

SLOUGH BOROUGH COUNCIL

REPORT TO: Overview and Scrutiny Committee **DATE:** 20th January 2011

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WARD(S): All

PART I **FOR COMMENT AND CONSIDERATION**

Medium Term Financial Plan 2011/12 to 2014/15

1. Purpose of Report

This report sets out the latest projections of the Council's Revenue budget for the period 2011/12 to 2014/15 following the previous Cabinet report of 13th December 2010 and the Policy, Performance and Review Group (PPRG) on 10th January 2011.

2. Recommendations

The Committee is requested to note the following recommendations that will be considered by Cabinet at its meeting on 24th January, 2011.

- a) That the current council projected revenue budget for 2011/12 to 2014/15 be noted.
- b) That the savings plan for 2011/2012 as set out in Appendix A be confirmed and progress to date be noted.
- c) That areas of savings allocation for elements of support services as summarised in para 5.7, be considered and agreed, and that officers be requested to implement them with immediate effect where possible.
- d) That the adverse impact of the CSR settlement on some previously agreed ECS savings be noted.

3. Key Policy Priority Implications

- 3.1. The Revenue and Capital budgets are the Council's financial plans for the forthcoming year. As such, the budgets will allocate resources to enable the delivery of the Council's Key Policy Priorities through the individual departmental and service plans.

4. Other Implications

Financial Implications

- 4.1. These are contained within the body of the report. The outcome of the comprehensive spending review has had a small adverse impact on previously reported forecasts in relation to the scale of the funding cuts. However, the impact is mitigated to some degree in the short term by greater than expected success in the agreed areas for savings. It was planned any additional savings secured would offset requirements of CSR in future years, therefore the significance of the scale of the public sector spending cuts will have an adverse impact in future years for Slough.
- 4.2. Further, some £270k savings agreed as part of the £4.423m previously committed in 2011/2012 as a result of the PPRG process in 2010/2011 have been compromised by unexpected funding cuts to specific areas of proposed savings in Education and Children's services. This provides total savings therefore of £4.153m for 2011/12

To date £5.962m of savings have been identified and agreed subject to consultation via a combination of cross cutting corporate initiatives, management reductions, and savings secured from back office functions and support service areas. Full details are provided in Appendix A. A further £1.166m savings are identified for consideration in para 5.7.

Human Rights Act & Other Legal Implications

- 4.3. The Council has various legal responsibilities around financial matters but, of primary importance: the Council must not plan to spend more than the resources it has available to it in any one year – the Council must set a 'balanced budget'.
- 4.4. The 2003 Local Government Bill places a duty on the Section 151 officer to consider the robustness of budget estimates, the adequacy of reserves and the affordability of its capital programme in preparing its budget for the year.
- 4.5. There are no other legal or Human Rights Act implications.

Workforce

- 4.6. If agreed, the savings options to be considered will involve a combination of the deletion of vacant posts alongside voluntary redundancy/ early retirements on the ground of efficiency and reductions in working hours arising from expression of interest submitted by staff under the workforce planning exercise currently underway. Compulsory redundancies may be considered as a last resort, the Council will ensure that HR policies are applied to minimise the impact of redundancies and will look for redeployment opportunities for affected staff.

5. Supporting Information

- 5.1. Members will recall from the budget report presented to Cabinet on 9 November 2010 that the forecast outcome of the 2010 Comprehensive Spending Review

(CSR) for local government did not alter the Councils 2011/12 – 2014/15 medium term financial strategy of achieving savings of circa £19m over the next 4 years. The settlement has now been confirmed and overall the figure of cuts is marginally lower but with greater emphasis on the earlier years. These higher than expected cuts over the next 2 years are expected to be offset by higher than targeted savings in the key areas agreed (Appendix A).

- 5.2. The provisional grant settlement provides clarity on the levels of national grant we can expect to receive for the next 2 years, although some elements of funding (notably schools) provide only a one year settlement position. The model uses the four year national picture presented in the CSR in October as the basis for forecasting uncertainty in the future.
- 5.3. There remains some uncertainty with respect to elements of grant funding outside of the CSR and we currently await confirmation of allocation from a number of government departments (notably Home Office and DWP). Consequently this paper provides members with progress against the savings targets and estimates of savings requirements in the light of the information known to date.

