

SURREY COUNTY COUNCIL**CABINET****DATE: 26 MARCH 2013****REPORT OF: MR DAVID HODGE, LEADER OF THE COUNCIL****LEAD OFFICER: SHEILA LITTLE, CHIEF FINANCE OFFICER AND DEPUTY DIRECTOR FOR CHANGE AND EFFICIENCY****SUBJECT: MEDIUM TERM FINANCIAL PLAN 2013 TO 2018****SUMMARY OF ISSUE:**

This report presents the detailed service revenue and capital budgets for 2013/14 and indicative budgets for the following four year period to 2017/18. Following approval by the cabinet, the detailed budgets will be published as the 2013-18 Medium Term Financial Plan on the council's website. This will enable users to either view budget details interactively on-line, or print hard copy by request. This report also provides an update on the fees and charges for the use of council services during 2013/14.

RECOMMENDATIONS:

It is recommended that Cabinet:

1. approves the detailed service revenue and capital budgets for the years 2013-18, including amendments resulting from government funding changes announced after the 2013/14 budget was approved; (Annex 1)
2. approves the publication of the detailed service revenue and capital budgets as the 2013-18 Medium Term Financial Plan;
3. Notes the lower capital government grant to support the schools basic need programme and approves the additional use of £2m internal or external borrowing in 2013/14 and 2014/15.
4. endorses the fees and charges approved under delegated powers and approves other fee and charge proposals (Annex 2)

REASON FOR RECOMMENDATIONS:

The 2013 – 18 MTFP is a five year budget that is aligned to the corporate and directorate strategies. It reflects assumptions about the current local and national financial, economic and political environment. Regular reporting through the year will enable progress to be effectively tracked and managed.

DETAILS:

Medium Term Financial Plan – Revenue Budget

1. The Medium Term Financial Plan 2013-18 (MTFP) identifies the resources required to achieve the objectives of the corporate and directorate strategies. The cabinet of Surrey County Council approved the indicative five year revenue and capital budgets for the period 2013-18 on 5 February 2013. Following this, the Full Council approved the 2013/14 budget and set the council tax precept for that year. The MTFP, which is included as Annex 1, provides the detail service revenue and capital budgets, following further scrutiny during March through Select Committees.
2. The MTFP is based on the funding for Surrey County Council that the government announced in the Final Local Government Financial Settlement for 2013/14 and the provisional settlement for 2014/15. This included the introduction of the business rates retention scheme, whereby local authorities keep a proportion of the business rates raised locally. The council has made assumptions on business rates and other government grants for 2014/15 onwards based upon projections of economic activity and central government spending from a variety of government and other established economic institutions.
3. In the autumn of 2012, the government announced the offer of a third year of Council Tax Freeze Grant for those local authorities that froze or reduced their council tax from the 2012/13 levels. This grant would be the equivalent of a 1% rise payable for two years. In the Final Local Government Financial Settlement, the Secretary of State of Communities and Local Government confirmed the threshold for excessive council tax rises that would require a local referendum as being 2% for 2013/14.
4. Following due challenge, scrutiny and deliberation, the council approved a below inflation council tax rise of 1.99% for 2013/14. This was in line with the council's strategy of balancing the interests of local council tax payers with the users of local council provided services. For the remaining years of the MTFP, the council continues the assumption of annual council tax rises of 2.5%.
5. The Medium Term Financial Plan for 2012-17 sets out service strategies and budgets to achieve these. This included an annual savings target of £206m by 2016/17. The new MTFP for 2013-18 continues with these strategies and budgets, although adjustments have been made for known changes to service demand. For 2013/14 the council faces increased demand for its services, particularly in social care along with the increasing need to maintain roads. Having agreed an increased general balance in 2012/13 in anticipation of rising service demands in future years and agreed a strategy of smoothing expenditure across financial years, the council has agreed to apply £23m of reserves and balances in 2013/14. For future years, cabinet has approved a review of the MTFP 2013-18 in quarter 1 2013/14 once the implications of the new local government funding changes have impacted. This review will focus on the 2014/15 onwards.

