

MEDIUM TERM SERVICE & RESOURCE PLAN UPDATE

RESOURCES

Business Support, Customer Services, Strategy & Performance, Property & Project Delivery <i>plus</i> Legal & Democratic Services
--

2015-16

Introduction

This is the third year of the period covered by the 2013-14 to 2015-16 medium term plans. The medium term plans were reflected in the budgets approved by Council in both February 2013 & 2014. The original plans can be found on the Council's web site with the agenda papers for the November 2012 PDS panels.

This 2015-16 update is a summary of key changes affecting the plan and does not restate the information contained in the original plan. This update provides important background information to the 2015-16 budget process, which will culminate in a report to the February 2015 meeting of Council. The 2015 February budget report will incorporate assumptions made as part of the three year planning process, together with new planned variations to reflect current circumstances, and approval for those variations. It will also set both the budget and the consequent level of Council Tax for 2015/16.

This document contains the following updates:

- Strategic Context – financial, legal, service and policy headlines
- Structural Changes – summary of the new management arrangements
- Progress Achieved – how the delivery of the 3 year plan is progressing
- Variations to the plan – proposed changes concentrating on 2015-16
- Capital Programme – proposed alterations to the capital programme
- Risks & Opportunities – key risks to delivery of the plan but also opportunities
- Equalities – summary of approach

Strategic Context

The Corporate Plan and refreshed Council Vision remains the main policy context. These documents can be found at <http://www.bathnes.gov.uk/services/your-council-and-democracy/vision-and-values>

The three year financial challenge was summarised in 2013/14 and this has been updated to take account of subsequent Government funding announcements and policy changes. Over the three-year period of the Medium Term Service and Resource Plan from 2013/2014 to 2015/2016 we estimate at least £30M of savings or additional income will need to have been delivered.

As part of the Budget considerations for 2015/2016, there have been a number of key Government announcements which have an impact on the original plan three-year plan. The most significant of these was the Local Government Finance Settlement announced in Jan 2014 which set out the following provisional figures for 2015/16:

- A 13.5% reduction in the Council's funding assessments - this actually equates to reduction of 27% in Revenue Support Grant.
- A reduction of 20% in the Education Support Grant.
- Council Tax Freeze Grant equivalent to 1% of council tax for councils who freeze their council tax for the year.

The Governments changes to Health and Social Care funding arrangements in the form of the Better Care Fund also present challenges for the Budget. The plan supporting the local arrangements for this fund was originally approved in March 2014 but required revisiting following changes announced by the Government in May 2014. A revised plan which reduces the original level of funding allocated to support community health and social care costs was approved in September 2014 for consideration by the Department of Health.

In June 2014, the Better Care Act passed into law with major changes impacting on the provisions for Social Care. These changes are phased between 1 April 2015 and 1 April 2016 and cover a range of new requirements for Local Authorities from support to carers through to the capping of care costs met by self-funders. The financial implications are considerable and the Council will need to make appropriate provision for any costs not being met by the Government.

These changes, together with the existing savings to be identified and other variations, mean a further funding requirement of £9m for the Council is required to balance the 2015/16 Budget.

For 2015/16 the focus will be on the variations that are needed to the approved medium term plan to deliver a balanced Budget proposal for the Council in February 2015. The Variations section of this update (below) provides further details of the projected Budget Gap for 2015/16 together with proposals to address this.

The Cabinet's aim remains once again to achieve the original three year medium term plan (final year of) with minimal alterations, but at the same time to reflect public feedback together with local and national policy changes. The Council has a good level of reserves and can use these to smooth the effects of policy changes and additional financial challenges. The indication from Treasury figures is that an equally tough set of financial targets will need to be repeated in the next 4 year plan which starts in 2016, and of course at that time the difficulty in meeting the challenge will have increased as efficiency opportunities will be less.

In the case of the Resources Department the key policy context changes are

- A new One Council approach with projects like 10 in 100 to stimulate new thinking and working across departments.
- Approval of the West of England (WoE) City Deal with B&NES now acting as the accountable body for the £500M, 25 year, Economic Development Fund for the sub region. The WoE Regional Growth Fund grants for business are also administered by this Council, as are Regional Infrastructure Loans, and the Local Growth Fund as part of our key support role for the Local Enterprise Partnership (LEP).
- New Local Government Pension Scheme (LGPS) is now being implemented following the Hutton review. This medium term plan, and update, does not include

the pension fund, albeit B&NES has the lead for the WoE and the fund is administered in the Council's Business Support Division.

- New Council Procurement strategy, now in its second year, with a "Think Local" theme to encourage local procurement and support for local businesses.
- Implementation of the new Universal Credit system as part of the Government's Welfare Reform agenda. This began locally in 2014 and will be gradually rolled out. B&NES was a pilot authority – working with Department of Work & Pensions who lead the programme - and is focusing on ensuring there is good local advice, plus shared facilities where possible, to support the implementation.
- Appointment of Police & Crime Commissioners in November 2012 which transfers much of the operational role for Community Safety to the Police Authority.
- Publication of the Council's Health & wellbeing Strategy and also the Joint Strategic needs Assessment that supports it. The new Better Care Plan and Care Act are similarly important and herald significant new responsibilities such as assessments of cumulative care costs and implementation of a cap on these costs to limit the liability of individual recipients of care packages.
- Progress with the Workplaces Programme which creates flexible working and new office layouts plus completion of the new Keynsham offices, library, retail and one stop shop from October 2014. Also new ICT strategy to support this following the return of the ICT service in house.
- New work led by the Place Department on a strategy for the Enterprise Area in Bath which will drive regeneration in that area and also help guide the programme for property disposals and achievement of capital receipts.
- Good collaboration with BWCE to achieve sustainability projects which generate both carbon reductions and financial savings, regional and national recognition for this, and external funding for an energy at home service to help households with high fuel bills and poor insulation.
- A greater clarity about how to improve links with local communities under the Council's Connecting Communities programme.

