Suffolk County Council

Evidence Set 1

Scrutiny Committee

30 November 2016

Pre-Cabinet Decision Scrutiny of the 2017/18 Revenue and Capital Budget

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Introduction

1. This report provides an introduction to the budget setting process for 2017/18 and outlines the strategy that has been developed to manage the financial challenges facing Suffolk County Council.

2. The Chancellor's Autumn Statement will be delivered on 23 November 2016. Following on from this it is expected that the Provisional Local Government Finance Settlement will be announced in mid-December. Until then this draft budget remains based on the four year grant settlement that the Government announced in 2015 and local assumptions about the council taxbase and business rates. An update on the Autumn Statement will be presented at the meeting.

What is the impact of the national economic situation upon the County Council's budget?

3. An excessive level of Government debt, exacerbated by the international financial crisis led the Coalition Government to embark on a four year deficit reduction programme as part of the Government's Comprehensive Spending Review 2010. As a result of slower growth in the economy and higher borrowing than initially forecast the deficit reduction programme was extended to 2019/20 at which point the Government was targeting a budget surplus. This was to be achieved through £40bn of further savings over the period from 2016-17 to 2019-20. These savings would be delivered through changes to the welfare and tax system and half was to be delivered through reductions in the budgets of Government Departments.

4. As a result of the referendum vote in June to leave the European union this budget surplus target was abandoned as the Government focus is now on stabilising the economy at this time of uncertainty. However, reductions in the budgets of Government Departments are expected to continue as planned. Local government has been offered a four year grant settlement which incorporates these required funding reductions but there is no guarantee that these figures will not get worse.

5. The UK economy is still growing but the latest forecasts for growth have been scaled back as a result of the Brexit vote. The November Bank of England inflation report forecasts that growth in 2017 will be 1.4% and inflation is expected to rise to 2.7% in 2017. Currently the Consumer Price Index (CPI) which measures inflation stands at 0.9%.

How does the current budget compare with previous years, in gross terms?

6. **Table 1** below shows the gross budget of the Council from 2011/12 to 2016/17. The gross budget has reduced from £1,104m to £934m, a reduction of £170m. This is largely due to the conversion of maintained schools to academies and the impact of the reduction in government grant that has been ongoing since 2011/12. The overall movement in 2013/14 is also impacted by the transfer of responsibility for Public Health from the NHS and a number of specific grants were rolled into the revenue support grant in that year.

Table 1: Council Budget 2011/12 to 2016/17

	2011/12	**2012/13**	**2013/14**	**2014/15**	**2015/16**	**2016/17**
	£'m	**£'m**	**£'m**	**£'m**	**£'m**	**£'m**
Total Gross Budget	1,104.3	1,037.8	1,011.8	990.3	958.4	934.3
Less Schools	431.1	357.5	336.1	290.7	265.5	242.7
Gross Budget excluding Schools	**673.2**	**680.3**	**675.7**	**699.6**	**692.9**	**691.7**
Less Use of Reserves, Specific Grants, Fees & Charges	-190.3	-204.7	-147.3	-183.2	-192.1	-199.3
Net Budget	**482.9**	**475.6**	**528.4**	**516.3**	**500.7**	**492.4**

What is the forecast budget gap to 2020?

What assumptions about levels of funding and financial pressures have been relied upon in this forecast?

7. As a result of the deficit reduction programme, since 2011/12 the Council has made savings in excess of £200m. In order to identify the budget gap that the authority faces, an assessment has been made of the expected level of funding and the impact of inflation and demand pressures over the three years from 2017/18 to 2019/20.

8. In calculating the expected level of funding the following assumptions have been made:

a) The Council has accepted a four year grant allocation which provides some certainty about the level of Revenue Support Grant, Rural Services Delivery Grant and Transitional Grant for the period to 2020. These allocations will be confirmed annually as part of the local government finance settlement.

b) The assumed level of business rates and top up grant is based on the assumptions made by central government in the 2016/17 local government finance settlement for every year up to 2020. In addition the forecast includes the existing Section 31 grant which compensates for the impact of the cap on rates for small businesses.

c) The council tax surplus is treated as one-off as it can fluctuate considerably each year. The current estimate of the surplus for 2017/18 is £1.5m, although figures have not yet been received from all districts and boroughs.

d) Council tax will remain at the same level as 2016/17 in line with the commitment made by the Administration. From 2018/19 it is assumed that council tax will be increased by 1.99% per annum. This is in line with the assumptions made by central government when calculating the local government finance settlement.

e) The current estimate of the increase in the council taxbase is 2.3% for 2017/18 and a further increase of 1% per annum is assumed for 2018/19 and 2019/20.

f) The assumed level of New Homes Bonus is based on the figures provided in the 2016/17 local government finance settlement for every year up to 2020.

g) The Public Health Grant is expected to reduce from £31.6m to £30.8m in 2017/18. Further reductions beyond 2018 have not been announced. As this grant is ringfenced the Public Health service will need to identify savings to meet the reduced level of grant.

h) The Government announced in the 2015 Spending Review that the general rate element of the Eduction Services Grant will cease with effect from September 2017 to achieve savings of £600m by 2019-20. This is used to fund duties that local authorities deliver for maintained schools. It is estimated that this reduction will be equivalent to £4.3m for the Council, although some of this funding is likely to transfer to the Dedicated Schools Grant.

9. Taking into account these assumptions, **Table 2** below shows the forecast level of funding:

Table 2: Expected Level of Funding 2017-20

2016-17		**2017-18**	**2018-19**	**2019-20**
£'m		**£'m**	**£'m**	**£'m**
68.2	Revenue Support Grant	45.2	30.5	16.3
2.2	Rural Services Delivery Grant	1.7	1.3	1.7
1.9	Transitional Grant	2.0		
96.0	Business Rates and Top Up Grant	97.8	100.7	103.8
271.1	Council Tax	277.4	285.7	294.3
6.5	Collection Fund Surplus	1.5	-	-
5.4	Social Care Precept	11.2	17.3	24.0
3.9	New Homes Bonus	4.0	2.5	2.4
5.9	Education Services Grant	1.6		
	Improved Better Care Fund	0.9	11.0	20.3
31.6	Public Health Grant	30.8	30.8	30.8
492.8	**Total**	**474.1**	**479.8**	**493.7**

10. On the spending side of the equation assumptions have been made for inflation of 2% for non-pay budgets and 1% on pay budgets. External income budgets, except for those relating to grants and contributions, are expected to increase by 3% and care charges by 2%. This reflects the inflation uplift plus a real increase in fees and charges to the extent that the rules around certain charges allow that level of increase.

11. 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 assumed in the budget gap calculation that in line with the government expectation an increase in the Social Care Precept, equivalent to a 2% increase in council tax, will be implemented each year to 2020. Furthermore, additional funding for adult social care is being provided directly to local authorities through an Improved Better Care Fund. The Council is expecting to receive £0.9m in 2017/18 increasing to £20.3m in 2019/20. It is assumed at this stage that this funding will not come via the CCGs or have new responsibilities attached to it so it can be used to fund existing and future pressures in adult social care.

12. In addition to the Social Care Precept and Improved Better Care Fund, it is estimated that ACS need a further £2.5m to fund demand and demography pressures in adult care in 2017/18.

13. Since April 2015 the Council has seen a significant increase in the number of Children in Care and Special Guardianship Orders. In addition the average age of these children has increased and the cost of placements for these older children is higher and placements are of longer duration. It is estimated that an additional £5m is required in the CYP budget to fund this increase in demand and cost.

14. First announced in the 2015 Summer Budget, the Apprenticeship Levy will be introduced in April 2017 and will be payable by employers with pay bills in excess of £3m per year. The Levy will be charged at a rate of 0.5% of an employer's total pay bill with each employer receiving an allowance of £15,000 to offset against their Levy payment. The cost to the Council, including maintained schools, has been estimated at £2m per annum and it is assumed that this will need to be met from base funding. If the Schools' Forum agree to part fund the levy that relates to maintained schools from the Dedicated Schools Grant then the burden on base budgets will be reduced.

15. In 2016/17 all funding for the implementation of the Care Act 2014 was included in the Revenue Support Grant. Within the grant settlement it is estimated that if the second phase of the Care Act implementation goes ahead in 2020 it will cost the council an additional £2.1m.

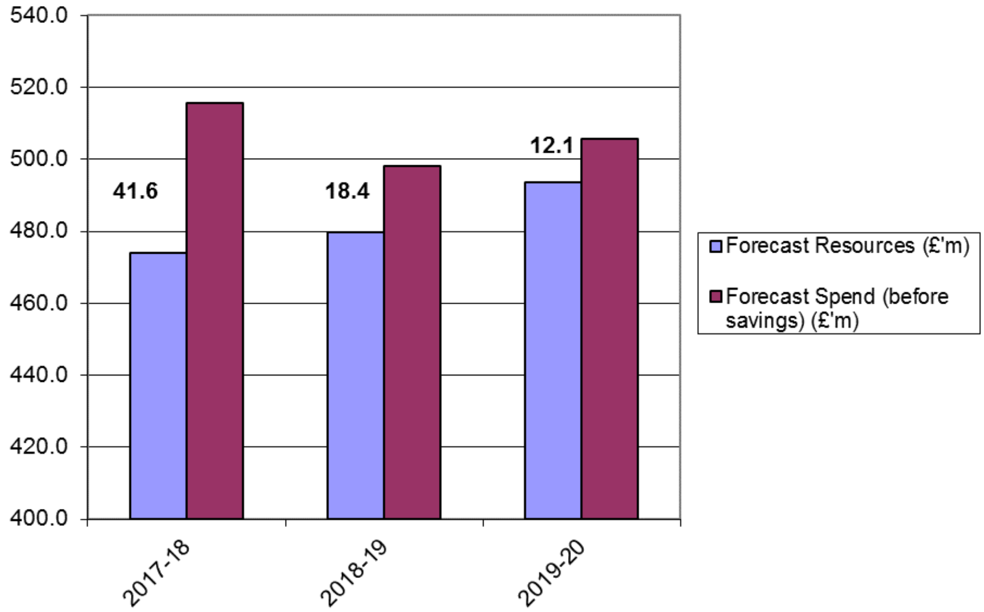
16. **Table 3** overleaf summarises the position discussed above and sets out the level of savings required over the three years to 2020, which total £72m.

Table 3: Forecast Budget Gap 2017-20

	2017-18 £'m	2018-19 £'m	2019-20 £'m
Previous Years Budget	492.4	474.1	479.8
Inflation	7.9	7.9	7.9
ACS Demand & Demography	2.5		
CYP Demand & Demography	5.0		
Additional Social Care Cost	5.8	6.1	6.6
Improved Better Care Fund	0.9	10.1	9.3
Apprenticeship Levy	2.0		
Reduction in Public Health Grant	-0.8		
Care Act			2.1
Sub-Total	**515.7**	**498.2**	**505.8**
Less:			
Funding	474.1	479.8	493.7
Forecast Budget Gap	**41.6**	**18.4**	**12.1**

17. **Chart 1** below shows the significant financial challenges facing the Council over the next three years.

Chart 1: Forecast Budget Gap 2017-20



What is the corporate process for developing budget proposals?

18. The Council has known since 2014 that the Government's deficit reduction programme would continue until at least 2019. Therefore it was sensible to take a medium term view of the council's budget and develop a budget strategy for the duration of this administration rather than to consider each year in isolation.

19. The administration recognised that major transformational change was necessary to ensure that the Council could continue to deliver the best possible services within significantly reduced resources. As a result a portfolio of service transformation and enabling programmes were developed to fundamentally review how services are operated and the organisation is run.

20. The savings targets associated with these programmes have been developed by the Leadership Team in line with the corporate priorities. The directorates, through these programmes, have developed plans for how these services can be delivered differently at lower cost, with a focus on protecting front line services.

What has been the corporate approach taken to consulting the public?

