

**REVENUE BUDGET PROPOSALS 2011/2012**

**Report of the Chief Executive and Director of Commercial and Corporate Services**

**1. Purpose of Report**

- 1.1 Following the receipt of the provisional Local Government Finance Settlement on 13<sup>th</sup> December 2010, attention has been given to the impact of the settlement on the Budget Planning Framework for 2011/2012 established and approved by Cabinet at its October 2010 meeting and updated at its December 2010 meeting.
- 1.2 To report the provisional budget proposals for 2011/2012, as a basis for the continuation of budget consultation, prior to the receipt of the final Local Government Finance Settlement 2011/2012.

**2. Description of Decision**

- 2.1 Members are requested to approve the provisional budget proposals, as a basis for the continuation of budget consultation, prior to the receipt of the final Local Government Finance Settlement 2011/2012.

**3. Impact of the Provisional Local Government Finance Settlement on the Budget Planning Framework for 2011/2012**

- 3.1. The outcome of the provisional Local Government Finance Settlement for 2011/2012 was announced on 13<sup>th</sup> December 2010 and is the subject of a separate report on this Cabinet agenda. The provisional settlement for 2011/2012 forms the first year of a two year settlement covering 2011/2012 and 2012/2013.

A brief summary of the main impact of the settlement on the budget position is set out below.

**3.2. Overall Resources (Revenue Spending Power) for 2011/2012 and 2012/13**

- 3.2.1 In presenting the provisional Local Government Settlement and its impact on local Councils the government have introduced a new concept of "Revenue Spending Power" to describe the changes to Local Government funding. A Local Authority's "Revenue Spending Power" is made up from the combined total of:

- Council Tax Requirement,
- Formula Grant allocation,
- New Specific Core Grants, and
- NHS funding for social care.

3.2.2 The table below shows the overall Resources Position for 2011/2012 compared to 2010/2011 as defined by the new Revenue Spending Power concept.

	<b>2010/11 Adjusted (£m)</b>	<b>2011/12 (£m)</b>	<b>Change (£m)</b>	<b>Change (%)</b>
Council Tax Requirement	95.238	95.238	0	0
Formula Grant	178.278	158.132	(20.146)	(11.30)
Learning & Disabilities	10.834	11.056	0.222	2.05
Early Years Intervention	17.968	15.651	(2.317)	(12.90)
New Deal for Communities	2.366	0	(2.366)	(100)
Cohesion	0.107	0	(0.107)	(100)
Working Neighbourhood Fund	9.940	0	(9.940)	(100)
Prevent	0.116	0	(0.116)	(100)
Housing & Council Tax Benefit	3.682	3.383	(0.299)	(8.12)
Preventing Homelessness	0.181	0.216	0.035	19.34
Indicative Council Tax Freeze Grant	0	2.385	2.385	100
Spending power before inclusion of NHS funding	<b>318.710</b>	<b>286.061</b>	<b>(32.649)</b>	<b>10.2</b>
NHS to Support Social Care	0	4.339	4.339	100
<b>Revenue Spending Power</b>	<b>318.710</b>	<b>290.400</b>	<b>(28.310)</b>	<b>(8.88)</b>

3.2.3 The table shows the Council is facing a loss in its overall resources of £28.310m equivalent to an 8.88% reduction if the new the Social Care funding allocated to the NHS of £4.339m is taken into account. As this money will be paid by government to the NHS the Council's real overall grant reduction in 2011/2012 amounts to £32.649m equivalent to a 10.2% reduction.

### **3.3. Schools Funding**

#### **3.3.1 Dedicated Schools Grant**

Funding for Sunderland schools continues to be influenced by reductions in pupil numbers. The October census data shows that pupil numbers are expected to reduce by 634. A cash floor arrangement at local authority level will be retained for 2011/2012, set at minus 2%. Based on the October data Sunderland is £50,000 above the floor protection, equivalent to the funding of 10 children. Therefore the outcome of the January census may once again see Sunderland receive the floor allocation.

