



## Report of the Leader and Cabinet Member for Economy, Finance & Strategy

Cabinet – 21 January 2021

### Budget Proposals 2021/22 – 2025/26

<b>Purpose:</b>	To consider budget proposals for 2021/22 to 2025/26 as part of the Council's existing Budget Strategy.
<b>Policy Framework:</b>	Medium Term Financial Plan and Budget Strategy
<b>Consultation:</b>	Cabinet Members, Corporate Management Team, Legal, Finance, Access to Services
<b>Recommendation(s):</b>	It is recommended that Cabinet:  <ol style="list-style-type: none"><li>1) Approves the Budget proposals summarised in the report and detailed in Appendix B as the basis of consultation;</li><li>2) Adopts the updated budget future forecast as the starting planning premise for the new medium term financial plan, which will be considered by Council on 4<sup>th</sup> March 2021;</li><li>3) Agrees the approach to consultation and engagement with staff, trade unions, residents, partners and other interested parties set out in Section 7 of the report;</li><li>4) Receives a report on the outcome of the consultation and final budget proposals at its meeting on 18<sup>th</sup> February 2021.</li></ol>
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## 1. Introduction

- 1.1. This report updates Cabinet on its budget proposals for budget savings for consultation with residents, community groups and other stakeholders. It has full and due regard to our duties under the Well-being of Future Generations Act 2015.
- 1.2. *Sustainable Swansea – fit for the future* was approved by Council on 22 October 2013 and subsequently reviewed by Cabinet on 16<sup>th</sup> July 2015. Until 2020 it remained the Council's overarching approach to budget and medium term financial planning, to help deliver the well-being of future generations.
- 1.3. From 2013 to date, 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.
- 1.4. On 15<sup>th</sup> October 2020 Cabinet approved the new "From Recovery to Transformation" report detailing the "Swansea – Achieving Better Together, Transformation Strategy & Programme Framework 2022 – 2026". This will now inform and shape the budget process, ensuring the budget assists the strategic aims and outcomes of the framework.
- 1.5. In September 2019, the Chancellor of the Exchequer presented the Spending Round 2019 to Parliament. This was originally intended to be an in depth multi-year review of departmental spend, however due to the uncertainties surrounding Brexit, it became a one year only review. A full multi-year review was to follow in 2020, however because of the COVID-19 pandemic this has been delayed, and there was in fact just a further one-year review in November 2020.
- 1.6. Furthermore, also because of the pandemic, the UK Government announced that there would be no UK Government Autumn Budget. The Welsh Government then announced that their budget and settlement announcements would be late again this year, with the provisional settlement announced on 22<sup>nd</sup> December and the final settlement expected on 2<sup>nd</sup> March. This makes the budget process extremely challenging, compressed and uncertain to say the least. Equally, however, the now known broad funding increase for local government for 2021/22 is clearly helpful, although the information contained within the settlement makes it clear that the funding available for COVID-19 pressures is much reduced in 2021/22 and this will be a significant risk.
- 1.7. Now that we are approaching a second year of living with COVID-19 and indeed the implementation of post-Brexit, much will clearly hinge on the next UK wide budget and Comprehensive Spending Review in 2021, and

what funding flows to the Welsh Government, to ultimately flow to councils and other public bodies.

- 1.8. This report covers:
- A reminder of key elements of *Sustainable Swansea* and the new Transformation Strategy & Programme Framework 2022 – 2026.
  - An overview of service and budget priorities for the current and following three years
  - An update on the financial challenge facing the Council
  - The proposed savings programme, including specific proposals for 2021/22 and three future years, upon which we 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. **Background – *Sustainable Swansea – fit for the future and Swansea – Achieving Better***

- 2.1. The scale of the financial, demographic and sustainability challenge required the Council to continue to adopt a radically different approach to previous years. An approach that focused 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 was set out in *Sustainable Swansea – fit for the future*, our long-term plan for change, underpinned by our Innovation Programme.

- 2.2. The Sustainable Swansea 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 16<sup>th</sup> July 2015.

A major refresh undertaken in 2020 recognised that it has successfully delivered the bulk of £70m worth of savings asks, and enabled the Council to maintain services, performance levels and protect jobs during a period of austerity. However, there are now new challenges and opportunities arising from the new Local Government and Elections (Wales) Bill as well as a changing national political landscape and economic uncertainty including COVID-19 and post-Brexit risks.

- 2.3. Thus, in October 2020 Cabinet approved the new Swansea - Achieving Better Together Transformation Strategy and Programme Framework to strengthen the changes now needed as a result of current circumstances. The new programme builds on and strengthens the Sustainable Swansea

approach, and the strategic aims of Swansea – Achieving Better Together will now focus on:

- The core purpose of the Council
- Transforming services to be effective and efficient
- Greater collaboration with other Councils, organisations, community groups and residents, with a focus on regionalisation
- Balancing the budget for current and future years
- Greater and more meaningful engagements with our residents and community
- To meet the aspirations and targets within the Medium Term Financial Plan.

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

### **3. Our Service Priorities for 2021/22 and Beyond**

3.1. Although the Council is currently focused on its plan, as set out in the existing MTFP, to save around £55m over the next three years (before any AEF or Council Tax increases), 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 over £750m (excluding Housing Services (HRA)) and we spend just under £1.8m 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 6 priorities and future plans for services to help deliver the well-being of future generations
- The strategic aims of Swansea – Achieving Better Together – which embrace all that we do
- The application of budget principles – which guide decision making
- The ongoing and sustained real terms reduction in external funding and the need to meet known budget pressures.
- All set within the context of the current COVID-19 pandemic

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 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 £55m (since revised – see below) over three years were applied, for example, just to Place Services, the budget for this area would have to be almost cut in its entirety. Consequently, other areas such as Education and Social Care also need to face some relative real terms level of reduction

over the next three years, given the relative size of their budgets. Equally, however, if the level of funding for 2021-22 were to be sustained in every future year then these planning assumptions could be very fundamentally reshaped and savings asks reduced or possibly even eliminated.