6. Section 2 of the MTFP details the final budget proposals for each head of service, including changes from the current year's budget, savings, pressures and staffing.
7. In the last three years the council has successfully met its savings targets total of nearly £200m. However, for 2013/14 £32m of these savings have been identified as being a 'red' risk, meaning that that are significant challenges to their achievement. The 2013/14 budget includes £13m as a risk contingency against the council not achieving its target savings of £68m
8. There have been changes to grant funding since the council meeting on 12 February 2013 as Government departments have finalised and confirmed the amounts. As in previous years, the principle adopted is that changes in funding are reflected in the budgets of the relevant service. Table 1 summarises these changes by service area and these described in the paragraphs below.

Table 1: Summary of changes to 2013/14 gross expenditure budgets

	12-Feb-13		
	Council	Change	MTFP
	£m	£m	£m
Adults Social Care	403.1	0.6	403.7
Children, Schools & Families	324.8	0.0	324.8
Schools	521.8	0.0	521.8
Customer & Communities	82.9	0.0	82.9
Environment & Infrastructure	142.8	0.0	142.8
Public Health	26.5	0.5	27.0
Business Services	96.2	1.0	97.2
Chief Executive Office	16.1	0.0	16.1
Central Income & Expenditure	69.0	0.0	69.0
	1,683.2	2.1	1,685.3

9. Within Adult Social Care, more detailed work on client volumes has highlighted a small increase of £0.6m, which will be off-set by an equivalent increase in income from fees and charges.
10. Public Health is awaiting confirmation of £0.5m income from the new Police & Crime Commissioner and if agreed would lead to an equivalent increase in expenditure.
11. Within the Business Services directorate, the successful joint working on shared services with East Sussex County Council will lead to an increase in both gross income and expenditure. This is estimated at £1.0m but may be subject to adjustment following final agreement.

Medium Term Financial Plan – Capital Budget

12. The Government has provided confirmation of capital funding for the 2013/14 financial year, and provisional funding for 2014/15. The final grant for the schools basic need programme is £24m for the two years 2013/14 and 2014/15. This is £2m less than expected for each year. It is proposed that this shortfall will be met

from additional internal or external borrowing. The consequence of this will be an increase in interest payable of just under £0.2m from 2015/16.

13. The 2012-17 MTFP included a substantial capital programme and the council enhanced this at its meeting in February to reflect the following changes;
 - recognise the additional demand for school places by adding £45m to the programme,
 - to partially address the roads maintenance backlog through an additional £25m over five years,
 - roll forward the annual recurring property and highways maintenance programmes in to 2017/18.
14. With this addition to the schools basic needs capital programme for school places, the total estimated to be spent by 2017/18 is £261.3m. Further work on this programme has identified some changes to the profiling of this expenditure with £3m less being spent in 2013/14 and increases in future years but the total remaining as £261.3m.
15. As a part of the refresh of the MTFP in June and July 2013, the profiling of all capital projects will be reviewed.

Medium Term Financial Plan – Publication

16. In 2012 the MTFP was published on the council's website as both an interactive document, allowing the user to 'drill-down' into service budgets, and an electronic version available for printing. This proved very effective and efficient, and was well received.
17. For 2013, the council intends to repeat the interactive and printable electronic formats of publication. The published version will include the detailed budgets and summary corporate and directorate strategies that are shown in Annex 1, along with the relevant Full Council Budget report from the 12 February 2013 meeting.
18. The Council will refresh the Corporate Strategy and supporting Directorate Strategies in the spring as one of the first tasks of the new council. The 2013/14 priorities listed here are a roll forward of the key priorities in place through 2012/13 with some minor amendments to remove any actions that are fully completed and no longer relevant (e.g. delivery of the 2012 Olympics).

