

**REPORT TO EXECUTIVE**



<b>DATE</b>	<b>10<sup>th</sup> December 2013</b>
<b>PORTFOLIO</b>	<b>Resources and Performance Management</b>
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**Revenue Budget 2014/2015 – Latest Position and Savings Proposals**

**PURPOSE**

1. To provide savings proposals for Members to recommend to full Council in order to balance the Council's 2014/15 revenue budget.

**RECOMMENDATION**

2. Members are asked to recommend approval by full Council of proposed savings totalling £1,495 million and the proposed use of earmarked reserves of £220k to balance the 2014/15 revenue budget (see Appendix 1).

**REASONS FOR RECOMMENDATION**

3. To progress the preparation of the Council's revenue budget and the setting of the Council Tax for 2014/2015 and to ensure that the Council is placed in the best position to manage the anticipated reduction in core funding that will take place in the next financial year.

**SUMMARY OF KEY POINTS**

4. **Background**  
The Council's Medium-Term Financial Strategy is regularly assessed and updated to provide an indication of budget pressures over the next three financial years. Members will recall that a report on the MTFs was approved at the meeting of the Executive on 15<sup>th</sup> October 2013. This report indicated that the cumulative budget gap for 2014/15 and 2015/16 is estimated to be £5.2 million.
5. For 2014/15 there is a savings requirement of £1.715 million. The deficit figure assumes that Efficiency Support Grant (ESG) of £1.8 million will be receivable next year in addition to the allocation of £1.8 million for 2013/14. However, it needs to be recognised that the Government has as yet given no undertaking to date that this will be the case. There can be no certainty on this issue until the grant settlement announcement later this month.

6. **Spending Estimates 2014/15**

The estimates for next year's budget have been produced by incorporating the following assumptions and actions:

- a) A 1% pay increase
- b) Contractually committed price increases e.g. waste contract
- c) Known service pressure which cannot be contained within existing continuation of service estimates
- d) Previously approved policy changes
- e) A review of budgets to ensure they are appropriately aligned to spending patterns
- f) A review of fees and charges
- g) A 2% increase in council tax next year – a planning assumption at this stage

7. **Savings Requirement**

During the course of this year Management Team and Executive Members have reviewed the size of the estimated budget gap for both 2014/15 and 2015/16, with the focus being longer term transformational change.

8. The October report to the Executive outlined that proposals to balance the 2014/15 budget would be produced by including the prudent utilisation of reserves up to £500k in support of longer term transformational change. This is in recognition of 2014/15 being a transitional year, as we prepare for the step change reduction that 2015/16 will bring. The proposals put forward in this report assume the use of £220k of earmarked reserves to provide the overall saving of £1.715 million for 2014/15.

Appendix 1 shows details of the proposed net savings of **£1,495 million**.

9. **Growth** – this is to continue five important activities in 2013/14 into 2014/15 at a cost of £180k
10. **Base Budget Reductions** – following the review of continuation budgets a number of opportunities for reducing net spending without any impact on service provision have been identified. These reductions total £334k. The largest reduction relates to the removal of a specific budget of £200k each year for costs associated with reductions in the workforce. These costs are one-off costs and it is proposed that these should therefore be funded when determined from earmarked reserves. Any costs so determined as part of the 2014/15 budget exercise will be contained in a future report.
11. **Trend Budget Reductions** – these reductions totalling £250k arise from an estimated increase in income from grants and the collection of Council tax and business rates.
12. **Transformation Savings** – although the effects of the transformation programme will not be fully achieved until 2015/16, the establishment of a leisure trust from 1<sup>st</sup> April 2014 will produce an estimated saving of £300k in 2014/15.
13. **Other Non-Posts Savings** – a further review of budgets and operations has led to the identification of a further £339k of savings through better procurement and a more efficient use of resources.
14. **Savings in Posts and Staffing** - The workforce planning exercise has proceeded during the

past few months and has now reached a position where it is recommended to delete 18 (16.3 full-time equivalent) posts from the staffing establishment, saving an estimated £334k. Of these posts, some 4 posts (3.1 full-time equivalents) are vacant which means the Council faces up to 14 (13.2 full-time equivalent) redundancies. These posts are now declared to be at risk of redundancy and detailed consultations with affected staff are taking place in line with statutory consultation processes and timescales.

