

TONBRIDGE & MALLING BOROUGH COUNCIL

CABINET

17 November 2015

Joint Report of the Management Team, Leader of the Council and Cabinet Member for Finance, Innovation and Property

Part 1- Public

Matters for Recommendation to Council

1 SAVINGS AND TRANSFORMATION STRATEGY

The report sets out for Members' approval a draft Savings & Transformation Strategy to address the significant financial challenges faced by the Council.

1.1 Introduction

- 1.1.1 At the last meeting of the Cabinet on 7 October, the Director of Finance & Transformation reported on how the Medium Term Financial Strategy (MTFS) was being updated.
- 1.1.2 Reference was made to the significant financial challenges facing the Council, including uncertainty over grant funding, especially New Homes Bonus, and the difficulty of financial planning. Cabinet agreed that it was appropriate to reflect the "central case" option in updating the MTFS, leading to a funding gap – and hence an overall savings target – of £1.4 million based on current forecasts. This is of course in addition to the £2.8 million that has been delivered over the last four to five years.
- 1.1.3 It was noted that the target needed to be achieved within the next three financial years, and can be broken down into the following three 'tranches':
- Tranche 1 - £200,000 being delivered by the beginning of 2016/17
 - Tranche 2 - £700,000 being delivered by the beginning of 2017/18
 - Tranche 3 - £500,000 being delivered by the beginning of 2018/19
- 1.1.4 At the meeting, Members recognised the significant financial pressure being faced and, in response to questions, the Chief Executive outlined the draft strategy Management Team had recently begun to prepare.
- 1.1.5 This report presents the proposed strategy for Cabinet's approval and recommendation onto Full Council for adoption alongside the MTFS.

1.2 Development of a Strategy

1.2.1 It is important to recognise that there is no one simple solution to address the challenges the Council faces. We will, therefore, need to adopt a number of ways to deliver the savings; set a timetable and then adhere to the agreed programme. Undoubtedly, this will be difficult alongside the operational pressures we are also facing. That said, this is the case for the majority of public service bodies in the current economic climate and therefore we are not in a 'unique' position.

1.2.2 The Management Team have set out our objectives in setting a Strategy and then identified a number of key 'themes' against which deliverable targets should, and can, be set. Members, in liaison with Management Team, will need to make decisions and take action to deliver these savings.

1.2.3 The attached table **[Annex 1]** sets out a summary of the key themes with outline targets for each. The targets are 'broad' and overachievement in one area may mean that other targets can be scaled back. Conversely, underachievement in one area will mean that other targets will need to increase.

1.2.4 In summary, the themes and outline targets are:

1)	Generate New Income	£100k
2)	In-Service Efficiencies	£200k
3)	Service Change and Reduction	£350k
4)	Fees & Charges	£100k
5)	Contracts	£350k
6)	Organisation Structure Change	£200k
7)	Partnership Funding	£200k
8)	Asset Management	£50k

1.2.5 At this stage, we cannot provide a definitive list of the options for savings within each 'theme', but over the coming months we expect to start bringing ideas forward for Members' consideration. It is expected that some options may be presented to Advisory Boards, as well as some being considered by the Overview & Scrutiny Committee (as they are now). In all cases, recommendations will be made to the Cabinet.

1.2.6 Members may note that the overall 'value' of the targets set out in Annex 1 is greater than the currently identified funding gap of £1.4 million. This is deliberate and reflects the fact that the targets by theme are very broad; and we also need to be aware that the funding gap could change depending on the outcome of the Spending Review.

1.3 Key Issues and Priorities

- 1.3.1 We suggest that underpinning the approach outlined above should be a set of priorities. To take an honest and transparent position, it would be misleading to say that the Council will be able maintain high standards of service across all that it does.
- 1.3.2 Whilst the draft strategy at Annex 1 includes some major areas where savings can be made without direct effect on services, it has to be recognised that we may need to decide that some service areas should change to accommodate saving requirements. That might mean doing things differently, more efficiently and with increased income opportunities where there is the opportunity to do so. On the other hand it might also mean that services will simply need to be run with less resources and we will have some difficult recommendations, and ultimately decisions, to make.
- 1.3.3 We are of the view that our priorities should focus on our customer and community service activity, doing all we can to maintain the Council's reputation of good front line service provision. In some areas there will need to be decisions as to the level of service we provide and in other cases whether we should stop doing some of the things we have traditionally done.
- 1.3.4 Ultimately, this is likely to result in us engaging with the public and partners about those choices through consultation exercises, and of course assessing and addressing any equality impacts that may arise.

