

Report of the Section 151 Officer

Special Cabinet – 10 February 2015

REVENUE BUDGET 2015/16

Purpose:	This report sets out the current position with regard to the Revenue Budget for 2015/16 for consideration by Cabinet
Policy framework:	Sustainable Swansea – Fit for the Future
Reason for decision:	To agree a Revenue Budget and Council Tax levy for 2015/16 to be recommended to Council for approval.
Consultation:	Cabinet Members & Executive Board
Recommendations:	<ol style="list-style-type: none">1) That Cabinet considers the outcome of the formal consultation exercise, and agrees any changes to the Savings Proposals in Appendix D, together with the position regarding delegated budgets as set out in section 4.9 of this report.2) That Cabinet note the current Resource Gap identified in Section 10.1 of this report and, in line with the potential actions identified in Section 9.4 of this report, agree a course of action to achieve a balanced Revenue Budget for 2015/16. In addition to a review of current savings proposals Cabinet will need to:-<ul style="list-style-type: none">- Review and Approve the Reserve transfers recommended in this report- Agree a level of Council Tax for 2015/16 to be recommended to Council3) That, subject to these changes, Cabinet recommends to Council for approval:<ol style="list-style-type: none">a) A Revenue Budget for 2015/16b) A Budget Requirement and Council Tax levy for 2015/16.
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1. Introduction and Background

1.1 This report details:

- Financial monitoring 2014/15
- The Local Government Finance Settlement 2015/16
- Budget Forecast 2015/16
- Specific Savings Proposals
- Outcome of Budget Consultation
- Staffing Implications
- Reserves and Contingency Fund requirements
- The Budget Requirement and Council Tax 2015/16
- Summary of funding proposals
- Risks and uncertainties

1.2 The financial assessment in relation to 2016/17 – 2018/19 is contained in the **Medium Term Financial Plan 2016/17 – 2018/19** report elsewhere on the agenda.

1.3 This report builds upon and needs to be read in conjunction with -

- The budget strategy agreed by Council on 22nd October 2013 – **'Sustainable Swansea, Fit for the Future'** focusing on the principles and strategies to be adopted as part of the current and future budget process
- The report to Cabinet on 29th July 2014 – **'Sustainable Swansea – Fit for the Future : Delivery Programme'** which agreed the specific objectives of the programme and set out an outline programme for delivery
- The report approved by Cabinet on 16th December 2014 setting out specific budget proposals for public consultation

1.4 The report sets out the outcome of the budget consultation and invites Cabinet to consider the comments received from residents, community groups, partners, employees, School Budget Forum, Joint phase Head Teachers, Trade Unions and others. Cabinet are asked to consider any changes to the draft Budget proposals and proposed Council Tax level, prior to recommending the budget to Council. The report also includes an Equality Impact Assessment statement so that Cabinet can be aware of the key issues before finalizing budget proposals.

2. Financial Monitoring 2014/15

2.1 Cabinet will have considered a report on the estimated Revenue Outturn for 2014/15 as a prior item on this agenda.

2.2 The 3rd quarter financial monitoring report highlights a forecast net underspend in Directorate budgets of £0.3m which has to be taken in

conjunction with unallocated savings of some £2m in respect of specific *Sustainable Swansea* workstreams. However, the net position contains overspends specific to Education totalling £2.1m elements of which, where appropriate, have been incorporated into the budget proposals for 2015/16 contained within this report.

- 2.3 The monitoring report also details variations on budgets which are corporate in nature and not linked to direct service provision.
- 2.4 As stated in the monitoring report, taking into account corporate items relating to inflation provisions and contingency fund, it is projected that the Council will achieve a balanced revenue outturn in line with the Revenue Budget as set by Council on 18th February 2014.

3. The Local Government Finance Settlement 2015/16

- 3.1 The Minister for Local Government & Government Business announced the Final Settlement on 10th December 2014.
- 3.2 The settlement differed substantially from the indicative support levels detailed in the final settlement figure and medium term financial plan (MTFP) for 2014/15, and hence the assumptions made for financial planning purposes in 2015/16, as follows:-

	<u>£'000</u>
2014/15 Medium Term Financial Plan assumption for Welsh Government Support 2015/16	-3,839
Final Settlement	-10,590

- 3.3 The result is a loss of funding of -£6.751m compared to the Council's Medium Term Financial Planning assumptions as agreed in February 2014.
- 3.4 The final settlement remained largely unchanged from the provisional settlement announced on 8th October 2014 as detailed in the Mid Term Budget Statement reported to Council on 4th November 2014.

4. Budget Forecast 2015/16

Overview

- 4.1 The budget proposals for 2015/16 have been dominated by the requirement to meet the significant reductions in funding highlighted above which, combined with known budget pressures, has resulted in a funding gap of £26.774m as detailed in Table 1 in paragraph 4.3 below.
- 4.2 The options for funding this deficit are a combination of:-
- Savings on current service net expenditure
 - Increases in Council Tax levels

- Use of the current Corporate Inflation provision
- Potential reductions in contributions to the Contingency Fund
- Use of Reserves and Balances

Forecast funding shortfall 2015/16

4.3 The revised shortfall in funding identified in 4.1 above can be summarised in Table 1(a) below:-

Table 1 – Projected funding shortfall 2015/16

	2015/16
	£'000
Current year overspend - education	1,000
Current year overspend - adult/mental Health	1,000
Current recurring saving - Corp. Services	-300
Pay awards - non schools staff	2,000
Pay and grading increments – gainers	3,000
Intermediate Care Fund additional funding	1,600
Mid & West Wales Fire Authority	249
Re-instatement of General Reserves 2014/15	2,200
Re-instatement 2014/15 Insurance Reserves	716
Shortfall on 2014/15 workstream savings	1,200
Full Year Effect 2014/15 care Home fee uplift	500
Capital charges	914
2014/15 workstream savings subject to allocation	1,127
Council Tax Support Scheme costs	600
RSG transfers in	378
Total for additional pressures	16,184
Aggregate External Finance reduction	10,590
Cumulative target	26,774

4.4 The reasons for the increase the overall savings target since Cabinet in December, are detailed in Table 1(b) below:

Target per Cabinet Report 16/12	25,700
Increased Mid and West Wales Fire Authority Levy	249
Adjustment re additional funding for Schools	-1,300
Insurance reserve	716
Lower increase in capital charges following updated assessment	-486
Full year effect of 2014/15 care home fees uplift	500

Reduction in AEF following final settlement	-110
Workstream savings being allocated	1,127
RSG transfers in	378
Cumulative target	26,774

- 4.5 The above analysis specifically takes account of the outcome of the current Revenue Budget outturn forecast for 2014/15 and makes some provision for baseline budget adjustments for all services where it is clear that there is an inevitable ongoing revenue effect in 2015/16.

