

Report to: The Cabinet

Date: 10th November 2014

Report of: The Chief Executive **Report No:**

Contact Officer: S Harriss **Tele No:** 1001

Report Title: **Financial Forecast and Budget Process 2015-17**

Part A

Non Confidential: This report does **not** contain information which warrants its consideration in the absence of the press or members of the public

Purpose: To outline to the Cabinet the Financial Forecast for the next 2 years, including the projected requirement for savings of up to £43m by 2016/17, together with the proposed strategy for delivering this budget as a basis for consultation.

Background Papers 2015-18 Budget Update and Strategic Approach
Report approved by the Council's Cabinet, November 2013

Recommendations: As a basis for consultation the Cabinet is asked to:

- Note the very challenging financial context in which the Council is operating, specifically the projected reductions in government grants and increases in costs that have been highlighted in the medium term financial strategy
- Approve the allocation of associated savings targets across departments, to achieve savings of up to c£43m by 2016/17
- Approve the outline strategic approach to meeting this challenge with a two year budget for 2015-17, including the proposed strategic principles; the support for staff and use of one-off resources as set out in the report
- Note the stakeholder consultation process set out for this budget strategy, including an immediate launch of a further voluntary severance campaign for staff
- Approve the strategic approach to the £500k pilot Community Empowerment Fund as set out in the report and appendix

1.The Purpose and Structure of This Report

The 2015-17 budget report is comprised Part A and Part B sections.

The purpose of this report (Part A) is to outline the following:

- The context for the Council's Policy and Budget for 2015-17
- strategic proposals for meeting the financial and policy context
- The detailed process for consultation with the public, trade unions and staff.

The report is structured as follows:

Section 2 sets out the context for this budget and describes the Council's strategic priorities, which will continue to be pursued throughout this budget period

Section 3 provides the financial forecast and the detail behind a projected savings requirement of c£43m over 2015-17. It explains the projected reductions in government grants of c£31m; forecast increased costs of £18m but offset by additional income of £5.5m

Section 4 outlines the Council's budget strategy to deliver the savings required. It describes the basis for approving a two year budget; sets out potential funding streams, including Council tax income, which will mitigate the scale of savings required and proposes savings targets for each department

Section 5 describes the proposed strategic measures to deliver the budget savings, including further service reductions and efficiencies across all services; centralised and streamlined support services; a new customer contact strategy; alternative service delivery models; public service reform and a redefined relationship with the community

Section 6 references the Council's capital programme and requirement for one-off investment, in order to both drive economic growth and mitigate revenue reductions

Section 7 summarises the potential, high level impact of these reductions on staff and provides the Council's ongoing workforce strategy.

Part B of this report goes on to provide the detailed individual budget options and associated staffing impact, together with the delivery capacity and resources requirements.

2. Strategic Context

In the Medium Term Financial Strategy, agreed by the Council in February 2014, it was highlighted that the Council was likely to need to identify c£60m of budget reductions by 2018 with c£43m over the period 2015-17. This report outlines the basis of, strategy and detail related to the c£43m over this period.

The focus of much of the debate in respect of this report will be rightly and understandably the impact of the proposed reductions in the Council's budget and what that will mean for impact on services and jobs within the Council. In advance of setting out the specifics of the budget it is vitally important to frame this discussion in the context of what the Council is seeking to achieve for local people.

Through the community strategy the Council has set out clearly those areas that form the context and priorities for our work and budget:

- To maximise economic prosperity in Bolton ensuring economic growth, development, regeneration and job creation. The Council has also invested in a Borough anti-poverty strategy, to help manage the impact of the economic climate on our most financially vulnerable citizens
- Narrowing the Gap in respect of key outcomes in health inequalities, children and young people, crime and disorder, the environment, housing etc
- Ensuring that the most vulnerable are impacted least by budget reductions and the associated implications, as far as possible
- At a Greater Manchester level contributing to economic growth at a City Region level to create growth and employment
- Being at the forefront of Public Service Reform within Greater Manchester, which seeks to ensure public services work effectively together to reduce demand and dependency on public services by developing models of early intervention and tackling complex dependency. This work includes the integration of health and social care and making linkages between economic growth and residents who are workless.

