Title: Additional Budget Savings Proposals for 2015/16 to 2017/18

REPORT OF THE CABINET MEMBERS FOR FINANCE AND CENTRAL SERVICES

OPEN

Wards Affected: All

Key Decision: No

Report Author: Jonathan Bunt, Chief Finance Officer

Contact Details:
Tel: 
E-mail: 

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 £53million are required over the 3 year period covering 2015/16 to 2017/18.

A report was presented to the select committee on 29 October outlining savings proposals relevant to the committee as well as highlighting a remaining £789k budget gap for 2015/16. Additional savings have been developed in order to bridge the gap in 2015/16 as well as 2016/17 in order to set a two year budget.

As Cabinet will consider these further savings on 16 December, all additional proposals are being presented to the Public Accounts and Audit Select Committee rather than the individual Select Committees. Those proposals total £2.2m and, along with other changes to the Council’s medium term financial strategy, 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 at its meeting on 16 December 2014.

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 Beyond 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. Due to the potential changes that could occur following the general election in 2015, the focus is on agreeing a two year budget with the position and options for 2017/18 provided as the context for the possible future financial challenge.

1.6 The three year budget gap reported to Cabinet in October was £53.5m. Additional pressures netted off by funding changes (listed in table 2 below) have resulted in a decrease in the pressure to £53.3m. During the consultation period, savings have been scrutinised and revisions have been made to amounts previously submitted as detailed in Table 1 below. At November Cabinet, Members were also asked to approve the withdrawal a Democratic Services savings previously put forward in order to continue the employment of a Scrutiny Officer and to employ a Political Assistant and a Leaders and Members Service Manager.
Table 1 – Saving proposals amended post 7 October Cabinet

<table>
<thead>
<tr>
<th>Savings Proposal</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>CEX/SAV/09 – Democratic Services - Reduced</td>
<td>148</td>
<td>-</td>
<td>148</td>
<td></td>
</tr>
<tr>
<td>ES015 – Street Cleansing Operations – Reduced</td>
<td>52</td>
<td>10</td>
<td>-</td>
<td>62</td>
</tr>
<tr>
<td>ES10A – Restructuring Direct Services – Re-profiled</td>
<td>458</td>
<td>(458)</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>ES010B - Prestart payment to drivers – Re-profiled</td>
<td>35</td>
<td>(35)</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>CHS/SAV/25a - Reduction in support to quality Childcare and early years provision – Re-profiled</td>
<td>(128)</td>
<td>128</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>CEX/SAV/23- Reduce Trade Union Spend - Withdrawn</td>
<td>-</td>
<td>-</td>
<td>130</td>
<td>130</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>693</strong></td>
<td><strong>(611)</strong></td>
<td><strong>258</strong></td>
<td><strong>340</strong></td>
</tr>
</tbody>
</table>

1.7 If all savings proposals put forward to Cabinet and for consultation are agreed this would allow the Council to bridge the gap in 2015/16 and 2016/17 enabling a two year budget to be set.

1.8 Table 2 below summarises the revised medium term financial position of the Council years over the next three years.

Table 2 – 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>
<th>Total £000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cabinet Reported Budget Gap</strong></td>
<td>24,566</td>
<td>14,499</td>
<td>14,450</td>
<td>53,515</td>
</tr>
<tr>
<td><strong>Additional Pressures/Surpluses:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Extra cost of a new Chief Executive</td>
<td>100</td>
<td>-</td>
<td>-</td>
<td>100</td>
</tr>
<tr>
<td>Increased London Living Wage</td>
<td>500</td>
<td>-</td>
<td>-</td>
<td>500</td>
</tr>
<tr>
<td>Additional ELWA Levy Increase</td>
<td>200</td>
<td>-</td>
<td>290</td>
<td>490</td>
</tr>
<tr>
<td>Increase in Council Tax base</td>
<td>(640)</td>
<td>-</td>
<td>-</td>
<td>(640)</td>
</tr>
<tr>
<td>Transfer of Investment properties to GF from HRA</td>
<td>(700)</td>
<td>-</td>
<td>-</td>
<td>(700)</td>
</tr>
<tr>
<td><strong>Revised Budget Gap</strong></td>
<td><strong>24,026</strong></td>
<td><strong>14,499</strong></td>
<td><strong>14,740</strong></td>
<td><strong>53,265</strong></td>
</tr>
<tr>
<td><strong>Savings Proposals:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cabinet approved savings (October 2014)</td>
<td>(11,318)</td>
<td>(4,304)</td>
<td>(825)</td>
<td>(16,447)</td>
</tr>
<tr>
<td>Savings – Consultation required</td>
<td>(12,459)</td>
<td>(6,422)</td>
<td>(4,071)</td>
<td>(22,952)</td>
</tr>
<tr>
<td>Additional savings proposals – Cabinet Decisions</td>
<td>(2,301)</td>
<td>(162)</td>
<td>0</td>
<td>(2,463)</td>
</tr>
<tr>
<td>Additional savings proposals – Consultation</td>
<td>(670)</td>
<td>(2,077)</td>
<td>530</td>
<td>(2,217)</td>
</tr>
<tr>
<td>Savings amendments post 7 October Cabinet</td>
<td>693</td>
<td>(611)</td>
<td>258</td>
<td>340</td>
</tr>
<tr>
<td><strong>Remaining Budget Gap</strong></td>
<td><strong>(2,029)</strong></td>
<td><strong>923</strong></td>
<td><strong>10,632</strong></td>
<td><strong>9,526</strong></td>
</tr>
</tbody>
</table>
1.9 As Table 2 shows, there are additional savings deliverable in 2015/16 and these could be deferred to 2016/17 to balance across two years. As an alternative, the Council could elect to run a surplus budget in 2015/16, with the surplus available for one off priority investment, and roll forward that surplus to create a balanced position across the two years.

