

Report of the Cabinet Member for Finance & Strategy

Special Cabinet - 12 December 2016

SUSTAINABLE SWANSEA – FIT FOR THE FUTURE: BUDGET PROPOSALS 2017/18 – 2019/20

Purpose:	To consider budget proposals for 2017/18 to 2019/20 as part of the Council's Budget Strategy <i>Sustainable Swansea – fit for the future</i>
Policy Framework:	Medium Term Financial Plan and Budget <i>Sustainable Swansea – Fit for the Future</i>
Reason for Decision:	To seek Cabinet approval for budget proposals to enable consultation to take place with residents, employees, partners and other interested parties
Consultation:	Cabinet Members, Corporate Management Team, Legal, Finance, Access to Services Team
Recommendation(s):	It is recommended that Cabinet: 1) Approves the Budget proposals summarised in the report and detailed in Appendix A and Appendix C as the basis of consultation; 2) Agrees the approach to consultation and engagement with staff, trade unions, residents, partners and other interested parties set out in Section 7 of this report of the report; 3) Receives a report on the outcome of the consultation and final budget proposals at a meeting on 9th February 2017.
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1.0 Introduction

- 1.1 This report updates Cabinet on *Sustainable Swansea – fit for the future* and contains proposals for budget savings for consultation with residents, community groups and other stakeholders.
- 1.2 *Sustainable Swansea – fit for the future* was approved by Council on 22 October 2013 and subsequently reviewed by Cabinet on 16th July 2015.
- 1.3 Since then, the Council, in line with the principles contained within *Sustainable Swansea*, has developed its approach to reviewing services and budget proposals through a series of commissioning reviews which have set out an assessment of individual services, scope for change, alternative delivery models and potential savings and improvements that could be made. These commissioning review outcomes and future reviews form a significant part of 2017/18 and future year savings proposals.
- 1.4 On 1 November 2016, Council received the Mid Term Budget Statement for 2016/17 and beyond which set out the Council's strategic planning assumptions for each year for the period 2017/18 to 2019/20.

At that meeting Council agreed to adopt the Mid Term Budget Statement as its strategic forecast in place of the Medium Term Financial Plan approved in February 2016.

This was of course approved in advance of the provisional local government finance settlement for 2017/18 which was, as was suggested likely, a better than expected settlement for 2017/18 only.

This was also ahead of the Chancellor of the Exchequer's Autumn Statement on 23 November 2016, which as expected did have some loosening of financial plans to reduce public spending, in policy response to the referendum result for Brexit. Any announcements in this Statement might have consequential implications for Welsh Government for in year changes to 2017-18 and more importantly for the medium term. Indeed it was precisely because of this timing that the provisional local government settlement for Wales was a one year only settlement.

Final figures for 2017-18 and any potential announcements on future year implications is expected from Welsh Government towards the end of December 2016 when the final settlement will be confirmed.

- 1.5 This report covers:
 - A reminder about the key elements of *Sustainable Swansea* and an update on progress
 - An overview of service and budget priorities for the next three years
 - An update on the financial challenge facing the Council
 - The proposed savings programme, including specific proposals for 2017/18 and future years, upon which we will now need to consult

- The key risks associated with the current financial position
- Proposals for engagement and consultation
- Staffing implications
- Delivery and next steps

2.0 Background – Sustainable Swansea – fit for the future

2.1 The scale of the financial, demographic and sustainability challenge requires the Council to continue to adopt a radically different approach to previous years. An approach that focuses on:

- *The core future purpose of the Council*
- *The transformation of services and the model of delivery*
- *Greater collaboration with other councils and local organisations, community groups and residents*
- *And, above all, sustainable solutions with prevention at its heart*

This ambition is set out in *Sustainable Swansea – fit for the future*, our long term plan for change, underpinned by our Innovation Programme.

2.2 The Strategy was agreed by Cabinet and reported to Council in October 2013. The Delivery Programme was approved by Cabinet on 29 July 2014 and was subject to further review and refresh at Cabinet on 16th July 2015.

It is important that we continue to use the narrative in all our communication and that we apply the budget principles across all our thinking. The budget principles are reflected in the proposals set out in this report.

2.3 Since the July 2015 meeting of Cabinet we have:

- Continued to work on the delivery of the Savings Programme – see **Appendix A**
- Commenced and delivered the first phase of Service commissioning Reviews

2.4 These actions are covered in more detail in sections 5 and 7 below.

3.0 Our Service Priorities for 2017/18 and Beyond

3.1 Although the Council is currently focused on a plan to save around £54m over the next three years, it is vital that we continue to retain Member and management focus on the significant proportion of our budget that will remain. Our gross budget is approximately just under £700m (excluding Housing Services (HRA)) and we spend around £1.5m a day on services to residents (this excludes benefits in kind such as housing benefit and the council tax reduction scheme).

3.2 The Council has clear and strong long term ambitions for Swansea and the proposals for savings must be seen in the context of the following:

- The Council's top 5 priorities and future plans for services (a revised Corporate Plan was agreed on 24th February 2015)
- The core objectives of *Sustainable Swansea* – which embrace all that we do
- The application of the budget principles – which guide our decision making
- The ongoing and sustained reduction in external funding and the need to meet known budget pressures.

3.3 The Council's overall aim is to protect frontline delivery of services as far as possible. However, whilst many things are important, not everything can be a priority. It is important, therefore - particularly in the current climate of significantly reduced resources - that we set out clearly our expectations on all services and relative priorities for funding in the context of the £54m budget reductions that we face.

