

## ENVIRONMENT OVERVIEW AND SCRUTINY COMMITTEE

<b>Date of Meeting</b>	Tuesday, 19 July 2016
<b>Report Subject</b>	Council Fund Revenue Budget 2017/18
<b>Cabinet Member</b>	Deputy Leader and Cabinet Member for Environment and Cabinet Member for Waste Strategy, Public Protection and Leisure.
<b>Report Author</b>	Chief Officers – Planning & Environment and Streetscene & Transportation
<b>Type of Report</b>	Strategic

### EXECUTIVE SUMMARY

This report updates the financial forecast for the 2017/18 financial year and presents the budget pressures and proposed efficiencies for Planning & Environment and Streetscene & Transportation for 2017/18 as the third and final year of the current portfolio business planning cycle.

The original forecast for the 2017/18 financial year, the third and final year of the current MTFS, set a likely 'gap' between the total spending requirement and anticipated income of £13.7M. The 'gap' is in effect the total which has to be found in efficiencies, service cost reductions, and income growth as part of annual budget planning. This forecast has been revised at regular intervals based on more recent budget developments at a national and a local level. The latest forecast presents at this stage, a working 'gap' of £8.1M and the combined total of working corporate and service portfolio efficiency proposals at £6.3M. Cabinet has endorsed the developing portfolio business plans and corporate financial stewardship plans for early consultation with the Overview and Scrutiny Committees.

The Council has re-adopted a three part strategy of addressing the financial 'gap' each year:-

- Service Reform;
- Corporate Financial Stewardship; and
- Working with Welsh Government.

A presentation was made to Council on 14 June on the developing plans for the third part of the strategy *Working with Welsh Government*.

All Overview and Scrutiny Committees are being consulted on the development of the Council Fund Budget for 2017/18 throughout the June and July Committee cycles. The Community and Enterprise Overview and Scrutiny Committee is also being consulted on the Housing Revenue Account.

The following tables and appendices are included within the report:-

Table 1: Revised Financial Forecast for 2017/18-2018/19

Table 2: Service Portfolio's Business Plan Projections 2017/18

Table 3a and 3b: Summary of two Portfolio Cost Pressures and Proposed Efficiencies

Appendix 1 and 2 : Detailed Individual Portfolio Business Plans - Proposed Efficiencies

## RECOMMENDATIONS

1	That the Environment Overview and Scrutiny Committee provides comments on the Planning & Environment and Streetscene & Transportation cost pressures and proposed efficiencies for 2017/18, and indicates its level of support for the proposals.
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## REPORT DETAILS

<b>1.00</b>	<b>Medium Term Financial Strategy 2016/17-2018/19</b>
	<b>The Revised Financial Forecast</b>
1.01	The original forecast for the 2017/18 financial year, the third and final year of the current published MTFS, set a likely 'gap' between the total spending requirement and anticipated income of £13.7M. This forecast has been revised based on more recent budget developments at a national and a local level. Key variables within this initial forecast are the eventual local government financial settlement for 2017/18, local Council Tax levels, standard and non-standard inflation patterns, and emergent national and local cost pressures. The revised forecast as set out in Table 1 below shows a starting 'gap' between anticipated income and predicted cost pressures of £14.4m. A longer-term forecast has been added for the 2018/19 financial year to complete the three year picture.

1.02

**Table 1: Revised Financial Forecast 2017/18-2018/19**

	<b>2017/18</b>	<b>2018/19</b>
<b>Expenditure</b>	<b>£m</b>	<b>£m</b>
National Pressures	0.7	0.3
Local Pressures	6.2	1.6
Inflation	3.1	3.2
Workforce Pressures	4.1	0.7
<b>Income</b>		
Reduction in Revenue Support Grant	2.8	2.7
Council Tax increase	(2.5)	(2.3)
Projected Gap	14.40	6.20

**Footnotes to Table 1:**

1. Revenue Support Grant for 2017/18 and 2018/19 is modelled on an illustrative reduction of 1.5%
2. National and local pressures are working estimates based on latest information. The latest revision includes initial estimates of the sizeable increase in care sector costs, and insurance costs
3. Pay inflation is assumed at 1% for 2017/18 and 2018/19
4. Limited provision is made for price inflation
5. Workforce pressures include the ongoing impact of Single Status, Auto-enrolment, the Apprentice Tax Levy and the outcome of the Clwyd Pension Fund Actuarial Review
6. Council Tax is illustrated at a 3% annual increase for 2017/18 and 2018/19
7. The initial 2018/19 forecast does not include the impact of any changes in social care transition costs or the longer term impacts of the Living Wage on Council workforce costs.

