

TONBRIDGE & MALLING BOROUGH COUNCIL

CABINET

11 February 2016

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 & TRANSFORMATION STRATEGY

The report sets out for Members' approval an updated version of the Savings & Transformation Strategy to address the significant financial challenges faced by the Council following the release of the provisional local government finance settlement in December. Cabinet is asked to recommend the updated Strategy to Council alongside the Medium Term Financial Strategy, and also to endorse a draft timetable for commencing the review of partnership funding with parish councils.

1.1 Introduction

1.1.1 As Members may recall, at the meeting of Cabinet in November 2015, a Savings & Transformation Strategy was recommended to Full Council to assist us in meeting the significant financial challenges we face.

1.1.2 Even before Full Council has met to adopt the Strategy, it is necessary to update it. This is because the provisional Local Government Finance Settlement has proved even more severe than we had anticipated.

1.1.3 The impact of the Settlement was discussed in detail at the meeting of the Finance, Innovation & Property Advisory Board in January, and Members were advised that, despite some of the inroads we have already made, the remaining funding gap that needs to be addressed within the Medium Term Financial Strategy (MTFS) is now in the order of some £1.9m.

1.2 Updating the Strategy

1.2.1 The Strategy recommended by Cabinet in November was built around a number of themes. These themes were:

- Generate New Income (*opportunities for new income streams*);
- In-Service Efficiencies (*targets to be set to reflect sustainable future budgets within Services*);
- Service Change and Reduction (*review of levels of service provision, considering discretionary spend and reductions in standards of mandatory services*);
- Fees & Charges (*review of existing charges to maximise income and recover costs*);
- Contracts (*opportunities for efficiencies in specifying and re-tendering major contracts*);
- Organisation Structure Change (*opportunities for management and service delivery improvements/efficiencies through realignment of services under combined management and review of senior management structures*);
- Partnership Funding (*review of funding arrangements with other agencies and sectors*) ; and finally
- Asset Management (*investment opportunities from release of assets*).

1.2.2 We believe that this method is still appropriate, with a 'mixed' approach being needed in order to deliver the necessary savings. Cabinet recognised when considering this matter in November, that there is no one simple solution to address the challenges the Council faces. Rather, the approach requires a significant shift across the board in the way we operate as an organisation, in terms of the services we provide and how we deliver them.

1.2.3 It has been acknowledged that there is significant 'cross-over' between the two separate themes '*New Income*' and '*Review of Fees and Charges*' which could cause confusion, so we feel it would be preferable to merge the two under a retitled theme of '*Income Generation and Cost Recovery*'.

1.2.4 As Members were advised at the meeting of the Finance, Innovation & Property Advisory Board, a further savings tranche of circa £700k is required to be achieved by 2021 within our MTFS.

1.2.5 Simplistically, therefore, the additional £700k needs to be spread across the updated 'themes' within our Savings & Transformation Strategy. Doing this would add the following saving to each theme:

	Theme	Additional Target
1)	Income Generation and Cost Recovery	£100k
2)	In-Service Efficiencies	£75k
3)	Service Change & Reduction	£150k
4)	Contracts	£150k
5)	Organisation Structure Change	£100k
6)	Partnership Funding	£100k
7)	Asset Management	£25k

1.2.6 The above additional targets have been added into the table set out within the Strategy document at **[Annex 1]**. Members are reminded that these targets are for guidance and it may be necessary to adjust the 'spread' between the various themes as we progress.

1.2.7 Members will, however, note that the table has been expanded from the original 'version' proposed by Cabinet in November because progress is already being made towards some of the theme targets. It is important for transparency purposes that the progress is tracked against the targets, enabling all stakeholders to understand the latest 'position' and the challenge that remains.

1.2.8 At the time of writing, £200k of savings have been delivered by the Management Team within the In-Service Efficiencies theme and **are already reflected within the Estimates for 2016/17** that were presented to the Finance, Innovation & Property Advisory Board at its meeting on 13 January. This is an important point because, in advising Members of the updated funding gap (£1.9m) at that meeting, the £200k achieved in respect of 'In-Service Efficiencies' had already been taken into account.

1.2.9 Turning to **[Annex 1]**, Members will note that the target balance (£2.05m) is greater than the currently identified funding gap of £1.9 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 consultation on New Homes Bonus (see report elsewhere on this agenda).

1.3 Progress since November

1.3.1 As indicated in paragraph 1.2.8 above, some savings (£200k for In-Service Efficiencies) have already been delivered since the original Strategy was recommended by Cabinet in November. £112k of this related to establishment changes (see report to General Purposes Committee on 1 February 2016), with the balance being reduction in various other budgets managed by Services. Some of these reflect different ways in which managers and staff in general are thinking

in the operational delivery of services and the need for change to achieve efficiency savings.

- 1.3.2 Members are aware that consideration has been given to the review of Fees and Charges during this cycle of meetings, with particular reference to the potential implementation of new fees and charges. These proposals have yet to receive formal approval (so have not been reflected in either the Estimates or the 'progress' column in Annex 1), but it is hoped that positive progress against the Income Generation & Cost Recovery theme can be recorded in due course.
- 1.3.3 Similarly, Members of the Communities Advisory Board have been considering a review of grants to the key voluntary sector bodies, and at a meeting on 11 January 2016 recommended that a formal consultation be launched with those bodies.
- 1.3.4 Finally, Members may be aware of the work of the Overview & Scrutiny Committee in reviewing the Holiday Activity Programmes. Were Member to support the recommendations, progress against the 'Service Change & Reduction' theme can be recorded in due course.