3.4 This requirement is illustrated sharply by the “gearing” effect of savings on services. In other words, if our current savings requirement of £54m over three years was applied, for example, just to Corporate Services (excluding Council Tax Reduction Scheme) and Place Services, the budgets for these areas would have to be substantially cut in their entirety. Consequently, other areas such as Education and Social Care also need to face some relative level of reduction over the next 3 years, given the relative size of their budgets.

3.5 A statement of budget priorities and policy statements that flow from this is set out in **Appendix B**. This statement follows an assessment of services in relation to the following criteria:

- **Invest:** those Services where the Council will increase current levels of investment
- **Maintain:** those services where the Council will broadly maintain current level of spend in the medium term
- **Remodel:** those services where the Council will reduce the current level of spend over the medium term

Regardless of relative funding levels, there is also an absolute requirement that **all services** must transform and strive for maximum efficiency.

3.6 Based on the statement of priorities and having regard to the “gearing effect” when considering savings, the indicative 3 year saving/investment targets for each major block of services is set out in Table 1 below (and Appendix B):

Table 1 – Indicative Targets

Service	Percentage Reduction/Increase over 3 Years at constant prices*
Schools and Education	-15
Social Care – Child & Families	-15
Social Care- Adults	-20
Poverty & Prevention	+5
Place	-50
Corporate Services	-50

Actual budgets will be set based on shares of service pressures, inflationary pressures and investment and specific savings decisions

3.7 This statement will form the basis of our future medium term financial plan, as well as individual service plans. Notwithstanding this broad target savings range, where it is appropriate to do so, and as set out specifically in this report, **additional targeted investment in to priority areas will also occur.**

4.0 Financial Update

4.1 The financial update that follows needs to be seen in the context of the Mid-term Budget Statement approved by Council on 1st November 2016.

4.2 The latest indicative savings requirement for 2017/18 to 2019/20 is set out in **Table 2** below:

Table 2 –Indicative Savings Requirement for 2017/18 to 2019/20

	Note	2017/18	2018/19	2019/20
		£'000	£'000	£'000
Future cost of pay awards	1	1,700	3,400	5,100
Pay and grading scheme	2	2,700	5,400	5,400
National Living Wage – own pay bill		0	700	2,400
National Living Wage – contract inflation	3	1,000	2,000	3,000
Schools pay award	4	1,200	2,400	3,600
Capital charges	5	750	2,250	4,000
Passported through AEF to services	6	552	552	552
Apprenticeship Levy	7	1,000	1,000	1,000

Use of General Reserves	8	0	0	0
Demographic and Service pressures	9	3,877	7,000	10,000
Proposed targeted investment in services	10	2,208	2,508	2,508
Increased employers pension cost	11	1,300	2,600	3,900
Council Tax Support Scheme	12	600	1,200	1,900
Total known pressures		16,887	31,010	43,360
Provisional increase in core Welsh Government Funding 2017/18	13	-1,618	-1,618	-1,618
Estimated reduction in core Welsh Government Funding future years	14		6,200	12,400
Total Savings Requirement	15	15,269	35,592	54,142

Notes:

1. *The pay award figures represent a forecast increase of 1% for the period of the MTFP in line with the Chancellor's latest budget statement (including the costs of school based teaching staff).*
2. *Reflects the estimated costs of incremental pay progression in respect of those that gained from the implementation of the Council single status pay and grading scheme in April 2014. It is important to note that no allowance has been made for any additional costs which may arise due to the appeals process which at the current time are assumed to be **met from within Departmental budgets**.*
3. *This reflects an initial high level assessment of the likely cost increases arising from the summer 2015 budget announcement to increase the National Minimum Wage. This predominantly will affect contractors and in turn prices charged to the Council. Our own pay levels current exceed the proposed minimum although the 1% public sector pay cap means it is likely that the planned increases in that minimum will start to affect the Council by 2018/19.*
4. *The pay award figures represent a forecast increase of 1% for teaching staff for the period of the MTFP in line with the Chancellor's latest budget statement.*
5. *Reflects additional estimated borrowing costs as a result of the current Capital programme together with potential increases arising from externalisation of borrowing due to cashflow requirements.*
6. *Reflects specific funding in the settlement for transfers and new responsibilities/burdens for deprivation of liberty safeguards, increased funding cap for social care £30k, teachers registration scheme fees etc.*
7. *This additional cost arises from a 0.5% levy from 1 April 2017 on large employer payrolls to fund the UK government commitment to expand apprenticeships. This will be devolved to Welsh Government and we await details of the scheme in Wales. This gross cost includes an estimate of that applicable to delegated schools budgets.*
8. *The assumption at this early point there will be no use of general reserves to support the 2017/18 budget.*
9. *These additional costs arise from a range of pressures set out more fully in this budget report.*

