

SLOUGH BOROUGH COUNCIL

REPORT TO: Overview & Scrutiny Committee
Cabinet

DATE: 27th January, 2011
7th February, 2011

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Supplementary Information & Updated Draft Budget / Medium Term Financial Strategy (MTFS)

1. Background and Purpose

- 1.1 The content of this report reflects the basis of the Council's revenue and capital budget for the financial year 2011/2012. At this stage of the process the usual purpose for Officers is to obtain Cabinet's approval for Slough Borough Council's Financial, Capital and Treasury Management strategies, in advance of submission for agreement at the full Council meeting on 21 February 2011.
- 1.2 The draft budget/ MTFS papers previously provided to scrutiny members in advance of the meeting on the 27th January presented a deficit position of (£1824), taking into account cabinet decisions due to be taken on the 24th January. Cabinet did agree the savings proposals presented and these have now been incorporated in the draft revenue budget. In addition, further clarity around the complex funding arrangements and resulting service pressures has now been secured and the resulting position as set out on table 1 below is a deficit of £1,269m.
- 1.3 The attached draft budget reflects the latest position regarding the range of complex changes to Local Government funding and accommodates a number of service pressures arising as a result of cuts to public sector spending; primarily relating to Education and Children's services but apparent across the full range of our services. The detail of the expenditure provided for, consequent adjustments made to growth and savings proposals previously agreed, and allowances made to continue to fund services where no or inadequate grant funding is provided are incorporated within the draft budget and the detail is set out in section 2 of this supplementary scrutiny paper.
- 1.4 The Council must set a balanced budget. Proposals to reduce close the budget gap and secure a balanced position for 2011/2012 and reduce the deficit in future years are summarised on **tables 2 & 3** below, and the detail relating to each element is set out in **section 3** of this supplementary report. Comments from Scrutiny relating to these proposals, will be incorporated into the report for cabinet on the 7th February 2011.

Table 2

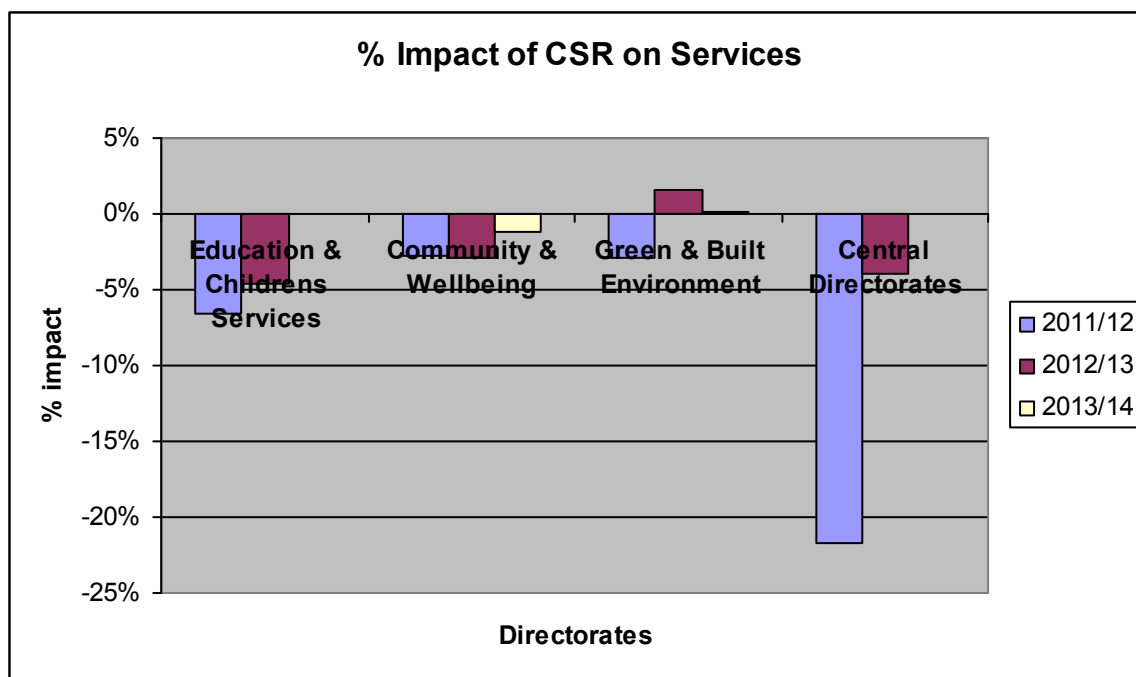
Proposals to balance 2011/12 Budget Position	11/12 £'000
Democratic Services	104
Income & Debtors	228
Cease unfunded schools services with effect from 31st Aug '11	837
	1,269