21. For 2017/18 the Council will be building on the budget consultations that have been undertaken over the last few years and the residents survey that took place earlier this year. Presentations are planned with the Ipswich Area Committees and Suffolk Association of Local Councils (SALC) in November and December. Suffolk Coastal District Council and Waveney District Council have also invited the County Council to present at their budget consultation meetings. A short online survey is also being undertaken on the council's website which is open until the end of December. This gives residents an opportunity to give their views on where spending should be prioritised.

From 2011/12 to date, what level of reserves have been forecast, what was the actual balance, and what are the plans for reserves in 2017/18?

22. **Annex A** shows the Council's reserves from 2011/12 to the end of 2015/16.

23. A forecast of the Council's reserves to the end of 2017/18 are shown in **Table 4** below:

Table 4: Council Reserves (excluding schools)

	Actual Balance 31/03/2016 £'m	Forecast Balance 31/03/2017 £'m	Forecast Balance 31/03/2018 £'m
Unallocated Reserves	49.5	47.9	37.6
Services' Reserves	26.6	17.4	12.1
Public Health Ringfenced Reserve	5.0	4.4	3.9
Renewals Reserves	3.8	3.8	3.8
Earmarked Reserves	63.9	46.4	34.3
Total Non-Schools Reserves	**148.8**	**119.9**	**91.6**
Capital Receipts Reserve	8.4	9.7	5.2
Capital Grants and Contributions Unapplied Reserve	6.5	4.5	1.9
Capital Financing Reserve	27.4	29.5	21.8
Total Capital Reserves	**42.4**	**43.6**	**28.9**
Total Reserves	**191.2**	**163.5**	**120.5**

24. Reserves are generally held for specific purposes and are a fundamental part of the way the Council manages its business risks and maintains a stable financial position. They provide flexibility and can be seen as a tiered level of 'insurance' cover (i.e. the first call being service reserves, earmarked reserves, then the contingency reserve and the county fund general reserve.) More detail on strategic risks, reserves and contingencies are set out in the report to Cabinet and Council by the Director of Resource Management accompanying the 2016/17 budget (Appendix B to 2016/17 Revenue Budget and Capital Programme). This will be updated to sit alongside the 2017/18 budget.

http://committeeminutes.suffolkcc.gov.uk/LoadDocument.aspx?rID=0900271181af0cf9&qry=c_committee%7e%7eCounty+Council

25. Unallocated reserves includes the county fund and contingency reserves. The county fund general reserve is the only true unallocated reserve and represents 2.2% of the net budget or 1.2% in gross terms. The contingency reserve exists to enable the Council to deal with uncertainty in future funding. The decrease in 2016/17 and 2017/18 reflect the planned use of this reserve to balance the overall budget.

26. Under the Financial Regulations, services are allowed to hold carry forward reserves although there is no recommended level. These are an essential component in the Council's overall framework for financial management as they provide a service contingency for dealing with unforeseen in-year cost pressures (pending permanent funding solutions being identified), managing resources between years and invest to save schemes.

27. The Public Health service is funded by a ring-fenced grant. Therefore a separate reserve exists for this service and is treated separately from the other service reserves as any balance held in the reserve remains ring-fenced for Public Health activities.

28. Renewals reserves are held to fund the future replacement cost of assets, for example fire vehicles and equipment.

29. Earmarked reserves are used to pay for specific commitments or set aside for anticipated projects/programmes. **Annex B** sets out the earmarked reserves.

30. The capital financing reserve consists of revenue contributions to capital which are earmarked for capital schemes as an offset to potential borrowing. The other capital reserves include non ring-fenced government grants and external contributions which will be held until they are required to fund the specific capital schemes that they have been provided for, and capital receipts.

31. Schools are legally entitled to hold balances under the delegation arrangements within which they work. Their balances appear within the County Council's balance sheet but can only be used by schools – these balances cannot be spent by the County Council. This similarly applies to the Dedicated Schools Grant (DSG) which can only be applied to activities legitimately chargeable to the DSG. At 31st March 2016 these stood at £25.8m and £4.2m respectively.

To what extent has the capital programme set in previous years been spent, and what is the draft programme to 2017-2020?

32. **Annex C** shows the capital programme for 2011/12 to 2015/16.

33. **Table 5** below shows the proposed capital programme for 2017-20 and how it will be financed. The programme is based on known grant allocations but there are some grants where no details are available at this stage. Where this is the case to be confirmed (TBC) has been shown in the table. The programme will be updated as more information becomes available. The paragraphs below give some more broad details about the schemes included.

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

35. The Adult and Community Services (ACS) programme includes The Hold Heritage Centre project, which is a partnership between the Council and the University of Suffolk that was approved by the Cabinet in July 2015. This is a three year project at a cost of £20.3m supported by a £10m grant from the lottery, £5m from borrowing and the remaining from external sources. The programme is also expected to include funding from the government Disabilities Facilities Grant but the grant allocation is yet to be announced. The funding will predominantly be for equipment used in the re-ablement of customers and community capacity initiatives

36. The three-year Children and Young People's Services (CYP) capital programme is based on a number of key assumptions, including an estimate of funding for 2017-20 onwards. A contingency is held but the programme is subject to change once allocations are announced by the Department for Education. Provision of school places for all children who need them remains a key responsibility of the Council, and the strategy for this is set out in the Education & Learning Infrastructure Plan. The programme includes construction of one new primary school, in Felixstowe, completion of the new schools in Red Lodge and Lakenheath, and extensions to at least eighteen existing schools.

37. The CYP programme also includes £1.3m for Special Educational Needs provision at The Bridge in Ipswich and Carlton Colville at Lowestoft. This is to provide more local services to vulnerable children, which will reduce the reliance on expensive out of county provision and better meet the needs of children and young people.

38. The Public Health and Protection programme provides resources for the Fire Service for the ongoing replacement of vehicles, equipment and communications. In additional there is £3.9m to increase blue light collaboration across Suffolk through shared control and estates, this is mainly funded from a government grant.

Table 5: Draft Capital Programme 2017-20

Directorate and Scheme	Expenditure in 2017-18 £'m	Expenditure in 2018-19 £'m	Expenditure in 2019-20 £'m
IT Transformation in Adult Social Care	0.54		
Support to social care and developing community capacity	TBC	TBC	TBC
Suffolk Heritage Centre - The Hold	14.10	5.74	
TOTAL ADULT AND COMMUNITY SERVICES	**14.64**	**5.74**	**-**
Contractually Committed schemes			
Whitehouse Primary, Ipswich		0.50	
Red Lodge New Primary, Bury st Edmunds	1.00	2.10	
Lakenheath New Primary	1.00		
Carlton Colville Primary, Lowestoft	0.25		
Bury SOR 6	2.00		
Schemes Starting in 2016-17			
St Margaret's Primary, Ipswich - Phase II	0.20		
Claydon Primary School	0.80		
Coupals Academy Primary, Haverhill	1.38		
Forest Academy Primary, Brandon	0.69		
Sir Robert Hitcham, Framlingham		0.80	
The Glade Primary, Brandon	0.80		
Schemes Starting in 2017-18			
West Row Primary, Mildenhall	0.53	0.45	
Norton Primary - Phase II, Bury St Edmunds	0.40		
Yoxford Primary	0.62		
Middleton Primary, Saxmundham	0.21		
Schemes Starting in 2018-19			
Brooklands Primary, Brantham		1.50	
Wells Hall Primary, Gt Cornard		1.20	0.30
Bosmere Primary, Needham Market		1.05	0.45
Moulton Primary, Newmarket		1.20	0.30
Felixstowe New Primary		0.80	2.40
Kelsale Primary, Saxmundham		0.30	
St Peter and St Paul Primary, Eye		1.75	
2018-19 Basic Need Schemes (to be developed)		0.42	
Schemes Starting in 2019-20			
Howard Primary, Bury St Edmunds			1.00
Haverhill New Primary			0.80
The Bridge - Secondary Phase II, Ipswich			1.00
2019-20 Basic Need Schemes (to be developed)			4.30
Rolling Programmes			-
Property Maintenance (Inc. Kitchens & Grounds)	5.15	5.15	5.15
Emergency Building Programme	1.00	1.70	1.01
Devolved Formula Capital	1.31	1.18	1.06
Basic Need Contingency	2.08	3.63	0.90
Other Programmes contingency	2.65		
TOTAL CHILDREN & YOUNG PEOPLE	**22.06**	**23.72**	**18.67**
Blue Light Increased Collaboration	-	3.95	
Replacement of Fire Vehicles & Equipment	1.03	1.03	1.03
TOTAL PUBLIC HEALTH & PROTECTION	**1.03**	**4.98**	**1.03**
Ipswich Radial Corridor Improvements	2.50		
Bury St Edmunds Sustainable Transport	1.10		
Beccles Relief Road	2.00		
Integrated Transport	2.75	2.75	2.75
Local Highways Budgets	0.50	0.50	0.50
Highway Needs-Based Capital Maintenance	19.39	17.55	17.55
Highways Incentive Fund Capital Maintenance	1.82	3.65	3.65
Wet dock crossings - Ipswich and Lowestoft	4.00	3.00	
TOTAL HIGHWAYS	**34.06**	**27.45**	**24.45**
Lowestoft Flood Project	1.50		
Waste Infrastructure		2.00	2.00
TOTAL WASTE & ENVIRONMENT	**1.50**	**2.00**	**2.00**
Structural Building Maintenance	1.00	1.00	1.00
Energy and Carbon Reduction	2.00	1.00	1.00
Mildenhall Hub	1.00	1.50	
TOTAL PROPERTY	**4.00**	**3.50**	**2.00**
IT Infrastructure	2.30	1.80	1.80
IT Equipment	0.55	0.50	0.50
Broadband Superfast Extension Programme	13.70	6.70	
TOTAL IT AND BROADBAND	**16.55**	**9.00**	**2.30**
TOTAL CAPITAL PROGRAMME	**93.28**	**75.89**	**50.45**

39. The Highways programme includes block funding for integrated transport that is expected to remain constant from 2017/18. The integrated transport funding will be used to part fund the schemes that have received local growth funding, including the Bury St Edmunds eastern relief road and the Beccles relief road. The Beccles relief road still has £2.0m Local growth funding to be received in 2017/18 from the New Anglia Local Enterprise Partnership (NALEP). The integrated transport funding will also be used to deliver transport infrastructure improvements to support economic growth across Suffolk and £0.5m will be allocated for Councillors Local Highways Budgets.

40. Additional growth funding of £3.6m has been secured in 2017/18 from NALEP for work on two projects, the Ipswich Radial Corridor and the Bury St Edmunds sustainable transport plan.

41. Central government has confirmed the funding formula basis for distributing the highways capital maintenance block between authorities. The needs based element of the amount allocated to the Council reduces from £19.4m in 2017/18 to £17.6m in 2018/19 and 2019/20.

42. An ‘Incentive Fund’ element of the highways capital maintenance block allocation appeared for the first time in 2016-17. It will grow by £0.6m to £1.82m in 2017/18 and then increases to £3.65m for 2018/19 and the next two financial years. This means that the combined capital maintenance allocation equates to £21.2m per annum throughout this three-year period, provided that the Council is able to assure central government it has made the desired progress in improving the condition of Suffolk’s Highways and recording highways assets.

43. The highways programme also includes £7.0m of borrowing for the river crossings in Ipswich and Lowestoft. This funding is to cover the initial design and planning and was agreed by Cabinet in May 2016.

44. The Property programme includes structural maintenance on existing Council properties and investment in Energy and Carbon Reduction schemes. There is also £2.5m for the Mildenhall hub which is a campus of public services co-located to achieve savings and efficiency through joint working, this will be funded from borrowing and capital receipts from buildings sold when offices are vacated in Mildenhall.

