identified by the Panel will be considered alongside the outcomes from Strategy Week and drawn together to identify areas for public consultation and review by Overview and Scrutiny (O&S) Committees. There is a role for Corporate Overview and Scrutiny Committee to take an overview of the Shaping the Council programme.

Communication and engagement

4.11 The Council's approach to communication, consultation and engagement with residents, stakeholders, staff and Councillors through Overview and Scrutiny Committees is a fundamental part of the Shaping the Council programme.

4.12 This requires a new approach beyond service specific formal consultation with residents to include a wide reaching awareness raising campaign and conversations with communities to understand their views on the potential strategic solutions in the longer-term, their ideas about what we could do differently and levels of services, and to engage them in thinking about how they can help through, for example, recycling effectively, reducing litter and volunteering.

4.13 Part of this approach will reintroduce Let's Talk - Cabinet and Directors Board question and answer sessions in the community - and increase the use of social media as well as maximising the use of other communication channels.

- 4.14 Engaging staff in the programme in terms of specific initiatives and in thinking about the scale and solutions for the longer-term challenge is vital, especially as 80% of Council staff are residents. This started in Strategy Week.
- 4.15 A detailed communication and engagement plan will be developed in line with the timetable below.
- 4.16 The overall outline timetable is suggested below:

Month	Activity
July 2015	Cabinet agree Shaping the Council approach Consultation on 2015/16 in year savings proposals starts Budget Review Panel meeting preparation
August	Budget Review Panel meetings
September	Budget Review Panel meetings Let's Talk sessions 17 th – Corporate O&S receive update
October	Budget Review Panel meetings Let's Talk sessions 14 th - Cabinet agree 2015/16 in year savings post consultation and 2016/17 savings for management action or consultation
November	11 th - Cabinet agree 2015/16 in year savings post consultation and 2016/17 savings for management action or consultation 19 th - Corporate O&S update Let's Talk sessions
December	9 th - Cabinet agree any further savings post consultation and draft budget 2016/17 Let's Talk sessions
January 2016	Let's Talk sessions
February	Cabinet recommend 2016/17 budget to Council
March	Implement agreed savings 2016/17 Ongoing development of proposals for 2017/18+
April	Implement agreed savings 2016/17 Ongoing development of proposals for 2017/18+
May	Local Elections
June/July	Cabinet agree savings proposals for 2017/18 for management action or formal consultation if required

5 Issues, Options and Analysis of Options

- 5.1 The issues and options are set out in the body of this report in the context of the latest MTFS and informed by discussions during Strategy Week and with the Leader and other Group Leaders.
- 5.2 Members could decide not to agree the proposed approach to shaping the Council and budget planning but an alternative methodology would need to be

developed in order to achieve the level of savings required to address the budget gap.

6 Reasons for Recommendation

- 6.1 The Council has a statutory requirement to set a balanced budget annually. This report sets out a proposed approach to shaping the Council and budget planning for 2016/17 and beyond in the context of needing to achieve over £26m of budget reductions over four years.

7 Consultation (including Overview and Scrutiny, if applicable)

- 7.1 The approach to communication, consultation and engagement with residents, stakeholders, Overview and Scrutiny Committees and staff is set out above. This will include a wide awareness raising campaign and conversations with communities as well as consultation on specific savings proposals when identified.
- 7.2 Any internal consultation required with staff on specific proposals, particularly where there is a restructure, will be in line with HR policy and guidelines.
- 7.3 This report has been developed in consultation with the Leader, Portfolio Holders and Group Leaders, Directors Board and the wider Leadership Group as part of Strategy Week in June 2015.

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

- 8.1 The implementation of savings proposals has already reduced service delivery levels and our ability to meet statutory requirements, impacting on the community and staff. Delivering further savings in addition to those previously agreed is particularly challenging in light of the cumulative impact of such a significant reduction in budget and in the context of a growing population and service demand pressures within children's and adult social care and housing, and legislative changes such as the Care Act. As such a new approach is proposed as set out in the report to establish sustainable and innovative ways of delivering services in the future to mitigate this impact.
- 8.2 There is a risk that some agreed savings may result in increased demand for more costly interventions if needs escalate particularly in social care. This will need to be closely monitored. 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.

9 Implications

9.1 Financial

Implications verified by: **Sean Clark**
Head of Corporate Finance/S151 Officer

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

Council officers have a legal responsibility to ensure that the Council can contain spend within its available resources. Regular budget monitoring reports will continue to come 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. Austerity 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.

9.2 Legal

Implications verified by: **David Lawson**
Deputy Head of Legal & Governance - Deputy Monitoring Officer

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.

9.3 Diversity and Equality

Implications verified by: **Natalie Warren**
Community Development and Equalities Manager

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 specific savings proposals and informed by consultation outcomes to feed into final decision making. The cumulative impact will also be closely monitored and reported to Members.

9.4 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.

10 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):

- Budget working papers held in Corporate Finance
- Strategy Week papers held in Strategy and Communications

11 Appendices to the report

- Appendix 1 – Medium Term Financial Strategy

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