Suffolk County Council

Agenda Item 7

Committee:	County Council
Meeting Date:	11 February 2016
Lead Councillor/s:	Cllr Richard Smith MVO
Local Councillor/s:	All Councillors
Director:	Geoff Dobson, Director of Resource Management
Assistant Director or Head of Service:	Geoff Dobson, Director of Resource Management
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REVENUE BUDGET 2016-17 and CAPITAL PROGRAMME 2016-19

Brief summary of report

1. The report details the Revenue Budget 2016-17 and Capital Programme 2016-19, and the level of council tax to be raised from the people living in Suffolk to deliver the Council's services.

2. This report presents the recommendations from Cabinet (26 January 2016, Agenda Item 7). The revenue budget requirement is £445,252,996 giving a council tax of £1,149.03p for a Band D Property. The level of general council tax has been frozen at £1,126.53p and a new precept to fund Adult Social Care of £22.50p for a Band D Property has been introduced in line with national expectations.

3. **All councillors are asked to bring with them the Appendices A, B, and C from the budget report that were circulated with the agenda for the Cabinet meeting on 26 January 2016.** Due to a revised forecast for the collection fund surplus being received from Ipswich Borough Council, there have been changes to the financial information previously presented to Cabinet. This has resulted in the budget requirement being reduced by £406,557 from £445,659,553 to £445,252,996 and the amount required from the contingency reserve to balance the budget has increased from £4,782,842 to £5,189,399. The Net budget has not changed and the budget gap over the two year period is the same.

4. In addition to the papers provided for the Cabinet meeting, an additional Appendix (D) is provided with this report. This includes brief statements from some of the District and Borough councils in Suffolk giving their comments on the potential impact of the County Council's proposals.

Action recommended

5. Council is recommended to agree:

   a) The Cabinet recommendations on the Revenue Budget 2016-17 and Capital Programme 2016-19 (**Appendix C**), having regard to Scrutiny

Committee's recommendations and subsequent responses (**Appendices A and D**) and the report by the Director of Resource Management on the robustness of the estimates and adequacy of reserves (**Appendix B**).

b) the attached budget proposals, including savings of £34.4m (detailed in **paragraphs 26 to 28**) leading to a 2016-17 budget requirement of £445,252,996;

c) a freeze in general council tax for 2016-17 so that the Band D council tax for County Services remains at £1,126.53p (**paragraph 37**).

d) the introduction of a new precept to fund Adult Social Care which is equivalent to 2% of Band D council tax equivalent to £22.50p bringing the total Council Tax to £1,149.03p (**paragraphs 36 and 37**).

e) a council tax requirement/total precept on the collection funds of District and Borough Councils of £276,546,530 which includes a new precept to fund Adult Social Care of £5,415,261 (**paragraph 38**);

f) a capital programme for 2016-17 totalling £99.3m, including new schemes of £57.6m and the commitments that flow from them, as detailed in **paragraphs 39 to 44** of this report;

g) the revised Policy on Minimum Revenue Provision and Capital Prudential Indicators (**Appendix C, Section C, paragraphs 16-31**)

h) the Treasury Management Strategy and Treasury Prudential Indicators including approval to invest for longer than 364 days (**Appendix C, Section D**).

6. If the final Local Government Finance Settlement varies from the provisional settlement then authority to adjust the contingency figure accordingly is delegated to the Director of Resource Management in consultation with the Cabinet Member for Finance. This will not affect the council tax requirement or the Band D council tax of £1,149.03p. The final settlement is expected in early February.

Reason for recommendation

7. It is the County Council's statutory responsibility to set a budget and precept for 2016-17 by 1 March 2016.

Alternative options

8. As these are the Administration's recommendations, no alternative options are presented although other proposals might be discussed at the meeting.

Who will be affected by this decision?

9. All those who live and work in Suffolk.

Introduction

10. The budget sets out the revenue plans for the Council over the next year and capital plans for the next three years. These will impact on all areas of Council services, councillors and employees.

11. The budget for 2016-17 is designed to enable the Council to continue to manage the unprecedented financial challenges that face the public sector

and local government in particular. Savings of £34.4m have been identified for 2016-17. The savings required to deliver the budget are very significant and will require continued firm management in 2016-17 and subsequent years.

12. In making these recommendations, the Cabinet took into account the comments of the Scrutiny Committee at their meeting on 26th November 2015 **(Appendix A)**, the formal report of the Council's Section 151 Officer (Director of Resource Management) on the robustness and risks of delivering the proposed budget and the adequacy of the Council's reserves to manage these risks (**Appendix B**).

