

Medium Term Financial Strategy Update

Agenda Item 6c

Portfolio Area: Efficiency and Resources
Report Presented by: Councillor Lager

Background Papers: Medium Term Financial Strategy Update report to Cabinet 12th October 2009

Corporate Implications: Please refer to table at end of report

Options: To accept or amend the service and budget proposals contained in the report.

Risks: The financial assumptions made in determining the Council's base financial requirements do not come to fruition – mitigation would be management of an adverse variance during 2010/11.

Assumptions regarding pension and government grant changes for 2010/11 may be under-estimated which would require additional savings to be found in 2010/11 and future years.

Executive Summary

The General Fund revenue profile has been updated by applying the assumptions agreed by Cabinet at its meeting on 12th October 2009 to the detailed base budgets. The outcome of this, together with an expected increase in the shortfall on car parking income against budget in the current year, is an increase in the funding gap for 2010/11 and 2011/12 from £1.04million to £1.23million.

It is not feasible to achieve a net reduction in spend of approximately 8% of the net revenue budget without affecting service levels. The proposals that are being brought forward are, therefore, a mix of efficiencies and service level reductions. It is important that the Council takes a three-year view of resources to enable an appropriate implementation and action to be developed and that a controlled process of change, over an appropriate timescale, can be managed.

Proposals are presented in four categories:

- Savings affecting current policy/service level, totalling £472,180 for 2010/11;
- Efficiencies proposed by management, having no affect on service levels, totalling £447,150 for 2010/11;
- Savings/increased income identified during the 2009/10 Budget setting process, totalling £323,070 for 2010/11; and
- Reductions to various budget headings, totalling £64,270 for 2010/11.

In determining these proposals, members of the Cabinet considered three other specific proposals and have in each case: either rejected or made an alternative proposal. These being:

- a) Parish Support Grant scheme;
- b) Welfare Rights Advice service; and
- c) Community Wardens.

The effect of the proposals is that the funding gap for 2010/11 would be addressed and a significant proportion of the funding gap for 2011/12 would also be addressed.

The report also outlines the impact on the Council's balances.

Finally, detail of the proposed capital programme for 2010/11 is provided.

Decision

Members are requested to:

- a) Agree the changes to policy and/or service levels identified in Appendix B;
- b) Note efficiencies and budget reductions proposed by management as detailed in Appendices C and E;
- c) Agree the schedule of new demands for revenue funding in 2010/11, as detailed in Appendix H.
- d) Agree to £500,000 of the General Fund balance being set aside to meet the potential costs of redundancy and retirement resulting from the agreed savings;
- e) Agree that a submission be made to the Secretary of State seeking approval to the capitalisation of the costs of redundancy and retirement resulting from the agreed savings (if successful this will enable the return of the balances set aside to the General Fund balance);
- f) Agree the schedule of projects to be included in the Capital Programme, as provided at Appendix L.

1. Background

The Medium Term Financial Strategy (MTFS) for the period 2010/11 to 2013/14 was considered by Cabinet at its meeting on 12th October 2009. The report provided details of the various assumptions made in predicting the Council's income and expenditure over the next four years.

The Cabinet agreed to increase the efficiency target to a range between £1.2million and £1.5million to address the funding gap for 2010/11 and 2011/12.

2. Assumptions Update

In the period since the last meeting of the Cabinet the detailed budgets, based on the agreed assumptions, have been prepared.

The Council is required to set its taxbase for council tax purposes for 2010/11 based on information as at 30th November 2009. It is expected that the amount of increase will be 0.25% rather than 0.5% allowed in the agreed MTFS. The change to this assumption has been incorporated for 2010/11, the increase for 2011/12 onwards remains at 0.5%, in the updated MTFS. The existing MTFS made no provision for a surplus on the Council Tax Collection Fund, this has been reviewed with the result that a small surplus of £13,910 is now forecast for 2010/11.

In addition the Council's financial position for the current year has been updated based on the income and expenditure to the half-year. This information has been used to update the budgetary requirements for 2010/11 onwards.

The outcome of this work is a revision to the MTFS as detailed in the table below:

	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000
Funding Gap (Central case) as reported to Cabinet on 12 th October 2009	660	387	123	508
Changes Required:				
Applying Pay and Prices inflation	16	(10)	19	10
Service Level Agreements with Greenfields CH	112	0	150	0
Budget Variations (includes additional £75,000 for expected shortfall on car parking income in 2009/10)	23	0	0	0
Budget reductions already identified	(19)	20	30	0
Council taxbase reduction partially offset by estimated surplus on Collection Fund	8	35	0	0
Updated Funding Gap	800	432	322	518

The result of these changes is an increase in the funding gap for 2010/11 and 2011/12 from £1.047million to £1.232million.

The Central Case funding gap for the years 2011/12 to 2013/14 continues to be based on the expectation that the Grant Settlement received from Central Government will reduce by 10% over the three years. If the reduction was to increase to 20% for the three-year period then the funding gap for 2011/12 would increase by £340,000. The position on the settlement for 2011/12 will not be known until autumn 2010.