Table 3

Actions to secure savings in future years	12/13 £'000	13/14 £'000	14/15 £'000
Wexham Nursery	105		
Commissioned services from the voluntary sector	337		
Anticipated savings from the set up of the Transactional Services Centre.	1,000	400	
Revenue Income Optimisation (RIO) / Review of fees and charges	500	500	500
	1,942	900	500

Conclusion

- 1.5 The proposals involve difficult decisions for members however these decision if taken will secure a balanced position for 2011/2012 and further provide a sound basis for realising future savings critical over the coming years.
- 1.6 The impact on services, has as can be seen from the cash limits (Annex 1) been limited and the main area of focus for savings clearly relates to the central /corporate and support functions in line with members requests.
- 1.7 The graphs below provide an illustration of the impact to services areas of the CSR



Note: GBE have a negative savings amount in 12/13 reflecting the reversal of a one-off savings offered in 11/12.

- 1.8 If agreed the proposals presented in this MTFS secure around £12million a year savings by 2014/2015 around half of the overall real term requirement circa £25million which places the council in a strong position to continue to protect valued front line services and key aspects of support for the most vulnerable members of our community in line with the Councils priorities.

Table 1
Slough BC Medium Term Financial Model - 2010/11 to 2014/15

Details	Latest position post Finance Settlement				
		Provisional Settlement		CSR 2010	
	10/11 0 £'000	11/12 (8,008) £'000	12/13 (6,642) £'000	13/14 (4,253) £'000	14/15 (1,951) £'000
CUMULATIVE BUDGET GAP					
Opening Budget	102,395	103,979	105,110	100,945	98,794
Total Inflation	1,200	1,150	1,500	2,100	2,300
Total Previously Agreed Growth *	5,875	2,537	1,232	(211)	22
Total Previously Agreed Savings *	(4,051)	(4,423)	(1,835)	(200)	0
Total New Savings Mitigating Cuts to Public Sector Spending *	0	(6,739)	(2,738)	(883)	(495)
* Shown in Appendices A & D					
Employee Relations Framework		50			
Grant Funding					
Expected income from specific grant schemes now rolled in to Formula Grant		7,729	0	0	0
Costs of continuing services with no grant allocations		1,726	0	0	0
Cost of unfunded services to schools		837			
ABG Grants (unconfirmed)		178	0	0	0
Other Grants (confirmed)		27	0	0	0
Other Grants (unconfirmed)		178	133	56	56
TOTAL GRANT IMPACT		10,674	133	56	56
Contingency Economic Risk		500	(500)		
Total Pensions Adjustments	0	475	510	540	30
Capital Programme Adjustments	(1,440)	(508)	734	0	0
Specific Grant & Transfer Adjustments	0	0	964	206	569
Council Tax Freeze Grant	0	(1,187)	0	0	0
New Homes Bonus (estimate)	0	(130)	(260)	(390)	(520)
BUDGET REQUIREMENT	103,979	106,378	104,849	102,164	100,756
SPECIFIC GRANTS ROLLING INTO FORMULA GRANT		5,536	5,488		
FORMULA GRANT	56,756	51,713	46,640	49,000	48,510
COUNCIL TAX REQUIREMENT	47,223	47,860	48,817	49,794	50,789
TOTAL ESTIMATED FUNDING AVAILABLE	103,979	105,110	100,945	98,794	99,300
TOTAL BUDGET GAP	0	(1,269)	(3,904)	(3,370)	(1,456)
Annual savings required		(8,008)	(6,642)	(4,253)	(1,951)
Cumulative impact of cuts to public spending		(8,008)	(14,650)	(18,903)	(20,854)

2. Included Expenditure

2.1 2011/2012 Inflation £1.150million

Incorporates uplifted inflationary allowance for 3rd party goods and services to reflect current economic climate, offset by a reduction in “cost of living” salary increases due to pay freeze (£600k). Contractual salary obligations (£400k) are funded from within the salary budget. The overall amount represents real terms reduction in budgeted amount for salary maintenance costs of £1million from previous year.