13. The Director of Resource Management's assessment, overall, is that the estimates are robust (taking into account known risks and mitigating strategies) and the reserves are adequate for the 2016-17 budget and provide some limited buffer against the 2017-18 budget plan. These risks will become more acute as each year of the medium term financial plan rolls forward.

The Council's Vision and Budget Strategy

14. Suffolk County Council continues to face significant grant reductions as a result of the Government's deficit reduction programme, which started in 2011-12. The Chancellor announced in July 2015 that the Government plans to achieve a surplus on its budget by 2019-20. This requires £37bn of further savings over the period from 2016-17 to 2019-20 from a combination of changes to the welfare system, changes to the tax system and savings from Government Departments.

15. The Council has successfully managed the financial challenges laid down by the Government's austerity programme up to now and has delivered savings in excess of £170m. The response to these challenges has been measured, pragmatic and innovative and designed to protect front-line services as much as possible. The Council needs to continue to deliver the best possible services within significantly reduced resources, with a focus on meeting the following corporate priorities which are also in effect the Council's vision:

    a) To raise educational attainment and skill levels
    b) To support the Local Enterprise Partnerships (LEPs) to increase economic growth
    c) To maintain roads and develop Suffolk's infrastructure
    d) To support the most vulnerable in our communities
    e) To empower local communities

16. In order to address the continuing budget challenge the Council is required to become a leaner and more focused organisation. This is being implemented through a portfolio of service transformation and enabling programmes that are fundamentally reviewing how services are operated and how the organisation is run.

17. The service transformation programmes are:

    a) Health and Social Care Integration (HASCI)
    b) Supporting Lives, Connecting Communities (SLCC)
    c) Making Every Intervention Count (MEIC)

d) Raising the Bar - A programme to raise attainment, achievement and aspirations for all young people throughout the County, implementing recommendations from 'No School an Island'
e) Travel
f) Highways & Infrastructure
g) Waste
h) Public Protection Organisational Design
i) Support Services

18. The savings associated with each of these programmes are summarised in **Table 2** and detailed in **Appendix C, Annex D**. Raising the Bar is not a savings programme.

19. There are additionally enabling programmes and initiatives (described below) which do not have savings targets attributed to them but are designed to help drive savings in the transformation programmes and across the Council:

    a) **Next Generation Computing** – The modernisation of ICT by transforming technology to improve productivity and the ease of working within Suffolk County Council and other organisations that use the Council's IT services;

    b) **Public Access and Digital Transformation** – Transform the customer experience and deliver more effective efficient services at a lower overall cost using digital channels and behaviour change;

    c) **Our Place & Connecting Communities** - Working with communities to understand their priorities and co-design and deliver services;

    d) **Organisational Design, ASPIRE & 'The Deal'** - Embedding the right behaviours, responsibilities and support for staff across the Council;

    e) **Collaboration & Integration with other organisations** - Working with partner organisations to join up services where it makes sense to do so;

    f) **Suffolk Growth Strategy** - A Suffolk wide plan to achieve economic growth, create stability and prosperity in Suffolk

    g) **Single Public Sector Estate** - Suffolk wide approach to transforming property and create a single estate.

20. All of the programmes also reflect the principles of **Local Response**, which are that the Council should:

    a) Keep demand out of the system
    b) Manage demand once it is in the system in an integrated way
    c) Deliver services locally – allowing local variation beyond the core offer
    d) Provide public service leadership locally

The Budget Challenge

21. In order for the Government to achieve the required £37bn of savings by 2019-20 it is planned that the budgets of Government Departments will need to be reduced by £20bn. As part of the Comprehensive Spending

