



Northumberland

County Council

CABINET

9 OCTOBER 2018

Budget 2019-20 and Medium Term Financial Plan 2019-22

Report of Barry Scarr, Executive Director of Finance and Deputy Chief Executive

Cabinet Member: Nicholas Oliver, Portfolio Holder for Corporate Services and Cabinet Secretary

Purpose of report

This report details provisional additional budget proposals for 2019-20 to 2021-22 to meet the remaining budget gap, as a basis for budget consultation, prior to the receipt of the Local Government Finance Settlement 2019-20 in December 2018.

Recommendations

Members are requested to:

- 1. Approve the provisional additional budget balancing measures totalling £24 million, as a basis for budget consultation, prior to the receipt of the Local Government Finance Settlement 2019-20.**
- 2. Note that there are still budget balancing measures of £3.0 million required to be identified over the term of the Medium Term Financial Plan.**
- 3. Note the savings proposal regarding the reduction to the non collection rate for Council Tax of 0.5% (from 1.2% to 0.7%) with effect from 1 April 2019.**

Link to Corporate Plan

The Council's budget and Medium Term Financial Plan are aligned to the priorities outlined in the Corporate Plan 2018-21 "A Council that Works for Everyone".

Key issues

1. This report sets out provisional additional budget proposals to address the budget gap of £36 million required, over the three years of the Medium Term Financial Plan.
2. Savings proposals have been developed to fill the gap using the following principles:
 - a) Setting a balanced budget over the life of the Medium Term Financial Plan whilst maintaining modest and sustainable increases in Council Tax.
 - b) Ensuring that service and financial planning is fully aligned with the Corporate Plan.
 - c) Continuously reviewing services in order to keep reductions to front line services to a minimum as a far as possible.
 - d) Maintaining the Council's strong financial position so that it has sufficient reserves and balances to address any future risks and unforeseen events without jeopardising key services and delivery of outcomes.
 - e) Investing to save; recognising that one-off resources can be used to generate future savings that will pay back the investment.
 - f) Maintaining a commercial focus and maximising income generation while at the same time managing risk.
 - g) Ensuring the Council can demonstrate value for money in the delivery of its priorities.

Background

1. Medium Term Financial Plan 2018-19 to 2021-22

- 1.1 The revised Medium Term Financial Plan was presented to Cabinet on 11 September 2018 as part of the 2019-20 budget setting process. The report set out revisions to assumptions and identified a gap of £36 million from 2019-20 to 2021-22, with a requirement to deliver additional savings of £27 million over the next three years.
- 1.2 The plan will continue to be updated to reflect changing circumstances and a full and revised Medium Term Financial Plan will be presented to the Cabinet as the budget process develops.

2. Savings

- 2.1 Directorates were asked to assess the deliverability of agreed savings for both the current year (2018-19) and 2019-20. The assessment was carried out using the following principles:
 - Original permanent planned savings for 2018-19 will be achieved or an alternative must be delivered on an on-going basis in 2019-20;
 - Savings originally identified and verified as deliverable for 2019-20 will be achieved. Alternative savings will need to be identified by Directorates where a proposal has become unviable.
- 2.2 Work is ongoing to develop delivery plans for those savings that have not yet been realised, and Directors have been asked to identify alternative proposals where necessary. Current assumptions in the Medium Term Financial Plan allow for non-delivery of £2 million of these pre-agreed savings.
- 2.3 In order to fill the estimated budget gap of £36 million work has commenced on identification and development of additional savings proposals. The recommended framework and Medium Term Financial Plan principles surrounding the development of these plans has been as follows:
 - a) Setting a balanced budget over the life of the Medium Term Financial Plan whilst maintaining modest and sustainable increases in Council Tax.
 - b) Ensuring that service and financial planning is fully aligned with the Corporate Plan.
 - c) Continuously reviewing services in order to keep reductions to front line services to a minimum as a far as possible.
 - d) Maintaining the Council's strong financial position so that it has sufficient reserves and balances to address any future risks and unforeseen events without jeopardising key services and delivery of outcomes.
 - e) Investing to save; recognising that one-off resources can be used to generate future savings that will pay back the investment.

