

Report

Cabinet



Part 1

Date: 21st December 2016

Item No:

Subject 2017/18 Budget & Medium Term Financial Plan

Purpose To set out the draft Medium Term Financial Plan and its constituent budget options contained in Appendices one, two, four, five and eight for agreement by Cabinet as the basis for further development and consultation.

Author HoF

Ward All

Summary Further reductions in resources have been confirmed in the Council's indicative grant notification for 2017/18 and which could, potentially, worsen again when the final grant settlement is known, on 21st December, 2016.

The Council's medium term financial plan was aligned to its vision for the City, through the 'Prospectus for Change 2013-2017' with plans to change the way services were delivered to the residents of Newport within available resources. This secured very significant savings to the Council's budget, but as further reductions in Welsh Government (WG) financial support continues into the future, has now been updated with 'Newport 2020', to ensure that the Council's resources and medium term financial plans continue to be underpinned by a sound strategic vision for the City and this will increasingly need to drive plans in the future.

In line with practice over the last three financial years and Cabinet's decision in February 2016, the existing approved 4 year programme continues to be implemented, having undergone a review to re-confirm deliverability. A number of new change and efficiency proposals have also been developed to meet the increased challenge of 2017/18 and the medium term and these have been added to existing programme proposals. Cabinet is recommended to take a strategic and medium term approach and approve all the new investment and saving proposals requiring consultation over the life of this current plan as the basis for consultation.

The Council has built upon the good progress made over the last 2 years in terms of gathering public opinion as to "what matters most" to our residents and this will also be used to inform Cabinet of the public's view of the budget proposals. Over the course of 2016 public engagement has increasingly focussed on the long-term wellbeing agenda, as set out in the Wellbeing of Future Generations Act 2015, which has major implications for the delivery of council and partnership services and strategy moving forward.

Whilst the financial plan is a four year plan, the Council is required to approve a budget and Council Tax level annually. However, the agreement of the medium term change

programme and savings now will bring a number of benefits in terms of managing the delivery of these projects.

Cabinet needs to agree the proposals for new service investment and savings in Appendix two, four and five, plus the proposed changes to fees/charges in Appendix eight, for consultation before finalising work in this area and approving the MTFP and 2017/18 budget prior to Council Tax levels being recommend to full Council.

Proposal Cabinet is requested:

- To agree the Medium Term Financial Plan, shown in summary at Appendix one, noting that it will be subject to on-going review and updating, in particular on future changes in Welsh Government (WG) revenue support grant.
- To agree the new, 4 year draft budget investments and saving options contained in Appendix two and four as the basis for consultation, along with the outline business cases showing further details on savings shown in Appendix five.
- To note the new, 4 year draft budget saving options which are being implemented under delegated authority by HoS shown in Appendix six along with links to their business cases, for information.
- To note the budget savings which were agreed by Cabinet in February 2016 and consulted on then, shown in Appendix seven along with links to their business cases, for information.
- To agree the proposed increases in fees & charges shown in Appendix eight as the basis for consultation.
- To note, within the overall budget position, the position regarding the proposed school funding for 2017/18 and medium term (paragraph 30).

Action by Directors / HoS

Timetable Immediate

- New proposals in Appendix two and four and fees/charges in Appendix eight require formal consultation with a range of stakeholders between this meeting and February 2017
- Directors / Heads of Service – implement those delegated proposals, as appropriate

This report was prepared after consultation with:

- Directors
- Head of Law & Standards
- Head of HR and Business Change

Signed

Background

Context

1. The Council developed and implemented its 'Prospectus for Change 2013-17' in 2013 and this has underpinned the Council's Medium Term Financial Plan and the Council's Corporate Plan, 'Standing up for Newport' since then. Through a range of improvement initiatives, it has provided the framework for the delivery of significant change and savings over the last 4 year period.

