

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO: Leader and Cabinet 12 November 2009
AUTHOR/S: Senior Management Team (SMT)

MEDIUM TERM FINANCIAL STRATEGY: PROPOSALS TO MEET CURRENT AND FUTURE YEARS' SAVINGS TARGETS

Purpose

1. The purpose of this report is to
 - (a) seek Cabinet approval for a package of savings to achieve the 2009-2010 savings target of £325,000, previously agreed by Members, and the additional requirement to identify gross savings of £1.6 million, requested by Cabinet as part of its consideration of the Medium Term Financial Strategy at the last meeting, and
 - (b) make a recommendation to Council to approve expenditure, outside budgetary provisions, to meet the costs of any redundancies and early retirements brought about as a consequence of any proposals agreed.
2. This is a key decision because it:
 - Will result in the Council making savings which are significant having regard to the Council's budgets for its operational and back offices services and functions.
 - Is likely to be significant in terms of its effects on communities living or working in an area of the District comprising two or more wards.
 - Is of such significance to the Council, its staff and the services which it provides that it should be treated as a key decision.

The item was first published in the October 2009 Forward Plan.

Background

3. In setting the 2009-2010 budget, the Council set a savings target of £325,000 from the General Fund. Given the spending pressures facing the Council, savings in excess of this level have been sought. As a result of this exercise, SMT can report that in-year budget reductions of £481,000 have been identified, increasing to £599,000 in 2010-2011.
4. Fuller details of the financial context within which this report is brought forward can be found within SMT's report to the meeting of 8 October 2009 setting the financial parameters for the Medium Term Financial Strategy (MTFS) and service planning processes. Links to the MTFS report are set out in the 'Background papers' section below.
5. The report set out the severe financial disadvantages facing the Council in terms of Government support, the low level of Council Tax and the costs of the growth agenda. These pressures had been reflected in the MTFS; however, the impact of the recession on the Council's income forecasts and demand for key services, combined with additional spending pressures arising from the transfer of concessionary fare

funding from district to county councils, and the likelihood of a substantial increase in employer contributions to the county pension fund, led Cabinet to request the identification of permanent savings of £1.6 million from the 2010-2011 financial year onwards. This course of action was formally agreed by Cabinet as a 'next step' identified in paragraph 33 of the previous report, the level of savings identified being deemed necessary to achieve a sustainable financial position for the Council over the next five years.

6. Following this decision, Cabinet informally indicated to the Chief Executive, broad areas of search within which savings should be sought, and specific spending reductions in certain areas. Following intensive work between SMT and the Executive Management Team, SMT is in a position to bring forward a package of proposals which will meet and surpass the £1.925 million target.
7. Notwithstanding the specific financial challenges facing the Housing Revenue Account (HRA) and Capital Programme, which are the subject of a separate report and recommendations to this Cabinet meeting, it should be understood that the adverse position of the General Fund in the context of the wider MTFs is not directly related to the outcome of the Housing Futures project. Savings proposed in the housing landlord service area will have some General Fund impacts.

Considerations – Savings in Operational Services

8. The following sections of the report provide a commentary on the principal savings areas being proposed by SMT. A full schedule of savings over a three-year period to 2012/13 is attached as **Appendix A** to this report.

Planning and Sustainable Communities, New Communities management structure

9. SMT has reviewed the corporate management structure in the New Communities and Planning and Sustainable Communities service areas in light of the slow down in development activity, and to take account of the opportunity for a review presented by the retirement of the Development Control Manager. In SMT's view, it is no longer sustainable to maintain two distinct service areas, therefore a decision has been taken to designate one Corporate Manager to oversee the New Communities and Planning service areas. SMT has consequently agreed to redeploy the Corporate Manager – Planning Services postholder into a new Head of Planning post to achieve this, and to delete the vacant post of Development Control Manager.
10. It is anticipated that this will yield savings of £60,000 per annum.

New Communities

11. The service has undergone a review during the Summer of 2009, as a result of which staff supported the principle of moving to an integrated project team model in which planners, community, and project management staff work together to deliver district-wide programmes or site specific developments.
12. Cabinet is recommended to approve the restructuring of the service based on the creation of two integrated teams. Approval of this recommendation will yield a saving of £421,000 through the net loss of 8.5 posts (4 of which are currently vacant). It is also proposed to reduce the service's project budgets in arts, economic development and tourism by £63,000.