- f) Maintaining a commercial focus and maximising income generation while at the same time managing risk.
- g) Ensuring the Council can demonstrate value for money in the delivery of its priorities.

2.4 Additional savings proposals totalling £24 million have been developed to address a significant proportion of the budget gap over the next three years. The following paragraphs give a brief description of the proposals:

Children's Services

The Council will be seeking appropriate contributions from partners in relation to children with ongoing health needs. A number of services will be reviewed, including adoption and youth services, in order to develop different models of delivery. These proposals are expected to deliver savings of £0.230 million in 2019-20, £0.470 million in 2020-21 and £3.080 million in 2021-22.

Adults, Wellbeing and Health

The Council will continue to manage staff budgets in relation to turnover and vacancies, and will also review the way services are commissioned with a view to promoting greater independence. The way in which Public Health interacts with key budgets and priorities will also be examined in order to maximise funding, alongside the assessment of further efficiencies in telecare, operational staffing and in-house services. These proposals are expected to deliver savings of £4.836 million in 2019-20, £2.450 million in 2020-21 and £2.750 million in 2021-22.

Economic Development

The substantive budget for regeneration and economic development will sit with Advance Northumberland. There are no proposals to change this, as it is fully funded externally. The way in which Arch and Advance Northumberland is financed has been reviewed, and the subsequent revisions to debt management expenses in the Council has been included as savings as part of the review of assumptions underpinning the Medium Term Financial Plan.

Culture, Arts and Leisure

The Council will be working with partners to develop efficiencies in service delivery and ensure that the fee for providing services is reduced over the medium term. The way in which grants are awarded will be reviewed in order to target resources in the most effective manner. These proposals are expected to deliver savings of £0.100 million in 2019-20, £0.300 million in 2020-21 and £0.600 million in 2021-22.

Planning, Housing and Resilience

The Council will be proposing to maximise income in relation to services provided on behalf of third parties in housing operations. In addition, the Housing Revenue Account will be contributing appropriate resources to Housing services. Efficiencies will be developed in relation to Planning consultation, and fees and charges will be

reviewed. The Fire and Rescue service will develop operational efficiencies in the short term, with a longer term exercise being developed in relation to how the Council's Fire and Rescue service can work with other Fire Authorities in the region to deliver services more efficiently. These proposals are expected to deliver savings of £0.646 million in 2019-20, £0.033 million in 2020-21 and £0.942 million in 2021-22.

Environment and Local Services

The management and service structure in the Place Directorate will be reviewed, and where services have received significant investment, the Council will be expecting that investment to translate into operational efficiencies. Income opportunities in relation to energy from waste will be explored, and income generation and fee optimisation will be developed across all service areas. These proposals are expected to deliver savings of £2.444 million in 2019-20, £2.059 million in 2020-21 and £0.402 million in 2021-22.

Resources

Staffing budgets in Revenues and Benefits will be reviewed to capture savings in advance of the amended shared services proposal. In line with the Medium Term Financial Plan proposals, non recurrent expenditure will be funded from reserves, and Council Tax collection rates increased to reflect the current high levels of performance. Contracts across all services will also be reviewed. These proposals are expected to deliver savings of £1.438 million in 2019-20, £0.129 million in 2020-21 and £0.131 million in 2021-22.

Corporate and Cross Cutting

A One Council programme will be developed which will look at savings from the following areas:

- Executive and Management Structures;
- Centralisation of common functions across Directorates; and,
- Commercial income generation opportunities.

In addition, a project will be developed to optimise operational budgets and reduce expenditure on:

- Printing and photocopying;
- Telephones;
- Mail and postage;
- Car Mileage; and,

- Agency Staff

These proposals are expected to deliver savings of £0.410 million in 2019-20, £0.150 million in 2020-21 and £0.430 million in 2021-22.

- 2.5 Whilst the savings proposals are not sufficient currently to address the total funding gap by £3 million, the budget planning process is a continuing and iterative process. Work is ongoing to identify further savings but it may be necessary for the Council to consider utilising some of its reserves non recurrently to fund any gap. This position will be reviewed and Members will be updated in February 2019.
- 2.6 If the proposed adjustment identified within the savings for the reduction to the rate in non-collection of council tax from 1.2% to 0.7% is approved then this will alter the council taxbase and in future reports be included in the amended tax base.

