



## Committee report

Committee	<b>FULL COUNCIL</b>
Date	<b>14 OCTOBER 2015</b>
Title	<b>BUDGET REVIEW- UPDATE</b>
Report of	<b>LEADER OF THE COUNCIL</b>

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### EXECUTIVE SUMMARY

1. As part of the Medium-Term Budget Strategy process, a mid-year budget review is undertaken and a report is made to Full Council each September to provide an update on the Council's financial position. This takes into account the previous financial year's outturn, the current year's delivery of savings and budget monitoring position, along with the projected budget position for the next and future financial years.
2. The Budget Review was reported to Full Council on 2 September 2015. Full Council agreed the overall approach and strategy as the basis for achieving a balanced budget in 2016/17. In respect of Appendix F of the report, which set out further savings options for 2016/17, Full Council agreed to remove a number of items from the list until alternative savings had been examined by the new cross-Group forums and in relation to 'other staffing reductions' that an assurance be sought that they would not inflict more pain on vulnerable people who need our services.
3. In respect of these two issues it was agreed that an update report be made to the October 2015 Full Council. This report is the update requested.

### OUTCOMES

4. To agree a deliverable savings strategy that enables the Council to consider and agree a lawfully balanced general fund revenue budget for 2016/17.

### STRATEGIC CONTEXT

5. The vision and priorities as agreed as part of the budget report were set out in the Council's formal Corporate Plan and agreed at Full Council on 1 April 2015. This Plan set out the outcomes to be delivered by May 2017.

## BACKGROUND

6. The Council set the 2015/16 Budget and Capital Programme at its meeting on 25 February 2015. In overall terms it was estimated that over the two financial years 2015/16 – 2016/17 there was a revenue budget gap of some £23 million. A Budget Strategy was agreed that allocated resources to the Council's updated vision and priorities and an overall financial savings plan was developed to achieve the necessary savings to deliver balanced budgets over the two financial years.
7. The resource allocation reflected the council's statutory duties and is focused on those priority areas that will enable the vision to be achieved. Significant resources have therefore been directed to children's services and protecting the most vulnerable as well as protecting those service areas where the budget consultation process highlighted that people valued the most such as public toilets, tourism, community libraries, beach cleansing.
8. To do this, at the same time as delivering significant savings and balancing the budget, the budget savings proposals concentrated on achieving as many savings as possible from non-direct service delivery and taking opportunities to improve income. In all areas the council is seeking an outcome that achieves savings but protects services by delivering differently. The savings have been targeted at those areas where there is lesser priority and impact.
9. The Budget Review reported to Full Council on 2 September 2015 updated the Council's overall financial position. In summary this highlighted a projected shortfall in the savings plan of some £3 million in 2015/16 and a further £1.869 million in 2016/17. In relation to increased costs and budget pressures the report highlighted a projected £1 million overspend in 2015/16 and projected additional net costs and grant loss of £2.892 million in 2016/17.
10. Without further action this would mean a projected £4 million overspend in 2015/16 which would need to be met from available reserves and general fund balances reducing them to low levels. For 2016/17, there would be a carry - over of an unmet budget gap of £3 million which together with the shortfall in savings in that year and the net additional costs gives a savings gap (on top of savings already planned) of £7.761 million.

## BUDGET REVIEW UPDATE

11. The Budget Review identified a number of further savings and Full Council agreed that further savings in 2015/16 as set out in Appendix E be implemented .These totalled £2.402 million of one off savings and £1.482 million of recurring savings. This gives further savings of £3.884 million against the projected net overspend in 2015/16 of £4 million. On this basis it is likely that the 2015/16 revenue budget in overall terms will not be exceeded and there would be no need to use further available reserves and general fund balances to meet an overspend in 2015/16 .

12. For 2016/17, however, the position would be :-

	£ million
Savings shortfall from savings plan 2016/17	1.869
Net additional costs and grant loss	2.892
Budget gap brought forward from 2015/16	<u>2.402</u>
	7.163
Less further recurring savings to be made in 2015/16	<u>(1.500)</u>
Remaining savings gap	5.663
Further savings options from Appendix F to 2 September Budget Review Report excluding those taken out (£5.203 m - £1.885m)	<u>3.318</u>
Remaining gap to be met from further options being developed	2.345

13. Even to get to this gap there are still a number of challenging savings targets to be achieved. For instance it assumes that in 2016/17 we will deliver a further £3.630 million from the business centre, administration and management and the new operating model. This includes all the back office type functions of the Council. There is a danger that in looking to identify further specific savings across the Council's services that this will double count savings already assumed within this global amount.

