

## Agenda Item

**Executive Board**

**1 December 2010**

**MW/JH**



### **Report of the 2011/2012 Budget Working Party**

#### **Exempt Information**

Para 3 Schedule 12A information relating to the financial or business affairs of any particular person (including the authority holding that information)

#### **Summary**

The 2011/12 Working Party was established by the Executive Board at its meeting on 3 November 2010. The remit of the Working Party was to assess existing budgets and make any appropriate recommendations so that the Council can set a balanced budget for 2011/12.

The Working Party has met on 3 occasions under the chairmanship of the Leader. As a result of its deliberations (and the consensus reached during those meetings) the Working Party is able to report back to the Executive Board on how the Council can set a balanced budget for 2011/12 and have an agreed approach for a balanced budget in future years.

#### **Recommendation**

- 1. To note and agree the report of the Working Party.**
- 2. Subject to the decision of the Executive Board on proposals to restructure the senior management team to refer the recommendations of the Working Party to the Co-ordinating Overview & Scrutiny Committee for further discussion (noting that the final budgetary position of the Council will not be known until full details of the Council's Revenue Support Grant are received).**

#### **a) Reasons for Recommendation**

To ensure that the Council can set a balanced budget for 2011/12 without the use of reserves.

#### **b) Alternative Options**

The report of the Working Party contains a number of proposals that collectively ensure a balanced budget can be set. Until the Council has been notified of its final grant settlement the scope for alternative options will not be clear.

#### **c) Risk Considerations**

These are identified in the report.

**d) Policy and Budgetary Considerations**

As referred to in the report.

**e) Date for Review of Decision**

Ongoing as part of the overall budget setting process.

**1 Main Body of the Report****Introduction**

- 1.1 For a number of years the Council has established the practice of preparing and agreeing a Medium Term Financial Plan to help it gauge the extent of the financial problems facing it. The current adopted version of the Medium Term Financial Plan has identified the following budget gaps for its four year life:

2011/12 - £2.4 million

2012/13 - £0.317 million (assuming balanced budget set for 2011/12)

2013/14 - £0.565 million

2014/15 - £1.249million

- 1.2 In completing its work the Working Party has concluded that the four years of the Medium Term Financial Plan can be addressed as follows:

2011/12 – Adopt the recommendations of the Working Party

2012/13 – Implementation of the Tier 4 management restructure

2013/14 – Ongoing efficiency drive and systems review savings possibly aligned with sharing of infrastructure and overhead costs with a suitable partner

2014/15 – Rationalisation of Council's asset base, implementation of 'Big Society' initiatives and further implementation of sharing initiatives

**2.0 Methodology**

- 2.1 The Working Party took as its starting point a requirement that the £2.4 million budget deficit for 2011/12 had to be addressed without the use of reserves. It was also mindful that members wanted to avoid a short term 'salami slicing' approach. In particular a strategic approach would assist the Council address its budget gaps for the following 3 years of the Medium Term Financial Plan.
- 2.2 The £2.4 million budget gap includes two contingency assumptions totalling some £774,000. The first is a sum of £600,000 being the potential additional loss that the Council may incur through the transfer of the Concessionary Fares Scheme to the County Council. The current cost to the Council of the Concessionary Fares Scheme is £1.06 million but some of the proposals in the Government's consultation for the transfer of the Concessionary Fares Scheme would, if implemented, see the Council incur an additional loss of £600,000. The second element of the contingency is the sum of £174,000 that may be lost to the Council depending on the way in which the Coalition Government calculates the revenue support grant assuming that there is a nil Council Tax increase for the 2011/12 financial year.

- 2.3 In addressing the £2.4 million gap, the Working Party was further conscious of the work of the Rationalisation Panel and that of officers in conjunction with Portfolio Holders. These efforts had identified £1.1 million of savings towards the necessary savings for 2011/12. The Rationalisation Panel had recommended savings totalling £0.5 million to the Executive Board and the Portfolio Holders had agreed in principle alterations in budget totalling some £0.6 million. As a result, the Working Party identified the requirement to find some £1.3 million worth of additional savings in order to meet the projected worst-case financial scenario of £2.4 million.
- 2.4 In order to identify where savings could be recommended, the Working Party prepared an assumed bottom line budget for the Council. This sought to establish what the theoretical minimum cost of running the Council might be together with the staffing and other implications. This process allowed the Working Party to compare the possible bottom line budget for the Council with the then existing 2011/12 draft budget (which had taken into account the already identified savings of £1.1 million). Through a comparison of the relevant budget lines, the Working Party was able to identify areas of recommended saving.

