

**Subject:** Medium Term Financial Strategy  
update 2011 - 15

**Status:** For Publication

**Report to:** Overview & Scrutiny Management  
Committee

**Date:** 2<sup>nd</sup> February 2011

**Report of:** Head of Finance & Property Services

**Portfolio**

**Holder:** Finance and Resources

**Key Decision:** NO

Forward Plan  General Exception  Special Urgency  "X" In  
*Relevant Box*

**1. PURPOSE OF REPORT**

- 1.1 The purpose of the report is to update Members on available financial options following the publication of the Comprehensive Spending Review 2010 (CSR 2010) together with the publication of individual Local Authority Revenue Support Grants (RSG) and the consequences of this on the Council's Medium Term Financial Strategy (MTFS). A similar report has previously been presented to a Special Cabinet on 26<sup>th</sup> January 2011.
- 1.2 A financial strategy is not an end in itself but is a means of demonstrating how resources available are used to deliver policy objectives. For this reason it is necessary to firstly review the Council's current corporate priorities. This review therefore forms the first part of this report.

**2. CORPORATE PRIORITIES**

- 2.1 Over the last few months a number of sessions have taken place for Member to consider and debate the areas of priority for the Council. Priority areas determine those projects where officers spend their time and where resources are allocated.
- 2.2 A specific priority setting event took place with the Chief Executive in addition to two Overview and Scrutiny meetings where Members have vocalised what is important to them, the following areas of importance have been identified:
- **A clean and green Rossendale** – creating a better environment for all, this priority focuses of clean streets and well managed open spaces.

- **A healthy and successful Rossendale** – supporting vibrant communities and a strong economy, this priority focuses on health inequality, building resilient communities and supporting businesses.
- **Responsive and Value for Money local services** –This priority focuses on responding to and meeting the different needs of customers and improving the cost effectiveness of services.

### 3. RISK ASSESSMENT IMPLICATIONS

- 3.1 All the issues raised and the recommendations in this report have involved risk considerations as set out below:
- 3.1.1 Budget setting for future years and the risks associated with the Council's ability to balance its resources and commitments over future years
- 3.1.2 The delivery of capital receipts together with the continued receipt of capital grants and financing in order to support the Councils capital ambitions and requirements
- 3.1.3 The council has received a provisional indication of its resources over the next two years, from The Department of Communities and Local Government. Uncertainty therefore still remains as to the amount of resource to be allocated over the full medium term.
- 3.1.4 Any impact from the proposed future changes to the administration of Housing Benefits is as yet still unknown and therefore is not included in the current MTFS update.
- 3.1.5 The MTFS assumes that provisions and reserves previously set aside are adequate to fund any known risks as and when they are finally quantified or settled.

### 4. BACKGROUND AND OPTIONS

- 4.1 Following the publication of the CSR 2010 on 20<sup>th</sup> October 2010 the Council has now received details of its annual Revenue Support Grant (RSG) for the next 2 years. The base for 2010/11 has been adjusted for, in the main, the cost of concessionary travel which has now transferred to Lancashire County Council, the funding is therefore as follows:

	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
RSG	6,270	4,558	3,965
Concess' Travel	(833)		
Other	(24)		
	5,413	4,558	3,965
Reduction		855	593
% Reduction		-15.8%	-13.0%

4.2 In balancing available resources with budget requirements the following key assumptions have been made for the following four years:

- Pay freeze for 2011/12 and 2012/13 for all staff, with 1.5% for each of the following years, plus associated employment costs.
- General inflation
- Council Tax for 2011/12 is increased by 0% and 3% in each of the following years thereafter. Central Government compensation, by an additional special grant, of £137k for the next 4 years in return for a 2011/12 Council Tax freeze is included in Council resources.
- Annual deferral of income receipts that are deemed volatile to market conditions, this gives the Council a 12 month warning on high risk income areas such as those associated with recycling.
- The Governments settlement for 2013/14 and 2014/15 will be in line with total resource reduction as identified in the October 2010 Comprehensive Spending Review (CSR).
- Ski Rossendale, this forms a separate appendix and is noted below. In line with the 2009 Leisure Review implementation, the following costs do not include any financing for the ski slope post March 2011.