Inflation

- 4.6 The 2014/15 budget provided for a £1.049m corporate provision for inflation. As reported within the 3rd quarter budget monitoring report considered earlier on this agenda, this provision remains unallocated in 2014/15. Any under-utilisation of the 2014/15 provision should be used to mitigate the forecast net overspends detailed in paragraph 2.2 above.

Given current UK inflationary levels and forecasts there is no case to be made for continuing a corporate provision for inflation in 2015/16 and, as such, no provision has been included within the draft budget proposals for 2015/16. Neither is any provision for inflation built into projected Directorate Revenue Budgets for the year. Therefore any costs that arise will have to be funded from within Directorate Budgets.

It is the case, however, that the Council is undertaking a significant change transformation programme, including the transition from a contracted out ICT service to a mixed model of delivery from December 2016. Proposals elsewhere within this report suggest a significant addition to the current transformation fund in the sum of £1.7m to provide for on-going service and ICT transformational costs.

During 2014/15 a national pay award was given in respect of non-teaching staff at an average level of approximately 1% p.a., covering the period 1st April 2014 to 21st March 2016.

Appropriate budget provision has been made within the 2015/16 proposals to cover these costs.

As in previous years, and as detailed below, it is assumed that any provision for increases in School pay budgets will be met directly from Schools' delegated budgets.

Schools Protection

- 4.7 The scale of the overall savings requirement for 2015/16 and beyond means that it will be impossible going forward to exempt Schools' budgets from a cuts. The 16 December 2014 Cabinet report and the Medium Term Financial Plan elsewhere on this agenda set out the Council's planning assumptions going forward and the degree to which both Education and Social Services budgets are likely to receive a degree of prioritisation in terms of forecast budget reductions.
- 4.8 Reductions can be viewed in two ways:
- Actual cash reductions in levels of funding provided to Schools
 - Real terms reduction in Schools funding, taking into account known spending needs
- 4.9 The proposed cash reductions and overall impact are shown in Table 2 below

Table 2 –Reductions on Schools delegated budgets

Item	2015/16 £'000
Core base delegated budget	127,636
Ministerial funding guarantee	1,300
Less: excess provided in terms of 5 year funding commitment	-2,400
Top slicing to meet costs of prudential borrowing	-800
Retrospective clawback of additional cost of pupil support in 2014/15	-110
Assumed efficiency savings from increased delegation of funding and responsibilities.	-400
Broadband and licence costs recovered	-466
Cash efficiency target @ 1%	-1,276
Net overall cash reduction	-4,152
Net core delegated base budget 2015/16	123,484

The above cash reduction assumes that Schools will meet the additional costs of teachers pay awards and pension costs for 2015/16 (£2.2m).

The real terms reduction in core delegated budget would therefore be 4.97%.

Social Care protection

- 4.10 The Welsh Government overall Revenue Settlement for 2015/16 included a notional all-Wales allocation of £10m to fund pressures in Social care, which can be used, where appropriate, for ongoing funding for Intermediate Care Fund (ICF) expenditure following the end of grant funding in 2014/15. Given the inherent uncertainties and scale of transformational challenge facing the authority it is considered appropriate to set aside earmarked reserves of £1.6m to fund the transformational change needed in social care and to make good the inherent shortfall in ICF funding. This is above a proportionate figure compared to a straight line allocation of the additional £10m across all Welsh Authorities based on expenditure on Adult Social Services.

Capital Financing Charges

- 4.11 There is an increase of £914,000 compared to the 2014/15 approved budget reflecting increased forecast borrowing requirements and net interest charges, including elements relating to the Schools' improvement programme.

As at 1st April 2014, and to date, a significant element of the Capital Financing requirement has been met by the allocation of internal funds (Internal borrowing), this is highly dependent on cash-flows of the Council and it is anticipated that, during 2015/16, there will be a need to externally borrow to replace elements of current internal borrowing. This offers the opportunity to take account of historically low external interest rates which are currently available, although any move towards external borrowing will inevitably increase overall interest charges.

Fire Authority Levy

- 4.12 Since the 16 December 2014 Cabinet report we have been notified of an increase in the Fire authority Levy of £249,000 (2.1%), including changes due to population changes across levied Authorities.

Pay & Grading Settlement and the Living Wage

- 4.13 A single pay and grading structure was introduced across the Authority with effect from 1st April 2014.

The introduction of a single pay and grading scheme is a positive achievement and in future years will add certainty to pay estimates. However, until the Authority has fully implemented the scheme, dealt with all outstanding equal pay claims and exhausted all appeals which may arise from implementation, single status/equal pay remains an ongoing (but substantially reduced) risk in addition to the significant challenges facing the delivery of savings targets during 2015/16. The Council has taken action, working with the Trade Unions, to mitigate this risk and it is anticipated that the vast majority of outstanding equal pay claims will be subject to settlement by 31st

March 2015. Whilst the Council had set aside significant sums to meet all known current liabilities, the recent increased offer in respect of equal pay claims, whilst mitigating the risk, has led directly to an increase in unsupported borrowing of £6.7m during 2014/15, together with the use of £2.1m of 2014/15 Capital Receipts which in themselves would have offset the equivalent level of borrowing.