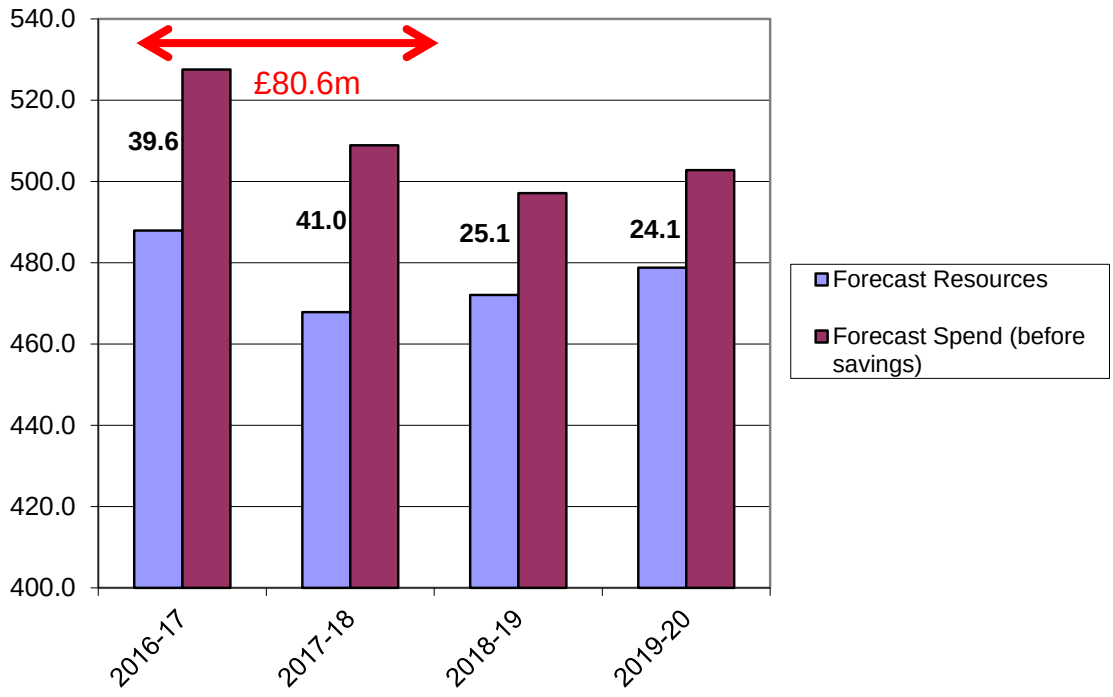
Review 2015, non-protected Government Departments were asked to model 25% and 40% real terms decreases in their revenue budgets over the four year period covered by the spending review (2016-20). The outcome of the review was published on 25th November alongside the Autumn Statement and is explained in more detail in **Appendix C, Annex A**.

22. As it is known that the Government's deficit reduction programme will continue until 2019-20 it is sensible to take a medium term view of the Council's budget and to consider the budget strategy over the duration of this administration and the following two years rather than to consider each year in isolation.

23. Therefore an assessment has been made of the potential budget gap to 2019-20 and the Council has been developing a savings plan for both 2016-17 and 2017-18. The planning assumptions that were made before the Provisional Local Government Finance Settlement was received in December 2015 are explained in **Appendix C, Section A.** It was expected that £48.7m of savings would be required in 2016-17 and £24.1m in 2017-18.

24. Alongside the Provisional Finance Settlement for 2016-17, provisional settlements for each year up to 2019-20 were also provided. This gives the Council better information upon which to plan future budgets and has enabled the forecast budget gap for this period to be revised as shown in **Chart 1** below. The revised budget gap also takes into account the updated council taxbase forecast that has been received from the Borough and District Councils.

Chart 1: Forecast Budget Gap 2016-20



25. The budget gap for 2016-18 has been revised to £80.6m. The reasons for the changes from the previous forecast for 2016-17 are summarised in **Table 1**.

Table 1: Revised Budget Gap 2016-17

	£'m
2016-17 Forecast Budget Gap (at Scrutiny)	**48.7**
Increase in Council Tax Base (above 1% estimate)	2.3
Collection Fund Surplus (one-off)	6.5
Change in Settlement from forecast	0.3
2016-17 Budget Gap (at Provisional Settlement)	**39.6**

Proposed Revenue Budget and Savings

26. **Table 2** below provides a summary of the savings proposals for 2016-18. The service transformation programmes are expected to deliver savings of £36.4m and other savings of £36.6m have also been identified. **Appendix C, Annex D** provides more information on each of the savings proposals.

