



## Report of the Section 151 Officer

Cabinet - 14 February 2019

### Medium Term Financial Planning 2020/21 - 2022/23

<b>Purpose:</b>	This Report sets out the rationale and purpose of the Medium Term Financial Plan and details the major funding assumptions for the period and proposes a strategy to maintain a balanced budget.
<b>Policy Framework:</b>	Sustainable Swansea – Fit for the Future
<b>Consultation:</b>	Legal Services, Access to Services, Cabinet Members and Corporate Management Team
<b>Recommendations:</b>	It is recommended that:-  1) The Medium term Financial Plan 2020/21 to 2022/23 be recommended to Council as the basis for future service financial planning.
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## 1 Introduction and Background

1.1 Service and financial planning continues to be undertaken against a backcloth of reducing overall financial resources and increasing service pressures and demand.

The Medium Term Financial Plan (MTFP) is an overarching strategy that:

- Covers 3 future years.
- Forecasts future known additional spending requirements, likely resources and potential funding shortfalls.
- Links to the Council's adopted strategy '***Sustainable Swansea – Fit for the Future***' as a means of addressing future budget shortfalls.

- Links to the Council's revised Corporate Plan, "Delivering for Swansea" and the delivery of our top 6 priorities.
- Has due regard to our duties under the Well-being of Future Generations Act 2015.

Future detailed Service planning will need to be undertaken within the financial assessments and forecasts contained within the Medium term Financial Plan.

- 1.2 **It is important to understand that the MTFP does not constitute a formal budget in respect of the period 2020/21 to 2022/23 and as such the indicative annual assumptions included both within the projected spending pressures detailed in Sections 2 and 3 of this report, and the potential funding detailed in Sections 4 and 5, will be subject to a full review and decision making process as part of each of the annual Revenue Budget and Council Tax setting decisions.**
- 1.3 Instead, the MTFP is intended to outline, in broad terms, the specific service and funding issues over the three year period and how the Council will, within its financial constraints, fund its priorities and achieve major service change and savings.
- 1.4 It is essential as a planning and review tool in order to assess, on an ongoing basis, base assumptions around service pressures and progress against delivery of savings.
- 1.5 The plan serves to highlight the trend for increasingly difficult times ahead in terms of funding for this Council and Local Government in general, as well as the service pressures that the Council faces from rising demands and increases in demography, together with potential funding pressures arising from ambitious plans for capital development.
- 1.6 Importantly, it is essential that the MTFP becomes a 'living' document that is subject to regular review and revisions as more information becomes available and risks are updated. As such it is anticipated that, along with close monitoring of the specific budget proposals and savings targets for 2019/20, further reports to Cabinet regarding the MTFP will be made as necessary. In particular, the Mid Term Budget Statement in the autumn of 2019 will provide a key update on the financial outlook and delivery of savings.
- 1.7 The MTFP is one of many documents that are produced in terms of financial planning and control. These include:-
- The annual Revenue and Capital Budgets of the Authority
  - The annual HRA Capital and Revenue Budgets
  - The formal quarterly budget monitoring reports that are presented to Cabinet
  - The Mid-term Budget Statement intended to be produced each year as an aid to strategic review on progress
  - The Revenue and Capital Outturn Statements taken to Cabinet following year end

- The Statement of Accounts produced and approved by Council on an annual basis.

1.8 The MTFP is intended to form a logical flow from an assessment of forecast resources over the medium term through each step of a structured planning process for future years and as such it specifically details:-

Section 2	Overview of financial planning environment 2020/21 to 2022/23
Section 3	Detailed spending and resources forecast 2020/21 to 2022/23
Section 4	Strategy to address future savings requirements
Section 5	A summary of the Medium Term Financial Plan and Sustainable Swansea strategy.
Section 6	Medium Term Financial planning for Schools
Section 7	Risks and issues surrounding the MTFP
Section 8	An assessment of reserves
Section 9	Legal and Equalities implications

## **2 Overview of Financial Planning Environment 2020/21 to 2022/23**

2.1 The Medium Term Financial Plan (MTFP) report considered by Council on 6<sup>th</sup> March 2018 included a service and financial overview. This was updated in terms of the Mid-Term Budget Statement verbal report given to Council in October 2018 and is updated further below.

### ***Economic outlook and prospects for Public Finances***

2.2 The announcement of both the provisional and final Revenue and Capital Settlements for 2019/20 has resulted in an overall cash increase of £3.124m in 2019/20 compared to 2018/19. This is mainly due to transfers in of specific grant (+£0.883m) and new responsibilities (+£0.723m) in respect of items such as the Social Care capital limits. There is an increase of just £1.5m in block grant after allowing for these changes. This needs to be set in the context of the forecast cost of the national living wage impact of £1.8m plus alone. This additional £1.5m was fully anticipated as part of the initial proposals included in the December report to Cabinet.

2.3 However, the current economic climate continues to be uncertain, and the Welsh Government stated in their draft budget document that this is one of the longest periods of sustained austerity in living memory. There is and will continue to be uncertainty over the UK's relationship with Europe and the

impact on Wales of “Brexit”. It is still the case that the Welsh budget will be expected to continue to reduce in real terms over the period to 2022/23.

- 2.4 Of course, the level of Welsh Government devolved Block Grant is not the only determinant of Welsh Government support for Local Authorities. It is likely that further delegation and transfer of powers and rights from Westminster to Cardiff, including full devolution of matters relating to business rates, together with further tax changing/raising powers, may impose greater or lesser financial risks to Welsh Government than is currently the case. There is also the fact that Welsh Government has to decide on its own cross-sectoral allocation of devolved funding to public services in Wales.
- 2.5 Whilst it is a relatively positive final settlement for 2019/20, it is unlikely that such a good settlement will be forthcoming in future years and, in addition to possible reductions in core funding, the Council also has a wide range of service and demographic pressures which will inevitably impact on demand for services. Equally clearly, there is a potential for further UK Government announcements to impact on costs borne by the Council, particularly in respect of any changes to taxation. The clear example in 2019/20 is of the changes to the National Living Wage, which will add around £1.8m to the Council’s annual costs.
- 2.6 As mentioned above, a further complicating factor over the period of the MTFP involves proposals to devolve tax varying powers from Westminster to the Welsh Government. Whilst this notionally impacts primarily on individual taxation, potential devolution of National Business Rates (NDR) has the potential to impact directly on Local Authority budgets and risk. Latest proposals, for example, are to devolve the cost of welfare provision in Wales to the Welsh Government with all the risk that might entail regarding cost movement.
- 2.7 In terms of core revenue funding, the final Revenue settlement issued by the Welsh Government in December 2018 gave a settlement level for 2019/20 only. There has been no indication beyond 2019/20. This leaves Authorities having to make their own assumptions regarding levels of Aggregate External Funding during the period of the Medium Term Financial Plan, based on an assessment of UK and Wales financial planning and announcements.
- 2.8 All this of course has to be set against a backdrop of significant global instability where events can impact significantly – and at short notice – on the UK economy and the overall UK economic outlook.
- 2.9 For the purposes of the planning assumptions, it is simply not possible to forecast with any certainty the level of funding that is likely to be received from Welsh Government on an annual basis over the period of the MTFP. Instead it is intended to forecast a range of potential funding scenarios, each of which will result in differing financial forecast for the Council over the period covered. The forecasts will be updated using the mid-term budget statement to Council each year to reflect the best information available on a rolling basis.

For the purposes of the MTFP, forecasts will be based around an assumption of a reduction of 0.0% in 2020/21 (the Welsh Government are indicating a reduction of 1%, but due to demographics Swansea's settlement tends to be slightly better than the all Wales average), and then a range of scenarios between a reduction of 1%, cash flat (0%) and an increase of 1%. This is a change from previous years when it has been considered extremely unlikely that there would be any form of cash increase.

Year	AEF Reduction @ 1% £'000	AEF Reduction @ 0% £'000	AEF <b>Increase</b> @ 1% £'000
2020/21*	0	0	0
2021/22	-3,200	0	3,200
2022/23	-3,200	0	3,200
<b>Cumulative</b>	<b>-6,400</b>	<b>0</b>	<b>6,400</b>

\* 2020/21 is a reduction of 0.0% across all scenarios in line with the Welsh Government indications.

Note that the above reductions are based on the final AEF for 2019/20 of £322.211m as announced in December 2018.

The above represents a spread in terms of potential overall reductions over the life of the MTFP, albeit a much narrower spread than past assumptions, which as stated previously will have to be updated on a regular basis.

- 2.10 During the timescale of the MTFP there are a significant number of events which could impact on some of the major assumptions we have made. These include:-
- Any voluntary or joint arrangements, including increased regionalisation, in lieu of compulsory Local Government reorganisation in Wales;
  - Wider events that could impact on the Global economic position;
  - The final exit package agreed by the UK Government in respect of "Brexit".

### **Support for Capital Programmes**

The final settlement indicated support for future General Fund Capital programme at a level of £12.514m for 2019/20, this is an increase of £2.172m compared to the provisional settlement. This increase is a result of the Welsh Government allocating an extra £100m over three years to the Capital Settlement. The three year allocation is tapered over the three years, with an extra £50m in 2018/19, reducing to an extra £30m in 2019/20 and finally an extra £20m in 2020/21. This support is through a mix of General Capital Grant and support for borrowing.

Planning assumptions for 2020/21, 2021/22 and 2022/23 are based on unchanged levels of support, which is in line with the indicative headline figure issued by the Welsh Government.

