

Town Hall
Lord Street
Southport
PR8 1DA

To: Members of the Cabinet

Date: 1 July 2010

Our Ref:

Your Ref:

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Dear Councillor

CABINET - THURSDAY 8TH JULY, 2010

I refer to the agenda for the above meeting and now enclose the following report(s) which were unavailable when the agenda was printed.

Agenda No.	Item
4.	General Fund Outturn 2009/10 Report of the Interim Head of Corporate Finance and ICT Strategy
16.	Strategic Budget Review and Budget 2010/11 - Part 1 Report of the Chief Executive
18.	Strategic Budget Review and Budget 2010/11 - Part 2 Confidential Report of the Chief Executive

Yours sincerely,

M. CARNEY

Chief Executive

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Agenda Item 4

REPORT TO: Cabinet

DATE: 8 July 2010

SUBJECT: General Fund Outturn -2009/2010 Financial Year

WARDS AFFECTED: All

REPORT OF: John Farrell
Interim Head of Corporate Finance and
Information Services
0151 934 4096

CONTACT OFFICER: Jeff Kenah
0151 934 4104

EXEMPT/CONFIDENTIAL: No

PURPOSE/SUMMARY:

To notify Members of the 2009/2010 revenue outturn for the General Fund.

REASON WHY DECISION REQUIRED:

To ensure that Members are aware of the 2009/2010 Revenue Outturn for the Council and to determine whether any specific guidance should be provided to Overview and Scrutiny Committees in considering departmental outturn reports.

RECOMMENDATION(S):

Cabinet is asked to:

- a) Note the 2009/2010 outturn, the portfolio variations, the revised level of balances;
- b) Note that the statutory annual accounts were approved by Audit & Governance Committee on 30 June 2010; and
- c) Note that Cabinet Members and Overview & Scrutiny Committees will receive and review individual departmental outturn reports and to consider whether any specific guidance should be issued to these meetings.

KEY DECISION: No

FORWARD PLAN: Not appropriate

IMPLEMENTATION DATE: Following the call-in period after Cabinet on the
8 July 2010

Agenda Item 4

ALTERNATIVE OPTIONS:

Cabinet could decide not to issue any guidance to Overview and Scrutiny Committees.

IMPLICATIONS:

Budget/Policy Framework: The level of revenue balances restricts the ability to tackle unforeseen events in the current financial year and impacts on budget plans (and Council Tax levels) for future financial years.

Financial: The provisional General Fund Outturn for 2009/2010 indicates a net underspend of £0.021m, compared to the Revised Estimate.

General Fund Balances still remain lower than is ideal for a council of Sefton's size and responsibilities and Members will be aware of the continuing financial pressures facing the Council.

<u>CAPITAL EXPENDITURE</u>	2009/ 2010 £	2010/ 2011 £	2011/ 2012 £	2012/ 2013 £
Gross Increase in Capital Expenditure	N/a	N/a	N/a	N/a
Funded by:				
Sefton Capital Resources	N/a	N/a	N/a	N/a
Specific Capital Resources	N/a	N/a	N/a	N/a
<u>REVENUE IMPLICATIONS</u>				
Gross Increase in Revenue Expenditure	N/a	N/a	N/a	N/a
Funded by:				
Sefton funded Resources	N/a	N/a	N/a	N/a
Funded from External Resources	N/a	N/a	N/a	N/a
Does the External Funding have an expiry date? Y/N	When?			
How will the service be funded post expiry?				

Legal: Under the Accounts and Audit Regulations 2003, the 2009/2010 Statement of Accounts of all local authorities must be approved by a resolution of the Council or a Committee of the Council by the 30 June 2010. The Audit & Governance Committee approved Sefton's Accounts on 30 June 2010.

Agenda Item 4

Risk Assessment: The availability of adequate levels of General Balances reduces the Council's ability to meet budget pressures in future years and therefore increases the potential financial risks.

Asset Management: Not appropriate

CONSULTATION UNDERTAKEN/VIEWS

All Departments have been involved in the closure of the accounts for 2009/2010.

CORPORATE OBJECTIVE MONITORING:

<u>Corporate Objective</u>		<u>Positive Impact</u>	<u>Neutral Impact</u>	<u>Negative Impact</u>
1	Creating a Learning Community		√	
2	Creating Safe Communities		√	
3	Jobs and Prosperity		√	
4	Improving Health and Well-Being		√	
5	Environmental Sustainability		√	
6	Creating Inclusive Communities		√	
7	Improving the Quality of Council Services and Strengthening local Democracy	√		
8	Children and Young People		√	

LIST OF BACKGROUND PAPERS RELIED UPON IN THE PREPARATION OF THIS REPORT

Closure of Accounts Working Papers

Agenda Item 4

General Fund Outturn 2009/2010

1. Introduction

- 1.1. This report outlines the General Fund revenue outturn for 2009/2010. It does not deal with all of the Authority's accounts (e.g. Balance Sheet etc), details of which were included in the statutory Statement of Accounts report, which was considered and approved by the Audit & Governance Committee on 30 June 2010.