Given the on-going challenges, a new document of 'Newport 2020' was approved by Cabinet last February, setting out how services will need to change to continue to deliver the priorities set out in the corporate plan and the overall mission of the council – "Improving People's Lives" whilst also delivering sustainable public services. Alongside a number of key 'themes' which were set out to Cabinet previously e.g. managing demand; these provide the current overarching context to how services will change.

The current 'Newport 2020' programme and themes are key parts of the 'golden thread' that link the Council's vision with detailed change and efficiency projects and ultimately, annual service plans.

The Wellbeing of Future Generations Act 2015 which came into force in April 2016 sets the context for the move towards long term planning of services and financial strategy. A programme of training for senior management and elected members is underway so that the wide-ranging and transformational implications of the Act are understood and can be embedded in the Council's ways of working.

2. The plans outlined above will both inform and be refined as a new Corporate Plan is developed in 2017, after the May local Government elections. It will be crucial that the administration then set's out clearly it's vision and importantly, more detailed change and other work programmes over the medium term, clearly showing how services will be changed to meet priorities and within the; inevitably challenging, financial envelope predicted over that time. The documents, as they are, provide a good platform to develop from.
3. The MTFP and change/efficiency programme is developed to meet the medium term financial challenges as the Council understands them at the time, of which the WG revenue support grant plays a key part. The current planning assumption for this is currently a 1.5% reduction in 2018/19 and cash-flat thereafter.
4. The lack of medium term settlements or even indicative settlements from WG has been a major problem in facilitating medium term financial planning. The recent 'Spending Review' does allow some forward planning to now take place at WG and this Council, with others and the WLGA continue to press for this. Whilst the overall Local Government grant settlement saw a small increase for 2017/18, Ministers have indicated that the next 2 years after that will be challenging, with cuts in the overall settlement. In addition, there is a desire to give Local Government some indicative future grant settlement figures, maybe in January 2017 and therefore the current assumptions above will be updated in time for the February 2017 Cabinet meeting.
5. The Council received the provisional local government finance settlement from WG on 19th October. Overall, it confirmed that the Council would receive £209,013k for 2017/18. After allowing for net grant transfers into/out of the grant and new responsibilities funded (per WG estimates) in the RSG, this is a 'cash decrease' of £234K (-0.11%) from current funding.

After allowing for unavoidable inflation pressures of c£2,151k which the Council needs to fund, this cash settlement constitutes a 'real terms' decrease in its grant of c1%. On top of this, the Council has to also consider and fund unavoidable budget pressures from demographics, increasing demand, unfunded UK/Welsh policy changes and other issues and therefore significant savings in the base budget are still required to balance the budget.

6. The overall Local Government grant settlement was 0.1% higher than current grant funding and in that respect, was significantly better than the previous few years. Unlike previous years however, where Newport's own settlement was among the best within Local Government overall, the reduction in grant in the draft settlement for 2017/18 was the 14th highest.

Some of the changes to key datasets which drives the Councils Standard Spending Assessment (SSA) calculation meant that Newport suffered a relatively large decrease in grant. Key changes were:

- *Lower population estimate of 1.6%*. A different estimation process used for 2017/18 onwards reduced the overall Welsh population estimate but in relative terms, more in Newport - 20th highest reduction
- *Lower No's of children receiving free school meals at c5%* - one of the biggest reduction across Wales – c20th highest reduction
- *Lower No of employment related benefits at c11%* - one of the biggest reductions across Wales – 15th highest reduction
- *Lower No of children from out of work families at 3.4%* - a relatively high reduction in Wales – 8th highest reduction
- *Higher No of school pupils at 1.6%* - one of the highest increases in Wales

As a result of the above, the Councils SSA reduced slightly from the current year's value, with decreases in school's SSA and Social Care, and increases across other segments. Of course, the datasets point to an improving situation regarding key aspects of Newport's population, though it has an immediate negative impact on the Councils funding.

