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|---------------------------------------|--|--------------------------|---|
| <b>Subject:</b>                       | Medium Term Financial Strategy – achieval of budget reductions | <b>Status:</b>           | For Publication   |
| <b>Report to:</b>                     | Cabinet  | <b>Date:</b>             | 27 <sup>th</sup> June 2012  |
| <b>Report of:</b>                     | Chief Executive  | <b>Portfolio Holder:</b> | Leader of the Council   |
| <b>Key Decision:</b>                  | <input type="checkbox"/> Forward Plan                          | General Exception        | <input type="checkbox"/> Special Urgency <input type="checkbox"/> |
| <b>Community Impact Assessment:</b>   | Required:  | <del>Yes</del> /No       | Attached: <del>Yes</del> /No                                      |
| <b>Biodiversity Impact Assessment</b> | Required:  | <del>Yes</del> /No       | Attached: <del>Yes</del> /No                                      |
| <b>Contact Officer:</b>               | <b>Helen Lockwood</b>  | <b>Telephone:</b>        | <b>01706 252465</b>   |
| <b>Email:</b>                         | <b>helenlockwood@rossendalebc.gov.uk</b>                       |                          |   |

|           |   |
|-----------|---|
| <b>1.</b> | <b>RECOMMENDATION(S)</b>  |
| 1.1       | That members approve the commencement of consultation as identified in Section 7 of the report. |

## 2. PURPOSE OF REPORT

- 2.1 The Purpose of the report is to update Members in relation to the implications of the Medium Term Financial Strategy approved in February 2012.
- 2.2 Seek approval to develop the areas identified and commence consultation in order to assist the Council in its decision making in relation to achieving budget reductions and efficiencies.

## 3. CORPORATE PRIORITIES

- 3.1 The matters discussed in this report impact directly on the following corporate priorities:
- **A Clean and Green Rossendale** – creating a better environment for all, this priority focuses on 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** – responding to and meeting the different needs of customers and improving the cost effectiveness of services.

## 4. RISK ASSESSMENT IMPLICATIONS

- 4.1 The purpose of this report is to enable Members to approve detailed consultation on a wide range of issues which, in time, will inform future reports for Member consideration. Undertaking transparent and detailed consultation is essential and will mitigate the risk of challenge and importantly reinforces a culture of engagement and empowerment.
- 4.2 In addition, Internal Audit have been commissioned to monitor the 2012/13 consultation and engagement process which will provide additional assurances to Members regarding the process being followed.

## 5. BACKGROUND AND OPTIONS

5.1 The Council planned and implemented during 2011/12 significant cuts in its revenue budget, all of which were subject to member engagement and consultation. As a consequence of feedback in terms of the changes undertaken, work has progressed developing a community engagement strategy which will strengthen and support decision making. As identified in the February budget, the Council still faces severe financial challenges with Central government resources continuing to be reduced and with cost pressures increasing.

## 6. MEDIUM TERM FINANCIAL FORECAST & STRATEGY

6.1 Over the medium term the Council has assumed the following assumptions:

- Pay freeze for 2012/13 for all staff, with 1.5% for each of the following years, plus associated employment costs.
- An annual pension cost increase as a result of the 2010 actuarial valuation
- A prudent view of general inflation at 4% on significant service contracts and 0% for income.
- Council Tax for 2012/13 is increased by 0% and 3% in each of the following years thereafter. The assumption of 3% is as per the previously agreed MTFs strategy with the setting of Council Tax subject to annual Member approval.
- 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 waste 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). This therefore implies an overall decline in Rate Support Grant (RSG) of 39% on the 10/11 base grant.
- The 2011/12 special 4 year grant of £138k pa ends in 2014/15
- The 2012/13 grant of £138k is for one year only in compensation for freezing Council Tax.
- The VAT shelter arrangements with Greenvale Homes, which Council is using to support pension funding, ends in 2015/16.
- Use of the Transitional Reserve in order to stabilise the next 3 years of operations.

6.2 It is worth noting that The Chancellors 2011 Autumn statement indicated that reductions in Public Sector financing would continue into 2015/16 and 2016/17. Overall Public Sector funding is expected to marginally reduce in real terms. Allowing for inflation this probably means cash variance of +1% to +2%. Given the District Councils generally see the largest cuts we have assumed no change to our settlement over these years, though clearly there is no certainty in this assumption. We anticipate having an initial indication of the 2013/14 settlement in December 2012. Should resources fall this will increase the annual forecast budget deficits as noted in paragraph 6.3.

