

MINUTE EXTRACT

Cabinet Meeting – 16th July 2015

1. Title of Item/Report

Medium Term Financial Plan - Update

2. Record of the Decision

Consideration was given to a report that provided an update of the Medium Term Financial Plan (MTFP) and proposed the Big Picture programme to be delivered over the next 3 years to address the financial pressures facing the Council.

The Council had seen a significant reduction in Level of Government funding in recent years. Between 2010/11 and 2015/16, there had been a reduction of £52m which was a 42% cash reduction or 59% when inflation was taken into account. This meant that the Council's budget overall had reduced by 30% and as a consequence staffing numbers had reduced by approximately 700.

Councils had not been notified of the funding allocations for 2016/17 and future years. There had been various announcements confirming public sector funding reductions but the impact on Local Government specifically had not been identified. Despite there being a budget in July, further detail of funding was unlikely until the autumn. Every indication was that funding reductions would continue and the current Medium Term Financial Plan (MTFP) assumed reductions of 9% in each of the next 3 years. This equated to an additional £15m reduction. It was possible however, that reductions were higher than this or were more front loaded, placing an additional pressure on the MTFP.

The Government announced a series of in year budget funding reductions in June. Although core Local Government funding was not reduced, the public health grant was reduced, in year by £200m nationally. Consultation was underway on how this would be implemented and it was estimated that the funding allocated to Stockton would reduce by approximately £1m. This could be accommodated through contingency and underspends in this year but it was possible that this reduction would continue into future years.

This approach had enabled a managed and planned approach to delivering savings. The Council had already delivered savings of over £34m. This had been achieved through:-

- Freezing budgets and changes to employee terms and conditions
- A programme of Efficiency, Improvement and Transformation Reviews, covering all service areas
- Members scrutiny reviews
- Innovative changes to delivery models (e.g. Xentrall)
- Reductions to Members Allowances including fewer Cabinet, Chair and Vice Chair positions, reducing special responsibility allowances and freezing all allowances since 2013/14

- Use of reserves to allow invest to save schemes such as the Street Lighting replacement programme
- A focus on 'Big Ticket' areas of spend to stem growth and deliver savings

The MTFP approved by Council in February 2015 outlined the budget position for 2016/17 to 2018/19 and a table detailed this within the report.

The table demonstrated the core gap and the Growth pressure within the Big Ticket Areas and associated target savings. The report in February also made available £6.1 million in reserves to support the budget gap and allow time for savings to be delivered.

The MTFP had been updated, in particular to reflect changing circumstances and the position surrounding Business Rates. Members were aware from previous reports of the complex nature of the Business Rates Retention Scheme and the added uncertainty this causes to medium term financial planning.

The plan had also been updated to assume that the public health funding reduction of approx. £1m per year would continue into future years.

The Big Ticket position had also been incorporated into the plan. Members were aware from the report in February of the challenges around the Children's Big Ticket area. These challenges continued and whilst some work was ongoing, the appointment to the Head of Planning, Partnerships and Early Help, post would ensure progress was made in exploring opportunities to reduce pressures further. The MTFP and target saving in this area reflected the numbers of looked after children and the time it would take to start effecting changes to reduce spend.

Following implementation of the Better Care Fund and the development of proposals for integrated working, a number of social care services had been re-designated to form a multi-disciplinary team and this was reflected in the updated MTFP.

The updated Medium Term Financial Plan and the position incorporating the Big Ticket savings targets was detailed within the report.

Cabinet and Council had always been clear that there would need to be further budget reductions. Unfortunately, the impact of Business Rate appeals meant that the savings needed to be delivered earlier and to tighter timescales than had previously been anticipated. Even utilising the £6.1m reserve there was an expected gap of £3.6m in 2016/17.

Despite the levels of funding reductions, the Council had continued to deliver high quality services to all parts of the Borough across a wide range of areas and had tried to protect front line services. Given the continued funding reductions however this becomes harder and harder and a significant programme needed to be developed across the organisation to address the budget gap. This would be the Big Picture programme.

The proposed approach by Cabinet to addressing the budget gap was two-fold. Firstly, there were a series of specific proposals which Cabinet would recommend be implemented. These were shown in detail as attached to the

report. Whilst the reductions would clearly have an impact, they were mainly back office or savings where there was minimal impact on front line service delivery. These would deliver £3.5m by 2018/19. These included:-

- A review of senior management to reflect different ways of working across the organisation and its inevitable 'shrinkage'.
- Proposes further reduction in processing, organisational support and administration.
- Proposes reviews in a number of areas further utilising technology to improve service efficiency.
- Budget savings and income generated which will have minimal impact on front line services.

The Council had for many years continued to develop services and look at ways of delivering efficiencies. Attached to the report outlined areas where it was proposed to explore opportunities for using technology and process review methodologies to deliver service transformation and further efficiencies. Savings were estimated and whilst Cabinet were recommending that these reviews were undertaken, details of the actual savings delivered would be reported back to Cabinet at a future date. The Council had for many years applied process review methodologies. Building on this strength, the Council would explore opportunities to work with experienced private and public sector partners in a peer challenge – type initiative to support the delivery of this aspect of the programme. These reviews were expected to deliver £2m by 2018/19.