At this stage it is still assumed that an allocation of Housing and Planning Delivery Grant will be received from Central Government for 2010/11, sufficient to cover the ongoing requirements of the Local Development Framework (currently averaging at £150,000 per annum). This is despite the delay in the Government making an announcement, usually issued in July, regarding the allocation for the current year.

The updated profile for the General Fund for 2010/11 to 2013/14, showing the central case together with best and worse case scenarios, is provided at Appendix A.

The figures as presented do not include any revenue costings or savings for any proposals for changes to the Council's future office accommodation arrangements. The figures do however currently provide for the leasing of the majority of the ground floor of Causeway House to Essex County Council, at an annual rent of £171,000 (£14,250 per month).

3. Meeting the Funding Gap 2010/11 and 2011/12

It is essential that the Council's spend and funding plans over the medium term are focused and sustainable. To achieve the funding gap identified above indicates that some difficult choices will need to be made around the provision of service and how we deliver services. Now is the time for the Council to think differently, accept it cannot do everything and look for innovative ways of meeting the differing needs of this District.

It is not feasible to achieve a net reduction in spend of approximately 8% of the net revenue budget without affecting service levels. The proposals that are being brought forward are, therefore, a mix of efficiencies and service level reductions. It is important that the Council takes a three-year view of resources to enable an appropriate implementation and action to be developed and that a controlled process of change, over an appropriate timescale, can be managed.

The approaches to identify the efficiencies required to address the funding gap were detailed in the report received at the Cabinet meeting in October.

The Proposals are presented in four categories:

- Savings affecting current policy/service level, these total £472,180 for 2010/11. Details of each proposal together with a summarised schedule are provided at Appendix B;
- Efficiencies proposed by management, having no affect on service levels, these total £447,150 for 2010/11 and are listed in the schedule at Appendix C;
- Savings/increased income identified during the 2009/10 Budget setting process, these total £323,070 for 2010/11 and are listed in the schedule at Appendix D; and
- Reductions to various budget headings, these total £64,270 for 2010/11 and are listed in the schedule at Appendix E.

In determining the above proposals, members of the Cabinet considered three other specific proposals and have in each case: either rejected or made an alternative proposal. The proposals considered were:

- d)** Parish Support Grant scheme. In considering the withdrawal of the scheme, members of the Cabinet considered a paper which outlined the issues regarding the scheme, prepared by the Leader of the Council (copy attached at Appendix F). In addition, consideration was also given to the numerous responses, received from parish and town councils, to the letter from the Leader of the Council (see under consultation below).

Following consideration it has been decided that the Parish Support Grant scheme will continue with the recommendation that the sums allocated to town and parish councils

for 2010/11 will be frozen at the 2009/10 level. This is in contrast to the current year whereby the increase in grant payable to parish/town councils was limited (at a maximum of 2.5%) depending on the level of increase of the council's precept.

- e) Welfare Rights Advice service. It was initially proposed as part of the budget setting exercise for 2009/10 that the staffing of the Welfare Rights Advice service be reduced by 1 with effect from 1st April 2010. Subsequently it was further proposed to cease the service from that date. With the economic recession continuing it proposed that the service provided by the Council continues for a further year but then ceases on 31st March 2011. During this period it will enable time for discussions to be held with partner organisations to ensure the adequacy of alternative sources of advice from this revised date. This will also offer reassurance to the current users of the service, from whom a large number have written to the Council expressing concerns over the proposed cessation of the service.

- f) Community Wardens. In considering the proposal to cease the Community Wardens service, members of the Cabinet were mindful of the results of recent surveys conducted by the Council which highlighted the importance to the public and communities of the cleanliness of and the need for greater enforcement across the district. Whilst the proposal to cease the service is recommended, it is proposed that 50% of the savings is redirected to achieving an increased level of enforcement across the district. Detailed proposals of how this will be achieved will be presented to the Cabinet in February 2010.

Details of the initial proposals referred to above are provided in Appendix G. The revised proposals are incorporated in Appendices B and D.

Proposed changes to the Council's fees and charges for 2010/11 together with a proposal to introduce a single concessionary rate of 25% for all concessions are currently being referred to the Fees and Charges Task and Finish Group. The proposed fees and charges for 2010/11 will be presented in the Finance report to Cabinet in February 2010.

4. Growth – New Demands

Under the current financial position requests for new or additional funding have been kept to a minimum. The total value of these requests is £130,110 for 2010/11. Details of the requests are provided in Appendix H.

5. Consultation with Staff and the Unions

Proposed changes to service provision and efficiencies which would have an impact on staffing are all handled in accordance with the Council's management of change process. This requires a minimum consultation period of 4 weeks. For the majority of the proposals this will have been concluded by the date of the Cabinet meeting.

