**Title:** Budget savings proposals for 2015/16 to 2017/18 relevant to the Public Accounts and Audit Select Committee

**REPORT OF: THE CABINET MEMBERS FOR FINANCE AND CENTRAL SERVICES**

**OPEN REPORT**

<table>
<thead>
<tr>
<th>Wards Affected: All</th>
<th>Key Decision: No</th>
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<tr>
<th>Report Author:</th>
<th>Contact Details:</th>
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<tbody>
<tr>
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</tbody>
</table>

**Accountable Divisional Directors:**
- Martin Rayson, Divisional Director of HR & OD
- Fiona Taylor, Head of Legal & Democratic Services
- Robin Payne, Divisional Director of Environment & Enforcement

**Accountable Director:** Jonathan Bunt, Chief Finance Officer

**Summary:**

The Council is facing significant challenges due to the shortfalls in budgets and the reduction in Local Government Funding. Savings of more than £53 million are required over the 3 year period covering 2015/16 to 2017/18.

To bridge that budget gap, a range of savings proposals have been developed towards the amount required in each financial year to 2017/18. A gap still exists for each year and savings proposals to address this are being developed.

Those savings proposals that come specifically within the remit of the Public Accounts and Audit Select Committee total £6.365m and are detailed within the report.

**Recommendation(s)**

Members review and analyse the options and issues presented in this report and provide their comments and recommendations to Cabinet for consideration in the development of budget proposals and decisions for setting the budget in February 2015.

**Reason(s)**

The budget savings proposals are designed to meet or contribute to the challenging budget shortfall and enable the Council to achieve a balanced budget while having regard for the Council’s key priorities and its statutory obligations.
1. Introduction and Background

1.1 In March 2014, the Chancellor of the Exchequer made his 2014 Budget announcement. In line with previous announcements, Budget 2014 confirms that government expenditure will continue to fall at the same rate as over the current Parliament.

1.2 By the end of the current parliament the Council will have made over £90m of savings. Based on Budget 2014 it is likely this scale of savings will be required over the next three years.

1.3 Past 2015/16, no detailed information on how government funding reductions will impact local authorities is available. Based on announcements in Budget 2014 and analysis from London Councils, an assumed funding reduction has been included in the budget for 2016/17 and 2017/18. The actual reductions could be significantly different due to uncertainties such as:

- How total government spending reductions impact individual government departments (e.g. protection for Health and overseas aid);
- The termination of Council Tax Freeze Grants;
- Changes to the New Homes Bonus;
- Impact of a new Parliament;
- Schools transferring to Academies, reducing the Education Services Grant.

1.4 Although recent economic forecasts have shown a stronger than predicted recovery for the UK there has been no indication from government that planned funding reductions will be scaled back, as the government aims to return the Country to surplus by 2018/19.

1.5 The Council is faced with making some very difficult decisions about how to reduce service costs and whether to continue to provide some services at all. In this context, the Council will seek to make funding decisions where they will have least impact on its policy priorities, and without affecting its ability to meet its statutory obligations.

1.6 In February 2014, Assembly approved the budget for 2014/15 which included a £1m contribution from reserves. This gap is carried forward into 2015/16.

1.7 In addition to the gap carried forward from 2014/15 and funding reductions there are also service pressures that further widen the gap. The current budget gap over the next three years and the pressures that make this up are shown below.
Medium Term Financial Strategy 2015/16 to 2017/18

<table>
<thead>
<tr>
<th>Medium Term Financial Strategy Pressures and Adjustments</th>
<th>2015/16 £000</th>
<th>2016/17 £000</th>
<th>2017/18 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget gap from 2014/15</td>
<td>1,044</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Funding changes</td>
<td>17,279</td>
<td>8,584</td>
<td>7,800</td>
</tr>
<tr>
<td>Children’s caseload pressures</td>
<td>3,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Staff pay award &amp; pension fund deficit</td>
<td>1,650</td>
<td>1,650</td>
<td>1,650</td>
</tr>
<tr>
<td>Implications of the Children and Families Act</td>
<td>1,250</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Contribution from the Collection Fund Reserve</td>
<td>1,143</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Implications of the Care Act 2014</td>
<td>1,000</td>
<td>1,500</td>
<td>-</td>
</tr>
<tr>
<td>ELWA levy increase</td>
<td>700</td>
<td>400</td>
<td>-</td>
</tr>
<tr>
<td>Investment in the capital programme</td>
<td>500</td>
<td>500</td>
<td>500</td>
</tr>
<tr>
<td>Employer National Insurance increases</td>
<td>-</td>
<td>2,000</td>
<td>-</td>
</tr>
<tr>
<td>Potential changes to Parking Enforcement</td>
<td>-</td>
<td>-</td>
<td>1,500</td>
</tr>
<tr>
<td>End of Waste Reduction Initiative</td>
<td>-</td>
<td>(135)</td>
<td>-</td>
</tr>
<tr>
<td>Delaying of Interest Costs</td>
<td>(3,000)</td>
<td>-</td>
<td>3,000</td>
</tr>
<tr>
<td><strong>Budget gap</strong></td>
<td><strong>24,566</strong></td>
<td><strong>14,499</strong></td>
<td><strong>14,450</strong></td>
</tr>
<tr>
<td><strong>Cumulative 3 year budget gap</strong></td>
<td></td>
<td></td>
<td><strong>53,515</strong></td>
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2. **Proposal and Issues**