2. Summary of Outturn figures 2009/2010

- 2.1. The closure of the Authority's accounts has been completed. The outturn figures for 2009/2010 are presented in more detail in the following sections but can be summarised as follows:

Revenue Account 2009/2010	Schools £m	Non-Schools Services £m
Budgeted Balances at 31 March 2010	14.591	3.640
Plus Schools Delegated Budget Overspend 2009/2010	-2.615	-
Transfer of closed school balances	-0.185	-
Plus Non-Schools Net Underspend	-	0.021
Provisional Unallocated Balances at 31 March 2010	11.791	3.661

3. Schools Delegated Budgets Outturn 2009/2010

- 3.1. The total overspend on schools delegated budgets for 2009/2010 was £2.615m. The closure of Bootle High School has resulted in their remaining balances being transferred to accumulated earmarked reserves. Consequently, schools retained balances now stand at £11.791m; this represents 7.9% of schools 2010/2011 delegated budgets.
- 3.2. The Sefton Schools Forum developed a review scheme in 2009/10 for the potential re-distribution (within the delegated schools budget) of excessive school balances. The agreed threshold for a review of a school's finances to be undertaken is where balances are above 5% of the annual budget, for a secondary school, or 8% for a primary school. A number of school spending plans were reviewed during the year to identify the reasons for retaining the balances. No resources were re-distributed during the year. The review scheme is now part of an annual process to assess resources available to schools.

4. Non-Schools General Fund Outturn 2009/2010

- 4.1. The Original Estimate for 2009/2010 estimated that balances for non-school budgets would total £3.640m at 31 March 2010; this assumed that balances would increase by £0.500m. The outturn for 2008/2009 shows that a net underspend of £0.021m has been achieved against this budget i.e. increasing the level of General Fund Balances to £3.661m.
- 4.2. Within this overall net underspending, there have been a number of significant variations in individual services. The table below highlights some of the major variances compared to the Revised Estimate: -

Service Area	Para. Ref.	Over- spend £000	Under- spend £000	Net £000
Children's Services	4.3 (a)	1,523		
Health & Social Care	4.3 (b)	145		
Specialist Transport Unit	4.3 (c)	1,305		
Corporate Services	4.3 (d)		1,169	
Communities	4.3 (e)		345	
Environmental Protection and Cleansing Services	4.3 (f)		1,486	
Technical Services	4.3 (g)	324		
Debt Repayment / Net Investment	4.3(h)		464	
Net Application of Earmarked Reserves	4.3 (i)	422		
Other Net Variations			276	
		3,719	3,740	
Total Net Overspending on General Fund Services				-21

- 4.3. The following provides brief comments from the relevant service director on some of the major variances highlighted above:-

- a) **Children's Services (+£1.523)** Expenditure on looking after children in local authority care exceeded budget provision by £2.923m. Nearly £2m of this overspend was accounted for by the costs of independent fostering placements but other related areas, including residential placements and the provision of care packages for disabled children, continued to place additional unavoidable financial commitments on the service. These commitments, which had been closely monitored, and therefore predicted, throughout the year, resulted in the need to identify mitigating savings elsewhere in the budget. Savings were achieved primarily by using specific non ring-fenced grants such as Area Based Grant (£0.566m) to fund expenditure that would otherwise have been attributed to core budgets. Additional savings were generated

Agenda Item 4

from an underspend on Premature Retirement costs (£0.224m) and from spending restrictions on day to day consumables (also in excess of £200,000).

Members will be aware that as part of the 2010/11 budget process, additional resources were allocated to Children's Schools and Families to specifically address the under-provision in looked after children budgets.

- b) **Health & Social Care (+£0.145m)** The Community Care budget in 2009/10 has continued to suffer from demand led pressures, with practically all cases being presented to Panel being of a critical nature and the value of cases that are authorised under the Council's statutory duty, continuing to exceed budgetary provision (+£0.448m). Budget monitoring statements have identified the problem throughout the year and the Strategic Director has sought to identify areas to assist in offsetting the overspend on Community Care Services. Employee savings have been achieved over and above the vacancy target (-£0.072m), income targets have been exceeded (-£0.125m) and a contribution has been made from the Careline operation (-£0.139m) resulting in a net directorate overspend of £0.145m for 2009/10.