13. Additional income from administering Section 106 legal agreements, and the sale of urban design expertise, is anticipated to amount to £50,000.
14. Cabinet support for these proposals will reduce expenditure in this service area by £534,000 from 2010-11. Further discussions will be required with Cambridgeshire Horizons, which currently provides funding to this service area of around £500,000 per year, to ensure that key growth outcomes continue to be delivered.

Planning and Sustainable Communities

15. Latest projections suggest that there are likely to be shortfalls in development control and building control income of £375,000 and £160,000 respectively by year-end.
16. The Planning Service has been reviewing its development control process and will be introducing a new IT system from April 2010. These activities provide opportunities to reduce staffing expenditure, but maintain professional expertise in order to be prepared for an upturn in development activity. This will result in the Staffing Establishment within this area being reduced by 10.5 posts (two of which are currently vacant), resulting in annual savings of £295,000.
17. A slowdown in the Local Development Framework process, with fewer planning documents being produced concurrently, and consequential reduced Planning Inspectorate costs, will reduce expenditure in the planning policy area by £100,000.
18. The implementation of these proposals will enable savings of £395,000 to be incorporated into the 2010-2011 budget. Cabinet is asked to note that, following the provisional identification of savings for 2010-11, there is an outstanding amount of £30,000 which has yet to be identified. SMT will continue to work with the Corporate Manager to identify appropriate measures to meet this shortfall.

Affordable Homes

19. Cabinet will be considering a report and recommendations regarding a strategic review of the Housing Service at this meeting. Subject to separate Cabinet approval, reductions in the grounds maintenance budget of £160,000 will be apportioned across the Housing Revenue Account and the General Fund, with savings to the latter of £50,000 in 2009/10 and £80,000 in future years. Reduced recharges from the sheltered housing and other services should result in General Fund savings of £30,000, whilst the deletion of one General Funded housing post will generate a saving of £44,000.
20. Progress is being made in transferring shopping car parks to parish councils, which should result in a reduction of £30,000 in expenditure, and it is proposed to reduce other Housing General Fund costs by £16,000.
21. The implementation of these proposals will reduce Housing General Fund expenditure by £200,000 in 2010/11.

Health and Environmental Services

22. Health and Environmental Services has identified the following savings:
 - (a) Bringing paper bank and school recycling bank servicing in-house, and increasing income from textile banks, results in a saving of £40,000 in 2010/11, rising to £58,000 in 2011/12.

- (b) The slowdown in housebuilding has resulted in revised projections of the need for additional refuse collection rounds, saving £60,000 in 2010/11, increasing to full year savings of £140,000 from 2011/12.
 - (c) The private sector housing condition survey scheduled for 2010/11 will not be commissioned, and alternative means of collecting information explored, saving £50,000 in 2010/11 and £8,000 per annum thereafter.
 - (d) One post will be deleted from the establishment which, along with a small reduction in staff hours, will save £35,000.
 - (e) Operational initiatives which will identify further savings of £119,000 in 2010/11 and £147,000 in future years.
23. The savings proposed in the Health & Environmental Services area total £304,000 in 2010/11 and £387,000 in 2011/12 and beyond. Cabinet is asked to note that, following the provisional identification of savings for 2010-11, there is an outstanding amount of £35,000 which has yet to be allocated. SMT will continue to work with the Corporate Manager to identify appropriate measures to meet this shortfall.