As reported elsewhere on this agenda in the Capital Budget & Programme 2018/19- 2023/24 Report, there is an ambitious capital investment programme which provides support for the newly approved Band B of the 21<sup>st</sup> Century Schools Programme and major capital schemes flowing from the Swansea Bay City Deal including the Digital Village £30m, Swansea Arena and Swansea Central City Centre Development £129m

The Swansea Bay City Region Deal is still due to attract substantial grant and loan funding support, which has yet to be formally approved and the capital programme 2018/19 – 2023/24 shall also require significant unsupported borrowing to be undertaken to enable completion.

- 2.11 The total estimated cost of the Band B schools programme envelope is £141.7m (excluding the potential aided sector project which is assumed to require no Council contribution). Of this total, £91m is from traditional capital funding, requiring (after allowance for realisable capital and other receipts) a net local funding requirement of £23.885m. The remaining £50m is proposed to be delivered through revenue funding (Mutual Investment Model), which would require no local capital funding contribution but incur an annual charge once the accommodation and facilities are completed. An equivalent local share of the capital cost would be £12.6m although the 25% local contribution would apply to the annual revenue charge.
- 2.12 The capital financing strategy underpinning the capital budget seeks to maximise grants, supported borrowing, contributions and capital receipts in order to minimise the need to borrow funds. The borrowing requirement identified to support the capital programme is significant and shall require substantial revenue support to service. The revenue implications of the borrowing are reported in the Revenue Budget elsewhere on this agenda. The revenue implications are considered affordable and sustainable over the cycle of the programme.
- 2.13 As indicated above, the position remains that should such capital receipts not materialise the Council will have no option but to consider reductions in spend, seek alternative sources of funding or, as a last resort, consider additional borrowing which shall place a further burden on revenue finances.
- 2.14 In the recent past, the Council has sought to minimise its external borrowing by the use of internal funds, which is entirely consistent with good Treasury Management policy given historic low interest rates on investments and avoiding the 'cost of carry'. Sustained internalisation of borrowing requirement and the significant funding required for the capital programme 2019/20 onwards and the depletion of Reserves and Provisions (including significant sums relating to equal pay settlements) means that externalisation of this debt has become inevitable. It is clear that the Council has an opportunity to progress this at a time when external borrowing rates are at an all-time low

and this strategy of externalising debt will continue to be undertaken in 2019/20 and beyond as opportunities arise.

- 2.15 It should be noted however, that even with borrowing rates as low as they are, externalising of borrowing is still likely to have a potentially negative impact on revenue finances going forward.
- 2.16 It remains the case that each year the Council sets aside a significant amount of money (c £14.4m 2017/18) called the Minimum Revenue Provision (MRP) towards the repayment of debt. This provision is in line with the Council's existing MRP Policy, which was reviewed (and changed) in 2018/19. This effective repayment will have to be taken into account when evaluating overall borrowing levels and the ability to service any additional borrowing requirement.
- 2.17 The additional capital investment identified above will attract significant grant funding (especially 21st Century Schools and Swansea City Region Deal), however the programme will still require a material unsupported borrowing to enable completion alongside the use of capital receipts as they are realised. Furthermore some schemes have the potential to provide additional revenue streams of property income, or, subject to agreement, in due course, with Welsh Government, retained elements of non-domestic rates or possibly tax increment financing as further powers devolve to Welsh Government and then on to local government.
- 2.18 Notwithstanding this scale of ambition, each major scheme will, as is always the case, be considered on the overall merits of each business case, both in capital cost, and revenue income streams where appropriate, and unsupported borrowing will be undertaken on a phased basis within the overall envelope for affordability which is considered over the medium to long term to be up to £180m, reduced from the previous £200m envelope, recognising the additional capital grant support received or due to be received from Welsh Government. .

### **3 Detailed Spending and Resources Forecast 2020/21 to 2022/23**

- 3.1 The Capital Budget report forecasts capital spending and resources in the period covered by the MTFP.
- 3.2 In terms of the Revenue Budget, and in the context of financial planning over the period of the MTFP, the overriding issue is likely to be the need to make significant ongoing savings in Service Expenditure in order to meet both projected reductions in core and specific funding from the Welsh Government together with known and anticipated spending pressures.
- 3.3 The following table represents the expected funding requirements (based on current policies and decisions) for the period of the MTFP:

## Projected spending pressures/funding deficiency 2020/21 – 2022/23

	Note	2020/21	2021/22	2022/23
		£'000	£'000	£'000
Future cost of pay awards	1			
- Non Teachers		3,600	7,200	10,800
- Teachers		2,400	4,800	7,200
National Living Wage – own pay bill	2	900	1,400	1,400
National Living Wage – contracts		1,000	2,000	3,000
Increase in Pension Costs	3	1,700	3,400	5,100
Increased Teachers Pension costs	4	2,100	2,100	2,100
Cumulative contract inflation	5	1,000	2,000	3,000
Capital charges – existing	6	1,750	1,750	1,750
Capital charges - new scheme aspirations	7	2,000	4,000	5,250
Capital charges – expected savings as a result of increased grants and thus reduced borrowing – general capital and Band B schools	7	-350	-650	-850
MRP review linked to capital programme	8	381	747	1,097
Use of Insurance Reserve	9	700	700	700
Demographic and Service pressures	10	3,000	6,000	9,000
Mid and West Wales Fire authority Levy	11	400	800	1,200
Council Tax Support Scheme	12	1,400	3,000	4,600
Agreed Service Pressures	13	2,947	5,857	8,019
<b>Total known pressures</b>		<b>24,928</b>	<b>45,104</b>	<b>63,366</b>
Aggregate External Finance reduction	14	0	0	0
<b>Total Savings Requirement</b>		<b>24,928</b>	<b>45,104</b>	<b>63,366</b>

Note:

1. *The pay award figures represent an average forecast increase of 2.0% for the period of the MTFP for non-teachers and teachers.*
2. *Assumed increases due to implementation of National Living Wage - will affect contract prices and lower end of own pay scale - national spinal point currently being reviewed.*
3. *The Year 3 costs arising from the triennial revaluation of the local government pension scheme effective from 1st April 2017. The assumption is an effective stepped 1% increase each year to overall costs, and this is now assumed to continue past the next revaluation.*
4. *The Teachers' Pension Scheme (TPS) increases in 2019/20 due to a reduction in the discount rate - TPS rises from 16.48% to an estimated 23%. This Council awaits confirmation that THERE WILL be a consequential arising from the reserve set aside to alleviate this pressure in England. The benefit of*



*releasing the reserve with a consequential for Swansea is estimated in the order of £3m for 2019-20.*

- 5. Reflects the assumed minimum cumulative effect of contract inflation.*
- 6. The 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.*
- 7. The initial additional estimated borrowing costs for the delivery of the major aspirational capital programme, and the estimated savings due to increased grants for general capital and Band B schools.*
- 8. The on-going increases associated with reviewing the MRP policy in line with the report to Council on 20<sup>th</sup> December 2018. The immediate baseline saving was taken in 2018-19 and the ongoing benefit reduces year on year (shown thus as a pressure)*
- 9. The 2017/18 budget report agreed an annual take from the insurance reserve for three years, this has now been further extended for three more years, after which this money can no longer be assumed available and alternative funding will need to be identified.*
- 10. Assumed Demographic and Service pressures mainly around Schools and Adult and Children's Services.*
- 11. Estimated Fire Authority Levy increase.*
- 12. Reflects the assumed cost of Council Tax Support Scheme costs based on Council Tax increases as a planning assumption only at this stage.*
- 13. The future year impact of service specific savings agreed as part of the 2019/20 budget report. (Mainly due to the impact of the one off Social Services grant due for 2019/20 only)*
- 14. Reflects the middle assumption that the local government finance settlement for future years will stabilise in cash at 0.0%.*

3.4 As stated, this forecast contains minimal provision for increases in net service costs, in particular there is no provision for :-

- a) Any increase in costs arising from decisions on Government taxation – most significantly increases arising from upward increases in landfill tax costs.
- b) Corporate costs in excess of budget provision in respect of issues relating to higher than assumed employee costs (higher than 2% pay awards), or bigger movements in minimum statutory wage.
- c) Any one off costs arising from changes to service delivery across the Council, including transformational change.
- d) Any general inflation provision relating to non-contractual issues.
- e) Any increased costs or reductions in income arising from ongoing changes to welfare reform, in particular the full introduction of Universal Credit during the lifetime of the MTFP.
- f) Any budget changes arising from further regionalisation of any services particularly where projected budget transfers may be in excess of current Swansea Council service budgets.
- g) Any increases in Capital financing charges beyond those allowed for which is dependent on the Council achieving a level of capital receipts as detailed within the Capital budget submitted for approval elsewhere on this agenda and is wholly dependent on decisions around potential

- externalising of internal borrowing.
- h) Future funding decisions in respect of protection for Social Services or Delegated Schools' budgets which may be specified by the Welsh Government in future budget settlements.
  - i) Any potential downward movement in service specific grants, some of which we have experienced at short notice in the past.

3.5 In addition the forecast only allows for a 1% potential increase in non-schools' employer superannuation rates, which will be based on a triennial valuation as at 31<sup>st</sup> March 2020. There is also likely to be ongoing impact on non-funded schemes including the Teachers' Pension Scheme at a future date.