The Community Care Services budget for 2010/2011 has been increased to reflect growing demand, however, this budget will once again require close monitoring during the year, coupled with the continuation of high level budgetary control measures, with regard to frequency and authorisation of Panel approvals.

- c) **Specialist Transport Unit (+£1.305m)** Service User numbers have remained flat compared to 2008/09, however, the complexity and work load has continued to increase. The number of Wheelchair Service Users has increased by 16.5% and the use of Taxi/Private Hire vehicles increased by 24% compared to last year, whilst the remainder has reduced by 6%. These numbers equate to an overall increase in workload/activity of 8% but with a significantly higher financial impact, as the additional activity used the most expensive resources. For example, SEN commissioned additional Taxi/Private Hire work valued at c£40k in the north of the borough during January, February & March alone.

Operational Management continued to spend significant time addressing the more efficient and effective use of resources. The implementation of these plans was restricted due to the long term illness and subsequent early retirement of the Head of Operations. The new Head of Service did not start until September.

New Taxi contracts were negotiated during the summer but the overall spend on Taxi/Private Hire has remained flat due to the increased activity outlined above.

A new management software package has been purchased and during 2010/11 will be implemented through a restructuring of the management team. The introduction of streamlined management processes will deliver the commissioned transport in the most cost effective and efficient way achievable.

- d) **Corporate Services (-£1.169m)**

The most significant variation within the portfolio was the reduced net cost of Housing Benefit. This was partly due to improved performance in 2009/10 on error rates for

Agenda Item 4

overpayments, which enables 100% subsidy to be received (£0.377m). Also, work done by avarto in identifying changes in rent officer determinations which now provides 60% subsidy – as opposed to 0% subsidy previously (£0.894m) Finally, the release of reserves (£0.244m) was agreed during the year to support the Council's overall budget position.

e) **Communities (-£0.345m)**

The underspend is largely attributed to the agreed in-year saving from delaying the implementation of the staffing for de-centralised Area Management.

f) **Environmental Protection and Cleansing Services (-£1.486m)** - The large underspend identified in 2009/10 can be itemised into a number of key areas:

The Council's spending freeze during the year has led to a reduction in staff recruitment, thereby over achieving the Department's vacancy savings target (-£0.428m). In addition, general spending on Supplies and Services and Agency costs have also reduced due to the freeze (-£0.485m).

A surplus on the Recycling account (-£0.306m) was due to careful Contract Management for kerbside waste collection, an increase in income levels through claiming recycling credits (from the Merseyside Waste Disposal Authority) and from sales of reprocessed materials in the year. Members should note that these figures can fluctuate with the tonnages of dry recyclables collected and the quality of the materials.

The Building Cleaning section has achieved a surplus against it's budget (-£0.267m) due to a slight increase in charges and in gaining some new schools contracts during the year following tender procedures.

g) **Technical Services (+£0.324m)** The overspend identified may be itemised over a number of key areas :

Gritting of the highway, both carriageways and footways is a statutory duty, hence expenditure has to be incurred as required. Despite a mild start to the "Gritting Season" the savings of this period were more than offset by the severe weather throughout December and at the start of 2010. As a result, the Winter Maintenance budget has overspent by more than £213k.

Car Parking income has underachieved against budget (£429k) for a number of reasons mainly due to reduced demand for parking due to the extremely severe weather conditions experienced in the final quarter of the financial year and the continued impact of the recession as a result of which free parking promotions have been provided to encourage the use of local shopping areas. Parking levels were over 30% lower than 'the norm' during this period. Action to address this has been taken and the Kew Park and Ride service ceased in late February and the site was mothballed.

Agenda Item 4

Reductions of -£0.750m were achieved in general spending on highways maintenance due to the Council's spending freeze and also to contribute to reducing the potential overspend.

As part of 2007/08 accounts and 2008/09 budget monitoring it was identified that the Department had income budgets which could not be achieved. The 2009/10 budget allowed for significant growth to address this but finalising the budgets to take account of the Major Service Review has resulted in a shortfall of income against budget of £382k; the Department had transferred its main income generating services to Capita Symonds it was not possible to generate further income to offset the expected shortfall. This management of this issue in the longer term is currently considered.

h) **Debt Repayment / Net Investment (-£0.464m)** The increased return on investments was due to a combination of higher than anticipated cash balances and a number of longer term investments attracting higher rates of interest.

i) **Earmarked Reserves (£0.422m)** The principal reason for this overspend was the need to set aside resources as a provision for bad debts and court costs.