2.1 Savings proposals have been developed by each of the Council’s directorates for the consideration of Members. Further ideas may come forward during the consultation period, as a result of further consideration by Cabinet Members and directorates, as well as through the feedback from public consultation and scrutiny.

2.2 As part of the process of public consultation relating to the budget proposals, the Select Committees are able to scrutinise budget proposals relating to their area of focus. The Committee is asked to consider issues such as the deliverability of the proposals, and their impact on the Council’s agreed policy priorities. There is an opportunity for members of the public to attend the meetings and it is part of the remit of the Committees to ensure that the views of local people are taken into account. The Select Committee can make recommendations to the Council’s Cabinet, and these recommendations will be taken into account, when taking the final budget decisions. Recommendations may or may not be accepted.

2.3 If as a result of feedback from Select Committees or elsewhere, it is decided not to proceed with any of the savings proposals included in this report, it will be necessary to find alternative savings, in respect of the remit of this and/or other Cabinet Members and Select Committees.
2.4 Savings identified to date are shown under the relevant Select Committee below:

<table>
<thead>
<tr>
<th></th>
<th>2015/16 £000</th>
<th>2016/17 £000</th>
<th>2017/18 £000</th>
<th>TOTAL £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Children’s Services</td>
<td>3,119</td>
<td>1,389</td>
<td>2,478</td>
<td>6,986</td>
</tr>
<tr>
<td>Health and Adult Services</td>
<td>2,196</td>
<td>959</td>
<td>375</td>
<td>3,530</td>
</tr>
<tr>
<td>Living and Working</td>
<td>2,611</td>
<td>792</td>
<td>125</td>
<td>3,528</td>
</tr>
<tr>
<td>Public Accounts and Audit</td>
<td>3,567</td>
<td>1,705</td>
<td>1,093</td>
<td>6,365</td>
</tr>
<tr>
<td>Safer and Stronger</td>
<td>966</td>
<td>1,577</td>
<td>0</td>
<td>2,543</td>
</tr>
<tr>
<td>Community</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>12,459</strong></td>
<td><strong>6,422</strong></td>
<td><strong>4,071</strong></td>
<td><strong>22,952</strong></td>
</tr>
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</table>

2.5 A summary of the savings proposals relevant to this Committee appears below. The full set of proposals for the three year period 2015/16 to 2017/18 is set out in Appendix A. In addition to the general impacts, the impacts of each of these proposals have been considered for equalities groups. The assessments are noted in the background papers and will be available at Select Committee meetings.

3. Specific savings proposals

3.1 **Reduce Council Tax exemptions (CEX/SAV/52a)**
This would see the removal of the current exemptions provided for houses which are second homes, undergoing repair, unoccupied or unfurnished.

3.2 **Amend the Council Tax support scheme (CEX/SAV/52b)**
It is proposed to reduce the current level of Council Tax support offered to residents not in receipt of the state pension from 85% to 75%. The review of the policy will also consider options around capital thresholds and the ability to backdate applications. This proposal will be subject to a separate and specific consultation exercise.

3.3 **Review of the corporate accommodation strategy (CEX/SAV/45a)**
The Council currently utilises a number of separate properties including three major buildings (Barking Town Hall, Dagenham Civic Centre and Roycraft House). It is proposed to reduce the number of properties utilised including at least one of the major buildings.

3.4 **Elevate overheads (CEX/SAV/55)**
The Council currently contributes £625k annually to the cost of operating Elevate as a stand alone business and Agilisys contribute a similar value as managing partner. It is proposed that the Council ceases its contribution in return for a lower reporting and governance requirement plus agreeing to enact the three year extension in the Elevate contract to 2020. Agilisys would then be responsible for the delivery of a streamlined Elevate from within their contribution.