45. The IT programme includes an ongoing investment to ensure that the council has in place the technology required to implement the IT strategy and support the transformation programmes and directorates in achieving their savings targets and delivering services. This includes enabling the core network infrastructure to access services from the Cloud and promote a more mobile workforce.

46. There will be continued investment in the Suffolk Better Broadband programme. The remaining programme totals £20.4m for the Broadband Superfast Extension. The Council will be contributing £10m of funding for this and £10.4m will come from the Department for Culture, Media and Sport (DCMS). The government is targeting that by 2020 superfast broadband will be available to all.

Draft Revenue Budget and Savings Proposals

47. The following tables and paragraphs provide answers to questions i) to o) set out in the covering report by directorate. **Table 6** below provides a summary of all the savings proposals for 2017/18, which total £31.3m. If the forecast budget gap is £41.6m in 2017/18 is accurate then there will be a need to use funding from the contingency reserve to balance the budget. The level of reserves required will depend on the final budget gap. The contingency reserve forecast in **Table 4** is based on the current forecast budget gap. As reserves can only be spent once it is imperative that the council develops plans for identifying the savings required in future years.

48. The Council is addressing the budget challenge and delivering the council's five key priorities through a series of transformation programmes that are enabling the Council to deliver the best possible services within significantly reduced resources. Alongside this is a focus on contract management and a more commercial approach to Council activities.

Table 6: Summary of Savings Proposals 2017/18

Savings Reference	Savings Proposals (by Directorate)	Amount
		£'m
	Adult & Community Services (ACS)	
ACS1	Supporting Lives Connecting Communities (SLCC)	6.00
ACS2	Adult Care: Voluntary Sector Grants	0.29
ACS3	Housing Related Support	1.40
ACS4	Library Service & Archives	0.28
ACS5	Culture, Heritage and Sport Services	0.13
ACS6	Further savings from Staff	0.74
	Children & Young People (CYP)	
CYP1	Making Every Intervention Count (MEIC)	1.40
CYP2	Travel	0.55
CYP3	Relationship with Schools	0.20
CYP4	Skills	0.10
CYP5	Further savings from Staff	0.85
	Public Health & Protection (PH&P)	
PHP1	Public Protection Organisational Design	1.15
	Resource Management (RM)	
RM1	Travel	0.80
RM2	Highways & Infrastructure	2.13
RM3	Waste	0.98
RM4	Support Services	3.47
RM5	Strategic Development	0.30
RM6	Property	1.00
RM7	Further savings from Staff	0.61
	Corporate	
CORP1	Reduce Capital Financing & Contingency Budgets	3.50
CORP2	Reduce Councillor Locality Budgets	0.02
CORP3	Remove Councillor Pension Budget	0.08
CORP4	Returns from wholly owned and joint venture companies	0.35
	ALL	
CORP5	Savings from Contracts	5.00
	TOTAL SAVINGS PROPOSALS	**31.33**

Adult & Community Services (ACS)

What is the current budget, how is this allocated across the Directorate, what is the forecast outturn for 2016/17, and how is the budget expected to change in 2017/18?

49. **Table 7** below provides a summary of the 2016/17 budget for Adult & Community Services and the forecast outturn as set out in the budgetary control report that was presented to Cabinet on 15th November 2016.

50. **Table 8** provides a draft 2017/18 budget for the directorate, showing where inflation and demand funding is expected to be allocated and where the savings proposals would impact. The savings are referenced back to **Table 6**.

Table 7: ACS 2016/17 Budget and Forecast Outturn

Service	2016/17 Net Budget	2016/17 Forecast Outturn	2016/17 Forecast Variance
	£'m	£'m	£'m
Care: Purchasing of Services	172.33	173.39	1.06
Home First Re-ablement Service & Area Teams	26.70	26.87	0.17
Community Equipment & Assistive Technology	0.37	0.37	0.00
Family Carers Support	3.14	2.58	-0.56
Welfare Rights & Fairer Charging Teams	1.05	0.98	-0.07
Housing Related Support	8.11	7.28	-0.83
Commissioners & Specialist Services	8.90	8.69	-0.21
Culture, Libraries, Sport & Community	8.42	8.41	-0.01
Management and Support	4.03	3.46	-0.58
Care Act and Better Care Fund	-17.28	-17.28	0.00
Total ACS	**215.76**	**214.74**	**-1.02**

Table 8: ACS Draft Budget 2017/18

Service	2016/17 Net Budget	Inflation	Demand & Demography	Proposed Savings	2017/18 Proposed Budget	Savings Reference
	£'m	£'m	£'m	£'m	£'m	
Care: Purchasing of Services	172.33	0.47	9.20	-5.40	176.60	ACS1 (part)
Home First Re-ablement Service & Area Teams	26.70	0.25		-0.50	26.45	ACS1 (part)
Community Equipment & Assistive Technology	0.37				0.37	
Family Carers Support	3.14				3.14	
Welfare Rights & Fairer Charging Teams	1.05	0.01			1.06	
Housing Related Support	8.11			-1.40	6.71	ACS3
Commissioners & Specialist Services	8.90	0.07		-0.29	8.67	ACS2
Culture, Libraries, Sport & Community	8.42	0.05		-0.41	8.05	ACS4, ACS5
Management and Support	4.03	0.01		-0.84	3.20	ACS1 (part); ACS6
Care Act and Better Care Fund	-17.28				-17.28	
Total ACS	**215.76**	**0.85**	**9.20**	**-8.85**	**216.97**	

What are the current and future budget pressures for this service?

51. The directorate is forecasting an underspend of approximately £1m in 2016/17, however this equates to less than 0.5% of the budget so is not a significant sum, and a small change in volumes on care purchasing could easily move this into an overspend position.

52. The main future pressure for the service is the ability to continue to mitigate demographic growth. Suffolk has a higher proportion of adult residents who are aged 75 or over compared to the national average, and the number of people in this age group is also due to increase at a faster rate than the national average over the next few years. In 2017/18 the increase for Suffolk is forecast to be 3% compared to the national average of a 2% rise.

53. It is well established that the numbers of people with a learning disability who have the most complex needs are increasing as young people survive into adulthood and that people with disabilities in general are living for much longer with a range of health related conditions. While ACS has managed to maintain the numbers of people with a learning disability at a relatively stable level the costs associated with meeting those more complex care and support needs has escalated.

54. The directorate spends over £206m purchasing care from external providers, with the main element of their cost being staff related. The care sector is considered a low wage economy and therefore is particularly impacted by the National Living Wage which is estimated will rise by over 6% from April 2017. As well as a direct increase in costs to providers, this new minimum level of wage impacts on providers' ability to recruit staff, as they compete with other low wage employers such as the retail sector. This competition for staff results in higher wages having to be paid and can impact on the Council both in terms of the prices paid for care and the level of service provision available.

55. The directorate currently relies on £17m in funding from the health sector via the Better Care Fund to support the base budget in paying for staff, care and reablement services. This is agreed on an annual basis with no agreement yet in place for 2017/18. With the financial problems faced in the heath sector there is a risk that this amount could come under pressure to be reduced which would result in a significant budget pressure. In an attempt to tackle the financial problems of the health and social care sector the respective organisations have come together to produce Sustainability and Transformation Plans (STP) in an attempt to quantify and plan to resolve the budget pressures across the system over the next few years. The details of this are still being worked through but whilst this is a positive move forward there is a risk of actions in one part of the system resulting in increased costs in another part, and therefore the impact on adult social care spend will need to be kept under review.

What difference have transformation programmes made to date and how is the impact measured?

56. 2017/18 will be the fourth year of the Supporting Lives Connecting Communities programme which has the continuing objective of mitigating the cost of demand in social care through procurement and demand management measures. It is the largest of the savings programmes for the Directorate and has enabled the spend on older people's care services to remain generally flat within this period when inflation is excluded, and leaves the overall care budget currently within £1m of being balanced, meaning that the majority of the £17m cumulative savings from SLCC have been delivered.

What are the proposals for the service to set a balanced budget for 2017/18?

What consultation and engagement has taken place with stakeholders (including public sector partners, local communities, the voluntary and community sector and service users)?

What is the assessment of the impact of proposed changes on:-

i) Residents, particularly those most vulnerable in the community?

ii) Partner organisations?

iii) The quality and quantity of services available to meet need?

What are the uncertainties/risks associated with the proposals, including risk to the delivery of the Council's statutory responsibilities and the ability to provide sustainable services?

57. The following paragraphs provide more information on each of the savings proposals that impact on the Adult & Community Services budget. These are referenced back to the summary of savings **Table 6** and **Table 8** above.

ACS1 – Supporting Lives Connecting Communities (SLCC) - £6.0m

58. There is a great risk to setting a balanced budget, and the ability to do it will very largely depend on a combination of the costs of care that we are able to negotiate with providers, and the volumes of care that we need to commission to meet the needs of an ageing population. ACS has been allocated a funding 'pot' made up of the adult social care precept, demand and demography funding, and inflation funding, less the savings the directorate is required to make though SLCC.

59. This 'pot' has to fund any increase in the volumes of care, and any inflationary uplift paid to care providers. Contract price negotiations are ongoing and it would be unhelpful to speculate on the outcomes. However, care providers do face inflationary pressures, including the impact of the National Living Wage, and will expect a reasonable uplift to cover these.

60. If volumes remain the same, and looking at a reasonable range of inflation forecasts it is expected that the financial position of the directorate is likely to be somewhere between breakeven and a £10m overspend in 2017/18. If the average inflation award is over 2.5% then the directorate would need to reduce volumes of care purchasing to avoid an overspend. Whilst the SLCC Programme has been successful in restricting growth in the volume of care, and this has remained broadly flat over a number of years, it is extremely challenging to look at actually reducing the level of care purchasing.

61. A £10m overspend would require a 4.5% reduction in purchased care levels to bring the budget back into line. This would equate to:

a) Reducing the total number of customers that the Council provides care to from 10,800 to 10,300

b) Reducing the number of elderly customers the Council supports from 6,500 to 6000, but leaving all other client groups, such as learning disabilities, at the same level.

c) Reducing the costs of residential and nursing care packages from an average of £33,000 to an average of £31,500.

62. It is likely that any overspend in 2017/18 can be contained within directorate reserves however these will be severely depleted and would not cover more than one year's overspend at the likely levels.

63. As the directorate negotiates the annual inflationary uplift for care providers they will work with the providers themselves, and with the Suffolk Association of Independent Care Providers (SAICP) to ensure that the views of the providers are heard and taken into account.

64. The key transformation programme is SLCC which aims to provide people with an early and proportionate response that helps prevent, reduce and delay the need for longer term care. The model is based on three tiers; Tier 1 involves giving people good information and advice to support with decision making about their needs, Tier 2 is aimed at providing re-ablement services to assist people regain independence and Tier 3 is the offer of ongoing support for those who need it. The model marks a cultural shift away from the traditional relationship the Council has had with its population and promotes building on strengths and assets through family and community networks before considering funded options.

65. The learning disability teams have embarked on an 18 month programme of reviews to implement the SLCC model across services to this customer group. This will entail maximising peoples access to ordinary resources in the community, ensuring people have a new Resource Allocation System based personal budget and working with the market to develop more low cost local choices than those offered by traditional day and respite services.

66. The programme also includes IT transformation, which will see mobile working for all front line staff, paperless offices, and the implementation of a new social care recording system which allows health and social care workers to use a shared digital record. Savings will be made in the social work teams and in business support through automation and business process re-engineering. This will save £0.5m in 2017/18, bringing the total to £1.5m over three years.

67. In 2016/17 the joint workforce development team with CYP was restructured with a reduction in headcount of 10 posts to take effect from 1st April 2017. Additional savings will be achieved via a shift to more self-directed learning which maximises the potential offered by new technologies alongside practice based models rather than face to face classroom based approaches.