- 3.5. 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 an absolute requirement that **all services** must transform and strive for maximum efficiency.

- 3.6. **Following the welcome uplift in funding received from the Welsh Government (£13m), it is envisaged that all directorates will receive an overall increase in cash budgets for next year of at least 3%.**
- 3.7. Planning assumptions over future year settlements, building on from this year's material uplift, will very significantly affect these existing planning assumptions. These assumptions are themselves heavily dependent upon the Comprehensive Spending Review, national government's overall approach to public spending, the Welsh Government's priorities and the consequences of Brexit, all of which substantially add to the risks facing future financial planning assumptions.

#### **4. Financial Update**

- 4.1. The financial update that follows needs to be in the context of the Medium Term Financial Plan (MTFP) approved by Council on 5<sup>th</sup> March 2020.
- 4.2. The indicative savings requirement for the 2021/22 budget and the existing MTFP for the two years, 2022/23 to 2023/24, has been updated and set out in Table 1 below. This table also includes the forecast for two further years, 2024/25 and 2025/26, as the MTFP now rolls forward one year, and is extended by one further year:
- 4.3. It should be emphasised that although there is still a requirement to make targeted savings across all Directorates to live within affordable budget limits, this is in the context of just under £90m being invested into services, **meaning that even with savings Directorate budgets will still grow overall by about £60m over 5 years.**

**Table 1 – Indicative Investment and Savings Requirement for  
2021/22 to 2025/26**

	Note	Budget	Medium Term Financial Plan			
		2021/22	2022/23	2023/24	2024/25	2025/26
		£'000	£'000	£'000	£'000	£'000
Future cost of pay awards	1					
- Non Teachers		1,900	3,800	5,700	7,700	9,700
- Teachers		2,300	3,700	5,200	6,600	8,100
National Living Wage – pay bill	2	0	400	800	1,200	1,600
National Living Wage – contracts		1,300	2,000	3,300	4,800	7,000
Increase in Pension Costs	3	0	0	2,100	4,200	6,300
Cumulative contract inflation	4	1,400	2,400	3,900	5,400	6,900
Capital charges – existing	5	0	0	0	0	0
Capital charges - new scheme aspirations	6	1,100	2,350	3,600	4,850	6,100
Capital charges – expected savings as a result of increased grants and so reduced borrowing – general capital and Band B schools	7	-300	-500	-500	-500	-500
MRP review linked to capital programme	8	366	716	1,053	1,377	1,687
Use of reserves to smooth capital charges impact	9	-3,000	0	-1,000	0	-2,000
Contingency	10	23	67	118	106	332
Covid Recovery - stretching the capital programme by further £20m	11	0	500	900	1,200	1,300
One-off funding for COVID-19	12	7,000	3,000	0	0	0
Rebase part of Resources (e.g. agile and remote working)	13	2,000	2,000	2,000	2,000	2,000
Reinstate temporary Use of Insurance Reserve	14	0	0	700	700	700
Demographic & Service pressures	15	3,000	6,000	9,000	12,000	15,000
Mid and West Wales Fire authority Levy ( <b>independently decided by the Fire Authority</b> )	16	350	750	1,150	1,650	2,150
Council Tax Support Scheme	17	3,000	4,200	5,400	6,900	8,400
MTFP Service pressures accepted	18	2,115	3,635	5,050	5,065	5,083
New service pressures accepted	18	7,439	8,169	8,319	8,469	8,669
Passed through AEF to Services	19	297	297	297	297	297
<b>Total known pressures</b>		<b>30,290</b>	<b>43,484</b>	<b>57,087</b>	<b>74,014</b>	<b>88,818</b>
Savings Requirement	20	-8,321	-12,474	-16,595	-23,745	-28,945
<b>Net Funding Requirement</b>		<b>21,969</b>	<b>31,010</b>	<b>40,492</b>	<b>50,269</b>	<b>59,873</b>
Aggregate External Finance increase	21	13,261	16,700	20,300	23,900	27,500
Council Tax increase (including premia and tax base increases)	22	8,708	14,310	20,192	26,369	32,373
<b>Total Resource Investment</b>		<b>21,969</b>	<b>31,010</b>	<b>40,492</b>	<b>50,269</b>	<b>59,873</b>

**Notes:**

1. *The pay award figures represent a forecast increase of 1% for the period of the MTFP for teachers and non-teachers, following the Chancellor's UK Spending Review and broad pay freeze.*
2. *Assumed increases due to implementation of National Living Wage - will affect contract prices and lower end of own pay scale.*
3. *The costs arising from the triennial revaluation of the local government pension scheme were included at an assumed 0% per annum. This has been revised to an expected 1.5% increase per annum.*
4. *Reflects the assumed minimum cumulative effect of contract inflation.*
5. *The additional estimated borrowing costs because of the current capital programme together with potential increases arising from externalisation of borrowing due to cashflow requirements.*
6. *The initial additional estimated borrowing costs for the delivery of the major aspirational capital programme.*
7. *Expected savings from increased grants from the Welsh Government both for general capital spend and for Band B schools. This will result in lower borrowing requirements and therefore lower borrowing costs.*
8. *The MRP policy was reviewed and agreed by Council at its meeting of 20<sup>th</sup> December 2018, this is the effect of the re-profiling, which should last for the term of the MTFP, having due regard to the scale of new borrowing. The net effect of both 6, 7 and 8 is, that taken in conjunction with sums in the Capital Equalisation Reserve, that there will be no net revenue cost pressure over the lifetime of this Council (i.e. before 2022).*
9. *Cabinet have prudently built up earmarked reserves to reduce the impact of increased capital charges in respect of new schemes, and targeted use of these reserves is now being built into the budget.*
10. *A small sum to be added to the contingency to allow for changes to (for example) levies not yet received.*
11. *An additional £20m can be spent on the capital programme as a response to the COVID-19 pandemic, as an aid to recovery. This shows the future revenue costs of that additional borrowing to invest.*
12. *It is expected that the impact of COVID-19 will continue for the next 18 months in terms of extra costs and lost income so additional local resources are being invested into services .*
13. *To rebase permanently some demand led pressures in Resources predominantly to enable other services to function remotely through expanded ICT provision and other support functions, as well as to address changes in approach within cross cutting agendas, which are no longer achievable due to external influences.*
14. *The 2017/18 budget report agreed an annual take from the insurance reserve on a temporary basis, after which the use of the reserve will need to be re-instated. This is now extended until 2022/23, which the Section 151 Officer considers reasonably prudent having due regard to the latest insurance valuation advice received.*
15. *Assumed Demographic and Service pressures mainly around Schools and Adult and Children's Services. This has been increased as a direct result of the COVID-19 Pandemic and the need to buy additional Personal Protection Equipment (PPE).*