2.2 Previously agreed growth £2537

Reflects a reduction of £730k of previously agreed growth relating to increased treasury costs due to changes in capital financing arrangements .(appendices Di)

2.3 New Growth Requests Incorporated

Additional funding of £50k is sought to improve “staffside” arrangements, investment in an effective employee relations framework is considered essential during periods of significant organisational change.

2.4 There is evidence that the impact of public sector funding cuts and potential economic and social deprivation may lead to increased community tension and conflict. In previous years government grant contributed nearly £300k to community cohesion initiatives encouraging positive relationships within the community this funding has been cut in its entirety. £75k has been provided as a resource available to support targeted action in response to emerging high risks and to pump prime partnership activity. Our Police colleagues valued last year spend and are concerned that we maintain a reactive budget even though government has cut pro active element.

2.5 Previously agreed savings

These remain unchanged as set out on appendices Dii, although a pressure of £679k for Education & Children’s services has been accommodated elsewhere in the budget to allow for planned efficiencies in areas where expected funding has been subsequently cut.

2.6 Total New Savings.

The savings target of £6.9million for identified areas has been exceeded with an overall contribution of £7.8million. £6.7million is detailed on appendices A and the financial impact in current and future years summarised on appendices Diii (in addition to the £730k reduction in growth identified above.) The remainder is presented as option to balance the budget in section 3 of this report.

3. Grant Income Adjustments

3.1 Newly centralised funding for previously separate grant funded services has been allocated back the to the specific service areas, with all budget requests for the primarily front line services being met in full.

3.2 A number of previously separate and ring fence funded services have been incorporated into a new single funding pot “Early Intervention Grant” (set out in table 4 below). Overall funding for these areas has decreased (Impact in 2011/2012 £659k). The Director of Education and Children’s Services has committed to delivering the services within the confines of the smaller available funding pot.

Table 4**EIG Analysis****ABG**

Connexions
 Children's Fund
 Positive Activities for Young People
 Teenage Pregnancy
 Youth Taskforce
 Children's Social Care Workforce
 Child Trust Fund
 Youth Substance Misuse
 January Guarantee

SureStart

Children's Centres
 Early Years Sustainability
 Early Years Workforce
 Two Year Old Offer Early Learning and
 Childcare
 Short Breaks for Disabled Children

Children & Young People's Grant

Youth Crime Action Plan
 Think Family Grant

Other Specific Grants

Youth Opportunity Fund
 Foundation Learning (SF)
 Targeted Mental Health in Schools
 Contact- Point
 YJB Prevention Grant

Funding available		
2010-11	2011-12	Difference
£8.264m	£7.605m	£0.659m

- 3.3 A significant pressure of funding £1.7million to services where no grant funding is available has been accommodated by the Council, with all service requirements being met. Overall in excess of £1million grant cuts to Education & Children's services have been accommodated and funded by the Council. This sum includes circa £679k of the LA element of schools development grant funding integral to the departments efficiency programme and a further £412k reduction in government grant funding applied by "top slicing" the local authority education element to fund academies in line with a national formula. Slough's academies are few in number resulting in little if any economy of scale savings in terms of LA service delivery. Some critical elements of LA responsibilities and service delivery previously funded via this source do not diminish at all as a result of academies, for example the authority's duty in relation to special educational needs (SEN) applies to all schools including Academies and as such services are still required.
- 3.4 A further £853k funding for services directly provided to schools has been confirmed by government as NIL allocation. This is a significant component of the remaining budget gap and proposals to address this are provided in section 3 of this report.

3.5 The remaining elements of uncertainty of funding resulting in a pressure in excess of £200k, have all been accommodated as funded by the Council within this draft revenue budget.

4. The Deficit

4.1 2011/12

4.1.1 The draft budget presents a remaining deficit of £1,269 million for the coming financial year 2011/2012 and as can be seen significant challenges in future years.