ACS2 – Adult Care: Voluntary Sector Grants - £0.29m

68. This is the second year of a staged withdrawal of a range of ACS grants for some voluntary and community sector organisations. This does not include the significantly larger contract spend with the sector through the payment for services. Each organisation was given notice of the proposals in 2015 and the opportunity to work with officers to plan and mitigate the risk to their organisation. As part of this year's process organisations affected by removal of grants have been consulted on likely impacts to their organisation and activity. Separate to the discussions above, the service continues to meet regularly with the largest grant recipient, Age UK Suffolk, to jointly plan how to manage the financial challenges that the directorate faces. This has included

support in seeking alternative funding sources and business support and this work with Age UK Suffolk is ongoing.

69. The impact varies from organisation to organisation, but will potentially reduce local community based preventative activity and support.

ACS3 – Housing Related Support - £1.4m

70. This is a preventative service which currently assists over 6,000 vulnerable people to live independently in supported accommodation and in their existing homes and works with people who have been previously homeless and/or those who are vulnerable, due to mental health issues, physical disabilities, substance misuse issues etc. Funding goes directly to providers including social landlords and district councils. This reduction of £1.4m expected in 2017-18 will be achieved via a major re-commissioning exercise that will change how services are delivered in future.

71. Current levels of provision, both in respect of accommodation based support and floating support (support provided for people in their own homes) are being maintained. Through consultation and engagement work and through detailed demand analysis a clear shortage of provision in the East of the County and over provision in the West of the County have been identified. Services are being re-commissioned on that basis, i.e. moving provision from the West to the East. The impact of that has been assessed using the ongoing engagement and consultation methods detailed below.

72. A range of consultation and engagement methods have been adopted to ensure that the voices of all partners have been taken into account throughout the Housing Related Support (HRS) Transformation Programme. These have included;

a) Ongoing monthly meetings (beginning in June 2016) to discuss service redesign with HRS Client Consultants (a group of current and former customers of housing related support)

b) Customer consultation carried out between May and June 2016 – gaining the views of 370 customers

c) An independent consultation report produced by Sitra in August 2015

d) A series of Appreciative Inquiries for stakeholders of HRS services carried out in November 2014

e) A formal consultation period for customers and stakeholders May – July 2015

f) Ongoing workshops with service providers, public sector partners and other stakeholders to gain their views regarding service redesign

g) Direct involvement of customers in the evaluation of provider bids for services under the new housing related support framework.

ACS4 – Library Service and Archives - £0.28m

73. Discussions commenced on the two year savings plan in 2015 and continue with Suffolk Libraries on maintaining the statutory comprehensive and efficient service for Suffolk County Council whilst achieving a 5% saving on the 2016/17 contract fee. The directorate is currently negotiating with Suffolk Libraries to agree the contract price for 2017/18 that will enable the directorate

to deliver the savings required. Officers are supporting the Suffolk Libraries transition project to design and pilot some new models of service delivery, as well as to upgrade the self-service provision in libraries that allows staff to work more effectively.

74. The aim is that there will be no detrimental impact on the service to the public and that services to vulnerable people would not be affected. There are no current plans to reduce the number of library service points.

ACS5 – Culture, Heritage and Sport Services - £0.13m

75. Proposals to reduce grants to cultural sector organisations were discussed with each organisation in 2015 as part of the Council's 2 year proposals set out for 2016/17 and 2017/18.

76. The 2017/18 grant budget is proposed to reduce by a further 16.5%. Officers have worked closely with these organisations throughout the year to mitigate the risk to the stability of the organisations, support business planning and their relationship with other funders including the Arts Council for England. There is a risk to some organisations attracting funding and completing capital programmes. The risk to the Council is a significant reduction in services that support the Council's priorities, and the social and economic impact. There is a broader sector risk to potential inward investment in Suffolk's cultural infrastructure and development programmes from national bodies such as the Arts Council for England.

ACS6 – Further Savings from Staff - £0.74m

77. These savings, and the savings target of £0.16m which was taken from the directorate's budget in 2016/17, giving a total savings target of £0.9m, will be made through a management restructure. Plans are underway and the aim is for staff consultation to begin in January in order to appoint to a new structure for the 2017/18 financial year.

Children & Young People (CYP)

What is the current budget, how is this allocated across the Directorate, what is the forecast outturn for 2016/17, and how is the budget expected to change in 2017/18?

78. **Table 9** below provides a summary of the 2016/17 budget for Children & Young People and the forecast outturn as set out in the budgetary control report that was presented to Cabinet on 15th November 2016.

79. **Table 10** provides a draft 2017/18 budget for the directorate, showing where inflation and demand funding is expected to be allocated and where the savings proposals would impact. The savings are referenced back to **Table 6**.

Table 9: CYP 2016/17 Budget and Forecast Outturn

Service	2016/17 Net Budget	2016/17 Forecast Outturn	2016/17 Forecast Variance DSG and Pupil Premium Grant Budgets	2016/17 Forecast Variance Base Budget
	£'m	£'m	£'m	£'m
Resources and Support	8.22	8.57	-0.20	0.58
Early Help and Specialist Services	61.61	64.07	-0.17	4.98
Commissioning	2.88	2.81	-0.01	-0.07
Home to School Transport	18.29	18.29	0.00	0.00
Education and Learning	88.68	89.80	3.84	-0.82
Schools	234.91	234.83	-0.08	0.00
Schools Choice	0.00	0.00	0.00	0.00
Grant Income	-316.41	-312.13	0.00	0.00
Total CYP	**98.18**	**106.23**	**3.38**	**4.67**

Table 10: CYP Draft Budget 2017/18

Service	2016/17 Net Budget	Inflation	Demand & Demography	Proposed Savings	2017/18 Proposed Budget	Savings Reference
	£'m	£'m	£'m	£'m	£'m	
Resources and Support	8.22	0.18		-1.35	7.05	CYP 1, CYP 3, CYP 5
Early Help and Specialist Services	61.61	0.30	5.00	-1.00	65.91	CYP 1
Commissioning	2.88	0.02			2.90	
Home to School Transport	18.29	0.09		-0.55	17.83	CYP 2
Education and Learning	88.68	0.09		-0.20	88.57	CYP 3, CYP 4
Schools	234.91	0.00			234.91	
Schools Choice	0.00	0.00			0.00	
Grant Income	-316.41				-316.41	
Total CYP	**98.18**	**0.67**	**5.00**	**-3.10**	**100.75**	

What are the current and future budget pressures for this service?

80. The directorate is reporting an overspend of £8m in 2016/17, of this £3m is on budgets funded by the Dedicated Schools Grant (DSG) and £5m on base budgets. The main causes of the overspends are

a) An increase in the number of children with complex needs needing placements to meet their needs for either social care or education.

b) In addition the age of children in this cohort has increased, with older children usually having higher costs and placements of longer duration.

c) An increase in spending relating to capital projects that cannot be capitalised as the capital projects did not come to fruition, this includes where a free school proposal has been approved after the local authority has started preparatory work for a new school.

d) There is an offsetting underspend on staffing, due to vacancies in early help and business support. However this cannot be relied upon as strenuous efforts are being made to recruit to early help posts to help reduce the high level of demand for statutory services.

81. Future pressure results from the same root causes, an increase in children and young people with complex needs. These could be those with Special Educational Needs, be looked after children, or those on the edge of care such as those with Special Guardianship Orders. Not only is the number of this cohort increasing, but the average age and complexities of the children and young people within it is increasing too.

82. It will be extremely challenging to set a balanced budget in 2017/18 given the scale of the pressures set out above, however the £5m demand and demography funding for looked after children will go a long way to making the budget sustainable whilst the work to manage down demand continues.

83. Whilst the additional funding for corporate parenting is welcome the 2016/17 overspend is forecast to be £6.5 million on these budgets, and a further £1 million savings is required from fostering. To balance the budgets for corporate parenting will therefore be challenging and require demand management to be effective in reducing the numbers of looked after children.

84. There is a risk to the financial sustainability of CYP, but this can be managed with reserves in the short term. However by the end of 2017/18 it is likely that these reserves will be exhausted.

What difference have transformation programmes made to date and how is the impact measured?

85. The Making Every Intervention Count (MEIC) Programme needed to achieve £7m base budget savings by 2017/18 compared to the base budget in 2014/15 of £102.3m. (This followed £6.5m savings achieved in 2014/15.)

86. The restructure of Children's Services within the scope of MEIC took place with new structures going live on target on 1 April 2015. The establishment was reduced by approximately 135 full-time equivalent (FTE) posts and was key to securing the 2015/16 financial savings target of £5.1m. The re-structured service is more integrated and provides a strong basis for achieving better, more sustainable outcomes for children and young people.

87. In 2016/17 the restructure in the Workforce Development Team has realised the targeted savings, and efficiencies in commissioning expert advice in legal proceedings suggest that this saving will also be realised.

88. The MEIC programme has a number of service developments within its umbrella which will, in turn, help manage service pressures as well as improve outcomes for children and young people:

a) Multi-Agency Safeguarding Hub (MASH) – A multi-disciplinary team supporting safe and timely management of demand coming into the service

b) Suffolk Signs of Safety & Wellbeing – A practice framework applied across CYP Services based on sound, trusted relationships and purposeful, strengths-based work with families

c) An Engagement and Intelligence Hub – To bring together the directorates capabilities in these areas to gain insights and support change

d) Services for Children in Care including a focus on reducing the costs of Corporate Parenting in the light of the significant cost pressures on this area particularly arising from adolescents on the edge of care / in care (Child Exploitation, Risky Behaviours, Missing, Emotional & Behavioural disorders)

e) IT & Mobile Working development – To provide practitioners with the tools to effectively support their work

89. The objective of the Travel Transformation Programme was to find ways of saving money for the County Council, while still enabling young people to access education and jobs, and supporting vulnerable and elderly adults to remain active in the community. This includes Home to School transport. It has matured into a programme focusing on increasing the availability of transport, whilst decreasing the amount the Council spends. The main areas of work affecting Home to School transport have been running a pilot for travel training special educational needs (SEN) students, investigating safe routes to school, implementing policy change for Post 16 transport eligibility and rationalising the home to school travel network by developing creative solutions where transport supply is lacking. The service improvements which have been achieved include 68 SEN students now travelling independently and transport provision being delegated to a pupil referral unit (PRU).

What are the proposals for the service to set a balanced budget for 2017/18?

What consultation and engagement has taken place with stakeholders (including public sector partners, local communities, the voluntary and community sector and service users)?

What is the assessment of the impact of proposed changes on:-

i) Residents, particularly those most vulnerable in the community?

ii) Partner organisations?

iii) The quality and quantity of services available to meet need?

What are the uncertainties/risks associated with the proposals, including risk to the delivery of the Council’s statutory responsibilities and the ability to provide sustainable services?

90. The following paragraphs provide more information on each of the savings proposals that impact on the Children & Young People budget. These are referenced back to the summary of savings **Table 6** and **Table 10** above.

CYP1 – Making Every Intervention Count (MEIC) - £1.4m

91. A foundation of the MEIC programme was responding to what children & families said they wanted:

a) Consistent relationships with people that support them and open, honest communication that builds trust

b) Their voices to be heard with empathy and understanding of their needs and not in judgement

c) Their involvement in meetings that concern their future to help shape their next steps

d) Clear information and advice to help themselves and to understand what support and services are available

e) Early help when they need it

f) More joined up services

92. In 2017/18 £1m of the savings relates to the expected reduction in fostering costs as a result of the fostering allowance scheme agreed in 2015/16. This would be achieved by increasing the number of Suffolk foster carers who have the skills to accommodate children with the most complex of needs in an in-house fostering placement, rather than needing to place those children in more expensive agency fostering placements.

