

REPORT TO: Cabinet

DATE: 28th October 2010

SUBJECT: **Transformation Programme and Initial Budget Options**

WARDS AFFECTED: All

REPORT OF: Margaret Carney
Chief Executive

CONTACT OFFICER: Margaret Carney
Chief Executive and CFO

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EXEMPT/CONFIDENTIAL: No

PURPOSE/SUMMARY:

To report the progress of the Transformation Programme, Prioritisation and to seek approval for some initial budget options which will reduce the 2011/12 – 2013/14 budget gap. The report also discusses the emerging risks associated with externally funded activities.

REASON WHY DECISION REQUIRED:

The Council is forecasting a significant budget gap over the next three years and decisions are required to ensure that any actions taken to eliminate the gap can be implemented in a timely way. In addition it is important that Cabinet is made aware of the risks associated with the significant amount of external funding which is currently underpinning Council spending.

RECOMMENDATION(S):

Cabinet is recommended to:

- i) Consider the specific budget proposals contained in Appendix A and recommend to Council those which can be implemented.
- ii) Authorise officers to prepare for implementation immediately pending final decisions of Council.
- iii) Note the progress on the Prioritisation process related to external funding and in particular the level of risk associated with currently funded activities.

KEY DECISION: No. This report is not a key decision in itself but forms part of the process for setting the Council's budget and Council Tax.

FORWARD PLAN: Yes. Setting the Council's budget and Council Tax is included on the forward plan.

IMPLEMENTATION DATE: Following the expiry of the call-in period for this meeting.

ALTERNATIVE OPTIONS:

Not to agree the issues identified will increase budgetary pressures on the Council.

IMPLICATIONS:

Budget/Policy Framework:

Financial:

The options and actions proposed in this report will support the Council's budget setting process for 2011/12 and seek to reduce the currently predicted MTFP budget gap of ~£53m over the period 2011/12 – 2013/14.

<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:

Formal budgetary decisions must be made at full Council.

Risk Assessment:

Early decision making in relation to budget issues will help to mitigate the impact of the consequential changes by giving sufficient time to undertaken the required formal consultation / notification processes. Particular risks associated with activity funded from external sources is contained within the report

Asset Management:

None

CONSULTATION UNDERTAKEN/VIEWS

Strategic Director Health & Well Being,
Strategic Director Children, Schools & Families,
Strategic Director Communities,
Safeguarding, Early Intervention & Prevention Services Director,
Assistant Chief Executive
Head of Personnel,

Head of Finance,
Assistant Director Operations.

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	Jobs and Prosperity			√
3	Environmental Sustainability			√
4	Health and Well-Being			√
5	Children and Young People			√
6	Creating Safe Communities			√
7	Creating Inclusive Communities			√
8	Improving the Quality of Council Services and Strengthening local Democracy			√

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

Report to Cabinet 3rd December 2009 *Transformation Programme Update - Strategic Budget Review*

Report to Cabinet 8th July 2010 *Strategic Budget Review and Budget 2010/11*

Report to Cabinet 5th August 2010 *Consultation Framework on Budget Reductions*

Report to Cabinet 2nd September 2010 *Prioritisation And Strategic Budget Review*

Report to Cabinet 30th September 2010 *Transformation Programme Update, Prioritisation And Strategic Budget Review*

1. Background

- 1.1 Members will be aware from previous reports to Cabinet that the Council is forecasting a budget gap of £53m over the next three years. This forecast is based on a set of assumptions around Council Tax levels, government grants and spending pressures and was prepared prior to the Government's Spending Review. These forecasts may need to be revised in the light of the Spending Review announcement due on October 2010.
- 1.2 Cabinet has received regular reports updating the financial position and has made a number of decisions which will reduce the budget gap

	£m	£m
Forecast Budget Gap		53.00
Council 2 September 2010		
Revenue budget savings	(2.40)	
Review of Capital programme	(0.95)	(3.35)
Latest forecast gap		49.65

It can be seen from the above that a significant budget gap remains

- 1.3 In addition to identifying the savings above Cabinet at its meeting on 2nd September 2010 agreed a first stage prioritisation process to be undertaken relating to externally funded activity and approved the commencement of a number of negotiations relating to adult social care and some staff terms and conditions. Cabinet also noted that tactical savings options would be brought to a future meeting.
- 1.4 This report updates on identifying savings options and the prioritisation exercise on external funding. In addition it provides a schedule of initial savings proposals for members' consideration.

2. Transformation Programme Update

- 2.1 The 6 Strategic / Organisational Design project work-streams ("*Big Ideas*") continue to progress including briefing with the overseeing Elected Member groups.
- 2.2 A further "*Informing Sefton*" has been published advising staff of the decisions made by Cabinet 30th September 2010.
- 2.3 In September 2009 and June 2010 exercises were undertaken seeking Expressions of Interest for Voluntary Early Retirement/Voluntary Redundancy (VER/VR). The subsequent VER/VRs agreed have resulted in the following savings being generated:-

Year	Savings £000
2010/2011	2,473
2011/2012	550
2012/2013	48
Total	3,072

The opportunity to express an interest in VER/VR remains open to the workforce.