Our experience 'on the ground' is different however in terms of key drivers of 'need' – population and pupil numbers. The Council's Tax base will be increasing very significantly in relative terms in 17/18 and predicted to grow again in 18/19 based on planning applications/known developer activity. It has been growing over the previous 3-4 years too. These indicate an increasing population which the new estimating process has not reflected. In addition, we have a number of new primary/secondary schools opening over the next 3-4 years, including in 2017/18, to meet the on-going increases in school age children. Over the next 4 years or so, the running costs of the new schools are predicted to be c£6m.

As shown in para 7 below, the grant position could worsen further when the final settlement is confirmed. Whilst the overall settlement for Welsh Local Government was much better than predicted, the situation in Newport is clearly very disappointing and challenging, as shown by the current MTRP which requires the Council to find substantial savings in 2017/18 and the medium term – much of it because of the pressures caused by a 'growing city'.

7. The WG final grant settlement is due on 21st December and further information is awaited in relation to the receipt of specific grant income. Any change in the final settlement will come about when a Council's change in Tax Base (No of 'Band D equivalent properties) is more or less than the Welsh average with those areas with higher and lower changes losing or gaining grant respectively. The Head of Finance has set the Tax Base for 2017/18 and it will increase by over 2%, significantly higher than the all Wales average of c0.5%-0.8% over the last few years. Whilst we await the final settlement to see what impact this has had, it seems very likely that the Council could potentially suffer a further decrease in its grant settlement, and there is the possibility this could be significant.

Given this, the Leader has written to Welsh Governments Finance Minister setting out her concerns with the new population estimation process and providing evidence of Newport's

growing population in order that the Minister is able to consider these when the final grant is finalised.

The current position in relation to the 2017/18 budget provides a 'contingency' for a further significant decrease. At its meeting in February 2017, when the Cabinet will need to finalise its budget, the position on the final settlement and its impact on the overall budget can be taken into account.

8. Over the last few years, a significant issue within the overall budget position is the WG promise of protecting schools' funding. Our understanding, alongside that of other Councils, is that the 'WG pledge' has been met over this time, which ended in 2015/16 and schools funding in the current 2016/17 year was one of the most generous across Wales. There has been no pledge / similar promise indicated for 2017/18 or additional funding for schools communicated by WG as being included in the draft 2017/18 settlement. More details on the proposed school funding position is included below, including budget increases made to schools over the last few years.
9. In terms of Council Tax and Standard Spending Assessment (SSA), it is well documented that Newport City Council Tax is low compared to others in Wales and its spending is well below SSA (c£7m), that level of spend which WG calculates is required to deliver a 'standard level' of service. The low level of Council Tax funding is the major contributor to the SSA position. The draft budget here, assumes a 4% Council Tax increase, any further decrease in this Council Tax assumption will lead to a further differential between Newport City Council's budget and the SSA.
10. Pay, contract and income inflation is included within the MTFP summary shown in Appendix one to this report together with the key assumptions within these. In addition, the Council has a well-developed risk based financial modelling framework to manage in year financial management and this has been used, where appropriate, to inform demographic and other similar budget pressures. Other budget issues informed from the current 2016/17 year budget monitoring are included, where needed, as are any issues coming out of the corporate risk register, requiring additional funds to mitigate. These issues were explained in detail in the September Cabinet meeting on budget planning and there have been no changes to the major assumptions included in this report.

Budget conversation

11. Building on the significant consultation work carried out ahead of the 2015/16 & 2016/17 budget and MTFP, the focus of engagement for 2017/18 has been to inform the public and stakeholders about the financial pressures faced, the process of formal consultation, how they can remain informed and to give them an opportunity to put forward suggestions and ideas. Furthermore, recent engagement work has explored longer term priorities in support of the Council and Public Service Board's work on the Wellbeing of Future Generations Act 2015. The delivery of wellbeing objectives and national wellbeing goals will increasingly inform long term financial strategy and service planning. The formal budget consultation will be primarily based on an in-depth survey of the public's views on the savings proposals; the results of which will be included in the report to Cabinet in February 2017. The Fairness Commission will consider and reflect on the implications of the proposed budget and will also report to February Cabinet. Lastly, all Scrutiny Committees and the School's Forum will also consider and feedback on these budget proposals. Service Areas will be expected to undertake specific consultation with service users and other stakeholders before implementation, where this has been identified within the relevant Fairness and Equality Impact Assessments. This will include any statutory duties to consult e.g. as required by the Equalities Act 2010 and Children and Families (Wales) Measure 2010.