4.3 The financial gap between available resources, budget requirements, efficiency savings made to date and therefore the required level for further revenue savings is as follows:

	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Resources</b>	11756	10,362	9,940	9,847	9,708
<b>Costs</b>	11756	12,097	12,317	12,491	12,603
<b>Deficit</b>	0	(1,735)	(2,377)	(2,644)	(2,895)
<b>Savings Made</b>	289	1,260	1,351	1,387	1,387
<b>Current Deficit</b>	289	(475)	(1,026)	(1,257)	(1,508)

4.4 Within the above budget requirement and as noted above, Council Officers have identified a number of efficiencies which will achieve a total of £1.4m in savings by 2013/14. The more significant areas being as follows:

	<b>2011/12 £000</b>	<b>2012/13 £000</b>	<b>2013/14 £000</b>	<b>2014/15 £000</b>
Vehicle purchasing	50	50	50	50
Labour optimisation	73	73	73	73
Extending weekly collections	30	39	55	55
Non-recurrent expenditure	25	25	50	50
Contract terminations (C&EG)	51	51	51	51
ICT Improvements	97	97	97	97
Communities Efficiencies	123	123	123	123
Business Directorate efficiencies and improvements	98	108	108	108
Homelessness (in-house)	30	30	30	30
Environmental staffing efficiencies	67	67	67	67
Cease budget contingency	30	30	30	30
Contract negotiations (Finance)	92	92	92	92
Historical Pensions	30	30	30	30
People & Policy efficiencies	74	74	74	74
Other items	371	421	457	457
<b>Total</b>	<b>1,260</b>	<b>1,351</b>	<b>1,387</b>	<b>1,387</b>

4.5 Within the above budget requirement the Council has faced a number of non-pay related cost pressures totalling £321k by 2013/14; these are included in the costs as noted in the table at 4.3. The significant cost pressures being:

	<b>2011/12 £000</b>	<b>2012/13 £000</b>	<b>2013/14 £000</b>	<b>2014/15 £000</b>
Fuel prices	60	80	100	100
Agency equal pay	25	50	50	50
Property related income	42	42	42	42
Post grant commitments	0	25	25	25
Supported Housing	8	15	23	23
Other items	77	77	81	81
<b>Total</b>	<b>212</b>	<b>289</b>	<b>321</b>	<b>321</b>

4.6 A number of further options for savings, which require Member approval, are noted by way of highlight reports which are attached to this report by separate appendices (1 to 11). The appendix / highlight reports are not attached to this report as they

have previously been published and can be seen as appendices to the Special Cabinet papers of 26<sup>th</sup> January 2011. They are summarised as follows:

	App'	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000
Farm Collections	1	75.8	75.8	87.8	87.8
Grass Cutting	2	39.6	45.6	45.6	46.5
Changes to Capita Contract	3	66.6	66.6	66.6	66.6
Markets	4	14.7	18.8	18.8	18.8
Grants	5	108.0	108.0	108.0	108.0
Cease Corporate Subscription to Local Government Association	No app' required	0.0	9.0	9.0	9.0
Reduce Council's Repair and Maintenance Budget	6	15.2	30.3	30.3	30.3
Reduce budget for staff and member training	7	14.2	14.2	14.2	14.2
Alternative arrangement for weekend parks care	8	12.0	12.0	12.0	12.0
Further Operations and Community efficiency reviews	No app' required	111.8	111.8	111.8	111.8
Alternative arrangement for supervision of leisure facilities at weekend	9	9.0	9.0	9.0	9.0
Credit Card Charges	10	6.8	6.8	6.8	6.8
<i>Ski Rossendale</i>	11	85.0	85.0	85.0	85.0
Total (Excluding Ski Rossendale)		473.7	507.9	519.9	521.1

\*CIA: Community Impact Assessments available to download or can be provided on request

- 4.7 The highlight reports explain the context and background for each proposal.
- 4.8 It is proposed that a separate provision, of £33k pa, is made from existing reserves in order to fund the continued contribution to the Lancashire Police Authority in support of Police Community Support Officers (PCSOs).
- 4.9 **Member Allowances:** are currently based on the national minimum wage level multiplied by a predetermined average working week formula. This methodology was set by the Independent Remuneration Panel and is due for review no later than April 2013. Members in February 2010 voted not to accept any change to allowances as a result of an increase to the national minimum wage to be announced in October

2010. The current MTFS assumes no increase to Member allowances during 2011/12 and the medium term, however, this is subject to Member approval. Should this approach be confirmed the saving to budgets is estimated to be c £8k.