3.6 Local Government Reform, much discussed over the past two years, remains very much in the offing although precise, alternative future proposals remain awaited. There will be further regional working required, which will become more systematic and mandatory. No account of any additional costs or savings resulting from any further regional working has been included in the forecast.

#### **4 Strategy to Address Future Savings Requirements: Sustainable Swansea – Fit for the Future**

4.1 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:

4.2

- *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.

4.2 It is equally clear that if the Council wishes to prioritise investment in priority services then the actions being taken under the Sustainable Swansea programme represent good practice irrespective of future savings requirements.

4.3 The Strategy was agreed by Cabinet and reported to Council in October 2013. The Delivery Programme was approved by Cabinet on 16<sup>th</sup> July 2015. It remains the Council's overarching approach to budget and medium term financial planning, to help deliver the well-being of future generations, and 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.

4.4 Since the July 2015 meeting of Cabinet we have:

- Continued to work on the delivery of the Savings Programme
- Commenced and delivered the first two phases of Service commissioning Reviews
- Identified our next phase of cross cutting reviews.

#### **Our Service Priorities for 2019/20 and the MTFP period**

4.5 Although the Council is currently focused on a plan to save an additional £69m plus over the period of the MTFP (since revised as per the December 2018 Budget Proposals Report to Cabinet), 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 just under £700m (excluding Housing Services (HRA)) and we spend around £1.6m a day on services to residents.

4.6 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 6 priorities and future plans for services (a refreshed Corporate Plan was agreed on 25<sup>th</sup> October 2018) to help deliver the well-being of future generations
- The core objectives of Sustainable Swansea – which embrace all we do
- The application of the budget principles – which guide our decision making
- The ongoing and sustained real terms reduction in external funding and the need to meet known budget pressures.

4.7 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 - to set out clearly our expectations on all services and relative priorities for funding in the context of the significant reductions that we face.

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

4.9 A statement of budget priorities and policy statements that flow from this is set out in **Appendix A**. 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.

4.10 Based on the statement of priorities and having regard to the “gearing effect” when considering savings, and now moving to an indicative four year saving/investment targets for each major block of services (to match the MTFP cycle), the suggested percentage reduction (as reported to Cabinet on 14<sup>th</sup> December 2018), is set out in the table below. This table is important at this stage only as it gives an indication of prioritisation of services, as currently adopted by Council, although it is clear that there are many combinations around Service expenditure reduction that would potentially achieve the same saving.

Service	Current Budget £'m	Percentage Reduction/Increase over 4 Years**	Amount Realised £'m	Actual change 18/19 1 year ^
Schools	147.0	-15%	-22.0	+2.4%
Rest of Education	20.8	-15%	-3.1	+1.4%
Social Care – Child & Families	36.1	-15%	-5.4	+2.5%
Social Care- Adults	75.0	-10%	-7.5	+2.5%
Poverty & Prevention*	6.4*	-15%	-1.0	+1.5%
Place	56.6	-30%	-17.0	+2.7%
Resources +	20.8	-15%	-3.1	-4.2%
<b>Total</b>	<b>362.7</b>		<b>-59.1</b>	

\* 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.

+ Resources is £41.9m less £21.1m Council Tax Reduction Scheme.

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

^ The actual change column reflects both budget reductions and pressures for one year only: the planning assumptions for future years reflect only reductions. In practice there are usually as many pressures funded and investment decisions made, as reductions, and consequently headline budgets move markedly less than the planning assumption would appear to imply.

- 4.11 This statement will form the basis of our future Medium Term Financial Plan, as well as individual service plans although no formal assumptions should be made around annual budget changes based on this MTFP.
- 4.12 It should be noted that the savings targets detailed above are for the period 2019/20 to 2022/23 and will need to be extended to 2023/24 as planning assumptions for that year become more predictable.
- 4.13 A statement of General Principles to be adopted for all Services together with a summary of specific service priorities is given at Appendix A to this report.

#### Potential Funding 2020/21 to 2022/23

- 4.14 The Revenue Budget report detailed elsewhere on this agenda identifies possible savings for the 2019/20 financial year. Some of these proposals will generate further savings in future years and so will contribute to the future years' savings requirement.
- 4.15 In addition there are a number of service specific savings proposals that are being considered – it should be noted that these have not yet gone out to consultation, but will do so at the appropriate time.
- 4.16 These are detailed in Appendix C, but are shown in summary below:

	20/21 £'000	21/22 £'000	22/23 £'000
<b>Future Year Impact of current (2019/20) proposals:</b>			
Resources	183	193	193
Poverty & Prevention	629	1,379	1,389
Education	1,160	1,941	2,908
Social Services	665	820	820
Place	1,633	3,083	4,264
Cross Cutting	2,005	2,327	2,367
	<b>6,275</b>	<b>9,743</b>	<b>11,941</b>
<b>Future Proposals to be Considered:</b>			
Resources	1,347	1,699	2,029
Poverty & Prevention	177	366	616
Education	110	604	824
Social Services	0	400	400
Place	1,669	3,278	5,387
Cross Cutting	1,740	1,866	2,047
	<b>5,043</b>	<b>8,213</b>	<b>11,303</b>
<b>Sub-total of Service Specific Savings (as per Appendix C)</b>	<b>11,318</b>	<b>17,956</b>	<b>23,244</b>
Schools*	5,353	9,992	14,765
<b>Total Savings</b>	<b>16,671</b>	<b>27,948</b>	<b>38,009</b>

\*Schools savings and pressures fall entirely to the delegated budgets and are shown separately as these are decisions for schools to take

- 4.17 In addition to the savings proposals above (and listed at appendix C), the Council is embarking on its next stage of budget reviews as part of the Sustainable Swansea Programme. This will involve a series of zero based budgeting reviews across a number of services. The aim of a zero based budgeting review is to start from a zero base and to focus on programmes and activities, questioning long-standing assumptions about the service. As this is still very early in the process savings from these reviews a general starting assumption of £2m new per annum will be included. It is expected that much more significant sums will be identified once the programme beds in and will also be the catalytic driver for next stage transformational change, helping deliver existing savings, and also ultimately provide some budget headroom for choices over future capital and revenue ambitions. Essentially to set a medium budget cycle in train in that is “ahead of rather than behind the curve”.
- 4.18 In addition to savings proposals, Council Tax levels must be considered as part of the MTFP. Budgeted gross council tax yield for Swansea for 2018/19 is £114,129,000, which we have rounded to £114 million. This remains the gross yield on Council Tax and it must be borne in mind that any Council Tax increases results in a corresponding increase in the local cost of the Council Tax Support Scheme, (which has been taken account of in the spending pressures above). No assumption about growth in the Council Tax base has been made, to remain prudent and err on the side of caution.
- 4.19 Policy decisions on the level of Council Tax will of course remain a matter for full Council to determine on an annual basis and it is always relatively challenging to set out a published range of Council Tax options years in advance, so what follows can only be an indicative assumption to give a plausible range of planning scenarios, to aid the overall understanding of the financial plan.

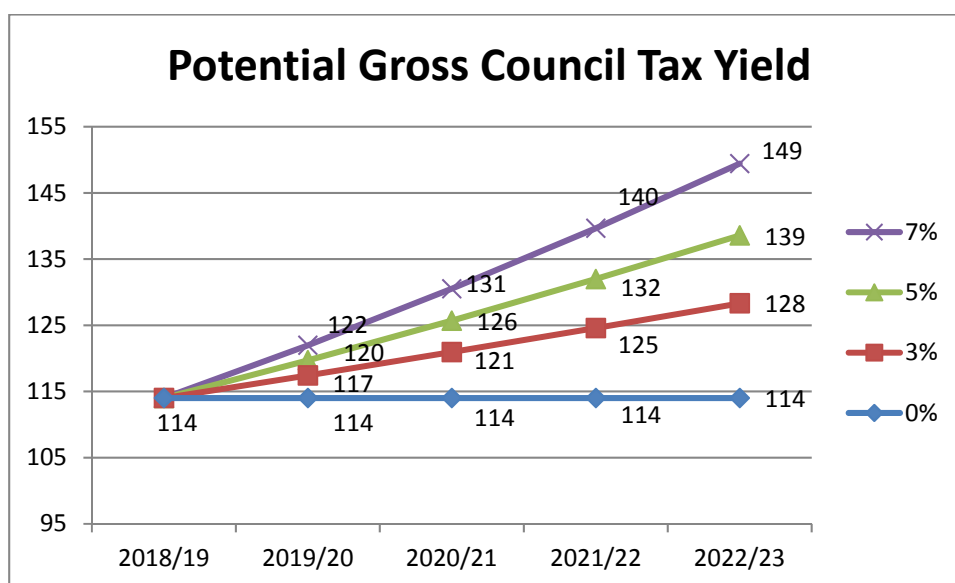
The following stylised planning assumptions are made:

- As in the past, there is no formal published upper limit to annual Council Tax increases but Welsh Government reserve powers and hints of action effectively placed a top end cap at 5% per annum. However, in setting the 2018/19 Council Tax a number of Councils actually set increases higher than 5%, and no action was taken by the Welsh Government. In addition to this, in its 2019/20 Standard Spending Assessment calculation, the Welsh Government have assumed a Council Tax rise of 6.7% for Swansea. As such this in effect places no upper limit for planning assumptions, however it is unrealistic to assume increases in excess of 7% (i.e. two percentage points above the previous upper limit) and so 7% is used as the maximum increase this Council could reasonably be expected to consider, in extremis.
- Given the sheer scale of spending reductions needed to set a future balanced budget it is considered equally implausible (albeit

theoretically not impossible) that Council Tax levels will be cut. This provides a lower limit of 0% per annum;

- To provide a middle ground option, 3% and 5% are also modelled below. The middle ground stylised assumption included for planning purposes is 5%.