1.03

Any forecast can only be predictive based on the most reliable available intelligence, and working assumptions, based on past experience. This latest forecast is subject to change through the decisions of decision-makers such as Governments, the impacts of national fiscal policies, economic trends, and changes in supply and demand markets for goods and services in a turbulent global economy. National fiscal policy is subject to change as demonstrated in the most recent budget of the Chancellor of the Exchequer and the authoritative economic forecasts of bodies such as the Office of Budget Responsibility and the Institute of Fiscal Studies; local government in Wales has not yet been given an indicative financial settlement to work with by the incoming Welsh Government; unfunded annual workforce cost pressures compound year on year; significant unfunded cost pressures continue to build in the social care sector. There is a high degree of unpredictability in planning due to external circumstances beyond the control of the Council.

**Meeting the Financial Challenge**

1.04

The Council has adopted an MTFs which took a principled but high risk approach to finding solutions to the unprecedented level of budget savings

	<p>to be found in 2016/17. Flintshire, as a relatively low funded council under the local government funding formula, and one faced with a funding 'gap' of up to £20M in a single year, had limited options to find solutions without Welsh Government offering some reprieve from the scale of national funding reductions (for Revenue Support Grant and specific grants) first forecast. The Council adopted a three part strategy of:-</p> <ul style="list-style-type: none"> <li>• Service Reform;</li> <li>• Corporate Financial Stewardship; and</li> <li>• Working with Welsh Government.</li> </ul>
1.05	<p>Without some reprieve over the level of national funding reductions the Council would have faced a position of having to withdraw key services (such as economic development and business support), closing local facilities some of which were at a mid-point of transition to alternative delivery models (such as leisure centres) and reducing funding support to mandatory services (such as education and social services). Such decisions would not only have been unsupportable by councillors and local communities alike but would have compromised the achievement of the Council's Improvement Priorities. Such funding reductions could possibly have undermined the ability of the Council to meet its mandatory duties in full. The Council was eventually able to set a balanced budget for 2016/17 through following this three part strategy, and with a higher level of risk-taking than in previous years. As is shown in this report support will be needed from Welsh Government for Flintshire in 2017/18 due to the size of the working gap between the forecast financial 'gap' and the combined total of corporate and service portfolio efficiency proposals. Other councils will be in a similar position particularly those with low funding per capita under the current Local Government Funding Formula.</p>
1.06	<p>Cabinet has since readopted this three part strategy. This will involve:-</p> <ul style="list-style-type: none"> <li>• continuing to reduce costs and increase income through service reform as a central theme of the service portfolio business plans;</li> <li>• continuing to control and reduce corporate costs through careful planning and stewardship; and</li> <li>• working with Welsh Government to maintain sufficient levels of national funding for local government and for Flintshire, reforming the local government funding system to give councils greater financial freedom and flexibility, and properly funding nationally set policies for services and welfare benefits which councils have to administer. A presentation was made to Council on 14 June on this ongoing work as part of the response to the report and recommendations of the Independent Commission on Local Government Finance in Wales.</li> </ul>
<b>2.00</b>	<b>Portfolio Business Planning</b>
	<b>Service Portfolio Business Plans</b>
2.01	<p>The service portfolio business plans have been developed with options for the period 2015/16-2017/18. Based on current work there are supportable options with potential for a further round of annualised efficiencies, service cost reductions and income growth in the region of £6.3M as shown in</p>

Table 2 below. The total value of these proposals has reduced by £1.6M since the report made to Committee in April. This is a result of a detailed review of a challenge process on the acceptability and the workability of proposals, and their likely efficiency yield, and also through early engagement with Overview and Scrutiny Committees on specific service change options.