2. Proposal and Issues

2.1 Additional savings proposals have been developed by each of the Council’s directorates for the consideration of Members

2.2 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 Committee 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 A summary of the additional savings proposals appears below. The full set of proposals for the three year period 2015/16 to 2017/18 is set out in Appendix A1. In addition to the general impacts, the impacts of each of these proposals have been considered for equalities groups.

3. Specific savings proposals

3.1 Reduce book fund (ACS/SAV/23a)

The proposed reduction of £10k will reduce the library service’s ability to purchase new books and refresh the available stock. Given that the level of the current book fund is not particularly high compared to other authorities this may lead to some customer dissatisfaction where there may be longer waits for popular titles or recently published works. Nevertheless this saving can be delivered.

3.2 Integrated Early Help QA Services (CHS/SAV/36)

The current team has 4 FTE officers who provide a service to support the Early Help agenda across Children’s Services and across the partnership. The team provide a QA resource to ensure the quality of our Early Help services are the best they can be therefore preventing escalation to social care. The proposal is to reduce the team by 75% to 1 FTE.

3.3 Reduce costs in Sustainable Communities area (CEX/SAV/7b)

Staff costs will be funded to a larger degree from the budgets allocated to the capital projects they deliver. There is also a possibility of staff costs being charged to future externally funded projects.
This saving is to be considered alongside CEX/SAV/07. The proposal is now for a total saving of £220k all to be delivered in 2015/16. CEX/SAV/07 currently includes £50k saving in 2016/17 and a further £30k saving in 2017/18. These two amounts should now be ignored as these savings will be achieved in 2015/16.

3.4 Freeze increments (CEX/SAV/72)

Pay progression would cease for one year for all staff at PO10 and below and staff would remain on their existing pay point instead of progressing for twelve months. The saving would be achieved by reducing the staffing budget where staff do not progress. The budget will be returned to the service in 2017/18. We would seek to achieve agreement with the Trade Unions to implement this change in terms and conditions.

3.5 Reduce redundancy payments (CEX/SAV/73)

Staff who are made redundant are entitled to a redundancy payment calculated on a sliding scale based on their salary, age and length of service. Currently, the Council applies a 1.5 multiplier to the statutory number of weeks payable, i.e. if the statutory calculation is for 10 weeks, the multiplier increases it to 15 weeks. The maximum payable is the equivalent of 45 weeks pay. The multiplier was last reviewed in 2011 and reduced from 2.2 to 1.5. At that time, the Leader of the Council committed not to review again for four years. The proposal now is to remove the multiplier in light of the pressures on the budget, but to do so from April 2016 in light of previous commitments given.

3.6 Business support review (CEX/SAV/77)

A recent activity analysis review highlighted the Council as having a higher number of administrative and business support roles compared to other authorities. It is proposed to review how this work is undertaken and reduce the number of posts required to carry out these functions.

3.7 Reduction in middle management (CEX/SAV/78)

A recent activity analysis review highlighted the Council as having a higher number of management roles compared to other authorities. The Council is introducing a number of new ways of working as well as reducing the scale of its operations. This will provide opportunities to manage services in different ways and automate some management tasks. It is therefore proposed to review the management arrangements currently in place and reduce the number of these posts.

3.8 Increase duration risk on external investments (CEX/SAV/54e)

Interest rates available to the Council are generally dependent on the risk of the counterparty and on the duration of the investment. Currently the Council has a relatively low risk investment strategy with the average duration for the maturity of investments at around 0.8 years. This duration could be extended where there is a commensurate increase in return for the additional risk exposure.
3.9 **Review of parking service (ES030)**

A review of business processes within the Parking service has been undertaken and identified a number of opportunities for improving the customer experience (for example by reducing processing time) and the efficiency of the service (for example by process automation). Detailed business cases and implementation plans are now being developed alongside work that was already underway in the service. Taken together these initiatives will be able to deliver at least £450k of savings.

4. **Financial Implications**

Prepared by Jonathan Bunt, Chief Finance Officer

4.1 This report is concerned with the Council’s finances and the implications for residents and services in reducing the Council’s budget.

4.2 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
b 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:**

None

**List of appendices:**

Appendix 1: Savings proposals relevant to Public Accounts & Audit Select Committee