The chart below demonstrates the different levels of Council Tax that could be expected under the different scenarios:



## 5 Summary of the Medium Term Financial Plan and Sustainable Swansea Strategy

5.1 The summary anticipated savings requirement over the period of the Medium Term Financial Plan is shown below and is extracted from the table shown at paragraph 3.3 of this report.

	<u>2020/21</u> <u>£'000</u>	<u>2021/22</u> <u>£'000</u>	<u>2022/23</u> <u>£'000</u>
<b><i>Cumulative budget shortfall</i></b>	<b>24,928</b>	<b>45,104</b>	<b>63,366</b>

5.2 The assumptions surrounding the compilation of these figures are given in detail within the table at paragraph 3.3 above and, in particular, are heavily dependent on the assumption of an ongoing reduction in AEF for each of the three years covered by the MTFP.

Clearly there is the risk of significant volatility in future years arising from:

- The cumulative effect of any variation in these assumptions in early years
- The uncertainty around assumptions surrounding the latter years of the forecast.

- 5.3 Notwithstanding that position, in addressing the ongoing budget deficit, the Council has a number of actions that it can take in terms of achieving a balanced budget. These include:
- Realisation of future years' budget savings arising out of previously agreed savings and 2019/20 consultation proposals
  - Additional Directorate/Service Area targeted savings as detailed in paragraph 4.16 of this report
  - Potential rises in Council Tax levels, as estimated in paragraph 4.18.
- 5.4 Bringing these items together, and assuming a balanced position for 2019/20, the following indicative position is envisaged:

	<u>2020/21</u> <u>£'000</u>	<u>2021/22</u> <u>£'000</u>	<u>2022/23</u> <u>£'000</u>
<b><i>Cumulative budget shortfall</i></b>	<b>24,928</b>	<b>45,104</b>	<b>63,366</b>
<b><i>Future year impact of current service savings proposals</i></b>	<b>-6,275</b>	<b>-9,743</b>	<b>-11,941</b>
<b><i>Future year proposals to be considered</i></b>	<b>-5,043</b>	<b>-8,213</b>	<b>-11,303</b>
<b><i>Schools savings</i></b>	<b>-5,353</b>	<b>-9,992</b>	<b>-14,765</b>
<b><i>Cumulative budget shortfall before Council Tax is taken into consideration</i></b>	<b>8,257</b>	<b>17,156</b>	<b>25,357</b>
<b><i>100% Council Tax Premia on both long term empty and second homes - if introduced</i></b>	<b>-1,500</b>	<b>-3,000</b>	<b>-3,000</b>
<b><i>Cumulative budget shortfall after Council Tax Premia introduced</i></b>	<b>6,757</b>	<b>14,156</b>	<b>22,359</b>
<b><i>Council Tax at stylised assumption of 5%</i></b>	<b>-6,000</b>	<b>-12,300</b>	<b>-19,000</b>
<b><i>Cumulative budget shortfall to be initially funded immediately by additional savings flowing from Zero Based Budgeting Reviews</i></b>	<b>757</b>	<b>1,856</b>	<b>3,359</b>

- 5.5 If the Zero Based Budgeting reviews achieve the annual assumption of a further new £2m per annum, as described in paragraph 4.17 above, then the effect on Council Tax would be as follows:

	<u>2020/21</u> <u>£'000</u>	<u>2021/22</u> <u>£'000</u>	<u>2022/23</u> <u>£'000</u>
<b><i>Cumulative budget shortfall after Council Tax Premia</i></b>	<b>6,757</b>	<b>14,156</b>	<b>22,359</b>
<b><i>Zero Based Budgeting assumption</i></b>	<b>-2,000</b>	<b>-4,000</b>	<b>-6,000</b>



<b><i>Cumulative budget shortfall to be funded by Council Tax</i></b>	<b>4,757</b>	<b>10,156</b>	<b>16,359</b>
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<b><i>This equates to Council Tax at</i></b>	<b>4.0%</b>	<b>4.4%</b>	<b>4.7%</b>
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In essence, for every £2m additional saving over and above that built into budget and MTFP produced by the Zero Based budget reviews, Council Tax will reduce by about 1.5%.

- 5.6 In terms of addressing the overall budget, there are further options available to the Council that at the moment are not firm enough to be able to be included in the table above, but nevertheless are being worked through and considered for future inclusion.
- 5.7 These options include reviewing services and funding provided to schools, potentially higher or lower than 5% increases to Council Tax, and the level of Council Tax premiums and discounts applied. To some extent decisions around these proposals will also be reliant on the annual settlements received from the Welsh Government.
- 5.8 The Council will, as previously agreed, deliver the bulk of this through the Sustainable Swansea programme. Details of the Programme, including progress to date, are shown at Appendix B to this report.

## **6 Medium Term Financial Planning for Schools**

- 6.1 The purpose of this section is to highlight the estimated effect of specific spending pressures and potential specific grant reductions on Schools' budgets in the light of funding assumptions detailed elsewhere in this report.
- 6.2 More specifically the Detailed Budget report to Council in respect of the 2019/20 Revenue Budget outlines the specific budget proposals for that year.
- 6.3 It is important to note that, given the size of the potential budget deficit facing the Council over the period of the MTFP, it is envisaged that Schools will continue to be required to make some contribution to savings targets during this period. However, the Council will continue to prioritise education funding and spending pressures and take into account the extent to which these can be met on annual resources available and competing spending needs.
- 6.4 The table shown in paragraph 4.10 of this report details the proposed indicative Directorate Savings targets for the period 2020/21 to 2022/23 in respect of the Revenue Budget.
- 6.5 It should be noted though that although the notional position for schools highlighted in paragraph 4.10 of this report, is a reduction of 15% over 4 years, a reduction of £22m, this level of reduction is not fully currently

assumed within the savings proposals. The single biggest uncertainty (£5m per annum) remains the lack of firm assurance from the UK government over funding employers' teachers' pension costs as a result of administered changes to the Teachers' Pension Scheme.

- 6.6 It is essential, however, that we continue to engage with Schools on a strategic review of provision as simply cutting budgets in real terms without otherwise doing so will simply not work.

## **7 Risks and Issues Implicit within the MTFP**

- 7.1 As stated throughout this report the financial risks facing the Council include:

- The volatility of settlements received from the Welsh Government from indicative planning stage to provisional settlement and the absence of any future year guidance on levels of likely settlement.
- Assumptions around the core funding support from the Welsh Government being incorrect, particularly if overstated.
- Ongoing reductions in specific grants which require equivalent reductions in expenditure, often at short notice, which are both uncertain and unpredictable in terms of timing.
- Delay or non-delivery of key savings strands which are essential to meet the projected service reductions identified in this report.
- Significant further changes to Central Government fiscal policy with regard to the Public Sector.
- The introduction of new legislation and statutory requirements which impose additional burdens on the Council.
- The ongoing practical impact of legislation such as the Wellbeing of Future Generations (Wales) Act 2015.

- 7.2 The table at paragraph 3.3 of this report outlining the potential budget shortfalls over the period of the MTFP contains a significant number of assumptions around future cost pressures, particularly with respect to pay awards, which may have a significant cumulative effect if not settled at the levels indicated. This has the potential to change significantly the projected deficit towards the end of the planning period.

- 7.3 The assumptions contained within the plan specifically assume:
- The Council will deliver a balanced revenue outturn in respect of the current and future financial years and, to that extent, no deficits are identified that would require additional funding in future years.
  - The Capital programme is constrained to the extent that the maximum additional debt charges that are incurred (which should be considered temporary until capital receipts are achieved) do not exceed the sums included in the MTFP. In particular that any additional borrowing requirements in respect of aspirational capital development will be met from additional income generation from such schemes or a combination of funding from the public and private sector that evidences financial sustainability.
  - The Council continues to achieve its ambitious savings targets.

7.4 It is assumed that there will be substantive change to the structure of service delivery, including additional regionalisation of services. It is however far too early to financially quantify and describe those changes so they are explicitly excluded at present.

## **8 Use of Reserves**

8.1 The purpose of this section is to highlight the current planned use of General Reserves to support the 2019/20 Revenue Budget and to outline the relationships between known risks and earmarked reserves and its effect on planning assumptions. An analysis of the current position is given in paragraphs 8.3 to 8.8 below.

8.2 Conclusions and recommendations in respect of reserves usage are given in paragraph 8.9 below.

8.3 The current 2018/19 Revenue Budget was set with a planned one-off emergency use in relation to education specific grants reducing or ceasing. This is budgeted to be replaced in 2019/20.

8.4 In terms of planning assumptions there is no assumption of ongoing use of or availability of General Reserves in 2019/20 or beyond.

8.5 Whilst the Council maintains a number of specific reserves they are not factored into planning assumptions because they are either ring-fenced under statute or scheme of delegation (e.g. Schools' delegated reserves), or they are earmarked to meet known liabilities.

8.6 In October 2018 Council received and approved a report which re-allocated earmarked reserves based on known changes to the risk profile of the Council and it is anticipated that a similar report, probably for inclusion in the mid-year budget statement, will be taken on an annual basis.