16. *Estimated Fire Authority Levy increase – the final figure won't be known until February when the independent Fire Authority determines its levy requirement. Early indications are that the levy could rise by between 2% and 3%. Included above is the most likely scenario of around 2.5% for 2021/22, and thereafter. Cabinet may wish to note the Standard Spending Assessment funding for Fire services in this authority is £11.4m (2020/21), the actual levy is £13.7m.*
17. *The assumed cost of Council Tax Support Scheme costs based on Council Tax increases as a planning assumption only at this stage. This does include an increase of £1m for our 2020/21 experience to date and a further £2m for 2021/22 as a result of likely increased claim costs relating to the COVID-19 pandemic. This may be expected to stabilise and could reduce as the economy recovers*
18. *Individual service pressures accepted. Previously agreed pressures have reduced slightly since the published MTFP due to removing the increase to the contingency fund. This has instead been redirected to demographic and service pressures.*
19. *Specific funding for services transferred by the Welsh Government as part of the settlement figure in respect of teachers' pay.*
20. *The savings requirement of £28.945m shown in Table 2 is indicative of the scale of savings required and will be revised over time*
21. *Provisional guideline assumption for 2021/22 and future years, this assumption has been updated from the 2% included in the published MTFP to 3.9% in 2021/22 followed by a reduced 1% increase in future years, currently estimated as the most likely increase.*
22. *Current assumptions on Council Tax, premia and tax base increases.*

- 4.4. Fundamental central assumptions have been made in deriving this table. Most significant is a central assumption that future funding from Welsh Government increases by 1% per annum from 2022/23. This is considered by the Section 151 Officer to be a reasonably prudent assumption, and has been decreased from the 2% used in the MTFP approved by Council in March 2020. This reflects the expectation of a necessary rebalancing of the public sector as a whole at UK level post Brexit, post COVID and to repay the substantial borrowing undertaken to underpin the support to the whole country, which will have to be paid for by future generations of service users and taxpayers.
- 4.5. It is therefore essential that we have visibility of likely future multi- year budget settlements at the earliest possible opportunity to enable us to sensibly plan for the longer term and have due regard to the wellbeing of future generations.
- 4.6. Based on the statement of priorities and having regard to the “gearing effect” when considering savings, the suggested indicative percentage reduction remains as agreed **last year** and is set out in Table 2 below (and Appendix B) for longer term “worst case” planning purposes, which of course may not come to pass at all if one off settlements continue to be much more generous, as they have been in the most recent years :



**Table 2 – Indicative Targets – Longer term worst case scenario**

<b>Service</b>	<b>Percentage Reduction/ Increase over 4 Years at constant prices*</b>	<b>Previous Planning Assumption</b>	<b>Actual change 20/21 1 year ^</b>
Schools	-15%	0%	+6.5%
Education (excluding Schools)	-15%	-15%	+7.1%
Social Care – Child & Families	-15%	-15%	+4.2%
Social Care- Adults	-10%	-20%	+3.5%
Place	-30%	-50%	+3.6%
Resources \$	-15%	-50%	+4.2%

*\*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 so headline budgets move markedly less than the planning assumption would appear to imply.*

*\$ Resources included a £1.8m one off reserves uplift and £1m for CTRS costs which have been restated to show underlying increase. CTRS is so material it will in future be reported separately to the core resources headline increase.*

- 4.7. 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** . This is possible because of the significant increase in funding set out in the Welsh Government’s 2020/21 and 2021/22 budget proposals. Whilst this first phase of consultation necessarily focuses on what may need to be reduced and re-prioritised, the main budget proposals in February and March, once the final settlement is known, and initial consultation is concluded, will show overall substantial net cash investment into all services. Some of this is permanent and some temporary; both reflect the changed nature of wide ranging service delivery in a COVID and, hopefully, post-COVID environment.

- 4.8. The MTFP has been extended by one year to include 2025/26. This is to enable the peak of the capital programme to be fully covered and funded over the life of the MTFP, aligning with our obligations, as part of the wellbeing of future generations, to consider the longer term impact of decisions due to be taken now .
- 4.9. The compounding effect of the key AEF assumption is substantial over the life of the MTFP (the savings ask could be higher, lower, or even fully eliminated) as illustrated below:

**Table 3 – Impact of Welsh Government Funding on future scope for investment into services**

<b>Increase in future year block grant finance assumptions in the MTFP</b>	<b>Reduction (Increase) in gap in one year £'000</b>	<b>Positive (negative) Impact over life of MTFP £'000</b>
-3% - worst case scenario	(14,000)	(54,700)
0% - possible scenario	(3,400)	(14,200)
1% - current assumption as per the above Table 2	0	0
3.9% - continued at 2021/22 headline uplift	10,300	44,100
5.5% - continued at 2020/21 headline uplift	15,900	67,000