93. Over the next 5 years, the service aim to be able to reduce the number of agency placements by 90, through a combination of increasing numbers of in-house carers, increasing the number of placements provided by the current cohort of carers and where appropriate, increase the number of reunifications. Whilst it is forecast that once achieved, this will reduce overall fostering spend significantly, the scale of the budget deficit in Corporate Parenting will mean that overall budget savings will be challenging to achieve in year. Should the number of children coming into care increase significantly, the ability to reduce fostering costs would be limited, as there is no option but to ensure safe accommodation for these most vulnerable of children.

94. As part of the MEIC programme there was engagement with a range of partner agencies and 3rd sector partners including engagement in 2 'Accelerated Solution Environment' events and membership of the MEIC Board leading up to the April 2015 service re-structure. There was extensive engagement foster carers on the changes to the structure of fees to recognise the age and complexity of children cared for with very little adverse impact on foster carer numbers or placements offered for younger children.

95. The savings are not envisaged to directly negatively impact residents, partners, or the quality and quantity of services offered. Should staff reductions in Early Help services be required this would decrease capacity to support the number / intensity of work with families and may, in turn, have longer term impact on social care services.

96. The remaining MEIC programme savings of £0.4m is the second year of restructuring of the Workforce Development Team in order to provide a service focussed on recruitment and retention, and primarily supporting social worker activity. Some staff savings were made as part of the first phase of restructure, and this second phase will see reductions in some previously funded generic

training, and an expectation that the voluntary sector will cover the full costs of any training provided to them

CYP2 – Travel - £0.55m

97. The Travel transformation programme is seeking to reshape transport services to help people to move around the county whilst reducing the cost to tax payers. The programme as a whole is looking for £1.35m savings in 2017/18 with 41% (£0.55m) of this coming from the Home to School budgets held by CYP.

98. In 2017/18 savings of £0.09m stem from inflation savings from school transport. The principle is that whilst transport operators may experience inflationary pressures from fuel prices or staffing costs, they will not receive funding for those pressures, and will have to absorb them from within their existing cost base.

99. Further savings of £0.455m relate to the following:

a) Increase in the charge for spare seats on home to school buses (following through on Cabinet decisions on the findings of the Home to School Policy Development Panel in 2014)

b) Pupil Referral Units (PRUs) - where there will be more consistent application of existing policy guidelines and consideration of other models of procuring transport that might better meet their needs.

c) The provision of travel training to Special Educational Needs (SEN) students, focusing on giving students the skills and confidence to use public transport instead of depending on taxis to travel to school. This project is predicted to make savings of £0.1m in 2017/18. In addition, the Safe routes to school project will improve the safety of selected routes that have been subject to appeal, which will enable pupils to walk to school rather than receiving a free bus pass.

100. The recent change in public procurement regulations has created opportunities for the use of dynamic purchasing systems and e-auctions. This should enable SCC to receive faster and more competitive prices from suppliers for home to school transport services. The estimate is savings of £0.06m through this approach.

101. However, there are significant challenges to meet the budget set for School Transport. Since 2012/13 demand and costs have been steadily increasing. Specific budget pressures include out of county SEN, increasing managed moves, low available places in schools, sufficiency of taxi services, and competition for drivers. Oil prices have reduced but often transport companies buy diesel several years in advance, hedging their risks. The most significant cost to an operator is staffing.

102. In 2015/16 the service was overspent by £2.1m. In 2016/17 an overspend of £2.5m is predicted so the directorate have planned to use CYP service reserves to fund this. If demand continues to increase then it is anticipated that costs will increase by up to £10m by 2021. The service has a strong recovery programme to reduce the risk of future overspend but this projection demonstrates the current demand challenges.

CYP3 – Relationship with Schools - £0.2m

103. The Relationship with Schools saving is a combination of savings already identified though the Education and Learning restructure (£0.1 m) and a profit share from Schools Choice (£0.1m). The Education & Learning Restructure was widely consulted on in 2015/16 when it was put in place, including consultation with schools, academies, staff, and trades unions.

104. The directorate does not believe that either of these will negatively impact on residents, partner organisations, or the quality of services. The service is confident that these proposals can be made without adversely affecting the Council's delivery of statutory service, although this will be extremely challenging.

CYP4 – Skills - £0.1m

105. The savings will be made through increased income from traded and grant funded elements of the work. It is not expected that there will be negative impacts on residents, partners, or the quality and quantity of services offered.

106. The service is confident that the savings can be made without adversely affecting the delivery of statutory service, although this will be extremely challenging.

CYP5 – Further Savings from Staff - £0.85m

107. Savings of just over £1m from staffing budgets will need to be made. This is the total of the staff savings requirements in this plan plus a £0.18m savings target allocated to CYP late in the 2016/17 year. This equates to between 20 to 25 posts. As this savings target has only recently been set no consultation with staff or trades unions has yet begun and no assessment of the impact can yet be made.

Public Health & Protection (PH&P)

What is the current budget, how is this allocated across the Directorate, what is the forecast outturn for 2016/17, and how is the budget expected to change in 2017/18?

108. **Table 11** below provides a summary of the 2016/17 budget for Public Health & Protection and the forecast outturn as set out in the budgetary control report that was presented to Cabinet on 15th November 2016.

109. **Table 12** provides a draft 2017/18 budget for the directorate, showing where inflation and demand funding is expected to be allocated and where the savings proposals would impact. The savings are referenced back to **Table 6**.

Table 11: PH&P 2016/17 Budget and Forecast Outturn

Service	2016/17 Net Budget	2016/17 Forecast Outturn	2016/17 Forecast Variance
	£'m	£'m	£'m
Director of Public Health and Protection	0.18	0.18	0.00
Fire Service	21.35	21.15	-0.20
Knowledge and Intelligence	0.57	0.57	0.00
Health Improvement and Health Protection	28.96	28.96	0.00
Partnerships and Localities	2.14	2.14	0.00
Health and Safety	0.32	0.32	0.00
Joint Emergency Planning Unit	0.38	0.38	0.00
Trading Standards	2.25	2.25	0.00
Total PH&P	**56.14**	**55.94**	**-0.20**

Table 12: PH&P Draft Budget 2017/18

Service	2016/17 Net Budget	Inflation	Proposed Savings	Public Health Grant Reduction	2017/18 Proposed Budget	Savings Reference
	£'m	£'m	£'m	£'m	£'m	
Director of Public Health and Protection	0.18	0.00	0.00		0.18	
Fire Service	21.35	0.20	-1.05		20.50	PHP1
Knowledge and Intelligence	0.57	0.00	0.00		0.57	
Health Improvement and Health Protection	28.96	0.00	0.00	-0.78	28.18	
Partnerships and Localities	2.14	0.00	-0.03		2.11	PHP1
Health and Safety	0.32	0.00	0.00		0.32	
Joint Emergency Planning Unit	0.38	0.00	0.00		0.38	
Trading Standards	2.25	0.02	-0.08		2.18	PHP1
Total PHP	**56.14**	**0.22**	**-1.15**	**-0.78**	**54.43**	

What are the current and future budget pressures for this service?

110. The budget pressures for Suffolk fire and rescue service, trading standards and emergency planning are to meet their contribution to the overall Suffolk County Council reduction in funding.

111. For the fire and rescue service these pressures include the potential costs associated with an extension to the ‘co-responding’ pilot with East of England Ambulance Service at five fire stations; managing the continued recruitment,

retention and availability of on-call firefighters and fire engines; and the establishment by the Home Office of a new national Independent Standards Body and Inspectorate for fire services. It is not yet clear if these new bodies will bring additional requirements and associated financial pressures. There are further pressures associated with the long term capital funding of the current vehicle fleet and the Private Finance Initiative property contract, both of which are being closely managed and efficiencies sought at every opportunity.

112. In Trading Standards, the current financial pressures include the impact of five trading standards officers gaining full qualification in the last two years and the additional burden this creates for the salaries budget. The main operational pressure is the increasing cost of legal services that are required to successfully prosecute Trading Standards cases.

113. In 2016/17 Public Health has contributed £1.52m to core Suffolk County Council services by incorporating into Public Health areas and responsibilities that fit the terms of the Public Health ring fenced grant, for example the Localities and Partnerships team and their associated work. There is an additional budget pressure from the year on year reduction in the Public Health grant. Plans to reduce costs have been agreed and delivered over the past 3 years, but due to the level of reduction being more than anticipated for 2016/17, ring fenced Public Health reserves will be used. More savings are planned for 2017/18 and work to bring some of these savings forward into 2016/17 will minimise the use of reserves. The Public Health grant will reduce again in 2017/18 and plans are in place to reduce costs further. However, it will be necessary to use ring fenced PH reserves again in 2017/18 and this has been agreed. Plans for 2018/19 have taken account of the estimated additional reduction in Public Health grant and, if this projection is accurate, Public Health will produce a budget plan that does not rely on reserves for that year.

What difference have transformation programmes made to date and how is the impact measured?

114. There are two parts to the transformation programme for the fire and rescue service. The first part is the change to the way the service is established and delivered across the county to reflect the reduction in 999 call demand and risk over recent years together with a reduction in funding. This transformation has been developed through the Integrated Risk Management Planning process and the outcomes of the detailed work will continue to be delivered into early 2017 and the financial savings realised through 2017/18.

115. The second part is the collaboration and integration with blue light partners in Suffolk Constabulary and East of England Ambulance Service. The fire service now has ten fire stations that are shared with blue light partners and building work is underway at Felixstowe and Saxmundham fire stations for sharing the sites with Police Safer Neighbourhood Teams, and with the Ambulance Service at Sudbury fire station, in early 2017.

116. Further plans are being developed at Newmarket, Mildenhall, Beccles, Stowmarket, Sudbury and Ipswich. Emergency service cadet schemes are established in Haverhill, Bury St Edmunds and Lowestoft. A significant amount of the fire services prevention work is increasingly delivered with the

Police and other local authority partners. In October a pilot 'co-responding' scheme with the East of England Ambulance Service was started at Felixstowe, Lowestoft, Haverhill, Sudbury and Long Melford fire stations.

117. The impact and effectiveness of these initiatives is being managed through further Integrated Risk Management Planning, operational performance management, and through linking into the national co-responding pilot being managed through the Local Government Employers. Performance is measured through several performance indicators that are reported both locally and nationally, including headline indicators about the number of people killed or injured in fires and road traffic collisions. The Service also delivers outcomes that impact positively on the performance of other organisations and this demonstrates the system-wide impact that the fire service contributes to in areas such as education and public health.

118. The County Council contributes to a pan-Suffolk local authorities Joint Emergency Planning partnership underpinned by a Legal Agreement for enabling services related to statutory emergency preparedness and business continuity activity. No internal County Council capacity is retained. Since the partnership was established in 2005, the County Council's financial contribution has reduced by a third through efficiencies of the shared working approach. The partnership is held up as an example of effective joint working across local government and is recognised nationally as a model that delivers through efficiency and flexibility, leading to high performing service outcomes.

What are the proposals for the service to set a balanced budget for 2017/18?

What consultation and engagement has taken place with stakeholders (including public sector partners, local communities, the voluntary and community sector and service users)?

What is the assessment of the impact of proposed changes on:-

i) Residents, particularly those most vulnerable in the community?

ii) Partner organisations?

iii) The quality and quantity of services available to meet need?

What are the uncertainties/risks associated with the proposals, including risk to the delivery of the Council's statutory responsibilities and the ability to provide sustainable services?

119. The following paragraphs provide more information on each of the savings proposals that impact on the Public Health & Protection budget. These are referenced back to the summary of savings **Table 6** and **Table 12** above. Although Public Health is not delivering savings that contribute to meeting the budget gap the service will be reducing costs in order to manage services within a reduced grant. These are also described below.

PHP1 – Public Protection Organisational Design - £1.15m

120. Suffolk fire and rescue service will be implementing the final stages of its Integrated Risk Management Plan (IRMP) to deliver savings of £1.05m for 2017/18. The savings will be delivered through a reduction in the number of

full time and on-call firefighters associated with the removal of fire engines from Ipswich, Bury St Edmunds and Lowestoft South fire stations. This will be achieved through natural wastage. There will also be reductions in the budgets for support teams, senior management, capital renewal contributions, training and development and prevention spend.