8.7 Allowing this consideration outside of the annual budget process and after previous year outturn is known will give elected Members better opportunity to reflect on the level of General and earmarked reserves in line with the guidance detailed in paragraph 8.10 below.

8.8 In addition various sections highlighted throughout this report refer to significant ongoing risk around current activities.

8.9 It remains the position that until these significant risks are fully mitigated then any additional planned use of earmarked reserves to support general revenue budget deficits would be inappropriate.

8.10 On 12<sup>th</sup> January 2016 the Welsh Government issued guidance to Local Authority Members on matters to be taken into consideration when scrutinising the level of Local Authority Reserves held at any point in time. This has been circulated to all Members and any recommendation relating to

the holding or release of reserves will be undertaken with reference to the principles underpinning best practice as issued by the Chartered Institute of Public Finance and Accountancy and this guidance.

## **9 Legal and Equalities Implications**

### **Legal Implications**

9.1 There are no legal implications arising from this report.

### **Equality and Engagement Implications**

9.2 The Council is subject to the Public Sector Equality Duty (Wales) and must, in the exercise of their functions, have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.

Our Equality Impact Assessment process ensures that we have paid due regard to the above.

9.3 The budget reductions implicit in the 2018/19 approved budget were subject to the corporate and appropriate Equality Impact Assessment process, which was considered as part of the overall budget process.

9.4 Where additional budget savings requirements are identified as part of the 2019/20 and MTFP budget processes they will again be subject to the equality impact assessment process (including relevant consultation and engagement) as part of the budget considerations for those financial years.

**Background Papers:** None

### **Appendices:**

Appendix A Statement of Budget Principles and Service Budget Priorities

Appendix B Transformation & Change Strategic Framework

Appendix C Savings Proposals

**Statement of Budget Principles and Service Budget priorities**

**GENERAL PRINCIPLES FOR ALL SERVICES**

1. 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**

2. 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**

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

<b>Transformation</b>	<p>All service must transform through a fundamental review of purpose, however services are commissioned, to:</p> <ul style="list-style-type: none"> <li>• deliver better outcomes</li> <li>• develop a sustainable delivery model, fit for the future</li> <li>• reduce costs and secure value for money</li> </ul>
<b>Efficiency</b>	<p>All services must continue to strive for efficiency, in particular:</p> <ul style="list-style-type: none"> <li>• reduce management and other overheads</li> </ul>

	<ul style="list-style-type: none"> <li>• maximise opportunities for increasing income from charges, trading and external sources</li> <li>• reduce the cost of purchasing supplies and services</li> <li>• work with others to achieve better outcomes</li> <li>• look for opportunities for residents or community groups to take or share responsibility for services</li> </ul>
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#### 4. **STATEMENT OF BUDGET PRIORITIES: SCHOOLS AND EDUCATION**

Education is continuing to deliver a “one education budget” strategy across delegated and non-delegated budgets. Whilst recognising the relative priority given to Education (and Social Services), further significant savings cannot be made without real-time reductions in the Schools Delegated Budget over the coming years.

Moreover, further significant cuts in the remaining non delegated education budgets will have a direct impact on areas of pupil specific support and further reduce the support that can be provided to schools from the department against a context of increasing demands and expectations.

At the same time, greater focus is being given to the regional delivery of services, with increasing numbers of services being delivered via regional arrangements in the coming years. At present it is not clear what the full financial impact of such changes will be, though Swansea will continue to be robust in its presentations to the regional consortia and Welsh Government about our needs.

A further move towards a fundamentally different relationship between schools and the local authority is required. The future model for Education provision includes:

- Radically changing the way support for pupils is provided – more flexible earlier intervention and support, as local as possible
- A consistent approach to support the needs of all pupils through a continuum of support
- Integrating and aligning services with Social Services and other agencies such as Health
- Working more closely with communities, recognising the role of schools at the heart of their communities, seeking to minimise transport costs and, wherever feasible, co-locate other services on school sites to aid sustainability (where revenue and capital funding streams are at least sufficient to cover the costs involved).

We will deliver this through:

- Coherent revenue and capital strategies
- Optimising the level of delegation of funding and responsibilities to schools to allow the greatest flexibility in the use of the available resources
- Supporting earlier intervention and support for pupils:

- Reducing the need for formal statements
- Providing increasingly targeted specialist support, reflecting the findings of the independent behaviour review
- Building capacity in mainstream educational provision
- Empowering & facilitating more collaborative school to school support
- Ensuring delivery of Out of County places for specialist provision are commissioned jointly with other services to seek to maximise economies of scale.
- Delivery of significant financial savings through a continuing coherent 'one education budget' strategy:
  - Retaining an absolute core level of statutory and regulatory provision at the centre
  - Ensuring a full recovery of the costs of any support provided to schools above this level and providing the minimum level of Council funding required to fully access the remaining available specific grants
  - Ceasing financial contributions to support the few remaining areas of discretionary educational provision.

## **5. STATEMENT OF BUDGET PRIORITIES: SOCIAL SERVICES**

### **Social Services- Child & Families**

No significant policy changes are proposed in Child and Family Services.

We will maintain the current Safe LAC Reduction Strategy to reduce the number of looked after children and achieve the planned savings and service improvements.

There will be an increasing expectation of evidencing impact of early intervention and prevention services being more closely aligned to support families and children earlier, to lessen the need for greater intervention later.

### **Social Services – Adult Social Care**

Cabinet have agreed a new Adult Services Model, which supports the service changes that will be needed to deliver improvements in experience and performance, and also to deliver the significant savings required in the medium term.

This model outlines how we will focus on the following objectives:

- Better prevention
- Better early help
- A new approach to assessment
- Improved cost effectiveness
- Working together better
- Keeping people safe.

Underpinning these principles is the need to build trusting relationships with those that we work with, improve communication and work co-productively to design and deliver services and interventions.

Further, we will be finalising and then implementing the outcomes of the Commissioning Reviews for: Day Care Services, Residential Care Services and Domiciliary Care Services and devising the Learning Disability, Physical Disability and Mental Health Commissioning Strategies. These are the Council's regular process for consistently reviewing service provision and comparing with other services to ensure value for money and improvements in service delivery.

## **Social Services – Poverty & Prevention**

We have agreed a comprehensive Tackling Poverty Strategy, which was extensively reviewed in 2017 to ensure it is meeting its aims. The overarching themes are:

- Empowering local people through involvement and participation
- Changing cultures to reflect that tackling poverty is everyone's business
- Targeting resources to maximise access to opportunity and prosperity.

We will be adopting the following principles to this work:

- A whole Public Services Board and whole Council approach.
- Building resilience, social capital and social networks.
- Involvement and participation of service users.
- Implementing 'what works' in future delivery.

We have also revised our Prevention Strategy, which has been consulted upon in 2017 and outlines our approach in this important area. Our vision is to **'....secure better outcomes and better manage demand through preventative approaches'**.

The principles we will adopt as Swansea's optimum model for preventative activity are:

- A whole Public Services Board and whole Council approach;
- Making every conversation count;
- Holistic universal and early intervention services;
- A culture where all services are acting at every point to de-escalate need and build on strengths;
- Adopting strength based approaches using the strengths of individuals, families and communities;
- Supporting independence at all stages, with different levels of interventions offered;
- Building resilience, social capital and social networks;
- Delivery partners have confidence in the approach;
- Making evidence based investment decisions of what reduces demand;
- Learning about 'what works' is fundamental to future delivery.



## **6. STATEMENT OF BUDGET PRIORITIES: PLACE SERVICES**

The Place-based services will continue to face significant challenges to meet its continued reduction in budgets although recognition has been given to the fact that these services have faced significant recent cuts and directly impact on the environment and communities the Council serves, so it is more about working smarter and leaner. The main areas affected are as follows:

- Introductions of the actions arising out of the previous commissioning reviews and new cross cutting opportunities including services in the community and integrated transport
- Embed the transition of leisure services following its transfer to Freedom leisure
- Maximise commercial opportunities and income generation for services and assets
- Seek opportunities for community involvement in the delivery of services including parks
- Invest where necessary to maintain vital services including replacement fleet and key service areas
- Continue to prioritise key corporate priorities including the regeneration of the City Centre and delivery of the city deal.
- Work within the affordability of the housing revenue account to deliver more council homes and the Welsh Housing Quality Standard for our council tenants.
- Maximise the opportunities brought by modernising terms and condition across the council
- Seek to deliver on the councils' homelessness strategy recently approved by council
- Seek to maximise the success of grant bids maximising the beneficial use of council resources

## **7. STATEMENT OF BUDGET PRIORITIES: RESOURCES**

The Resources Directorate will continue to deliver high quality and cost effective core services, supporting frontline service delivery and achieve better outcomes for our residents, customers and Visitors.

The Resources directorate supports the political and managerial leadership of the council to set the strategic direction and enable the organisation to deliver it, responding to external challenges including financial pressures and changes in the operating environment.

To be able deliver the above our focus must be to:

- Manage demand for central support services by ensuring the workforce has the right skills for the future, particularly managers
- Focus only on the critical functions of the corporate centre such as governance, financial control, core HR advice and commercial capability and stop doing other things

- Look for opportunities for shared service and collaboration models with other organisations and partners, in order to maintain support services as efficiently as possible
- Radically change our approach to customer contact and engagement, to channel shift to digital channels where appropriate and reduce costs where possible
- Consolidate and reduce the cost of all common support functions across the Council, such as financial processes, ICT, business support
- Maintain overall investment in ICT, on a business case basis, to support the transformation agenda, including on-line self-service, agile and mobile working and direct service innovation such as telecare
- To continue to evolve the services as the operating environment changes to ensure we can be agile and responsive to change.