Revenue Budget Strategy

12. The overarching budget strategy for the Council continues to be to provide 'Value for Money' in providing services to the public. In this respect, the continuation of a robust strategic change programme delivering the Council's agreed vision/priorities and improving the internal processes

of the Council are key, with the Council's MTFP both 'informing' and 'articulating' the key planning documents of the Council. In addition, the strategy needs to accommodate the one-off funding required to deliver the significant change programme and protecting the financial health of the Council during this challenging period.

13. Appendix one shows the current high level MTFP and whilst it is imperative that the Council maintains and improves on its medium term view of changes, the Council is still required to approve an annual budget and Council Tax level. As shown, the better than expected WG draft settlement and increased Council Tax base has resulted in the position for 2017/18 being 'in credit'. However, given the potential for the final settlement to confirm further decreases in the grant settlement, it is recommended that Cabinet consult on the full set of worked up proposals. This will allow Cabinet to take time and;

- consider the results of consultation
- confirm the final grant settlement
- reflect on any updates from WG regarding future grant settlements
- any emerging information on specific grants which have financial impacts

Once the final grant settlement is confirmed, Cabinet can then consider the position for 2017/18 with certainty.

14. Major new projects within the current change programme include:

- Explore alternative service delivery for the IT service
- Reviewing and re-configuring Youth services
- Promoting greater independence in the Learning Difficulties client group
- New commissioning and procurement strategies within social care from third sector providers

These are in addition to the major projects already approved and currently in progress, such as:

- Re-configuration of the Museum and Library services
- Disposing of waste through the new Waste Treatment plant and attracting more commercial waste into the landfill site

15. The Council has already set strong foundations through the current visioning and change/efficiency approach in place and will need to ensure that over 2017, it develops its new Corporate Plan and associated change programme which deliver focused services at lower costs and balances the Council's medium term financial position. This current position however should not detract from the significant work that has already gone into meeting the challenge of austerity, generating annual significant savings for a number of years to date – over £45m since 2012/13.

16. For 2017/18 specifically, the Council is currently planning on investing c£5.2m in the draft budget over and above an allowance for inflation on pay and prices and this investment is included in Appendix two. It includes:

- £137k for adult social care demographic increase
- £400k for underlying / historical demand for adult social care services
- £400k for increasing number of children in out of County placements
- £324k of pressure from implementing national policy of increasing 'capital limit' before any contributing is payable for residential care charges
- £1,025k for pay increments
- £110k for pension auto enrolment costs
- £447k cost of paying National Minimum Wage to Council contractors, mainly Social Care
- £316k cost of national Apprenticeship Levy

- £250k pressure from undelivered landfill income target saving
- £150k pressure from shortfall in delivering 'double handling' target saving
- £547k pressure from shortfall in delivering cross cutting savings

As can be seen, there are major budget pressures stemming from unfunded legislative/regulation changes by National and Welsh Governments at c£870k as well as investment in social care at c£1.3m.

17. A key part of the budget strategy, as noted above, is to manage risks and protect the financial health of the Council whilst also supporting the on-going transformation of the Council. In this respect, the Council has at its disposal:

- The invest to save reserve
- Revenue base budget contingency
- General Reserves

18. In addition to the above, the Council's current base budget does not rely on utilising one off reserve funding and this deliberate revenue budget plan has been in place for a number of years now. As noted, the Council has a base budget contingency, currently standing at c£1.5m. This is a more flexible approach to managing risk as this budget is available each year and this can be used if required. Over the last few years, the contingency has been 'protected' to enable it to deliver a saving to the overall budget and be available to credit into reserves, as needed. As a base budget provision, it is also available permanently each year which, given the prolonged period of financial challenges facing Local Government, is more appropriate than one off / short term funding available from reserve funds. An updated position on the requirement, availability and use of these kinds of resources will be given as part of the final budget setting report for 2017/18.

