

TELFORD & WREKIN COUNCIL

CABINET – 28 JUNE 2012

SERVICE & FINANCIAL PLANNING UPDATE

**REPORT OF THE MANAGING DIRECTOR AND THE ASSISTANT
DIRECTOR: FINANCE, AUDIT & INFORMATION GOVERNANCE (CHIEF
FINANCIAL OFFICER)**

LEAD CABINET MEMBER – CLLR BILL McCLEMENTS

1. PURPOSE

When the budget for the current year was set specific savings proposals totalling over £19m were approved. However, a target of £0.88m remained where specific proposals needed to be developed. This report gives a progress update against this remaining target for 2012/13 and on the more significant challenge of identifying proposals for the further remaining projected gap of around £3.7m for 2013/14.

2. RECOMMENDATIONS

2.1 The additional 2012/13 savings proposals included in Appendix 1 be approved and an Impact Statement completed.

2.2 Authority to approve Invest to Save bids be delegated to the Managing Director after consultation with the Cabinet Member for Resources and Service Delivery.

3. INFORMATION

3.1 Service and Financial Planning Strategy.

The Service and Financial Planning report approved at Council in March included a set of principles used in developing the strategy and articulated the key features of the strategy that was adopted. It is now timely to review both the principles and strategy as these should inform the development of further savings proposals and particularly to express these as concisely as possible so that they can be more easily communicated both within and outside the Council.

Four key principles have been agreed, i.e. that when developing the service and financial planning strategy we should:

- In line with our co-operative values, work together with and involve our residents and employees in developing our strategy;
- Adopt a commercial approach and facilitate growth;
- Minimise the impact of savings on front-line service delivery;
- Minimise the impact of savings on our employees as far as possible.

In line with these principles, the starting point for our strategy is to focus on areas that do not have significant impact on front-line service delivery or employees, such as:

- **Improving procurement** e.g. re-tendering contracts, reviewing and robustly re-negotiating existing contracts, making greater use of framework agreements and getting added social value from procurement;
- **Property rationalisation and generation of capital receipts** – we have ambitious plans to invest in schools, regeneration and other capital projects to transform the Borough. In order to minimise the burden of ongoing debt repayments we're committed to a significant programme of asset sales totalling £110m over the medium term;
- **Driving down non-staffing costs that have minimal impact on service delivery** - reviewing and challenging budgets 'line by line' e.g. stationery, hospitality etc to ensure we have exhausted as many options as possible before considering changes or reductions to services.

However, due to the scale of the budget gap, some impact on service delivery and employees is inevitable. Our approach involves:

- **Carrying out planned, long-term service re-design, based around priorities**, not quick-fix options, such as withdrawing services or changing eligibility criteria e.g.
 - Children's Services – better help for people in the early stages of difficulties and more targeted help for families with complex needs;
 - Adults' Services – re-ablement to help ill or disabled adults learn or re-learn how to live independently;
 - Customer Services – more enquiries dealt with first time through a single point of contact
- **Facilitating growth** – becoming a business-winning council, increasing prosperity in the Borough and maximising income from business rates and the New Homes Bonus;
- **Working co-operatively with local people, organisations and partners** e.g.
 - Co-production and other new service delivery partnerships with the community;
 - Joining up services better to remove overlap and duplication;

- Partnership with Town and Parish Councils to secure environmental improvements;
 - Encouraging local people to recycle more and reduce waste disposal costs.
- **Increasing income generation and external trading** – a more commercial approach and a particular focus on providing support services at affordable cost to local Voluntary & Community Sector organisations, Town & Parish Councils, partners, schools;
 - Our aim is to actively seek applications for voluntary redundancy and to promote flexible working arrangements in order to keep compulsory redundancies to a minimum although some continuing **targeted restructuring activity** is inevitable.

3.2 2012/13 - Remaining Budget Gap.

When the budget for the current year was approved in March, specific savings proposals totalling £19m gross were agreed (on top of over £22m of ongoing savings achieved during the 2009/10 to 2011/12 period). However, a further £0.88m of savings were needed but had not been specifically identified at that stage. Appendix 1 details just over £0.9m of proposals that will meet this remaining target for 2012/13.

3.3 2013/14 - Remaining Budget Gap.

On 17th May 2012, the Government issued a series of documents that provide more information on how the new Local Government Finance system will operate. However, there are still many gaps in the information needed before accurate projections of the actual funding shortfall for next year can be made. It is therefore proposed that for the time being the projections used in the March Council report are retained although as additional information becomes available on the new system these projections will be kept under review.