Table 1: SBC Revenue Budget Projection 2011/12 to 2014/15

Slough BC Medium Term Financial Model - 2010/11 to 2014/15

Details	Latest position post Finance Settlement				
	10/11 £'000	11/12 £'000	12/13 £'000	13/14 £'000	14/15 £'000
Opening Budget	102,39	103,97	108,09	102,39	102,97
Inflation	5	9	2	2	7
Pay (Freeze 10/11 and 11/12)	600	(600)	600	1,000	1,200
Low Pay Protection (£250 annual increase)	0	150	(150)	0	0
NI Increase (Government state impact will be minimised)	0	300	0	0	0
Prices	600	1,300	1,050	1,100	1,100
Total Inflation	1,200	1,150	1,200	2,300	2,300
Total Previously Agreed Growth	5,875	3,273	2,232	(211)	22
Total Previously Agreed Savings	(4,051)	(4,153)	(1,835)	(200)	0
Total New Savings mitigating cuts to Public Sector Spending	0	(5,962)	(1,436)	17	5

	Latest position post Finance Settlement				
	10/11 £'000	11/12 £'000	12/13 £'000	13/14 £'000	14/15 £'000
Grants rolled in using Tailored Distribution	0	5,536			
	0	783	0	0	0
Schools Development Grant ending					
Total Pensions Adjustments	0	475	510	540	30
Capital Programme Adjustments	(1,440)	(508)	734	0	0
Specific Grant & Transfer Adjustments	0	3,344	1,099	272	877
Council Tax Freeze Grant	0	(1,187)	(1,187)	(1,187)	(1,187)
New Homes Bonus (estimate)	0	(130)	(260)	(390)	(520)
	103,97	106,60	104,46	101,86	102,92
BUDGET REQUIREMENT	9	0	7	6	7
COLLECTION FUND	0	0	0	0	0
SPECIFIC GRANTS ROLLING INTO FORMULA GRANT		5,536	5,488		
FORMULA GRANT	56,756	51,713	46,640	51,607	48,510
COUNCIL TAX REQUIREMENT	47,223	47,860	48,817	49,794	50,789
	103,97	105,11	100,94	101,40	
TOTAL ESTIMATED FUNDING AVAILABLE	9	0	5	0	99,300
TOTAL BUDGET GAP	0	(1,491)	(5,522)	(486)	(3,628)
Annual grant "CUTS" IMPACT		(7,483)	(6,958)	(469)	(3,623)
Cummulative grant Cuts Impact over period		<u>(18533)</u>			

Reducing the future funding gap – progress to date

It can be seen that, primarily related to the CSR and other funding assumptions, there remains a substantial funding gap for the period 2011/12 to 2014/15 that will need to be managed. Securing these savings is critical in reducing the impact on services of the challenging cuts in future years.

- 5.4. Good progress has been made against the first tranche of savings representing an estimated savings value of £6.9million w.e.f. 1st April 2011 are set out in Appendix A. The focus of the savings in line with Members requirements is focussed away from customer facing front line services and requires reductions in corporate areas such as management costs, and support services.
- 5.5. Internal procurement savings of £255k have been secured to date and included on Appendices A as set out below.

Category	Saving
Gas	£100,000
Electricity	£100,000

Stationery	£45,000
Postal Services	£10,000

Procurement also provided services for a number of tenders during 10/11. The savings arising from these activities underpin the savings in operational areas of the Council enabling cost reduction whilst protecting and in many cases improving service delivery.

- 5.6. The following summarises the proposed additional elements of savings opportunities for 2 further support areas; Property Services (incorporating Facilities Management & Procurement) and Finance.

(a) Finance estimated total saving value £383k

Key elements: The Finance service will be remodelled to secure a more customer focussed commercial approach which reflects the needs of the business. 11 Vacant posts will be deleted and some elements of the service will transfer to the proposed transactional services centre.

(b) Property Services total savings value £783k

Key elements: The savings will be achieved by a combination of the deletion of current vacant posts alongside significant reductions in service operational costs as a result of the accommodation review. Resourcing the Housing Capital programme via internal resources will provide alternative work for some members of the internal team currently focussed primarily on corporate repairs and renewals projects (an area of significantly reduced expenditure in the light of accommodation changes and recent and planned capital investment in new community facilities). Property Services will be refocused to directly project manage the delivery of the capital programme and the council's asset management strategy.

Analyses proposed savings

Area of Activity	Overall Saving Year 1	Progress	Savings Proposed 2011/12		
			EOI's £'000	Other £'000	Total support £'000
Target	6,900				
agreed to date	(5,962)				
Service areas:					
Finance	383		0	383	383
Property Services Incorporating: Assets & Property Management Corporate Facilities Management Procurement	783		65	718	783
Annual Contribution if agreed	1101				
Value 11/12	825				
Current target	6900				
Additional requirement CSR	583				
Revised Target 11/12	7483				
Remaining Requirement by 1/04/2011	1491				

- 5.7. As can be seen in the table above the proposals presented for consideration represent total savings from these areas circa **£1.16million** and exceed the required minimum of 20% for these areas. In line with Members direction, wherever possible savings have been secured via voluntary expressions of interest, the deletion of vacant posts and the removal of temporary staff. Taking into account expressions of interest already agreed in these areas (**£65k**), the total savings proposed reflect an additional annual contribution circa £1.1million savings on top of the £5.9m already secured with a part year effect of £825k in 11/12. After taking into account vacancies, fixed term contracts and temporary arrangements the proposal reflects no net reduction in permanently occupied posts, however the reconfiguration of services to meet current needs does carry an associated risk of potential redundancy for the affected post-holders in the current roles.
- 5.8. If agreed, prior to implementation the detail of the above proposals will be subject to the requisite consultation and impact assessment process.