3.5 **Withdrawal of the Benefits Direct Services at One Stop Shops (CEX/SAV/58)**
The Council currently offers an enhanced face to face benefits service through the two One Stop Shops. The proposal is to cease this enhanced service but to increase the number of benefits staff operating in the back office.
3.6 **B&D Direct – Customer Services Channel Shift (CEX/SAV/56)**
This proposal seeks to reduce the capacity within the One Stop Shops and Contact Centre by seeking to move customers to using channels which are significantly cheaper for the Council to operate. This will be enabled through investment in and promotion of the services available through the Council’s website and interactive voice response systems (IVR). In the medium term, the ambition is to have services accessed through community led hubs across the borough.

3.7 **Automation of inbound email/post processing (CEX/SAV/60)**
Through the introduction of the Agilisys Automate tool, a significant proportion of the incoming correspondence for the Revenues & Benefits service can be handled electronically reducing the required level of staffing. This will require investment in the systems and policy changes to ensure a greater proportion of correspondence comes in electronically.

3.8 **Charging for discretionary face to face contact services (CEX/SAV/71)**
Under other proposals above, the Council will be investing in its online and automated options for customer contact. As part of promoting the shift to those channels, which will be free, it is proposed to introduce a charge for any customer service contact, either face to face or via the telephone, that could be accessed via a free channel. The intention of these proposals is not to make a profit on the transaction but to ensure that there is full cost recovery for offering the service.

3.9 **Introduction of a premium rate number to the Contact Centre for discretionary service calls (CEX/SAV/57)**
See 3.8 above.

3.10 **Relocation of Barking Contact Centre to a lower cost area (CEX/SAV/59)**
A further option that exists for the Contact Centre is to relocate it to an area with lower wage costs. Under contracts with other local authorities, Agilisys have processing centres based elsewhere which could provide the service to Barking & Dagenham to enable the Council to access that wage arbitrage saving.

3.11 **ICT technologies, service management and infrastructure (CEX/SAV/63a, 63b and 63c)**
A set of three proposals which seek to maximise the opportunities of new technologies and developments building on existing investment plus the Council’s desire for more flexible working. This would see a shift from locally hosted to Cloud solutions and a rationalisation of applications used as well as an increase in off the shelf rather than heavily customised packages. There would also be an increase in self service through and the ability to resolve issues through online support. The three proposals do require investment though a similar level of investment would be required to maintain the existing solutions as the Council’s data centre requires replacing or upgrading.

3.12 **Accountancy service (CEX/SAV/30a)**
This proposal reduces the accountancy teams by 8-10 posts. This is mitigated by improvements in the financial systems and greater compliance with the Council’s financial rules which has reduced the work within the team. There will be a greater emphasis on managers accessing financial information themselves and for the accountancy staff to concentrate on the higher risk budgets across the Council.
3.13 **Investment income – increase risk appetite (CEX/SAV/29)**
The Council’s Treasury Management Strategy (TMS) sets out a relatively high level of credit criteria for the placing of cash deposits with counter parties. There is scope to reduce these criteria to increase the rate of return on those deposits albeit with an increase in the risk of default on repayment.

3.14 **Discretionary business rate relief (CEX/SAV/53)**
The Local Government Finance Act 1998 requires local authorities to grant mandatory rate relief on business rates to registered charities and registered Community Amateur Sports Clubs (CASCs). This covers 80% of the business rates bill and local authorities also have the power to grant discretionary rate relief to cover some or all of the remaining 20% due. The existing policy will be amended so that it is only awarded to community organisations eligible for mandatory rate relief.

3.15 **Reduce the size of the HR Business Partner team (CEX/SAV/22a)**
The existing business partner team could be reorganised to reduce staffing numbers and delete the current manager role. This will reduce capacity to support organisational change and advise on significant employee relations issues.

3.16 **Stop Employee Relations team (CEX/SAV/22)**
The proposal considers alternative methods of delivering the employee relations function through greater self service and telephone support rather than the existing structure.

3.17 **Reduce spend of Trade Union representatives (CEX/SAV/23) – withdrawn**
This option was based on a reduction in the Trade Union representation to reflect a substantial reduction in the workforce. It is now proposed to withdraw this option and to commence a more detailed review in early 2015. A revised proposal may be put forward following that review.

3.18 **Reduce Democratic Services structure (CEX/SAV/09)**
This proposal is to reduce the staffing establishment in Democratic Services by four posts. This saving option may be reduced following a review of support to the Cabinet.