Given the level of savings required, the Council couldn't continue to provide all of the services at the same level, in the same way and to the same standards. Even with the savings and efficiencies outlined, there was an estimated gap of approximately £6.9m and this would require changes in the level of front line services. It was inevitable that the Council would need to provide a differential level of service with fewer universal services and more services targeted to areas of most need. In some areas there would be a reduction in service standards.

The details of the front line services which would be subject to a detailed review were attached to the report. These reviews would include appropriate consultation and impact assessments and would be reported back to Cabinet prior to implementation. Youth services, Children Centres and waste / refuse collection would be wide-ranging and would be reported in to/undertaken by Scrutiny Committees. Overall they would aim to deliver the £6.9m required to balance the budget and they would need to consider:-

- Statutory responsibilities
- The service specifications, levels and standards
- Targeting the services to the areas or people in most need
- The requirement for differential service levels (e.g. this principal has already been agreed by Cabinet for the library service)

The updated Medium Term Financial Plan, incorporating these changes and savings proposals was detailed within the report.

Clearly given the budget position and level of savings required, there needed to be an extremely cautious approach to any new commitments.

Work on delivering these savings proposals would be supported by a communications campaign called “The Big Picture” campaign through which information would be provided about how the Council spends money in the borough as well as updates about the financial position and how the Council were responding to the huge challenge of tackling a £17 million shortfall in the budget by 2018/19. The campaign would include information about the services provided and the challenges that were faced to meet the many competing demands. It would be a highly visible campaign, featuring prominently in Stockton News on the Council website, in public buildings and on Council vehicles. The information would also be provided to all Members and staff to assist them in their communication with residents. The aim was to help partners and residents to understand that:-

- The Council provides a huge range of services and many of those that cost a lot of money (such as social care) were not visible to many people in the borough.
- The Council still has big ambitions and want to make sure Stockton-on-Tees remains a thriving borough for everyone.
- Over the next few years the Council would face the biggest financial challenge yet – to reduce the budget by £17 million by 2018. There would be some really tough decisions to make, there were many demands on the budget and the Council won't be able to meet them all. This was at a time when demands for many of the services were increasing.
- The Council had a strong track record of sound financial management. The Council would continue to tackle this challenge in a planned, orderly and careful way. The Council would continue to deliver genuine value for money, to be innovative, to change the way the Council works and to rethink the way services were delivered to make the Council even more efficient and most importantly,
- The Council would continue to put the residents at the heart of everything it does and to make sure that the money it has can make the biggest difference to the people that need it the most.

There was a significant workload involved in delivering the programme outlined in the report. There was also a significant work programme around the Big Ticket areas and a number of high profile, complex and large scale regeneration projects such as, development of the Combined Authority, leisure facility in Ingleby Barwick, major housing initiatives such as the Victoria Scheme, etc. which need to be delivered in the same timescales.

Many of the reviews were large scale and complex and would result in new ways of working and as well as identifying capacity in the organisation, leadership and drive would be critical to ensuring the programme was delivered. This was a three to four year service and organisational redesign programme. This would also include fundamentally different ways of working and it was inevitable that the organisation would be smaller. It was difficult to predict exact numbers at this stage but this could be a reduction in employees of the order of 300-400 and would look very different following these changes. The Council would continue to operate the effective management of change

and consultation policies and to engender constructive relations with the Trade Unions.

It was also important that the Council would continue to deliver services whilst these changes were taking place.

The Council had previously recognised that dedicated capacity did result in enabling change to be implemented and the approach to the Adult Big Ticket programme was an example of this approach.

Cabinet agreed the Shaping the Brighter Future Programme to recognise the need to develop the organisation in advance of these challenges and this was progressing well. Many of the principles of the programme could be used to support the agenda moving forward.

The savings proposals included a saving of £750,000 associated with Senior Management of the organisation to reflect the changes planned, future size and state of the Council. A review of Senior Management would be undertaken and reported to Cabinet in September outlining how these savings would be delivered. It was anticipated that there would be a phased reduction in numbers ensuring capacity was retained, knowledge and expertise to deliver this huge programme and a de-layering of the organisation.

It was vital however that this was done in a planned and managed way and that Senior Management capacity was retained to deliver the change programme. The review would therefore consider:-

- The long term permanent senior management structure
- Transition arrangements to enable this to happen in a planned and managed way
- The establishment of a change and transformation team covering three to four years, with clarity around roles for driving the change programme and provision of day to day service delivery.

This would also be consistent with the Shaping a Brighter Future Programme outlining clarity around succession planning at a senior level in the organisation.

RESOLVED that:-

1. Members allowance will be frozen for another year.
2. £300,000 be approved from the Transformation Reserve to fund the investment to save opportunity with Tees Active Limited.
3. Changes in Senior Management be agreed in principle and a further report be received outlining the proposals in September 2015.

RECOMMENDED to Council at 16th September 2015 that:-

4. The level of funding reductions be noted and the savings identified at Appendix A be approved.

5. The reviews of Services outlined at Appendix B be undertaken.
6. The concerns about the operation of the Business Rate Retention Scheme be noted and the Council continues to press for a fairer, more appropriate funding regime.