

Subject: Overview and Scrutiny
Savings Review

Status: For Publication

Report to: Overview and Scrutiny

Date: 19th July 2010

Report of: Head of Finance & Property Services

Portfolio Finance and Resources

Holder:

Key Decision: No

Forward Plan General Exception Special Urgency

1. PURPOSE OF REPORT

- 1.1 To assist and support the Committee in the identification of £2m savings within Council annual revenue expenditure and to provide feedback to Cabinet as part of the wider budget 2011/12 consultation.

2. CORPORATE PRIORITIES

- 2.1 The matters discussed in this report impact on all Corporate Priorities. The Committees considerations and feedback should ensure that it has regard to the priorities.

3. RISK ASSESSMENT IMPLICATIONS

- 3.1 The potential negative impact on Council financial resources of c. £2m is likely to have a significant impact on the way the Council delivers its services to customers. The challenge for Council is therefore to align its resources with its corporate priorities and continue to deliver services in the most efficient manner possible.
- 3.2 At a time of potentially reducing financial resources, customer's expectations and demand on Council services and their delivery is likely to increase.

4. BACKGROUND AND OPTIONS

- 4.1 The Council's Medium Term Financial Strategy (MTFS), published in February 2010 and based on a number of assumptions concluded a forecast revenue deficit within Councils finances of £1.8m over the next 3 years.

4.2 Following the formation of the new Coalition Government, the announcement was made of £6.2bn cuts to government department expenditure. This had a direct impact on Rossendale due to, amongst other things:

- Reductions to previously agreed Area Based Grant funding to support community cohesion (grant cut by £63k)
- No allocation of Housing Planning Delivery Grant
- Reduction in Housing Market Renewal grant of 17.5% (ELEVATE)
- Reduction in previously anticipated Performance Reward Grant of c. £480k

4.3 June 2010 the emergency budget gave a further insight to the financial impact on local authorities:

- 2 year pay freeze for staff earning in excess of £21k pa,
- Reduction in the planned 0.5% increase in employers national insurance contributions,
- Freeze in Council Tax for 2011/12.

4.4 The February MTFS assumed a 3% annual reduction in the Governments general grant for the next 3 years. The governments Comprehensive Spending Review (CSR 2010) to be published 20th October 2010 is likely to confirm the national position regarding general grants but it is likely that the position for Rossendale will not be known until November / December 2010. We are, however, aware of a call to reduce Government department expenditure by 25% over 3 years (with only a small minority protected). The summary of local government (and Police) financing (based on last published figures 2009/10) is shown below with assumptions for 2011/12 of:

- a 7.75% reduction in the Rate Support Grant (RSG) [equivalent to 25% over 3 years]
- business rates continue to be pooled (NNDR)
- Council tax frozen for 2011/12 (pressure can also be expected during the medium term to keep increases at zero or significantly below inflation).

	2009/10 £m	Red'n	Forecast 2011/12 £m
Budgets	59,577		59,577
NNDR Pool	20,409	0.0%	20,409
C tax	26,874	0.0%	26,874
			-
RSG	7,692	7.8%	7,096
Police	4,489	0.0%	4,489
GLA	112	0.0%	112
Resources	59,576		58,980 -1.0%

4.5 If this is replicated at Rossendale the following resources are available:

	2010/11 RBC £000	Red'n	Forecast 2011/12 £000
Budgets	11,756		11,756
NNDR Pool	5,475	0.0%	5,475
C tax	5,486	0.0%	5,486
RSG	795	7.8%	733
Resources	11,756		11,694 -0.5%

4.6 The above indicates a 1.0% overall reduction in the Formula Grant (ie total of RSG and NNDR receipts), which is in line with the February 2010 MTFS assumptions, albeit we now have the added pressure of a Council Tax freeze.

