

Key Decision Required:	Yes	In the Forward Plan:	Yes
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CABINET

25 NOVEMBER 2016

REPORT OF FINANCE, REVENUES AND BENEFITS PORTFOLIO HOLDER

A.5 FINANCIAL STRATEGY BUDGET REDUCTIONS – OUTCOMES FROM PORTFOLIO WORKING PARTIES

(Report prepared by Richard Barrett)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To present the outcomes from the various Portfolio Holder Working Parties to consider whether to take them forward / develop further for inclusion in the budget from 2017/18 and beyond.

EXECUTIVE SUMMARY

- As part of the financial strategy process for 2017/18, Cabinet agreed that Portfolio Holder led working parties be established with the aim of identifying the necessary budget reductions to meet the budget ‘gaps’ estimated for the period 2017/18 to 2019/20.
- Four working parties met on a number of occasions during September and October where ideas were put forward along with supporting information to inform the discussions.
- Following the working party meetings, the relevant Portfolio Holders have put forward budget reduction proposals totalling **£0.268m** in 2017/18 rising to **£0.528m** on an on-going basis from 2019/20. These amounts include a number of other items that have been identified outside of the working party meetings but in consultation with the relevant Portfolio Holder where relevant.
- A number of proposals will be subject to further decision making processes via separate reports presented to Cabinet later in the year. However subject to the recommendations below, the items put forward will be considered for inclusion in the budget as it is developed over the next three months for recommending to Council in February next year, which could include an initial investment to deliver the budget reductions.
- The budget reductions identified to date do not meet the required savings target of **£1.565m** in 2017/18. Officers therefore continue to work in consultation with Portfolio Holders to identify further savings. At this stage of the budget process, the one-off use of reserves to balance the budget cannot be ruled out which will add further budget pressures in 2018/19 where further on-going savings will need to be found to replace any money drawn down from reserves in 2017/18.
- Given the scale of the estimated budget ‘gaps’ of **£1.700m** and **£1.500m** in 2018/19 and 2019/20 respectively, it is proposed to continue the Portfolio Holder led working

parties to support the identification of further savings needed to deliver a balanced and sustainable budget in future years.

RECOMMENDATION(S)

That Cabinet:

- a) **Notes the outcome from the Portfolio Holder Working Parties and other savings proposals identified and requests comments from the Corporate Management Committee;**
- b) **requests the relevant Corporate Director to undertake the necessary actions to take forward the proposed budget reductions to be considered for inclusion in the detailed estimates for recommending to Council in February 2017 and/or to present further reports to Cabinet in due course.**

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES

This report will have direct implications for the Council's ability to deliver on the commitments, objectives and priorities set out in the Corporate Plan, the Corporate Goals and the Community Strategy.

FINANCE, OTHER RESOURCES AND RISK

Finance and other resources

The financial implications are considered in the body of the report and will be subject to separate reports and/or further review as part of the detailed estimates process for reporting to Cabinet later in the year.

Risk

There are significant risks associated with the estimates process such as cost pressures, inflation and changes to other assumptions that form part of the financial planning process.

Failure to identify the necessary savings required to deliver a balanced budget will require the use of one-off reserves which would not provide for a sustainable solution and any use of such reserves in 2017/18 would need to be replaced by on-going revenue savings in 2018/19 and beyond. These risks need to be managed to ensure the savings proposals are deliverable.

LEGAL

The arrangements for setting and agreeing a budget and for the setting and collection of council tax are defined in the Local Government Finance Act 1992. The previous legislation defining the arrangements for charging, collecting and pooling of Business Rates was contained within the Local Government Finance Act 1988. These have both been amended as appropriate to reflect the introduction of the Local Government Finance Act 2012.

OTHER IMPLICATIONS

Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.

Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected / Consultation/Public Engagement.

There are no other implications that significantly impact on the financial baseline. However, the ability of the Council to appropriately address these issues will be strongly linked to its ability to fund relevant schemes and projects and determination of the breadth and standard of service delivery to enable a balanced budget to be agreed.

