

CABINET

27 OCTOBER 2008

THE REVENUE BUDGET 2009-10 INCLUDING BUDGET OPTIONS

REPORT OF THE DIRECTOR OF FINANCE

1. INTRODUCTION/BACKGROUND

- 1.1 To set out the key actions and strategy for delivering a balanced revenue budget for 2009-10. There are a series of recommendations at the end of this paper.

2. CURRENT POSITION

- 2.1 Members will recall the starting position of a gap of £17.3m, as shown in Annex 1.
- 2.2 The proposals to reduce the gap start with further growth, consisting of pressures, of £1,648k; if this is substituted for the 10% £1,500k, which is part of the £17,300k, that figure is revised to **£17,448k**
- 2.3 The second part of the proposals are a mix of cuts and increased income, as follows, producing a reduced gap:

Revised gap		17,448
Expenditure - 76%	-6,317	
Income - 24%	<u>-1,983</u>	
Total		<u>-8,300</u>
Reduced gap, assuming full adoption		<u>9,148</u>

2.4 Latest Proposals

A further set of budget options have been proposed, details of which are found in Annex 2 (to follow).

2.5 Other Savings Planned

As noted at section 5 in the budget report to Cabinet dated 29 September 2008, work (often in conjunction with the Unity Partnership) is currently being undertaken on various other cross-cutting savings options :-

- rationalisation of accommodation
- better and more effective use of transport

- one organisational approach to similar services through a centres of excellence approach now proposed as Supporting Transformation in Strategy and Resources.
- Directorate wide review of Environmental Services.
- Delivering benefits from recent investment in new IT systems such as SWIFT (Adults and Childrens services), Agresso (Financial Management Creditors and Debtors) and Vision (HR and Payroll).
- The Chief Executive's organisational review

Detailed budget options for the above are currently being finalised and these will be sent out separately.

3. **RISKS**

- 3.1 There is a risk that further work on the budget, could increase the size of the revised gap. There are four risks:

1. The budget holes in the 2008-09 budget – the process of finding savings for 2009-10, will remove funding that currently supports ‘excess’ expenditure. Some of the holes have been recognised in the pressures already identified, but there are further holes, for example, £400k on the car parking budget. Whilst there is the hope that an exercise to improve the accuracy of the budgets will identify compensating savings (recharges), this is not certain.
2. The £4.2m efficiency savings in the 2008-09 budget. The predecessor Director’s view is that there will be a shortfall in achievement of £1.8m.
3. The revenue costs of redundancy – there are two types of cost, those unsupported by the DCLG approved borrowing, and the revenue payback of the borrowing approved by the DCLG.
4. The possible refusal by the DCLG to agree to capitalisation of the costs of redundancy, in whole or part. This is an undeveloped appreciation of the risk, that will be firmed up by Christmas – no figure is included yet. However, the DCLG announcement will not be made until January 31, 2009.

4. PREFERRED OPTION/NEXT STEPS

4.1 Although the Council has entered into a contract with KPMG to identify savings, there is an immediate action and a longer term risk that has to be considered.

1. Immediate action – in order to minimise the "double counting" of efficiencies, a mechanism has been agreed whereby any savings agreed by Cabinet by the cut of date of October 31st, will not be counted by KPMG. This gives the Administration time to consider increasing the level of savings.
2. Longer term risk - the level of savings that KPMG might deliver in 2009-10 will be in a range.
 - First, the bottom of the range. The KPMG analysis will be based, in

part, on the budget information, which, is recognised to be in need of improvement. The practice of “bottom line budgeting” has shifted attention away from good budgetary practice, such that the budgets are regarded as unreliable at a detailed level, as shown by the existence of pressures and aspirational efficiency savings.

It is this detail that will be the basis of the KPMG analysis, and could lead to recommendations that cannot be sustained, through no fault of KPMG.

- Next, the top of the range. KPMG have a track record of delivering savings, that with the right deployment of the Council’s capacity, can be delivered, on a tight timetable.
- Finally, the timing of the KPMG proposals will be late in the budget process, post Christmas. This constrained timescale would suggest the budget saving will be at the lower end of the range.

4.2 It is proposed, as a working hypothesis, that the range for KPMG savings be £2m to £10m. This means that the Council should have plans, for layers of savings across the whole KPMG range that can be called off, depending on the level of KPMG delivery.