6.3 The financial implications and forecast for medium term is therefore as follows:

|   | 2011-12<br>£'000 | 2012-13<br>£'000 | 2013-14<br>£'000 | 2014-15<br>£'000 | 2015-16<br>£'000 | 2016-17<br>£'000 |
|---|------------------|------------------|------------------|------------------|------------------|------------------|
| Budget Estimates                            | 10,548           | 9,831            | 9,876            | 10,084           | 10,193           | 10,463           |
| Collection Fund Deficit                     | 9                | -                | -                | -                | -                | -                |
| <b>Subtotal</b>                             | <b>10,557</b>    | <b>9,831</b>     | <b>9,876</b>     | <b>10,084</b>    | <b>10,193</b>    | <b>10,463</b>    |
| Estimated Funding:                          |                  |                  |                  |                  |                  |                  |
| Council Tax                                 | 5,502            | 5,502            | 5,667            | 5,837            | 6,012            | 6,199            |
| RSG & Transitional (11/12)                  | 4,917            | 4,051            | 3,737            | 3,378            | 3,378            | 3,378            |
| ABG - Grant for 0% C Tax uplift 2011-12     | 138              | 138              | 138              | 138              | -                | -                |
| ABG - Grant for 0% C Tax uplift 2012-13     |                  | 138              |                  |                  |                  |                  |
|   | <b>10,557</b>    | <b>9,829</b>     | <b>9,542</b>     | <b>9,353</b>     | <b>9,390</b>     | <b>9,577</b>     |
| <b>Surplus / (further savings required)</b> | <b>-</b>         | <b>(3)</b>       | <b>(334)</b>     | <b>(732)</b>     | <b>(803)</b>     | <b>(886)</b>     |
| Pressures                                   | -                | -                | (265)            | (425)            | (425)            | (425)            |
| Use of Transitional Funds                   | -                | 3                | 599              | 212              | -                | -                |
| <b>Surplus / (further savings required)</b> | <b>0</b>         | <b>0</b>         | <b>0</b>         | <b>(945)</b>     | <b>(1,228)</b>   | <b>(1,311)</b>   |

NB – The above is subject to rounding.

Future potential areas of cost pressure are:

| Area of Pressures   | 2012-13<br>£'000 | 2013-14<br>£'000 | 2014-15<br>£'000 | 2015-16<br>£'000 |
|---|------------------|------------------|------------------|------------------|
| DWP Admin Subsidy   |                  |                  | 100              | 100              |
| Loss of Council Tax Benefit Subsidy                       |                  |                  | 60               | 60               |
| Police Community Support Offices                          |                  | 35               | 35               | 35               |
| Increased bad debts - Localisation of Council Tax Benefit |                  | 30               | 30               | 30               |
| Revenue Contribution to future Capital spend              |                  | 100              | 100              | 100              |
| Other Volume & Technical Changes                          |                  | 100              | 100              | 100              |
|   | <b>-</b>         | <b>265</b>       | <b>425</b>       | <b>425</b>       |

6.4 The above therefore indicates that this Council has to identify further efficiencies or other measures to reduce its cost base by in excess of £1.0m. In order to achieve this level of savings the Borough Council will inevitably be required to plan and develop proposals.

## 7. Areas Identified for Consultation during 2012

7.1 The Chief Executive has shared the financial implications of the Medium Term Financial Strategy with staff and has ensured all staff are aware of the need to remove a further £1m by 2014/15 with this rising to in excess of £1.3m by 2016/17. Staff have received updates and have been encouraged to continue to make savings suggestions.

7.2 Detailed discussions have been ongoing with Portfolio Holders and a number of areas have

been identified for further development and consultation during 2012 as follows:

| <b>Service Area</b>           | <b>Areas Under Review</b>   | <b>Possible Range of Savings<br/>£</b>   | <b>Initial Report to Cabinet</b> |
|-------------------------------|---|--|----------------------------------|
| Operations                    | Review of refuse and street cleansing                                     | Combined possible savings across the Operations area in the region of 80k-150k         | Sept 2012                        |
| Operations                    | Review of Trade Waste as a potential income generator                     |  | Sept 2012                        |
| Operations                    | Review of Clinical Waste contract   |  | Sept 2012                        |
| Operations                    | Review of Garden Waste  |  | Sept 2012                        |
| Communities                   | Review of grant funding post 2014/15                                      | To be determined   | Sept 2012                        |
| Communities                   | Review of NNDR  | To be determined   | Sept 2012                        |
| Finance                       | Review of Council Accommodation and assets                                | 80k – 175k   | June 2012                        |
| All Areas                     | Service Reviews looking at efficiencies, shared services                  | 50k-100k   | As required                      |
| Communities                   | Identify with Rossendale Leisure Trust potential savings and efficiencies | 100k – 200k  | Sept 2012                        |
| All Areas                     | Staff Terms and Conditions  | To be determined   | As required                      |
| Legal and Democratic Services | Review of democratic processes reviewing meeting frequency/working groups | Combined possible savings across the Democratic Services area in the region of 50-100k | June 2012                        |
| Legal and Democratic Services | Review of councillor numbers and 4 yearly election cycle                  |  | June 2012                        |
| Legal and Democratic Services | Review of Mayoral Role  |  | June 2012                        |
| Regeneration                  | Review contract and identify options in relation to Whittaker Park Museum | 10-50k   | Sept 2012                        |

7.3 As can be seen from the above table, the possible financial savings are in the range of £370k to £775k which will only be clarified following consultation. As the consultation and engagement process continues and develops some or all of these savings may come forward and each area will be considered individually and will be the subject of separate reports. In addition, some of the areas identified, should they be agreed, cannot be delivered for many years i.e. the reference to four yearly elections. It is therefore clear that there is more to do and a need to identify further areas for consideration. Members are therefore being asked to approve the list of areas identified and for work to commence immediately with reports coming forward as listed earlier.