121. As set out previously, the Authority's IRMP was subject to a detailed and thorough consultation. The Authority first carried out pre-consultation stakeholder engagement from the 23 June to 24 July 2015. The data and information was fully collated and the outcome used to frame the full consultation. The summary of the pre-consultation findings was brought to Cabinet in November 2015 as part of the decision making process to start the full consultation. The Authority then carried out a comprehensive and detailed formal consultation with the public, partner organisations, district, borough, town and parish councils, representative bodies, staff and other interested parties. This consultation ran for 14-weeks from the 16 November 2015 to 22 February 2016. Full details of the consultation were set out in the report to Cabinet in May 2016. The consultation was considered by the Scrutiny Committee in 2016 as part of a wider scrutiny of Council consultations.

122. Where changes have, or will, be made to areas that do not directly impact on the service provided to the public then the consultation and engagement has been directly with those staff who are impacted by the change.

123. The Authority's IRMP sets out details of the risks that face the fire and rescue service and how these are assessed and then responded to through a combination of Prevention, Protection and Emergency Response services. The Plan also provides information about performance across a range of different areas linked to the management of this risk. The proposals have been developed against a range of risk management themes which include; the impact on the speed of response of fire engines; the overall resilience of the fire service in the event of a reduction in the number of fire engines; large fires or other incidents; and, simultaneous incidents across the county.

124. The Service developed equality impact assessments through the Council's Equality's Policy Clearing House. An overarching equality impact assessment screening was completed in January 2015 and subsequently published on the Council's website. A further full equality impact assessment was agreed through the Policy Clearing House in April 2016 after the consultation and this took account of the individual proposals and the associated consultation responses. These assessments are published on the Council's website.

125. The quality and quantity of service provided by the fire and rescue service is assured in several ways. These include, but are not exclusive to; internal managerial oversight, performance management and reporting; a performance management discussion at the cross-party Fire and Rescue Service Steering Group meetings; external peer challenge; publication of an annual Statement of Assurance; periodic review of the IRMP and regular engagement between senior officers and the Cabinet Member to ensure that the Chief Fire Officer is held to account for the delivery of the fire and rescue service. The IRMP that underpins the recent changes to the delivery of the fire and rescue service is an on-going process and further IRMP will be developed that will continually review the risk, demand and performance of the fire and rescue service in Suffolk.

126. This assurance will be supplemented in 2017/18 with the re-establishment, by the Home Office, of a national inspectorate regime and independent standards body for fire and rescue services. The detail of this function has yet to be agreed but the Authority welcomes such an approach as an additional means of providing assurance about the provision of a value for money fire and rescue service.

127. The Service will regularly review the impact of changes made. The IRMP covers a three-year time span and will be reviewed and revised at the proper time as it is necessary to ensure that the fire authority can deliver the requirements set out in the National Framework.

128. The key statutory responsibility for the fire authority is to provide a fire service that meets all 'normal requirements' and that this takes sufficient account of all 'foreseeable risks' that impact on the fire and rescue service across Suffolk. The changes to the fire and rescue service are informed by the professional advice of the Chief Fire Officer, and they will ensure the Authority continues to meet these statutory responsibilities.

129. The fire service manages risk through a balanced approach of Prevention, Protection and Emergency Response services and these are set out in the Authority's IRMP. These risks are currently being managed against the backdrop of significant reduction in 999 calls in Suffolk over the last 10 years; a trend that has been mirrored nationally. The fire service has detailed performance management arrangements in place, and regularly reviews the risks it faces to ensure that it can provide a sustainable service that meets its statutory responsibilities.

130. Trading Standards will set a balanced budget for 2017/18 that will include savings of £0.1m. These savings are being made through staff redundancy and a £20k reduction to the Council's funding of Citizen Advice, which is allocated through the Trading Standards budget. Trading Standards officers have engaged with Citizens Advice managers for several years about managing this financial reduction.

131. The County Council's contribution to the Joint Emergency Planning Unit partnership is established through a formula that is part of the legal agreement, and is subject to annual agreement with all constituent partners. The County Council's 2017/18 financial contribution to the partnership will remain the same as 2016/17 and will need to absorb 2017/18 inflationary costs to reduce future budget pressures.

Public Health Grant Reduction

132. Public Health will deliver most of the required savings from reductions in the cost of public health contracts including drug and alcohol services and sexual health services. These services have been retendered over the past few years and new integrated service models have created efficiencies. The new services started during 2015 and transition funding support will cease in April 2017. Additional savings are planned through staffing reductions and ensuring primary care budgets reflect activity. Additional service areas are being reviewed and service level reduction considered where evaluation has shown limited impact on outcomes.

133. Consultation and engagement was an integral part of the development of the specifications for the new integrated services commissioned by Public Health. Consultation took place with partners and focus groups and surveys of patients and local people occurred. The information from the consultation together with Health Needs Assessments and market engagement events (which the local voluntary sector took part in) were used to produce specifications that were evidence based and also prioritised the needs of local people. The panels choosing the new providers included partners and where possible service user input. Any future changes to service configuration are being co-produced with providers using the information from consultation.

134. Those who are most vulnerable in our communities often have poorer health than others and many Public Health services target these groups. Equality Impact Assessments are underway for all areas where these have not already been completed and outcomes will continue to be monitored. Savings plans are being shared with partners through the Suffolk Commissioners Group. It is not anticipated that the changes proposed in 2016/7 or 2017/8 will adversely affect the vulnerable, partners or outcomes.

135. Public Health monitors the performance of service providers and health outcomes on a quarterly basis and risks are highlighted on the risk register. The plans for 2017/8 are not expected to affect the delivery of the Council’s statutory responsibilities or the ability to provide sustainable services.

Resource Management (RM)

What is the current budget, how is this allocated across the Directorate, what is the forecast outturn for 2016/17, and how is the budget expected to change in 2017/18?

136. **Table 13** below provides a summary of the 2016/17 budget for Resource Management and the forecast outturn as set out in the budgetary control report that was presented to Cabinet on 15th November 2016.

137. **Table 14** provides a draft 2017/18 budget for the directorate, showing where inflation and demand funding is expected to be allocated and where the savings proposals would impact. The savings are referenced back to **Table 6**.

Table 13: RM 2016/17 Budget and Forecast Outturn

Service	2016/17 Net Budget	2016/17 Forecast Outturn	2016/17 Forecast Variance
	£'m	£'m	£'m
Business Development	1.58	1.51	-0.07
Chief Executive & Support Team	0.34	0.37	0.03
Communications & Customer Service	1.96	2.04	0.09
Corporate Property	7.96	7.96	0.00
Finance	2.27	2.14	-0.13
Highways & Transport	20.97	20.87	-0.10
Human Resources	2.10	2.20	0.10
Information & Communication Technology	11.39	11.72	0.33
Passenger Transport	12.31	12.74	0.43
Procurement & Contract Management	1.05	1.04	-0.01
Scrutiny & Monitoring	3.46	3.71	0.25
Strategic Development	3.69	3.65	-0.04
Waste & infrastructure	19.34	18.59	-0.75
Total RM	**88.43**	**88.55**	**0.12**

Table 14: RM Draft Budget 2017/18

Service	2016/17 Net Budget	Inflation	Proposed Savings	2017/18 Proposed Budget	Savings Reference
	£'m	£'m	£'m	£'m	
Business Development	1.58	0.02	-3.47 *	1.60	RM4
Chief Executive & Support Team	0.34	0.00		0.34	
Communications & Customer Service	1.96	0.02		1.98	
Finance	2.27	0.00		2.27	
Human Resources	2.10	0.01		2.11	
Information & Communication Technology	11.39	0.08		11.47	
Procurement & Contract Management	1.05	0.01		1.06	
Scrutiny & Monitoring	3.46	-0.02		3.45	
Corporate Property	7.96	-0.06	-1.00	6.90	RM6
Highways & Transport	20.97	0.04	-2.13	18.89	RM2
Passenger Transport	12.31	0.06	-0.80	11.57	RM1
Strategic Development	3.69	0.00	-0.30	3.40	RM5
Waste & infrastructure	19.34	0.10	-1.71	17.74	RM3, CORP5
Staff Savings (to be allocated)			-0.61	-0.61	RM7
Total RM	**88.43**	**0.28**	**-10.01**	**78.69**	

* The 2017/18 Budget for individual Support Services does not include the proposed savings as the allocation is not confirmed.

What are the current and future budget pressures for this service?

138. The Waste Service has to dispose of all the waste collected by Suffolk's councils so the biggest budget pressure the Service may face is growing demand due to a growth in waste and the current trend is upwards. In the last financial year 2015/16 there was an increase of 1% and the trend remains upwards, so far, in 2016/17. Given that large amounts of waste have to be moved around, the service is also sensitive to any increase in fuel costs. Other possible budget pressures the council faces are a number of contracts must be let in 2019; the transfer station at Foxhall is coming to the end of its life; and the service will need to renew the relationship with Norfolk County Council if the Council is going to continue to financially benefit from treating a modest amount of Norfolk's waste.

139. The price of oil is increasing again, reflected in a rising cost in fuel and oil-based materials such as asphalt. These cost increases can only be partially offset by Suffolk Highways through the use of more fuel-efficient works and inspection vehicles, a reduction in miles travelled per day (by better works programming and aggregation of work) and driver training to extract more miles travelled per gallon of fuel used.

140. These financial increases are transferred to the Council by way of a set of standard contract price fluctuation indices. To combat the increase in the cost of asphalt, though, Suffolk Highways is trialling the wider use of recycled asphalt-based material. This year, Suffolk Highways secured a 'Green Apple Award for Commerce and Industry' for Environmental Best Practice in the provision of a carbon-neutral footway renewal scheme at Elveden. It is also deploying a mobile asphalt recycling process to enable reinstatement of the road and footway surface by producing hot-mix bituminous material at the works location.

141. Inflationary pressures exist across other services, but are of particular concern within the Property budget where utility price increases have a significant impact on the Council's ability to reduce the cost of running the estate.

142. Pressure exists in the Strategic Development function as there is demand for quicker and more flexible resourcing of growth projects, together with shortages of particularly planners and engineers means that the services are seeing increased demand on the teams, and increased costs if the service is to secure the best people. It is important for the whole organisation that the team is able to respond to demand as business rates and council tax receipts, generated by growth will be the Council's income as we move forward.

What difference have transformation programmes made to date and how is the impact measured?

143. The objective of the Travel Transformation Programme was to find ways of saving money for the County Council, while still enabling young people to access education and jobs, and supporting vulnerable and elderly adults to remain active in the community. The areas in RM considered include concessionary travel, public transport sponsored services and demand responsive community transport and transport commissioned by ACS. It has matured into a programme focusing on increasing the availability of transport, whilst decreasing the amount the Council spends. The main areas of work

have been in reshaping community transport, Park and Ride and engaging in research on Total Transport using a £0.2m grant from the Department for Transport. Since April 2015 to date £2.8m has been saved across the whole programme including Home to School. The service improvements which have been achieved include the consistent offer of community transport services across Suffolk through the Connecting Communities contracts and a mobile phone app being developed to help people connect with demand responsive bus services.

144. The Highways Transformation Programme has changed the County Council's relationship with Kier for the delivery of highway maintenance and improvement work from an entrenched, adversarial one to a collaborative and innovative alliance. By the two parties jointly resolving a number of financial issues that adversely impacted on cash-flow in the first 2½ years of the contract, Kier is now looking to invest locally, particularly to help optimise facilities at highways depots round the county. However, the biggest changes are evident in service delivery terms.

145. A number of cashable savings and cost avoidances were reported to the Cabinet in the 'Extension to the Highway Services Contract' report on 18 October 2016. These savings offset the reduction in the baseline budget for 2016/17, thereby ensuring no consequential loss in service levels. Some of these in-year savings will be retained in future years.