The previous sum of £4.277m set aside annually in respect of pay and grading costs has been apportioned across service budgets to reflect the additional costs of pay and grading as indicated in the Revenue Budget Report dated 18th February 2014 as approved by Council and hence that sum is now included in base Directorate budgets going forward.

In line with previous reports, the budget proposals for 2015/16 allow for increased employee costs of some £3m for 2015/16 in relation to incremental progression for those staff who were assimilated to the bottom of their pay scale on implementation of the pay and grading scheme.

Council Tax Reduction Scheme

- 4.14 The Authority received a baseline adjustment to its Revenue Support Grant allocation of £18.883m for 2014/15 which has been notionally included as part of future grant settlements. The effect of this base grant allocation is that any future increases in Council tax levels will have to be discounted by any potential increases in Council Tax Support costs. Where appropriate the yield will also have to take account of any increase in Council Tax Support Costs arising from increases in the Council Tax applied by the South Wales Police Commissioner.

The effects of funding additional Council tax support have been taken into account when calculating the funding in respect of the overall budget shortfall highlighted in table 1 in section 4.3 of this report.

5. Specific Savings Proposals: Update

- 5.1 In determining its budget proposals, the Authority has embarked on a specific long term strategy – ‘*Sustainable Swansea – Fit for the Future*’ - as a means of setting Council priorities, transforming services and addressing current and future deficits.
- 5.2 Details of that strategy, including the budget principles that the Authority has adopted together with a description of the key elements that underpin the service savings proposals, was presented and approved at a meeting of Council on 22nd October 2013. This strategy was further developed in a report to Cabinet 29th July 2014 “***Sustainable Swansea – Fit for the Future : Delivery Programme***’.
- 5.3 The strategy as adopted underpinned the decision taken at the Council’s Cabinet on 16th December 2014 to recommend specific additional savings proposals totaling £7.497m in 2015/16 for consultation. These savings are in

addition to the Service Savings of £6.670m which were planned as part of the MTFP agreed by Council in February 2014.

- 5.4 The overall savings proposals, including Service savings recommended in respect of 2015/16, total some £21.319m as detailed below. These savings include the previously agreed service reductions, changes to the level of schools delegated budgets as detailed in Section 4.10 above and additional *Sustainable Swansea* workstream savings proposals totaling some £3m which will require further action during 2015/16.

Table 3 – Summary of Savings proposals

Savings	Savings £'000
Planned Service Savings	6,670
Sustainable Swansea Additional Proposals	7,497
Sustainable Swansea Delivery Programme	3,000
Schools delegated budget	4,152
Total	21,319

- 5.5 With respect to *Sustainable Swansea* workstream savings, the Council set an ambitious target of £2.6m in terms of additional workstream reductions in 2014/15. Whilst options have been proposed and considered by the Executive Board which would make progress against that target, it is prudent for the purposes of setting the current Revenue Budget that a sum of £3m be included at this stage for savings across a number of workstreams in respect of 2015/16. Work will continue during the remainder of 2014/15 to develop proposals to achieve the original target which, if successful, will assist with future year deficit reduction targets. The Executive Board also intends to identify areas across the workstreams where additional savings may be realised in year; and this will be reported to Cabinet as appropriate. In addition, Cabinet will be asked to consider options for invest to save schemes to support the New Models of Delivery and Prevention workstreams, in particular: community capacity building and innovative work to reduce the cost of current services.
- 5.6 It should be noted that the savings proposals in respect of Social Services include £900,000 in respect of Child and Family Services reflecting actual performance in 2014/15 with an assumption that there will be further reductions in spend based on the roll out of existing polices.
- 5.7 Details around the currently assumed proposals for Council tax levels are shown in section 9 of this report.

5.8 Details around use of the Council's Reserves, contingency and inflation provisions are shown in section 8 of this report.

6. Outcome of Budget Consultation Process

6.1 Consultation on the budget proposals ran from 17 December 2014 to 21 January 2015. A detailed report on the response received is set out in Appendix E. This includes feedback from consultation with children and young people. It is pleasing to note that the response to consultation is similar to last year and provides in some areas an increased response.

6.2 The School Budget Forum Response to Budget Consultation is set out in Appendix G. The Council is required to take account of the Forum's comments in finalising its budget proposals.

6.3 The EIA process has been running since October. The EIA report is attached as Appendix F. At present no EIA issues have been identified; Cabinet will be kept updated on any potential issues that may arise as part of the budget implementation process.

6.4 Cabinet and Council will need to consider the response to consultation and the EIA report and demonstrate how we are taking account of the feedback. This is particularly the case, of course, if we are minded to proceed with any proposals where there is a significant majority of those responding opposed to this, being in mind that consultation feedback is just one of the factors that we need to consider when making difficult budget choices.

6.5 The main issues raised in consultation responses are as follows:

Disagree

- 77% disagree - Introducing three-weekly refuse collection
- 74% disagree - Cease programme of providing disabled parking spaces
- 71% disagree - Close Penlan Household Waste Recycling Centre
- 69% disagree - Close Tir John Household Waste Recycling Centre
- 69% disagree - Closure of five urban public toilets
- 65% disagree - Youth services reconfiguration (closure of satellite youth centres)
- 64% disagree - Work to transfer running and maintenance of toilets to suitable local groups

Agree

- 93% - Create specialist fostering placements internally within foster Swansea
- 93% - Reduce the number of children in residential/out of county placements
- 93% - reduce spending on advertising, publicity, printing, marketing and PR by 20%
- 92% - Increase in-house fostering placements, removing the need for external provision

- 92% - Stop producing the Swansea Leader and increase digital communications
- 88% - Relocate the Lord Mayor from the Mansion House to the Guildhall

6.6 Cabinet is asked to agree a response to the key issues raised in the consultation feedback i.e.: whether to confirm, delete, defer or change any budget proposal, with reasons for this. Any changes made to the draft Budget Proposals contained in Appendix D will also need to be reflected in the final recommendation about the overall proposal to balance the 2015/16 Budget, including the level of Council Tax.