The proposals set out in the report have been developed in this context alongside a continuing commitment to a set of values as an employer which involve seeking to mitigate the impact of the worst aspects of the budget reductions on the council's workforce and remaining a best practice employer.

3. The Council's Financial Forecast

The Council's assessment is that savings of c£43m will be required over the period 2015-17, as a result of reductions in grant and increases in cost, but offset by additional income, as follows:

	2015/16 £000	2016/17 £000
Reductions in grant	20,513	10,851
Increases in cost	7,187	9,239
Total Savings Required	27,700	20,090
Additional income (CT and NDR)	-2,857	-2,717
Total Net Projected savings required	24,843	17 373

The majority of these savings must be taken from the council's net controllable budget of c£170m, within which c£100m relates to Adults and Children's Social care. It is more difficult to reduce the scale and scope of social care services in order to make savings, because it is a statutory requirement to meet individual's eligible needs and provision is largely defined in this context. This means that the proportionate reductions required across other council services are very significant. A summary of the total current budget provision is as follows:

	£ Gross m	£Net m
Adult Services	90.9	65.6
Children's Services	280.4	48.5
Development & Regeneration Services	15.8	8.6
Environmental Services	63.4	24.8
Chief Executive's Department	28.1	8.0
Service Support	115.7	13.4
Corporate Costs	8.3	3.2
Main Controllable Budget	602.6	172.1
Partially Controllable		
Public Health		18.1
Waste & Transport precepts		41.8
Overall budget, Excluding schools		232.0

Although a budget reduction figure of £43m is felt to be generally of the correct magnitude there are a number of factors that could impact on the final level of budget reductions required:

- Final grant settlement figures for the Council for 2016/17 which may change depending on the outcome of the post General Election Comprehensive Spending Review (CSR). Although there is broad consensus about the deficit reduction strategy and the likely share that local government will bear of this, changes to the distribution formula within the overall funding envelope and timing changes could impact positively or negatively by plus or minus c£3-5m. For this reason it is important that the Council retains flexibility in the budget until after the CSR and subsequent grant settlement. Given the length of time that it is likely to take to implement many of the budget options it is not felt that there is any significant risk of budget options being delivered that are greater than any realistically improved figure.
- Changes in a range of assumptions in respect of inflation in respect of pay and prices
- Changes to the assumptions around Council Tax levels and levys.

A summary of the overall budget position for the next 2 years, taking into account local and national pressures and reductions is appended.

Each issue is explained further below.

3.1 Grant Reductions

The indicative Revenue Support Grant figures for Local Government for 2015/16 represent a 28% reduction (£21m) in Revenue Support Grant compared to the current year (2014/15), which is a 14% reduction on the Councils controllable budget.

The Local Welfare Fund Grant is also expected to be removed, which represents a further reduction of £1.2m.

The likely grant position for 2016/17 has also been forecast, which indicates that further savings of approximately £17m will be required in that year.

3.2 Cost increases

The Council is facing a series of increases in operating costs which must be factored into financial planning, as follows

Inflation – An assumption has been made that overall general inflation impacting on the Council will be 2% in each of the next 2 years. In last year's Autumn Statement the Government indicated that they will restrict public sector pay awards to 1% in each of the next 2 years. The forecast therefore assumes a pay award of 1% in each of the next 2 years. The likely 2.2% pay award for 2014/15 and 2015/16 will add c£200 000 to the Council's cost base compared to budget.

Price inflation is generally reducing at the moment, although in specific areas, it is still running at an higher level. It is hoped to offset increases in many areas of Council expenditure by securing cost effective prices through our procurement processes. The area of major concern is energy costs. General inflation of 2% has been included and 10% for energy.

WDA/PTA Funding –the forecast includes the current assumptions for price increases indicated by the AGMA Waste Contract and the forecast levels of tonnages based upon the current waste collection service. Proposed levy savings are included in this report; the final position agreed by the Waste Disposal Authority will be reflected in the February Budget report.

The PTA levy has been included in line with the latest forecast from AGMA. This will see a saving in comparison to the predicted position of February 2014. The final position agreed by Transport for Greater Manchester will be reflected in the February Budget report.

Pensions – It is assumed that a 0.8% increase in the cost of pensions will be required in each of the next two years in line with the Actuaries latest forecast. This equates to a £0.8m increase in costs each year

National Insurance – In 2016/17 new national pension arrangements mean that the lower "contracted out" national insurance contribution for employers will end. The impact of this is estimated to be £1.8m additional cost to the Council.