The challenge is how to deliver the 1.5% floor protection for schools with an approximate 2% reduction in the Dedicated Schools Grant (DSG).

The DSG is split into 2 separate parts the Individual Schools Budget (ISB) and the Central expenditure (Local Authority support to Schools). The Central Expenditure limit will need to decrease by £1.1m to deliver the ISB 1.5% floor protection for schools. Options are currently being developed for approval by the Schools Forum in January.

The table below details the potential call on the total indicative funding available:

	<b>2010/2011</b>	<b>2011/2012</b>	<b>Variance</b>
Pupil Numbers	38,859	38,225	(634)
Guaranteed Unit of Funding (GUF)	£5024.78	£5024.78	
	£m	£m	£m
Grant Total (Pupils x GUF)	195.258	192.073	(3.185)
Floor Protection	0.730	0	
Early Years Funding	2.211	2.211	
Total Indicative Funding Available	198.199	194.283	(3.916)
ISB Delegated to Schools	183.438	180.509	
Rates	2.338	2.451	
Total ISB Budget	185.776	182.960	(2.816)
School Block - Other Expenditure	12.423	11.323	(1.100)
Total Indicative Call on Funding	198.199	194.283	(3.916)

### 3.3.2 Pupil Premium Funding

The pupil premium will be implemented from April 2011 and paid to the local authority as part of the pupil premium grant. It must be passed on in its entirety to schools. Sunderland Schools are likely to receive additional funding of approximately £3.4m based on 7,840 pupils eligible for free school meals in October 2010.

### 3.3.3 School Funding

In order to fund the pupil premium the Department for Education (DfE) has ended some Area Based Grants. The value of these grants within Children's Services is £4.5m that supported improvement in schools. In addition the Harnessing Technology Grant is to end that currently pays for Broadband connectivity and a managed internet service in all schools. Schools will now be required to fund this connectivity at an additional cost of £0.7m.

The level of the settlement as a whole is not as favourable for schools as it appeared at the time of the spending review. Michael Gove has acknowledged that some schools will see their funding cut and that the pupil premium funding has come from within the education budget. Officers continue to work with the Schools Forum to determine the allocation of funding to schools.

3.3.4 The table below summarises the impact on resource levels in 2011/2012 compared to 2010/2011 which shows an overall reduction of £8.033m.

	Centrally Retained Schools Block	Individual Schools Budget	Total Dedicated Schools Grant
	£m	£m	£m
Funding DSG	(1.100)	1.100	-
Reduction in Pupil Numbers		(3.916)	(3.916)
Area Based Grants	(4.500)		(4.500)
Harnessing Technology Grant		(0.700)	(0.700)
Early Years Intervention Grant	(2.317)		(2.317)
Pupil Premium		3.400	3.400
	(7.917)	(0.116)	(8.033)

The position is exacerbated by the previous use of flexibilities afforded through use of Area based grants to support Children's Services reductions in previous years amounting to £2.3m. This includes the 2010/2011 in year grant reduction which it is now clear was wholly related to Early Intervention Grant. In effect this means that reductions made to other Area based grants now ceased amounting to £1.1million need now to be found from Early Intervention projects, and that the 2011/2012 reduction will be 25.6% or £4.6m. Proposals to address the balance of £1.2million are currently being considered and will be reported as part of the final proposals to February Cabinet.

### 3.4. Specific and Special Grants / Core Grants

3.4.1 The majority of former specific and special grants have been transferred into Formula Grant with those remaining now termed Core Grants.

3.4.2 The Council has received most of its Core grant allocations within the Settlement details released with those known at this stage fully set out in the table in section 3.2.2 totalling:

- £32.649m Council core grants including Council Tax Freeze grant
- £4.339m will be channelled through the Health Authority for Supporting Social Care

3.4.3 The PFI core grant has also not yet been confirmed but the allocation for the council is not expected to change from the previous year's allocation.