Where necessary, an impact assessment will be undertaken as part of the separate budget decisions or activities required to deliver the necessary savings to meet the budget 'gap'

PART 3 – SUPPORTING INFORMATION

PROPOSED BUDGET REDUCTIONS – OUTCOME FROM PORTFOLIO WORKING PARTIES

At its meeting on 5 August 2016, Cabinet considered the **Financial Strategy – General Fund Financial Baseline 2017/18** which introduced a new Portfolio Holder led framework within which savings would be identified. Within the same report, a number of savings ideas / proposals were put forward for further investigation but this was by no means exhaustive and all members were encouraged to put forward further ideas wherever possible.

Four Portfolio Holder Working Parties were established which met on a number of occasions during September and October. The working parties provided a forum for members and officers to discuss ideas and for information to be shared.

Following the various working party meetings, a summary of the budget reductions proposed by the relevant Portfolio Holder is set out below:

Portfolio Working Party	Proposed Budget Reduction	Budget Reduction Amount	Comments
Review of Assets / Transformation Agenda	Office Transformation	£0.020m in 2017/18 rising to £0.120m by 2019/20	Please see separate sheets attached for further details
	Changes to the Community Rent Offsetting Scheme	£0.010m in 2017/18 rising to £0.040m by 2019/20	These items will be subject to separate / further reports as part of the decision making process.
Service Provision / Alternative Service Delivery - Environment and Open Spaces	Efficiency savings from Open Space and Play areas	£0.042m in 2017/18 rising to £0.072m by 2019/20	Please see separate sheet attached for further details
Service Provision / Alternative Service Delivery –	Reduction in Public Convenience Provision	£0.060m in 2017/18 rising to £0.100m by 2019/20	Please see separate sheet attached for further details

Commercialisation				This item will be subject to separate / further reports as part of the decision making process.
Service Provision / Alternative Service Delivery - Leisure Other / Change in Internal Service Provision / Working with Partners	Closure / Transfer of ownership of Brightlingsea Pool	£0.063m 2017/18	from	At its meeting on 10 June 2016 Cabinet agreed to work with Brightlingsea Town Council to explore the option to transfer ownership of the pool to them, with an appropriate delegation to the relevant portfolio holders agreed. Although discussions remain on-going, if a transfer of ownership is not possible then it is proposed to dispose / decommission the facility to secure this saving. (A separate decision would then be required.)

Other Budget Reductions

Within the framework set out to identify the necessary savings, a number of further items were identified for review by officers in consultation with the relevant Portfolio Holder. Outcomes from this work are set out in the table below:

Item / Activity	To Explore / Include in Review	Budget Reduction Identified	Comments
Review of Assets	Investment in Property	£0.026m from 2017/18	Cabinet agreed a Commercial Property Investment Policy at its 9 September 2016 meeting. The budget reduction proposed, when added to the existing budget of £0.026m represents an average full year return of 7% on the associated capital budget of £0.750m .

			Potential acquisitions are now being considered to deliver the required return in 2017/18.
Transformation Agenda	New Scanning / Postal Processes Staff Reorganisations	£0.020m from 2017/18 in respect of revised postal processes	A new internal / centralised postal process is planned on being implemented which will see a reduction in postage costs. In respect of staff reorganisations, this remains an on-going strand of work with the most up to date position to be included in the detailed estimates that will be presented to Cabinet in December. Channel shift projects are also being developed and it is planned to present a separate report to Cabinet later in the year setting out an associated business case for investment in a Revenues and Benefits scheme
Other / Change in Internal Service Provision / Working with Partners	Review / Cease Subscriptions	TBC	Work remains ongoing with outcomes being reflected in the detailed estimates to be presented to Cabinet in December
Other / Change in Internal Service Provision / Working with Partners	Reduction in number of Members	£0.060m from 2019/20	This is based on a reduction in the number of members to 48 in-line with the work currently being undertaken with the boundary commission.
Other / Change in Internal Service Provision / Working with Partners	Coast Protection Maintenance Budgets	£0.030m from 2017/18	Existing maintenance budgets will be reduced – the current annual budgets total £0.370m so this amount represents just under 10%. The aim is to accommodate annual planned and reactive work within the reduced budget but if unexpected