Other – Forecast increased demand in Children's / Adults Services has resulted in an additional £1m being built into the forecast for both 2015/16 and 2016/17 in addition to the extra Government funding we receive to also support increased service demand.

The actual cost pressures in Adult's social care as a result of demand growth and demographics is potentially considerably higher than this. The Council's plans for greater health and social care integration are pivotal to keeping this figure at this lower level, through collaboration with health and demand reduction. This will be kept under review during this budget period.

The demand for children's social care and number of looked after children is volatile and needs to be kept under review as this could be a future cost pressure.

3.3 Income

The reductions which are forecast around grant levels and increased costs may be mitigated to an extent through projected increases in income, as set out below.

Council tax

The Council will need to consider its options around the level of Council Tax once further guidance on Referendum thresholds and Council Tax Freeze Grant are received. The budget forecast includes extra income of £1.6m in 2015/16 and 2016/17 on the basis of a 2% Council tax increase in each year.

In addition the Council Tax Base for 2015/16 is 1,014 Band D properties higher than in 2014/15 which, based upon a 2% increase in Council Tax from April 2015, will generate £1.3m additional income.

The final figures for 2015/16 and the rules and conditions that the Government set over the Council Tax Referendum threshold and entitlement to the Council Tax Freeze Grant will not be known until December 2014, at the earliest. A concern is that this will not provide very long to evaluate the options and in particular would not leave sufficient time to consult the public should the Council decide to seek views on setting a Council Tax increase higher than the threshold.

Schools Funding – The forecast includes the additional funding for the pupil premium notified by the Government, which increases each year (included within the Direct Schools Grants). In line with Government indications, it is assumed that there is no separate increase for inflation in 2015/16 and 2016/17.

Business Rates - From April 2013 the Government also transferred responsibility for Business Rates to Local Authorities. However, this was only a partial transfer as Central Government still determine the overall level of the business rates charge and also retain 50% of the business rates income. The Council is therefore responsible for 50% of the risk of non-collection of business rates. In the current economic climate there are still a number of businesses who are going into administration and the likelihood of non-collection is therefore more significant. An allowance was made for some losses on collection when the Budget was set in February 2014 and recent monitoring of this position has confirmed that the budget is adequate. Further monitoring will take place over the next few months and the position reassessed for the 2015/16 budget in January 2015. At this stage, as highlighted later in the report, £0.5m additional income is predicted for business rates.

In the 2014/15 Grant Settlement there was an indication from Government that whilst the Business Rates formula suggested an increase of 3.2%, the Government are proposing to cap this at 2%. The Government subsequently confirmed that they would provide additional funding up to the 3.2% to compensate Local Authorities in 2014/15. This compensation is welcome although it has not been confirmed that this will be maintained in 2015/16 and beyond.

Public Health – On the 1st April 2013 responsibility for Public Health transferred to the Council. This transfer was accompanied by additional resources and these are estimated at £18.9m for 2015/16.

The Government have also determined that this funding is ringfenced and must be spent on Public Health. Public Health funding has therefore been included as a separate line in Appendix A. The same figure has been used in each year but will be revised if we get any further information from Government.

Balances – Due to the additional risks being borne by the Council with having a local council tax benefits scheme and the transfer of the risk on business rates collection, minimum balances of £10m should be maintained. Balances have been increased to £10.7m as at 1st April 2014.

In determining the budget for 2013-15, the Council agreed to provide an annual contribution of £2m from Reserves for a 4 year period. 2016/17 will be the last year that a contribution of £2m from Reserves will be made. Therefore during 2017/18 additional budget savings of £2m will be required.

4 Budget Strategy

The implications for the Council in respect of delivering a further c£43m of budget reductions is very significant, given that savings of £100m have already delivered between 2010-14. In doing so, almost all obvious options such as re-financing debt have been exhausted; most Council services have been reviewed and reduced at least once and the Council has significantly reduced management capacity. The budget strategy has been developed in the context of these challenges

4.1 A two year budget

In view of the scale of reductions required / anticipated, it has already been agreed that a 2 year budget should be developed. This is vital for strategic planning and helps ensure that the Council has a realistic chance to deliver the greater proportion of the £43m savings by April 2016. It is, however, anticipated that even producing a two year budget will require significant use of one-off reserves to balance the budgets in 2015/16 and 2016/17.