*In the above table a positive figure indicates sums available to invest into services.*

- 4.10. 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 formal 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. Education will continue to be the biggest area of funding within the council's revenue budget and will continue to be a key priority for the Council.
- 4.11. 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 curtailed. **It is likely however that substantial top up capital grants will continue to be released by Welsh Government and this Council will actively pursue opportunities to access all such grants as well as utilising its own borrowing powers to directly make substantial local capital investments into services, including schools.**

4.12. The current year allocation in respect of both of the above elements is just under £13.0m. This is because the Welsh Government increased the total sum available to Authorities by £100m over 3 years, but reducing subsequently each year. Further one off increases and top up capital grants do remain likely beyond those set out in the provisional settlement but, disappointingly, the provisional allocation for 2021/22 for Swansea has reduced to £12.762m. This allocation is only just sufficient to meet the current budgets allocations to cover core commitments as in Table 4 below:

**Table 4 – Capital Allocations for 2021/22 assuming spend maintained**

	£'m
Provisional Welsh Government funding	12.762
Allocation - property and highways maintenance	-7.375
Disabled Facilities Grants & Improvement Grants	-5.200
<b>Additional</b>	<b>0.187</b>

- 4.13. 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.
- 4.14. Any rise in borrowing has a potentially detrimental effect on future revenue funding, and thus on future generations, and has to be fully planned for.
- 4.15. 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.
- 4.16. The original approved four-year capital programme assumes additional unsupported borrowing of some £115m and a longer term overall envelope of up to £180m. This has been materially added to in year with, most significantly, the approval of the Swansea Bay Field Hospital.
- 4.17. In particular, and in direct contrast, further detailed consideration will also have to be given in respect of likely future commitments to, and funding options for, the second phase of the proposed Schools improvement programme, continued investment in the City Centre and the funding requirements that will flow from the Swansea Bay City Region proposals. All of which will benefit not only current, but also future generations. The impacts of new additional unsupported borrowing are reflected in Table 1 above, now reflecting the expected peak by around 2025-26, **and includes adding a further £20m to the overall capital envelope .**

- 4.18. Given the level of overall revenue resources and the scale of the new investment ask over the extended medium term for new capital and the benefits to be felt by future generations the Section 151 officer considered it appropriate to review all the options around changing the Council's Minimum Revenue Provision policy both for past and future investment. Council agreed a report on this on 20<sup>th</sup> December 2018 and the impact of the recommendations is reflected in Table 1 above. This has reduced the revenue costs in the medium term and increases them longer term, but crucially better match the future costs to the future benefits of that investment. This is entirely in line with the principles of the Well-being of Future Generations Act.
- 4.19. Furthermore, it should be noted that appropriate use of the Capital Equalisation Reserve will be recommended for use in determining the final shape of the overall budget in line with the principles agreed by previous Cabinet and Council decisions. This is designed to ensure that any immediate short term costs of financing Swansea Central Phase 1 is neutralised and thus has no direct impact on other service revenue budgets as more time is taken to adjust to the overall scale of capital spending. This allows a more gradual move towards the longer term financing costs as fully set out in the medium term financial plan.
- 4.20. Any capital receipts from the sale of Schools' assets and estates will become part of the Council Capital Budget. It is currently predicted that the Schools' capital programme will continue to be funded by the Council as a whole.
- 4.21. Finally, it is appropriate to note that HM Treasury did, on 26 November 2020, remove the 1% penalty premium on new local authority PWLB borrowing subject to certain criteria (primarily around not investing for yield and return). £90m was previously borrowed before the premium was first introduced saving £900k per annum in the base budget for the next approximate 50 years. The remaining £90m of the initial £180m will thus once again avoid the premium. 1% saved on the future £90m will enable future capital financing charge to be reduced by £900k per annum and this has been reflected in the MTFP assumptions.

## **5. Budget Proposals**

- 5.1. Budget proposals to meet the current savings requirement for 2021/22 consist of the following elements:
- Funding fully passported in the settlement
  - Service Pressures funded
  - Continuation and development of service delivery savings
  - Commissioning review identified savings
  - Other legacy elements of the *Sustainable Swansea* Delivery Programme approved by Cabinet particularly around cross cutting themes

- A substantial cash increase in Schools Delegated Budgets to meet cost pressures faced and continue to enhance mainstream capacity within schools.
- **Substantial additional** targeted new cash investment into Resources, Education and Place
- Recommendations from the Reshaping Board

Each of these categories are addressed below.

***Funding changes in the settlement passport through to services***

- 5.2. It has been the practice in previous years to passport through to services any specific sums provided for in the settlement. This intention remains in place.

***Further Service pressures***

- 5.3. As well as the continuation of funding for specific service pressures that were agreed as part of the 2020/21 budget setting process, the following additional pressures have been identified in respect of:

- Software licences
- Various corporate pressures following implementation of new strategies and plans
- Removal of some previously agreed savings proposals that have proven undeliverable.
- Social Services additional pressures mainly around inflationary cost of placements
- COVID-19 short-term pressures

***Service investment***

- 5.4. Material service investment requirements have been identified in respect of:

- Education service pressures, particularly in respect of the implications of the Additional Learning Needs Act.
- Social care demography
- Schools funding
- Local priorities and choices
- Responding to continuing and immediate COVID-19 pressures both on a temporary and longer term basis
- Responding to the immediate economic consequences of COVID-19 and the need for a strong civic lead in the future economic recovery of the city

## **Service Savings**

- 5.5. Service savings requirements have been identified in respect of 2021/22 resulting in the summarised position as set out in Table 5 below. The detailed list of savings is set out in Appendix B:

**Table 5 – Review of Planned Savings 2021/22**

	<b>Proposed savings 2021/22 £'000</b>
Cross Cutting Items	0
Place	1,544
Social Services (including Poverty & Prevention)	4,806
Education (excluding schools)*	1,086
Resources	885
<b>Sub-total (per Appendix B)</b>	<b>8,321</b>
Schools*	0
<b>Total</b>	<b>8,321</b>

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

## **Budget Strategy**

- 5.6. As set out in section 2 above, through *Sustainable Swansea*, and now *Swansea – Achieving Better Together*, 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 previously 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 years.

