

SLOUGH BOROUGH COUNCIL

REPORT TO: Overview and Scrutiny Committee

DATE: 2nd December, 2010

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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 9th November 2010 and the Policy, Performance and Review Group (PPRG) on 23rd November 2010.

2. Recommendations

The Committee is requested to note the following recommendations that will be considered by Cabinet at its meeting on 13th December, 2010:

- a) That the current council projected revenue budget for 2011/12 to 2014/15 be noted.
- b) Confirm the savings plan for 2011/2012 as set out in Appendix A (TO FOLLOW) and note progress to date.
- c) Consider and agree the areas of savings allocation for elements of support services as summarised in para 5.7, and request officers, to implement them with immediate effect where possible.
- d) Consider and agree the proposed areas for allocated savings from GBE (Appendix B)

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. In the short term the summary application remains as reported at November 2010 meeting: £4.423m savings already committed in 2011/12 from the 2010/11 PPRG process and anticipated further savings potential of £6.9m in 2011/12 secured via a combination of cross cutting corporate initiatives, management reductions, and savings secured from back office functions and support service areas. To date £2.68m of savings have been identified and agreed subject to consultation. Full details are provided in Appendix A. A further £1.6m savings are identified for consideration in para 5.7

Human Rights Act & Other Legal Implications

- 4.2. 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’.
- 4.3. The Medium Term Financial Plan (MTFP) presents the projected financial position of the Council for 2011/12 to 2014/15; and includes:
- 4.4. The 2003 Local Government Bill places a duty on the Council 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 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 £20m over the next 4 years.
- 5.2. Interestingly the CSR looked to ‘front load’ savings in the early years, which fell in line with what the strategy the Council was already looking to adopt . The next significant milestone will be the provisional settlement where the Government will

provide the Council with an estimate of the level of national grant they can expect to receive for next year and possibly beyond.

- 5.3. Consequently this paper provides members with progress against the savings targets pending news of the provisional settlement expected in early December 2010.

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 CSR 20-Oct-10				
	10/11 £'000	11/12 £'000	12/13 £'000	13/14 £'000	14/15 £'000
Opening Budget	102,395	103,979	98,911	95,880	96,350
Inflation					
Pay (Freeze 11/12, 12/13, CPI thereafter)	0	0	0	1,200	1,200
Pay award held from 10/11	600	0	0	0	0
Low pay (£250 annual increase)	0	150	150	0	0
NI Increase (Government state impact will be minimised)	0	300	0	0	0
Prices inflation allocated in 10/11	600	0	0	0	0
Prices (CPI - HMT Projections)	0	960	760	800	800
Prices (CPI - commentators projections & expenditure review)	0	340	290	300	300
Total Inflation	1,200	1,750	1,200	2,300	2,300
TOTAL AGREED GROWTH	5,875	3,273	2,232	(211)	22
TOTAL NEW GROWTH	0	0	0	0	0
TOTAL AGREED SAVINGS	(4,051)	(4,423)	(1,835)	(200)	0
TOTAL NEW SAVINGS	0	0	0	0	0
Adjustment to original budget gap	0	1,258	361	1,259	(1,066)
TOTAL PENSIONS ADJUSTMENTS	0	475	510	540	30
CAPITAL PROGRAMME ADJUSTMENTS	(1,440)	(508)	734	0	0
BUDGET REQUIREMENT	103,979	105,804	102,113	99,568	97,636
COLLECTION FUND	0	0	0	0	0
FORMULA GRANT	56,756	50,513	47,482	47,007	44,187
COUNCIL TAX	47,223	47,223	47,223	48,167	49,131
COUNCIL TAX freeze subsidy/grant	0	1,175	1,175	1,175	1,175
TOTAL ESTIMATED FUNDING AVAILABLE	103,979	98,911	95,880	96,350	94,493
TOTAL BUDGET GAP	0	(6,893)	(6,233)	(3,218)	(3,143)
CUMULATIVE BUDGET GAP		(6,893)	(13,126)	(16,344)	(19,487)
Savings already identified (Appendix A)		(2,683)	(71)	17	5
Balance of savings to find		(4,210)	(6,162)	(3,235)	(3,148)

Reducing the future funding gap – progress to date

It can be seen that, primarily related to the CSR and related funding assumptions, there remains a substantial funding gap for 2011/12 to 2014/15 that will need to be managed. The Council has proposals for savings for £6.9 million and securing these is critical in reducing the impact on services of the challenging cuts in future years.

- 5.4. Progress 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. The proposals for reducing the senior management costs of the council have been reported previously and are currently subject to formal consultation. These proposals alongside a programme of cost reductions from the Council's back office processing functions and general support services are key elements of the £6.9million target.

5.6. The following summarises the proposed elements of savings opportunities for 6 support service areas;

(a) Policy ,Performance & Learning & Development estimated saving value £298k

Key elements: Changes in the amount of statistical information we are required by external and government agencies to produce and report on, has presented the opportunity to review the number of performance and policy staff employed in this service area. Improved and increased commissioning of training and development has reduced costs and allowed a reduction in the number of staff required to deliver this service in the future.