4.7 Therefore, given the above assumptions the revised 3 year net budget forecast and saving requirement for Rossendale Borough Council is as follows:

	20011/12 £000	2012/13 £000	2013/14 £000
<i>Expenditure (less direct grants)</i>	14,743	14,729	14,722
<i>Income</i>	(2,987)	(3,030)	(3,074)
Initial Budget Requirement	11,756	11,699	11,648
Inflation			
Pay	212	169	242
Prices / Volume	129	109	77
Income	-43	-44	-45
Technical, Volume & Waste changes	100	100	100
Waste issues	0	200	0
Concessionary Travel	400	0	0
ELEVATE	275	0	0
Savings target to balance resources	-1,130	-586	-419
Inflated Budget Requirement	11,699	11,648	11,603
<i>% Change in Spending</i>	<i>-0.5%</i>	<i>-0.4%</i>	<i>-0.4%</i>
Formula Grant	6,208	6,146	6,084
<i>Annual % decrease</i>	<i>-1.0%</i>	<i>-1.0%</i>	<i>-1.0%</i>
Council Tax @ :	5,491	5,502	5,519
<i>Annual % increase</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>
Resources	11,699	11,648	11,603
Tax Base	21,671	21,714	21,779
	0.1%	0.2%	0.3%
Tax Rate	£ 253.40	£ 253.40	£ 253.40
<i>Annual % increase</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>
Cumulative Saving Required	-1,130	-1,716	-2,135
Annual Saving Required	-1,130	-586	-419

- 4.8 The cumulative savings target is now in excess of £2m over the next 3 years (see shaded area above).
- 4.9 The Chief Executive has shared the savings target of £2m with all staff through a staff engagement process. Staff have had further updates through daily message updates, team briefings and have been encouraged to make savings suggestions through the Council's "Thrifty Thread" ideas scheme.
- 4.10 Managers have each been charged with a saving target. £2m of savings shared equally across all Council departments is shown in appendix A.

4.11 The aim now for this Committee is to support the identification of £2m savings within the Council and to provide feedback as part of the wider budget 2011 / 12 consultations.

4.12 The Committee's objectives are:

1. To investigate and discuss where/how possible savings could be made across the Council's five priority areas
2. To identify positive/negative impact of making cost savings on services across the Borough
3. Provide feedback which will be used as part of the wider consultation process including views on wider consultation mechanisms the council may wish to consider

4.13 Terms of reference for the Committee are:

1. To participate in two Overview and Scrutiny consultation workshops looking at how the Council can make efficiency savings
2. Following a presentation by the Senior Management Team, discuss how savings can be made across the Council's five Priorities.
3. Working in small groups to:-
 - Discuss with appropriate Officers how savings can be made across the Council
 - Discuss possible impact on potential savings
 - To provide feedback on the findings from each group
4. As part of the wider budget consultation, provide feedback which will be incorporated into a final report to Cabinet.

COMMENTS FROM STATUTORY OFFICERS:

5. SECTION 151 OFFICER

5.1 Financial matters are dealt with within the report.

6. MONITORING OFFICER

6.1 No initiation or immediate implications arising from the report.

7. HEAD OF PEOPLE AND POLICY (ON BEHALF OF THE HEAD OF PAID SERVICE)

7.1 No specific decisions have been made but clearly saving requirements of this magnitude are likely to impact on, amongst other things, the Council's workforce.

8. CONCLUSION

8.1 That the Overview and Scrutiny Committee considers the £2m savings target, its delivery and possible impact on services and provides feedback to the Cabinet for their consideration.

9. RECOMMENDATIONS

9.1 That the members consider the £2m savings target, its delivery and possible impact on services and provides feedback to the Cabinet for their further consideration.

10. CONSULTATION CARRIED OUT

10.1 All Members.

11. COMMUNITY IMPACT ASSESSMENT

Is a Community Impact Assessment required No
Is a Community Impact Assessment attached No

12. BIODIVERSITY IMPACT ASSESSMENT

Is a Biodiversity Impact Assessment required No
Is a Biodiversity Impact Assessment attached No

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No background papers