2.02

**Table 2: Service Portfolio Business Plan Projections 2017/18**

	<b>2016/17</b>	<b>2017/18</b>
<b>Portfolio</b>	<b>£m</b>	<b>£m</b>
Planning & Environment	0.413	0.205
Street-scene & Transportation	2.158	1.900
Social Care	0.838	0.690
Education & Youth	0.710	0.873
Organisational Change	1.272	0.943
Community & Enterprise	1.509	0.807
Corporate Services	0.855	0.903
<b>Total</b>	<b>7.755</b>	<b>6.321</b>

**Footnotes to Table 2:**

1. 2016/17, column shows approved budgeted efficiencies
2. 2016/17 efficiencies are budgeted as approved by Council. These are subject to in-year variation which will be reported as part of in year monitoring
3. The projected efficiencies for 2017/18 are subject to ongoing review and refinement

2.03

The majority of budget reductions continue to be made through organisational change, overhead and workforce cost reduction, and service modernisation and productivity. The ongoing service changes where there are impacts for the public, and consultation and engagement will be needed include:-

- the programme of school modernisation and reviews of primary and secondary provision;
- the school funding formula and levels of annual funding;
- changes to social care models; cost recovery through charging and partnership contributions; entitlement and non-statutory service provision;
- changes to the waste collection policy including the review of household recycling centre provision and side waste enforcement;
- reviewing subsidised transport routes to be replaced by local Community Transport arrangements;

	<ul style="list-style-type: none"> <li>• reviewing transport entitlement and operational policies e.g. school transport;</li> <li>• charging and cost recovery for services; and</li> <li>• the minimum service provision and the possible 'core service offer' to local communities which could be supplemented by local community action and local income e.g. through town and community council contributions.</li> </ul>
2.04	The business plan proposals are being shared with Overview and Scrutiny Committees for consultation through June and July. The proposals, both those which are internalised and have no direct impact on the public and those which affect service provision and do impact on the public will be shared in full with Committees for consultation. The latter only will be presented for public consultation.
2.05	As in previous years there will be risk to the achievement of proposed budget efficiencies, either because certain proposals prove to be unacceptable to the Council or the public in their recommended form or because of complexities in their practical implementation. The scope to achieve savings through collaboration with neighbouring councils is limited during a period of uncertainty over the probability of a reorganisation of local government. These limitations are both political and practical. Some of the business plans include pragmatic and beneficial service integration proposals for which support cannot be realised with neighbouring councils. This is a limiting factor beyond the control of Flintshire.
2.06	The portfolio business plans will continue to be reviewed and developed for future years including 2018/19 as the third and final year of the current MTFS period. The options for identifying further savings at this level, beyond 2017/18, are very limited. The scope for further savings through organisational change, efficiency, and charging within current legislative and national policy limitations, is reducing year on year.
	<b>Planning &amp; Environment and Streetscene &amp; Transportation Business Plan</b>
2.07	The detailed proposals for the Portfolios are set out in <b>Appendix 1 and 2</b> and these are summarised in Table 3 below alongside the service cost pressures.

2.08

**Table 3a: Summary of Environment Cost Pressures**

	2017/18
<b>Reducing Cost Pressures</b>	<b>£m</b>
Environment & Sustainable Development (ESD) Grant	-0.221
<b>Total Environment Cost Pressures</b>	<b>-0.221</b>

**Footnotes to Table 3a**

This is a previous one-off cost pressure being taken back and so is a reduction on the overall base budget, on the basis that Household Recycling Centre efficiencies will have been maximised by the point in time.

**Table 3b: Summary of Environment Efficiencies**

	2017/18
<b>Planning &amp; Environment Efficiencies</b>	<b>£m</b>
Staffing & Management Restructure	0.125
Self Financing (income increases)	0.030
Increased Planning Fee income	0.050
	<b>0.205</b>
<b>Streetscene &amp; Transportation Efficiencies</b>	
Operational productivity improvements	0.400
Integrated Transport Unit – Operational Changes	0.300
Integrated Transport Unit – Corporate Pool Car System introduction (Corporate saving delivered by service)	0.350
Staff Structure changes (full year effect)	0.075
Develop Energy Production at former landfill sites	0.100
Rationalise Household Recycling Centres (HRCs)	0.200
Construction of Waste Handling Facility in Greenfield	0.050
Introduce Enforcement of Side Waste	0.075
Review Subsidised Bus Routes	0.350
	<b>1.900</b>

2.09

**The Planning & Environment Business Plan.**

The portfolio provides predominately mandatory, customer-focussed services across a wide range of regulatory functions. The portfolio was created in 2014 by the merger of the old Planning and Public Protection services plus the inclusion of the following functions: Greenfield Valley; drainage and flood risk; energy conservation; highways development control and rights of way. The bulk of the services are delivered “in-house”, with collaborative opportunities taken where possible (e.g. the regional mineral and waste planning service) and with an increased focus on the commercial aspects of service delivery and the reduction of costs. For example, licensing and pest control services have developed a three year plan to make them self-financing.