4.3 Therefore, pulling this all together, we arrive at a target range of savings for which the Council should be prepare:

	Minimum KPMG/Max Council £000's	Maximum KPMG/Min Council £000's
Revised gap, assuming full adoption	9,148	9,148
Less KPMG delivery min/max	<u>-2,000</u>	<u>-10,000</u>
Sub-total	7,148	-852
Add revenue costs of redundancy *	1,020	1,020
Add risks		
Holes	400	400
Efficiency	1,800	1,800
Redundancy refusal	<u>0</u>	<u>0</u>
	<u>10,368</u>	<u>2,368</u>

- based on 400 jobs at £20k each, £8m; repayment over 10 years at 5% is £127.5k per £m.

The funding of the target would include cuts to actual or planned expenditure, increased income or the use of one-off funds. This has not been rehearsed in this paper

5. FINANCIAL IMPLICATIONS AND TREASURERS COMMENTS

- 5.1 The Council will need to set a balanced budget in February 2009, and in the context of the significant level of financial savings required it is reassuring that proposals are being brought forward earlier than in previous years. A further set of budget papers is expected through the Autumn. (PT)

6. CORPORATE HUMAN RESOURCES COMMENTS

- 6.1 Human Resources advisors have been heavily involved in the budget process and are leading on consultations with Trade Unions, where we have set up the closest possible working relationship. Formal notification has been given to Trade Unions that there may be up to 850 redundancies, and collective consultation is underway. Procedures being followed are designed to minimise the possibility of compulsory redundancies and the process of bringing forward consideration of potential options

should assist in that aim. (RC)

7. LEGAL SERVICES' COMMENTS

7.1 Legal advice has been provided to the budget process. There is a legal requirement for the Council to set a balanced budget. (PE)

8. IT IMPLICATIONS

8.1 Not applicable at this stage

9. PROPERTY IMPLICATIONS

9.1 Not applicable at this stage

10. ENVIRONMENTAL AND HEALTH & SAFETY IMPLICATIONS

10.1 Not applicable at this stage

11. COMMUNITY COHESION IMPLICATIONS (INCLUDING CRIME AND DISORDER IMPLICATIONS IN ACCORDANCE WITH SECTION 17 OF THE ACT)

11.1 Not applicable at this stage

12. RECOMMENDATIONS

12.1 That the following is considered:

- There is a robust challenge to the scenario set out above;
- Individual costs are revisited to reduce their impact;
- The 10% Choice of £1.5m, is replaced by the identified pressures, currently at £1.648m;

- A freeze on 2008-09 expenditure is considered, to generate one-off funds for 2009-10;

- The early implementation of increases in charges is considered, to generate one-off funds for 2009-10;
- Further savings are agreed at the October 27 Cabinet, to reduce “double counting”;
- Funding of the target range, at both ends of the scenarios, are developed, that are ranked in order of implementation, and include the three sources set out at 5.2 above.

13. FORWARD PLAN REFERENCE

13.1 Key Decision: YES / NO (delete as applicable)

14.0 SUPPORTING PAPERS

14.1 Appendix 1 to follow will provide details of additional budget options

BACKGROUND PAPERS

The following is a list of background papers on which this Report is based in accordance with the requirements of Section 100D(1) of the Local Government Act 1972. It does not include documents which would disclose exempt or confidential information as defined by that Act.

DOCUMENT	DATE	FILE OR OTHER REFERENCE	PLACE OF INSPECTION
Cabinet Report	29 Sept 08	EDRS	

AUTHOR OF THE REPORT	TEL NO	DATE	ID NUMBER
(Name and Title)			
Peter Timmins – Director of Finance	0161 770 4900	17/10/08	

Signed	Dated
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<hr/> EXECUTIVE DIRECTOR	<hr/>
Signed <hr/> CABINET MEMBER	Dated <hr/>

Ref: Document7

	£000's	£000's	£000's
Costs			
Inflation	6,811		
Levy inflation	<u>740</u>		
		7,551	
Growth			
BSF	2,370		
Lighting	1,100		
Equal pay etc	1,425		
Job Evaluation	1,500		
One Year Options	5,228		
Levy	1,921		
10% Choice	1,500		
Priority investment	<u>1,000</u>		
		<u>16,044</u>	
			23,595
Income			
Less income (inflation)		-619	
Less funding increase			
Government	-4,600		
Council Tax	-2,300		
Balances no use	<u>1,224</u>		
		<u>-5,676</u>	
			<u>-6,295</u>
Original Gap			<u>17,300</u>