10. *These additional costs arise from 2 service specific proposals set out more fully in this budget report.*
 11. *This cost arises from the triennial revaluation of the local government pension scheme due to be implemented 1 April 2017. The provisional assumption is an effective stepped 1% increase each year to overall costs but we await the final actuarial certificate to confirm the final position. This gross cost includes an estimate of that applicable to delegated Schools budgets.*
 12. *Reflects the assumed cost of Council Tax Support Scheme costs based on a Council Tax increase of 3% which has been included as a planning assumption only at this stage as set out previously in the medium term financial plan.*
 13. *Reflects results of the provisional local government finance settlement for 2017/18.*
 14. *For future years this reflects an estimated 2% reduction in aggregate external finance provided by Welsh Government*
 15. *The exemplified savings target of £54m shown in Table 1 is indicative of the scale of savings required and will be revised as the 3 year MTFP progresses.*
- 4.3 The forecast does not include any provision at the current time in respect of increases in the levy issued by the **Mid and West Wales Fire Authority**. When notified, any increase will be factored into current and future budget assumptions. Current indications are that any increase proposed will be in the range of 2.8% or 3.8%.
- 4.4 Over recent years the Council has consistently prioritised the **delegated schools budget**, previously meeting its guaranteed funding requirement over a five year period. There is now no ongoing ministerial protection or funding guarantee so any decision over schools funding is a local one to be made by Cabinet and ultimately by Council, having due regard to any budget consultation responses received.
- 4.5 The forecast also currently includes a significant cost in relation to the Government's proposed **Apprenticeship Levy**, which is a 0.5% levy on large workforces, such as the Council's, paybill. The effect of this funding is an estimated potential further cost of £1m approx. (including schools) to the Council.
- 4.6 With respect to the Current and Future **Capital Programme**, it is clear at the present time that future support from the Welsh Government in respect of general capital grant and supported borrowing on an annual basis is likely to remain severely curtailed.
- 4.7 The indicative allocation for 2017/18 in respect of both the above elements, at just over £10m, is insufficient to meet the current budgets allocations to cover core commitments as in **Table 3** below:

Table 3 – Capital Allocations for 2017/18

	£m
Welsh Government funding	10.2
Allocation - property and highways maintenance	-7.5
Disabled Facilities Grants & Improvement Grants	-5.2
Annual Contingency budget	-0.5
<u>Shortfall</u>	<u>-3.0</u>

- 4.8 The remaining capital programme (including improvements to schools) is heavily dependent on future capital receipts and to that extent any shortfall in receipts is likely to require an increase in unsupported borrowing to balance the funding for the agreed programme.
- 4.9 Any rise in borrowing has a detrimental effect on future revenue funding and has to be viewed in the light of the current projected reductions in external grant.
- 4.10 As such, it is inevitable that the future capital programme will have to be subject to regular review and will be dependent on receipt of specific grant and/or the availability of excess capital receipts.
- 4.11 The currently approved four year Capital programme assumes additional unsupported borrowing of some £39m. Reduction of the core items above (4.7) to levels of Welsh Government funding could reduce the level of unsupported borrowing to approximately £27m. Consideration will have to be given to further remodelling of the existing planned capital programme if this level is to be reduced further.
- 4.12 In particular, and in direct contrast, detailed consideration will also have to be given in respect of potential future commitments to, and funding options for, the second phase of the proposed Schools improvement programme, investment in the City Centre and funding requirements which may flow from the Swansea Bay City Region proposals.
- 4.13 A report on the options for reprioritising the capital programme and/or increasing capital receipts, including the sale of strategic assets, will be brought to Cabinet in February 2017 as part of the budget process.
- 4.14 It should be noted that whilst there is an assumption that any additional borrowing costs in relation to the Schools' capital programme will be funded via the delegated budget in the absence of Capital Receipts this is not reflected in current budget proposals.

5.0 Sustainable Swansea – Budget Proposals

5.1 Budget proposals to meet the current savings requirement for 2017/18 consist of the following elements:

- Continuation and development of some service delivery savings
- Commissioning review identified savings
- Other elements of the *Sustainable Swansea* Delivery Programme approved by Cabinet particularly around cross cutting themes
- Cash increase in Schools Delegated Budgets
- Targeted investment into both Education Other than at School and early intervention and prevention

Each of these categories are addressed below.

Funding changes in the settlement passport through to services

5.2 The following specific sums have been provided for in the settlement and are intended by Cabinet to be passported fully through to service budgets.

Table 4 – funding passported in the settlement 2017/18

	£'000	£'000
2017/18 Delivering Transformation Grant	223	
2017/18 Deprivation of Liberty Standards	14	
2017/18 Blue Badge additional funding	1	
2017/18 Food hygiene rating scheme	4	
2017/18 Total transfers in	<hr/>	242
2017/18 Teachers registration scheme fees	-73	
2017/18 Total Transfers out	<hr/>	-73
2017/18 Monies provided in respect of the £30k funding cap	359	
2017/18 War pensions disregard	24	
Total specific to Social Services	<hr/>	383
Total		<hr/> <hr/>

Further Service pressures

5.3 Further service pressures have been identified in respect of:

- Waste management – loss of specific grant which if not offset directly by core funding risks increased taxes and fines for not hitting recycling targets

- Increasing and equalising payments for Family and Friends Fostering allowances
- Funding of legal challenges regarding Deprivation of Liberty Safeguards
- Funding consequences flowing from the implementation of the Social Services and Wellbeing Act
- Proving some additional support to children with disabilities
- Meeting the actual increased cost above existing budgets in out of county placements and recoupmnt placements with other authorities
- Review of and additional funding for Specialist Teaching Facilities
- Impact of withdrawal of specific grants in Poverty and Prevention Work especially around Communities First
- Small increased cost in discretionary rate relief awarded to reflect actual spend is now slightly in excess of budget

Service investment

5.4 Service investment requirements have been identified in respect:

- Some initial funding for further ongoing Early Intervention and Prevention Work (Local Area Co-ordination and support for the Domestic Abuse Hub)
- Provision of teaching facilities and support in respect of Education Other than at School which includes local authority direct management support, Pupil Referral Unit improvements and increased funding devolved to schools

Service Savings

5.5 Service investment requirements have been identified in respect of planned savings for 2017/18 resulting in a position as set out in **Table 5**:

Table 5 – Review of Planned Savings 2017/18

	Proposed savings 2017/18 £'000
Resources	3,000
Place	4,287
People – Poverty & Prevention	389
People - Social Services	7,476
People - Education (excluding schools)*	549
Total	15,701

*Schools savings and pressures fall entirely to the delegated budgets

5.6 **Sustainable Swansea**

As set out in section 2 above, through *Sustainable Swansea*, the Council is committed to changing the design and delivery of services and to a fundamentally different approach to demand management and early intervention.

