

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO: Leader and Cabinet

8 September 2005

AUTHOR/S: Management Team

COUNCIL TAX CAPPING – PROPOSED SAVINGS TARGETS

Purpose

1. To agree a principled approach to identifying budget reductions of £2.6 million in a full year to meet the capping requirement and set cash targets to be achieved for each portfolio.

Effect on Corporate Objectives

2.	Quality, Accessible Services	Budget reductions of almost 20% overall are unlikely to be achieved without some detriment to the Council's corporate objectives. Portfolio Holders and officers will need to take account of the impact on objectives and services generally in making their proposals for reductions.
	Village Life	
	Sustainability	
	Partnership	

Background

3. The House of Commons approved the Council Tax Capping Order on 20 July 2005, limiting the council tax for South Cambridgeshire District Council to a maximum of £92.93 for 2005/06 per Band D property. This has serious implications for the amount of spending on services that can be supported. The Council's original budget for 2005/06 was based on a council tax of £140 at Band D. Council tax at the capped level is only able to sustain a budget £2.6 million lower than originally set. Since the capping outcome only became final in late July, it will not be practicable to achieve the full reduction in the remaining months of the financial year. The strategy is therefore to achieve the full reduction by 2006/07 and half of the amount (i.e. £1.3 million) in the remainder of 2005/06. Council approved this approach on 28th July 2005.
4. A meeting is being sought with the Minister to explore the longer-term outlook for the Council's finances in the context of the very low Revenue Support Grant received and the abnormally high workload associated with Growth Area designation. Nevertheless, the reductions exercise is essential in the absence of any assurance of a beneficial outcome.
5. In the period before capping became final, Cabinet and Management Team held workshops in which all service areas making up the Council's budget were assessed for priority taking account of each of the following aspects:
 - a. Whether or not the service area is a statutory requirement
 - b. The contribution it makes to achieving the Council Priorities (customer service, new settlements and affordable housing)
 - c. Importance of the service to the district/community
 - d. Overall value for money

Whilst assessing priorities cannot be a purely scientific exercise, the process of scoring each of the aspects individually and by a number of people helps to make the assessment more objective. Because the outcome is to be service budget reductions and potentially redundancies it is imperative that a sound rationale is adhered to in order to retain staff confidence in the process. If staff and unions feel that the selection of jobs to be cut is driven by personal prejudice or lack of awareness of what the job does, achieving the reductions is likely to be much more problematic.

Considerations

6. The outcome of the priority assessment was that all cost centres were ranked in an order that broadly reflected their priority. This enabled them to be grouped into 4 categories with Category 1 representing the highest priority and amounting to almost £10 million of service spending. Category 2 services accounted for a further £1.1 million of service spending. Category 3 services totalled £4.3 million and category 4 covered approximately £1.8 million of service spending. The general approach has been to seek budget reductions from across all departments. In order to avoid serious damage to the high priority activities as far as possible, proportionately lower percentage saving are required from them. Higher percentage savings are required from the lower priority activities, for example, those which are not statutory functions. On this basis, each category, 1 to 4, was allocated to make reductions of 5%, 10%, 20% and 40% respectively as set out in Table 1 below.

Table 1: Percent reductions applied to priority categories

Categories	Value	% Cut	Reduction
Cat 1 Cost Centres	£ 9,928,020	5	£ 517,522
Cat 2 Cost Centres	£ 1,155,510	10	£ 115,551
Cat 3 Cost Centres	£ 4,365,960	20	£ 873,192
Cat 4 Cost Centres	£ 1,776,150	40	£ 710,460
Total	£ 17,225,640		£ 2,216,725
IT/Recharges/Overheads			£ 450,000
Overall Total Reductions			£ 2,666,725

7. The prioritising exercise being done at the level of Individual cost centres as listed in the budget book means that each category contains elements from different portfolios. Conversely, each portfolio contains a mix of priority categories and therefore a mixture of levels of reduction to be applied.
8. One of the essential requirements in the budget reductions exercise is flexibility to apply the cuts in as practical a fashion as possible. Several portfolio holders and budget managers made this point in the discussions over recent weeks. The cost centre reductions have therefore been re grouped back into their portfolios to provide an overall cash reduction target for each portfolio.
9. Because each cost centre contains an element of central recharge for IT/overheads etc, this area of expenditure has been set a separate target to reduce by £450,000 (shown in tables 1 above and 2 below). This area of spending would not be picked up by simply focussing on the cost centres.