- 4.4. As in previous years, individual portfolio outturn figures will be reported to each Cabinet Member and to the relevant Scrutiny and Review Committee. It is proposed that available operational performance data will be included alongside the financial information to provide a more comprehensive assessment of performance in 2009/2010
- 4.5. Cabinet is asked to consider whether any recommendations or guidance should be issued to the Scrutiny and Review Committees.

5. Recommendations

Cabinet is asked to:

- a) Note the 2008/09 outturn, the portfolio variations, the revised level of balances;
- b) Note that the statutory annual accounts were approved by Audit & Governance Committee on 30 June 2010; and
- c) Note that Cabinet Members and Overview & Scrutiny Committees will receive and review individual departmental outturn reports and to consider whether any specific guidance should be issued to these meetings.

SUMMARY OF GENERAL FUND ACTUALS 2009/2010		
Line Ref Portfolio	Revised Estimate 2009/2010 £	Outturn 2009/2010 £
1 Children's Services	58,452,400	62,590,461 *
2 Communities	3,042,750	2,697,949
3 Corporate Services (Incl STU)	13,502,600	13,638,164
4 Environmental	18,003,900	16,518,276
5 Health and Social Care	82,978,650	83,123,636
6 Leisure & Tourism	19,423,850	19,412,068
7 Licensing	17,850	17,850
8 Performance	746,600	614,312
9 Planning	2,637,950	2,730,365
10 Regeneration	12,756,900	12,709,121
11 Technical Services	17,388,150	17,711,998
12 Net Cost of Services	228,951,600	231,764,200
13 Less Capital Charges	-14,728,121	-14,709,791
14 Debt Repayment / Net Interest	14,125,000	13,661,025
15 Capital Chargeable to Revenue	95,000	95,000
16 Sub total	228,443,479	230,810,434
17 Levies	36,421,751	36,421,751
18 Application of Provisions / Reserves	-415,329	206,872
19 Capitalisation	-1,000,000	-1,002,457
20 LABGI	0	-207,623
21 Area Based Grant	-27,211,606	-27,211,607
22 Total	236,238,295	239,017,370
23 Contribution to GF Balances	500,000	335,960
24 Contribution to Schools' Balances	0	-2,615,035
25 Total Budget Requirement	236,738,295	236,738,295
26 Add Parish Precepts	980,240	980,240
27 Total Net Expenditure	237,718,535	237,718,535
<u>SUMMARY OF BALANCES</u>		
<u>General Fund</u>		
28 Balances Brought Forward	3,140,304	3,140,304
29 Contribution in Year	500,000	335,960
30 Transfer of Balances re. Closed Schools	0	184,597
31 Balances Carried Forward	3,640,304	3,660,861
<u>Schools</u>		
32 Balances Brought Forward	14,590,318	14,590,318
33 Contribution in Year	0	-2,615,035
34 Transfer of Balances re. Closed Schools	0	-184,597
35 Balances Carried Forward	14,590,318	11,790,686
* Includes Schools' Overspend of £2,615,035		

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Agenda Item 16

REPORT TO: CABINET
COUNCIL

DATE: 8 July 2010

SUBJECT: STRATEGIC BUDGET REVIEW
AND BUDGET 2010/11

**WARDS
AFFECTED:** ALL

REPORT OF: Margaret Carney
Chief Executive

**CONTACT
OFFICER:** Margaret Carney
0151 934 2057

**EXEMPT/
CONFIDENTIAL:** No

PURPOSE/SUMMARY:

To respond to the resolution of Council on 24 June to update the MTFP and advise members of the impact of the reduction in Government Grants in 2010/11 and propose how these reductions could be managed.

REASON WHY DECISION REQUIRED:

The decisions are required to respond to a resolution of Council, and the recent announcements by Central Government to reduce funding. In addition the imposition of grant reductions by Government in 2010/11 needs to be addressed urgently.

RECOMMENDATION(S):

That Cabinet is requested to recommend to Council

- a. The cessation of the specific Area Based Grant projects and activities totalling £2.5m in 2010/11 as identified in the confidential part of the agenda.
- b. Note that this will involve a reduction in staff, to be achieved through the Council's normal personnel procedures and if necessary through compulsory redundancies
- c. Delegating the finalisation of these arrangements to the Chief Executive in consultation with Party Leaders
- d. That response to the resolution of the Extraordinary Council on 24 June at paragraph 5 be noted
- e. Approval of the use of £1.5m one-off funding previously allocated to support the 2009/10 outturn position to compensate for the reduction in grant
- f. Approval the use of the 2010/11 contribution to balances of £500k towards the required savings.