## Transformation & Change Strategic Framework

### Sustainable Swansea – Fit for the Future Programme

#### 1. Definition

*Sustainable Swansea – Fit for the Future* is the Council's transformation and change programme. The original framework was agreed by Council in 2013 and implementation of projects began in 2014. Although the programme is closely aligned to the MTFP and annual budget, its scope is much wider including areas such as building a 'digital first' approach and developing the Council's culture and its workforce.

#### 2. How the Programme Supports Strategic Objectives

The Corporate Plan *Delivering a Successful & Sustainable Swansea* sets out the Council's well-being objectives, addressing present and future challenges. The plan also describes how our work contributes to the seven national well-being goals<sup>1</sup> outlined in the Well-being of Future Generations (Wales) Act.

The Sustainable Swansea programme contributes to the whole Corporate Plan but mainly delivers against the Transformation & Future Council objective.

Examples include:

Well-Being Objective	Sustainable Swansea Contribution
<b><i>Safeguarding</i></b> people from harm – so that our citizens are free from harm and exploitation	<ul style="list-style-type: none"> <li>▪ Delivering digital solutions which join up information and services to both support and protect citizens</li> <li>▪ Training and development of the whole workforce and Councillors which includes safeguarding</li> </ul>
<b><i>Improving Education &amp; Skills</i></b> – so that everyone in Swansea gains the skills and qualifications they need to succeed in life.	<ul style="list-style-type: none"> <li>▪ A Digital Strategy for Swansea schools which supports the Digital Competence Framework</li> <li>▪ A Digital Strategy for the Council which supports communities, so people grow digital skills and feel confident using digital channels at any age</li> </ul>

<sup>1</sup> The National Goals are: A Prosperous Wales; A Resilient Wales; A Healthier Wales; A More Equal Wales; A Wales of More Cohesive Communities; A Wales of Vibrant Culture and Thriving Welsh Language; A Globally Responsible Wales.

<b>Well-Being Objective</b>	<b>Sustainable Swansea Contribution</b>
<p><i>Transforming our <b>Economy &amp; Infrastructure</b></i> – so that Swansea has a thriving mixed use City Centre and a local economy that will support the prosperity of our citizens</p>	<ul style="list-style-type: none"> <li>▪ A joined-up capital programme that supports the 21<sup>st</sup> Century Schools, building of new homes and City Centre development</li> <li>▪ A Digital Strategy that develops Swansea as a Smart City for both residents and tourism</li> </ul>
<p><i><b>Tackling Poverty</b></i> – so that every person in Swansea can achieve his or her potential</p>	<ul style="list-style-type: none"> <li>▪ A Digital Inclusion Strategy in line with the Welsh Government’s Digital Inclusion Framework, helping people access services and support more widely, not just those provided by the Council</li> </ul>
<p><i>Maintaining and enhancing Swansea’s <b>Natural Resources and Biodiversity</b></i> – so that we maintain and enhance biodiversity, reduce our carbon footprint, improve our knowledge and understanding of our natural environment and benefit health and well-being</p>	<ul style="list-style-type: none"> <li>▪ Improving overall efficiency and reducing the Council’s carbon footprint through agile and flexible working. This has a range of outcomes for example: Reduced use of transport, less paper, less office space</li> <li>▪ Factoring biodiversity into service reviews</li> </ul>
<p><i><b>Transformation &amp; Future Council</b> development</i> – so that we and the services that we provide are sustainable and fit for the future</p>	<ul style="list-style-type: none"> <li>▪ Transformation of the whole Council through a targeted programme of reviews at service, Directorate and organisation levels</li> <li>▪ Changing the culture of the Council so it can meet future challenges, for example being more entrepreneurial and commercial, developing shared services and partnerships</li> <li>▪ Building and developing the workforce for the future with training and leadership programmes, exploring new opportunities for staff through partners and succession planning, traineeships and apprentices</li> <li>▪ Involving communities in change and service outcomes through co-production</li> <li>▪ Underpinning all of the above with a strategy around ‘digital first’ for both the Council and the City as a whole, in line with the Welsh Government’s Digital Wales Framework</li> <li>▪ Building the Council’s data capability to inform long term decision-making and service delivery</li> </ul>

In addition, the programme has adopted an approach in line with sustainable development principles by:

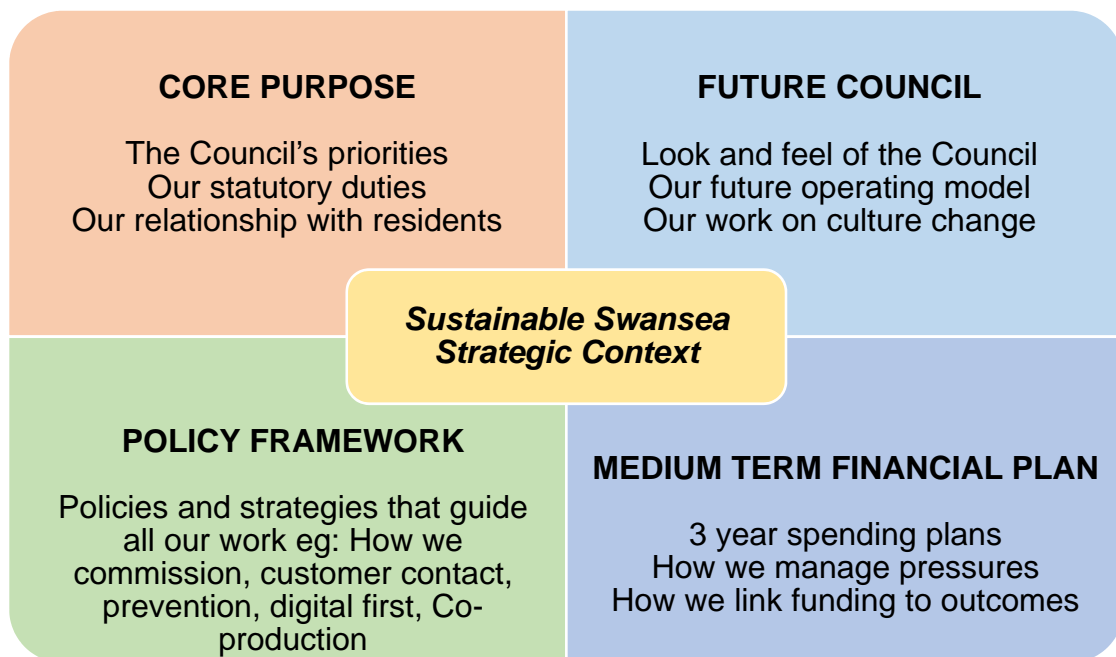
- Looking ahead to the medium and long-term challenges
- Preventing problems from occurring or from getting worse
- Ensuring our objectives do not contradict each other and complement those of other public bodies
- Working in partnership with others
- Involving local people.

The Council also links with regulators in the transformation and change of services, for example: Wales Audit Office, Future Generations Commissioner, Older Person's Commissioner, Children's Commissioner, Welsh Language Commissioner, Information Commissioner's Office, and the Ombudsman.

### 3. Programme Strategic Framework

The *Sustainable Swansea – Fit for the Future* programme is governed within a strategic framework.

- a. **The Model below highlights the strategic context for the programme**, i.e. that all these components influence short, medium and long term decision-making within the programme:



- b. **Twelve Principles** guide the Transformation Reviews. The transformation component is the largest and most complex area of the programme. These principles help to guide scoping, reviewing and options appraisals:
- i. Everything is included when scoping in order to maximise benefits
  - ii. Increase income opportunities
  - iii. It must cost less

- iv. Different models of delivery must be explored – research from other Councils, other sectors and internationally
  - v. Provide a clear evidence base for any recommendations informed by data
  - vi. Involve, engage and where appropriate co-produce changes with residents and businesses
  - vii. Options should support those at risk
  - viii. Stop 'red tape'
  - ix. Aim for full cost recovery but not through internal re-charging
  - x. Demonstrate cross Council improvements in efficiency
  - xi. Ensure everyone has a role to play in changes and takes personal responsibility
  - xii. Deliver sustainable outcomes in the longer term in line with the Future Generations Framework.
- c. In its simplest form, the programme has **three key objectives**: To transform services in ways which will deliver both financial sustainability and good outcomes for residents and businesses in Swansea. In doing this we will engage or co-produce alongside staff and communities and increase our efficiency.



- d. **Continually challenge and ask questions** – particularly ‘why?’ For example:
- i. What will be the core purpose of the Council in 2050 and why do we think that?
  - ii. How will services have changed by 2050? What would have stopped, reduced, transferred to the community, been protected or seen investment and why do we think that?
  - iii. How radical are we prepared to be with regard to prevention and why?
  - iv. What role will Swansea play in partnerships and shared services and why?
- e. **Deliver change in line with the Council’s Values and Principles**

Values	Principles
People Focus	Sustainability
Working Together	Prevention
Innovation	Partnerships

#### 4. Implementation Plan

##### Progress to Date

Since the Programme’s creation four years ago, approximately £70 million has been achieved, through Transformation and other cost reduction projects.