### **Other External Grants and supported projects**

- 4.10 Rossendale borough Council has historically supported a number of initiatives which have been funded by external grant, the largest project being “Regenerate Pennine Lancashire” (formally Elevate). The Council has taken separate steps to deal with the loss of this annual grant funding stream. The financial impact of which is included in the above costs.
- 4.11 The Council has also been the recipient of funding from Lancashire County Council (LCC), by way of Area Based Grant, for “Safer and Stronger Communities”. The continuation of this funding from LCC has yet to be confirmed. During 2010/11 Rossendale received c. £57k which has been used to support, amongst other things:
- Contribution to resident police officer secondment (£21k). This role involves partnership development and anti social behaviour links, amongst others. The post holder also acts as lead officer on young peoples’ issues in relation to reducing anti social behavior.
  - Lancashire Drug and Alcohol Action Team (£4k). Since 2001/02 the Council has contributed to the delivery of drug treatment services for offenders through a partnership budget subscribed to by: all District Councils, the PCTs, the Probation Trust, the County Council, and the Constabulary. These services, as part of the Tower Programme, have contributed to the effective management of offenders (c.20 per year) in the community and helped to maintain the low levels of acquisitive crime across Lancashire.
  - Star Centre (£10k). Providing services to women and children across the Borough who are victims of domestic abuse. The Community Safety Partnership (CSP) has supported STAR for at least the last 8 years, who in turn are supporting on average 200 individuals per year.
  - Home security - Operation Fightback (£16k). This service has been offered to victims of domestic burglary and domestic violence for the last 5 years through the CSP. Currently 70 properties per year are benefiting from this scheme.

### **Funding the medium term financial gap**

- 4.12 We can see from the above that assuming Members agree the entire savings proposals the Council is able to deliver a balanced budget for 2011/12. However, though the organisation has identified total potential savings in excess of £1.9m, a funding gap exists for the 2 years 2012/14 of c. £500 to £700k and in particular the 3<sup>rd</sup> year 2014/15 rising to c. £1m - as the final assumed fourth year reduction in RSG impacts on Council resources.
- 4.13 The council will therefore require further options in order to bridge the remaining financial resources gap over the remaining three years. Officers have therefore

identified the following additional potential areas for further exploration during 2011/12, namely:

- Further consideration of the value and exposure to recycling income
- Further operational efficiencies in the provision of frontline services
- Consolidation and improved use of Council and partner organisations infrastructures and resources
- Further evaluation of service delivery and value for money
- Further evaluation and development of shared services.

### **Communication Strategy**

- 4.14 The Communication Strategy – a further appendix 12 can be seen as part of the reports to Special Cabinet 26<sup>th</sup> January 2011. This was previously presented to Full Council in December 2010 where some points of clarification were requested. It was therefore agreed that the matter would be presented as part of the MTFS where further cost implications would be disclosed.

### **Next Steps Timetable**

- 4.15 Members will approve: the annual budget, Council Tax level, MTFS update on 23<sup>rd</sup> February 2011. Public consultation will remain open up until this date via, amongst other things: website, public notices and a final Cabinet in February 2011.

### **COMMENTS FROM STATUTORY OFFICERS:**

#### **5. SECTION 151 OFFICER**

- 5.1 Financial matters are dealt with within the report.
- 5.2 Members should note that should they choose not to implement any of the cost saving measures, the consequences of this is to put additional pressure for cost savings into current and future years.

#### **6. MONITORING OFFICER**

- 6.1 Unless specifically commented upon within the report and appendices, there are no specific implications for consideration.

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

- 7.1 Unless specifically commented upon within the report and appendices there are no implications for consideration.

## 8. CONCLUSION

- 8.1 The impact of the current economic climate and the consequences of the 2010 CSR on local government finances have put a significant challenge on this Council to continue to deliver its priorities following a considerable reduction in resources both in the immediate and medium term.

## 9. RECOMMENDATIONS

- 9.1 That Members note the contents of the report.  
9.2 That Members make any necessary and appropriate recommendations to Cabinet at the meeting of 17<sup>th</sup> February 2011.

## 10. CONSULTATION CARRIED OUT

- 10.1 Directors, Heads of Services and Budget Holders.  
10.2 Public & Customers  
10.3 All staff  
10.4 Representations made to The Department of Communities and Local Government regarding the Council's 2 year provisional RSG settlement.  
10.5 Special Cabinet 26<sup>th</sup> January 2011

## 11. COMMUNITY IMPACT ASSESSMENT

Is an Community Impact Assessment required Yes / ~~No~~  
Is an Community Impact Assessment attached Yes / ~~No~~

## 12. BIODIVERSITY IMPACT ASSESSMENT

Is a Biodiversity Impact Assessment required ~~Yes~~ / No  
Is a Biodiversity Impact Assessment attached ~~Yes~~ / No

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<b>Background Papers</b>	
<b>Document</b>	<b>Place of Inspection</b>
Community Impact Assessments	Website or People & Policy
Consultation response to CLG re the provisional RSG settlement	Finance Department
Appendices 1 - 12 (noted in the report)	Special Cabinet papers (26 <sup>th</sup> January 2011)