1.4 What Next?

- 1.4.1 It is imperative that work on all of the identified themes progresses at a pace in order to deliver the required savings set out above. **It is essential that we meet (or ideally exceed) the 'cash flow' expectations set out in our MTFs.** In order to give as much 'breathing space' as we can, it should be taken as read that even if we meet 'in-year' targets, we will press ahead with other options to ensure that complete delivery of savings is met within the required timescales.
- 1.4.2 Members will be aware that it was hoped to bring the update of the Corporate Plan, setting out the Council's overall Vision and Priorities, to both Overview & Scrutiny Committee and Cabinet in this cycle. However, due to the unexpected severity of the local government finance settlement we have decided to delay this until the new municipal year in order to allow more time for reflection. We now intend to present this in June. That work will be pertinent to any proposals that are developed to address the savings themes around **Organisation Structure Change**. That is because our future management structure and the alignment of services should reflect the focus of Council priorities and be better formed to coordinate and deliver them efficiently as possible.
- 1.4.3 In the meantime, work will progress through Overview & Scrutiny Committee, Advisory Boards and Cabinet itself (depending on the subject matter) on a range of savings initiatives. Some of these are undoubtedly going to be challenging as we have often mentioned. For example, there will be choices about the standard of some key service areas when major **Contracts** are renewed, in areas such as refuse collection, street cleansing and indoor leisure where there might be significant opportunities for savings efficiencies. Depending on what view is taken in those areas, there will be some equally challenging choices in addressing

Service Change and Reduction in other areas, which might mean much different ways of providing services and, in some cases curtailing what we do where there are no realistic alternatives.

- 1.4.4 One particular piece of work that we propose to manage directly via Cabinet is the review of Financial Arrangements with Parish Councils, which fits with the **Partnership Funding** theme.
- 1.4.5 Parish Councils have already been advised of their allocations for 2016/17, so any review would impact in 2017/18 or later. When advising of allocations for 2016/17, and following a recommendation from the Finance, Innovation & Property Advisory Board, the Director of Finance & Transformation gave 'advance notice' that a review would be undertaken; therefore this should not be unexpected.
- 1.4.6 A proposed 'outline' timetable for the review is set out in the table below which culminates in a Council decision on 1 November. This draft may need to be 'flexed' as the review progresses. It is suggested that the Parish Partnership Panel be apprised of the timetable at its meeting on 18 February.

11 February 2016	Cabinet agree timetable
18 February 2016	Parish Partnership Panel (PPP) advised of timetable
22 March 2016	Detailed 'options' paper to Cabinet. Cabinet agree preferred approach and, as appropriate, begin consultation
April / May 2016	Consultation (as appropriate) with relevant stakeholders
16 June 2016	PPP updated verbally as to progress
22 June 2016	Cabinet consider responses; formulate preferred way forward and commission new policy to be drafted
July / August 2016	Draw up draft policy
8 September 2016	PPP updated verbally as to progress
13 September 2016	Overview & Scrutiny Committee (O&S) review draft policy and make recommendations to Cabinet
12 October 2016	Cabinet consider policy, including any comments from O&S, and make recommendation to Full Council

1 November 2016	Full Council adopt policy for 2017/18
April 2017	New scheme effective

- 1.4.7 Although an entirely different funding stream, it is suggested that alongside this review, discussions are also held with parish councils regarding the funding we pass on in respect of the council tax reduction scheme (CTRS). Cabinet is reminded that this funding is received through a district council's Settlement Funding Assessment, and some districts have already taken the decision not to pass on funding to their respective parish councils. By contrast, this Council has fully maintained its arrangement with parish councils into 2016/17. With the significant reductions in government grant we will receive through our Settlement Funding Assessment in the Spending Review period, we believe it is the right time to review this particular issue.
- 1.4.8 Cabinet is invited to discuss with parish councils the CTRS funding issue alongside this review, and endorse the draft timetable set out above.
- 1.4.9 The theme addressing **Asset Management** is potentially a significant area where we do not yet have a firm view as to the extent of opportunity. Using financial and property assets in less traditional ways is an area where some local authorities have started to make progress in supporting their resource base. It is an opportunity requiring more work and expertise. For example, we have commissioned advice on the opportunities to realise capital and revenue income from our existing property assets and we are undertaking some research on ways in which the Council might benefit from investment in property to generate higher levels of revenue income to help sustain our base budget. These areas may well involve more complex decisions around risk assessment and require some different models of working beyond our 'normal' approach and structures. They are however areas which we are keen to seriously consider.

1.5 Legal Implications

- 1.5.1 The Council has a duty to deliver certain mandatory services, and powers to deliver discretionary services. Although some services are mandatory, the Council may still have discretion over the level and type of service offered.

1.6 Financial and Value for Money Considerations

- 1.6.1 As set out above.

1.7 Risk Assessment

- 1.7.1 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.

- 1.7.2 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 £1.9 million reported elsewhere on this agenda needs to be addressed within the next few years in order to make the MTFs sustainable.
- 1.7.3 The 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.

1.8 Equality Impact Assessment

- 1.8.1 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.

1.9 Policy Considerations

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

1.10 Recommendations

- 1.10.1 Cabinet is requested to:

- 1) **RECOMMEND** to Full Council the **ADOPTION** of the updated Savings and Transformation Strategy to sit alongside the Medium Term Financial Strategy; and
- 2) **ENDORSE** the proposed timetable for commencing the review of partnership funding with Parish Councils.

Background papers:

contact: Sharon Shelton
Julie Beilby

Nil

Julie Beilby
For Management Team

Nicolas Heslop
Leader

Martin Coffin
Cabinet Member for Finance,
Innovation & Property