Table 2: 2016-18 Savings Proposals

Savings Reference		Directorate	Savings Proposals 2016-17	Savings Proposals 2017-18	TOTAL 2016-18
	Transformation Programmes:		**£'m**	**£'m**	**£'m**
A	Health and Social Care Integration (HASCI)	ACS		5.9	5.9
B	Supporting Lives Connecting Communities (SLCC)	ACS	6.0	6.0	12.0
C	Making Every Intervention Count (MEIC)	CYP	0.5	1.4	1.9
D	Travel	CYP/RM	2.2	1.3	3.5
E	Public Protection Organisational Design	PH & P	0.6	1.2	1.8
F	Highways & Infrastructure	RM	1.5	2.1	3.6
G	Waste	RM	1.0	1.0	2.0
H	Support Services	RM	2.2	3.5	5.7
	Total Savings from Transformation Programmes		**14.0**	**22.4**	**36.4**
	Other Savings:				
I	Adult Care: Voluntary Sector Grants	ACS	0.13	0.53	0.7
J	Housing Related Support	ACS		2.4	2.4
K	Library Service & Archives	ACS	0.35	0.35	0.7
L	Culture, Heritage and Sport Services	ACS	0.10	0.13	0.23
M	Relationship with Schools	CYP	0.30	0.20	0.50
N	Skills	CYP	0.1	0.1	0.2
O	Public Health	PH & P	1.0		1.0
P	Strategic Development	RM	0.1	0.3	0.4
Q	Property	RM		1.0	1.0
R	Reduce Capital Financing & Corporate Budgets	Corporate	11.5	3.5	15.0
S	Reduce Councillor Locality Budgets	Corporate	0.15	0.02	0.17
T	Returns from wholly owned and joint venture companies	Corporate	0.25	0.35	0.6
U	Savings from Contracts	ALL	5.0	5.0	10.0
V	Further savings from Staff	ALL	1.5	2.2	3.7
	Total Other Savings		**20.5**	**16.1**	**36.6**
	TOTAL SAVINGS PROPOSALS		**34.4**	**38.5**	**73.0**

27. Despite this improvement in the budget gap for 2016-17 the two year budget gap has now increased to £80.6m due to a larger Revenue Support Grant (RSG) reduction in 2017-18 than planned, so the shortfall in savings is £7.6m over the two year period. In 2016-17 the budget gap is £39.6m

(see **Table 1**) and the savings proposals for 2016-17 are £34.4m so it will be necessary to use £5.2m from the corporate contingency reserve to balance the budget. Further savings will need to be identified to balance the 2017-18 budget but in the short term using reserves of £7.6m could be accommodated.

28. The proposed net budget and savings for each directorate for 2016-17 are detailed in **Table 3** below.

Table 3: Proposed Revenue Budget 2016-17

Directorate	2015-16 Adjusted Budget	Inflation	Demand & Demography	Other Changes	Savings	2016-17 Net Budget
	£'000	£'000	£'000	£'000	£'000	£'000
Adult & Community Services (ACS)	208,047	4,282	5,190	6,200	-6,580	217,140
Children & Young People (CYP)	98,334	1,600		1,417	-1,852	99,499
Public Health & Protection (PH & P)	58,300	345		326	-1,600	57,371
Resource Management (RM)	93,860	1,571		902	-6,009	90,323
Corporate Resources & Capital Financing	49,066	1		-1,881	-18,400	28,787
NET EXPENDITURE BUDGET	**507,607**	**7,799**	**5,190**	**6,964**	**-34,441**	**493,120**

29. **Table 4** below shows the movement in financing from the adjusted 2015-16 position to the proposed 2016-17 budget.

Table 4: Changes in Financing the Budget 2015-16 to 2016-17

	£'m
2015-16 Adjusted Budget	**507.6**
Loss of Grant	-30.4
Increase in New Homes Bonus	0.6
Change in Local Share of Business Rates	-2.1
Increase in Collection Fund Surplus	1.8
Increase in Council Tax Base	5.0
New Social Care Precept	5.4
Funding from Contingency Reserve	5.2
2016-17 Net Expenditure Budget	**493.1**

30. Since April 2010 there has been a significant reduction in staff numbers across all directorates. Between April 2010 and December 2015 the workforce (by headcount) excluding schools has reduced from 10,456 to 5,507, a reduction of 47%. This trend is shown in **Table 5** below

Table 5: Workforce Reduction

Directorate	Apr 2010	Apr 2011	Apr 2012	Apr 2013	Apr 2014	Apr 2015	Dec 2015
ACS	3,749	3,695	3,155	1,162	1,183	1,268	1,317
CYP	2,685	2,509	2,544	2,534	2,339	2,233	2,222
PH&P	898	853	786	763	790	759	752
RM	3,124	3,005	1,157	1,043	820	1,212	1,216
Total SCC	**10,456**	**10,062**	**7,642**	**5,502**	**5,132**	**5,472**	**5,507**

31. At December 2015 the Council employed 4,329 full time equivalent staff. Of this it is estimated that the cost of 1,100 staff is funded from grants, external funding or traded activity. A reduction in the number of staff funded by these external income sources would not result in a saving, therefore approximately 3,100 are in scope for savings proposals. It is expected that the transformation proposals discussed in this report will result in a reduction in the number of staff. As well as this it is proposed that further savings from staff of £3.7m should be targeted during 2016-18. These would need to come from across the Council.