3. **Prioritisation**

- 3.1 The Council will need to continue to achieve efficiencies and/or downsize in lower priority areas to bridge the savings gap. This process will need to be effectively managed to ensure service impacts are minimised whilst achieving sustainable savings.
- 3.2 At its last meeting the first stage of the prioritisation process was approved. This stage related to externally funded activity. This process is ongoing and a full report will be presented to the next meeting of Cabinet. However at this stage it is important that Cabinet understand both the scale of this funding and the associated risks.
- 3.3 Cabinet may recall that the Council's controllable budget is estimated to be £227.426m. The analysis of existing external funding has identified that almost £53m of this budget is from external funding. In addition a further £9.2m is made up of contributions from other public sector organisation. This is summarises below

Source	£m	% Controllable Budget
Area Based Grant *	28.673	12.6%
Specific Grants	24.233	10.7%
Other Public Sector Contributions	9.2	4.0%
Total	62.106	27.3%

*** Excludes Connexions (Contractual Service) and previously agreed savings**

- 3.4 The risks associated with this external funding vary depending on the type of grant and decisions to be made by the Government as part of the Spending Review.

Area Based Grant (ABG)

ABG is a non-ringfenced grant. As such although specific elements may be identified, the Council is free to spend this resource on any of its priorities. The Council does not yet know how much ABG funding it will receive after this financial year and of course this is likely to be affected by the Spending Review. The currently estimated gap of £53m assumes a 25% reduction in this grant. Any activity currently funded by ABG which is reduced or stopped will contribute towards the budget gap. Should the Government reduce ABG by more than 25% and assuming no corresponding increase elsewhere the Councils savings gap will increase.

Specific Grants

These are, in the main ring-fenced funding streams and include grants such as Sure Start, ERDF, LEGL. The current estimated gap of £53m assumes that these grants will continue. If these grants are reduced or ceased then the Council has to decide if the activity should continue. If the Council decides to continue this activity then the gap increases. If the Council reduces or ceases the activity then the appropriate exit strategy will need to be implemented. This includes staffing implications and/or commissioned activities. The specific risks associated with all these activities are currently being assessed and will report to the next meeting of Cabinet. .

Other Public Sector Contributions

The Council currently receives an estimated £9.2m in external contributions from other public sector organisation. Examples include contributions for the PCT and other local authorities where the Council is the accountable body. There is a risk that funding organisations will look to withdraw their contributions as part of reductions in their funding sources. Work is ongoing to confirm the associated values, timeframes, staffing implications and exit strategies.

- 3.5 The work undertaken to date had identified at least 780 employees who are funded from external sources. This includes staff on the full range of employment contracts including permanent and casual. In addition the external funding supports a significant amount of commissioned activity from other organisation particularly the Voluntary, Community and Faith Sector.
- 3.6 The process agreed by Cabinet at its last meeting is progressing and it is anticipated that a full report will be presented to Cabinet in November. This report will include an assessment of priority for all this activity.

4. Tactical Savings Options

- 4.1 At its last meeting the Cabinet noted that in addition to the major transformation projects a series of tactical savings options were being developed. Appendix A contains those options which are ready for consideration at this stage. These total £2.7m and Cabinet is asked to consider these options and recommend those to be implemented. The Appendix identifies the activity and the impact of the reduction.
- 4.2 A high level equality impact assessment has been completed on the enclosed savings proposal and no disproportionate adverse impacts have been identified. The impact assessment has identified the need to establish the monitoring of take up in some services and the need to have clearer communication with those services users and staff affected.
- 4.3 Should these options be recommended immediately, Cabinet is requested to authorise the Chief Executive to prepare for implementation. This would allow maximum time for consultation with affected staff and other organisations prior to any formal decision in December. This would also help to ensure that any savings are achieved in a timely manner.
- 4.4 The options identified at appendix A represent the next stage of approvals. Discussions of further savings proposals will be undertaken with Cabinet and Party Leaders over the next month.

5. Conclusion

At the time of writing this report the Government Spending Review has not been announced. Therefore this report is based on the previous assumptions approved by Council. Assuming all the tactical savings options contained in this report are approved, the Council will have identified total savings of £6.05m towards the forecast gap of £53m. There are a number of activities ongoing including the remaining tactical savings options, the "Big Ideas" programme and the prioritisation of externally funded activity. It is highly likely that a significant gap will still remain at the conclusion of these reviews.

At its next meeting the Cabinet will be asked to make further decisions covering the areas above. However in addition officers will commence preparation for the prioritisation of the

remainder of the Council budget to include all core funded activity, management structures and any prioritise externally funded activity.

Members will need no reminding that reductions of this scale will have a significant impact on the services the Council provides and how it delivers them. It is imperative that Members continue to review the options available and continue to make timely decisions. Failure to do this will result in significant risks to the Council's ability to bridge the savings gap.

6. Recommendations

Cabinet is recommended to:

- a) Consider the specific budget proposals contained in Appendix A and recommend approval to Council
- c) Authorise officers to prepare for implementation immediately pending final decisions of Council
- d) Note the progress on the Prioritisation process related to external funding and in particular the level of risk associated with currently funded activities