Outcomes of those commissioning reviews are expected on a recurring basis for future years and, where specific outcomes require, full consultation and engagement take place before any actions are delivered.

It is anticipated, in line with the principles previously established, 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 *Sustainable Swansea – Fit for the Future* programme has been reviewed annually, and it is expected that the same will apply for Swansea – Achieving Better Together, in parallel with budget setting in order to:

- Report on and close those projects that have delivered
- 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
- 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. Audit Wales, Welsh Government, offices of the Commissioners, the Public Sector Ombudsmen for Wales, partners and many other stakeholders) and incorporate learning into the next phase.

2020/21 marks the final year of implementation of the Sustainable Swansea programme, from 2021/22 implementation will be under the new Swansea – Achieving Better Together Transformation Strategy and Programme Framework.

5.8. These proposals can be alternatively summarised in Table 6 as follows:

**Table 6 – Budget Proposals 2021/22**

	<b>Savings</b>	<b>Savings 2021/22 £m</b>
<i>Savings type</i>	Workforce	364
	Other spending	3,078
	Income	1,248
	Mixed (workforce, income, other)	3,631
	<b>Savings Total as per Appendix B</b>	<b>8,321</b>

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 delivery tracker with progress updated monthly by the Head of Service accountable for delivery.

***Schools’ Delegated Budgets***

5.10. The indicative savings assessments set out in Table 2 at 4.6 above and Appendix A, 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 longer-term level of schools' delegated budgets. However, the settlement for 2021/22 does mean there can be clear prioritised investment, once again into schools.

- 5.11. Budget movements can be viewed in two ways:
- Actual cash increases in levels of funding provided to Schools
  - Real terms changes in Schools funding, taking into account known spending needs, as previously advised and shared with the Schools Budget Forum.

- 5.12. For current consultation purposes, it is intended that there will be a proposed 3.3% (£5.255m) cash increase in headline schools funding (which includes Pupil Deprivation Grant and Post 16 funding, which come separately from Welsh Government and appear themselves likely to be frozen).

This is more than sufficient to meet the additional cost and demographic pressures facing schools, particularly teachers' pay and cost increases in relation to service level agreements. This is clear from the budget pressures set out in Table 7 below that fall directly to the delegated schools budget and further supports the enhancement of mainstream provision within schools as part of the existing education budget strategy.

- 5.13. There are other budget pressures detailed in Table 1 in Section 4.3 that will fall directly to the non-delegated budget, even though these relate to externally driven and demand led areas of statutory provision for pupils (such as additional learning needs (ALN) and home to school transport).

**Table 7 – Main Pressures on Schools Delegated Budgets**

<b>Identified budget pressure in schools</b>	<b>2021/22</b>
	<b>£'000</b>
Schools pay award	2,300
Teachers Pay Grant passported by Welsh Government	297
Demographic and other cost pressures, and enhancement of mainstream capacity within schools (e.g. free school meals, ALN and Service Level Agreements)	2,658
<b>Total</b>	<b>5,255</b>

<b>Change from Council budget as proposed</b>	<b>2021/22</b>
	<b>£'000</b>
Additional funding for pressures and continued investment in schools	5,255
Net savings required from schools	0
<b>Total net budget increase proposed - schools</b>	<b>5,255</b>



*In addition, a £639k top slice will be made for each of the next ten years from the capital equalisation reserve to ensure that a centrally funded ICT replenishment reserve is available to schools for their likely future infrastructure needs This is provided on top of the cash uplift above .*

*The schools delegated budget includes PDG and Post 16 grant. We await final clarification on these but they currently look likely to be frozen. The cash uplift on core council funded school budgets excluding PDG and Post 16 is 3.5% not 3.3%*

- 5.14. Education will continue to be biggest area of funding within the council's revenue budget and will continue to be a key priority for the council.

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 12<sup>th</sup> January 2021. This will be presented back to Cabinet as part of the overall consultation report.

For the past few years, there has been no ministerial funding guarantee for schools explicit in the provisional revenue settlements. The provisional settlement does make clear however that the cost pressures in schools are definitively recognised by Welsh Government and were a material factor in the overall settlement.

Recognising previous policy commitments, it is also intended that any other specific cash increase for schools in the final settlement, once confirmed, will be passported through as targeted additional investment in schools delegated budgets.

It is recognised that even with that potential level of investment that schools, like all services, face significant real pressures in the medium to longer term, when the costs of the COVID-19 response nationally will need to be repaid.

### **Total Proposals**

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

**Table 8 – Proposals for 2021/22**

<b>Savings</b>	<b>Net Savings £m</b>
Service Savings (as per Appendix B)	8,321
Schools savings	0
Council tax income (Including assumptions on premia, and an increased tax base)	8,708
Aggregate External Finance increase	13,261

Council pressures	-30,290
<b>Net Pressures less Funding</b>	<b>0</b>

- 5.16. The detailed proposals are set out in **Appendix B**. 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***

- 5.17. The current total of all savings proposals for 2021/22 is £8.321m, against the current total requirement of £30.290m (including Schools pressures). The current assumption is that the gap will be funded by an overall increase in Council Tax yield (which includes growth in tax base and the premium applied to empty and second homes) of £8.708m and Aggregate External Finance increase of £13.261m. Work will continue over the next two months up to Cabinet in February 2021 to assess a range of 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
- Some services may need additional investment, which will be decided following consultation.
- Final Council Tax levels may be lower (or higher) than the assumptions in this report.

- 5.18. This assessment will include a review of other service savings and our policy on Council Tax. It should be noted that the Welsh Government has made an assumption of Council Tax increases of 5.1% in its standard spending assessment.