3.4.4 The new core grant known as the New Homes Bonus Grant worth £196m nationally is intended to incentivise local authorities to build and bring into use more homes, with a special emphasis on creating more affordable housing. Proposals for use of the funding will be considered once firm allocations are known.

3.4.5 Specific Grant in respect of Music Services amounting to £0.434m and former Area Based Grant relating to rights to free transport of £0.117m are still under review and is not expected to be announced until March 2011.

### **3.5. Area Based Grant**

3.5.1 The government has dismantled the Area Based Grant from 2011/2012. Sunderland previously received £35.9m through this mechanism in 2010/2011. These funds have either ceased or been directed through other funding streams:

- Working Neighbourhoods Fund (£9.9m), Cohesion (£0.1m) and Prevent (£0.1m) grants have ended (£10.1m in total);
- £17.4m worth of grants have transferred into Formula Grant;
- Grants totalling £3.3m have transferred into the Early Intervention Grant;
- Education related Grants totalling £4.5m have ended but they are to be used to fund the new Pupil Premium;
- Other grants worth £0.5m are still unknown at this stage as the government has yet to reach a decision on their future.

### **3.6 Council Tax Freeze Grant**

3.6.1 The settlement also confirms that the government is to provide £650m to fund the implementation of a Council Tax freeze in 2011/12 (equivalent to a council tax increase of 2.5%). This funding will be provided over the next 4 years to compensate councils for not increasing their council tax in 2011/12 but there is no funding to freeze Council Tax beyond 2011/12. Indicative allocations of grant amounting to £2.385m have been notified, however the actual sum received will be amended in accordance with Council tax base figures and at this stage the estimated grant would be £2.272m.

### 3.7 Proposals to meet variations in Core Grant allocations

3.7.1 As set out at paragraph 3.4 a number of Core Grants are subject to a net reduction of £8.164m. However if the Council Tax Freeze grant and the NHS funding for Support Social Care are excluded from this amount there is a reduction of £14.888m as shown below:

<b>Core Grant</b>	<b>2010/2011 allocation</b>	<b>2011/2012 allocation</b>	<b>Variation</b>
	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>
Learning & Disabilities	10.834	11.056	0.222
Early Years Intervention	17.968	15.651	(2.317)
New Deal for Communities	2.366	0	(2.366)
Cohesion	0.107	0	(0.107)
Working Neighbourhood Fund	9.940	0	(9.940)
Prevent	0.116	0	(0.116)
Housing & Council Tax Benefit	3.682	3.383	(0.299)
Preventing Homelessness	0.181	0.216	0.035
<b>Variation in Core Grant excluding Council Tax Freeze grant and NHS Support to Social Care</b>	<b>45.194</b>	<b>30.306</b>	<b>(14.888)</b>
Indicative Council Tax Freeze Grant	0	2.385	2.385
NHS Support Social Care	0	4.339	4.339
<b>Revenue Spending Power</b>	<b>45.194</b>	<b>37.030</b>	<b>(8.164)</b>

3.7.2 In light of the overall funding position it is proposed that in relation to the variation in Core Grants (excluding the Council Tax Freeze grant and NHS funding to support Social Care) that:

- Grant reductions of £15.145m be passported to the areas of relevant expenditure in accordance with actions taken in relation to the in year grant reductions for 2010/2011 and the agreed approach set out within the Budget Planning Framework;
- Expenditure relevant to the core grants which have increased be frozen at their 2010/2011 level of funding, with the increased funding available in 2011/2012 of £0.257m made available to meet the overall funding gap.

3.7.3 In relation to the NHS funding to Support Social Care it is proposed that the Council should work closely with its NHS partners to identify how the funding can be secured. However at this stage the due to the lack of clarity on this process it is proposed that the availability of the funding is not taken into consideration in the budget planning.

3.7.4 In relation to the Council Tax Freeze Grant it is proposed that for Budget Planning purposes an assumption of £2.272m be included in relation to grant income for 2011/2012.