#### Budget and policy Liaison Group

14. The Budget and policy Liaison Group has met to consider the reference from the Full Council budget decision on 2 September 2015. The Group comprises the Leader, Deputy Leader and Executive Member for Public Health, Public Protection and PFI plus the chairs of the Employment Committee, Audit Committee and the Environment and Transport and Economy and Tourism select Committees.
15. The Group has considered a number of areas where potential savings could be made. This has been helpful in identifying potential areas to work up in more detail. Some of these relate to savings that would be covered by the global savings target for back office type services as set out in paragraph 14 and it will be important that savings are not double counted.
16. It was recognised by the Group that due to the seriousness of the Council's financial position that there were no easy options and that ultimately it would be a choice between a range of limited options all of which were likely to be unpalatable.
17. At this stage the main areas of consideration have been :-
- Focusing savings on areas that do not impact as much on vulnerable people such as recreation and public spaces and economy and tourism spend.
  - Developing discussions with Town and Parish Council's re budget position and the future provision of local services.

- Delivering internal support services through outsourcing and/or partnerships e.g. Legal, IT, Housing Services.
  - Increasing income generation e.g. through installing more beach huts, parking scratch cards, developing and investing in activities that would deliver a revenue income such as an energy company and data centre as well as bidding for external funding for projects.
  - Investing capital in assets that deliver a revenue stream e.g. new purpose built Toilets, property investment, house building.
  - Reducing or eliminating meetings, bureaucracy and processes e.g. moving to Bi-Monthly Council Meetings and not having Select Committees, reviewing complaints processes.
18. At this stage in the budget process and bearing in mind the budget gap still to bridge it was felt that no potential budget options should be ruled out completely but that there were likely to be some that would only be contemplated as a last resort. The Budget and Policy Liaison Group felt that they should continue their discussions in developing further savings options.
  19. In relation to the Environment and Transport and Economy and Tourism select committees it was felt that they were not needed as specific meetings but that there was a role for members to have a specific brief and still sit on the Budget and Policy Liaison Group. In addition it has been clear that there is a potential conflict for those members chairing scrutiny type committees like the Children's select committee.
  20. It is proposed therefore that the membership of the Budget and Policy Liaison Group be changed to a membership of the Leader, Deputy Leader and Executive Member for Public Health, Public Protection and PFI plus the chairs of the Employment Committee, Audit Committee plus two members from outside the Executive and no formal role on the Scrutiny Committee or Scrutiny Sub Committees.
  21. The two members to be agreed by Full Council by nomination and voting and that these positions be assessed by the independent remuneration panel for an appropriate special responsibility allowance.
  22. In relation to the other staffing reductions these still need to be worked up and because of the size of the budget gap and the savings already planned to be made it is not possible to give assurance that these will not impact on services to vulnerable people. In developing any staffing savings reductions their impact will be assessed and will need to be considered in comparison with all options available to meet the budget requirements and not just in isolation.
  23. A member sub group chaired by Cllr Lumley has also been set up to consider the use of the ASDA capital receipt in accordance with the resolution of Full Council that the available capital receipt generated from the ASDA scheme is used proactively to reduce revenue costs and/or generate revenue income.
  24. The Sub Group will make recommendations that will be considered by Full council as part of the budget strategy.

## FINANCIAL / BUDGET IMPLICATIONS

25. This report is entirely about the overall financial and budgetary position of the Council and updates the Budget Review that went to Full council on 2 September 2015.
26. The Council faces a significant level of reduction in the resources that it will have available to fund services. The level of grant reductions from government is significant each and every year for the foreseeable future. The current level of service delivery and the activities it undertakes is not affordable and therefore budget options must be developed to deal with this position.

## LEGAL IMPLICATIONS

27. The Council will need to set a lawful and balanced budget and Council Tax level for 2016/17 at the Council meeting on 24 February 2016. In developing any proposals the necessary equality impact assessments and consultation processes will need to be followed, and consultation responses will be taken into account before any decisions are taken.
28. The ability to implement savings that deliver a full year effect in 2016/17 is dependent on undertaking the necessary statutory processes and consultation within a timescale that enables savings proposals to be implemented with some effect from 1 April 2016.
29. The totality of the savings required in this and the next financial year will entail a significant reduction in posts. This will mean the potential redundancy of more than 100 employees within a 90 day period and the council is required to issue a formal notice under section 188 of the Trade Union and Labour Relations (Consolidation) Act 1992 (as amended) and related regulations through the HR1. This provides staff with the opportunity to be consulted upon proposals for staffing reductions and to explore ways in which redundancy situations might be avoided. The Council are pursuing initiatives that try to minimise the impact on staff where practicable and as part of developing a new operating model there may be opportunities for staff at risk through mutuals and outsourcing to arm's length companies.

## PROPERTY IMPLICATIONS

30. There are no specific property implications of this report but the ability to support the capital programme is dependant in part on the ability to dispose of surplus assets and generate capital receipts from the sale of assets. The delivery of the strategic asset management strategy is also essential in driving the Council's on-going revenue costs down.