In particular, the Council has embarked on a series of commissioning reviews across all services and the results of a number of those commissioning reviews have been presented to Cabinet and agreed over the past few months.

Outcomes of further commissioning reviews are expected on a recurring basis and, where specific outcomes require, consultation will take place in the appropriate manner before any actions are delivered.

It is anticipated, in line with the principles set out in in Section 1 of the Mid Term Budget Statement approved by Council in November 2016 that where outcomes from reviews are presented then consultation and action to implement will be undertaken on a rolling basis outside the normal budget cycle.

5.7 The previously agreed programme of Commissioning Reviews is as follows:

Phase 1
Culture and Leisure
Business Support
Non School Cleaning
Waste Management
Domiciliary Care
Day Care
Residential Care

Phase 2
Corporate Building & Property Services
All Council Catering
Special Education Needs/Children with Disabilities
Highways & Transportation
Parks & Cleansing
Housing, Non Housing Revenue Account & Public Protection
Planning Services
Remaining Education Services
Remaining Social Services

5.8 These proposals are fully delivered within the context of sustainable Swansea and can be alternatively summarised in **Table 6** as follows:

**Table 6 – Sustainable Swansea Delivery Programme
Proposals 2017/18**

	Savings	Savings 2017/18 £m
<i>Savings type</i>	Workforce	4,537
	Other spending	4,910
	Income	2,630
	Mixed (workforce, income, other)	3,624
		15,701

5.9 For delivery purposes, all proposals that are approved, after considering the outcome of consultation and Equality Impact Assessments, will be combined into a single matrix showing the Strand Savings alongside the Head of Service accountable for delivery.

Schools' Delegated Budgets

5.10 The indicative savings assessments set out in Table 1 at 3.6 above and Appendix B, show that it is inevitable, given the scale of reductions required within the one education budget, that ongoing consideration will have to be given to the current level of schools' delegated budgets.

5.11 Budget movements can be viewed in two ways:

- Actual cash increases in levels of funding provided to Schools
- Real terms reduction in Schools funding, taking into account known spending needs

5.12 For current consultation purposes it is intended that there will be a proposed 0.5% (£0.6m) increase in schools core funding (excluding Pupil Deprivation Grant and Post 16 funding which comes separately from Welsh Government) to match the headline 0.5% increase in this Council's funding from Welsh Government.

5.13 However, it is clear that a number of budget pressures detailed in Table 2 in Section 4.2 of this report include pressures that will fall directly to the delegated budget. These are estimated as:-

Table 7 – Main pressures on Schools delegated budgets

Identified budget pressure	2017/18 £'000
Schools pay award	1,200
Share of Apprenticeship Levy and increased LGPS costs	600
Total	1,800

Cabinet will have to consider what actual overall funding is proposed in respect of the Schools delegated budget following consultation with all head-teachers at a meeting on 8th December 2016.

In addition, as part of the proposed investment in services around the Education Other Than at School service (EOTAS) it is intended that some £700,000 will be devolved to Secondary Schools to assist in the development of behavioural support

There is no ministerial funding guarantee for schools implicit in the 2017/18 provisional revenue settlement.

Total Proposals

- 5.14 The total net savings across the areas outlined above are shown in **Table 8** below:

Table 8 –Proposals for 2017/18

Savings	Net Savings £m
Service Savings	15,701
Increased AEF	1,618
Council wide pressures	-10,802
Service pressures accepted	-3,877
Service bids proposed	-2,208
Available to meet other funding pressures (e.g. up to 3.8% Fire Authority Levy yet to be confirmed)	-432

- 5.15 The detailed proposals are set out in **Appendix C**. Subject to Cabinet approval, consultation will commence on the proposals, as appropriate,

with staff, Trade Unions, Schools' Budget Forum, residents, affected groups and partners, alongside Equality Impact Assessments (EIAs).

Other Savings and Funding Options

5.16 The current total of all savings proposals for 2017/18 is £15.701m, against the current total requirement of £15.269m. Work will continue over the next two months up to Cabinet in February 2017 to assess a range of other options. This is necessary because:

- Some proposals may not be approved following the outcome of consultation and Equality Impact Assessments
- Additional savings are required as a contingency against non delivery of some savings in year
- Additional savings are required for future years

5.17 This assessment will include a review of other service savings and our policy on Council Tax.

6.0 Assessment of Risks and Uncertainties

6.1 As in previous years, the budget proposals as presented must be viewed in the context of the ongoing risks and uncertainties that the Council faces during 2017/18 and beyond:

6.2 These currently include:

- a) **Equal pay claims:** The risk at the present time is residual.
- b) **Pay and Grading appeals:** it is assumed, as in previous years, that costs arising out of pay and grading appeals will be met from within Directorate approved budgets and schools delegated budgets where appropriate.
- c) **Specific grants:** It is likely that, based on experience in 2016/17, the Council will suffer from significant attrition in terms of specific grants received from Welsh Government and other public bodies. It remains the case that where such grant reductions occur they will require specific service cost reductions in addition to any savings targets identified above.
- d) **The savings proposals** for 2017/18 and beyond are predicated on clear and decisive action being taken to deliver wide-scale transformational change. This will require robust implementation, monitoring, review and if necessary enforcement of savings proposals.
- e) **The timing** of Welsh Government announcements on both core and specific grants means that uncertainty will remain until the final period of the budget setting process.

7.0 Consultation and Engagement

7.1 In previous years the Council has consulted on a number of issues including:-

- Specific budget proposals relating to budget reductions impacting on the following year's revenue and capital budget together with potential longer term savings to deliver the medium term financial plan.
- Consultation on shaping the Council's overall priorities.