#### **4. Budget Planning Framework**

4.1 When the Budget Planning Framework was approved in October 2010 it was agreed that the following spending commitments would be taken into account:

- A pay freeze for 2011/2012 and 2012/2013 be assumed with reference made to the current position with the employers national negotiations on pay;
- price increases be included on the basis of prudent assumptions in respect of:
  - Independent Care Providers;
  - Energy costs which remain volatile;
  - Other contractual obligations.
- prudent provision in respect of pensions increases taking into account both national reviews and local actuarial review of pensions (the latest position regarding the actuarial review of pensions will be reported to the February Cabinet) ;
- provision be made for spending commitments in respect of:
  - debt charges and interest receipts;
  - landfill tax and waste disposal strategic solution;
- the impact of demographic changes in respect of adult social care;
- pressures relating to safeguarding and external placements;
- service pressures as a result of the economic downturn;
- replacement of the temporary use of Working Neighbourhood's Funding to support mainstream grants to small businesses.

4.2 In addition Cabinet agreed :

- that budgets be prepared on the basis that all spending pressures not specifically identified above as commitments be accommodated within Directorate cash limits;
- that taking into account the Sunderland Way of Working and existing initiatives, Directors be requested to prepare longer term efficiency plans to identify efficiency savings, covering a four year period based on 10% year on year targets, to be reviewed and reassessed as confirmed changes in Government funding are announced and as the Business Transformation Programme progresses;
- that commitments against general balances be noted and the scope to utilise balances temporarily be explored.

4.3 The impact of the Comprehensive Spending Review announced on 20th October 2010 was reported to Cabinet in December 2010, and Cabinet agreed at that time to continue the work set out at 4.2 above, together with a much increased focus on Service Reviews and other options to enable the Council to address the anticipated overall funding gap.

4.4 Since the Budget Planning Framework was approved and in light of the Provisional Local Government Finance Settlement, draft budgets have been amended to reflect:

- Single Status Phase 2 – continued prudent provision has been made to reflect the impact of the implementation of single status phase 2;
- Integrated Transport Agency – a reduction of £1.048m has been notified in respect of the levy payment amounting to a 5% reduction as part of the review of Joint Service budgets and will be taken into account in finalising the overall position;
- a re-assessment of the provision for waste disposal to reflect latest projections of waste collection, increased landfill tax and the impact of recycling initiatives;
- additional impact of demographic changes e.g. Bereavement Services.

## **5. Provision for Spending Pressures and Commitments**

5.1. At this point in the preparation of the Revenue Budget for 2011/2012, provision has been made to address a number of spending commitments and pressures as set out below:

### **5.2. Resources**

#### 5.2.1 Port

The Port continues to be affected by the global economic downturn producing difficult trading conditions, and resulting in reduced income levels continuing to be experienced. The Port Director continues to seek new business opportunities in order to mitigate the deficit position. However at this stage it is considered prudent to include provision of £750,000 to address this shortfall in income.

#### 5.2.2 Debt Charges

Provision of £1m is included at this stage to meet the debt charges arising from the existing Capital Programme Scheme approvals and in recognition of the impact of the increase in new prudential borrowing costs announced in the Spending Review.

#### 5.2.3 VAT Increase

The Emergency Budget on 22nd June 2010 included a measure to increase the standard rate of VAT, from 17.5% to 20% from 4th January 2011. This new rate applies to all VATable goods and services at the standard rate.



In relation to expenditure which the Council incurs in providing services, the Council is able to reclaim from Government the value of any VAT paid out on the cost of supplies or services and therefore has a mainly neutral impact on the cost of services to the Council. The main exception is where charges for services provided to the Council by third parties may increase e.g. in the social care sector, as a consequence of their inability to recover the additional VAT costs they incur.