(b) Revenues & Payments, Council Tax & Cashier Services total savings £107k

Key elements: The savings will be achieved by the deletion of current vacant posts and reductions in service operational costs.

(c) Economic Development & Inclusion saves £270k

Key elements: The transferring of activities carried out within this service area to other Directorates has lead to the deletion of an Assistant Director post.

The streamlining and introduction of a new voluntary sector funding policy will enable savings to be delivered in commissioning services in the future.

(d) Customer Services saves £397k

Key elements: A review and streamlining of the management and support structure of MyCouncil will deliver the above savings. The impact on customer will be kept to a minimum.

(e) IT services save £559k

Key elements: It has been possible to reduce the senior IT management team considerably by streamlining the operating structure of IT via efficiencies of service.

In recent years has the Council reviewed it's IT infrastructure to maximise performance and stability and introduced new technology, has co-located the Council's server estate, therefore making it possible to reduce the amount of IT support and technical staff required in the future.

(f) Housing Benefits Service saves £301k

Key elements: As the majority of the budget is staff related a review of the management arrangements, the Quality Controls and the Assessment Team will deliver the above savings. A reduction in the use of agency staff will also make a significant contribution to these savings.

(g) Communications and Marketing saves £153k

Key elements:

The proposals reflect a review of the service resulting in reduced management costs and a smaller focussed team continuing to deliver high impact functions such as media relations, website management, community publications internal communications and key community events.

(h) Printing estimated savings £175 k

Key elements: The vacation of the Town Hall at the end of the financial year requires a review of the future of Printing Services. Options including full relocation and full outsourcing have been considered. Two options which involve a significant reduction of the in house team have emerged and will achieve a minimum saving of £175k. These options are being further developed and will be the subject of full consultation

Analyses proposed savings

Area of Activity	Overall Saving year 1	Progress	Savings Proposed		
			2011/12		
			EOI's	Other	Total support
			£'000	£'000	£'000
Target	6,900				
agreed to date	2,683				
Service areas:					
Printing			0	175	175
Policy, Performance & Learning Development			100	198	298
Revenues & Payments			42	65	107
Economic Development & Inclusion			131	139	270
Customer Services			0	346	397
IT			306	253	559
Housing Benefits			111	190	301
Communications & Marketing			22	131	153
Sub total	4,217		712	1,497	2,260
Current target	4,217				
Contribution if agreed	1,497				
Remaining requirement by 1/04/2011	2,720				

5.7. As can be seen in the table above the proposals presented for consideration represent total savings from these areas circa £2.2million 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 (£712k), the total savings proposed reflect an additional contribution circa £1.5million to the £6.9m savings target on top of the £2.6m already secured. After taking into account vacancies, fixed term contracts and temporary arrangements the proposal reflects a net reduction of a further 23 permanently occupied posts with the associated risk of potential redundancy for the affected post-holders

- 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 January 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. The outcome of the asset management review will be a changed capital programme.

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

Review Specific Grants

- 5.12. The Council receives a substantial amount of funding through specific grant regimes. However, it should be noted that the Council is unlikely to be informed of many future Specific Grant allocations estimated to be sometime in December.

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 some way 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 £6.9m savings progress to date (TO FOLLOW)
- B - Detail of proposed GBE allocated savings

APPENDIX B**Green & Built Environment – Savings Options 2011/12**

Savings of 0.645m were agreed by Cabinet on 20th September 2010. However, a further £140k savings still need to be found by the directorate. The table below outlines the savings proposals to meet this target.

	Service Area & Function	Saving Option Description	Amount Revenue	Implications
1	Transport	Reduce consultancy support	20k	Reduce the spend on Atkins support on traffic schemes and new technology. The result will be a slowing down in introduction of road safety schemes and traffic flow improvement schemes
2	Transport	Reduce consultancy support and other funds to parking service	26k	Improved technical expertise in parking service through training input will mean reduced reliance on external support. Also reduced revenue support to resident scheme implementation budgets which will reduce the number of schemes implemented each year
3	Highways	Reduce the cost of activating the winter maintenance service through in-house monitoring role	4k	We have taken the weather monitoring and winter gritting activation role in-house this year and are already showing a saving on the cost previously paid to consultants. This saving will be effective without a change in the operational service.
4	Highways	Reduce revenue budget on bridge maintenance	15k	This saving will ensure adequate funds are still available for all inspections of bridges which is a statutory responsibility. Any maintenance work resulting from these inspections can be covered from other maintenance budgets and will be prioritised
5	Environmental Services Waste management	Retendering some minor contracts	40k	Efficiency savings – no implications
6	Environmental Services Recycling efficiency	Stopping all but 5 recycling bring sites – those at the big supermarkets. Allowance made for new Sainsbury	14k	Recycling bring sites not contributing significantly to recycling rate. Introduction of red bins have reduced usage of these sites
7	Environmental Services Recycling efficiency	Stop all 1100 wheeled bring banks	21k	As above
		TOTAL	£140k	