146. The Waste transformation programme built on the success of the Energy from Waste project which reduced the Waste Service budget by £8.2m in 2014/15. The Waste transformation programme had a target to deliver an additional £4m saving between 2015/16 and 2017/18. The Waste Service is currently on target to exceed this target and instead deliver a saving of £5m during the period of the Waste transformation programme. By the end of 2017/18 the Waste budget will be smaller than it has been at any point for the last 10 years despite all the upward budget pressures the Waste Service has faced. By far the greater part of these transformation programme savings, approximately 75%, have been delivered by driving efficiencies through all waste contracts with no impact on the service delivered to the public.

147. The two areas where there has been a change in the service delivered to the public are the introduction of a charge for green waste collections by some Districts and Boroughs and the introduction of a modest charge for an expanded DIY waste service at household waste recycling centres. In the case of green waste the new charge has resulted in a reduction in the waste collected by local councils and a rise in home composting. At the household waste recycling centres the introduction of a charge for DIY waste was accompanied by a removal of the cap on the amount of this waste householders can bring to the sites. The impact of both services is being closely monitored as the service change beds in, and a full assessment will take place at a Scrutiny Committee meeting in the New Year.

What are the proposals for the service to set a balanced budget for 2017/18?

What consultation and engagement has taken place with stakeholders (including public sector partners, local communities, the voluntary and community sector and service users)?

What is the assessment of the impact of proposed changes on:-

i) Residents, particularly those most vulnerable in the community?

ii) Partner organisations?

iii) The quality and quantity of services available to meet need?

What are the uncertainties/risks associated with the proposals, including risk to the delivery of the Council's statutory responsibilities and the ability to provide sustainable services?

148. The following paragraphs provide more information on each of the savings proposals that impact on the Resource Management budget. These are referenced back to the summary of savings **Table 6** and **Table 14** above.

RM1 – Travel - £0.8m

149. The Travel transformation programme is seeking to reshape transport services to help people to move around the county whilst reducing the cost to tax payers. The programme as a whole is looking for £1.35m savings and 59% (£0.8m) of this will come from the Passenger Transport budget in Resource Management.

150. In 2017/18 savings of £0.06m stem from inflation savings from public transport budgets. The principle is that whilst transport operators may experience inflationary pressures from fuel prices or staffing costs, they will not receive funding for those pressures, and will have to absorb them from their existing cost base.

151. In June 2016 a new model for the provision of rural transport across Suffolk was implemented. Community transport services previously grant funded are now commissioned ensuring that a more equitable offer is available to residents across the County. This has encouraged community transport operators to work with bus and train operators to integrate services with less reliance on Council funding. The contracts have an annual funding reduction built into them which will generate a saving of £0.14m in 2017/18.

152. The Council's budget for the subsidy to the Ipswich Park and Ride service was reduced by £0.5m in 2016/17. During 2017/18 it is intended that the Park and Ride will become completely self-financing which will enable the balance of the budget of £0.14m to be removed as a saving.

153. A general reduction of £0.04m will be made in 2017/18 from the passenger transport budget. Further efficiencies will be achieved through a reduction in the amount that the council pays for infrastructure improvements.

154. The Council has a statutory obligation to fund concessionary fares for customers who are entitled to free bus travel. Analysis of historic trends indicates that this budget can be rebased through a reduction of £0.4m whilst continuing to meet its statutory responsibilities.

RM2 - Highways - £2.13m

155. Suffolk Highways is currently going through an organisational change process so as to create the 'one team' approach set out as an original contract aspiration of the County Council. This change process entails a shift away from area highway offices to a service delivery model more focused on highway infrastructure maintenance functions, with a particular emphasis on integrated teams and depot-based services. These changes will result in reductions in staffing levels across the County Council and Kier through the application of systems thinking, removal of bureaucracy and processes that generate cost but no or little benefit and rationalisation of operating systems.

156. The asset management approach adopted by the Cabinet on 10 November 2015 was applied to much of the work being undertaken in 2016/17 but has not yet been fully embedded. The embedding of the changes that can be achieved by fully implementing the Highway Infrastructure Asset Management Plan (HIAMP) and the Highway Maintenance Operational Plan (HMOP) will ensure greater year-round workflow consistency and thus help achieve optimum use of workforce resource which was not evident in the early years of the contract but has begun to emerge in 2016/17. The HIAMP was consulted upon between 28 July and 15 September 2016 whilst the HMOP was the subject of consultation between 17 October and 14 November 2016.

157. Highway infrastructure defects will increasingly be tackled earlier and more comprehensively and the preventative maintenance approach will, for example, reduce the likelihood of potholes forming and thus reduce the number and value of insurance claims arising from use of the highway network.

158. These changes and a more commercial approach to the delivery of services by Suffolk Highways are expected to offset the reduction in the baseline budget for 2017/18 without a corresponding reduction in service levels.

159. As clarified in the Extension to Highway Services Contract report on 18 October 2016 to Cabinet, the business case submitted by Kier in support of the extension identified that the Highways Transformation Programme (which included the development and implementation of the HIAMP and HMOP) 'has been greatly welcomed and embraced by Kier at all levels'.

160. The drive for more efficient working within Suffolk Highways will ensure that there is no drop in the level of service provided and measures are being introduced to ensure quality is improved. The only current identifiable risk to the achievement of the savings relates to the timely securement of planning permission for changes to Rougham depot. The effect of any delay would be in securing the full-year efficiencies associated with switching to a service delivery centre model for the west of the county.

RM3 – Waste - £0.98m

161. The Waste transformation programme had a target to deliver a £1m saving in 2017/18. The Waste Service is currently on target to exceed this target by a further £1m. These additional savings will contribute to the delivery of the corporate target to save £10m from contracts over 2016/17 and 2017/18.

162. The drive to achieve efficiencies through all the Council's waste contracts continues in 2017/18 as the Waste transformation programme will be completed but no further service changes with an impact upon the public are planned.

163. Consultation and engagement took place in earlier years of the transformation programme when there was an impact on the service delivered to the public, but given no further changes are programmed for 2017/18 no further consultation and engagement is required.

164. The uncertainties and risks associated with the transformation programme have been resolved as key decisions have been taken and negotiations concluded. Remaining risks to sustaining cost reductions and income are the same as the upward budget pressures mentioned above namely a growing demand due to a growth in waste.

165. There is no risk to the delivery of the Council's statutory responsibilities, and the ability to provide sustainable services, as no changes to service delivery are proposed. Given the success of the transformation programme it will be more difficult to identify further significant sustainable savings given the substantial reduction in the size of the Waste budget.

RM4 – Support Services - £3.5m

166. The aim of the Support Services transformation programme is to review and reshape the support services activities that are needed to deliver 'transformed council services' and the role of the Council in the future. The programme includes maximizing the use of technology and promoting self-service and exploring commercial opportunities and developing trading strategies where appropriate. This includes maximizing the financial return from two of the councils wholly owned companies, Concertus, who provide design and property consultancy services, and OPUS People Solutions who provide temporary staffing solutions.

167. Through an overall reduction in headcount as a result of implementing service and process change, and savings on third party contracts in IT, it is planned that £3.5m can be saved in 2017/18. The support services have responsibility for the effective delivery of a variety of statutory functions so reducing capacity does put the delivery of these at risk. Furthermore the organisation will need to prioritise how the reduced level of resources are used.

RM5 – Strategic Development - £0.3m

168. The Strategic Development function covers Economic Development, Strategic Planning, Transport Strategy, Environment Strategy, Flooding and Coastal Protection, Natural Environment, Archaeology, and the Area of Outstanding Natural Beauty team, working closely with the Local Enterprise Partnerships, Chamber of Commerce, other local authorities and government agencies. The function is responsible for bringing multi-millions of pounds each year into the Council and into Suffolk to invest in: roads, river crossings, broadband and other infrastructure; business support, inward investment and innovation support; the protection, enhancement and leverage of Suffolk's environment and heritage.

169. Strategic Development was brought together to better co-ordinate the Council's response to growth – ensuring delivery of the ambitions contained in Suffolk Growth Strategy, supporting the LEP(s) in delivering the Strategic Economic Plan targets for housing, business growth and jobs whilst ensuring that Suffolk's unique natural and historic environment is protected and enhanced.

170. It is proposed that £0.3m of savings can be made in 2017/18 in the Strategic Development function. Primarily this will be delivered through staff savings in the Archaeology, Environment Strategy and Natural Environment teams which will mean less resource for advice to Local Planning Authorities and a streamlining of management.

171. The service has developed a model which ensures an income stream from EU funding for the Environment Strategy team which will deliver savings whilst enabling the team to deliver a multi-million pound business energy efficiency programme. EU funding has been underwritten by HM Treasury to 2019/20 but this model will need to be reassessed prior to that date depending on the post-Brexit funding landscape.

172. There will be a saving in the Coast Policy Manager budget resulting in a reduction in project match funding resource. There will also be a saving from the Green Suffolk Fund budget resulting in reduced number of grants.

173. These savings will impact on both the quantity and quality of advice but the service will obviously work to mitigate impacts as much as possible and in line with political priorities. There is significant risk that these services will not be able to keep pace with the demand for advice and decisions relating to planning which will enable growth to be delivered, but the Council will work with partners to mitigate wherever possible.

RM6 – Property - £1m

174. The Corporate Property Service has made dramatic reductions in costs by sharing buildings with partner organisations, rationalisation of the estate and significant improvements to the portfolio e.g. development of Landmark House and the construction of Riverside in Lowestoft.

175. The approach to office rationalisation and consolidation is in line with the Suffolk wide Single Public Sector Estate approach that has been adopted over many years, this has more recently been supplemented by the national One Public Estate initiative.

176. Following significant consolidation of the Council's estate over recent years the planned £1m property savings will come from further consolidation and maximization of existing office space in order to generate an income return from the released space which will be rented to third parties. This includes creating space within Endeavour House, Landmark House and Constantine House in order to rent space to Babergh and Mid Suffolk District Councils.

177. Discussions have taken place over several years with Babergh and Mid Suffolk District Councils culminating in reports submitted and approved at both Full Councils in September. A project group and programme is now in place to undertake the consolidation and improvements within Council buildings to accommodate the third parties. However, the delivery of these proposals is entirely dependent on third party timescales and the full rental will not be

achieved immediately in April 2017. There is also a risk that where the Council is maximising the occupancy of such buildings there is a clear dependency on third parties continuing to occupy space at their current rate.

RM7 – Further Savings from Staff - £0.6m

178. Resource Management has been allocated a £0.6m target to be delivered through further staff savings. This equates to approximately 15 posts that will need to be identified across the directorate.

Corporate & Capital Financing

What is the current budget, how is this allocated across the Directorate, what is the forecast outturn for 2016/17, and how is the budget expected to change in 2017/18?

179. **Table 15** below provides a summary of the 2016/17 Corporate & Capital Financing budget and the forecast outturn as set out in the budgetary control report that was presented to Cabinet on 15th November 2016.

180. **Table 16** provides a draft 2017/18 Corporate & Capital Financing budget, showing where inflation and demand funding is expected to be allocated and where the savings proposals would impact. The savings are referenced back to **Table 6**.