The programme in 2017-18 focused on three priorities:

- **Transformation:** Taking all services through **Commissioning Reviews**, much of which are now complete or in implementation. These were very much service based however, alongside these the Council started four **cross-cutting reviews** where multiple services came together to improve outcomes for residents and businesses, two examples being integrated transportation, and delivering services in the community.
- **Digital:** Enabling both the **workforce** and citizen **access channels** through new technology. The digital strategy aims to embed a ‘digital first’ approach, whilst also ensuring access to traditional channels for the most vulnerable. The strategy also delivers a digital skills programme to residents, so people can grow their confidence in using technology and take-up new online services
- **Future Council:** Ensuring the Council has a workforce with the right skills for the future as well as exploring opportunities for partnerships and service collaboration.

Good progress has been made delivering the programme, with the Commissioning Reviews in particular delivering step change and new ways of working across Council services. Table 1 below highlights where Commissioning Reviews are complete or in implementation. Examples of key outcomes and impact includes:

- Achieving a reduction in Business Support functions by removing duplication and streamlining processes across all Directorates. Over the life of the Business Support work it is estimated the Council has saved £3.6m
- Delivering commercial opportunities within the Civic buildings by developing a more modern, commercial, sustainable and social space for staff and visitors
- A significant increase in income generation by increasing fees and charges to 5%, both to meet demand and to bring the Council in line with other authorities and organisations
- The Waste Service increased recycling rates, which reduced residual waste at the five sites to 2,200 tonnes in 2017/18, down from over 11,000 in 2015/16, which is around an 80% reduction. Waste changes are also supporting achievement of a 62% recycling target in 2018-19 – the Welsh Government target is 58%
- Delivered a new model around Leisure. The Council started a new partnership with Freedom Leisure on the 1st October 2018, which will bring investment and sustainability to these services for the future
- The Council is in the process of growing a sustainable workforce model through traineeship and apprenticeship schemes across the Council, e.g. Fifteen in Corporate Building Services in 2018-19 with a view to recruit a further twelve in 2019-20
- Gower Centres have widened their reach so that more young people and families attend on weekends, therefore offering a sustainable and more inclusive service in key tourism sites of Swansea
- MyClydach launched in October 2018 being the first Services in the Community Hub pilot delivered. This brings multiple services together into one place including virtual support
- Co-production has begun within Adults Services to help redesign services around direct payments and parent and carer groups. The corporate Co-Production Strategy is in development to expand this approach across more areas, in order increase resident and business involvement in the design of future services
- Launch of the commercial cleaning services pilot for vulnerable adults in their own homes, building on partnership working with the third sector such as the Red Cross and Age Cymru
- Delivery of new digital tools. Rollout of Skype for Business formed part of the agile working programme and enables staff and Councillors to use instant messaging, internet voice calls, video conferencing and virtual meetings. This new technology has enabled the Council to improve efficiency and effectiveness and will reduce travel time and expense claims.

#### Next Phase of the Programme

The new transformation activities that will deliver the savings proposals at Appendix C and wider MTFP are spread across **four key priority areas**:

- **Transforming the Council see table 1 below:** Delivering radical step change to the way the Council does business, through a programme of strategic and operational reviews over the coming four to five years:
  - Completing the final **Commissioning Reviews** for Housing and Alternative Learning Needs (ALN)
  - Continuing to **implement the recommendations of previously completed commissioning reviews**



- **Revisiting the options appraisal of previous commissioning reviews** - particularly where the 'transformed in-house' model was agreed - in order to explore whether additional options could be implemented
- Delivering on the year two programme of work for the four **Cross-Cutting Reviews** to: achieve an integrated approach to transportation; a new model for delivering services close to communities; capital investment in schools, housing and the City; and improving outcomes for the most vulnerable
- A new programme of **budget reviews**, particularly across non-statutory services, in order to explore new ways of working and pilot different models of delivery including stopping, reducing, sharing or transferring functions.
- **Enabling new ways of working through technology:** Delivering greater digital integration with partners particularly Social Care and Health; supporting and delivering on the digital vision for city centre regeneration; expanding digital channels to residents and business; further expanding use of cloud and digital developments / systems; continuing to embed and develop the 'digital first approach'; and continuing to develop the digital skills of both the workforce and residents
- **Ensuring the Council and its workforce are fit for the future:** Expanding apprentices and traineeships to build succession and skills; increasing training and development at all levels of the Council including leadership; continuing to deliver the organisational development changes including expansion of the innovation community; and focussing on equalities including ways to close the gender pay gap
- **Growing Swansea through capital investment:** Focusing on developing both the City and rural areas of Swansea through the new city centre development, building new sustainable homes and delivering the 21<sup>st</sup> century schools building programme.

Fig 1: Sustainable Swansea – Fit for the Future - Four Key Delivery Priorities



Table 1: Sustainable Swansea Four Year Transformation Programme aligned to the MTFP 2019-23

Area of Transformation	Commissioning Review (CR)	CR in implementation	Zero-based budget reviews	Cross-Cutting Reviews
<b>Social Services</b>				
Adult Services - Day Services		✓		
Adults Services - Residential Care		✓		
Adults Services - Mental Health, Physical Disabilities and Learning Disabilities		✓		
Family Support Continuum	Complete			
Gower Centres		✓		
Budget review of Family support including the integration between Youth Offending Service, Social Services and Poverty & Prevention			✓	
Budget Review of Employability including the integration between Poverty & Prevention, Social Services and parts of the Place Directorate			✓	
Budget review of commissioning, particularly the integration between Poverty & Prevention, Social Services, Education and Homelessness commissioning			✓	
Budget review of Flying Start / Play particularly the childcare element			✓	
Budget review of Partnerships particularly following feedback from the Scrutiny Inquiry with a focus on Poverty & Prevention and relevant corporate partnership working			✓	

Area of Transformation	Commissioning Review (CR)	CR in implementation	Zero-based budget reviews	Cross-Cutting Reviews
<b>Education</b>				
Catering		✓		
Alternative Learning Needs (ALN)		✓		
Budget review linking to the Business Support project with a focus on Schools ICT support, Capital planning and delivery, School Funding and Information Governors Unit			✓	
<b>Place</b>				
Corporate Building & Corporate Property <ul style="list-style-type: none"> <li>▪ Mobile Working part of Digital Programme</li> <li>▪ Asset Optimisation part of Capital Programme</li> </ul>		✓		
Waste Management	Complete			
Review of the Waste Strategy	New in 2019			
Parks and Cleansing		✓		
Budget review of grounds maintenance and parks			✓	
Leisure & Culture	Complete			
Regeneration and Planning		✓		

Area of Transformation	Commissioning Review (CR)	CR in implementation	Zero-based budget reviews	Cross-Cutting Reviews
Public Protection		✓		
Housing	New in 2018			
Car parking income review as part of City Centre strategy	New in 2019			
Budget review of street lighting			✓	
Budget review of coast and countryside maintenance			✓	
Budget review of culture, arts and museums			✓	
Budget review of environmental conservation			✓	
Budget review of tourism and events			✓	
Review public conveniences in light of the new Toilet Strategy	New in 2019			
Budget review of Pest Control			✓	
Budget review of Community and Economic Development			✓	
<b>Resources</b>				
Business Support including in the next phase: <ul style="list-style-type: none"> <li>▪ Business Support Hub implementation</li> <li>▪ PA/Management support review</li> <li>▪ Review of Freedom of Information and Subject Access Request resources and processes</li> </ul>		✓		

Area of Transformation	Commissioning Review (CR)	CR in implementation	Zero-based budget reviews	Cross-Cutting Reviews
Budget review of Communications & Marketing including integration across the Council, particularly marketing			✓	
Budget review of H&S and Wellbeing including integration across the Council particularly H&S training			✓	
Review of the Commercial and Procurement operating model to deliver integration with frontline services, finance and legal			✓	
Review of Digital & Transformation including: <ul style="list-style-type: none"> <li>▪ Enterprise Resource Planning (ERP)</li> <li>▪ Second phase of integration and rationalisation of ICT spend across the Council</li> <li>▪ Revised Digital Strategy</li> <li>▪ Transformation operating model</li> </ul>			✓	
Review of organisational development (OD) and learning including: <ul style="list-style-type: none"> <li>▪ Integration of training across the Council</li> <li>▪ Review of the OD Strategy</li> <li>▪ Innovation operating model</li> </ul>			✓	
Budget review of design/print including a review of the operating model			✓	
Budget review of Revenues and Benefits			✓	
Budget review of Democratic Services			✓	

Area of Transformation	Commissioning Review (CR)	CR in implementation	Zero-based budget reviews	Cross-Cutting Reviews
<b>Cross-Cutting Projects involving multiple Services across the Council</b>				
Services in the Community (including Libraries) – Lead sponsor Director of Place				✓
Integrated Transport Unit – Lead sponsor Director of Place				✓
Capital Programme – Lead sponsor Deputy Chief Executive <ul style="list-style-type: none"> <li>▪ Housing Development</li> <li>▪ City Deal and City Centre Development</li> <li>▪ 21<sup>st</sup> Century Schools</li> </ul>				✓
Outcomes for Citizens – Lead sponsor Director of Social Services <ul style="list-style-type: none"> <li>▪ Leading learners</li> <li>▪ Adult improvement programme</li> <li>▪ Information, Advice &amp; Assistance Framework (IAA)</li> <li>▪ Child and Family – Reclaiming Social Work Transformation</li> </ul>				✓

### Programme Governance and Monitoring Outcomes

Structured programme management is used to govern and manage *Sustainable Swansea – Fit for the Future*. Corporate Management Team (CMT) and Cabinet review progress monthly. The programme is sponsored by the Deputy Leader and led by the Chief Transformation Officer.