Fees and Charges

19. In addition to government grants, business rates and council tax funding, the Council also raises over £80m per year in fees and, charges. The detailed budgets in Annex 1 analyse this income by directorate and the schedules in Annex 2 detail the charges proposed for 2013/14.
20. Some of the fees and charges itemised in the Annex 2 schedules and assumed within directorate budgets, are set within delegated authority, whilst others are subject to approval through this report.

CONSULTATION:

21. As recommended at the Cabinet meeting on 5 February 2013, during February and March 2013, the council's select committees have further reviewed and scrutinised the detailed service budgets that are now reflected in the MTFP 2013-18 detailed budgets.

RISK MANAGEMENT AND IMPLICATIONS:

22. The MTFP (2013-2018) includes £166m of savings to be made over the five-year period. The risk of achieving these savings have been assessed and reported in Section 2 of the MTFP. In view of the increasing challenge to deliver savings in 2013/14, the monitoring of the achievement of savings will be monitored with particular rigour.

23. In addition, following approval of revised corporate and directorate strategies, the council will identify how to deliver further savings up to 2017/18 as part of the quarter 1 review agreed at cabinet in February 2013.

24. The Council maintains an integrated risk framework to manage the significant challenges it faces and the associated emerging risks. The specific risks and opportunities facing the Council and recorded in the Leadership Risk Register are:

- erosion of the Council's main sources of funding (council tax and government grant)
- delivery of the major change programmes and associated efficiencies;
- delivery of the waste infrastructure; and
- changes to health commissioning.

25. The Chief Finance Officer is satisfied the revenue and capital budget, including increased risk contingency is sensible in view of these risks and the processes in place to monitor them.

Financial and Value for Money Implications

26. All the documented budgets and targets have been subject to a thorough value for money assessment.

Section 151 Officer Commentary

27. Throughout the budget planning and setting process, all material financial and business risks have been assessed and are reflected in this report and its annexes. The Chief Finance Officer reported to the Full Council that the Cabinet review the plans to deliver efficiencies and savings early in 2013/14 to be assured that these plans are sustainable and will not lead to the erosion of the Council's financial resilience. Officers are developing the mechanism for this review to commence in early 2013/14.

Legal Implications – Monitoring Officer

28. There are no legal implications/legislative requirements arising directly from this report.

29. The Council has a duty under the Equality Act (2010) to consider the equalities implications of the proposals underpinning the MTFP. These are detailed in the “Equalities implications” section of this report.

Equalities and Diversity

Equalities implications

30. An analysis of the equalities implications of the MTFP savings proposals that will be implemented in 2013/14 has been undertaken. The aim of this analysis is to provide the Cabinet with information on the impact the proposals could have on Surrey’s residents and the actions that the Council is taking, or will undertake, to mitigate any negative impacts on people with protected characteristics that could arise. This section of the Cabinet report therefore sets out:

- the legal requirements around equalities;
- the high-level findings of the analysis including new savings proposals which have been assessed for equalities implications; and
- how the findings of this analysis will be used.

31. A summary analysis of the savings proposals for each of the Council’s Directorates is set out in Annex 3 and a detailed equalities analysis for relevant savings proposal is available on the Council’s website.

32. Equality Impact Assessments for a number of savings proposals in 2013/14 are continuations of those undertaken for 2012/13 and where this is the case the analysis has been reviewed by Directorates. For new savings proposals, or proposals that have an ongoing, previous EIA but with significant material change, Directorates undertook new analysis.

33. Where Cabinet is required to take further decisions around the implementation of savings proposals, or proposals are not sufficiently developed to undertake equalities analysis at this point, additional equalities analysis will be presented to inform decision-making at the relevant time. This will be submitted alongside relevant Cabinet reports. Directorates will also continue to monitor the impact of these changes to services and where appropriate will take action to mitigate additional negative impacts that may emerge as part of this ongoing analysis.