Table 15: Corporate & Capital Financing 2016/17 Budget and Forecast Outturn

Service	2016/17 Net Budget	2016/17 Forecast Outturn	2016/17 Forecast Variance
	£'m	£'m	£'m
Capital Financing	29.67	29.67	0.00
Premature Retirement Costs	1.88	1.88	0.00
Flood Defence Committee Levies	0.70	0.70	0.00
Eastern Inshore Fisheries and Conservation Authority (EIFCA)	0.29	0.29	0.00
Councillors	1.43	1.43	0.00
External Audit Fees	0.12	0.12	0.00
Locality Budget	0.62	0.62	0.00
Vertas Dividend/Interest and corporate contract rebates	-0.91	-0.91	0.00
Corporate Contingency	2.00	2.00	0.00
Contract Savings (balance to be allocated)	-2.50	0	2.50
TOTAL CORPORATE & CAPITAL FINANCING	**33.30**	**35.80**	**2.50**

Table 16: Corporate & Capital Financing Draft Budget 2017/18

Service	2016/17 Net Budget	Inflation	Proposed Savings	2017/18 Proposed Budget	Savings Reference
	£'m	£'m	£'m	£'m	
Capital Financing	29.67		-1.50	28.17	CORP1
Premature Retirement Costs	1.88			1.88	
Flood Defence Committee Levies	0.70	0.01		0.70	
Eastern Inshore Fisheries and Conservation Authority (EIFCA)	0.29	0.00		0.29	
Councillors	1.43	0.01	-0.08	1.37	CORP3
External Audit Fees	0.12	0.00		0.12	
Locality Budget	0.62		-0.02	0.60	CORP2
Vertas Dividend/Interest and corporate contract rebates	-0.91	-0.01	-0.35	-1.27	CORP4
Corporate Contingency	2.00		-2.00	0.00	CORP1
Contract Savings (balance to be allocated)	-2.50	5.88	-4.27	-0.89	CORP5
TOTAL CORPORATE & CAPITAL FINANCING	**33.30**	**5.89**	**-8.22**	**30.97**	

What are the current and future budget pressures for this service?

181. The Capital Financing budget funds the revenue costs associated with the Council's capital programme. The ability to maintain this budget at current levels or reduce it is dependent on the level of borrowing in the capital programme. As the level of capital grant received by the Council has fallen in recent years an increase in borrowing is now required to fund part of the approved capital programme. In the past few years actual borrowing has been limited as the Council makes use of internal reserves and balances held on behalf of third parties to reduce the amount of external borrowing undertaken, but as the capital programme funded by borrowing is realised actual borrowing is expected to increase and a rise in capital financing expenditure will occur.

What are the proposals for the service to set a balanced budget for 2017/18?

What consultation and engagement has taken place with stakeholders (including public sector partners, local communities, the voluntary and community sector and service users)?

What is the assessment of the impact of proposed changes on:-

i) Residents, particularly those most vulnerable in the community?

ii) Partner organisations?

iii) The quality and quantity of services available to meet need?

What are the uncertainties/risks associated with the proposals, including risk to the delivery of the Council's statutory responsibilities and the ability to provide sustainable services?

182. The following paragraphs provide more information on each of the savings proposals that impact on the Corporate & Capital Financing budget. These are referenced back to the summary of savings **Table 6** and **Table 16** above.

CORP1 – Reduce Capital Financing and Contingency Budgets - £3.5m

183. As a result of the Council's decision to limit the amount of new borrowing to finance the capital programme over the past few years it is proposed that the Capital Financing Budget can be reduced by £1.5m in 2017/18. However, the rate at which the budget can be reduced is dependent on the timing of any new borrowing required and reserve levels being maintained at an adequate level.

184. The Council holds a contingency budget which exists to enable the Council to deal with uncertainty in future funding and any unexpected liabilities or emergencies. This is £2m in 2016/17 and it is proposed that this is removed in 2017/18. The Council still holds a contingency reserve but this reduces the Council's ability to make additional contributions to this reserve, which is expected to be used to balance the budget in 2017/18.

CORP2 – Reduce Councillor Locality Budgets - £0.02m

185. At present all County Councillors have a locality budget of £10,000 per annum, which is funded by £0.13m from reserves and a base budget of £0.6m. The reserve funding is due to continue until the end of 2016/17. The locality budget

is available to support projects and services in councilors wards and has a significant impact within the communities that they serve. In many cases the grants given are used in conjunction with other sources of funding. It is proposed that the allocation for each councillor is reduced to £8,000 in 2017/18. This will deliver a saving of £0.02m. This should enable councilors to continue to support projects in their local areas effectively. The arrangements for Councillor Locality Budgets will be reviewed in 2017.

CORP3 – Remove Councillor Pension Budget - £0.08m

186. In December 2012 the Government announced its intention to abolish tax payer funded pensions for councillors and a statutory consultation to this effect was undertaken between April and July 2013. Due to the implementation of the Local Government Pension Scheme Regulations 2014 councillors have no longer been eligible to join the LGPS since 1st April 2014. Any councillor who joined the scheme before 1st April 2014 will cease to be a member at the end of the current term of office that they are serving. Therefore after the next council elections in May 2017 the Council will not be making employer pension contributions for councillors and a budget of £0.08m will no longer be required.

CORP4 – Returns from wholly owned and joint venture companies - £0.35m

187. In November 2015 the Cabinet approved the creation of a Housing Development Company that is jointly owned by Suffolk County Council (50% of shares), Forest Heath District Council (25% of shares) and St Edmundsbury Borough Council (25% of shares). As a result Barley Homes Group Ltd was incorporated in March 2016. The primary purpose of the company is to generate capital and revenue income through the development of new housing (for rent and sale) in West Suffolk on a commercial basis. Some of this housing will be made available on an affordable basis in line with planning requirements. It is expected in 2017/18 the council can expect to receive interest from loans made to the company.

188. The Council will also continue to target increased returns from Vertas, the facilities management company that was established by the council in 2011. The company continues to expand and as a result is expecting to return a higher dividend to the Council.

CORP5 – Savings from Contracts - £5m

189. The Council spends over 70% of its revenue budget on contracted goods, services and works which means that a more commercial approach is required to ensure value for money through managed contracts and relationships. Further savings of £5m are targeted from these budgets in 2017/18 across all directorates, in addition to those already planned through the transformation programmes. The £5m will be allocated pro rata to non pay spend by distributing 0.5% of non pay inflation to service budgets rather than the 2% pressure that is identified in the budget gap. The Directorates will then need to implement the following approaches to manage contractual costs:

a) Minimising annual cost increases. Suppliers will be required to absorb cost increases such as inflation and the living wage as part of their general efficiencies.

b) Cost down. The Council will put its considerable buying weight into cutting costs when extending contracts, and negotiating the best deals with new suppliers. More specifically, suppliers will be invited to reduce their prices, as the Council takes a harder-nosed approach to business negotiations which reflect the reality of the current business market.

c) Re-design and re-procure services at a lower cost. The Council will draw on the skills, knowledge and innovation of the market to codesign new service models, which can then be procured at a lower cost.

d) Ending some contracts. With a declining budget some contracts will no longer be affordable. These contracts will have to end.

190. The Council will seek to behave in a more business-like way and increasingly adopt some of the positive culture and behaviours that are sometimes associated with commercial organisations. Continuing to upskill staff in contract management, negotiation skills and general procurement is essential in the delivery of these savings. The support that the scrutiny committee is giving with this is appreciated.

Annex A Council Reserves 2011/12 to 2015/16

191. Each year when setting the budget a forecast is made of what the level of reserves will be at the end of the current financial year. The tables below show how this mid year forecast compares to the actual balance at the end of each year since 2011/12.

	Forecast Reserves (from Council Budget Report)				
	2011/12	**2012/13**	**2013/14**	**2014/15**	**2015/16**
	£'m	**£'m**	**£'m**	**£'m**	**£'m**
County Fund General Reserve	10.6	10.8	10.9	10.8	10.9
Contingency Reserve	0.0	3.2	17.1	24.1	36.9
Services' Reserves	18.7	20.3	20.9	20.9	21.0
Public Health Ringfenced Reserve	0.0	0.0	0.0	1.4	2.6
Renewals Reserves	5.5	7.0	6.4	2.5	3.5
Earmarked Reserves	50.9	64.0	62.3	61.9	51.8
Total Non-Schools Reserves Forecast	**85.7**	**105.3**	**117.6**	**121.6**	**126.7**

	Actual Reserves at 31st March				
	2011/12	**2012/13**	**2013/14**	**2014/15**	**2015/16**
	£'m	**£'m**	**£'m**	**£'m**	**£'m**
County Fund General Reserve	10.7	10.9	10.8	10.9	11.0
Contingency Reserve	1.3	11.4	17.1	28.4	38.5
Services' Reserves	25.8	27.6	23.4	24.3	26.6
Public Health Ringfenced Reserve	0.0	0.0	1.4	3.6	5.0
Renewals Reserves	7.1	5.7	3.7	3.6	3.8
Earmarked Reserves	64.9	73.4	69.6	69.7	63.9
Total Non-Schools Reserves Actual	**109.8**	**129.0**	**126.0**	**140.5**	**148.8**
Variance between Actual and Forecast	**24.1**	**23.7**	**8.4**	**18.9**	**22.1**

Annex B Earmarked Reserves

	Actual Balance 31/03/2016 £'m	Forecast Balance 31/03/2017 £'m	Forecast Balance 31/03/2018 £'m
My Life My Future	0.5	0.2	0.0
Support to Live at Home (Implementation costs)	0.5	0.0	0.0
Mental Health projects	0.2	0.1	0.0
Other ACS Earmarked	2.8	1.6	0.0
Youth Offending Service	0.3	0.2	0.2
Universal Childrens Health Services	0.9	0.9	0.7
Adoption Reform	0.4	0.1	0.0
Troubled Families	1.6	1.4	1.2
Youth Guarantee Funding	3.7	1.6	0.0
Music Service	0.5	0.5	0.5
Schools' Choice	1.1	0.0	0.0
Other CYP Earmarked	1.7	1.5	1.2
Fire PFI	2.6	2.4	2.2
Public Protection Transformation	1.0	1.0	1.0
Other Fire Earmarked	0.8	0.6	0.2
Public Health Projects	0.7	0.2	0.2
Corporate Regeneration	0.8	0.6	0.4
Energy & PV Panels	0.4	0.5	0.6
Building Maintenance	0.4	0.4	0.4
Locality Working	0.4	0.2	0.1
On Street Parking Schemes	2.1	1.8	1.5
Green Travel Plan	0.6	0.7	0.9
Waste	4.7	2.0	1.5
Highways Transformation	0.7	0.4	0.2
Developer Fees	0.6	0.5	0.4
Highways Commuted Sums	5.3	5.3	5.4
Strategic Development	1.3	1.1	0.9
Elections	1.0	1.0	0.0
Insurance	4.2	3.2	2.2
Redundancy	0.4	0.3	0.2
Endeavour Card	0.8	0.7	0.5
Raising the Bar	1.1	1.0	1.0
School Organisation Review	3.7	1.6	0.7
Transition Fund	0.4	0.3	0.1
Transformation Fund	6.6	4.6	2.6
Broadband	6.0	6.0	6.0
Customer Service/Digital	1.9	1.3	0.7
Apprenticeships	1.2	0.4	0.4
Total Earmarked Reserves	**63.9**	**46.4**	**34.3**

Annex C Capital Programme 2011/12 to 2016/17

Original Expenditure Programme from Budget Book £'m		Revised Expenditure Programme as at the end of Financial Year £'m	Year End Outturn £'m	Funding Carried Forward to Next Financial Year £'m
126.2	Capital Programme 2011/12	207.3	140.4	66.9
114.8	Capital Programme 2012/13	191.7	120.7	71.0
80.2	Capital Programme 2013/14	154.3	101.7	52.6
93.4	Capital Programme 2014/15	171.4	107.1	64.3
104.2	Capital Programme 2015/16	196.5	111.7	84.8
99.3	Capital Programme 2016/17 (forecast based on quarter two cabinet report)	205.7	137.4	68.3

Annex D Budget Timetable

November 2016 - December 2016	Budget Consultation
23rd November 2016	Autumn Statement
30th November 2016	Scrutiny Committee
Mid December 2016	Provisional Grant Settlement
24th January 2017	Cabinet to consider and recommend the budget to be considered by County Council in February
9th February 2017	County Council to agree the Budget and Council Tax