19. The current position on the MTFP does not include any pressures in relation to the City Deal. If the Council signs up to the regional development scheme, there would be significant pressures in addition to those detailed above. This will be updated in the February Cabinet report when there is greater assurance on the position.

Saving Options

20. The savings proposed are being made within a challenging context of funding restrictions and significant savings already delivered over the last 4-5 year's. In addition to funding reductions, new responsibilities have increased budget pressures to meet these. Key contextual information is shown in Appendix three.

21. As shown in Appendix one, total savings of c£5.6m are shown in 2017/18. Of this, £2.2m has already been approved in Feb 2016 as part of the setting of the 2016/17 budget/MTFP which included agreeing future year savings. A number of the new savings, totalling £2.4m do not need to be consulted on, given the nature of the savings and the Council's Scheme of delegation. The normal staff, unions and any other required consultations protocols are being adhered too in respect of all savings.

22. The following tables show the split of the total savings and the decision making split of the new proposals plus the relevant Appendixes which provide further details.

Table 1 – Split of total savings

Split	£k	Relevant Appendix
Savings already agreed/revised from Feb 2016	2,191	Appendix 7 – summary description/links to business cases
New Savings	3,454	Appendix 4 & 6 – summary description
Total Savings	5,645	

Table 2 – Decision making on 'new' savings

Decision making	£k	%	Relevant Appendix
Cabinet decisions – proposals requiring consultation (inc Cabinet Member decision)	1,102	32%	Appendix 4 - summary description Appendix 5 – business cases for each proposal
Delegated decisions - being implemented under delegated authority (Head of Service delegated)	2,352	68%	Appendix 6 – summary description and link to business cases
Total New Savings	3,454	100%	

23. As shown above, the Cabinet are asked to approve £1,102k of savings which will form the basis for consultation, before final decisions in February 2017 and further details for each proposal are shown in Appendix five. Further new savings of £2,352k are already being implemented under delegated authority.

Appendix seven lists those savings already agreed in February 2016 which are either in progress or are due to be implemented in 2017/18 or beyond with links to their business cases. The total is £2,191k. No further details are shown for these as they have already been approved though it should be noted that in some cases, the timings/value of savings have been updated in light of experience gained in their implementation. The net impact of this in 17/18 is £855k fewer savings (£3,046k reducing down to £2,191k). This specifically relates to the following proposals:

- Education – joint working with Social Services £116k removed
- Streetscene & City Services – Prosiect Gwyrdd/ Commercial waste £285k removed
- Streetscene & City Services – Special Collections £44k removed
- Non-Service – Removal of additional 1% Council Tax £110k removed

As noted above, they represent the financial articulation of the Council's change/efficiency programme to meet its vision. Irrespective of the decision making process, business cases for all new savings are shown here for completeness and transparency.

24. As in the previous three years budget setting and medium term financial planning process, Cabinet will be asked to retain a medium term view and will agree in February 2017, the full package of new medium term savings (and investments) to be added to what has already been approved, within the MTFP.

25. In addition to external public consultation, these items will also be reported to Scrutiny Committees, the Fairness Commission, Unions, School Forum and Third sector/Business community throughout December / January. As already noted, further work is required on the Council's Corporate Plan, change programme and proposals to balance the overall MTFP both in total and in individual years. The MTFP in Appendix one shows the financial gap for the

medium term budget gap is between c£21m - c£31m, based on a neutral to 2% grant reduction over this time, respectively. As already said, further work on the Autumn Budget Statement and any updates from WG will be concluded before the Cabinet meeting in February to confirm the position at that point.