### 3.0 Guiding principles

- 3.1 In deciding what budget adjustments to recommend to the Council, the Working Party took as its basis the following assumptions:
- To protect, where possible, frontline services valued by the residents of East Devon.
  - To address a perceived imbalance between the cost of back office support services when compared with frontline services.
  - To assess the most affordable and suitable senior management structure going forward.
  - That the financial drive for reviewing and/or sharing services would continue.
  - To identify those assets that, looking forward, the Council might no longer be able to afford and to initiate a “Big Society” debate as to the future management and ownership of those assets.
  - To respect decisions already made by the Council in terms of level of support to voluntary and other organisations.
  - To establish a framework such that the Council can look forward with confidence to delivering its services within the concept of continuing balanced budgets.

### 4.0 Proposals of the Working Party

- 4.1 In identifying means by which the additional £1.3 million can be found, the Working Party agreed the following proposals.
- i) **Senior management restructure** – The accompanying agenda papers identify the potential for changing the Council’s senior management structure, initially at Tiers 2 and 3, which would have the effect of realising an initial saving for 2011/12 of approximately £311,000. The Working Party also considers that through rolling out the management structure into Tier 4 savings of at least a further £300,000 can be found such that the 2012/13 budget gap identified in the Medium Term Financial Plan can be addressed by this means.

- ii) A series of reductions to budgets as identified in the attached Appendix A provide a means whereby the remaining £1 million can be found, subject to further debate by members through the scrutiny process.
- iii) In terms of implementing possible Big Society proposals there is attached as Appendix B a schedule of assets identified for potential transfer to the private sector, Town/Parish Councils or the voluntary/third sector. The total cost of these assets is circa £1.48 million. The proposal of the Working Party is that the Council can continue to finance and run these assets for the following three financial years but wishes the Council to enter into debate and discussion with other parties regarding the ongoing ownership and administration of these assets. The council is willing to transfer ownership of these assets to suitable outside parties with the confirmation of funding up to March 2014 at current budgets. Thereafter, if it has not proved possible to identify an ongoing requirement or need for these assets then, they are at risk of closure.
- iv) Notwithstanding the current pause in discussions with South Somerset District Council the Working Party was mindful of the substantial savings that were potentially identified through the business case preparation process that the Joint Integration Committee undertook. Whether or not the Council decides to share further with SSDC or another Council the Working Party does consider that with a more realistic lead-in time frame substantial savings can be delivered through the shared services agenda.

## 5.0 Conclusion

- 5.1 The final budget requirement for 2011/12 will not be known by the Council until the time comes for the budget to be actually set in February 2011. Nevertheless, the recommendations of the Working Party provide a secure basis by which the Council can confidently set itself a balanced budget for at least the following 3 financial years.

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## Legal Implications

The recommendations of the Working Party have taken account of likely legal implications including those relating to the Councils role as an employer. In terms of the impact of each individual recommendation the assumption has been that where the assumed bottom line budget figure has been adopted by the Working Party that this covers as a minimum requirement all likely legal liabilities of the Council.

## Financial Implications

As referred to in the report.

## Consultation on Reports to the Executive

Membership of the Working Party comprised all political groups on the Council and there will be further consultation regarding the proposals as part of the budget setting process.

## Background Papers

- Confidential working papers of the Working Party.

**"Big Society" - Asset/Service consideration of transfer**

<b>Asset/Service</b>	<b>Annual running costs (net budgets, external costs only)</b>	<b>Notes</b>
Thelma Hulbert Gallery	£44,050	
Sidmouth Manor Pavilion	£30,220	
Seaton Town Hall	£18,610	
Elizabeth Hall	£780	
Tourist Information Centres	£21,550	4 Council owned (EDDC meet all costs), 3 private owned EDDC pay NNDR & Rent
Local Enquiry Offices - Grant	£12,260	Payment to 5 Town Councils
Cemeteries - Grants	£42,000	
Nature Reserves	£21,420	Excludes Countryside Team etc
Play Equipment	£27,260	
Parks & Gardens	£826,690	This budget is for all parks and pleasure grounds
Public Conveniences	£444,510	This budget includes all public conveniences
	<b>£1,489,350</b>	

*N.B The annual running costs are based 2011/12 draft budget and exclude any major repairs/maintenance work that are scheduled over time. These costs relate to the General Fund.*

**Further Consideration**

There are other services/assets for possible consideration of transfer to Town Councils, or Town Councils linked with clusters of Parish Councils, which could be packaged together with areas which generate income in order to offset costs. Other areas include;

Free car parks in towns and villages

Allotments

Elements of Streetscene activities; cleansing (react teams, dog bins etc) areas which influence standards in their area

Beach management possibly including beach huts, concessions, cafes etc