## **6. 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 2021/22 and beyond:

- 6.2. These currently include:

- a) **Equal pay claims:** The risk at the present time is now very 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 possible that, based on previous experience, the Council could suffer from a reduction in specific grants received from Welsh Government and other public bodies. Initial indications from the provisional settlement are, however, that the risk is very limited in 2021/22. Most specific grants announcements to date appear broadly frozen. There are significant uplifts to both Social Care Workforce Grant (25%) and Housing Support Grant (30%) which taken together should be worth at least an additional £5m to the Council for next year. One off Covid related grant and funding support for next year remains very uncertain with relatively modest sums announced to date for the whole of Wales local government. It remains the case that where grant reductions do occur they will require specific service cost reductions in addition to any savings targets identified above.
- d) **The savings proposals** for 2021/22 and beyond are predicated on clear and decisive action being taken to deliver wide-scale transformational change longer term. This will require robust implementation, monitoring, review and if necessary enforcement of savings proposals.
- e) **The timing** of Welsh Government announcements on the detail of both core and specific grants means that uncertainty will remain until after the final period of the budget setting process.
- f) **Ongoing forecast service overspending** in 2020/21, which may or may not continue into 2021/22, taking into account the very disruptive nature of COVID-19 and the potential disruption post Brexit .
- g) **General Reserves** remain at the lowest advisable level as advised by the Council's 151 officer and are not therefore able to meet any large current or future service overspends.
- h) **Costs of staffing reductions** could continue to be significant. All future departure costs will fall to individual service revenue accounts, including education, for schools departures.
- i) **Overspending risks in 2021/22** are material because future savings are considered to be equally challenging to both agree and deliver, as notwithstanding this year's settlement, savings continue to need to be made, and require ever more difficult decisions and more wide scale transformational change
- j) **Local Government and Elections (Wales) Bill** – the Welsh Government has proposed legislative changes around Local Government and Elections. There are likely to be financial implications arising from this, however until more detail and implementation timescales are known this can only remain a risk for future consideration.

- k) **Future Year Settlements** - there has been no indication from the Welsh Government on future year settlements – there is a significant risk that the increase for 2021/22 may not be capable of being fully sustained in future settlements.
- l) **COVID-19** – there is a real risk that the impact of the COVID-19 pandemic will continue into 2021/22 and beyond, at a level higher than that anticipated. There is also a risk that the ongoing effects of the pandemic could continue to affect national and indeed global finances.
- m) **COVID-19 Grants** – the Welsh Government has reduced dramatically the grant funding available for the impact of COVID-19 in 2021/22 compared to that available in 2020/21. This is a huge risk as things are unlikely to return to normal overnight. The scale is that of those grants confirmed there is a drop from nearly £600m available in 2020/21 to just £13m in 2021/22 at an all Wales level for local government.
- n) **Brexit** – even post Brexit the impact of Brexit on the UK and how that will affect the funding available for Local Government is still largely unknown.

## 7. 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 MTFP.
- Consultation on shaping the Council's Wellbeing Objectives, as set out in the Corporate Plan 2018-22.

7.2. In terms of Council priorities, consultation has been taken into account in deciding the new key priorities (Well-being Objectives and Improvement Objectives) which are as follows:-

- **Safeguarding** people from harm – so that our citizens are free from harm and exploitation.
- Improving **Education and Skills** - so that everyone in Swansea gains the skills and qualifications they need to succeed in life.
- Transforming our **Economy and Infrastructure** – so that Swansea has a thriving mixed use City Centre and a local economy that will support the prosperity of our citizens.
- **Tackling Poverty** – so that every person in Swansea can achieve their potential.
- Maintaining and enhancing Swansea's **Natural Resources and Biodiversity** – 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.

- **Transformation and Future Council** development – so that we and the services we provide are sustainable and fit for the future.

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, or where there is more detailed consultation, following the findings of our commissioning reviews.

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 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 by those making the decision as to budget.
- The requirements and principles embedded in the Well-being of Future Generations (Wales) Act, which underpin everything that the Council does.

7.6. Details of the settlement dates from Welsh Government detailed elsewhere in this report highlight 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.
- **Consultation with groups**. We will promote the survey to a number of Groups including children and young people, groups with protected characteristics and organisations such as Community Councils.
- **Staff engagement**. The survey will be promoted to staff.
- **Unions**. The Leader, Cabinet Members and Officers are due to meet Union representatives to discuss the proposals.

- **Schools.** Officers and Members will consult headteachers 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. 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 2020/21. 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 2021/22 and to look for other ways of avoiding compulsory redundancies if at all possible.

- 8.2. However, a modest reduction in posts in 2021/22 may still be unavoidable, given that around 45% of the Council's overall costs relate to employees (significantly more in some Service Areas).

- 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 cover is necessary*
- *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*
- *Encouraging staff to work flexibly e.g.: 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, those employed in business support functions.

Those employed in schools are also considered to be at risk but staffing decisions are a matter for individual school governing bodies to determine. However, the overall proposed cash increase to the delegated budget is more than sufficient to meet any cost pressures and consequently any staffing losses will not be a result of budget proposals but will reflect local factors, particularly pupil numbers and/or changing ALN needs within a particular school.

The latest indicative estimate of the impact of the current proposals on total staffing numbers for 2021/22 is set out in Table 9 (shown as Full Time Equivalent (FTEs)).