7.2 In terms of Council priorities, previous consultation has been taken into account in deciding the five key priorities for the Council which remain as:-

- Safeguarding vulnerable people
- Improving pupil attainment
- Creating a vibrant and viable city and economy
- Tackling poverty
- Building sustainable communities

7.3 In terms of the current consultation it is not intended that we repeat the consultation exercise on overarching Council priorities at this time. Likewise we will not consult again on matters that are merely a continuation of existing good practice, or previously agreed plans, such as our continued successful implementation of the Safe Looked After Children reduction Strategy.

7.4 However, as in previous years, the Council will undertake a full consultation on proposals that will affect the public in general or specific sections of the Community.

7.5 It is essential that in agreeing to consult we take into account the following:-

- Under the Public Sector Equality Duty (Wales) we have to engage with protected groups to assess the likely impact on them of any policies or practices being proposed or reviewed.
- The Wales National Principles for Public Engagement include the expectation that engagement gives a real chance to influence policy, service design and delivery from an early stage
- Under the Gunning principles, consultation should be at an early stage with public bodies having an open mind, those being consulted have enough information to make an intelligent choice, enough time is provided for people to make an informed choice and consultation responses must be taken into account.
- The requirements and principles embedded in the Future Generations (Wales) Act which should underpin everything that the Council does

7.6 Details of the settlement dates from Welsh Government detailed elsewhere in this report highlights the extremely difficult timetable the Council faces in setting its budget proposals.

7.7 In terms of consultation, the Council intends to fulfil its obligations by:-

- Undertaking a **Public Survey**. Specific budget proposals and those relating to the Commissioning Reviews will be included in the public survey that will be available online and in hard copy format at venues across the City and County. This will be a combination of yes/no options for specific proposals and open questions where the Council is seeking ideas from the Public on our commissioning reviews.
- **Consultation with specific groups**. We will consult a number of Groups including children and young people, groups with protected characteristics and organisations such as Community Councils. A series of meetings/briefings will be organised during January.
- **Service specific consultation**. Services will carry out their own consultation on proposals that only affect a small or specific group of people rather than the wider public consultation.
- **Staff roadshows**. Cabinet Members will join Officers in engaging staff at meetings in January.
- **Unions**. The Leader, Cabinet Members and Officers are due to meet Union representatives to discuss the proposals.
- **School Budget Forum**. Officers and Members will consult the form on proposals that affect schools.

In addition the Council will promote and communicate the consultation via website and Social media.

7.8 There will be on-going consultation during the forthcoming year as and when the individual Commissioning Reviews progress and develop their proposals for transforming services and helping to deliver contributions towards the overall savings requirement.

8.0 Staffing Implications

8.1 The Council, working in partnership with Trade Unions, succeeded in largely avoiding compulsory redundancies as part of the implementation of the budget savings for 2016/17. This was achieved by a continued flexible policy on redeployment and a proactive approach by all parties. The clear intention is to build on this approach for 2017/18 and to look for other ways of avoiding compulsory redundancies.

8.2 However, a significant reduction in posts in 2017/18 will be unavoidable, given that the Council spends 40% of its overall budget on employees (significantly more in some Service Areas). It is important, therefore, that the Council is open about the potential for compulsory redundancies in 2017/18 and beyond given the increased level of savings and the reduced scope for voluntary redundancies.

8.3 Notwithstanding the scale of the challenge, in line with the Council’s current policy, every effort will be made to minimise compulsory redundancies. Management action includes:

- *Tight management of vacancies so that we manage the deletion of posts via natural wastage over time*
- *The use of fixed term appointments where a post needs to be covered*
- *Stopping the use of agency staff unless a clear business case can be made*
- *Redeployment and retraining where ever possible*
- *Further encouragement of staff to consider ER/VR options, including bumped redundancies*
- *Encouraging staff to work flexibly eg: reduce hours or job share*
- *Flexible retirement*

8.4 The groups of staff likely to be most at risk (no options can be ruled out at this stage) are those affected by service savings, those in management/ supervisory posts and those employed in business support functions. The latest estimate (**work on this is continuing and the number is likely to change**) of the impact of the current proposals on total staffing numbers for 2017/18 is set out in **Table 9** (shown as Full Time Equivalents (FTEs))

Table 9 – Impact of Savings Proposals on FTEs 2017/18

		FTEs
Service Saving Proposals		
	Corporate Services	7
	Business Support – Corporate Services leads	60
	Place	12
	People	17
	Total	96
Senior Staff Savings		
	Corporate Services	12
	Place	18
	People	18
	Total	48
	Grand Total	144

8.5 The Council will need to consult with Trade Unions about the 2017/18 savings proposals and the likely impact on staff; in particular, the management of change and selection criteria where posts are at risk of redundancy. It is a legal requirement and incumbent upon the Council to commence formal negotiations with the Trade Unions to seek to avoid the need for such redundancies, to consider alternatives and to seek to reach agreement on the selection process for redundancies, should we get to

that position. This is in line with the requirements of Section 188 (1) of the Trade Union and Labour Relations (Consolidation) Act 1992 (as amended). This is on the basis that these proposals affect more than 100 employees and that the period of consultation will be for a minimum of 45 days.

8.6 The Council is committed to continue to work closely with Trade Unions to minimise the number of compulsory redundancies.

8.7 Reflecting the principle in the MTFP stated earlier in this report, consultation will be undertaken on a rolling basis outside the normal budget cycle, as the outcomes from commissioning and other reviews are presented to Cabinet. Consequently, in some Service Areas, it is not possible at this time to give details of the precise impact on staff and the figures quoted are, therefore, overall estimates. The regular liaison meetings with Trade Unions will be used to provide more detail when this becomes available as future options are agreed.