3. **Budget Consultation Strategy**

- 3.1 The Council recognises that consultation is an important part of planning and delivering services that meet people's needs. This is set out in the Corporate Plan:
- ".. we know that we still face tough decisions that will not be universally popular. We will not take these lightly and pledge that we will pay attention and act on your concerns."*
- 3.2 The purpose of the general budget consultation with residents and stakeholder groups is to communicate the budget challenge; ascertain an understanding of people's views on the way we plan to meet this challenge; and, determine whether views differ for different groups. This will be used to help guide and inform the annual budget setting process. Where proposals will potentially have greater impact on the public or on groups protected by equality law, services will carry out their own consultation on the detailed proposals and work closely with our most vulnerable residents to help them understand what changes to services may mean for them.
- 3.3 Budget consultation will commence and will run for seven weeks to allow for full discussion and debate at local area councils; parish and town councils; and, with staff and the unions.
- 3.4 Service areas will consult on their budget proposals directly with individual services users, partners and key stakeholders.
- 3.5 Feedback on budget consultation will be online.
- 3.6 Consultation will be promoted primarily through local and social media channels, linking through the Council's budget website.

Implications

Policy	This is the second year of this Administration's Medium Term Financial Plan; and, it fully supports the priorities outlined in the Corporate Plan 2018-21 - A Council that Works for Everyone.
Finance and value for money	The Council remains under significant financial pressure. The financial implications of the 2019-20 budget and the Medium Term Financial Plan are detailed within this report. 2019-20 and beyond will continue to be challenging.
Legal	The provisions of the Local Government Finance Act 1992 set out what the Council has to base its budget calculations upon, and require the Council to set a balanced budget with regard to the advice of its Chief Finance Officer. The Act also states that the Council has got to set its budget before 11 March in the financial year preceding the one in respect of which the budget is set.
Procurement	There are no specific Procurement implications within this report.
Human Resources	The size of the financial challenge will have an impact on staffing levels across the Council. The Council will continue to try and mitigate this impact by the management of vacancies and voluntary redundancy wherever possible.
Property	The individual proposals will carefully consider the impact with regard to property requirements.
Equalities (Impact Assessment attached) Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/>	<p>All individual budget savings proposals for 2019-20 are being, or will be, screened for potential equality implications, and where potential equality impacts are identified, specific impact assessments are being, or will be, carried out unless the final decision on whether to proceed with the saving will be taken after the budget round. In those cases, impact assessments will be carried out before final decisions are taken, and could potentially lead to decisions that some savings should not be made in their currently-proposed form, but should be achieved in other ways. An assessment of the equality impacts of the budget proposals as a whole is in preparation; this will be updated as work on the budget proceeds, including taking account of the outcome of consultations on elements of the savings proposals. A final version will be presented to the Council alongside the final budget proposals in February 2019.</p> <p>At this stage, the amounts indicated for 2020-21 and 2021-22 are simply initial savings that are expected to be required, based on current information and assumptions. As proposals are developed to achieve the overall savings for these years, they will be screened for potential equality considerations and, where potential impacts are identified, specific impact assessments will be carried out before final decisions are taken.</p>
Risk Assessment	The risks associated with the budget proposals will continue to be reviewed up to and including implementation of the detailed proposals.

Crime & Disorder	There are no specific Crime & Disorder implications within this report.
Customer Consideration	The individual proposals will carefully consider the impact upon both customers and residents of Northumberland.
Carbon reduction	The budget makes financial provision for the carbon taxes levied by the Government and the Council has implemented and continues to develop proposals concerning the management of energy.
Wards	All wards.

Background papers:

Cabinet report: 13 February 2018 Medium Term Financial Plan 2018-22 and Budget 2018-19

Cabinet report: 11 September 2018 Budget 2019-20 and Medium Term Financial Plan 2019-22

Report sign off.

Authors must ensure that officers and members have agreed the content of the report:

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