6.7 Finally, Cabinet is asked to note that, as part of the budget consultation process:

- A full account of the consultation responses will be placed on the Council's website
- The detailed consultation responses have been sent to the relevant Head of Service to:
 - Reply to any particular responders as appropriate, for example, community groups, Assembly Members
 - Where appropriate, build the comments into the implementation of the proposals, subject to these being agreed by Council

6.8 As previously agreed, engagement on the delivery of the objectives in *Sustainable Swansea, fit for the future* will continue during 2015.

6.9 The Scrutiny Programme Committee and the Service Improvement and Finance Panel have discussed the Budget proposals with the Leader of the Council. A further meeting of the Service Improvement and Finance Panel to discuss the budget will take place on 5 February 2015.

7. Staffing Implications

7.1 The 16 December 2014 Cabinet report set out the provisional impact on staff of the budget proposals, the action being taken to avoid compulsory redundancies and the Section 188 process.

7.2 The figures contained in the Cabinet report were as follows:

Table 4 – Impact of Savings Proposals on FTEs 2015/16*

Corporate Services	35.90
Place	122.18
People	60.10
FTE Total	218.18

Table 5 - Category of Staff Savings 2015/16*

Vacant Posts (FTE)	ER/VR	Posts at Risk	Reduction in hours	Other
44.5	53	64	49	39**

Notes:

* *No assessment is included for future years at this stage*

** *Includes a potential transfer of 33 staff under TUPE*

Figures exclude school based staff

7.3 Seven meetings have taken place with the Trade Unions since 12 December 2014 with a final one scheduled for 31st January. The Section 188 consultation with the TUs runs until 31st January 2015.

7.4 To date the Trade Unions have received the following documentation;

- Full budget savings proposals, including details of the posts at risk
- Full details of current Agency Workers
- List of vacant posts
- List of current ER/VR applications
- Notes of all meetings
- Action Logs of all meetings

7.5 The Trade Unions have stated that they do not intend to submit a formal response to the Section 188 consultation. They are content that their views have been captured in the meetings held and are being taken forward by Officers. It is, however, worth noting a number of key points raised by the Trade Unions in the meetings as follows:

- Satisfaction with the overall level of information provided by the Council, some specific issues, for example, in social care are being followed up in more detail
- The number of Agency Workers, particularly in waste, should be addressed by a) giving longer term workers a contract of employment and b) replacing workers covering posts with staff at risk
- The Council should improve the ER/VR offer to encourage more volunteers

7.6 Based on current information, **the number of posts at risk has been reduced from 64 to 53** since the 16 December Cabinet report. However, clearly the figures will continue to change as a result of the Council's decision on the budget proposals and other service changes that occur.

7.7 The HR Service, especially the dedicated temporary HR Officer for redeployment, will continue to work with Service Areas, Trade Unions and redeployees to secure them alternative positions and to minimise the number of compulsory redundancies in line with the Council's policies. Support will also be given to seek to redeploy staff between Schools if required.

8. Reserves and Contingency Fund Requirement

Background

8.1 It is a requirement of the Local Government Finance Act 1992 that authorities have regard to the level of reserves when calculating their Budget Requirement. Whilst there is no prescribed statutory minimum level of reserves, account should be taken of the strategic, operational and financial risks facing the Council.

8.2 In assessing the adequacy of reserves account needs to be taken of the following general factors:

- treatment of inflation and interest rates
- level and timing of capital receipts
- treatment of demand led pressures
- Expected performance against challenging budget requirements
- treatment of planned efficiency savings / productivity gains
- financial risks inherent in major capital developments
- the availability of reserves, government grants and other funds
- general financial climate to which the authority is subject

In addition there are local factors to consider including the possibility of future budget overspends, progress in achieving challenging savings targets the completion of the appeals process in respect of the Pay and Grading Scheme, including calculation of back pay for gainers, and the cost of any future redundancy scheme.

Setting the level of reserves is just one of several related decisions in the formulation of the Medium Term Financial Strategy i.e. it is more than a short term decision.

General Reserves

8.3 The General Reserve amounted to £13.155m at 1st April 2014.

8.4 The Revenue Budget for 2014/15 approved by Council on 18th February 2014 assumed a transfer of £2.2m from General Reserves to support the budget. At the current time it is assumed that transfer will be required and therefore the forecast level of General reserves as at 31st March 2015 is £10.955m.

8.5 It is proposed that a sum of £1.2m be transferred from General reserves in support of the 2015/16 budget, which is in line with Medium Term Financial Plan approved by Council on 18th February 2014. Provision to discount this

transfer in 2016/17 has been made within the Medium Term Financial Plan 2016/17 to 2018/19 shown as a separate item on this agenda. Subject to any General Fund transfers arising out of the closure of Accounts process for 2014/15, the MTFP does not include any assumptions regarding transfers from General Reserves in future years.

The level of General Fund balances estimated at 31st March 2016, assuming achievement of the 2015/16 Revenue Budget, would be £9.755m.

Contingency Fund

- 8.6 The 3rd quarter financial monitoring report detailed several forecast uses of the Contingency Fund in 2014/15. At this time, it is anticipated that the £5.4m budgeted contribution in 2014/15 will be fully expended and/or used to fund the Councils' outturn position. Given the overall position as forecast in the 3rd quarter budget monitoring report for 2014/15 considered elsewhere on this agenda, the forecast Fund balance as at 31st March 2015 is nil.
- 8.7 In assessing the value of the Contingency Fund requirement in 2015/16, the following potential requirements are relevant:
- (a) The risks and issues detailed in 11 below.
 - (b) The need to provide a potential source of finance for the ongoing ER/VR scheme, together with the need to fund any redundancy costs arising from service re-organisation.
 - (c) The poor outlook for Public Finances as set out in the Cabinet report on 16th December and summarised in the MTFP report elsewhere on the agenda.
 - (d) Use of the contingency fund is currently the only source of funding available to meet the costs of any ER/VR or redundancy costs arising in year.
- 8.8 Bearing the above in mind, together with the proposals in respect of funding current year service pressures within the 2015/16 base budget, which continues to maintain reduced levels of risk, it is recommended that the contribution to the Contingency Fund in respect of 2015/16 is maintained at £5.4m.