			costs arise in any one year then these will need to be considered against other budgets / reserves as necessary.
Other / Change in Internal Service Provision / Working with Partners	Office Cleaning Provision	TBC	This is a longer term project that will remain on-going into 2017/18
Other / Change in Internal Service Provision / Working with Partners	Join Up Services across the Council e.g. cleaning provision	TBC	This is a longer term project that will remain on-going into 2017/18.
Other / Change in Internal Service Provision / Working with Partners	Review of previous years outturn provision	TBC	Work remains ongoing with outcomes planned on being reflected in the detailed estimates to be presented to Cabinet in December
Income / Core Funding Changes	Increase income from lowering risk threshold on treasury management decisions	£0	Work remains on-going to identify alternative investment opportunities to deliver against the existing budget given the recent reduction in the base rate to 0.025%, so it will not be possible to generate additional income at this time to deliver further savings in this low interest rate environment.
Income / Core Funding Changes	Council Tax Sharing agreement with major preceptors	TBC	Work remains ongoing with outcomes planned on being reflected in the detailed estimates to be presented to Cabinet in December
Income / Core Funding Changes	Increase Income from Fees and Charges	TBC	Work remains ongoing with outcomes planned on being reflected in the detailed estimates to be presented to Cabinet in December

Based on the information obtained from the above reviews, the profile of when the budget reductions are expected to be realised is set out below:

Summary of Budget Reductions (On a Cumulative Basis)

	2017/18	2018/19	2019/20	On-going thereafter
Timing / Total of Budget Reductions Proposed	£0.268m	£0.323m	£0.518m	£0.528m

The total of the budget reductions identified to date is significantly less than the budget gaps currently estimated for the period 2017/18 to 2019/20 – the current estimated budget gaps are **£1.565m, £1.700m and £1.500m** for 2017/18, 2018/19 and 2019/20 respectively.

Subject to the recommendations set out earlier in this report, the budget reductions currently identified will be considered for inclusion in the detailed estimates that will be presented to Cabinet in December, although the timing of their inclusion will be subject to further decision making process / separate reports to Cabinet as applicable.

Some budget reduction proposals include one-off investment to secure the actual reduction, which will also be considered for inclusion in the detailed estimates as appropriate during the 2017/18 budget cycle or within the separate reports that may be necessary to present to Cabinet as part of the decision making process.

Although a number of items have yet to be finalised as highlighted in the tables above, it is not expected that they will completely close the budget gap of **£1.565m** in 2017/18. Therefore Portfolio Holders remain in consultation with Officers to identify where additional budget reductions can be made to deliver a balanced budget for reporting to Full Council in February. At this stage of the budget process, the use of reserves to support a balanced budget cannot be ruled out.

Given the fact that significant savings are still required over the period 2018/19 to 2019/20, it is proposed to continue with this working party approach going into 2017/18.

Although most of the initial items for consideration have been explored, with outcomes set out in the table above, the savings anticipated against the refuse collection and street cleansing budgets are unlikely to be realised. During work undertaken as part of the relevant Portfolio Holder Working Party, it was identified that there will be a number of supply chain cost pressures that will emerge once the contract is exposed to the market, which would happen if variation orders were raised to implement changes such as potentially revising the current refuse collection or street cleansing frequencies. Such cost pressures could include the living wage, pension costs and the significant reduction in the value of recyclables which are currently borne by the contractor. It is therefore considered that at this stage there is value in maintaining the current contract arrangements until the contracts reach their first review milestone in early 2019, where the Council will need to decide whether to extend the contracts or retender them based on value for money considerations. Therefore no action is proposed at the current time but options to potentially reduce or limit increases in costs will be considered when negotiating potential revised terms with the existing contractor if the contract is extended or alternatively they will be built into the specifications / options if it is decided to expose the service to competition via a tender process during 2018/19.

BACKGROUND PAPERS FOR THE DECISION

None

APPENDICES**Outcomes from Portfolio Working Parties**

FINANCIAL STRATEGY 2017/18 AND BEYOND

PORTFOLIO HOLDER WORKING PARTIES - BUDGET REDUCTION PROPOSED

1. Budget Reduction title:	Gross Revenue Reduction (Cumulative)			
	2017/18 £000	2018/19 £000	2019/20 £000	Ongoing Thereafter £000
Office Transformation	20	20	120	120

2. Is an investment required to deliver the Budget Reduction? <i>If Yes then please specify amounts and timing here (please include zeros where no costs anticipated) :</i>	Yes				
	2017/18 £000	2018/19 £000	2019/20 £000	After 2019/20 £000	
	Capital	550	610	0	0
	Revenue	25	25	0	0

3. Will a Capital Receipt be generated? <i>If Yes then please indicated the asset, value and timing of receipt :</i>	Yes			
	2017/18 £000	2018/19 £000	2019/20 £000	After 2019/20 £000
	Disposal of Weeley Site	0	0	1,160

4. Brief description of the Budget Reduction proposed

The savings set out for 2017/18 and 2018/19 are those to be achieved following the recent disposal of Clay Hall and other minor properties, which have not yet been reflected in the budget. The savings from 2019/20 onwards include those expected from the disposal of Weeley.