In relation to income generated from Council services the charges must include the increase in VAT from 4th January 2011. In the current financial climate of government grant reductions, the general principle is to seek to pass on the increase in VAT to the customer for services after considering, on a case by case basis, issues such as:

- the most cost effective time to implement the change in customer prices, whilst minimising the financial loss to the Council, and
- the practicality of what the increase of 2.5% will mean to the inclusive charge to the customer particularly for relatively small fees such as leisure activities e.g. increasing a charge of £2.00 to £2.04 could more realistically result in a price of £2.05.

### **5.3. Healthy City**

The following proposals are made:

#### **Fees for Independent Care Providers**

An additional £1.064m is proposed to be provided to assist in funding fees for independent care providers for children's social care in 2011/2012.

In addition there are a number of other proposals for investment that are outlined later in the report to enable services to be reconfigured in accordance with the 15 year modernisation plan for adult social care.

### **5.4. Children and Learning City**

The following proposals are made:

#### **Fees for Independent Care Providers**

An additional £0.394m is proposed to be provided to assist in funding fees for independent care providers for children's social care in 2011/2012.

## Safeguarding

A sum of £1.5m is proposed to fund the following:

- The safeguarding service continues to experience a high number of referrals in Case Management. In order to respond to these additional safeguarding needs, additional and more costly agency social workers have been recruited. A planned Recruitment and Retention strategy is beginning to have an impact on recruitment, including recruitment of experienced social workers from the United States. The ongoing implication of maintaining the established number of social workers and having plans in place to reduce reliance on external agency staff is £350,000.
- Sunderland still has relatively few looked after children placed in external placements in comparison with most other local authorities nationally and regionally. However, the cost of these placements results in a significant budget pressure. Based on the outturn position over the past 3 years for external placements there is an inherent budget deficit within Children's Services of £1.150m. Whilst strategies are in place to recruit additional foster carers to meet current and projected demands it is important to address this shortfall. The impact of the implementation of the Children's Placement Strategy and in particular the Foster Care Strategy will be closely monitored to ensure savings are realised in the medium term.

## **5.5. Prosperous City**

The following proposals are made:

### Working Neighbourhoods Fund

When Working neighbourhoods fund was introduced in 2008/2009 Council agreed that £1.070m of the fund be utilised to support mainstream Council Business Investment Activity and job creation schemes on a temporary basis for each of the three years of the life of the fund through to 2010/2011. As the Working Neighbourhoods funding is to cease from 2011/2012, it is necessary replace the use of the grant with mainstream Council resource. A sum of £1.070m is therefore included within the budget planning.

### Economic Downturn

The Council continues to experience a downturn in income in relation to a number of services including car parking, rents from the property portfolio and planning application fees. Whilst it is planned that all services will be subject to service review, it is considered prudent at this stage to include a sum of £0.750m in the budget planning proposals.

## 5.6. Sustainable Communities

The following proposals are made:

### Waste Disposal

In accordance with the policy of gradually building up provision within the Council's base budget to fund the eventual affordability gap associated with the Waste Disposal Solution, it is proposed to make provision of £1.2million for 2011/2012, taking into account the landfill tax that will be saved when the Waste Disposal Strategic Solution comes on stream.

## 5.7. Attractive and Inclusive City

The following proposal is made:

### 'Kerb It' Replacement Scheme

A sum of £146,000 is proposed to meet the additional costs of leasing vehicles to support the 'blue bin' scheme which is replacing the existing 'kerb it' scheme. This will allow for the provision of rear end loading vehicles to accommodate the new bin.

## 5.8. Overall Spending Commitments Position

The table below shows the summary position in relation to spending commitments for 2011/2012 which are provided for within the planning framework at this stage.

	<b>2011/2012</b>
	<b>£m</b>
Pensions and other Cost Pressures	1.668
Port	0.750
Debt Charges	1.000
Fees for Independent Care Providers and other contract inflation	1.691
Safeguarding / External Placements	1.500
Working Neighbourhoods Fund	1.070
Economic Downturn	0.750
Waste Disposal	1.200
Kerb it Vehicle Leasing	0.146
	<hr/> <b>9.775</b> <hr/>

## **6. Budget Consultation**

6.1 The Budget and Policy Framework procedure rules contained within the Constitution of the Council requires consultation on budget proposals to take place. In September 2010 Cabinet approved proposals regarding the consultation strategy and framework for the budget for 2011/2012 and proposed briefings to the following stakeholders:

- Trade Unions;
- Representatives of Business Ratepayers;
- Voluntary Sector;
- Youth Parliament;
- Schools Forum, Head Teachers and Governors.