Asset Management Review

- 5.9. The Council is currently undertaking a review of its Assets both land and premises and trading functions which will be reported to Cabinet in February 2011. Land and premises are being reviewed on the following basis:
- Community Benefit
 - Revenue costs
 - Revenue generating opportunities
 - Alternative use to enhance community benefit
 - Disposable opportunities
- 5.10. The asset management review will also cover the Council looking to re-profile and reduce the capital programme. In preparing the proposed revised capital programme, departments and AMG have considered the overall capital strategy and service priorities to enable delivery of the Council's business plans and within projected resources available, at a prudent and sustainable level. Council's future revenue business plans will also impact on the capital programme as any changes to the service provision could result in either a capital asset being identified as surplus to requirement and therefore potential additional capital receipt or additional capital required to upgrade an asset to enhance the service provision. These will also be considered and reviewed as part of the budget build process at the cabinet meeting on 7th February 2011 alongside the capital programme in order to ascertain the requisite savings in capital financing requirements.

Review of Trading Functions

- 5.11. Those functions which currently trade and/or could increase trading are being reviewed for;
- In house income generating opportunity
 - Fees and charges review
 - Arms length income generating opportunity – where this increases income to the Council
- It is anticipated the outcome of any fees and charges review will contribute to the 12/13 forecast shortfall.

Review Specific Grants

- 5.12. The Council receives a substantial amount of funding through specific grant regimes. The MTFS presented with this report reflects the current position in lost grant income known at this time. However, it should be noted that a number of significant grants (primarily education) have only been confirmed for a 12 month period.

Reserves

- 5.13. SBC's general reserves are £5.4m. Drawing on reserves to fund any budget gaps is a last resort and a clear and timely plan for their replenishment would need to be agreed.

Inflation

- 5.14. The medium term financial plan includes provision for inflation based on government estimates for CPI adjusted for economic analyst's projections which assumes an annual rate of 2.6% for the financial year 2011/12. The latest published CPI rate for the year ending October 2010 indicates that CPI is currently running at 3.2% which is 0.6% above the estimated annual rate for 2011/12.
- 5.15. Whilst the latest rate of 3.2% is not necessarily reflective of the annual rate that will prevail in 2011/12 it is worth noting that it has somehow to drop to align itself to the rate predicted by central government and economic analysts. Consequently the actual rate of inflation will continue to be reviewed over the coming months and should it remain higher than currently provided for in the budget any necessary adjustments will be reflected and reported to members as appropriate. It is worth noting that the current 'gap' of 0.6% equates to an additional cost of £300k.

Inflation Analysis	2011/12	2012/13	2013/14	2014/15
Estimated amended annual CPI inflation rate used in MTFP	2.6%	2.1%	2.2%	2.2%
Current annual CPI rate for year ending October 2010	3.2%			

The Effect of the Decisions

- 5.16. Some of the savings proposed within this report would, if implemented, result in a number of posts being deleted, and therefore there is the potential for redundancies. In the event of any compulsory redundancies, the Council will immediately implement a 'redeployment process' to try to find suitable roles for affected staff. Dependent on decisions, officers will also consider whether there is scope to apply for a direction from the Secretary of State for Communities and Local Government to capitalise all redundancy costs incurred.

Risks

5.17. Budgets are necessarily based on assumptions about what will happen during the next financial year; and therefore there is an inevitable risk that these assumptions might be wrong.

5.18. The main foreseen risk is that the proposed savings are not delivered. In an attempt to reduce this risk the budget will be closely monitored via the monthly financial management reports and updated budget information, including savings achieved, will be reported to Cabinet throughout the financial year.

