

Bath & North East Somerset Council

MEETING:	Cabinet	
MEETING DATE:	08 July 2015	EXECUTIVE FORWARD PLAN REFERENCE:
		E 2772
TITLE:	Strategic Review Update	
WARD:	All	
AN OPEN PUBLIC ITEM		
List of attachments to this report: None		

1 THE ISSUE

- 1.1 The report provides and update on the process to review the Council's spending and budgets in support of developing the Medium Term Financial Plan for 2016/17 to 2019/20 in light of the significant financial challenge that the Council is likely to face over this period.

2 RECOMMENDATION

The Cabinet agrees that:

- 2.1 Work should be undertaken to produce a 4-year Medium Term Financial Plan covering the financial years 2016/17 to 2019/20.
- 2.2 Work that has already commenced to review the Council budgets and spending as part of the Strategic Review to support the development of this Medium Term Financial Plan is noted and should continue to be progressed.

3 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

- 3.1 The report sets out the process and progress to identify savings and efficiencies across the Council's Revenue Budget and Capital Programme to support the development of the Medium Term Financial plan for the 4 year period from 2016/17 to 2019/20.

4 STATUTORY CONSIDERATIONS AND BASIS FOR PROPOSAL

4.1 The Medium Term Financial Plan allocates limited resources across services with alignment of these resources towards the Council's priorities. This report identifies progress with development of options and strategies to support the Medium Term Financial Plan development which will be considered for the approval of the Council in February 2016.

5 THE REPORT

The Spending Review and Capital Programme Review - Update

5.1 The current Medium Term Service and Resource Plans were constructed to cover the 3 years 2013/14 – 2015/16 in line with the specific budget priorities and the council policy framework.

5.2 Given the national and local elections in May 2015, no specific figures have been provided to local government for funding beyond 31 March 2016 although the Chancellor has recently announced an Emergency Budget Statement for 8th July 2015. This is likely to be followed by a Spending Review leading to the Financial Settlement for Local Government around Christmas 2015.

5.3 We therefore cannot be certain about local government funding from 2016/2017 onwards although we can expect the financial challenge facing the public sector to continue throughout the period of the next parliament from 2016/17 to 2019/20.

5.4 Whilst the scale and speed of funding reductions are not yet clear, there are a number of factors which we can identify that will impact on local government funding going forwards:

- Continuing reductions in the national control total for local government funding – we assume this will be around 10% per annum for this Council or over £4M per annum in cash terms.
- A significant increase in employers national insurance contributions to fund the new national pension arrangements – equivalent to £2.5M in cash terms for this Council.
- The ongoing impact of the new funding arrangements for Adult Social Care arising from the Care Act 2014 – the full implications of this have yet to be assessed.
- The need provide for future pay inflation.
- The potential impact of changes to interest rates and the revenue cost of meeting the Council's full borrowing requirement.
- The level of inflationary and demographic cost pressures arising on Council services.

- 5.5 The initial Financial Planning work to look at the future scale of this financial challenge for the Council has estimated that the likely savings, or additional income required, will be over £38M for this 4-year period. Given the scale of savings already achieved in the current Medium Term Financial Plan and Budget, it is likely that future savings will require some prioritised changes to Council services.
- 5.6 As part of this, the decision of Council to make a contribution of £1.5 million from reserves to meet an on-going revenue budget gap in the 2015/16 budget will need to be addressed.
- 5.7 A rigorous process will therefore be put in place to support the development of the Council budget and medium term financial planning process going forwards, including a review of both the Council's revenue budgets and the current Approved Capital Programme.
- 5.8 The Administration will therefore seek to develop a new Medium Term Financial Plan to cover the four years from 2016/17 to 2019/20 and have asked Council officers to bring forward for consideration a range of options to make savings, explore new models of service delivery, deliver innovation and efficiency, and generate additional revenue.
- 5.9 In planning for the future financial challenge, Council officers were already developing a Strategic Review to do just this, covering the 4 key themes:-
- Customer and Community
 - Prevention
 - Growth
 - Generating Revenue / Making the Finances Work
- 5.10 This Strategic Review will continue and capture a review of spending across the Council to ensure efficiency savings and income generation opportunities are maximised ahead of reductions to Council services.
- 5.11 The Administration will consider all outcomes from the Strategic Review in developing the specific options to be set out in the proposed Budget and Medium Term Financial Plan for 2016/17 to 2019/20.
- 5.12 It is anticipated that further details of the specific budget proposals being considered will be set out initially for the Performance Development and Scrutiny Panels in late 2015 for consultation and consideration before the final Budget proposals are presented in February 2016 for the Council.

6 RATIONALE

- 6.1 The recommendations made are to note the report and progress made in support of developing the Council Budget in accordance with relevant local government financial regulations.

7 OTHER OPTIONS CONSIDERED

7.1 It is envisaged that the Spending Review will identify options for consideration and appropriate consultation to support the development of the Budget for approval by the Council in February 2016.

8 CONSULTATION

8.1 Consultation on this report has been carried out with the Cabinet Member for Finance & Efficiency, Chief Executive and Monitoring Officer.

8.2 The process for the Spending Review and Capital Programme Review will include appropriate stakeholder consultation and engagement, primarily as part of the Budget process for 2016/17.

9 RISK MANAGEMENT

9.1 The substance of this report is part of the Council's financial risk management process. The key risks in the Council's budget are assessed annually by each Strategic Director, with these risks re-assessed on a regular basis as part of the revenue and capital budget monitoring process.

Contact person	Tim Richens – 01225 477468; Tim_Richens@bathnes.gov.uk
Sponsoring Cabinet Member	<i>Councillor Charles Gerrish</i>
Background papers	<i>None</i>
Please contact the report author if you need to access this report in an alternative format	