Agenda Item 16

- g. Approval of the rephasing of £720k of the transport capital programme
- h. Approve the reallocation of 2009/10 reserve contributions outlined in Appendix 3 and totalling £745k
- i. Endorse the ongoing work outlined in paragraph 3.9 to identify the balance of the savings required and report to the next meeting.

FORWARD PLAN: Yes

IMPLEMENTATION DATE: Immediately

ALTERNATIVE OPTIONS: Officers have reviewed the opportunities to make in year savings to compensate for the reduction in Government Grants. The proposals in this paper represent those options which have the minimum implications on the achievement of approved outcomes within the timescale specified by Government

IMPLICATIONS:

Budget/Policy Framework:

The Council's budget is estimated to reduce by £7.1m in 2010/11. Actions will need to be taken which will keep the Council's spending in line with the available resources

Financial: Whole report

<u>CAPITAL EXPENDITURE</u>	2010/ 2011 £	2011/ 2012 £	2012/ 2013 £
Reduction in Capital Expenditure	720		
<u>REVENUE IMPLICATIONS</u>			
Reduction in Revenue Expenditure	2,526		
Reduction in availability of one-off resources	2,745		

Legal:

Risk Assessment:

The reduction in Government Grant is contained within the Corporate Risk

register and appropriate action is being taken to mitigate this risk including the issues identified in this report.

Asset Management:

No Direct Implications

CONSULTATION UNDERTAKEN/VIEWS

Appropriate consultation will take place with staff affected by the proposals. It has not been possible to consult with Service Users and Stakeholders due to the short timescale of the reductions imposed by Government.

Agenda Item 16

CORPORATE OBJECTIVE MONITORING:

<u>Corporate Objective</u>		<u>Positive Impact</u>	<u>Neutral Impact</u>	<u>Negative Impact</u>
1	Creating a Learning Community			✓
2	Creating Safe Communities			✓
3	Jobs and Prosperity			✓
4	Improving Health and Well-Being			✓
5	Environmental Sustainability			✓
6	Creating Inclusive Communities			✓
7	Improving the Quality of Council Services and Strengthening local Democracy			✓
8	Children and Young People			✓

LIST OF BACKGROUND PAPERS RELIED UPON IN THE PREPARATION OF THIS REPORT
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Background

1. Introduction

Members will be aware that the new Government has signalled a time of significant constraints on public sector spending. This follows both the announcement to reduce grants to local councils by £1.1bn in the current financial year and the recent Emergency Budget.

The Government's high level intentions are clear i.e. a significant reduction in public sector spending whilst providing a degree of protection for the NHS. This represents an average real term reduction of 25%. In addition there is the proposal to freeze Council Tax for the next two year which could result in average savings of 30% being required. Further significant details are unlikely to emerge until a national spending review reports in the autumn.

The Council has been preparing for significant reductions as part of its Strategic Budget Review and more latterly the Prioritisation Process. At its last meeting the Cabinet reviewed its Medium Term Financial Plan which reflected the understanding at that point of the Government's intention's. It is clear that this position will need to be reviewed in the light of recent announcements and an update is provided at Paragraph 5. It is obvious that this picture will need to be kept closely under review. However it is certain that the Council will have to make significant changes to the way services are delivered in the future. Reductions of 30% will need to be managed and given the majority of the Council's costs are staff based, it is inconceivable that these reductions can be made without a significant reduction in the number of people employed. It must also be stressed that the ability of the Council to achieve these staff reductions through natural turnover, voluntary means or redeployment is extremely limited.

This report deals with the immediate reduction of grants in 2010/11 imposed by Government in June and also considers the longer term financial position including the resolution of the Extraordinary Council on the 24th June.

2. Background

Cabinet will be aware that the Government announced reductions in government grants for local authorities on 10th June. The latest interpretation of this is shown at Appendix 1. It should however be noted that we are still awaiting confirmation of the treatment of some elements and this may not be available for a few weeks. The latest projections indicate a reduction in grant for Sefton of £7.145m in the current year; comprising £4.2m Revenue and £2.935m Capital. This report outlines the recommendations from officers as to how these savings could be achieved. It should however be noted that the requirement for in-year savings is always challenging given that the Council's budget has already been set and £12m of savings were required to achieve that balanced position. In addition we are only just beginning the process for reviewing Council priorities and these reductions need to be made in the absence of any conclusion from this process.

Agenda Item 16

At the extraordinary meeting of Council on 24 June 2010 it was resolved amongst other things:-

“In order to mitigate the damaging effects of the Con Dem budget, Officers of the Council are instructed to bring forth proposals by the next Cabinet meeting that set out mechanisms that could be implemented that will not involve compulsory redundancies and also proposals to minimise the effects of the national cuts on the people of Sefton and in particular the most vulnerable.”