26. Directors and Heads of Service have gone through a robust process to develop the new change programme projects and other saving proposals, supported by the Business Improvement and Development Team and Senior Finance Business Partners and their teams. A governance framework to support and report on implementation is already in place and will ensure key projects, as required, are adequately resourced and supported and problems are flagged up early so that appropriate action can be taken, if required.
27. The new savings shown in Appendix four and five are permanent base budget 'cashable savings' i.e. they reduce, permanently, the net budget of the Council via reduced actual expenditure or increased external income.
28. The Welsh Government Final Settlement is due on 21st December and the Council's budget setting meeting will be in February 2017 and with over three months before the commencement of the new financial year, there is still scope for changes within the financial data underpinning the MTFP. Such changes include, but are not limited to, the notification of outstanding levies and specific grant approvals. As noted, WG may publish indicative future settlement figures in January and if that happens, this will also be a key change. Whilst such changes are not directly under the control of the Council, any amendments resulting from them will need to be reflected in the final budget and MTFP in due course.
29. Irrespective of the decision making process, all budget proposals have been reviewed, where needed, to ensure the Council understands and mitigates, where possible, fairness and equality issues. Fairness and Equality Impact Assessments (F&EIA) are a process which seeks to identify whether proposals will have a positive or negative impact in relation to the protected characteristics, as defined by the Equalities Act. Within Newport, they also include an assessment against the principles of fairness, as presented by Newport's Fairness Commission. Where required, proposals include mitigating measures needed to ensure we meet our equalities responsibilities. Heads of Service, working with colleagues from the Business Improvement Team and Partnerships and Policy Team, have identified those specific proposals where an F&EIA would be required.

Schools' Funding

30. The draft proposals here show that there is no reduction to school's funding, unlike other parts of the Council's budget where savings are being made. It is proposed to keep the school's budget at the current level, with exception of funding to cover incremental pay increases for non-teaching staff linked to implementation of Total Reward. The school's budget will therefore need to absorb all other costs, including those pressures stemming from demography, the running costs of new schools due to open in September 2017. Whilst clearly challenging, this follows a number of years where Council core funding and specific grant funding to schools have increased significantly each year, including this current year when the Council's core funding increase was the highest in Gwent and one of, if not the, highest in Wales. The increased funding has been utilised to fund pressures including annual pay increases, pay increments and increased pension/NI costs over these years.

Whilst the cash-flat proposal for schools is a key feature of the 2017/18 budget strategy and was signalled early in the September Cabinet meeting, the current MTFP shows that for 2018/19 onwards, funding over the medium term is included for issues such as demography and new school running costs. Also from 2018/19 onwards it is proposed that the process for schools funding is brought into line with the rest of the Council following the end of the 'WG pledge'. Therefore included in the MTFP is a 1% pay uplift, funding for increments and increases for

general inflation against other non-staff budgets. These will need confirming, along with all other service investments/pressures in due course, after May 2017.

The table below shows how the overall schools budget has increased by over 19%, including specific grants, over the period shown, in contrast to other parts of the Council. Over this period, the school's budget has enjoyed the highest level of protection and indeed, funding.

	<u>Nursery</u>	<u>Primary</u>	<u>Secondary</u>	<u>Special</u>	<u>Total</u>
2011/12	606	45,195	42,830	1,615	90,246
2012/13	683	48,100	45,281	2,342	96,406
2013/14	656	50,193	46,152	2,959	99,960
2014/15	585	52,234	47,165	2,894	102,878
2015/16	519	52,924	47,480	3,724	104,647
2016/17	503	54,586	48,649	4,041	107,779

Increase in funding over period shown (including specific grants)	+19.4%
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The increase in the funding shown in the table above includes increased funding from specific grants and transfers of delegated services into the schools budget. If these are excluded schools have seen a total increase in budget of 11%.