On 30th October 2009 the Unions were issued with the formal notice under Section 188(4) of the Trade Union and Labour Relations (Consolidation) Act 1992 that the decision to propose budgetary reductions for 2009 – 2012 may result in a redundancy situation.

In addition to consultation on each specific proposal, the Chief Executive has had and will continue have regular communication with Unions on the Council's financial position.

6. Consultation with Partners and Stakeholders

A significant amount of consultation has taken place to gather views on the budget proposals from a wide variety of sources and using a number of different approaches.

The Leader of the Council wrote to all town and parish councils on 16th October 2009 regarding the proposed consideration of withdrawing the Parish Support Grant scheme at the Cabinet meeting on 7th December 2009.

On 5th November 2009 the Leader of the Council also wrote to all of the Council's partners on the Local Strategic Partnership and all town and parish councils.

The first survey to be conducted with the recently established Citizens Panel includes a section on service options and associated budget reductions. Survey questionnaires have been distributed to the 360 citizens on the Panel.

An additional survey on the service options and associated budget reductions is also being undertaken on the internet. This Simalto exercise is being conducted with 3,500 people who have provided the Council with their email address.

A document 'Cutting our Cloth' has been produced which provides information on the service options and associated budget reductions. This has been made available on the Council's website and in the Winter edition of the Contact magazine, both mediums have encouraged the public to make comment.

Following the Leader of the Council's briefing to local press on the Council's finances and proposed service and budget changes, the press has encouraged their readers to voice their opinions to the Council.

The Overview and Scrutiny Committee commenced its scrutiny process of the budget at a meeting on 28th October 2009. The Committee is meeting again on 2nd December 2009 to discuss the proposals contained in this report.

Local Committees have been giving consideration to priorities for their areas for 2010/11 over the last two cycles of meetings. Funding requirements for the chosen priorities will come in the main from the revenue and capital sums allocated to each committee. The committees will receive details of the budget during the cycle of meetings to be held in January 2010.

Discussions with the business community on the budget will be held with the Business Council at its meeting scheduled for 11th January 2010.

Details of the feedback received will be presented at the meeting.

7. Proposed Service and Budget changes for 2010/11 and 2011/12

The overall position in drawing together the proposals outlined in sections 3 and 4 above is that the funding gap for 2010/11 is addressed and with a small addition to balances of £12,952 being made. With regard to 2011/12 there is still some work to do as a savings target of £165,638 needs to be addressed. A summary of the General Fund revenue profile for 2009/10 to 2013/14 incorporating the proposed savings is attached at Appendix I.

8. Balances

Full Council, on 20th July 2009, agreed to a provision of £500,000 being set aside to meet anticipated redundancy and retirement costs resulting from the identification of £800,000 savings. The consequences of addressing a funding gap of £1.2million has resulted inevitably in an increase in the number of staff who will be affected and as such the redundancy and retirement costs are likely to require a further £500,000 to be set aside, for drawdown in

2010/11. It is therefore recommended that the reserve for redundancy and retirement costs is increased to £1million.

The recommended set aside of £500,000, outlined above, and the expected requirement to account for the estimated loss (current assessment is £1.01million) on the investments made with Icelandic Banks in 2010/11, will have a significant impact on the general balance. However the Council does have reserves which have been earmarked in the past for specific purposes and the Housing Revenue Account balance. A schedule of these balances/reserves is provided at Appendix J.

An initial review of the earmarked reserves indicates that a number of the reserves could be returned to the general balance either in full or in part. Recommendations regarding the earmarked reserves will be presented in the Finance Report to Cabinet in February 2010.

Given the position above it is recommended that the Council takes the opportunity to seek permission from the Secretary of State to capitalise the anticipated redundancy and retirement costs. This will enable the costs to be charged against capital resources. Requests for permission are required by 15th December 2009.

9. Housing Revenue Account

Increases to the rent and service charges applicable to the few dwellings that the Council retained following transfer to Greenfields CH will be set in accordance with the guidance, when received, from Central Government.

10. Capital

Details of the capital resources anticipated to support the Capital Programme were provided in the MTFs report received by Cabinet on 12th October 2009. An updated schedule of the resources together with the capital projects approved to-date for the period 2009/10 to 2013/14 is provided at Appendix K.

Requests for funding new capital projects have been received and the proposed list of projects for inclusion in the 2010/11 Capital Programme is attached at Appendix L.

The figures as presented do not include any costings or provision for the Council's future office accommodation requirements.

Corporate Implications				
Financial:	Detailed in the report			
Legal:	Legal implications of any of the saving proposals will be included as appropriate under each proposal			
Equalities & Diversity:	Any implications will be included as appropriate under each proposal			
Customer Impact:	Any implications will be included as appropriate under each proposal			
Environment & Climate Change:	Any implications will be included as appropriate under each proposal			
Consultation/Community Engagement:	Local Committees	X	Partners	X
	Public	X	Staff	X
Key Decision:	Yes			
Public/Private Report:	Public			

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