Considerations – Savings in Corporate Services and Community and Customer Services

24. The following ongoing annual savings have been identified within Corporate Services:
- (a) Subject to Council approval, a move from the current process of elections by thirds to all-out elections every four years will save £27,000.
 - (b) Savings of £70,000 arising from SMT's decision, in light of the positions of Principal Solicitor and Democratic Services Manager becoming vacant, to merge the Democratic and Legal Services teams, and to delete the vacant posts from the Staffing Establishment. SMT has agreed to the establishment of a new post of Legal and Democratic Services Manager with effect from 10 November 2009.
 - (c) A restructure within the Human Resources team will save £37,000.
 - (d) Abolishing the payment of professional subscriptions will save £52,000. This will not result in an equivalent cost to staff, as the payment of such subscriptions is a tax allowable expense.
 - (e) A restriction in the payment of Essential Car User allowance will save £90,000. By implementing existing policy, payments will only be made to users driving over 3,000 miles per year on Council business.
 - (f) A 25% reduction in training budgets will save £60,000.
 - (g) A restructure within the Accountancy Service will save £80,000 and involve one redundancy.
 - (h) The outcomes of the ICT service review have saved £32,000 through the deletion of a service management post.
 - (i) The introduction of a street naming and numbering charge of £25 per property in 2010-11, rising to £70 per new property in subsequent years, will generate £25,000 income in 2010-2011 and £67,000 in future years, thereby making the service cost-neutral to the authority.
 - (j) Operational savings of £26,000 in postage and procurement costs.
25. The implementation of these proposals will enable savings of £499,000 to be incorporated into the 2010-2011 budget, and £541,000 in subsequent years.
26. Cuts in project budgets relating to work areas within this service will save £53,000 in 2010-2011 and £48,000 in subsequent years. The deletion of the vacant Business Analyst post will save £41,000.

27. The implementation of these proposals will enable savings of £94,000 to be incorporated into the 2010-2011 budget, and £89,000 in subsequent years.
28. The Efficiency Savings Group has identified a number of miscellaneous ongoing operational savings totalling £48,000 per annum.

Options and effect on Strategic Aims

29. Cabinet may wish to revisit its previous commitment to identify an additional £1.6 million savings for the 2010/11 financial year; however, this is the limit considered necessary to avoid substantial financial problems in the later years of the MTFS, therefore this option is not recommended.
30. Cabinet may wish to review savings initiatives already underway or to request SMT to identify alternative savings. The initiatives and proposals in this report have been brought forward in the context of the Council's current and future strategic aims and approaches, and have regard to maintaining and enhancing current levels of service. Any such review should therefore be accompanied by a review of the Council's expectations and aspirations for its future service delivery and corporate governance.
31. The package of savings, if supported, will have implications for improvement and operational service plans for 2010-2013, drafts of which will be presented to Portfolio Holders for approval shortly. The detailed implications will need to be reflected in these plans and future estimates prior to presentation to Portfolio Holders, Cabinet and Council for approval in February-March 2010.

Implications

32. Financial	<p>The key financial implications are set out in the main body of the report, and in Appendix A attached. If Cabinet approves the overall savings package, the resulting reductions to the Staffing Establishment will incur redundancy and early retirement costs which will initially offset the gross savings target. It is not possible to be precise about the amount required until individual posts and employees have been identified for this purpose.</p> <p>For this reason, the overall total of £2.199 million, set out in the recommendations below, is a gross figure.</p>
Legal	<p>Proposals in respect of a move to all-out (four-yearly) elections require Council Resolutions in order to be implemented.</p> <p>The power to carry out duties relating to the employment and terms and conditions of staff is a non-executive function under the terms of the Local Authorities (Functions and Responsibilities) (England) Regulations 2001 which cannot be exercised by the Cabinet. The Chief Executive has full delegated power within the Constitution for all matters relating to the Staffing Establishment, subject to budget. Cabinet is requested to recommend to Council that funding be made available to meet the costs of redundancies and early retirements arising from the savings proposals.</p>

Staffing	The implementation of savings proposals of the magnitude identified in this report has significant staffing implications, and, if implemented in full, will entail a net loss of 18 jobs, summarised as follows:				
	Service	Gross reduction (posts)	(Less: vacant posts)	(Less: New posts)	Net job losses
	Corp. M'ment	2	(1)	(1)	-
	Planning	10.5	(2)	-	8.5
	New Comms.	8.5	(4)	-	4.5
	Affordable Homes	1	-	-	1
	H&ES	1	-	-	1
	Legal and Dem. Servs	3	(2)	(1)	-
	ICT	1	-	-	1
	Accountancy	1	-	-	1
	Policy and Performance	1	(1)	-	-
	HR	1	-	-	1
	TOTAL	30	(10)	(2)	18
	Proposals in respect of staffing redundancies will be subject to statutory notification and consultation periods which will be adhered to.				
Risk Management	The MTFS is included as a specific item on the Council's Strategic Risk Register insofar as failure to deliver the savings required within it may lead to reserves going below the minimum acceptable level during the period of the MTFS, resulting in cuts in some services, public dissatisfaction, audit and inspection criticism.				
Equal Opportunities	The proposed cut in the service budget for Equalities and Diversity will limit the Council's ability to be a proactive community leader in meeting its obligations to promote these areas.				