The response to this resolution is included at paragraph 5

3. 2010/11 Budget Position

- 3.1 As indicated above the Council will have to identify an estimated £7.1m of savings in the current year to respond to the reduction in Government Grants. The Government has clearly indicated that although specific elements of grant have been reduced these grants are not “ring-fenced” and therefore it is up to individual councils how they make the necessary savings.

In reviewing the options available, senior officers have not automatically proposed reductions in those areas reduced by Government but have taken account of

- The likelihood that the funding source will reduce significantly in the future.
- Whether the reduction in grant is one-off or ongoing
- How critical the activity is to the achievement of agreed outcomes
- The implications and risks of making reductions
- Whether these activities could be undertaken by other agencies within their available budgets e.g. Schools

- 3.2 In considering the options for savings, officers are conscious that ideally these decisions should be made following an overall review of spending activity. However these reductions need to be made urgently. Officers have therefore considered the following

- Area Based Grant activity on the basis that specific scheme implications can be more readily identified and the likelihood that future ABG settlements will be significantly reduced.
- Capital Programme projects and the ability to rephase, delay or delete schemes
- The availability of one-off funding to allow time to develop more permanent savings proposals or to reflect the on-off nature of the grant reductions.

The proposals identified following this review are as follows:-

3.3 **Area Based Grant** - The paper on the exempt agenda contains the result of the assessment. This indicates that savings of £2.5m could be made. The paper on the exempt agenda details the implications of these reductions. In particular it should be noted that 60 jobs are currently attributable to these activities. Whilst every effort will be made to release these jobs through redeployment/voluntary means this is unlikely to be achieved for most of these posts and compulsory redundancies will be required.

3.4 **Capital Programme** – A full review of the capital programme and contractual commitments is being undertaken, however at this stage there is limited scope in the general capital programme unless major schemes are to be delayed or abandoned. A full report will be presented to the next meeting of Cabinet.

A review of the Department of Transport Capital – Integrated Transport Block and Detruncking has indicated that reductions of £720k could be identified from delaying and rephasing schemes into later years (see Appendix 2) If this is accepted in principle a detailed report on the specific consequences of this rephasing will be presented to the Cabinet Member Technical Services on 14 July 2010. There are no direct staff employment consequences resulting from this reduction in funding.

3.5 **Use of one-off funding** - Elsewhere on the agenda is a report detailing the General Fund Outturn for 2009/10. The position is more favourable than previously forecast when £1.5m was reserved from one-off resources to fund any potential overspend. This amount is still available and could be used to fund savings in the current year.

A number of services have agreements in place which enables them to carry forward their in year under spends into Reserve accounts. In 2009/10 these underspends totalled £ 745K. Directors had previously been informed that these contributions have been temporarily suspended to determine if they should be used to support the overall budget position. These are detailed at Appendix 3.

3.6 **Contribution to Balances** - The 2010/11 budget contains a contribution to balances of £500k. This is a planned contribution in line with a general strategy to increase the Council General Balances. A review of this strategy will be undertaken prior to the end of this financial year. However in the light of the outturn position it is felt that this contribution could be diverted in 2010/11 to contribute to the required savings.

3.7 The statement attached at Appendix 1 includes an estimated reduction in Housing Market Renewal Grant of £1.5m. By rephasing some 'CPO critical' activity and deleting some non-critical activity, the HMR Team believe they can achieve this 'in year' reduction without compromising the Bedford/Queens or Klondyke CPO hearings. However, the £2.3m 'Kickstart' funding for the affordable housing element in the Bedford/Queens area is also under review by Government and is more critical to HMR progress. If this funding is cut, the failure to deliver the Phase 1b/2 housing development could prove fatal to the

Agenda Item 16

Bedford/Queens CPO. Klondyke would continue to completion. To enable the Bedford/Queens CPO to continue, allowing the completion of development and the acquisition of all outstanding interests, thus protecting the significant investment already made in the area, the Council would have to consider substituting the £2.3m Kickstart funding to fund affordable housing development. Decisions on the actual HMR funding reduction and the future of the Kickstart funding are expected within 2-3 weeks. There are no direct staff employment consequences resulting from this reduction in funding.