Earmarked Reserves

- 8.9 The Council retains earmarked reserves for specific purposes. The reasons for holding these reserves are documented and are subject to ongoing review and scrutiny. The forecast transfers to and from reserves are summarised in appendix C.

Review of Insurance Fund

8.10 A further review has been completed of the sums set aside to provide for future claims which are not known or only partly known at this time. Such claims can be very significant and can relate to past periods going back many years.

The review has highlighted an Insurance Fund surplus as at 31st March 2013.

8.11 Members will recall that the Budget for 2013/14 approved on 14th February 2013 allowed for:-

- A one off contribution from the insurance fund of £1m to finance high priority highways maintenance schemes on the basis that there was an historical link between the levels of claims and highways maintenance.
- An ongoing reduction of £700,000 in insurance charges to services for that year and for 2014/15 and 2015/16.

The current budget proposals allow for the continuation of the £700,000 reduction in insurance premiums, together with a further one-off contribution of £1m towards highways maintenance in 2015/16. There is an implicit link between effective highways maintenance and management of insurance claims and the Prevention workstream within *Sustainable Swansea*.

Transformation Fund

8.12 The Revenue Outturn report for 2012/13 agreed by Cabinet on 17th September 2013 recommended that the sum of £2.030m was set aside in order to assist in the transformation of Council services in the light of the current and forecast budget position of the Council. It is intended to earmark the sum of £300,000 of this to the Community Action Transformation Fund to assist in the development of community based service delivery options as part of the Sustainable Swansea programme.

It is clear that in order to achieve the degree of service transformation required during 2015/16 and as outlined in the Medium Term Financial Plan, together with known transformational activity surrounding the new model of delivery for Corporate ICT services, considerable resource may be required to meet the ongoing challenge of service review and transformation.

To that extent it is proposed that the sum of £1.7m be added to the Transformation fund as part of these budget proposals.

Adequacy of Reserves

8.13 Whilst the proposed use of Earmarked Reserves in 2015/16 funds some recurring expenditure, taking into account the level of General and Earmarked Reserves which would be available should there be an overriding financial requirement, and the arrangements in place to monitor and manage financial

risk in 2015/16 and future years, I am satisfied that the proposed management of reserves in 2015/16 will result in a forecast level of General Reserves, Earmarked Reserves and Provisions which is adequate, subject to the potential financial implications of the risks described in Section 11 below and the final budget proposals recommended by Cabinet to Council.

- 8.14 Given the considerable risks and uncertainties facing the Council in 2015/16 and future years, it remains my advice as the officer designated with responsibility for the overall finances of the Council that the above represents prudent financial management.

9. Budget Requirement and Council Tax 2015/16

- 9.1 The Council's recommended requirement is set out in Appendix A. The City and County of Swansea Requirement of £408.869m will be financed partly by Revenue Support Grant of £237.542m and National Non-Domestic Rates of £70.092m.

Based on the report to Cabinet on 10th December 2014, and in line with assumptions contained in the Medium Term Financial Plan for 2015/16 approved at Council on 18th February 2014, a Council tax rise of 3% would generate an additional sum of £3.640m, a band 'D' charge of £1,112.38

- 9.2 Including Community Councils, the total requirement, after taking account of proposals in respect of reserve transfers and currently assumed savings, is £408.869m.

- 9.3 However, as can be seen in Section 10.1 below, based on the above assumptions, together with the currently identified level of savings, the Council would not at this stage achieve a balanced budget for 2015/16.

- 9.4 In addressing the overall budget shortfall, currently identified as £1.266m as detailed in Section 10.1 below, Cabinet will have to consider:-

- The effect of any changes to savings proposals agreed at this meeting
- the proposals in respect of Reserve Movements, use of inflation provision and Contingency fund identified in this report
- An appropriate level of Council Tax

The overall Council Tax amounts, including the requirements of the South Wales Police Authority and Community Councils will be set out in the Resolutions to be made in accordance with the regulations for the setting of the Council Tax 2015/16.

10. Summary of Funding 2015/16

- 10.1 The proposals in sections 4, 5, 6, 7 and 8 above, together with the assumed 3% rise in Council Tax identified in Section 9 above, results in a forecast additional funding of £25.508m in 2015/16 as detailed in Table 6 below:

<u>Table 6 – Budget Proposals 2015/16</u>	£'000
Savings identified per Section 5.4 above	-21,319
Net effect of Council tax base increase and proposed charges	-3,640
Use of General Reserves	-1,200
Reduction in Inflation Provision	-1,049
Transfer to Transformation Fund	1,700
Overall resourcing	-25,508
Resource Gap to be addressed	1,266

- 10.2 Prior to recommending a Revenue Budget to Council in respect of 2015/16 the above Resource Gap will have to be addressed as indicated in Section 9.4 above.

11. Assessment of risks and uncertainties

- 11.1 As in previous years, there are a number of potential costs which have been considered in the context of the budget proposals. In particular, the following items:

(a) Implications of specific 2014/15 overspends

The 3rd quarter financial monitoring report on this agenda highlighted a number of service overspends. The budget proposals within this report largely cater for the ongoing effects of 2014/15 service overspends.

(b) New Unavoidable Spending Requirements

All services will need to meet a range of additional / new pressures in 2015/16. These include the implications of new legislation; demographic changes; completion of the single status appeals process; and other requirements. Whilst reasonable provision has been made for these costs, there is a risk that some items will result in overspends. In particular it is assumed that whilst the cost of pay protection arising out of single status implementation can be funded centrally, any additional costs that may potentially arise as a result of the appeals process will be met from within specific existing Directorate budgets.