**Table 9 – Impact of Savings Proposals on FTEs 2021/22**

		<b>FTEs</b>
<b>Service Saving Proposals</b>		
	Resources	9
	Place	6
	Education (excluding Schools)	0
	Social Services	0
	<b>Total</b>	<b>15</b>

		<b>FTEs</b>
<b>Indicative schools figure *</b>		
	Schools	0
	<b>Total</b>	<b>0</b>

**\* Decisions will be taken by individual school bodies.**

- 8.5. The Council will need to consult with Trade Unions about the 2021/22 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 could potentially affect less than 99 employees and that the period of consultation will be for a minimum of 30 days.
- 8.6. The Council is committed to continue to work closely with Trade Unions to minimise the number of compulsory redundancies, as it always is. This year especially, however, noting the relatively small scale of numbers of overall posts still remaining at some risk and the potential in the settlement headroom to consider significant investment into services before the budget proposals are finalised, the scope for new redeployment opportunities and absolute minimisation of the final risk to any individual role is greatly enhanced.
- 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. 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 provisional and final settlements



**Table 10 – Budget Timetable**

12 <sup>th</sup> January 2021	Initial consultation with Schools starts	Annual meeting with Headteachers on 12 <sup>th</sup> January, School Budget Forum met on 6 <sup>th</sup> January
20 <sup>th</sup> January 2021	<b>Scrutiny</b>	Review of Cabinet proposals
21 <sup>st</sup> January 2021	<b>Cabinet</b>	Approves budget proposals for consultation
22 <sup>nd</sup> January 2021	Rapid consultation commences	A variety of means will be used including specific consultation with <ul style="list-style-type: none"> <li>• Staff</li> <li>• Trade Unions</li> <li>• Young People</li> <li>• Taxpayers</li> <li>• The public</li> </ul>
15 <sup>th</sup> February 2021	Consultation closes	Headline report will be produced on initial consultation responses
17 <sup>th</sup> February 2021	<b>Scrutiny</b>	Review of Cabinet proposals
18 <sup>th</sup> February 2021	<b>Cabinet</b>	Reviews initial consultation feedback and recommends Budget
4 <sup>th</sup> March 2021	<b>Council</b>	Reviews final consultation feedback, approves Budget and sets Council Tax

## 10. Next Steps – Swansea – Achieving Better Together

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

- *The core purpose of the Council*
- *Transforming services to be effective and efficient*
- *Greater collaboration with other Councils, organisations, community groups and residents, with a focus on regionalisation*
- *Balancing the budget for current and future years*
- *Greater and more meaningful engagements with our residents and community*
- *To meet the aspirations and targets within the Medium Term Financial Plan.*

This ambition is set out in *Swansea – Achieving Better Together*.

10.2. Uncertainty of future funding, especially following the COVID-19 pandemic and post-Brexit, means a range of spending options need to be considered including risks of substantial real terms cuts but equally

opportunities for real terms increase if overall public spending is materially increased. Spending decisions cannot take place without a fundamental review of the future purpose and shape of the Council to 2021 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 the ambitious Capital Development programme with known increases in associated future borrowing costs
- To ultimately deliver the well-being of future generations.

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. Equality and Engagement Implications**

- 11.1. 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.

- 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 form 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 2020 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. Financial Implications**

12.1. This report sets out the Council's projected budget position for 2021/22 and sets out proposals to meet the projected pressures currently estimated at £30.290m.

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 2020/21 budget is monitored each month by the Corporate Management Team and the Reshaping and Budget Strategy Board, with quarterly reports to Cabinet.

## **13. 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. The Council is under a duty to set a balanced budget by 11<sup>th</sup> March 2021.

13.2. Any budget 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 – Statement of Medium Term Budget Priorities

Appendix B – Savings Proposals 2021/22

## 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 *Swansea – Achieving Better Together* 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 4 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. *Swansea – Achieving Better Together* 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 has also adopted a revised Corporate Plan that sets out six top well-being priorities for the future:

- *Safeguarding people from harm*
- *Improving Education & Skills*
- *Transforming our Economy & Infrastructure*
- *Tackling Poverty*
- *Maintaining and enhancing Swansea's Natural Resources and Biodiversity*
- *Transformation & Future Council development*

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.

## FINANCIAL CONTEXT

We currently estimate that the Council will face pressures of around £60m over the next 5 years, on a central scenario of future grant increases at 1% after 2021/22. The actual amount could vary significantly given the uncertainty over the comprehensive Spending Review now due in 2021, Brexit and COVID-19 impacts. This requires not only a strategy for transformation, which is set out in *Swansea – Achieving Better Together*, but also a clear statement of the expected impact 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 funding requirement of £60m over five years was applied, for example, just to the Resources Directorate (excluding Council Tax Reduction Scheme) and the Place Directorate, the budgets for these areas would be mostly cut in their entirety. Consequently, other areas such as Education and Social Care also need to face some level of reprioritisation over the next 5 years given the relative size of their budgets.

## 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 that 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:

<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>• remodel 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> <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>

**APPENDIX B**

<b>Director</b>	<b>Head of Service Budget</b>	<b>Savings Proposal</b>	<b>Savings 2021/22 £'000</b>
Education	Non-Delegated	Further reductions in regional improvement service, consistent with funding settlements	16
Education	Non-Delegated	ALN Transport - review of spread and nature of STF provision / review of assessment / processes to better promote independent travel and integrate provision with Social Services(unless savings are taken corporately and base budget reduced)	50
Education	Non-Delegated	School Meal prices: further increases to reflect increased costs (previously agreed and to be reviewed each year	80
Education	Non-Delegated	Home to School Transport - savings identified as part of wider focused scrutiny of nature and spread of educational provision (unless savings are taken corporately and base budget reduced)	100
Education	Non-Delegated	Catering and Cleaning services - Continuing work towards full cost recovery through SLAs where schools are receiving additional funding to reflect such cost pressures	100
Education	Non-Delegated	Reducing pupil mobility - bringing forward future managed savings through new EOTAS model	150
Education	Non-Delegated	Review of Out of County placements / delivery model - dependent on additional special school places	250
Education	Non-Delegated	Review of demand and service pressures with need for still tighter mitigation actions to replace the savings targets within the existing MTFP which are undeliverable to the timescale required	340
		<b>Education</b>	<b>1,086</b>
Place	Corporate Property Services	Reduce maintenance on a number of building assets assuming a number will have transferred (or would need to be closed)	50
Place	Highways and Transportation	CTU service become commercial operation within 2 year or externalise service	250
Place	Housing & Public Protection	Introduce paid for advice and approval service for businesses across Food Safety and Trading Standards functions (	10
Place	Housing & Public Protection	Proceeds of Crime (POCA) income to be reinvested in core Trading Standards Service	10
Place	Housing & Public Protection	Stop Renewal Area programme in Swansea when Sandfields Renewal Area status expires in 2019 and reduce private sector renewal activity. This means no further private sector house condition assessments are done and no further Council led area based private home improvement schemes can be implemented	14
Place	Housing & Public Protection	Registrars - Set a fee to 'save the date' for future weddings. Proposal to charge £25 per booking. Average of 1000 marriages a year. Increase income target accordingly.	25