At each stage in the budget preparation process reports are referred to the Management Scrutiny Committee for review.

6.2 In addition to the above stakeholder consultation, a survey was undertaken with the citizen's panel - Community Spirit - on nine service priority areas for 2011/2012. The survey asked respondents to indicate the extent to which they agreed that the areas identified should be a priority for 2011/2012.

6.3 To supplement the survey, focus groups were held, with Community Spirit panel members and representatives from the voluntary and community sector, in different locations throughout the city.

6.4 Detailed analysis of the feedback undertaken is still being finalised but the provisional budget proposals in this report are consistent with the summary findings to date. This report will become the basis for second stage consultation. Elements of the consultation undertaken to date, which has not yet been fully analysed, together with the results of the second stage of consultation will be considered in framing the final budget proposals to be submitted to Cabinet in February, 2011.

## 7. “One off” Spending Pressures

### 7.1 Invest to Save Transitional Costs

#### - SWITCH Team

To enable transition to revised operational arrangements reflecting the Sunderland Way of Working the Council has established the SWITCH team. This will enable people who are displaced as new organisational structures are established to be given the opportunities of alternative employment in priority projects until they are accommodated in a permanent position within the council’s new operating arrangements. During this period of transition, additional staffing costs will need to be met. A sum of £8.3m has been provided within the Budget Planning proposals at this stage. This will be reviewed on an ongoing basis together with the impact of any other transitional costs related to the implementation of savings proposals which will be reported to Cabinet as appropriate.

### 7.2 Invest to Save Directorate Modernisation Programmes

There are a number of significant pressures in Adult Services arising from demographic changes and implementation of government policy. In accordance with the Budget Planning framework policy of identification of actions to contain pressures Health Housing and Adult Services have identified £4.509 million additional savings proposals in order to reinvest in the following areas:

#### 7.2.1 Home care services

By investing in low level preventative services such as Home Care, in line with Government and Council policy to support more people to live at home for longer should they choose this, helping prevent more costly admissions to residential and nursing care - £1.709m

#### 7.2.2 Extra care facilities

By investing in Extra Care facilities (Cherrytree Gardens) and additional new schemes helps prevent people from admissions to residential and nursing care and provides people with their own independence - £0.629m

#### 7.2.3 Accommodation solutions

By investing in new accommodation solutions for:

- Clients with Learning disabilities, including the provision of community living schemes and provision of care support teams within these facilities. This assists in meeting increasing demand for these services as people with significant disabilities are living longer. This in turn prevents admissions to Residential and Nursing care and promotes independence - £1.888m
- Clients with Mental Health needs, including the provision of Residential and Nursing care facilities and other accommodation solutions. This helps to meet an increasing demand for the service and promotes independence - £0.217m

#### 7.2.4 Home Improvement Agency services

Investing in the Home Improvement Agency which delivers Disabled Facility Grants assists home owners to achieve Decent Homes Standards, together with providing minor alterations and the Handyperson service. These services all help to maintain people within their own homes for longer, thus preventing more costly forms of support and admission to residential care. In addition it ensures that people live in homes which are of a decent standard – £0.066m.

7.3 There are a number of other one off revenue spending priorities that have been identified which accord with the priorities arising both from budget consultation but also key strategic priorities to enable economic regeneration in the city at this time of economic restraint. They include:

- City Centre Developments - continued investment in the city centre to attract visitors and businesses to the city on a permanent basis
- Festivals and Events - investment in key events that can demonstrate value for money in terms of impact on the local economy
- Highways – whilst significant investment has been made in recent years on roads and footpaths and conditions are comparatively good compared to other Council's, the impact of severe winter conditions continues to impact on the road conditions and in particular potholes. This again has been identified as a key priority through budget consultation and will be considered alongside other priorities.