9.0 Delivery – “Decide and Do”

9.1 Delivery of the Budget strategy and Savings Programme is clearly critical. If this is not given the right attention savings will not be achieved. This requires a clear understanding of the organisational requirements to deliver as set out in *Sustainable Swansea*.

Deliverability of Savings

9.2 In parallel with the consultation process, we are undertaking a robust appraisal of all options for savings to ensure:

- They are deliverable
- We understand the impact
- We have assessed the risks and how these can be mitigated

Subject to the above, we will adopt the principle of “decide and do” in terms of a pragmatic approach to the implementation of proposals.

9.3 The Corporate Management Team has oversight of the programme management arrangements for the Savings Programme. This includes a sponsorship role for Directors, supported by a wide range of Heads of Service and Senior Managers from every part of the Council and project support.

Timeline

9.4 The remaining timeline for the Budget process is set out in **Table 10** below.

This timetable is effectively being driven by the dates set for the Autumn Spending Review by the Chancellor of the Exchequer which has impacted

on the ability of the Welsh Government to determine its final detailed budget proposals for 2017/18.

Table 10 – Budget Timetable

8 th December 2016	Initial consultation with Schools starts	School Budget Forum
12 th December 2016	Cabinet	Approves budget proposals for consultation
12 th December 2016	Consultation commences	A variety of means will be used
22 nd January 2017	Consultation closes	Report will be produced on consultation responses
January 2016	Scrutiny	Review of Cabinet proposals
9 th February 2017	Special Cabinet	Reviews feedback from consultation and recommends Budget
23 rd February 2017	Council	Approves Budget and sets Council Tax

10.0 Next Steps - A Sustainable Swansea – fit for the future

10.1 As stated above, the scale of the financial challenge requires the Council to adopt a radically different approach to previous years. An approach that focuses on:

- *The core future purpose of the Council*
- *The transformation of services and the model of delivery*
- *Greater collaboration with other councils and local organisations, community groups and residents*
- *And, above all, sustainable solutions with prevention at its heart*

This ambition is set out in *Sustainable Swansea – fit for the future*.

10.2 A probable overall cut in spend of 20-30% (more in some areas) over the next few years cannot take place without a fundamental review of the future purpose and shape of the Council to 2018 and beyond. This is particularly important because:

- The Council has clear aspirations and policy commitments to improve outcomes for residents that will need to be delivered alongside savings
- We will also need to consider the requirement for further investment in prevention in social care to remodel the projected future demand for services
- This requires a debate about innovation, service transformation, and doing things differently
- And we must collaborate with others to achieve this
- All this has to be considered alongside a potentially ambitious Capital Development programme with increases in associated borrowing costs

10.3 Consequently, the current debate with residents and partners, as well as inside the Council, about the Core Purpose of the Council, what residents and communities can do for themselves and the Future Shape of the Council is fundamental.

11.0 Equality and Engagement Implications

11.1 The *Sustainable Swansea* Engagement Plan is outlined in section 7 above.

11.2 In line with legislative requirements, a fundamental part of our approach is to assess the impact of proposals on residents and the community. As in previous years, the corporate Equality Impact Assessment (EIA) process continues to be followed for all new proposals. EIA reports will not be finalised until engagement activities have been completed so that the findings can be taken into account. They will then be considered as part of the decision making process. Proposals that were previously screened (and/or subject to a full EIA report) are being re-visited by managers to ensure that:

- The information is still accurate and relevant and up-to-date
- Proposals comply with the Well-being of Future Generations (Wales) Act
- Proposals comply with the Welsh Language Standards

11.3 Cabinet and Council will receive a full report on the feedback from the consultation and outcomes of the EIA process in February 2017 so that they can be fully taken into account before any decisions are made.

11.4 There will also be full engagement with the Council's Scrutiny Committee.

12.0 Financial Implications

12.1 This report sets out the Council's projected budget position for 2017/18 and sets out proposed savings to meet the projected shortfall currently estimated at £15.269m.

12.2 It is a legal requirement that Council sets a balanced Revenue Budget for each financial year and it is essential that detailed plans to address

projected shortfalls are developed and, more importantly, delivered over the coming years.

- 12.3 Progress with achieving savings agreed as part of the 2016/17 budget are monitored each month by the Corporate Management Team and the Budget Performance and Review Group, with quarterly reports to Cabinet.

13.0 Legal Implications

- 13.1 Specific legal duties relating to consultation and the setting of the budget are set out in the main body of the report.

- 13.2 Any consultation must be meaningful and be taken into consideration when making any decision.

- 13.3 The council has a public sector equality duty under the Equality Act 2010. In order to comply with that duty it is essential that Equality Impact Assessments are undertaken where appropriate in relation to budget proposals and any impact is considered.