5. Briefly explain the Capital or Revenue Investment stated above that is required to deliver the Budget Reduction

A detailed business case is to be developed that fully investigates structural and planning issues prior to contractual commitment. Specific consultancy will be required to deliver this. Although the project is aimed at being capital neutral it will be necessary to prepare the offices to be retained before Weeley can be disposed of.

6. What adverse impact is anticipated and how will this be managed?

Modernisation of working methods and radical reduction in storage and archiving will be required. IT investment to facilitate this is under way. Temporary staff for backscanning of archives have been budgeted for. A cross departmental team will be established to deal with operational issues.

7. Will a further Portfolio Holder Report / Cabinet Report / Council Report be required? <i>If yes please set out purpose of reports / who to and expected timetable.</i>	Yes
A separate report is planned to be presented to Cabinet in December 2016.	

8. Is an impact assessment required? <i>If yes please set out timetable for completing this</i>	Yes
This will form part of the business case that will be required to support the implementation of this budget reduction.	

9. Are you planning on undertaking consultations? <i>If no please state the reason why; if yes please state who with and expected timetable</i>	Yes
Staff and member consultations will be run during the project.	

FINANCIAL STRATEGY 2017/18 AND BEYOND

PORTFOLIO HOLDER WORKING PARTIES - BUDGET REDUCTION PROPOSED

1. Budget Reduction title:	Gross Revenue Reduction (Cumulative)			
	2017/18 £000	2018/19 £000	2019/20 £000	Ongoing Thereafter £000
Community Asset Rent Offsetting Scheme - No new leasees accepted onto the scheme from 1 April 2017	10	20	30	40

2. Is an investment required to deliver the Budget Reduction? <i>If Yes then please specify amounts and timing here (please include zeros where no costs anticipated) :</i>	No			
	2017/18 £000	2018/19 £000	2019/20 £000	Ongoing Thereafter £000
Capital	0	0	0	0
Revenue	0	0	0	0

3. Will a Capital Receipt be generated? <i>If Yes then please indicated the asset, value and timing of receipt :</i>	No			
	2017/18 £000	2018/19 £000	2019/20 £000	Ongoing Thereafter £000
-	0	0	0	0

4. Brief description of the Budget Reduction proposed

The figures shown represent the natural growth in rents of community properties within the scheme as it currently stands but not available to any new community users, which together is expected to deliver a net saving year on year. Further changes to the scheme are being considered which would require a separate decision by the Portfolio Holder.

5. Briefly explain the Capital or Revenue Investment stated above that is required to deliver the Budget Reduction

n/a

6. What adverse impact is anticipated and how will this be managed?

The additional income referred to will have some impact on current community users but this impact is inherent in the scheme as it currently stands. Changes to the scheme will have additional impact that will be considered as part of the review.

7. Will a further Portfolio Holder Report / Cabinet Report / Council Report be required? <i>If yes please set out purpose of reports / who to and expected timetable.</i>	Yes
A Portfolio Holder decision is required to implement the above proposals, which is will form part of a combined annual and general review of the scheme in early 2017.	

8. Is an impact assessment required? <i>If yes please set out timetable for completing this</i>	Yes
This will be undertaken to inform the Portfolio Holder decision above.	

9. Are you planning on undertaking consultations? <i>If no please state the reason why; if yes please state who with and expected timetable</i>	Yes
With community users as part of the annual review of the scheme.	