6. Comments of Other Committees

6.1 None.

7. Conclusion

7.1. This paper sets out the latest assessment of the Council's Revenue Budget for the years 2011/12 to 2014/15.

8. Appendices

A - Detail of £5.9m savings secured to date

Appendix A

Progress to date year 1 Savings

Area of Activity	Target Saving £'000	Notes	Progress	Savings Banked						2013/14 £'000	2014/15 £'000
				2011/12			2012/13				
				EOI's £'000	Other £'000	Total £'000	EOI's £'000	Other £'000	Total £'000		
1. Reviewing the Council's approach to income generation, cash and debt management.	(750)	3 elements : Management of Old Debt, Processes to improve collection rate (both of these enable us to reduce bad debt provision). 3rd element is an invest to save project (fixed investment costs of £40k) seeking to improve our revenue generating opportunities.	Management of old debt: Bad-debt write-off in progress to be completed by 31 December 2010. Recalculation of provision to take place in January 2011. Collection of public sector aged debt (fully provided for). Saving dependent on significant improvement in collection. Processes to improve collection rate: Draft one of bad debt policy currently under consultation. Processes being reviewed and changed. Exploring potential for an outside agency to collect debt on our behalf. Outside agencies will be conducting due diligence of our systems during December 2010. Improve Revenue Generation: Business cases for additional income collection currently being drafted for consideration by members prior to inclusion in 2011-12 budget..	0	(536)	(536)	0	0	0	0	0
Sub total - reviewing the Council's approach to income generation, cash and debt management				0	(536)	(536)	0	0	0	0	0
2. Reshaping our support services, separating our transactional from professional/technical support services and realigning senior management in the process, securing a 20% overall cost reduction.	(2,500)	The EOI exercise has identified total savings of £1.878m. This comprises £1.7m against the general fund and £0.178m against the HRA. Of the £1.7m general fund saving £1.205m is attributable to support services over two years with the balance of £0.495m from front line services. Management proposals currently under formal consultation indicate a reduction in the cost of senior management of £726k. The savings are reflected accross a number of departmental savings proposals. Taking into account the experossions of interest, vacancies and the removal of temporary and fixed term posts the proposals result in 2 potential redundancies.	Underway								
Service area detail											
Audit Risk and Insurance				(102)	(132)	(234)	0	0	0		
Legal				0	(227)	(227)	0	0	0		
HR				(206)	(37)	(243)	(20)	0	(20)		
OTHER EOI - Support/Management				(897)	(115)	(1,012)			0		
Printing				0	(175)	(175)			0		
Policy, Performance & Learning Development				(100)	(198)	(298)			0		
Revenues & Payments				(42)	(65)	(107)			0		
Economic Development & Inclusion				(131)	(139)	(270)			0		
Customer Services				0	(397)	(397)			0		
IT				(306)	(253)	(559)			0		
Housing benefits				(111)	(190)	(301)			0		

Communications & Marketing				(22)	(131)	(153)			0		
Finance									0		
Property Services									0		
Democratic Services											
Sub total - reshaping support services & management savings				(1,917)	(2,059)	(3,976)	(20)	0	(20)	0	0
3. Reviewing our assets. Reducing the cost of office accommodation requirements, ensuring value for money in running costs of all Council buildings.	(750)	NB £225k already included in £4.4m, not reallocated. Asset review currently underway and recommendations scheduled for January Cabinet meeting. (alongside capital programme reductions/property team savings).	The tender process for the demolition works of the annexe is underway. Separation of utilities is a positive position estimated cap cost £10k. Rateable value of the new building footprint provides estimated NNDR reduction of £202k pa. £633k pa revenue spend identified to date. Further analyses currently underway.			0			0		
4. Reviewing all major contracts and all commissioned services seeking a minimum 4% saving and securing a change to the basis of inflationary increases.	(1,000)	Includes all cross cutting corporate contract s negotiations and supplier e.g energy/utilities, telephony, catering.	Current year concluded, open book negotiation process for 11/12 savings involving changes to significant contracts underway.		(255)	(255)			0		
5. Reducing, reshaping and changing, where possible, the way we finance our capital programme to reduce borrowing costs.	(700)	Linked to capital programme, internal borrowings and repackaging of existing debt.	Awaiting the outcome of the asset review/cap programme review.		(700)	(700)		(31)	(31)	17	5
6. Taking other opportunities across the Council to reduce staffing arising from expressions of interest.	(1,200)	These rely on the business ability to continue ahead of transformational changes in next phase (2012/2013). The EOI exercise has identified total savings of £1.878m. This comprises £1.7m against the general fund and £0.178m against the HRA. Of the £1.7m general fund saving £1.205m is attributable to support services over two years with the balance of £0.495m from front line services.	Completed	(495)		(495)			0		
7. Review of the allocation of Voluntary Sector Grants with the intention of only procuring services required on a commissioning basis.								(385)	(385)		
8. Anticipated savings from the set up of the Transactional Services Centre.								(1,000)	(1,000)		
9. Review of Fees and Charges									0		
Total	(6,900)			(2,412)	(3,550)	(5,962)	(20)	(1,416)	(1,436)	17	5