## 8. CONSULTATION

8.1 A variety of mechanisms will be used to ensure there is robust engagement and consultation in the development of the above areas. The use of informed community impact assessments at an early stage will be essential in terms of understanding the positive and negative impacts of change. In considering how best to consult and engage it will be important to develop plans for each area under consideration and these will be clarified as each area is developed and reported back to Members.

8.2 The engagement plans will consist of a range of methods organised around the following, depending on the level and nature of the impact on different groups.

- **Informing:** Letting people know something. This may include leaflets, website information and press releases;
- **Consulting:** Seeking views on something and using these views to inform what we do. This may include structured questionnaires such as the Citizens' Panel;
- **Involving:** Residents become a part of the decision making process. This may include various groups providing their knowledge and expertise to inform decisions;
- **Collaboration:** Working together with communities to identify problems, discuss them and create a positive change. This may include joint project delivery between The Council and community groups; and
- **Empowering:** The community leads on the decision and they take responsibility into their own hands. This may include supporting the development of social enterprises

8.3 The Council will also be utilising the Citizen Panel and consulting via Neighbourhood Forum meetings, focus groups and will utilise and define the most appropriate consultation mechanism as defined above.

8.4 In consultation with the Chair of Overview and Scrutiny it is planned to utilise scrutiny meetings over the forthcoming year in order to input into the wider engagement and consultation arrangements thus ensuring a transparent scrutiny process is in place in terms of recommendations coming forward.

## 9. COMMENTS FROM STATUTORY OFFICERS: SECTION 151 OFFICER

9.1 Financial matters are dealt with in the report, with additional comments below:

|                 |    |       |        |
|-----------------|----|-------|--------|
| Version Number: | V4 | Page: | 5 of 7 |
|-----------------|----|-------|--------|

- 9.2 There are a number of central government policy changes emerging and which are currently undergoing public consultation, one of which is noted in paragraph 6.3 (the localisation of Council Tax benefit). This matter is the subject of a separate report on this agenda and has the potential to have financial implications in excess of those noted above.

Another matter emerging is the current Local Government Finance Bill and the retention of local business rates as from 1<sup>st</sup> April 2013. This matter is also currently under central government consultation. The final Finance Act will see a significant shift to local authorities in the risks and rewards associated with business rates which have the potential to further impact on the MTFs financial forecast beyond 2012/13 as currently noted in 6.3. This matter will be the subject of a future report to Members.

- 9.3 As at 1<sup>st</sup> April 2012 the Council does have a change management reserve of £933k which is available to contribute to any change costs associated with savings as per section 7 above, other savings initiatives still to be identified and any unforeseen negative impact of central government legislative changes. However, resources are finite yet the impact of central government changes could have a recurring annual financial impact and therefore represent another cost pressure with which this Council has to deal with.

## **10. MONITORING OFFICER**

- 10.1 No comments required for this report.

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

- 11.1 The Human Resources implications will be understood and responded to as a consequence of the consultation process.
- 11.2 The consultation and engagement which will be undertaken as part of the development of any proposals will support the Council's decision making process and ensure that the Council does give due regard. The Equality Act 2012 established the Public Sector Equality Duty, the duty requires the Council to give due regard to :
- Eliminate discrimination, harassment and victimisation and any other conduct that is prohibited by or under the Act.
  - Advance equality of opportunity between people who share a relevant protected characteristic and people who do not share it.
  - Foster good relations between people who share a relevant protected characteristic and those who do not share it.
- 11.3 The amount of regard that is 'due' (that is, the degree of attention demanded by the needs) is set out in section 49 of the Equality Act and will depend on the circumstances of the case, the greater the potential impact of a decision, the greater the regard that must be had.

## **12. CONSULTATION CARRIED OUT**

- 12.1 Cabinet and Management Team.

### 13. CONCLUSION

13.1 The Council must remain focused on identifying and delivering c£1.3m of cuts over the medium term and ensure that all budget resource allocations are core to the function of the district council and have clear links to its Corporate Priorities.

| Background Papers                                     |                                   |
|---|-----------------------------------|
| Document  | Place of Inspection               |
| Previous update to the MTFS (Budget Reports Feb 2011) | Rosendale Borough Council website |