Risk management is a key activity at project, Service, Directorate, programme and Corporate levels and feeds into the Council's risk management framework.

The programme is also reviewed annually alongside budget setting with Cabinet in order to:

- Report on and close those projects that have delivered
- Monitor outcomes
- Incorporate changes from the internal and external environment, which may be either emerging or long term priorities that will impact the Council's sustainability
- Evaluate all projects and make appropriate changes, e.g. where legislation, new thinking / models, changes in the Corporate Plan or Local Well-being Plan, or changes from the external environment influence the original scope, therefore the project needs to change / morph
- Incorporate priorities emerging from annual budget discussions between Senior Management and Members, as well as any changes in the revised MTFP
- Review lessons learned with stakeholders (e.g. Welsh Audit Office (WAO), Welsh Government, partners and many other stakeholders) and incorporate learning into the next phase.

In addition, Scrutiny undertake pre-decision Scrutiny of any programme recommendations going before Cabinet. Scrutiny also review progress annually.



**APPENDIX C**

Director	Head of Service	2020/21 £'000	2021/22 £'000	2022/23 £'000	Saving Proposal
<b>Future Impact of 2019/20 Savings Proposals</b>					
Cross Cutting	Cross Cutting	2,005	2,327	2,367	Previously consulted upon savings
Education	Non Delegated	0	150	150	Bring forward relocation of EOTAS (out of school provision) to new centre
Education	Non Delegated	46	46	46	Devolve funding to schools for changes to regional improvement service, particularly curriculum support
Education	Non Delegated	40	40	40	Efficiency savings and joint working for SIMS/MIS Joint Working and broadband /licence costs
Education	Non Delegated	17	17	17	Implement new service model for ethnic minority achievement service in line with grant level received
Education	Non Delegated	32	32	32	Increase income to support Music Service
Education	Non Delegated	1,025	1,656	2,623	Schools to fund demographic and other cost pressures
Place	Corporate Property	75	75	75	New income from rental of office space in Civic Centre
Place	Corporate Property	200	650	900	Remodel community services
Place	Culture and Tourism	55	55	55	Efficiency savings and increased income at museums, galleries and theatre
Place	Culture and Tourism	92	92	92	Savings generated from transferring leisure centres
Place	Highways and Transportation	23	23	23	Charge for free car parks
Place	Highways and Transportation	0	0	25	Partial removal of school crossing patrols where alternative safety measures are in place e.g. Pelican Crossings
Place	Housing & Public Protection	100	200	200	Better use of resources through implementing the new homelessness strategy
Place	Housing & Public Protection	213	363	519	Increase to fees and charges and increased income generation activity across Bereavement Services, Registration Services, Building Control, Trading Standards, Food & Safety, Houses in Multiple Occupation Licensing and Housing Renewals
Place	Planning & City Regeneration	50	50	50	Increase Planning Applications Fee target
Place	Various	750	1,500	2,250	Income earning services to self-fund pay increase costs
Place	Waste Management and Parks	75	75	75	Explore partnership arrangements for Botanical Gardens
Resources	Resources	173	173	173	Cost savings for digital services
Resources	Resources	10	20	20	Review of costs of Welsh Translation Service
Social Services	Adult Services	500	500	500	Merge and reconfigure commissioning and procurement resources within poverty & prevention and social services
Social Services	Adult Services	165	320	320	New business support hub for education and social services
Social Services	Poverty & Prevention	20	60	60	Alignment of Early Intervention and Family Learning provision
Social Services	Poverty & Prevention	200	600	600	Create a single family support function following review outcome
Social Services	Poverty & Prevention	20	20	20	Direct licensing model with Duke of Edinburgh Wales in line with other authorities

Director	Head of Service	2020/21 £'000	2021/22 £'000	2022/23 £'000	Saving Proposal
Social Services	Poverty & Prevention	9	9	9	Efficiencies in joint commissioning arrangements in Disability Services
Social Services	Poverty & Prevention	85	85	85	Increase income and full cost recovery for adult and community learning
Social Services	Poverty & Prevention	10	10	10	Increase income from training delivered at Gower Activity Centres and the Life Long Learning Service
Social Services	Poverty & Prevention	200	200	200	Realignment of employability service to maximise efficiency of grant and management.
Social Services	Poverty & Prevention	0	250	250	Reduce third sector Change Fund (removing the open round grants)
Social Services	Poverty & Prevention	40	40	40	Relocation of Early Intervention Service to release grant funding from Flying Start and Families First to offset core spend
Social Services	Poverty & Prevention	15	15	15	Remodelling of Community Safety partnership funding arrangements
Social Services	Poverty & Prevention	10	20	30	Review contribution to VAWDASV (domestic abuse/violence) to achieve efficiencies via regional working and align with other funding streams
Social Services	Poverty & Prevention	20	70	70	Review Life Stages Team and alignment with other commissioning roles in Social Services
		<b>6,275</b>	<b>9,743</b>	<b>11,941</b>	<b>Total future impact of 2019/20 savings proposals</b>
<b>New Proposals from 2020/21</b>					
Cross Cutting	Cross Cutting	0	41	41	25% reduction Trade Union central facility time
Cross Cutting	Cross Cutting	888	973	1,154	Review of additional payments to staff
Cross Cutting	Cross Cutting	852	852	852	Sickness Reduction Measures which are cash releasing
Education	Non Delegated	10	20	30	Further assumed reductions in Education Improvement Grant matching funding requirements - undeliverable without change in WG position
Education	Non Delegated	0	250	250	Review of Out of County placements / delivery model - dependent on additional special school places (outcome of current consultation and identification of associated additional revenue funding).
Education	Non Delegated	100	100	120	Senior Management Review
Education	Non Delegated	0	234	424	Whole of Transport Review - implementation of charges for Post 16 Transport (around £300 to £350 per academic year with no means testing) - as part of wider corporate review led and to be scoped by Transportation
Place	Corporate Building Services	200	400	600	Reduce front line resources to general fund assets by reducing building maintenance budgets resulting in asset reduction closure (equivalent to 25% of buildings)
Place	Corporate Property Services	200	200	250	Additional income generated from the relating of released space in the Civic as a result of the agile programme
Place	Corporate Property Services	100	100	150	Additional income via existing investment properties and new property acquisitions
Place	Cross Cutting	50	100	100	Regionalisation savings (assuming future regional model for mandated services)
Place	Culture and Tourism	175	175	175	Additional Culture & Tourism savings to be found, particularly around Marketing and Tourism
Place	Directorate	468	1,623	3,282	Additional savings to be found within the Place Directorate

Director	Head of Service	2020/21 £'000	2021/22 £'000	2022/23 £'000	Saving Proposal
Place	Highways and Transportation	140	280	280	Construction of new Available Walking Routes to Schools - Education Budget. Improvements to routes allows withdrawal of school bus services for children who live within the statutory distance of their catchment school, but are unable to walk or cycle because of an 'unavailable walking route'.
Place	Highways and Transportation	250	250	250	CTU service become commercial operation within 2 year or externalise service
Place	Housing & Public Protection	86	100	100	Stop Renewal Area programme in Swansea when Sandfields Renewal Area status expires in 2019 and reduce private sector renewal activity. This will mean no further private sector house condition survey/renewal assessments are done and no further Council led area based private home improvement schemes can be implemented
Place	Waste Management and Parks	0	0	150	Develop the most cost effective way of collection and disposal of plastics
Place	Waste Management and Parks	0	50	50	Divert all other DIY material to Llansamlet and charge for disposal of specific materials
Resources	Various	198	198	198	Management review
Resources	Various	20	20	20	Mansion House income
Resources	Various	700	700	700	Renew review of insurance levels/reserves to continue saving 2 more years
Resources	Various	200	200	200	Review appetite for risk and excesses/reduce insurance cover across estate
Resources	Various	0	0	330	Savings from implementing Welsh Community Care Information System (WCCIS)
Resources	Various	229	581	581	Shared services / collaboration / regional working
Social Services	Adult Services	0	200	200	Reduce commissioning of high cost placements and deliver service in house - Explore the development of an in-house residential service for younger adults with complex needs. Savings introduced from year three
Social Services	Child & Family	0	200	200	Independent placements - Reduce current residential placements by 7 in 2018-19 (inclusive of 17/18 reduction) and a further 1 in 21/22
Social Services	Poverty & Prevention	42	81	81	EIS Reduction in investment in Early Years
Social Services	Poverty & Prevention	25	25	25	Gain economies of scale in Adult & Prosperity Service through 'Swansea Working'
Social Services	Poverty & Prevention	100	250	500	Integrated IAA Hub with P&P and C&F developments to a single front door.
Social Services	Poverty & Prevention	10	10	10	Reduce satellite youth clubs provision (Gendros, Montana, Morrision, St Thomas, Friendship House)
		<b>5,043</b>	<b>8,213</b>	<b>11,303</b>	<b>Total of new proposals from 2020/21</b>
		<b>11,318</b>	<b>17,956</b>	<b>23,244</b>	<b>Total of ALL service specific savings proposals</b>