Timetable

The timetable for approval of the 2017/18 budget is as follows:

Cabinet agrees options as a basis for consultation	21st December 2016
Consultation period	21st December 2016 to 20th January 2017
Cabinet considers feedback from consultation and recommends an overall budget & resulting Council Tax, based on agreed final proposals	20 February 2017
Council approves the overall budget and Council Tax required	2nd March 2017

Risks

Risk	Impact of Risk if it occurs* (H/M/L)	Probability of risk occurring (H/M/L)	What is the Council doing or what has it done to avoid the risk or reduce its effect	Who is responsible for dealing with the risk?
Planning parameters around inflation are incorrect	M	L	<ol style="list-style-type: none"> Total Reward revenue funding, earmarked for incremental drift in 17/18 could be used early to manage higher than planned pay rises Use of Pay Reserve also available for this Use of contingency, where required 	HoF
Planning parameters around WG revenue grant are incorrect over medium term	H	M	<ol style="list-style-type: none"> Use of contingency, where required Keep the assumptions under constant review Use of conservative assumptions 	HoF

Increasing budget pressures over medium term	M	M	<ol style="list-style-type: none"> 1. Manage demand, where possible 2. Keep MTFP under constant review 3. SLT review of all budget pressures within MTFP 	SLT
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* Taking account of proposed mitigation measures

Links to Council Policies and Priorities

The overall aim of the budget and MTFP is to ensure resource allocation is based on priorities, supports the delivery of the Council's change programme and saving proposals and protects the financial health of the Council. The MTFP summary shown in Appendix one and the detailed list of new investments and service / budget saving options shown in the Appendices contribute to this aim.

Options Available and considered

There are few options available as the Council is required to consult on its budget where decisions do not fall under delegated authority and therefore needs to agree the basis of its consultation.

Preferred Option and Why

To consult on the new medium term package of budget proposals contained in Appendix four and their business cases in Appendix five.

Comments of Chief Financial Officer

The main financial issues are contained within the body of the report. Of particular importance is the need for the Council to develop a strategic approach to change the way services are delivered, within the context of a new, updated Corporate Plan which will need developing and agreeing in 2017. The on-going financial challenges will require significant changes in how services are delivered.

The MTRP shown in Appendix one shows the current known budget pressures and priorities requiring investment and along with the predicted changes to its future funding, show the predicted medium term financial challenges for the Council over the period shown. The funding position will be reviewed in January 2017 and updated / confirmed as appropriate for the February 2017 Cabinet. In that respect, any updates from Welsh Government on future grant settlements, following the Autumn Statement will be key.

In its February 2017 budget setting meeting, further details on financial resilience and capacity to meet performance targets and mitigate risk will be included. These issues were set out comprehensively when agreeing the main budget setting planning parameters in the September budget report to Cabinet and will be reviewed again as the final budget is agreed.

Comments of Monitoring Officer

There are no specific legal issues arising from the Report at this stage. Cabinet is being asked to approve the budget proposals as the basis for implementing the Council's medium term financial plan, the Prospectus for Change and Corporate Plan, in order to deliver a balanced budget and the strategic vision for the provision of services. Cabinet is also being asked to approve the strategic service delivery options within the budget proposals for the next 4 years, as the basis for further public consultation, where those business cases are not delegated to individual Cabinet Members or Heads of Service, in accordance with the Council's scheme of delegation. Cabinet will then take a final decision on those

business cases in the light of the responses to the public consultation, prior to making a recommendation to Council regarding the budget for 17/18. The implementation of all these business cases are executive matters, with the exception of any consequential staffing proposals which are non-executive matters delegated to Heads of Service. However, whichever decision-making process applies, all of the business cases have been the subject of equality and fairness impact assessments to ensure that the Council has regard to its public sector equality duties under the Equality Act and is also acting fairly in terms of the impact of the proposed changes. In addition, where specific proposals require more focussed consultation with staff and key stakeholders, for example under the Children and Families (Wales) Measure, this will be carried out prior to the implementation of any proposed changes. The proposals have also been evaluated in accordance with the target duties under the Well-Being of Future Generations Act in terms of sustainability and well-being objectives. The setting of the overall budget and council tax rate for 17/18 is a matter for full Council as these are non-executive reserved matters under the Constitution

Comments of Head of People and Business Change

The budget options outlined in the report will have a direct impact on employees across the Council, including schools. Changes to structures and staffing will be required to make the necessary service changes and savings. This transformation agenda will be supported through Human Resources, Finance & the Business Improvement and Development Team, ensuring that the Council's services are financially sustainable into the future, and continue to deliver high quality services to Newport's citizens. The change programme will need to incorporate meaningful consultation with trade unions and affected employees, and this is an ongoing process.