(c) Savings

The 2015/16 budget includes significant and extensive savings targets which must be achieved. It is a requirement of the Council's financial procedure rules that Responsible Officers are required to manage expenditure within

approved budgets of the Council and to that extent it is essential, should specific proposed budget savings be delayed or postponed, alternative savings are achieved in year to meet approved Directorate Budgets.

Given the nature and scale of the savings challenge during 2015/16, there will be enhanced monitoring and tracking of progress in achieving budget savings which will be reported to Executive Board, Budget Steering Group and Cabinet.

It is essential in terms of the financial challenges facing the Council beyond 2015/16 that further savings proposals are developed as part of the *Sustainable Swansea* programme and implemented in 2015/16 over and above those proposed within this budget. As noted above, further proposals will be brought to Cabinet during the year, for example, as reviews within the New Model of Delivery Workstream are completed.

(d) Inflation

As was the case in previous years, no provision has been made for price increases within Directorate Budgets or by way of a Corporate provision for inflation.

(e) Outcome Agreement Grant

Whilst the full grant was received in 2014/15, there is an ongoing risk that the Council will not receive the full grant in future years. The process surrounding the criteria and evidence requirements for this grant are changing for 2015/16 and this could add further to the risk in terms of transition to the new arrangements.

(f) Care Home Fees

Budget provision has been made for the 2014 settlement. However, it is likely that fees will need to be further increased over and above the budget provision given that the Council has to undertake an annual review of payments to care home providers which must be robust and evidenced.

(g) Specific Grants

A number of specific grants are yet to be announced. In the event that the level of specific grants awarded for 2015/16 is less than that for 2014/15, it is essential that Directorates take action to manage such reductions within the proposed spending limits – i.e. there is no corporate provision for meeting such shortfalls. There is a clear expectation that expenditure will be cut to match the level of grant. Recent experience suggests that there may be substantial in-year reductions to grant funding streams that will require urgent and concerted action in terms of mitigation.

(h) Equal Pay Back Payments

It is envisaged that the bulk of equal pay claims both in number and value will have been settled by 31st March 2015. However, legislation is such that further claims cannot be precluded although the introduction of the compliant pay and grading structure from 1st April 2014 will significantly lessen risk in this area over time.

(i) Implementation of Single Status

Whilst the Council implemented a compliant pay and grading structure from 1st April 2014, there remains a potential for appeals to be made in line with the agreed process. Where appeals are successful this will add further costs to the payroll. The appeals process will be carefully monitored in order to assess ongoing financial implications.

(j) Council Tax Reduction Scheme

Provision has been made for the estimated costs which are now linked directly to any proposed increases in Council Tax Levels.

(k) Capital Financing Charges

There is a risk that the funding shortfalls highlighted in the Capital Budget report elsewhere on the agenda will result in additional charges over and above the agreed budget provision. The Report on the Capital Programme for 2014/15-2018/19 elsewhere on this agenda highlights specific actions that need to be taken to mitigate against future increases in revenue costs linked to increases in unsupported borrowing and further externalisation of current debt.

- 11.2 Whilst reasonable assumptions have been made in relation to each of the above risks it is impossible to be certain that adequate funding will be available for every item. This re-enforces the need to have adequate reserves and balances available to meet any unexpected costs or shortfalls.
- 11.3 The above risks are both substantial and potentially significant in value. Therefore during 2015/16 specific actions are being put in place which will involve:-
- Monthly monitoring of specific savings targets against an agreed implementation timetable in order to identify any slippage and appropriate and equivalent compensating budget savings.
 - Ensuring compliance with the Council's Financial Procedure Rules which require Responsible Officers to manage budgets within the limits set by Council

- Early and ongoing monitoring of the effect of pay and grading implementation and in particular the cumulative effect of the initial appeals procedure
- The impact of any changes to specific grant funding streams

12. Equality Impact Assessment (EIA)

- 12.1 Budget proposals have been subject to the Council's Equality Impact Assessment (EIA) process. Proposals have been screened and where potential for impact has been identified EIA reports have been opened. Appendix F contains the Equality Impact Assessment (EIA) Statement for the Budget.
- 12.2 The statement, where possible, attempts an overarching assessment of the impact of the revenue budget including a summary of the provisional outcomes of the process by Directorate.
- 12.3 The statement and the majority of the EIA reports will remain open as proposals, when agreed, are implemented and further developed. Thus, EIA reports will be updated or completed over a period of time to take account of impact and the outcomes of service specific engagement where required. As they are completed each report will be published on the Council's website here:

<http://www.swansea.gov.uk/eia>

13. The Medium Term Financial Plan (MTFP) 2015/16 – 2017/18

- 13.1 Many of the issues identified in this report have implications for future years. The MTFP report elsewhere on the agenda includes an assessment of likely shortfalls in future years and outline proposals for achieving savings.

14. Legal Implications

- 14.1 The Authority is under a duty to make arrangements for the proper administration of its financial affairs. Failure to do so will be a breach of that duty.

Background papers: None.

Appendices:

Appendix 'A'	Revenue Budget summary 2015/16
Appendix 'B'	Net Directorate budget proposals
Appendix 'C'	Earmarked Reserves
Appendix 'D'	Specific savings proposals
Appendix 'E'	Summary of consultation responses
Appendix 'F'	Equality impact assessment
Appendix 'G'	Response of the Schools' Budget Forum