Consultations

33. All staff have been kept informed of the Council's current situation through the Corporate Brief process and regular direct e-mail communication from the Chief Executive. Individual employees and teams have brought forward suggestions for savings which have been analysed and incorporated into the report where supported by SMT.
34. As part of its consideration of the MTFS at the meeting on 8 October 2009, resolved that a process for public consultation on the financial proposals be developed.
35. Recognised Trade Unions have been notified in broad terms of the savings proposals and have been invited to engage with SMT as relevant matters are taken forward in light of Cabinet's decisions.

Conclusions/Summary

36. The savings identified in the report are summarised in the Table One below. The total figure of £2.199 million represents the sum of the £1.6 million target agreed by Cabinet at its last meeting and the £599,000 built into the draft MTFs for 2010-2015 (representing the initial savings target of £325,000 in the current budget, which the Council has surpassed).

Table One: Summary of savings proposals for 2010/11

SERVICE	2010-11 SAVINGS £000
New Communities/Planning: Corporate Management	60
New Communities Restructure	534
Planning and Sustainable Communities	395
<i>Planning and Sustainable Communities (shortfall)</i>	30
Affordable Homes (General Fund)	200
Health and Environmental Services	304
<i>Health and Environmental Services (shortfall)</i>	35
Corporate Services	499
Community and Customer Services	94
Efficiency Savings Group	48
TOTAL	2,199

37. The report brings together a wide range of proposals recommended by SMT to meet the savings targets previously identified by the Cabinet. As envisaged when the savings were requested, they entail difficult decisions with significant implications for the organisation and its workforce; however, Cabinet endorsement of the savings package is on balance considered necessary to ensure the sustainability of the Council over the period of the current Medium Term Financial Strategy and beyond.

Recommendations

38. It is recommended that:
- (a) the package of savings for 2010-2011, set out in **Appendix A** and summarised in Table One above be agreed in order to achieve gross savings of £2.199 million in 2010/11, incorporating the £1.6 million target set by Cabinet at its meeting on 8 October 2009 and an additional £599,000 provided for within the draft MTFs, and that revenue estimates be prepared to take into account the proposals set out in the report and appendix; subject to:
 - (i) Cabinet's decisions in respect of the Housing Service Review under Agenda Item 6; and
 - (ii) Subsequent Council Resolutions in respect of four-yearly elections.
 - (b) the restructurings and changes to service levels required to implement the savings proposal in (a) above be approved, excluding matters already determined by SMT, and those reserved to the Council and Chief Executive under the Council's Constitution;
 - (c) Council authorise the Chief Executive, in consultation with the Leader of the Council and Finance and Staffing Portfolio Holder, to approve expenditure, outside budgetary provisions, to meet the costs of any redundancies and early

retirements brought about as a consequence of the proposals agreed in (a) and (b) above.

Background Papers: the following background papers were used in the preparation of this report:

Report to Cabinet meeting on 8 October 2009 (Item 36 refers)

External link to website:

<http://scambs.moderngov.co.uk/ieListDocuments.aspx?CId=293&MId=4415&Ver=4>

Contact Officer:

Greg Harlock – Chief Executive

Telephone: (01954) 713081

e-mail: greg.harlock@scambs.gov.uk

Steve Hampson – Executive Director (Operational Services)

Telephone: (01954) 713021

e-mail: steve.hampson@scambs.gov.uk

Alex Colyer – Executive Director (Corporate Services)

Telephone: (01954) 713023

e-mail: alex.colyer@scambs.gov.uk