15. In some cases the post that has been identified for deletion is one of a number of similar posts within a service unit and a redundancy selection process has to be used. This is known as “pooling” and, until the selection is made, all staff in the pool are regarded as being “at risk”. Therefore, initially, a total of 31 employees have been placed in the “at risk” category. An Equality Impact Assessment is being undertaken alongside the budget process.
16. There are also estimated savings of £118k from team restructures which have been undertaken and implemented during 2013/14. This together with the proposed deletion of posts will produce a total of further **£452k** of posts/staffing savings which has been included in the summary of proposed net savings at Appendix 1.
17. **Latest 2014/15 Revenue Budget Position**  
It can be seen in Appendix 1 that the £1.715 million savings requirement to balance the 2014/15 revenue budget (based upon the important assumption in relation to Government grant funding next year referred to in paragraph 6 above) has been met from the savings proposals and proposed use of reserves as outlined.
18. Members are requested to recommend approval to full Council of the proposed savings shown in Appendix 1 totalling **£1.495 million** to full Council.
19. **Reserves**  
Members are requested to recommend approval of the proposed use of earmarked reserves of **£220k** as shown in Appendix 1.
20. **Risks**
  - a) Pension review – the budget includes an indicative increase in pension contributions from 2014/15. Recent discussions with the actuary now indicate that this is a reasonable assessment of any increase in contribution, although we are awaiting final confirmation and an assessment of the impact the Leisure Trust will have on the Council’s position.
  - b) Proposed savings have been identified by challenging historic financial planning assumptions. This will therefore reduce future ability to generate in year underspending and, as a consequence, reduces the ability to generate future reserves. This risk will be assessed as part of the annual review of the Reserves Strategy approved at Budget Council in February next year.
  - c) The budget is predicated on the assumption that Efficiency Support Grant (ESG) will be provided in full for 2014/15 of £1.8m. As yet this is not confirmed, although the Council is optimistic of a successful outcome.

- d) As the budget process continues, the detailed 'numbers' will continue to be refined. This will include an assessment of council tax base, confirmation of funding from partners and revenue implications of the Capital Programme.

21. **Further Issues to be Considered**

There are still a number of issues to consider before the revenue budget is finalised. The Government settlement has yet to be announced and this will be the subject of a further report early next year before the end of the budget setting process. Details of redundancy costs associated with the proposal to delete 18 posts will also be contained in that report. There will also be further consideration of options for incorporating within the final budget and setting the Council tax for 2014/15. Further work will also proceed in determining the budget deficit position and proposals for savings for 2015/16.

22. **Community Impact Assessment**

In previous years, the Council has made significant savings which, nevertheless, have had minimal impact in terms of service delivery. These have been achieved by efficiencies and driving down costs.

The revenue budget for 2014 – 15 determines the extent to which the Council's strategic objectives can be pursued and achieved. It will see further reductions in staffing capacity and these will impact on service delivery, and will reduce our ability to be responsive to unanticipated requests for service.

Community impact assessments have been undertaken in respect of the proposed savings. These show that most staffing changes will have no impact or minimal impact on services to the public as a result of processes and priority work being absorbed by other staff members, or because the redundancies result from project work which will be completed.

The establishment of the Leisure Trust will not have a major service impact, as the resulting savings come from transferring delivery of the Council's sports and culture service to the new organisation, rather than service reductions.

Savings in other services will lead to service impacts including the Council carrying out less community engagement work; reduced mid-week winter opening hours at Towneley Hall ; no proactive promotion of Burnley as a tourist destination; and less housing project and advice work.

**None of these impacts will be felt disproportionately by residents with protected characteristics in terms of equalities legislation.**

Looking ahead, there will be significant reductions in funding in 2015 – 16. These will undoubtedly impact on services and service users. More details on possible impact will be identified at every stage of the savings options being drawn up

## **FINANCIAL IMPLICATIONS AND BUDGET PROVISION**

23. As shown in the body of the report

## **POLICY IMPLICATIONS**

24. The revenue budget determines the extent to which the Council's strategic objectives can be pursued and achieved. Community impact assessments have been undertaken in respect of the proposed savings.

#### **DETAILS OF CONSULTATION**

25. Consultation meetings have been held with all affected members of staff. In many cases this has led to further meetings to explore alternative options to redundancy. Regular meetings will be held with Unison during the remainder of the current financial year to manage the overall impact of the redundancy programme.

#### **BACKGROUND PAPERS**

26. None.

#### **FURTHER INFORMATION**

**PLEASE CONTACT:**

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**ALSO:**

**Helen Seechurn – Director of Resources**