REVENUE BUDGET SUMMARY 2015/16

DIRECTORATE	RESTATED BUDGET 2014/15 £000	BUDGET 2015/16 £000
CORPORATE SERVICES	45,870	44,320
PEOPLE - POVERTY AND PREVENTION	4,754	4,687
PEOPLE - SOCIAL SERVICES	106,252	104,701
PEOPLE - EDUCATION	161,229	156,169
PLACE	54,473	52,510
ADDITIONAL SAVINGS STRANDS - TO BE ALLOCATED	-2,600	-3,000
NET DIRECTORATE EXPENDITURE	369,978	359,387
CORPORATE PROVISION FOR INFLATION	1,049	0
<i>OTHER ITEMS</i>		
LEVIES		
SWANSEA BAY PORT HEALTH AUTHORITY	94	94
CONTRIBUTIONS		
MID & WEST WALES COMBINED FIRE AUTHORITY	11,524	11,773
<i>CAPITAL FINANCING CHARGES</i>		
PRINCIPAL REPAYMENTS	14,033	14,541
NET INTEREST CHARGES	13,651	14,357
NET REVENUE EXPENDITURE	410,329	400,152
<i>MOVEMENT IN RESERVES</i>		
GENERAL RESERVES	-2,200	-1,200
EARMARKED RESERVES	5,155	8,648
TOTAL BUDGET REQUIREMENT	413,284	407,600
DISCRETIONARY RATE RELIEF	375	375
TOTAL CITY AND COUNTY OF SWANSEA REQUIREMENT	413,659	407,975
COMMUNITY COUNCIL PRECEPTS	868	894
TOTAL REQUIREMENT	414,527	408,869
FINANCING OF TOTAL REQUIREMENT		
REVENUE SUPPORT GRANT	241,788	237,542
NATIONAL NON-DOMESTIC RATES	76,436	70,092
COUNCIL TAX - CITY AND COUNTY OF SWANSEA	95,435	99,075
COUNCIL TAX - COMMUNITY COUNCILS	868	894
TOTAL FINANCING	414,527	407,603
COUNCIL TAX BASE for the City and County of Swansea	88,367	89,066
COUNCIL TAX AT BAND 'D' (£) for the City and County of Swansea	1,079.98	1,112.38
GENERAL RESERVES		
AT 1 APRIL	13,155	10,955
AT 31 MARCH	10,955	9,755

REVENUE BUDGET 2015/16

NET DIRECTORATE BUDGET PROPOSALS

	Corporate Services £000	People - Poverty and Prevention £000	People - Social Services £000	People - Education £000	Place £000	To be allocated £000	Total £000
Original estimate 2014/15	46,384	3,492	104,727	160,987	52,711	-2,600	365,701
Directorate Transfers*	-514	1,262	1,525	242	1,762	0	4,277
Original estimates following transfers	45,870	4,754	106,252	161,229	54,473	-2,600	369,978
Transfer to (+) / from (-) reserves 2014/15	4,085	0	-250		781	0	4,616
Original estimate 2014/15 excluding reserves	49,955	4,754	106,002	161,229	55,254	-2,600	374,594
Transfers for specific grants 2014/15	0	0	307	-192	-37	0	78
Baseline adjustments 2014/15*	-4,227	179	896	-374	1,976	273	-1,277
Adjusted service budgets 2014/15	45,728	4,933	107,205	160,663	57,193	-2,327	373,395
Spending Needs	432	10	1,500	2,300	0	2,327	6,569
Pay inflation provision	293	100	544	279	784	0	2,000
Savings:							
Specific consultation proposals	-1,888	-330	-4,524	-6,948	-4,096	0	-17,786
Additional staff savings	-564	-48	-355	-200	-666	0	-1,833
Other workstream savings strands	0	0	0	0	0	-3,000	-3,000
Original estimate 2015/16 excluding reserves	44,001	4,665	104,370	156,094	53,215	-3,000	359,345
Transfer to (-) / from (+) reserves 2014/15	319	22	331	75	-705	0	42
Net Directorate budgets 2015/16	44,320	4,687	104,701	156,169	52,510	-3,000	359,387

*Virements & reallocation to base budgets following Job Evaluation implementation - net increase £3,000k

REVENUE BUDGET 2015/16

EARMARKED RESERVES

	Balance 31/03/14 £000	2014/15 £000	Balance 31/03/15 £000	2015/16 £000	Balance 31/03/16 £000
DIRECTORATE RESERVES					
Equalisation reserves	-2,781	50	-2,731	0	-2,731
Commuted sums	-5,185	218	-4,967	-21	-4,988
Repair & renewal funds	-2,894	-711	-3,605	-696	-4,301
Profit share	-904	-66	-970	-66	-1,036
Service reserves	-4,339	232	-4,107	589	-3,518
TOTAL DIRECTORATE RESERVES	-16,103	-277	-16,380	-194	-16,574
CORPORATE RESERVES					
Contingency Fund	-117	0	-117	-5,400	-5,517
Insurance	-17,592	716	-16,876	0	-16,876
Job Evaluation earmarked	-4,455	-33	-4,488	0	-4,488
Transformation/Efficiency	-3,230	425	-2,805	-3,109	-5,914
TOTAL CORPORATE RESERVES	-25,394	1,108	-24,286	-8,509	-32,795
UNUSABLE/TECHNICAL RESERVES	-1,517	131	-1,386	55	-1,331
SCHOOLS DELEGATED RESERVES*	-7,276	0	-7,276	0	-7,276
TOTAL RESERVES	-50,290	962	-49,328	-8,648	-57,976

* No updated information available - balances held by individual schools

Cabinet - 10 February 2015
SUSTAINABLE SWANSEA - FIT FOR THE FUTURE: BUDGET
PROPOSALS 2015/16-2017/18

Appendix D

Summary Savings

	15-16
	£'000
Original RAGs	4,837
New RAGs	7,497
Full year effect of 2014/15 Management and administration savings	1,833
Total	<u><u>14,167</u></u>
Corporate	1,888
Education	1,526
Social Services	4,524
Poverty and Prevention Place	330
Full year effect of 2014/15 Management and administration savings	4,066
Total	<u><u>1,833</u></u> <u><u>14,167</u></u>

** Denotes planned review of service on following pages

Appendix D	2015-16
	£'000
<u>Corporate Services</u>	
<i>Revised savings from 2014-2018 MTFP</i>	
Central overheads and management and administrative savings	1,059
Reduce subsidy of providing financial services to Schools	50
Reduce grants to external bodies	50
Total	<u>1,159</u>
<i>New proposals</i>	
Central overheads and management and administrative savings	299
Increased income opportunities	90
Reduce spending on communications, advertising, publicity, printing, marketing and PR across the Council by 20%	80
Increase digital communications and discontinue producing the Swansea Leader	60
Review of recovery process for non payment of Council Tax	200
Total	<u>729</u>
Grand Total	<u>1,888</u>