The Council will aim to minimise the impact of the budget on employees across our services, and a number of actions are currently being undertaken to assist in this e.g. restrictions on recruitment, reduction in use of agency staffing and overtime and greater opportunities for early/flexible retirement and reduced working arrangements. However, given the increasing scale of the challenges facing the Council over the next few years and beyond, it has to be recognised that the Council cannot rule out having to make redundancies. All employees directly affected will be supported by the provisions of the Council's "Job Security Policy", which aims to minimise compulsory redundancies and retain employees in our employment wherever possible.

Over the last three years extensive public engagement has been undertaken in relation to setting service delivery priorities and identifying which services matter most to people, and contribute to their wellbeing. Cabinet have considered the results of this engagement and this has been reflected in the budget programs taken forward in 2015/16 and 2016/17.

The Wellbeing of Future Generations Act 2015, which came into force in April 2016 provides a framework for embedding sustainable development principles within the activities of Council and has major implications for the long-term planning of finances and service provision. A corporate training and development program is underway to ensure that senior management and elected members are aware of the implications of the Act and the part they will play in embedding its principles and ways of working. Key documents and processes have been revised so that they incorporate sustainable development and wellbeing principles. The Business Cases used to develop savings proposals now require the consideration of the "five ways of working", and similar revisions have been made to report templates and the Fairness and Equality Impact Assessment format.

Comments of Cabinet Member

The Cabinet Member for Finance and Chair of Cabinet have approved the report.

Local issues

N/A

Scrutiny Committees

Proposals contained in Appendix 4 and their business cases in Appendix 5 will be consulted on specifically with Scrutiny Committees.

Equalities Impact Assessment and the Equalities Act 2010

The Equality Act 2010 contains a Public Sector Equality Duty which came into force on 06 April 2011. The Act identifies a number of 'protected characteristics', namely age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; sexual orientation; marriage and civil partnership. The new single duty aims to integrate consideration of equality and good relations into the regular business of public authorities. Compliance with the duty is a legal obligation and is intended to result in better informed decision-making and policy development and services that are more effective for users. In exercising its functions, the Council must have due regard to the need to: eliminate unlawful discrimination, harassment, victimisation and other conduct that is prohibited by the Act; advance equality of opportunity between persons who share a protected characteristic and those who do not; and foster good relations between persons who share a protected characteristic and those who do not. The Act is not overly prescriptive about the approach a public authority should take to ensure due regard, although it does set out that due regard to advancing equality involves: removing or minimising disadvantages suffered by people due to their protected characteristics; taking steps to meet the needs of people from protected groups where these differ from the need of other people; and encouraging people from protected groups to participate in public life or in other activities where their participation is disproportionately low.

This is referenced in paragraph 29 of the report.

Children and Families (Wales) Measure

All proposals will be consulted on widely, as required.

Wellbeing of Future Generations (Wales) Act 2015

The Act is referenced in the report.

Crime and Disorder Act 1998

Section 17(1) of the Crime and Disorder Act 1998 imposes a duty on the Local Authority to exercise its various functions with due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent, crime and disorder in its area.

Consultation

Comments received from wider consultation, including comments from elected members, are detailed in each application report in the attached schedule.

Background Papers

N/A

Dated: 21-12-16

Appendix One	-MTFP
Appendix Two	-Budget investments
Appendix Three	-Contextual note for budget savings
Appendix Four	-New budget savings for consultation
Appendix Five	-New budget savings for consultation – business cases
Appendix Six	-New budget savings implemented under delegated authority

Appendix Seven -Budget savings previously approved
Appendix Eight -Fees & Charges for consultation