Equality Impact Assessment

32. It is necessary to make an assessment of the impact of the savings. This includes having regard to the public sector equality duty (PSED) under s.149 of the Equalities Act 2010. The Council must have due regard to the need to:

    a) Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act

    b) Advance equality of opportunity between people who share a protected characteristic and those who do not

    c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.

33. The PSED is a relevant factor in making decisions in relation to the budget, in that it must be demonstrated that decision makers paid 'due regard' to equality in coming to decisions. The law does not mean that changes cannot be made even where they could have a negative impact on people, so long as the potential impact has been considered and steps have been taken to mitigate against the negative impact where possible. It should be noted that decisions made by other local authorities where due regard had not been appropriately considered has resulted in decisions being taken to judicial review.

34. The protected characteristics as outlined in the Act are gender, age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sexual orientation and marriage or civil partnership.

35. In order to meet s.149 of the Equality Act and pay due regard to equality, a number of equality impact assessment (EIA) screenings have been completed by officers in relation to the impact that the transformation programmes and related budget savings may have on the protected characteristics. Most of these are available on the Council's website. https://www.suffolk.gov.uk/council-and-democracy/our-aims-and-transformation-programmes/the-councils-equality-and-inclusion-policy/#tab3 Those EIAs which contain confidential information will be published once it is appropriate to share in the public domain.

Council Tax

36. As part of the Comprehensive Spending Review 2015 the Government announced that for the rest of the current Parliament, local authorities responsible for adult social care will be given an additional 2% flexibility on

their current council tax referendum threshold to be used entirely for adult social care. This flexibility is being offered in recognition of the impact of the National Living Wage and demographic changes which are leading to growing demand for adult social care, and increased pressure on council budgets. It is proposed that the Council should implement this 2% increase, which will be shown separately on the Council Tax bill, but there will be no general Council Tax increase.

37. **Table 6** below shows how the precept requirement is calculated. This is based on the budget requirement of £445,252,996 less Revenue Support Grant, Top Up Grant, Business Rates and a share of the surplus on council tax collection funds held by the Borough and District Councils. **Table 7** shows the recommended council tax for 2016-17, including the social care precept.

Table 6: Budget and Precept Requirement

	£'000
2016-17 Net Expenditure Budget	**493,120**
Less	
New Homes Bonus	3,959
Public Health Grant	32,300
Education Services Grant	5,881
Rural Services Delivery Grant	536
Funding from Contingency Reserve	5,190
Budget Requirement 2016-17	**445,253**
Less	
Revenue Support Grant	68,230
Top Up Grant	69,561
Business Rates	24,433
Collection Fund Surplus	6,482
Total Precept 2016-17	**276,547**
Divide by	
Taxbase (Band D Equivalent properties)	240,678
Band D Council Tax (excluding social care 2%)	1,126.53p
Band D Social Care (2% of £1,126.53)	22.50p
General Council Tax Precept	**271,131**
Social Care Precept	**5,415**

Table 7: Recommended Council Tax 2016-17

Band	General Council Tax £	2% Social Care £	Total Council Tax £	£ per week increase
A	751.02	15.00	766.02	0.29
B	876.19	17.50	893.69	0.34
C	1,001.36	20.00	1,021.36	0.38
D	1,126.53	22.50	1,149.03	0.43
E	1,376.87	27.50	1,404.37	0.53
F	1,627.21	32.50	1,659.71	0.63
G	1,877.55	37.50	1,915.05	0.72
H	2,253.06	45.00	2,298.06	0.87

Budget Requirement/Precept

38. The budget proposals and the suggested council tax level will lead to:

    a) A 2016-17 budget requirement of £445,252,996

    b) A total precept on the collection funds of Borough and District Councils of £276,546,530. This is made up of a general council tax precept of £271,131,269 and a social care precept of £5,415,261.

Capital Programme

39. The capital financing strategy going forward will continue to limit new borrowing only to those schemes which are either invest to save schemes or where the borrowing is paid for from other resources or where it is absolutely essential to the delivery of the Administration's key priorities. This strategy should generate some revenue savings in the capital financing budget in the short term.

40. The summary capital programme is shown in **Table 8** overleaf. For 2016-17 the programme totals £99.3m which compares to a total programme of £104.2m in 2015-16.