The delivery of the budget on a staggered basis over the two year period will, however, allow sufficient flexibility to suspend savings activity if the financial position improves over the budget period.

4.2 Other funding and budget mitigation

The 2015-17 budget forecast made in February, of £43m budget reductions, has subsequently been a focus of activity over the past few months. This has led to the following elements at this stage being available to meet the budget gap:

- Better Care Fund (BCF) - £3.1m of the fund has been allocating to protecting adult social care services, in line with the fund's guidance, which has therefore reduced the budget savings requirement by this amount. It has also been agreed that a further £2m will be made available in 2016/17 if the BCF has further resources added to it

and the guidance supports this. Currently this is not regarded as probable unless the overall quantum of Better Care Fund increases in 2016/17

- Public Health funding. The Public Health Grant is ring fenced for use on public health related activity. Through good management and efficiency measures, by 2016/17 it is predicted that £3m of public health grant will be available to support other eligible activity in the Council's budget on top of the currently funded, mandatory and discretionary services. This will reduce the level of budget reductions required from other services by £3m.
- WDA/PTA Levy's. Significant work has been undertaken at a GM level to reduce the Waste and Transport levy's over the next two years, compared to the forecast at February 2014. It is therefore estimated that the transport levy will reduce by £2.1m over the two years and the waste levy by £1.5m over the two years.
- The Council Tax Base for 2015/16 is 1,014 Band D properties higher than in 2014/15, based upon a 2% increase in Council Tax from April 2015 this will generate £1.3m additional income
- Business Rates. Having re-cast the assumptions we now believe it is possible to be confident of £500 000 additional revenue from business rates.
- Accommodation. A review and reduction of the Council's office accommodation will achieve savings of c£1 200 000 without any compulsory impact on jobs or services. This will be delivered through the closure of 4 town centre buildings and condensing the majority of town centre office occupancy into the refurbished Town hall.

The above budget changes are reflected in the corporate budget options which have been proposed.

4.3 Specific 2015-17 savings targets

The allocation of overall savings targets across corporate and departmental services has been undertaken using a similar set of criteria to previous budget rounds:

- That as much as possible should be found from reductions in management and administration and from further efficiency measures
- That the most vulnerable should be protected and lower levels of savings found from children's and adults social care services
- That targeting should take place to protect services to individuals and areas in greatest need and deprivation
- That given the reductions taken so far from front-line universal services such as green space provision (ie grass cutting and street cleansing), these services should be protected from further service reductions if possible, although further efficiencies and non-front line reductions will be necessary.

On this basis the specific level of reductions from each corporate or departmental area is as follows:

- Corporate -£15.9 – 17.9m
- Adult Social Care - £6.25 - £7.75m
- Children's - £2.5 - 3.5m
- D&R - £2.3 – 2.5m
- Environment - £5.3-6.3m
- Chief Executives - £2.25m
- Cross-cutting - £4-5m

Total - £38.5 – 45.2m

As a general indication, these savings represent a 10% reduction for Children's and Adults Services and roughly a 20% reduction across all other services.

The range of budget reductions estimated reflects the complexity and uncertainty of some of the options at this stage, but is felt sufficiently robust to undertake strategic budget consultation. This position will be clarified and finalised as part of consultation and in the light of the 2015 Comprehensive Spending review (CSR). In the meantime, work will remain ongoing to continue to develop other options for savings as it is probable that not all options will deliver 100% of the proposed reductions. Further options may come forward in advance of the February 2015 budget Council, or later in 2015 post the CSR.

5. Meeting the Challenge

5.1 Principles

In order to deal with this scale of reduced funding the Council will need a comprehensive strategic approach, to take every opportunity to maintain critical services with fewer resources. Within this context, with regards to our statutory duties and levels of savings already made, it is proposed that children's social care services will continue to be protected from budget reductions and that no further significant front line reductions will be made in green space provision (ie grass cutting and street cleansing).