Legal requirements

34. Presenting this analysis for Cabinet consideration is regarded as good practice by the Equality and Human Rights Commission¹ and meets legislative requirements around equalities. Specifically in making financial decisions the Council’s Cabinet must comply with the Public Sector Equality Duty in section 149 of the Equality Act 2010 which requires it to have due regard to the need to:

- “eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act;

¹ Equality and Human Rights Commission – Making Fair Financial Decisions

- advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and
 - foster good relations between persons who share a relevant protected characteristic and persons who do not share it.”²
35. Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:
- “remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;
- take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;
- encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.”³
36. Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:
- “tackle prejudice, and
 - promote understanding”.⁴
37. Compliance with the duties in section 149 may involve treating some persons more favourably than others; but that is not to be taken as permitting conduct that would otherwise be prohibited by or under this Act.⁵

Equalities analysis: overarching findings

38. Summaries of the relevant equalities analyses are attached to this report as Annex 3. Cabinet will need to consider these in accordance with their public sector equality duty and should also make reference as appropriate to the further analysis on the website as indicated above. This section highlights where there are new savings proposals for 2013/14 which have been assessed for equality implications.
39. Headline findings from this analysis show that:
- There are five new savings proposals for the **Adult Social Care Directorate** for 2013/14, of which four have been identified as having potential negative impacts, with robust action plans agreed to mitigate. Older people and disabled people are by far the largest client groups for social care.
 - Two of the proposals – on optimising the rates paid for care services which are purchased on a case by case basis and on offsetting increases in demand for

² Equality Act (2010) Section 149(1)

³ Equality Act (2010) Section 149(3)

⁴ Equality Act (2010) Section 149 (5)

⁵ The relevant protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation.

services – aim to reduce the cost of care packages. In the case of spot rates the analysis suggests that over time there may be a greater impact on people with specialist care needs. Very substantial savings (£15 million) are being sought through offsetting demand and these rely to a considerable extent on being able to stimulate alternative (sometimes unpaid) provision from within the community. Over time there may again be greatest impact on those with specialist care needs as well as some more immediate impacts for all people who use services in terms of anxiety about changes to their services. However, in both cases, there is a backstop obligation for the council to meet eligible needs.

- The other two proposals - further efficiency savings from in-house services (care accommodation) and managing costs below budget, including staff costs - have potential implications for people who use services but particularly for staff in terms of working practices. Women form the majority of the social care workforce within which BME employees are also disproportionately represented. There is a clear action plan in place to mitigate any negative impacts including monitoring of the impact of changes on the workforce.
- One new savings proposal for the **Children, Schools and Families Directorate** has been assessed for equalities implications. This relates to Services for Young People and where potential negative impacts have been identified for staff with protected characteristics mitigating actions have been put in place. Further equalities analysis for the Directorate is anticipated as proposals are developed and decisions taken in-year.
- Savings proposals for the **Customers and Communities Directorate** are not expected to have a negative impact on service users or staff. Transitional arrangements have been put in place to manage the effects of the reduction in grant funding received from the Arts Council for the First Access music tuition service and the service is in practice expected to be available more widely available in the future.
- Two new savings proposals for the **Environment and Infrastructure Directorate** have been assessed for equality implications. A proposal for a saving around low condition defects on highways has limited anticipated equalities implications. Reallocation of a portion of Community Transport grant funding should have no impact on current levels of service as the funding relates to unallocated funding for new initiatives and improvements.
- There are no new savings proposals with equalities implications within the **Business Services Directorate** and **Chief Executive's Office** for 2013/14. Existing proposals are expected to have a limited impact on frontline services. Where proposals will have an impact on staff both Directorates will make adaptations to services to ensure staff with protected characteristics are not excluded from activities such as training and development. In addition where proposals will have an impact on staff structures, established human resource policies and procedures will be followed.
- The **Public Health** budget is new for 2013/14 and will fund the Council's new public health responsibilities. Equality analysis has been undertaken of public health programmes which will be transferred to the County Council. In most cases, programmes will continue unchanged from previous years meaning the impact of the transfer of responsibilities on groups with protected characteristics will be minimal.