10. Portfolio Holders together with the relevant senior managers are requested to develop proposals for making the required budget reductions as set out in table 2 below, indicating the impact on services, for the next Cabinet meeting on 13th October 2005.

Table 2: Cash reductions for each portfolio

Portfolio	05/06 Budget	Reduction	New Budget
Resources & Staffing	£2,191,030	£212,975	£1,978,055
Information & Customer Services	£1,745,050	£325,081	£1,419,969
Environmental Health	£5,287,400	£420,367	£4,867,033
Housing General Fund	£2,005,850	£182,500	£1,823,350
Planning & econ. Development	£4,225,880	£252,981	£3,972,899
Conservation, Sustainability & Com. Plg.	£893,230	£134,327	£758,903
Community Development	£1,916,880	£688,496	£1,228,384
Unallocated	-£7,000		-£7,000
Contingencies	£44,230		£44,230
Precautionary Items	£100,000		£100,000
	£18,402,550	£2,216,727	£16,185,823
Saving from IT/Other Recharges/Overheads Reductions		£450,000	
Grand Total Reductions		£2,666,727	
New Net Portfolio Expenditure			£15,735,823

Options

11. The Council has already considered the strategic options for achieving the £2.6 million budget reduction as noted in paragraph 3 above. There are, of course, options to be considered in formulating proposals for reducing net budget expenditure in individual service areas. Portfolio holders and managers should bear in mind the following factors:
- a. Opportunities for increasing existing or generating new income.
 - b. If the necessary cuts in staffing levels can be achieved by natural wastage (e.g. deleting vacant posts), the redundancy cost to the Council are reduced.
 - c. The service impacts of the reductions being considered.
 - d. The corporate impacts of the reductions being considered (e.g. will the cut in one service jeopardise an important priority in another or corporately?)
 - e. The impact on key partnerships.
 - f. Whether other organisations (e.g. other councils, the voluntary sector etc) could assist in performing the service thereby reducing the overall cost.
 - g. The need for reductions to be permanent, i.e. annual savings rather than one year on
12. The outcome of this process has to be a new budget for 2005/06 that builds the £2.6 million reductions into individual services. In doing so, care must be exercised to ensure that work programmes budgeted for realistically reflect the staff resource available for their achievement. Otherwise, under-spending will occur, meaning that

the funds budgeted will not be used as effectively as possible and unnecessary job cuts may have been made.

13. For the current year, where the target saving is £1.3 million, the general approach is one of spending restraint. Vacancies are being held unfilled unless it can be demonstrated that it is essential to appoint without delay. Under-spends are being actively encouraged to maximise the reductions possible in this year. The base budget reductions emerging from the exercise outlined above will deliver some savings over the remaining months of the current year but these will need to be supplemented by the other saving methods mentioned.

Financial Implications

14. As set out in the report.

Legal Implications

15. Council tax capping has statutory force and must be complied with.

Staffing Implications

16. Clearly, the situation in which the Council finds itself has major implications for staffing. The threat of redundancies is damaging to morale and encourages staff to seek employment elsewhere.

Risk Management Implications

17. There is a serious risk that making cuts of the magnitude required will adversely affect the authority's ability to perform statutory functions, adhere to statutory timetables, maintain the current levels of performance indicators and deliver on key priorities.

Consultations

18. There are statutory arrangements for consulting with trade unions where redundancies are proposed. Briefing sessions on the approach adopted so far have been held for all senior managers, cost centre managers (also open to other staff) and the two trade unions. Key partner organisations have been kept aware of the capping situation and will be consulted on savings proposals and impacts as they emerge.

Conclusions/Summary

19. The Council is faced with the inescapable reality of having to cut £2.6 million from its budget. Cabinet Members have worked with Management Team to develop a rational approach to achieving the reductions that takes account of the varying priority of services provided and the fact that some are statutory obligations and others are discretionary. Target reductions for each portfolio are suggested and Portfolio Holders together with directors and senior managers are requested to develop specific proposals for achieving the target amounts.

Recommendations

20. The Cabinet is recommended to:

- (a) Endorse the approach of setting target savings for each portfolio based on the mix of different level priority services in them.
- (b) Agree the cash reductions to be achieved for each portfolio as set out in Table 2 above.
- (c) Require Portfolio holders to work with relevant directors and senior managers to bring proposals for achieving the target reductions to the next Cabinet meeting together with a brief description of the impact on services.
- (d) Instruct the Chief Executive to lead examination of overheads and central recharges with a view to reducing them by £450,000.

Background Papers: the following background papers were used in the preparation of this report: Revenue Estimates to 31 March 2006

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