41. The programme includes the final phases of the Schools Organisation Review in Bury St. Edmunds and investment in schools totalling £54.4m, and there will be continued investment in the county's road network totalling £28.5m.

42. The programme also includes the Suffolk Better Broadband programme which will provide 98% of premises in Suffolk with access to Superfast broadband speeds. In May 2015 the Cabinet agreed to target 100% coverage by 2020. The funding for this is not included in this programme

Table 8: Summary Capital Programme

	Approvals up to 2015-16	2016-17	2017-18	2018-19	**Total scheme costs**
	£'000	£'000	£'000	£'000	**£'000**
Programme by service:					
Adult & Community Services	4,000	860	14,640	2,500	**22,000**
Children & Young People	12,309	54,434	45,649	40,586	**152,978**
Public Health & Protection	1,510	3,410	4,570	2,300	**11,790**
Highways	25,060	28,460	30,462	24,450	**108,432**
Waste & Environment	500	1,000	1,500	-	**3,000**
Property	3,300	1,000	3,050	3,050	**10,400**
Broadband & IT	5,800	10,100	14,300	9,400	**39,600**
	52,479	**99,264**	**114,171**	**82,286**	**348,200**
Consisting of:					
Contractually committed schemes	23,009	41,635	25,610	10,400	**100,654**
Schemes starting in 2016-17	-	23,350	32,775	5,600	**61,725**
Schemes starting in 2017-18	-	-	15,150	21,350	**36,500**
Schemes starting in 2018-19	-	-	-	3,250	**3,250**
Rolling Programmes	29,470	34,279	40,636	41,686	**146,071**
	52,479	**99,264**	**114,171**	**82,286**	**348,200**
Funded by					
Ring-fenced Government Grants		8,730	7,230	1,631	**17,591**
Other Contributions		5,705	32,985	22,950	**61,640**
Non Ring-fenced Grants		38,744	37,730	34,449	**110,923**
Capital Receipts		4,260	1,840	1,000	**7,100**
Revenue		4,140	6,300	12,000	**22,440**
Borrowing		37,685	28,086	10,256	**76,027**
		99,264	**114,171**	**82,286**	**295,721**

43. These figures exclude any slippage on schemes currently being delivered during the 2015-16 financial year. Confirmed slippage will not be known until May 2016 and will be added to the planned expenditure programme together with its financing at this point.

44. The detail of the programme for each directorate and the funding received are explained in detail in **Appendix C, Section C and Annex E**.

Conclusion

45. This budget sees the sixth full year of significant savings being proposed on top of those from earlier years and the austerity measures are set to continue until 2019-20. Further savings in the order of £60m will need to be identified to balance the budget through to 2019-20. It is therefore essential that the Council keeps focused on implementing major transformational change as it is not feasible to continue to deliver services in the same way.

46. The Government has set out plans for further devolution to local government, including the announcement that local authorities would be able to retain 100% of business rates by 2020. As the overall amount of business rates will exceed the value of the revenue support grant and business rates that local government currently receives, other grants to local government, such as the Public Health grant may be financed from business rates and/or further responsibilities and services may be devolved to local government. The detail of how this new system will work is still to be developed so the real impact of this is not yet known.

47. Alongside this, the County Council is proactively working with public sector partners to explore the potential opportunities associated with greater local autonomy through devolution deals. As such, the Suffolk public sector submitted a response to the Spending Review consultation that was agreed as the basis for future devolution negotiations (discussed at County Council on 17th September 2015). Since then, following advice from Central Government, Suffolk and Norfolk Leaders have been exploring the potential for a joint devolution proposal and continue discussions with Central Government as well as partners locally.

Sources of Further Information

a) Report to Cabinet on 26 January 2016 on Revenue Budget 2016-17 and Capital Programme 2016-19 can be found at:

http://committeeminutes.suffolkcc.gov.uk/meeting.aspx?d=26/Jan/2016&c=The Cabinet

b) Report to Scrutiny Committee on 26 November 2015 on Pre-Cabinet Decision Scrutiny of 2016-17 Revenue and Capital Budget can be found at:

http://committeeminutes.suffolkcc.gov.uk/LoadDocument.aspx?rID=09002711819f9e82&qry=c_committee%7e%7eScrutiny+Committee

c) Details of the government's provisional grant settlement for consultation can be found on:

https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2016-to-2017

d) Details of the Spending Review and Autumn Statement 2015 can be found on:

https://www.gov.uk/government/topical-events/autumn-statement-and-spending-review-2015