2009/10

Second Stage Budget options – Public Version

Summary

	Savings	Investment / Pressure	
Previous options	£8.300m	£1.648m	Detailed in Cabinet Report 29 September 08
Current options	£1.775m	£0.060m	Detailed in this document
Total savings and total pressures	£10.075m	£1.708m	
Total savings minus pressures	£8.367m		

Note –As was done last year it is the Council's intention to raise fees and charges on 1Jan 09

2009/10 SECOND STAGE BUDGET OPTIONS 21 October 08

	Summary	Savings	Pressure
	ACS	850	
	CYPF	197	
	ENV	299	60
	REG	nil	
	S&R	489	
	Total	£1.775m	£60k

ADULT AND COMMUNITY SERVICES			
Number	Division/Proposal	2009/10 Saving (full year if different) £k	Comments/Description
ACS 6	Adult Social Care – Close High Barn Day Centre	350	This building is the last one for modernisation and an assessment of future use is under consideration
ACS9	Review of Libraries service including branches and mobile service	150	£180k full year cost. Option is made up of Stoneliagh, Broadway and mobile Library service with Greenfield to be considered in the longer term
ACS 9	Culture – Review provision of Tourism Service	50	Reduction in service that is to be remodelled and possibly provided on a self serve basis.
ACS 10	Adult Social Care – Reduction in size & quality of care packages provided to clients	300	Work underway on this with a view to a tightening of access criteria, and some reduction in care packages but with no change from severe to critical criteria.
	ACS total	850	

	CHILDREN YOUNG PEOPLE AND FAMILIES		
Number	Division/Proposal	2009/10 Saving (full year if different) £k	Comments/Description
CY5	Learning Development & Localities	42	Remove contribution to the Extended schools service
CY5	Learning Development & Localities	48	Reduction in consultant and advisory budget for National Strategies – School Improvement Service
CYP9	Supporting & Extending Learning Stage 2 at 20% through restructure of posts	107	QEST - delete team leader and vacant teaching post
	CYPF TOTAL	197	

	ENVIRONMENTAL SERVICES		
Number	Division/Proposal	2009/10 Saving (full year if different) £k	Comments/Description
E27	Env Health & Registrars – Restructure and reduce no. of Principal EHOs by 1	43	Restructure of service with limited impact on the service
E32	Trading Standards and First Response Restructure - Deletion of the post of Principal Officer	47	Restructure of service with limited impact on service
E36	Investment - Highways and Parking Increase to fund the revenue impacts of capital programme commitments	(60)	The investment will cover the revenue consequences of capital schemes (eg the additional maintenance costs associated with the introduction of road safety schemes, etc.)
E45	Revise the Concessions rates for the queen Elizabeth Hall	22	Some impact on current concessions but a fair transparent scheme to be developed
E52	Restructure the School Crossing Patrol Service particularly at Pelican traffic light junctions.	30	Delete vacant posts that the council have been unable to fill and consider future vacancies as they arise without compromising safety. Data on Controlled crossings will influence this
E 100.1	Delete post of Planning Officer / Senior planning officer	38	Minimal impact on service delivery

E100.2	Delete vacant post of nutritional Support manager in the Catering section	24	Minimal impact on service delivery
E100.3	Delete post of Finance and Administrative Assistant	23	Minimal impact on service delivery
E100.3	Delete half a post of accident claims investigator	12	Minimal impact on service delivery
ENVIRONMENTAL SERVICES TOTAL		299-60 growth =239	

REGENERATION			
Number	Division/Proposal	2009/10 Saving (full year if different) £k	Comments/Description
	REGENERATION TOTAL	nil	

STRATEGY AND RESOURCES			
Number	Division/Proposal	2009/10 Saving (full year if different) £k	Comments/Description
S10 /S15	Communities Unit – Review and reprioritise funding for organisations	255	Merger with Oldham Partnership commissioning process is expected to remove some duplication and all grants will be reviewed as part of this process
S14	Communities Unit – delete support budget for Area Action teams	50	Work currently being undertaken to ensure that the Area Action Team activity remains existing levels. Alternative investment from external area based grant is being sought to compensate for this
S53	Human Resources Further restructure of the service	154	. Work currently being undertaken to minimise public impact
S58	Legal and Democratic – Restructure Constitutional services	30	- Work currently being undertaken to minimise public impact
	Total Strategy and Resources	489	