4.1.2 The detail to support proposals to securing a balanced budget in the immediate term and secure progress in addressing the deficit in future years is set out below.

(1) Remaining Unfunded Services to Schools - contribution to deficit £837k

Schools Development Grant (LA Element)	£783k
School Intervention Grant	£28k
Choice Advisers	£26.k
Total	£837.k

There has been significant change in the funding arrangements for Education.

There are 2 elements to education funding:

The Local Authority element, which as set out in this report, has been cut significantly, in the form of reduced allocations and notably, nil allocations to fund key services. The Council has accommodated pressures arising from these cuts to Education and associated Children's services funding within this revenue budget totalling £1.75million as follows:

Early Intervention Grant	£659k
ABG/Schools Development Grant (LA Element)	£679k
Academies "top Slicing"	£412k

The schools element (DSG) this is protected "ring fenced" funding passed straight to schools. This element of funding has a government guarantee to "protect" allocations from cuts which in real terms will be limited to a maximum of 1.5% . Some "new" funding – the "pupil premium" has been allocated to schools, this additional funding has not in reality provided new additional money, but it does have the effect of cushioning schools in cash terms. The overall cash allocation Slough schools has increased from £119million in 2010/2011 to £121million in 2011/2012.

The Council recognises and does not under-estimate the impact on our schools of a number of other changes to the wider social and economic environment. For example, housing and other welfare benefit reforms, the economic climate and a number of other social factors all increase our expectation of and reliance on our schools. There will be an increase in the support needs of our children and young people as families inevitably face difficulties. As such the pressure on our schools will increase, and our expectations for them to continue to build on the real improvements already

secured in academic performance in the town remain. The requirement for our schools will to provide learning environments in which our children will thrive and succeed will not in any way reduce. Schools like all public sector services will need to do more, with less.

The changes to the funding environment and the shift in nature of the relationship between the Local Authority and our schools places schools in a position to commission services from the Council. The decision is ultimately one the schools must make and the Council cannot determine how schools should spend their allocated resources. We do believe these services are important to schools and all stakeholders; Governors, Teachers, Support Staff, Parents and most importantly pupils. In line with other authorities the Council's preferred position is to secure funding from schools for this residual element of unfunded services. In the event schools do not fund these services, the services will end as council funding is not available. This will remove the pressure and reduce the budget deficit by £837k.

Although no funding is available from the 1st April 2011, the Council will make provision to fund any elements of the service that are not funded by Schools until the end of the academic year (31st August 2011).

(2) Reduction in Bad Debt Provision & Improved Debt collection processes
- Income and Debt Management
- additional contribution to deficit £292k

The Council's corporate project on Income and Debt Management will be concluded in 2011-12, work carried out to date has found that our longstanding approach to the way that we collect, monitor and provide for aged miscellaneous (non council tax) debt has not been reviewed for a significant period of time. As a result the current approach does not represent contemporary practice associated with a number of other similar local authorities. Reviewing our policies, undertaking a comprehensive data cleansing exercise to account appropriately for historical fully provided for old debt and introducing processes and procedures in line with best practice will realise an immediate significant saving in 2011-12 and further savings in future years as our improved collection reduce the amount we need to provide for bad debt.

(3) Democratic Services Savings Proposals - contribution £190k

	Estimated Saving
<p>Member Induction and Development</p> <p>Transfer function to Organisational Development, carry out detailed training needs analysis with members, develop a more detailed Personal Development Plan approach, reduce classroom based induction, develop more accessible and engaging methods such as officer and member shadowing, E-learning, self service and provision of support materials.</p>	£26k
<p>Focus on servicing statutory meetings/decision making meetings/reduce meetings</p> <ul style="list-style-type: none"> - Planning Committee to move to a six week cycle - Reduced Licensing Sub Committees (Increased officer delegations already agreed by Council) - Combine Neighbourhoods and Renewal and Community Leisure and Environment Scrutiny panels (Conservative and BILLD Groups oppose reducing scrutiny) <p>DMS to service statutory/decision making meetings. Alternative arrangements will be agreed with Directorates for the servicing of non statutory, non decision making nature and those not involving elected members.</p> <p>Servicing arrangements - School Admission and Exclusion Appeals</p> <p>As much of this work is concentrated in the period between February to July period it is proposed that a part year post be created to undertake this work [or some other flexible arrangement].</p>	
<p>New Ways of Working within team</p> <p>Consideration is being given to developing new ways of working/working practices within the DMS team to create efficiencies including:</p> <ul style="list-style-type: none"> • Trialling use of notebooks etc at meetings • Minutes to comply with statutory requirements but no comprehensive record of debate – more along line of Council meetings other than for quasi judicial meetings • Reduced support costs, Reviewing print requirement • Launching Modern.gov on intranet • Electronic delivery of material wherever possible 	£97k
Total	£123k