Savings will be made across all other services through a combination of the following measures:

- further service reductions and efficiencies
- centralised and streamlined support services internally, to achieve economies of scale and careful prioritisation of capacity
- a new customer contact strategy, to migrate a significant proportion of "front line" transactions to the web or telephone, as far as absolutely possible
- Alternative service delivery models to deliver savings from operating costs
- A new relationship with our community, to reduce demand for and dependency on council services as far as possible
- An examination of potential demand reduction via Public Service Reform principles.

5.1.1 Further service reductions and efficiencies

Significant savings have already been made across the vast majority of Council services however, given the ongoing, extensive reductions in resources faced by the Council, further reductions will be necessary as part of this budget round. Proposals will therefore be developed to take further cost out of all areas practicable, by further reducing the scope and scale of services and delivering efficiencies where this can be achieved.

Capita Consulting have been engaged to provide technical expertise to support this work by:

- reviewing the savings already achieved and validating the proposals being considered as part of the future savings strategy
- advising on how additional savings can be generated through the design and deployment of Alternative Service Delivery Models (ASDM)

An Executive Summary of the Capita work is provided in the appendix to Part B of this report.

5.1.2 Centralised and streamlined internal support services

A fundamental review of support services requirements will be undertaken based on internal and external customer self-service as far as possible and on-line process administration rather than paper-based input and records.

It is also proposed to bring all cross-council administration and generic support services together into a single service which can work cross departmentally and functionally. The single team will include all staff with a shared skills set across such processes as customer communication; administration; record keeping and finance. By operating as a single team there will be some economies of scale in the numbers of posts required and reductions in capacity required to cover contingency e.g. leave. The Council will also seek to stop activity wherever feasible following a comprehensive review of processes.

5.1.3 New customer contract strategy

A core part of the budget strategy will be to widen and deepen the services provided by the contact centre and an assumption that we can achieve significant “channel shift” from our customers, to primarily on-line and digital contact only. This will be a significant programme and will require investment in internal and external behaviour change, support to the public and improvements in technology and the Council’s digital services.

In order to secure these further efficiencies from transactional services it will be essential to minimise face to face service provision as far as possible, as this is the most expensive communication mechanism we operate. The Council’s objective will be to migrate a significant proportion of remaining customer contact to web and telephone access only, to be facilitated by the contact centre as far as possible, with face to face services only available for those vulnerable residents who are unable to use other forms of access.

5.1.4 Alternative Service Delivery Models

The Council has also undertaken considerable work with Capita Consulting to examine the benefits and risks of developing Alternative Service Delivery models (ASDMs). This work has established that there is scope for savings from different delivery models due to:

- growth and increased income, which is not possible legally for services delivered by the council directly
- reduced costs of employment
- efficiency, productivity and cost reduction
- lower costs for support services

For a range of factors, particularly the requirement to retain flexibility for future budget periods, the Council is not proposing to enter into large-scale, whole service outsourcing or joint ventures with the private sector. In examining the potential benefits of ASDMs, the Council is concentrating its efforts on the potential benefits of arms-length companies, shared arrangements with others and not for profit options.

The full scope for ASDMs to mitigate the impact of budget reduction be examined during the 2015/17 budget period and associated business cases will be explored.

5.1.5 A redefined relationship with the community

In a report approved November 2013 (copy attached) the Council identified that a range of new approaches may be required to meet the budget challenge facing the Council over the period 2015-17, including:

- Changing the expectations about what the Council can deliver
- Working more closely with individuals and communities to deliver services. This includes a more direct role in working with and co-ordinating volunteers
- A stronger focus on demand reduction
- The Council should consider commissioning more services

In respect of the option relating to working more closely with individuals and communities to deliver services, the Council has agreed a £500 000 pilot fund as part of the 2014/15 budget to explore how effective this could be.

Although not ruling out ideas in other services, the Council has devised the pilot scheme with the main intention of maintaining or improving the wider environment and youth services, given the level of reductions that have been made in these services and the high priority placed on these issues by local people.

In board terms, the intention is to fund pilot schemes involving local community groups, voluntary organisations, businesses or others who can lever in volunteers, in-kind support, grant funding or other advantages that are not available to the council. Further details of the scheme can be found at the Appendix.

5.1.6 Public Service Reform

The Council, along with other councils across Greater Manchester, is engaged in significant Public Service reform (PSR) work.