In the case of Legal and Democratic Services, implementation of Individual Elector registration.

Structural Changes

The Resources Department was restructured with effect from 1 August 2013. These changes are now becoming well embedded albeit further restructuring, to achieve full integration, continues. There is also a new emphasis on partnering more effectively with users of corporate and support services. The following Divisions were created:

- Business Support
- Customer Services
- Strategy & Performance
- Property & Project Delivery

Some of the key changes linked to this are:

- Review of the department's objectives
- Key efficiency savings including achievement of £500K management savings

- Clearer focus on priorities
- Taking on project delivery functions from the former Major Projects department
- Combining Improvement & Performance with Policy & Partnerships
- Returning ICT and People Services in-house, and incorporating these services in the Business Support Division
- Creating a new team for the remaining life of the Workplaces Programme to support cultural change – developing a One Council, community and customer focused approach - and improvements to the working environment including flexible working
- Developing a shared service approach with North Somerset to the HR and payroll system, plus an Internal Audit Partnership and starting to explore other opportunities.

Some further important details are that

- Business Support incorporates a wider range of internal support roles for the Council including finance (S151), ICT, audit, people services and procurement
- Libraries and Customer Services functions have been combined to give a better integrated service over time. A new libraries strategy is in preparation.
- Project Delivery and Property have been combined although further changes are being made to achieve full integration of these functions and to better meet the needs of users of these services.
- Work to fully integrate what were two divisions into Strategy & Performance is underway and formal consultations will begin shortly.
- Legal & Democratic Services remain separate and report to the Chief Executive

Progress Achieved

The 2014/15 Resources Department budget, including the achievement of management savings, is on target. This provides a sound basis for future savings.

The 2014/15 corporate budgets managed by Resources are also on target but note:

- The increase in commercial estate income, some of which is slightly delayed – there has been good progress but there is more to do - resulting in a temporary shortfall of about £250k, but this is more than offset by improved housing benefits subsidy.
- The savings from restructuring of debt remain on target and benefit from the continued low short term interest rates.

Variations to the Plan

The remaining year of the Approved medium term plan (2015/16) is attached at Appendix 1. This includes a more detailed commentary on progress towards delivery of the approved savings and additional income streams for the final year of the plan.

There are a number of variations required to the plan in order to arrive at a balanced Budget these will be set out in more detail as part of the final Budget Proposal in February 2015. Some of the key items currently under consideration are set out below:

Potential Funding Pressures

- Changes in government funding including Revenue Support Grant and Education Support Grant
- New funding burdens including Care Act implications, Social Fund and Deprivation of Liberty Safeguards.
- Changes to original savings proposals – these are set out in the in the update provided at Appendix 1.
- Impact of new Capital Schemes

Potential Funding Opportunities

- Increases in anticipated Business Rate Growth and related Business Rate opportunities.
- New Housing including increasing New Homes Bonus and Council Tax Base.
- Financing opportunities including funding of the Local Government Pension Fund deficit.
- Commercial income, including profit share from the Thermae Spa and income from Green Energy investment.
- The contribution to Community Health and Social Care costs from the Better Care Fund.
- The use of the Financial Planning Reserve.

With the exception of the variations identified above, any further changes considered by the Council will require the identification of further additional savings to balance the Budget.

Capital Programme

A draft summary of proposed variations to the capital programme is attached at Appendix 2. These proposals are at an early stage and will be put forward in more detail for approval as part of the February budget report.

All the Resources schemes are designed to achieve additional savings or new capital receipts for the Council and so have a positive impact on the revenue budgets. The most notable example is the plan to continue with more active commercial estate acquisitions where opportunities arise and where these have excellent returns.

Risks & Opportunities

There are significant efficiency targets in the plan and those arising from the changes in workplaces, customer services, and business support should not be understated.

Management capacity was reduced by the restructure and is now stretched. Delays to capital schemes and other changes is the risk. Good controls remain in place to ensure correct decision making and protection of assets.

The future financial plans include an aspiration to combine various operation assets and link better with community organisations, the voluntary sector and public sector partners to do this. This work is being scoped to see what in addition to the successful rationalisation of offices (as part of Workplaces) is possible. The savings target for 2015-16 has been put back.

Changes in ICT have to date been very significant and successful over the last 12 months, linked to workplaces and flexible working plus Government security requirements (PSN). New HR and payroll systems, children's and adult systems, client finance systems for social care are now being procured and implemented.

Welfare reform is being rolled out gradually and this reduces risk, albeit DWP have had some ICT problems. Good collaboration with DWP remains essential.

Some of the additional income planned for the commercial estate is market opportunity driven. The Councils access to low interest rates and linking acquisitions to strategic objectives remains important.

Equalities

Equalities impacts of key changes are considered as service plans are set and as part of any key management change. The main equalities impacts for Resources were assessed when the 3 year plan was set.

Appendices

1. Savings details – MTSRP final year progress summary 2015/16
2. Additional Capital Schemes