Director	Head of Service Budget	Savings Proposal	Savings 2021/22 £'000
Place	Housing & Public Protection	Above inflation (5%) increase to fees and charges and increased income generation activity across Bereavement Services, Registration Services, Building Control, Trading Standards, Food & Safety, HMO licensing and Housing Renewals. Main risk in Burials and Registrations is terms of remaining competitive	150
Place	Planning & City Regeneration	Reduce net cost of Natural Environment services by generating additional income and maximise use of grants	25
Place	Waste Management & Parks	Increase graffiti charges by 200% over 4 years to ensure full cost recovery	10
Place		Savings Temporarily funded by one-off COVID money	1,000
		<b>Place</b>	<b>1,544</b>
Resources	Communication & Marketing	Reduction in operating budget	20
Resources	Communication & Marketing	Freezing Vacant Post	30
Resources	Communication & Marketing	DesignPrint - reduce the amount of printed material across the council through centralising budgets	50
Resources	Communication & Marketing	Building costs savings due to relocation to the Civic Centre.	70
Resources	Customer Services & Complaints	Reshaping of how we deliver customer services and complaints	69
Resources	Digital Services	Savings from across budget	28
Resources	Finance	CTRS - Carefully managed use of CTRS budget	9
Resources	Finance	Brings forward modest planned staffing reductions through vacant post and ER/VR management in Service Centre linked to Oracle modernisation	50
Resources	Finance	NDR & Business Grant Administration - One off extra income from processing likely extra Covid related grants in 21-22	200
Resources	HR&OD	Reshaping the delivery of the service and wider functions and freezing vacant posts	199
Resources	Legal Services	Increase in income	3
Resources	Legal Services	Reduction to Supplies & Services	52
Resources	Legal Services	Legal - Saving from freezing vacant posts	105
		<b>Resources</b>	<b>885</b>
Social Services	Adult Services	Efficiencies linked to the spending control and processes in relation to the share of costs of packages of care for individuals with complex health and care needs through bi/tri partite agreements with the Health board and other statutory partners	100



<b>Director</b>	<b>Head of Service Budget</b>	<b>Savings Proposal</b>	<b>Savings 2021/22 £'000</b>
Social Services	Adult Services	Increase regional investment in Hospital to Home Recovery Service to bear down on unnecessary recourse to care)	146
Social Services	Adult Services	Efficiency savings in Printing, Car Allowance, Staff Expenses and Stationary Budgets across the service due to changes in working practices	200
Social Services	Adult Services	Transformational co-produced future model for Day Services, based on lessons learned through Covid	200
Social Services	Adult Services	Increase efficiencies (transactional savings) in costs of direct payments	200
Social Services	Adult Services	1% reduction on staffing budget through vacancy management processes and maximising use of available grant funding.	350
Social Services	Adult Services	Realise savings in efficiencies through the Supported Living retender	400
Social Services	Adult Services	Work though Complex Needs high cost placements and establish a collaborative approach with Health and other statutory partners for funding these packages of care	400
Social Services	Adult Services	Continue with the Right Sizing Packages of Domiciliary Care work to reduce expenditure and under delivery	450
Social Services	Adult Services	Increase funded contributions to costs of packages of care	500
Social Services	Child & Family Services	Integrate Family Support Services across Council into a single family support function focussed on better prevention	50
Social Services	Child & Family Services	Reduce the number of independent foster placements	50
Social Services	Child & Family Services	Efficiency savings in Printing, Car Allowance, Staff Expenses and Stationary Budgets across the service due to changes in working practices	100
Social Services	Child & Family Services	Reduce expenditure on external providers through recommissioning contracts achieving best value	180
Social Services	Child & Family Services	Efficiency savings within supported accommodation for 16 - 17 year olds through recommissioning of fixed accommodation for YP.	250
Social Services	Child & Family Services	Work though Complex Needs high cost placements and establish a criteria and equitable formula for funding these placements with Health and other statutory partners	500
Social Services	Child & Family Services	2.5% reduction on staffing budget through vacancy management processes and maximising use of available grant funding	505
Social Services	Poverty & Prevention Services	Efficiency savings in Printing, Car Allowance, Staff Expenses and Stationary Budgets across the service due to changes in working practices	20

<b>Director</b>	<b>Head of Service Budget</b>	<b>Savings Proposal</b>	<b>Savings 2021/22 £'000</b>
Social Services	Poverty & Prevention Services	1% reduction on staffing budget through vacancy management processes and maximising use of available grant funding.	20
Social Services	Poverty & Prevention Services	20% reduction of core funding for Childcare and Play Grants and replace with available grant funding	35
Social Services	Poverty & Prevention Services	Restructure life stages team within wider staffing structure realising staffing efficiencies	50
Social Services	Poverty & Prevention Services	Diversify Adult Community Learning delivery offer post Covid to address need and maximise use of available Grant	100
		<b>Social Services</b>	<b>4,806</b>
		<b>Grand Total</b>	<b>8,321</b>