1.4 Engaging our Staff

- 1.4.1 Full engagement with staff will be essential in taking forward these challenges. In many ways, the most significant challenge is a cultural one; i.e. the need to think and act differently. We are seeing some huge changes in terms of finance and policy on many important matters at national level that will impact upon us locally. We need to adjust the way we work in order to react to these changes; this will apply equally to both staff and Members.
- 1.4.2 Management Team have arranged staff briefings channels to ensure that good communication and awareness are in place, and to highlight the importance and approach to the work we have in front of us.

1.5 Next Steps

- 1.5.1 Members are asked to embrace this 'measured' approach, which we anticipate will need to be 'flexible' given the uncertainties regarding the Spending Review.
- 1.5.2 The Corporate Plan setting out the Council's overall Vision and Priorities will be presented to the Overview & Scrutiny Committee and the Cabinet early in the New Year. This document will provide Members with the overarching context for the consideration of savings options.

- 1.5.3 With particular reference to 'In-Service Efficiencies', Service managers will be asked to look very closely at their services and identify what can be done to achieve efficiencies. This will be against some savings targets to reflect a realistic and sustainable future budget and also taking into account the nature, scale and flexibility of the service.
- 1.5.4 Management Team will also consider opportunities for realigning services and management where that could bring benefits to working on priority service delivery to our customers and communities, as well as realising some efficiencies and savings.
- 1.5.5 The Overview and Scrutiny Committee have already agreed a programme of reviews which will assist in delivering options under several of the themes identified in paragraph 1.2.3.
- 1.5.6 With regard to the Fees and Charges theme, Members of the various Advisory Boards will see reports coming forward within the next couple of months.

1.6 Legal Implications

- 1.6.1 Any review of service provision should consider whether the services in question are mandatory i.e. services which the Council has a duty to deliver, or are additional/ discretionary services which the Council is empowered to provide and may be linked to payment by the service user for the additional costs of the discretionary service.
- 1.6.2 Although some services are mandatory, the Council may still have discretion over the level and type of service offered.

1.7 Financial and Value for Money Considerations

- 1.7.1 As set out above.

1.8 Risk Assessment

- 1.8.1 The Local Government Act 2003 requires the Chief Financial Officer, when calculating the Council Tax Requirement, to report on the robustness of the estimates included in the budget and the adequacy of the reserves for which the budget provides. Consideration will and is given to the risks associated with any budget setting process where various financial and other assumptions have to be made. The Medium Term Financial Strategy sets out the high level financial objectives the Council wishes to fulfil and underpins the budget setting process for the forthcoming year and over the Strategy period. As the Council's high level financial planning tool the Strategy needs to be reviewed and updated at least annually and in the current climate regularly reviewed by Management Team.
- 1.8.2 The increased uncertainty and volatility particularly in some of our major sources of income (business rates and New Homes Bonus) make financial planning difficult with the increased risk of significant variances compared to projections.

The forecast 'funding gap' of £1.4 million set out above needs to be addressed within the next three years in order to make the MTFS sustainable.

- 1.8.3 The draft Savings and Transformation Strategy gives a structure and framework as to how the Council can meet its financial challenges. This framework has been discussed in outline with the External Auditors who are content with the proposed approach.

1.9 Equality Impact Assessment

- 1.9.1 The decisions recommended through this paper at this stage have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users at this stage, although as savings options emerge, equality impact assessments will need to be carried out.

1.10 Policy Considerations

- 1.10.1 Communications ; Community; Human Resources; Customer Contact; Business Continuity/Resilience

1.11 Recommendations

- 1.11.1 Cabinet is requested to **RECOMMEND** to Full Council the **ADOPTION** of the Savings and Transformation Strategy to sit alongside the Medium Term Financial Strategy.

Background papers:

Nil

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