Appendix D			
<u>People - Education</u>			
Note - there is a review of EMLAS to be concluded in light of the specific grant funding changes which include reductions to current academic year funding for the service from Welsh Government and further changes to rationalise the range of grants received.			
		2015-16	
		£'000	
<i>Revised savings from 2014-2018 MTFP</i>			
Full year effect of increased school meal charges		25	
Home to School Transport		108	
Reductions and efficiencies in a range of support of education service functions		174	
Reduce demand/need for out of county education provision		50	
Total		<u>357</u>	
<i>New proposals</i>			
Increase in price of school meals (by 10p to £2.20 from Sept 15)		80	
Review of delivery of free breakfast clubs		400	
Changes to Music service through restructure, changes in delivery, & review of charges		150	
Cessation of remaining funding to support voluntary groups and WJEC		79	
Fully implement current Business Support Review as part of wider agile working across Department		120	
** Outcomes from Behaviour Review to build capacity within mainstream schools to meet the needs of all pupils at the earliest opportunity.		340	
Total		<u>1,169</u>	

Appendix D	2015-16
	£'000
<u>People - Social Services</u>	
<i>Revised savings from 2014-2018 MTFP</i>	
Mental Health Day Services - increase use of third sector	100
Transport Depot - reduction in vehicles	120
Carers - review provision	50
Social Services Training Section - reduce capacity	16
Containment of assumed budget pressures and further service review	900
Total	<u>1,186</u>
<i>New proposals</i>	
Reduce number of Assessments and Reviews	100
Swansea Integration Plan: Network Hubs	150
Reablement :-Development of pathways to help people remain in their own homes	1,275
Development of Reablement across Young Adults	150
Potential for savings on the Domiciliary Care Budget by using Direct Payments to employ Personal Assistants	200
** Reconfigure residential care placements to increase independent living	300
**Redesign Home Care / Day Care for those with Complex Needs	350
Residential Service External Learning Disability	230
Review Charging / Income Generation	50
Residential Service (Ext.) Mental Health	50
Implementing Signs of Safety to improve practice and reduce recourse to LAC- creating Consultant Social Workers (re-investment in service)	-300
Specialist in House through Foster Swansea e.g. Parent & Baby	270
Co Locate SSD Aftercare/ Barnardos and Housing within a Post 16 Service	100
Foster Swansea - Increase in house Fostering placements	100
Sell spare capacity within in-house fostering and residential capacity	30

Residential Placements - To reduce number and recourse to residential/out of county placements	200
Family and Friends to reduce number of funded placements	50
Right sizing care packages, with providers, through Permanence team	33
Total	<u>3,338</u>
Grand Total	<u>4,524</u>

Appendix D	2015-16		
	£'000		
<u>People - Poverty and Prevention</u>			
<i>Revised savings from 2014-2018 MTFP</i>			
Remodel residential and outdoor centre provision including an increase in charging and income generation options	75		
Continue with the existing reductions in Childcare and Early Years Support and childcare apprenticeships	19		
Continue with the existing reductions in the Swansea Change Fund grant pot	50		
Total	<u>144</u>		
<i>New proposals</i>			
Partnership, Performance and Commissioning Unit - reduced administration support	10		
Reduce and continue the Grow Local Grants pot	30		
Reconfigure the Community Food and Growing	13		
Review CCTV camera coverage across Swansea - maintaining a core set of cameras in high usage areas	25		
Reconfiguration of Youth Services	50		
Support West Glamorgan Youth Theatre to find alternative sources of funding	28		
Seek alternative sources of funding and/or delivery models for targeted LGBT Youth Services support	30		
Total	<u>186</u>		
Grand Total	<u>330</u>		

* Note that whilst this is the controllable budget for Poverty & Prevention, the Council spends significantly more on this area through the contribution of a wide range of other services.

The Council's Medium Term Plan is to increase investment in Poverty and Prevention.

Appendix D	2015-16
	£'000
Place	
<i>Revised savings from 2014-2018 MTFP</i>	
Central overheads and management and administration savings	446
Increased income opportunities	45
** Waste Management - reduced landfill costs through increased recycling	165
Parks - increase income, reduced expenditure on equipment and staffing, reduced verge and open space cutting	242
Central Transport Unit - efficiencies in Fleet management, maintenance and fuel supply.	80
Highways Lighting Maintenance	400
Civil Parking Enforcement	95
Car Parks. Charge at currently free car parks (not City Centre)	92
** Savings arising from libraries review	175
Stop support to gymnastics centre	16
** Lease/tender seasonal attractions golf course, play facilities Singleton Park, Southend Gardens and Blackpill Lido	65
Reduce subsidy to LC, Bowls stadium	70
** Transfer operation of Penlan and Bishopston leisure centres to a leisure trust	100
Total	1,991
<i>New proposals</i>	
Central overheads and management and administration savings	611
Increased income opportunities	591
** Efficiencies and savings from Waste Services review	65
Replace existing pink bags with reusable hessian sacks	50
Stop providing any black bags to residents	100
Stop providing free dog waste bags	30
Increased highways coring programme (recovery of costs)	5

Reduction of chapter 8/traffic management cutting frequency		17
Reductions in opening times of Botanical Gardens to public and reduced seasonal parks planting activities		73
Alternative funding for District Heating and CREES budget		65
Carry out additional commercial work for pest control		30
Cease leisure operation at Pontardulais		20
Remove Arts Devt as a stand alone function		49
Reduce City of Culture budget		200
Close Plantasia		100
Transfer XMAS Lights obligation to BID		50
Reduce grant and other support for external bodies		19
Total		<u>2,075</u>
Grand Total		<u>4,066</u>