- 3.8 Assuming all the above measures are approved the summary position is as follows:

	£000
Estimated requirement	7,145
Less	
Area Based Grant	2,526
Rephasing of Transport Capital	720
Outturn 2009/10	1,500
No Contribution to Balances	500
2009/10 Reserves	745
Savings to be Identified	1,154
Increase if KickStart Grant is refused (Note 1)	800
Potential savings to be identified	1,954
If Kickstart Grant is approved (Note2)	-2,300
Surplus	346

Note 1

The estimated requirement above includes £1.5m relating to the reduction in HMRI Grant. However as indicated in paragraph 3.7 this figure could increase to £2.3m if the KickStart funding is refused. This would increase the balance of savings still to be identified to £1.954m

Note 2

If the KickStart grant is approved then sufficient savings have been identified in this report to meeting the estimated grant reduction.

- 3.9 In order to identify the balance of savings required the following actions are currently being taken and the outcome will be reported to the next meeting of Cabinet
- Keeping the HMRI position under review. If the KickStart grant was approved by Government then no further savings would be required in 2010/11
 - Review of all capital programme schemes to consider slippage/rephasing

- Review of all other one-off reserves
- Services have been asked to identify any service changes that can be implemented immediately in the current year.
- Review of the adjusted ring-fenced arrangements to determine if more flexibility is achievable

4. Assessment of Implications

The proposals to reduce/cease some activity funded by ABG will need to be the subject of an Equality Impact Assessment. This is currently being undertaken and the outcome will be reported verbally at the Cabinet meeting. It is recognised that there will be implications for communities and employees as a result of these proposals and Members will need to take this into account when making their decisions.

Any reduction in employment will be the subject of the Council's personnel procedures, including consultation with the Trade Unions and individuals. All options will be explored to identify mitigation of the situation, which would include redeployment opportunities or suitable alternative employment. However, should this prove impossible then appropriate notice of termination will need to be given. Given the timescales involved in achieving these reductions it is recommended that approval be given to undertake this process and that this be delegated to the Chief Executive, in consultation with the Party Leaders.

Members should be aware that no formal consultation has yet taken place with affected employees, although general briefings have taken place and the employees and Trade Unions have been apprised of the situation.

The rephasing of transport capital will mean that some schemes planned to be undertaken in the current financial year will be delayed. The details of this will be reported to the Cabinet Member for Technical Services.

Of the total savings required £2.745m will come from "one-off" resources i.e. fortuitous reserves as a result of a more favourable outturn than expected and deferring a contribution to balances. This is appropriate given that a number of the measures implemented by Government are one-off in nature. However it is obvious that their use in this way means that they are not available to fund future pressures or to minimise the risk of future overspends.

Members must be aware that given the timescale imposed by Government there can be no prior consultation with service users and stakeholders on the 2010/11 reductions.

5. Medium Term Financial Plan 2011/12 to 2013/14

Members will be aware that the latest update on the MTFP indicated a savings requirement totalling almost £30m and detailed below

Agenda Item 16

2011/12	£13.847m
2012/13	£ 8.490m
2013/14	£ 7.166m

The main variable assumptions were a 3% Council Tax increase in all three years plus a 2.5% reduction in Government Grant and ABG. Assuming the Government introduces a Council Tax freeze for two years with no additional support this will increase the savings requirement by £6m over the three years.

The details around the 25% government funding reduction will not be available until the Spending Review in the autumn. The current MTFP assumes a reduction in general government support of 7.5% over the next three years. It is likely that this general reduction will increase and in addition some commentators are suggesting more significant reductions in ABG and Standards Fund. Every 1% government support is equivalent to around £1m.

Assuming a Council Tax freeze for two years plus a 25% reduction in government support the Council faces a reduction in its spending of £53m over the period. This figure would be reduced if the Government gave specific financial support for the Council Tax freeze. This would represent a reduction of 20% of the Council's controllable budget. Reductions of this level cannot be achieved without a fundamental review of Council activity.

The June Council resolution instructed officers to bring a report to this Cabinet meeting *"to set out mechanisms that could be implemented that will not involve compulsory redundancies and also proposals to minimise the effects of the national cuts on the people of Sefton and in particular the most vulnerable."*

It is suggested that the mechanism currently outlined will produce options for members on future reductions. Specifically we need to complete the prioritisation exercise and agree options to increase efficiency, resize the organisation and make changes to service delivery and eligibility in accordance with Council priorities. Given the proportion of Council costs which are staff related, it will be impossible to achieve the forecast reductions without significantly reducing the workforce. Maximum effort will be made to deal with these issues on a voluntary basis but with the scale of the reductions it is difficult to envisage that this can be achieved without compulsory redundancies.

Every effort will be made to minimise the impact of the reductions on the people of Sefton. However reductions at this level will have an impact on service delivery. A paper is being prepared on how the Council might engage and consult with its citizens on these changes and this will be discussed informally with Leaders prior to consideration at the next meeting of Cabinet.