As part of this work it has already been highlighted that, long term, health and social care integration is key to seeking to influence the budget by holding down demand pressures for adult social care. In addition the Council is developing an approach to complex dependency to seek to manage individuals and families that have poor outcomes and place high demands on public services. At this stage this activity is not developed to a point where this can be translated into firm budget savings but this is being kept under review for the budget period to see if a financial impact can be made.

6. Capital programme and One-Off Investment

The focus of this report is the Council's revenue budget 2015-17. However, in delivering the organisation's strategy for the Borough, the Council's formal capital programme and approach to the use of one-off resources is also key. This investment over the past few years, especially in economic growth, town centres, housing and highway maintenance, has helped meet both the broader objective of economic prosperity and mitigated budget reductions especially in areas such as highways.

The development of the 2015-17 capital programme is underway and will be formally brought forward for the Cabinet's consideration in early 2015. At a strategic level the Council's intention is to maximise the use of capital resources to both drive economic growth and mitigate revenue reductions and as such will retain current levels of revenue expenditure to maximise capital investment. Future use of one-off resources, such as the 2015/16 airport dividend, not included in the base budget will be considered in parallel to the capital programme dependent on whether this is required or not to support the delivery of the 2015-17 budget.

7. Impact on and support for staff

The council has successfully led its staff through a number of major changes over recent years, throughout which high quality terms and conditions have been maintained; the workforce has been protected from compulsory change and best practice in Trade Union engagement has been applied.

The council has committed publically to delivering the savings required from staffing costs as through voluntary rather than compulsory means as far as possible. Significant investment has been made since 2009 in a strategy to reduce staff numbers by c1350 posts without recourse to compulsory redundancy. This has involved, "freezing" external recruitment; deleting vacancies; running three campaigns to date for voluntary early retirement / severance; facilitating voluntary redundancies and a comprehensive redeployment scheme. It is proposed to continue with this strategy through the 2015-17 budget round and to achieve as much as the savings as possible by re-applying the established policy framework, beginning with another voluntary severance campaign which it is proposed to launch with immediate effect. It will, however, be a challenge to deliver all the change consensually, given the reductions already made and scale of further savings required.

It is not possible to accurately identify the actual number of posts that will be lost until detailed proposals are developed. However, based upon the outline options set out, it is anticipated that a reduction of 400 – 500 posts may be required, of which there are currently around 100 vacancies.

The Council has also developed the workforce strategy further by articulating a set of principles about how staff will be managed and supported within this very difficult operating context and the specific changes proposed. The proposal, as a basis for consultation, is that the Council will aim to deliver the following:

- Retention of existing policies and terms in respect of redundancy, redeployment, protection, VER/VS to minimise risk of compulsory redundancy
- No reductions in pay and terms and conditions for staff who remain with the Council
- To establish alternative models in such a way that staff who TUPE into the new entity should not see any reduction in their terms and conditions for economic reasons.

8.Consultation Process

The Council is intending to commence formal consultation immediately on the overall budget proposals set out, with a view to reporting back to Council in February 2015. Consultation will include:

- Formal consultation with the Trades Unions through the SLJCC and subsequent Corporate Employee Relations Meetings, supported by DJCCs, for the duration of the consultation period
- A detailed explanation of the overall budget position and allocation of savings in the next issue of Scene, to be distributed to every household in November. Scene will also be used to explain to people how they can feed in their views to the consultation as described below
- Development of a public consultation survey which will be posted on-line and also posted to 10,000 targeted households
- An organised briefing event for the public which will be held in December 2014, to explain the budget and the options put forward and to seek people's views
- Target presentations/discussions with specific groups such as the Third Sector Forum, Business Ratepayers, schools and other groups as appropriate
- A comprehensive communications campaign for staff to ensure every employee understands the proposals and how to feed in during consultation. This will involve a letter to every member of staff from the Chief Executive; a special edition of the staff magazine, Bob and briefing sessions held by Directors in each department.

Each budget option will then be subject to separate individual budget report and consultation as appropriate.

9. Equality Impact Assessment

The priorities which the Council wishes to adopt when looking at delivering savings have been re-confirmed in section 2 and provide a framework for the delivery of the 2015/17 budget.

In terms of staffing, the anticipated impact of the budget on the workforce is set out in Part B of this report, along with the strategy for managing this. The Council retains its objective of seeking to be a good employer, including by managing staffing reductions consensually as far as possible; this aspiration has been articulated in a set of proposed principles which underpin all of the proposals made within this budget strategy and are also described in section 7.