Background Papers: None

Appendices: Appendix A – *Sustainable Swansea – fit for the future:*
Transformation Programme 2017-18
Appendix B – Statement of Medium Term Budget Priorities
Appendix C – Savings Proposals 2017/18

SUSTAINABLE SWANSEA – FIT FOR THE FUTURE

Transformation Programme 2017-18

Annual Review of the Programme

The Transformation programme is coming into its third year of delivery and has provided the **framework for around £48m of savings since its inception. However, the benefits have not only been financial.** Thirteen commissioning reviews have been at the heart of the transformation programme, which are either completed or are currently in flight. These reviews provide a robust process for transforming services and have contributed to significant changes over the past year including the following examples:

- **Digital Services:** Many services have moved online or automated over the telephone, providing 24/7 access to those residents that prefer these channels. Non-digital channels are available to support the most vulnerable. In addition, training has been delivered to help communities increase their digital skills and confidence.
- **A single contact centre** has brought together five teams so that customers have a single point of contact.
- **Agile working** has improved how the Council utilises its assets, e.g. Moving out of Oldway House has saved over £600,000.
- **Business Support: Bringing ICT back to an in-house managed service** has saved the Council £1.5m per year and improved the Council's ability to innovate through the new ambitious digital strategy.
- **Culture Programme** are undertaking a procurement exercise to seek an alternative delivery model, but have already achieved savings through local service transformation.
- **Waste Management** have implemented initiatives to lower the impact on landfill and change behaviours at local HRWC sites in order to achieve WG targets of 64% by 2020.
- **Adult Services** have developed their new service model and Domiciliary Care service transformation, which is out currently for consultation until February 2016.

The Sustainable Swansea programme work is reviewed and updated annually to reflect both: projects that have delivered in year; and any changes in the internal or external environment which have impacted the Council, e.g. Well-Being of Future Generations (Wales) Act, Social Services and Well-Bring (Wales) Act. Therefore, the Sustainable Swansea framework has been updated for 2017-18 in the diagram below and reflects:

- **Principles of the programme:** These act as the 'lens' through which each service can continuously review working practices and plan for change. The principles form the outside of the model

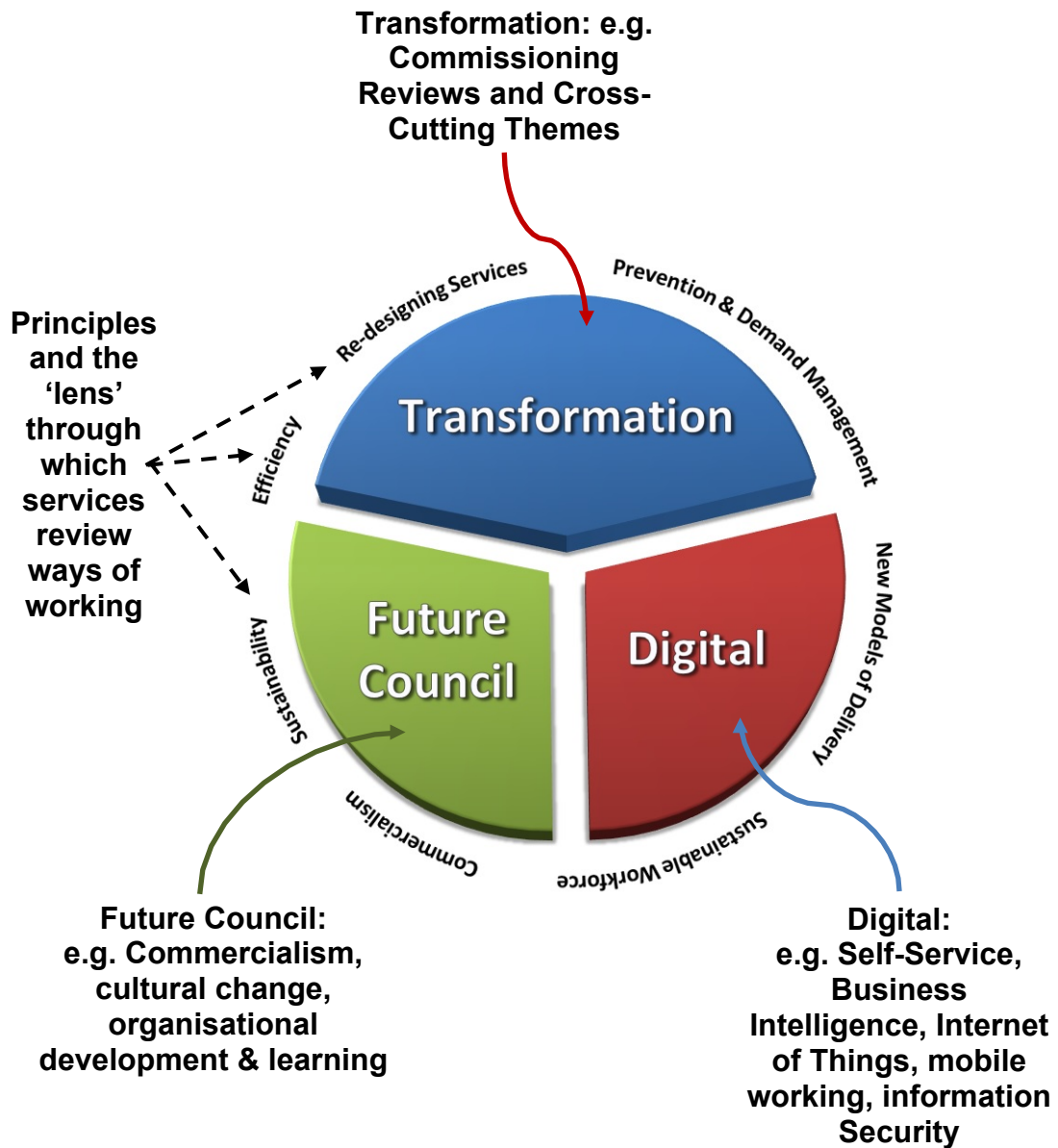
- **Priority deliverables** for the year so that resources can be targeted to those areas. The diagram below highlights that: Transformation, Future Council and Digital will form the focus for 2017-18.

Each individual budget saving identified within this report is aligned to the Sustainable Swansea principles and deliverables, tracked and monitored throughout the year via robust governance arrangements at Officer and Member level.

