

**REPORT TO:** Cabinet

**DATE:** 25<sup>th</sup> November 2010

**SUBJECT:** Transformation Programme and Further Options

**WARDS AFFECTED:** All

**REPORT OF:** Margaret Carney  
Chief Executive

**CONTACT OFFICER:** Margaret Carney  
Chief Executive and CFO  
0151 934 2057

**EXEMPT/CONFIDENTIAL:** No

**PURPOSE/SUMMARY:**

To report the progress of the Transformation Programme and to seek approval for further budget options which will reduce the 2011/12 – 2013/14 budget gap. The report also updates members on the review of Externally Funded activity and makes recommendations on the cessation of some activity.

**REASON WHY DECISION REQUIRED:**

Following the Government's Spending Review, the Council continues to forecast 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.

**RECOMMENDATION(S):**

**Cabinet is recommended to:**

- a) Consider the recommendations regarding the externally funded activity detailed at Appendix A and recommend approval to Council
- b) Consider the tactical savings options at Appendix B and make appropriate recommendations to Council
- c) Authorise officers to prepare for implementation immediately, pending final decisions of Council
- d) Note that further proposals will be presented to the Cabinet meeting in December

**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:** Subject to the decision of Council on 16<sup>th</sup> December 2010

**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 ~£58m over the period 2011/12 – 2013/14.

<b><u>CAPITAL EXPENDITURE</u></b>	<b>2009/ 2010 £</b>	<b>2010/ 2011 £</b>	<b>2011/ 2012 £</b>	<b>2012/ 2013 £</b>
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
<b><u>REVENUE IMPLICATIONS</u></b>				
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 undertake 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,  
Assistant Chief Executive  
Head of Personnel,  
Head of Finance.

**CORPORATE OBJECTIVE MONITORING:**

<b><u>Corporate Objective</u></b>		<b><u>Positive Impact</u></b>	<b><u>Neutral Impact</u></b>	<b><u>Negative Impact</u></b>
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 3<sup>rd</sup> December 2009 *Transformation Programme Update - Strategic Budget Review*

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

Report to Cabinet 5<sup>th</sup> August 2010 *Consultation Framework on Budget Reductions*

Report to Cabinet 2<sup>nd</sup> September 2010 *Prioritisation And Strategic Budget Review*

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

Report to Cabinet 28<sup>th</sup> October 2010 *Transformation Programme Update and Initial Budget Savings*

## 1. Background

- 1.1 Members will be aware from previous reports to Cabinet that the Council has previously forecast a budget gap of £53m over the next three years. This forecast has now been revised based on Officer's current understanding of the Government's Spending Review.
- 1.2 A budget gap of £58.5m is now forecast over the next three years which represents approximately 26% of the Council's controllable budget. The table below identifies the phasing of the required savings.

<b>Budget Year</b>	<b>Forecast Budget Gap</b>	<b>% of Controllable Budget</b>
2011/12	£38m	16.7%
2012/13	£17m	7.3%
2013/14	£4m	1.7%

It can be seen from the above that the required savings are front-loaded. The Council will not know its actual grant allocation until the Local Government Finance Settlement is announced in December. However given the scale of savings it is imperative that the Council continues to make timely decisions to reduce its spending.

- 1.3 In addition to identifying the savings above Cabinet at its meeting on 2<sup>nd</sup> 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 future meetings.
- 1.4 This report presents further tactical savings for approval by Council and recommends a number of externally funded activities which should cease or reduce.

## 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 Three further "*Informing Sefton*" briefings have been published advising staff of the decisions made by Cabinet 28<sup>th</sup> October 2010, Comprehensive Spending Review - Potential Effect for Sefton and the planned staff briefings by the Strategic Leadership Team.
- 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:-

<b>Year</b>	<b>Savings £000</b>
2010/2011	2,518
2011/2012	674
2012/2013	48
<b>Total</b>	<b>3,240</b>

The opportunity to express an interest in VER/VR remains open to the workforce and is positively promoted.

### **3. Prioritisation**

- 3.1 At its last meeting Cabinet noted the progress on the Prioritisation process related to external funding and in particular the level of risk associated with currently funded activities. This review has been comprehensive and in some areas it has yet to be concluded. In addition to this officers have been progressing the prioritisation of the rest of the council activity based on ensuring that impact on services at the frontline and those, which are critical to vulnerable people, is minimised.
- 3.3 Cabinet may recall that the Council's controllable budget is estimated to be £227m. The analysis of existing external funding has identified that almost £53m from external funding. In addition a further £9.2m is made up of contributions from other public sector organisation.
- 3.4 While the review of externally funded activity is still ongoing the work undertaken so far has identified a number of savings options. Appendix A contains those options, which are ready for consideration at this stage and identifies the activity and the impact of cessation and reduction. These total £3.5m and Cabinet is asked to consider these options and recommend to Council that the associated activities be ceased or reduced.
- 3.5 All other externally funded activity remains under review. This includes a wide range of activity across most Council services. A final set of recommendations on this activity will be presented to the December Cabinet.
- 3.7 The review of external funding also identified schemes supporting the Voluntary, Community and Faith Sector. These schemes are currently part of the "VCF Big Idea" and as such will be reviewed by that project team and reported separately.

### **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 continue to be developed. Appendix B contains those options, which are ready for consideration at this stage. These total £1.7m and Cabinet is asked to consider these options and recommend those to be implemented. Appendix B 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.

### **5. Conclusion**

- 5.1 The table below indicated the progress to date towards achieving the forecast level of savings, assuming all the proposals presented in this report are approved. Whilst steady progress is being made, a significant gap remains.

	2011/12	2012/13	2013/14	2014/15
	£m	£m	£m	£m
<b>Forecast saving</b>	<b>38</b>	<b>55</b>	<b>59</b>	<b>68</b>
<b>Approved Savings</b>				
September 2 Cabinet	2.5	2.5	2.5	2.5
October 28 Cabinet	2.7	2.7	2.7	2.7
<b>Proposed 25 November</b>				
Tactical	1.7	1.7	1.7	1.7
External Funding	3.5	3.5	3.5	3.5
<b>Savings Required</b>	<b>27.6</b>	<b>44.6</b>	<b>48.6</b>	<b>57.6</b>

Note – whilst the savings identified assume full achievement in 2011/12, further work is currently being undertaken to confirm the actual phasing of the savings.

- 5.2 Whilst these figures are provisional, pending the detailed local government settlement it is clear that reductions of this magnitude will have a significant impact on the services the Council can continue to provide.

The next month will be crucial for defining how the Council will be resized to keep within the available budget and deliver its priority services. The Cabinet and Council meetings in December will consider radical changes to service deliver in advance of setting the budget in February.

The Government is likely to announce its settlement for Local Government in December. This will confirm the grant for Sefton and will enable the MTFP to be reviewed again. As yet there is no further information on whether the Government intends to change its method of distributing grant. There is a risk that the Council's grant position may be worse than forecast due to demographic factors and/or the Government decides to change the distribution formula.

## 6. Recommendations

### ***Cabinet is recommended to:***

- a) Consider the recommendations regarding the externally funded activity detailed at Appendix A and recommend approval to Council
- b) Consider the tactical savings options at Appendix B and make appropriate recommendations to Council
- c) Authorise officers to prepare for implementation immediately, pending final decisions of Council
- d) Note that further proposals will be presented to the Cabinet meeting in December