It is important to recognise that achieving savings at this level, following the significant reductions that have already been made, will be much more challenging than in previous years. However, the Council continues to aim to minimise the impact of budget savings on front-line service provision. Proportionately different levels of savings have once again been sought from each of the Council's departments to offer a degree of protection to front-line services and to protect the borough's most vulnerable people. This distribution is set out in section 4.3.

The full equality impact assessment is appended to Part B of this report

10. Recommendations

As a basis for consultation the Cabinet is asked to:

- Note the very challenging financial context in which the Council is operating, specifically the projected reductions in government grants and increases in costs that have been highlighted in the medium term financial strategy
- Approve the allocation of associated savings targets across departments, to achieve savings of up to c£43m by 2017
- Approve the outline strategic approach to meeting this challenge with a two year budget for 2015-17, including the proposed strategic principles; the support for staff and use of one-off resources as set out in the report
- Note the stakeholder consultation process set out for this budget strategy, including an immediate launch of a further voluntary severance campaign for staff.
- Approve the strategic approach to the £500k pilot Community Empowerment Fund as set out in the report and appendix

APPENDIX A**MEDIUM TERM FINANCIAL STRATEGY 2015-2017**

	Forecast 2015/16	Forecast 2016/17
	£000s	£000s
Previous Year's Net Budget	477,458	461,091
Additional Public Health Transfer	-	-
Increases:-		
Schools DSG	-	-
Non School Services		
Inflation	3933	4053
WDA / PTA	1,525	1,525
Pensions	804	817
Adults Growth	1,000	1,000
Increased National Insurance	-	1,808
Loss of Local Welfare Fund Grant	1,214	-
Savings Required	-24,843	-17,373
Budget Requirement	461,091	452,921
Resources		
Direct Schools Grant	226,481	226,481
Public Health Funding	18,906	18,906
Education Services Grant (ESG)	4,250	4,000
New Homes Bonus	4,200	5,000
Use of Reserves	2,000	2,000
Retained Local Business Rates	43,040	43,901
Business Rates Top-Up	19,330	19,717
Council Tax Contribution *	90,472	92,280
Government Grants	52,412	40,636
Total Resources	461,091	452,921
Council Tax Increase (indicative) *	2%	2%

Appendix 2:

Pilot scheme for a Community Engagement Fund

The Council will pilot a Community Engagement Fund which provides a small, fixed term investment to community partners in return for leveraging a greater level of capacity to improve the local area. The Council has allocated £500 000 for this exercise, which will be shared across as many partners as possible to enable the startup and / or delivery of creative ideas that will contribute to a long term solution to the demand pressures on local public services.

The fund will be piloted within areas related to the environment and youth services in the first instance, across the clean, green and safe priorities with the specific objectives of:

- reducing demand for Council services and/or
- making improvements to the environment
- Provision for Young People

Bids will be sought from organisations which can demonstrate that they can multiply the value of the investment to achieve the strategic objectives above by, for example:

- leveraging much wider capacity (eg by bidding for £25 000 to appoint a Volunteer Co-Ordinator, who can then organise a group of 50 volunteers in an area)
- making an investment which will reduce demand for municipal services, eg equipment for a local group to “self-serve”
- applying the funding to pursue match funded bids for more structured capacity and/or infrastructure.

Funding will be available for businesses; local volunteer groups or committees (however small) or constituted voluntary and community sector organisations to bid for. There will not be a cap on funding but it is anticipated that most bids will be c£50 000 maximum, to be allocated over the two year budget period on a pilot basis.

Bids will be assessed against the following structured criteria and approved by the Executive Cabinet Members for Regeneration and Resources and Environmental Services

- value of capacity leveraged for the level of investment required
- sustainability of the proposal
- impact of the proposal
- wider contribution to strategic objectives, eg Narrowing the Gap.

It is anticipated that this will be a rolling scheme, with bids accepted to the maximum of the financial provision allowed over the two year period. The intention is to have an initial set of activity approved and ready for implementation from 1 April 2015, but any schemes that are developed before then may be accepted as early implementers.

As a pilot exercise this process and return on investment will be subject to a structured review during the 2015/17 budget round and reported back as part of the performance management cycle.