2.10

**Resilience and Efficiency within Planning & Environment**

Between 2011 and 2015, savings of £0.914m were generated from the existing service areas of Planning and Public Protection. A large part of this (£0.465m) was generated by the Value for Money exercise in 2014/15 which benchmarked the Services’ costs and performance against other Local Authorities and put an efficiency programme in place.

	<p>The three year Business Plan for Planning and Environment seeks to recover another 27.6% from the original 2014/15 budget of £5.645m. The majority of that figure (£0.941m) was recovered in Year 1 (2015/16) when savings were drawn from a Management Review (Head of Service, Service Manager and Team Leader levels) for the newly created portfolio. Service Reviews across the portfolio also brought forward significant savings in Year 1 and the staffing structure now follows the Council’s principles with respect to spans of control.</p> <p>In year 1 savings were generated from the closure of the Neighbourhood Warden’s Greenfield facility and the removal of the out of hours dog service. In total, these recovered costs of £0.024m. Continuing on the theme of cost saving, our use of newspaper advertising was reduced by £0.020 over two years and a further £0.040m in business process efficiencies in years 2 and 3 with a further £0.020 to be recovered in Year 3.</p> <p>The Portfolio has forecast and recovered increased levels of income from the pre-application service (which the Portfolio introduced before Welsh Government made it mandatory); planning fee income (both in terms of the increase in fees set by Welsh Government and the demand for new development as the economy recovered) and the introduction of new charging categories for planning fees by Welsh Government. Planning fees and pre-application fee income are forecast to increase again in 2017/18 and will need to be closely monitored in light of recent economic in the aftermath of the “Brexit” decision.</p> <p>Given the scale of savings recovered from within the portfolio since 2011, a position is being reached whereby any further cuts will begin to have a serious impact on service provision, its ability to perform against national Key Performance indicators and the portfolio’s ability to support and deliver on key priorities within the Council’s Improvement Plan.</p>
2.11	<p><b>The Streetscene and Transportation Business Plan.</b></p> <p>The service provides essential frontline operational services, the majority of which are mandatory (Highway maintenance, waste collections etc.) with the remainder of the services provided, well appreciated and valued by the residents and visitors to the County (grass cutting, litter collections etc.). The service has considered both an outsourced and “employee mutual” option for future delivery and is currently pursuing the “in-house” option, ensuring the service provides excellent value for money and delivers the service in the most cost effective manner possible for the Council.</p>
2.12	<p><b>Resilience and Efficiency within Streetscene and Transportation</b></p> <p>Since the introduction of Streetscene in 2011, total savings of £11.9m per year will have been realised (assuming the efficiencies in the three year Business Plan are fully achieved) and the service now provides a 24/7 service, operating over 365 days a year and now collects domestic waste over 7 days a week, reducing the number waste vehicles required by 40%. An external and independent national diagnostic consultant completed a full diagnostic review of operations and compared the service against other commercialised and “in-house” models. The outcome showed the service in a largely positive position, with some addition productivity improvements</p>

	<p>required in the operational area. These improvements form part of the 2017-18 business planning proposals and work is on-going with the workforce and Trade Unions to introduce the required changes.</p> <p>There is a limit to the level of savings that can be achieved within the service without impacting directly on service provision. Given the interaction and reliance between the services, further reductions beyond this tipping point will directly impact on service delivery across a wide range of Streetscene and Transportation services.</p>
2.13	<p>Given that all portfolios have been expected to fundamentally review their priorities, operations, efficiency and cost within the three year business planning process, the Council has become acutely aware of the risks of change proposals, the public acceptability of major change, and the impacts on maintaining services which are sustainable and resilient. In support of the business plans, and as evidence for our case for the need for national funding support and relief as a 'low funded council', each portfolio is producing an evidential resilience statement and an efficiency statement as twin documents.</p>
2.14	<p>The resilience statements will cover the risks to Council priorities, mandatory duties, service quality and service sustainability should the Council have no option but to go beyond the efficiency targets within its current portfolio business plans. The efficiency statements will demonstrate the actual and comparative cost bases of services and their value for money.</p>
2.15	<p>The resilience and efficiency statements for the Specific portfolio will be presented to the Committee at either its July or September meeting.</p>

### **3.00 RESOURCE IMPLICATIONS**

3.01	<p>The resource implications of financial are significant. The Medium Term Financial Strategy will continue to carry many risks. Careful risk assessment in planning and decision-making will continue to be a central feature of review and debate.</p>
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### **4.00 CONSULTATIONS REQUIRED / CARRIED OUT**