The above priorities alongside key priorities for capital spending which support the Council's Economic Masterplan and regeneration activities will be considered in the light of overall resources and affordability. This will be reported as part of the final budget proposals in February.

### **8. Overall Position - Proposals to meet the funding gap 2011/2012**

8.1 As part of the Budget Planning Framework for 2011/2012 Cabinet agreed in October 2010 that taking into account the Sunderland Way of Working and existing initiatives, Directors should bring forward savings, based on 10% targets, to be reviewed and reassessed as confirmed changes in Government funding are announced and as the Business Transformation Programme progresses.

8.2 The impact of the Comprehensive Spending Review announced on 20th October 2010 was reported to Cabinet in December 2010, and Cabinet agreed at that time that the work set out above, together with a much increased focus on Service Reviews would enable the Council to address the anticipated overall funding gap.

8.3 The provisional settlement has confirmed that the gap in Council funding is broadly as anticipated and that the previously proposed course of action is still valid. Progress in relation to proposals to meet the funding gap of £38m are set out below.

	2011/2012	2011/2012
	£m	£m
Directorate Improvement Plans		9.0
Business Transformation Programme		
- Directorate Proposals	15.9	
- Additional Requirement	13.8	29.7
Total Requirement		38.7

### **Directorate Improvement Programmes**

8.3.1 In accordance with the budget planning framework directorates have brought forward proposals for savings options equivalent to 10% of their net delegated budgets totalling £9m. The vast majority of these savings relate to the additional service reviews and service modernisation programmes being considered including those related to adult social care, and housing related support and neighbourhood services.

### **Business Transformation Programme**

8.3.2 One of the key ways the Council has been planning to address the anticipated reduction in public spending has been through the Business Transformation Programme which is examining every aspect of the way we work by looking at the organisation in a different way with two main objectives:

- To challenge what we are doing, how we are doing it and how effective it is;
- To organise in a way that maximises value for money.

8.3.3 These reviews are progressing and will provide significant savings which are to be taken into account in the 2011/2012 budget and over the next three years. Plans are being implemented in respect of the following key strands of business.

- **Strategic and Shared Services**  
This review is implementing new standardised ways of delivering support services by bringing staff together within their own area of expertise, introducing standardised consistent practices, redesigning processes and using ICT to maximise efficiencies.

- Customer Services  
All customer contact to be undertaken through the Customer Services Network in order to:
  - maximise resolution at the first point of contact,
  - avoiding unnecessary contact,
  - further develop transactional website functionality.
  
- ICT  
This involves the pooling of ICT software and Hardware to enable the most efficient and effective way to meet the needs of the business and reduce costs. The ICT will be maximised with additional investment where there is a sound business case to do so.
  
- Property Rationalisation and Smarter Working  
The key aim is to maximise the use of space available and utilise the lowest number of locations in order to save on running costs. In addition the use of ICT will enable alternative forms of working for example, home working, hot desking or use of hand held devices to deliver speedier services.
  
- Service Commissioning and Review and Procurement
  - Procurement  
Centralising procurement activity and ensuring all purchasing goes through expert procurement officers will enable savings to be made from bulk purchases.
  
  - Service Commissioning and Review  
The reviews seek to gain a comprehensive understanding of customer need and how best that need can be delivered in respect of front line and other services in the most productive manner. This includes involving communities and people who use services in the design of outcomes based services.

Service reviews are progressing in respect of Facilities Management, Health Inequalities and Anti Social Behaviour.