The March projections showed that around a £3.7m further savings will be needed for 2013/14 on top of the £9.3m gross savings proposals already included in the March Council report for next year (and assuming that the £0.9m required in 2012/13 is found on an ongoing basis – per Appendix 1).

These projections assume that the Council's £2.1m share of national NHS funding passported via the PCT for adult social care expenditure is still available in 2013/14 although this has not yet been confirmed but we are aware that this funding remains in the national control totals for 2013/14 and 2014/15.

Following positive discussions with the PCT on the approach to redressing to some extent the significant shift in funding for Continuing Healthcare cases, it is considered appropriate to reduce the projected shortfall of £3.7 to £2.7m to reflect an anticipated reduced cost to the Council from 2013/14 for Continuing Healthcare cases.

Clearly identification of further savings becomes increasingly difficult each year but proposals that would generate £2.7m are detailed below:-

	£m
Improved procurement – New arrangements for supporting people	0.350
Driving down non-staffing costs with minimal front-line service impact – various operational efficiencies	0.820
Service reviews – Oakengates Theatre and Employment Services	0.150
Additional income including dividends from West Mercia Energy and income from invest to save projects	0.480
Targeted restructures in OI/HR, Finance, Audit & Information Governance and Development, Business & Housing (Full year impact £0.5m)	0.300
Phasing of one-off funding available to smooth the introduction of the new local Council Tax Support scheme following the Government's proposed cut of 10% to Council Tax Benefit subsidy. To be funded from further ongoing savings in 2014/15.	0.600
Total	2.700

3.4 Invest to Save Initiatives/New Income Opportunities.

A different approach has been used to identify these further savings with no specific targets being set for service areas and no differentiation between staffing and non-staffing budgets and the active pursuit of “invest to save” and new income opportunities.

The Government have given clear messages that local authorities should seek to reduce their reliance on Government grant given the severe financial constraints on public expenditure currently being experienced and which are expected to increase in severity beyond the current Comprehensive Spending Review period. It is therefore essential that public services identify and actively develop opportunities for new income streams whilst at the same time seeking to address community needs.

The Council has a £0.5m revenue invest to save reserve which was approved at Cabinet in February and a number of the savings proposals now put forward are dependent upon investment up front in order to achieve ongoing revenue savings. It is recommended that these invest to save bids are reviewed by the Cabinet Member for Resources and Service Delivery and authority delegated to the Managing Director after consultation with the Cabinet Member to approve the bids. However, bids total well in excess of the resources available although some of the investment could potentially be capitalised. Subject to consideration by the managing Director and Cabinet Member, revenue bids totalling just over £0.6m could initially be approved and

capital expenditure of £2.7m in order to generate ongoing revenue savings although the amount of debt outstanding will increase. The Final Accounts report for 2011/12, also on this agenda, recommends the contribution of a further £0.5m in to the Invest to Save Reserve, this would leave a balance of around £0.4m to help fund any further bids that come forward as further work on developing further savings proposals progresses

3.5 Next Steps.

To ensure we are meeting our duty under the Equality Act an initial scoping exercise of individual future budget savings proposals has been carried out. This scoping exercise has identified suggested requirements for impact assessments and consultations, as follows:

- No specific impact assessments or engagement activities have been identified for the individual 2012/13 proposals included at Appendix 1 and the planned review of fees and charges in mid 2012/13. An overarching Impact Statement will however be prepared.
- Individual impact assessments and engagement activities have been initially identified for some of the 2013/14 additional savings proposals and the 2013/14 and 2014/15 proposals included in the March Council report. This scoping exercise will be discussed with Cabinet Members for agreement to action from lead Cabinet Members.
- Following Cabinet Members agreement, impact assessments and engagement activities will be carried out over the coming months - starting well in advance of previous Council practise to ensure maximum opportunity for those affected by savings proposals to comment on them.

Further work is currently in progress to generate further savings proposals including:-

- Further review of income sources and opportunities from adopting a more commercial approach in appropriate circumstances.
- Under-taking a strategic review of budgets by reviewing the out-turn position for 2011/12 to identify any potentially ongoing areas of underspend and other opportunities for ongoing savings not already included in savings proposals.
- Review of the level and apportionment of Central Establishment/Support Service Charges.
- Work co-ordinated through the Procurement Steering Group to identify further opportunities for savings from better procurement.
- Seeking to firm-up the position on Continuing HealthCare costs
- Assessing whether additional income from New Homes Bonus over and above the levels already assumed could reasonably be expected and built in to financial projections.

As further information becomes available on the implications of the new Local Government Finance system which will be operational from 2013/14 updates will be brought to Members.

Regular monitoring will be undertaken to ensure that savings proposals are implemented on time and that the Council's overall service and financial planning strategy remains on track.

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