4.01	<p>Consultation with Group Leaders, Overview and Scrutiny Committees, external partners, external advisors and representative bodies, and eventually the communities of Flintshire will follow. The strategic approach advocated for the MTFs builds on the current approach which had majority member and public support in planning the 2016/17 annual budget.</p>
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### **5.00 RISK MANAGEMENT**

5.01	<p>All parts of the financial forecast, and all budget solutions, are risk assessed stage by stage. An overall risk assessment and risk management statement</p>
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	will be produced both for the revised MTFS and the draft annual budget for 2017/18. The appendix which sets out the specific portfolio business plan proposals for the corporate services includes commentary on risk.
<b>6.00</b>	<b>APPENDICES</b>
6.01	Appendix 1: Detailed Planning & Environment Business Plan Proposed Efficiencies
6.02	Appendix 2: Detailed Streetscene and Transportation Business Plan Proposed Efficiencies

<b>7.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
7.01	<p>MTFS Parts 1 and 2  <a href="http://www.flintshire.gov.uk/en/PDFFiles/Medium-Term-Financial-Strategy/Medium-Term-Financial-Strategy-Part-1.pdf">http://www.flintshire.gov.uk/en/PDFFiles/Medium-Term-Financial-Strategy/Medium-Term-Financial-Strategy-Part-1.pdf</a></p> <p><a href="http://www.flintshire.gov.uk/en/PDFFiles/Medium-Term-Financial-Strategy/Medium-Term-Financial-Strategy-Part-2-September-2015.pdf">http://www.flintshire.gov.uk/en/PDFFiles/Medium-Term-Financial-Strategy/Medium-Term-Financial-Strategy-Part-2-September-2015.pdf</a></p> <p>2016/17 Council Fund Budget Report  <a href="http://cyfarfodyddpwyllgor.siryfflint.gov.uk/documents/g3508/Public%20reports%20pack%2016th-Feb-2016%2014.00%20Flintshire%20County%20Council.pdf?T=10&amp;LLL=undefined">http://cyfarfodyddpwyllgor.siryfflint.gov.uk/documents/g3508/Public%20reports%20pack%2016th-Feb-2016%2014.00%20Flintshire%20County%20Council.pdf?T=10&amp;LLL=undefined</a></p> <p>MTFS Cabinet Report, April 2016  <a href="http://cyfarfodyddpwyllgor.siryfflint.gov.uk/documents/g3574/Public%20reports%20pack%2019th-Apr-2016%2009.30%20Cabinet.pdf?T=10&amp;LLL=undefined">http://cyfarfodyddpwyllgor.siryfflint.gov.uk/documents/g3574/Public%20reports%20pack%2019th-Apr-2016%2009.30%20Cabinet.pdf?T=10&amp;LLL=undefined</a></p> <p><b>Contact Officers:</b> Andrew Farrow and Stephen O Jones  <b>Telephone:</b> 01352 703201 / 704700  <b>E-mail:</b> <a href="mailto:Andrew.Farrow@flintshire.gov.uk">Andrew.Farrow@flintshire.gov.uk</a>  <a href="mailto:Stephen.O.Jones@flintshire.gov.uk">Stephen.O.Jones@flintshire.gov.uk</a></p>

<b>8.00</b>	<b>GLOSSARY OF TERMS</b>
8.01	<p><b>Medium Term Financial Strategy (MTFS):</b> a written strategy which gives a forecast of the financial resources which will be available to a Council for a given period, and sets out plans for how best to deploy those resources to meet its priorities, duties and obligations.</p> <p><b>Revenue Support Grant:</b> the annual amount of money the Council receives from Welsh Government to fund what it does alongside the Council Tax and other income the Council raises locally. Councils can decide how to use this grant across services although their freedom to allocate according to local choice can be limited by guidelines set by Government.</p>

**Specific Grants:** An award of funding from a grant provider (e.g. Welsh Government) which must be used for a pre-defined purpose.

**Office of Budget Responsibility:** created in 2010 to provide independent and authoritative analysis of the UK public finances.

**Institute of Fiscal Studies:** formed in 1969 and established as an independent research institute with the principal aim of informing public debate on economics in order to promote the development of effective fiscal policy.

**Independent Commission on Local Government Finance in Wales:** established to examine how local government funding can be made more sustainable with a view to providing specific recommendations for improvement and reform.

**Welsh Local Government Association:** the representative body for unitary councils, fire and rescue authorities and national parks authorities in Wales.