One outcome of the annual review of the programme, is to **acknowledge the maturity of the Council after almost three years of the transformation journey**. The organisation and the workforce has developed new skills, capabilities and competencies as a result of the Commissioning Reviews. However, many of these were service focused in the beginning. Therefore, the Council is now looking to move to the next level of transformation with cross-cutting change across a range of services. The focus of these cross-cutting themes is around specific outcomes including:

- Integrated transportation
- Integrated car parking
- Regulatory services
- Business support
- Outcomes for children
- Outcomes for adults
- Building Sustainable Communities
- All catering
- Prevention and demand management
- Capital programme
- Asset utilisation
- Commercialism

Sustainable Swansea Framework for 2017-18



SUSTAINABLE SWANSEA – FIT FOR THE FUTURE

STATEMENT OF MEDIUM-TERM BUDGET PRIORITIES

PURPOSE

This paper sets out the Council's views on relative service and budget priorities in the context of the delivery of *Sustainable Swansea – fit for the future* and the Medium Term Financial Plan.

The statement has three objectives:

- *An indicative statement about future funding for services, together with an overall percentage reduction in spend over the next 3 years*
- *A high level statement for services about expectations for transformation and delivery*
- *Policy statements for each major service block setting out how the funding challenge will be met*

STRATEGIC CONTEXT

The scale of the financial, demographic and sustainability challenges facing Swansea require a radically different approach to the past. *Sustainable Swansea – fit for the future* sets out the Council's long term objectives for meeting these challenges and for transformational change for services, the Council and our relationship with residents.

The Council is also developing a revised Corporate Plan that sets out five top priorities for the future:

- *Safeguarding vulnerable people*
- *Improving pupil attainment*
- *Creating a vibrant and viable city and economy*
- *Tackling poverty*
- *Building sustainable communities*

The Council's overall aim is to protect frontline delivery of services as far as possible. However, whilst many things are important, not everything can be a priority. It is important, therefore - particularly in the current climate of significantly reduced resources - that we set out clearly our expectations on all services and relative priorities for funding.

FINANCIAL CONTEXT

We currently estimate that the Council will need to save around £54m over the next 3 years. This requires not only a strategy for transformation, which is set out in *Sustainable Swansea – fit for the future*, but also a clear statement of the expected impact of the reductions across the Council's major services.

SETTING INDICATIVE MEDIUM TERM FINANCIAL ALLOCATIONS

The Council is proposing indicative medium-term financial allocations following an assessment of our overall priorities and the financial context that we face.

The statement which follows is based on an assessment of services in relation to the following criteria:

- **Invest:** those Services where the Council will increase current levels of investment in order to:
 - Deliver our top priorities; and/or
 - Achieve significant reductions in future spend
- **Maintain:** those services where the Council will broadly maintain current level of spend in the medium term to:
 - Deliver our top priorities
 - Meet statutory requirements
 - Meet resident expectations
- **Remodel:** those services where the Council will remodel the current level of spend over the medium term:
 - Because these are lower priority areas
 - To contribute to the overall budget savings requirement

In setting financial allocations we have also had regard to the “gearing” effect of savings on services. In other words, if our current savings requirement of £54m over three years was applied, for example, just to Corporate Services (excluding Council Tax Reduction Scheme) and Place Services, the budgets for areas would be cut by around 75%. Consequently, other areas such as Education and Social Care also need to face some level of reduction over the next 3 years given the relative size of their budgets.

Based on the statement of priorities and having regard to the “gearing effect” when considering savings, the indicative 3 year saving/investment targets for each major block of services is set out in the table below:

INDICATIVE MEDIUM TERM FINANCIAL ALLOCATIONS

Service	Budget 16/17 £m	Percentage Reduction/Increase over 3 Years	Amount Realised £m
Schools	138.9	+1.3	+1.8
Rest of Education	20.2	-15	-3.0
Social Care – Child & Families	37.6	-15	-5.7
Social Care- Adults	65.9	-20	-13.2
Poverty & Prevention	5.1*	+5	+0.3
Place	51.0	-50	-25.5
Corporate Services	23.0	-50	-11.5
Total	341.7m		-56.8m

** 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*

This statement will form the basis of our future medium term financial plan, as well as individual service plans.

GENERAL PRINCIPLES FOR ALL SERVICES

There are a number of principles that apply to all the Council's services, regardless of the assessment of relative priorities. These are set out below.

Budget Principles

The Council has adopted a number of Budget Principles which underpin *Sustainable Swansea*:

<i>Everything is included</i>	<i>Increased income</i>
<i>Engagement</i>	<i>Different models of delivery</i>
<i>We will have less money</i>	<i>Supporting those at risk</i>
<i>Demonstrating efficiency</i>	<i>Evidence base</i>
<i>Cutting Red Tape</i>	<i>Sustainable outcomes/prevention</i>
<i>Full cost recovery</i>	<i>Personal Responsibility</i>

All Services must apply and be consistent with these Budget Principles.

All Services are also required to address these Principles as part of business planning and developing savings proposals.

Service Transformation and Efficiency

There are expectations upon all Services in relation to transformation and efficiency which must be met regardless of relative priority for funding:

Transformation	<p>All service must transform through a fundamental review of purpose, however services are commissioned, to:</p> <ul style="list-style-type: none"> • deliver better outcomes • develop a sustainable delivery model, fit for the future • remodel costs and secure value for money
Efficiency	<p>All services must continue to strive for efficiency, in particular:</p> <ul style="list-style-type: none"> • reduce management and other overheads • maximise opportunities for increasing income from charges, trading and external sources • reduce the cost of purchasing supplies and services • work with others to achieve better outcomes • look for opportunities for residents or community groups to take or share responsibility for services