3.19 **Reduce Member training (CEX/SAV/12a)**
This proposal would delete the dedicated post that coordinates and supports Members training and so will reduce the amount of targeted training and development that all 51 elected Members can expect. Democratic Services will only be able to meet the statutory training needs of Members, with no development opportunities. A shared approach and taking 0.5 of a saving on this post is being explored with savings being provided from the legal services traded budget.

3.20 **Streamlining Building Cleaning (ES009A)**
Staff and managers across the Council would work to adopt new standards that would allow for staffing reductions. This is consistent with more modern working arrangements that are being introduced to promote hot-desking and shared space meeting rooms. By staff taking more responsibility for the hygiene of locations at which they work and by consolidating waste collection arrangements the Council would be able to reduce the frequency of office cleaning and time taken to deliver waste collection from bins.
4. Consultation

4.1 The Council has produced a consultation plan to ensure the consultation process is meaningful and accessible for members of the public and staff. Staff and trade unions will be consulted on proposals outlined in Appendix A. In addition to face to face meetings for staff with the Leader and Chief Executive, a number of other online methods have been used to communicate with and involve staff.

4.2 Public consultation for the savings proposals outlined in Appendix A will commence with the publication of the papers for the first select committee taking place on 29th October. In total five select committees will be held to allow Councillors the opportunity to scrutinise budget proposals. These are public meetings so residents are encouraged to attend. Five public sessions will also be taking place during which the Leader will be taking questions from members of the public. Detailed information on how to get involved in the consultation process will be provided on the Council website and through posters and literature at Council sites across the borough.

4. Financial Implications

*Prepared by Jonathan Bunt, Chief Finance Officer*

4.1 This report is one of five similar reports which are being presented to each of the Council’s Select Committees and is entirely concerned with the Council’s finances and the implications for residents and services in reducing the Council’s budget.

4.2 This report concerns those savings proposals as they relate to the areas within the remit of this Committee. Other savings proposals that do not relate to this Committee’s remit will be presented to those Select Committees which are most appropriate for the saving type.

4.3 All financial implications are laid out in the main part of the report and in the specific savings proposals.

5. Legal Implications

*Prepared by Fiona Taylor, Head of Legal and Democratic Services*

5.1 This report provides a range of options to deliver savings that are required to meet budget pressures as detailed in the body of the report. Local authorities are under an explicit duty to ensure that their financial management is adequate and effective and that they have a sound system of internal control and management of financial risk. This report contributes to that requirement although specific legal advice may be required on the detailed implementation of any agreed savings options.

5.2 Where there are proposals for the closure or discontinuance of a service or services, appropriate consultation will need to be carried out. The savings proposals that affect staff will require consultation with Unions and staff. In addition to that Members will need to be satisfied that Equality Impact Assessments have been carried out before the proposals are decided by Cabinet.
6. **Other Implications**

6.1 **Risk Management** – in order to manage the risk of not balancing the Council’s budget, the Council has developed a range of savings proposals in good time to allow for their scrutiny, decisions to be made, and for their implementation. Any specific risks are set out within individual proposals at Appendix A.

6.2 **Contractual Issues** – any contractual issues will be addressed by the relevant service as part of the implementation of savings proposals if and when agreed. Appropriate timescales have been factored into savings proposals to allow for any contractual issues to be addressed.

6.3 **Staffing Issues** – there will of course be very significant implications for staff if the budget savings targets are to be achieved. The Trade Unions have been fully briefed on the budget challenge facing the Council. Staff are currently being consulted around the implications of these specific proposals, in line with the Council’s change management policies and comments from staff and Trace Unions will be taken into account in the final decision-making process.

6.4 **Customer Impact** – the equalities impacts of each savings proposal has been considered by the relevant service. An overarching equalities impact assessment will be conducted of the cumulative impacts of the proposals and the findings of that assessment, with any proposals for mitigation, will be presented to Members for consideration alongside the final proposals in February 2015.

6.5 **Safeguarding Children** – where relevant, any implications for safeguarding children have been addressed within the relevant savings proposals which appear in Appendix A.

6.6 **Health Issues** – where relevant, any implications for health inequalities have been addressed within the relevant savings proposals which appear in Appendix A.

6.7 **Crime and Disorder Issues** – where relevant, any implications for crime and disorder have been addressed within the relevant savings proposals which appear in Appendix A.

6.8 **Property / Asset Issues** – where relevant, any implications for property and assets have been addressed within the relevant savings proposals which appear in Appendix A.

**Background Papers Used in the Preparation of the Report:**

- Medium Term Financial Strategy
- Equality Impact Assessments for each savings proposal

**List of appendices:**

Appendix A: Savings proposals relevant to the Public Accounts & Audit Select Committee