#### 8.3.4 Additional requirement from Service Reviews and other Plans

As agreed by Cabinet in December 2010 additional actions are required in order to meet the current funding gap of £13.8m for 2011/2012. This includes the development of a programme of service reviews over the following areas which are currently being scoped for review which will support the delivery of savings in the next two years;



- Sport, Leisure & Wellness
- Services for Over 65's
- Neighbourhood Services
- Safeguarding Children
- Transport and Fleet Management
- Information, Advice and Guidance
- Planning Services
- Housing Related Support

In light of the front loading of budget reductions and lead time time taken for cashable savings to be realised from service reviews it has been necessary for Directors in conjunction with Portfolio holders to consider proposals including:

- Consideration of areas to 'stop spend' either in the short or medium term.
- Other options including consideration of service reductions where they will have the least impact on outcomes for the community.
- One off use of delegated surpluses and other balances in order to meet the funding gap in the short term while longer term plans are developed.

Whilst significant progress has been made proposals are still in the development and verification stage and final proposals will be reported to February Cabinet.

8.3.5 The overall position in respect of savings arising from the Business Transformation Programme are set out below:

	2010/2011	2011/2012	2012/2013 to 2014/2015	Cum. Position
	£m	£m	£m	£m
<b>Gross Project Savings</b>				
Strategic and Shared Services	3.323	6.809	16.494	26.626
Customer Services	0.124	0.968	1.208	2.300
ICT	0	0.639	0.761	1.400
Property Rationalisation / Smarter Working	0	0.856	6.144	7.000
Service Assessment and Commissioning				
- Procurement	0.664	4.628	1.994	7.286
- Service Reviews initial Target	0	2.032	3.256	5.288
- Additional Required Service Reviews	0.000	13.768	16.232	30.000
<b>Programme Savings</b>	<b>4.111</b>	<b>29.700</b>	<b>46.089</b>	<b>79.900</b>

## **9 Outstanding Uncertainties**

- 9.1 There are a number of uncertainties still to be resolved in relation to next year's budget, including:
- transitional costs in relation to the implementation of savings proposals;
  - finalisation of additional savings from service reviews and other options to meet the funding gap;
  - the outcome of the actuarial review on pensions;
  - the outcome of the Final Local Government Revenue Support Grant Settlement for 2011/2012 and related grant announcements;
  - the outcome of the final review of the council's contingency provision;
  - how the Council will access the NHS funding in respect of Support for Social care which has been taken into account in the government funding calculations for the Council;
  - the final Collection Fund position.

In addition, it will be necessary to consider the outcome of further consultation to take place on the budget.

## **10. General Balances**

- 10.1 A Statement of General Balances is attached at Appendix 1.

Some savings are being generated in 2010/2011 from actions to meet the 2010/2011 in year Government Grant Reductions, Interest on Balances and Debt Charges, and unutilised contingency provisions. However, any savings generated will be required to fund the following significant one off spending pressures:

- Invest to save transitional costs associated with the Improvement Programme;
- Other Services Capital Programme developments including Economic Development and other one off spending priorities.

The balances position will be updated / reviewed as the budget is progressed. A full risk analysis will be presented with the final budget proposals to the February meeting of Cabinet.

## **11. Suggested Reason for Decision**

- 11.1 To enable constitutional requirements relating to the development of the revenue budget to be met.

## **12. Alternative options to be considered and recommended to be rejected**

- 12.1 There are no alternative options recommended for approval.

**Background Papers**

Local Authority Finance (England) Provisional Revenue Support Grant  
2011/2012 and related Matters

Budget and Planning Framework 2011/2012 (October 2010 Cabinet, Updated  
December 2010 Cabinet)

## Appendix 1

### Statement of General Balances

	£000	£000
<b>Balances as at 31<sup>st</sup> March 2010</b>		<b>14.749</b>
<b>Use of Balances 2010/2011</b>		
- Contribution to Revenue Budget	(3.307)	
- Contribution to fund the Capital Programme	(3,872)	(7.179)
<b>Estimated Balances 31<sup>st</sup> March 2011</b>		<b>7,570</b>

The above position will be reviewed and updated and reported to Cabinet as part of the final budget proposals in February, 2011.