## EQUALITY AND DIVERSITY

31. The Council has to comply with Section 149 of the Equality Act 2010. This provides that decision makers must have due regard to the elimination of discrimination, victimisation and harassment, advancing equalities, and

fostering good relations between different groups (race, disability, gender, age, sexual orientation, gender reassignment, religion/belief and marriage/civil partnership). Equality impact assessments will be completed in respect of relevant proposals as part of the decision making process to enable members to take into account and if necessary mitigate the impacts as part of the decision making process. An updated Equalities Impact Assessment on the overall Medium-Term Financial Strategy will be completed for the budget considerations in February 2016.

## OPTIONS

32. In relation to the consideration by the Budget and Policy Liaison Group of the reference from Full Council on 2 September 2015 the options are to either :-
- (a) note the considerations to date and agree to receive a further progress report from the Budget and policy Liaison Group at the Full Council Meeting on 25 November 2015 and /or
  - (b) Council meetings be reduced to six a year (May AGM , July, September, November, January, February ).The timing of Executive meetings to be reviewed to ensure that there are no significant gaps in the ability of elected members to question Executive members at a public meeting. and /or
  - (c) The Environment and Transport and Economy and Tourism select Committees be discontinued and the membership of the Budget and Policy Liaison Group be changed to a membership of the Leader, Deputy Leader and Executive Member for Public Health, Public Protection and PFI plus the chairs of the Employment Committee, Audit Committee plus two members from outside the Executive and no formal role on the Scrutiny Committee or Scrutiny Sub Committees. and
  - (d) The two members to have a specific focus on environment and transport and economy and tourism and be agreed by Annual Council by nomination and voting and that these positions be assessed by the independent remuneration panel for an appropriate special responsibility allowance. For 2015/16, up until the next Annual Council, the existing select Committee Chairs continue their membership of the Budget and Policy Liaison Group.

## EVALUATION

33. For 2016/17 and beyond the council still faces a significant financial challenge and it is essential that budget options for dealing with these are developed in a timescale that enables effective implementation. This needs to include savings options that reflect the longer –term financial position not just for 2015/16. In enabling the Council to have a full picture of the savings options and their relative impacts both option a) b) and c) are recommended.

## RISK MANAGEMENT

34. Currently interest rates are low and no new long-term external borrowing has taken place since January 2005. This has led to significant one-off savings on capital financing costs. The Council's reserves and surplus cash flow is used instead of long-term borrowing. If this was invested short term the interest earned would be very low – some 0.5% – whereas the long-term rates would be in excess of 4%. Ultimately when longer-term borrowing and/or interest rates rise then additional revenue costs of £2m+ per annum may need to be met.
35. The key risks of the 2016/17 Budget Strategy relate to budget pressures being even higher than anticipated, government grant reductions being even higher, savings and efficiencies not being achieved, proposed income levels not being achieved and inflation being higher than expected. These risks are contained in the strategic risk register.
36. If full year effect of savings are to be achieved in 2016/17 then savings options need to be developed and agreed within timescales that enable appropriate consultation and consideration of equality impact assessments to take place.
37. It is considered that General Fund balances of at least £5m need to be maintained on top of earmarked reserves to provide a sustainable position which protects the financial health of the Council in the medium-term. Savings implementation plans have been adopted and are rigorously monitored through Service Boards and the performance management framework. The Executive and Corporate Management Team consider the overall budget monitoring position at each of its meetings. The Scrutiny Committee also consider the budget position at its meetings and through the budget task and finish group
38. For 2016/17 and future years it is essential that the Council identifies the necessary measures to deliver a lawful, balanced and sustainable budget. Proposals need to be developed so that the necessary decision-making processes can be followed.

### 39. RECOMMENDATIONS

In relation to the consideration by the Budget and Policy Liaison Group of the reference from Full Council on 2 September 2015 to agree to :-

- (a) note the considerations to date and agree to receive a further report from the Budget and policy Liaison Group at the Full Council Meeting on 25 November 2015 **and**
- (b) The number of Council meetings is reduced to six a year (May AGM, July, September, November, January, and February. The timing of Executive meetings to be reviewed to ensure that there are no significant gaps in the ability of elected members to question Executive members at a public meeting. **And**
- (c) The Environment and Transport and Economy and Tourism select Committees be discontinued and the membership of the Budget and Policy Liaison Group be changed to a membership of the Leader, Deputy Leader and Executive Member for Public Health, Public Protection and PFI plus the chairs of the Employment Committee, Audit Committee plus two members from outside the Executive and no formal role on the Scrutiny Committee or Scrutiny Sub Committees.
- (d) The two members to have a specific focus on environment and transport and economy and tourism and be agreed by Annual Council by nomination and voting and that these positions be assessed by the independent remuneration panel for an appropriate special responsibility allowance. For 2015/16, up until the next Annual Council, the existing select Committee Chairs continue their membership of the Budget and Policy Liaison Group.

### 40. BACKGROUND PAPERS

[Budget Review Report to full Council 2 September 2015](#)

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