6. Conclusion

Recent Government announcements have left the public sector in no doubt that there will significant reduction in public spending over the next four years and beyond. In the short term the Government has imposed an in-year reduction in

Agenda Item 16

the grants its gives to Councils but has left the decision on where the savings are to be found to local members. For Sefton this means £7.1m reduction which has to be identified immediately. Therefore it has been necessary to propose a combination of ceasing some activities funded by ABG, rephasing some capital expenditure and using one-off resources previously earmarked for other things. There will be implications of these reductions on staff and service users. In the medium term reductions in funding of 25% have been suggested in addition to a Council Tax freeze. While details of the precise impact for Sefton are awaiting, it is now essential that the organisation prepares for these reductions by generating efficiencies, resizing the organisation and changing service delivery. This must be completed in the knowledge of what are the Council priorities.

This will be a period of significant change and uncertainty and it is important that decision are made in a timely way and are managed in a effective and sensitive way. Managers throughout the organisation will have to re-prioritise their time to ensure that this change is managed effectively.

Agenda Item 16

Summary of the DCGL Announcements of Local Government Savings on 10 June 2010

	National Level			Sefton Impact		
	Revenue £m	Capital £m	Total £m	Revenue £m	Capital £m	Total £m
Education ABG	311.0		311.0	2.138		2.138
Dept for Transport						
Revenue	15.0			0.000		
ABG	20.6			0.000		
	35.6		35.6	0.000		0.000
Capital		273.5	273.5		0.720 a	0.720
Dept for Communities & LGvt						
Revenue	170.1			0.108		
LAA Reward Grant (Revenue)	125.0			0.715 b		
LABGI	50.0			0.230 c		
ABG	108.4			0.992		
	453.5		453.5	2.045		2.045
LAA Reward Grant (Capital)					0.715 b	
HMRI					1.500 d	
Other Capital		80.0	80.0		2.215	2.215
Dept for EFRA						
Capital		7.5	7.5		0.000	0.000
Home Office						
ABG	6.0		6.0	0.027		0.027
Sub Total	806.1	361.0	1,167.1			
Adjustment Grant	-1.1	-0.1	-1.2			
Totals	805.0	360.9	1,165.9	4.210	2.935	7.145

Notes

a It is not yet clear whether the Thornton - Switch Island Link road scheme is included in the suspension of major Highway

Schemes. The amount show relates only to Integrated Transport and Detrunking Capital.

b The Council had assumed this would be 50% Revenue and 50% Capital. This now reflects the reduction in

Performance Reward Grant now anticipated following receipt of clarification.

c LABGI - this is the maximum impact for the Council which had been tacitly assumed to mitigate loss of Planning Income.

d Housing Market Renewal allocation - the range

NB Where the Sefton Impact columns show zero, level cuts have been assumed not to impact upon Sefton.

APPENDIX 2

Transport Capital – Integrated Transport Block and Detruncking

Local Transport Plan Capital

1 Integrated Transport Block - -£670k

<u>Saving £'k</u>	<u>Scheme/Programme</u>
-120	Local Safety Small Scale schemes programme reduced – many delayed in delivery
-135	Park Lane Local Safety Scheme – Continue with design/consultation but reschedule implementation over 2 years
-50	Accessibility schemes reprogrammed
-130	A565 Route Management Strategy reprogrammed
-90	Reduction in advanced design for planned future schemes
-85	Reduce level of work proposed for the design of measures for existing roads linked to Thornton Link scheme.
-30	Cycle Schemes reprogrammed
-30	Kew Park and Ride Study reduced to reflect likely date when re-opening can be considered.
<hr/>	
-670k	INTEGRATED TRANSPORT BLOCK TOTAL

2 De-trunked Maintenance -£50k

- 50	Drainage works on A565 Formby Bypass – Out turn cost of works is expected to be £17k less than original allocation of £226k and £33k balance of saving will be made up by a contribution from the revised Integrated Transport Block.
-720k	TOTAL TRANSPORT CAPITAL SAVING

Agenda Item 16

APPENDIX 3

TRANSFERS NOT ALLOWED TO SPECIFIC RESERVES 2009/10

<u>Reserve</u>	£000
Decentralised Services Reserve	59
Personnel Training Unit	37
Civic / Mayoral Services	140
Grants to Voluntary Bodies	85
IT Strategy	6
Recycling Reserve	306
Golf Course	20
New Income Libraries	15
Communications Reserve	15
Events Underspend	62
Total	<u>745</u>

By virtue of paragraph(s) 1, 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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