FINANCIAL STRATEGY 2017/18 AND BEYOND

PORTFOLIO HOLDER WORKING PARTIES - BUDGET REDUCTION PROPOSED

1. Budget Reduction title:	Gross Revenue Reduction (Cumulative)			
	2017/18 £000	2018/19 £000	2019/20 £000	Ongoing Thereafter £000
Open Spaces and Play Areas Efficiencies	42	72	72	72

2. Is an investment required to deliver the Budget Reduction? <i>If Yes then please specify amounts and timing here (please include zeros where no costs anticipated) :</i>	Yes			
	2017/18 £000	2018/19 £000	2019/20 £000	Ongoing Thereafter £000
Capital	0	0	0	0
Revenue	5	15	0	0

3. Will a Capital Receipt be generated? <i>If Yes then please indicated the asset, value and timing of receipt :</i>	No			
	2017/18 £000	2018/19 £000	2019/20 £000	Ongoing Thereafter £000
-	0	0	0	0

4. Brief description of the Budget Reduction proposed

It is proposed to make efficiency savings from reorganisation and use of casual staff and overtime budgets along with bringing some minor contracts back in-house.

5. Briefly explain the Capital or Revenue Investment stated above that is required to deliver the Budget Reduction

When bringing contracts in-house this will require some small investment for training along with the purchase of tools and equipment.

6. What adverse impact is anticipated and how will this be managed?

No significant impact is envisage arising from these savings. Staff will be better utilised and some re evaluation of roles and workloads will need to be addressed.

7. Will a further Portfolio Holder Report / Cabinet Report / Council Report be required? <i>If yes please set out purpose of reports / who to and expected timetable.</i>	Yes
Additional Cabinet / Portfolio Holder reports will be required when amending existing contract arrangements.	

8. Is an impact assessment required? <i>If yes please set out timetable for completing this</i>	No
-	

9. Are you planning on undertaking consultations? <i>If no please state the reason why; if yes please state who with and expected timetable</i>	No
The savings will be undertaken in consultation with staff where necessary. These savings have been carefully considered to minimise frontline service impact and therefore the requirement to consult members or the public as a result.	

FINANCIAL STRATEGY 2017/18 AND BEYOND

PORTFOLIO HOLDER WORKING PARTIES - BUDGET REDUCTION PROPOSED

1. Budget Reduction title:	Gross Revenue Reduction (Cumulative)			
	2017/18 £000	2018/19 £000	2019/20 £000	Ongoing Thereafter £000
Public Conveniences	60	75	100	100

2. Is an investment required to deliver the Budget Reduction? <i>If Yes then please specify amounts and timing here (please include zeros where no costs anticipated) :</i>	Yes			
	2017/18 £000	2018/19 £000	2019/20 £000	After 2019/20 £000
Capital	60	10	0	0
Revenue	0	0	0	0

3. Will a Capital Receipt be generated? <i>If Yes then please indicated the asset, value and timing of receipt :</i>	No			
	2017/18 £000	2018/19 £000	2019/20 £000	After 2019/20 £000
-	0	0	0	0

4. Brief description of the Budget Reduction proposed

Closure of up to 11 public conveniences with ongoing revenue savings in respect of utilities - electricity and water, cleaning costs, costs of materials and maintenance.

5. Briefly explain the Capital or Revenue Investment stated above that is required to deliver the Budget Reduction

A capital investment of £20,000 over two years is required for demolition of dilapidated buildings and / or the marketing of others for alternative uses otherwise business rates will remain payable. Additional capital expenditure is also required to improve the remaining public conveniences as part of the overall strategic approach to managing these facilities.

6. What adverse impact is anticipated and how will this be managed?

Some impact on quality of visitor experience to seafronts and town centres. However, care has been taken to minimise impact on tourism , town centres and other sources of income to the Council such as beach hut areas.

7. Will a further Portfolio Holder Report / Cabinet Report / Council Report be required? <i>If yes please set out purpose of reports / who to and expected timetable.</i>	Yes
To seek agreement for the closure of up to 11 public conveniences. A key decision requiring Cabinet or PH report report. Possible to complete before end of 2016 / 2017 financial year	

8. Is an impact assessment required? <i>If yes please set out timetable for completing this</i>	Yes
To form part of the decision process highlighted above.	

9. Are you planning on undertaking consultations? <i>If no please state the reason why; if yes please state who with and expected timetable</i>	Yes
Discussion has already been wide reaching by means of the Budget Saving working groups. The Portfolio Holder has contacted all ward members affected and presented reasons for the proposed closures. Any objections received will highlighted in the associated report / decision making process.	