Mitigation

40. As part of this equalities analysis work, Council Directorates have developed a range of mitigating actions that seek to offset negative impacts of savings proposals. In summary, the Council's approach to mitigating negative impacts of savings proposals within the MTFP has been to adopt one or more of the following:

- Using **co-design and consultation** with service users and staff to assist in the reconfiguration of services.
- Undertaking detailed **needs assessments** to enable the Council to target services more effectively to vulnerable residents.
- Undertaking **ongoing evaluation** of the impacts of changes to services to mitigate unforeseen negative impacts.
- Providing **tailored information** to service users that are impacted negatively by savings proposals.
- Ensuring that any changes to staffing levels or staff structures are completed in accordance with the **Council's human resources policies and procedures** and take account of the workforce profile.

Using the equalities analysis findings

41. Cabinet should be aware that the public equality duty is not to achieve the particular outcomes set out in section 149 of the Equality Act or to take particular steps. It is instead a duty to bring the important matters identified in section 149 into consideration as part of the decision making process. "Due regard" is a test of the substance underpinning decisions in the sense that they have been approached with rigour and an open and enquiring mind. This substance is demonstrated through Equality Impact Assessments and the changes that are made to proposals and services as a result of them. "Due regard" also means that the regard that is appropriate in making these decisions. So alongside the proper regard that Cabinet must give to the goals set out in section 149 they should also consider any other relevant factors and it is a matter for them to decide the weight to be given to these factors. In this case the most significant other matters are:

- the statutory requirement to set a balanced budget;
- the outcomes the Council is seeking to achieve, which are set out in the *One County One Team, Corporate Strategy 2012 – 2017*;
- the priorities within the Council's *One County, One Team: Fairness and Respect Strategy 2012 – 2017*;
- the demographic pressures facing Surrey County Council that include a rising population, with projected increases in the number of older residents and children and young people. Increases in both these age groups will place additional demands on adult social care services and local schools;
- the Government's localism agenda which seeks to devolve the design and delivery of services to local communities, as well as require residents to take more responsibility for the services they receive; and
- central government's commitment to provide greater choice and personalisation in public services.

42. Where the Cabinet is required to take further decisions around the implementation of savings proposals, additional equalities analysis will be presented to inform the decision-making. These will be submitted alongside relevant Cabinet reports. Directorates will also continue to monitor the impact of these changes to services and will take appropriate action to mitigate additional negative impacts that may emerge as part of this ongoing analysis.

WHAT HAPPENS NEXT:

43. The MTFP (2013-18) will be published on the Council's website.
44. Cabinet will continue to receive quarterly business report (Corporate scorecard reporting key measures and targets for 2013/14) updates throughout 2013/14, along with monthly budget monitoring reports. These reports will also be presented to the Council Overview and Scrutiny Committee.
45. Select Committees will continue to scrutinise work programmes and performance.
46. The revised corporate and directorate strategies will be presented to Cabinet in July 2013.
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Consulted:

Liz Lawrence, Head of Policy and Performance, Cabinet, all County Council Members, Strategic Directors, Director of Public Health, Heads of Service, business and voluntary sector, residents and unions.

Annexes:

- Annex 1 Medium Term Financial Plan 2013 – 2018
- Annex 2 Fees & Charges schedules 2013 -14
- Annex 3 Equality Assessment summary

Sources/background papers:

- One Country One Team, Corporate Strategy 2012-2017, Report to Council 7 February 2012
 - Revenue and Capital Budget 2013/14 – 2017/18, Report to Council 12 February 2013
 - Revenue and Capital Budget 2013/14 – 2017/18, Report to Cabinet 5 February 2013
 - Budget working papers
 - CLG revenue and capital settlement papers from CLG website
 - Government Equality Office (2011) Equality Act 2010 – Specific Duties to Support the Equality Duty. What do I need to know?
 - Government Equality Office (2011) Public Sector equality Duty. What do I need to know?
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