Proposals to achieve £66k

Following consultation with Political Groups Differing views are as follows:

<u>Group Support (Budget £140k)</u>	Estimated Saving
Option: Reduce Political Group Officer provision from 3 FTE to: (a) 1 FTE PGO allocated to Ruling Group (b) 1 FTE allocated to remaining groups (collectively) who have an entitlement to support under the Local Government and Housing Act 1989	£31k
Option: No change to PGO provision	£0k

<u>Civics</u>	Estimated Saving
<ul style="list-style-type: none">• Reduced Support to Mayor• Reduced civic budget and hospitality budget• Revised protocol on out of Borough engagements,• Negotiate cheaper lease on car	£22k

<u>Member Support</u>	Estimated Saving
Option: Reduced provision <ul style="list-style-type: none">• Deletion of current support: (yearbook, diary, mobile phones, charge cards, fax machines,• Filing cabinets, Answer machines, Members Room, attendance reporting)• Retention of filofax inserts (paid for if necessary by Member), e bulletin• Business cards up to 250 free per member• No hand delivery to Members	£34k

<p>Option: Reduced Provision</p> <ul style="list-style-type: none"> • Retain one hand delivery to Members each week • Deletion of current support: (yearbook, filofax, diary, charge cards, filing cabinets, Answer machines, Members room.) • Business cards up to 250 free per member 	<p>Estimated Saving</p> <p>£29k</p>
<p>NB: Savings will be offset by costs of ICT (£20k) and as requested by Cabinet incorporate full impact of members allowances (£66k) removing the pressure for any budget growth in these areas.</p>	

4.2 Additional Action to secure savings in future years

Closure of Wexham Horticultural Nursery

In order to deliver savings from 2012/13 it is proposed that Wexham Horticultural Nursery closes in June 2011. This will give time to address the specific needs of the workforce, decommission the site, and maximise revenue from the spring growing season. The operation of the nursery is a growing financial pressure on the Council with cost pressures and competing demand forcing a substantial increase in the overall cost of the service. With the current financial climate an increase in operating costs creating a budget pressure of at least £105k in 2010/11 and due to rise again in 2011/12 is unsustainable.

Even if the nursery business ceases, Speedwell Enterprises can continue to operate on the site until a review of supported employment is completed. There are also some other storage and minor activities on site that can continue. Site security following the closure of the nursery business is a concern and needs to be addressed. The nursery business will also need to be decommissioned and the saleable assets associated with the business disposed of. This is likely to take several months following closure. It is, therefore, proposed that the Nursery Manager, who lives on site, will remain in post until March 2012 to address these issues and ensure the smooth future operation of the site. In addition, the continuation of this post for a short period can provide a much needed resource to help with the activities in Herschel Park due to open in May 2011 in addition to other parks and grounds maintenance activities.

It is also recognised that Wexham Horticultural Nursery has provided very valuable supported employment for 3 members of staff with learning disabilities. Options to offer support to these staff following the closure of the nursery have been explored and it is proposed that 6 month paid placement opportunities with Groundwork Thames Valley are offered. These will deliver flexible, meaningful employment in the areas of horticulture, gardening, food growing, food box preparation and manning food stalls at a number of locations including Iver and Denham. An important element of the placement is the offer of a personal mentor as this is key to the success in securing long term employment progression for the staff concerned. This will also allow Slough Borough Council to test this approach and, if successful, it could become a permanent part of our supported employment provision.

Full year savings at least £105k savings will be achieved. Redundancy and pension costs spread over the two years are £165k.