

STOCKTON-ON-TEES BOROUGH COUNCIL

CABINET RECOMMENDATIONS

PROFORMA

Cabinet Meeting16th December 2010

1. Title of Item/Report

Quarter 2 Medium Term Financial Plan Update

2. Record of the Decision

Cabinet considered a report that provided Members with an update on the Council's current financial position, as at the end of September 2010. It also provided an update on the funding position of the Council following the Comprehensive Spending Review (CSR) and outlined the Council's approach to developing the Medium Term Financial Plan covering 2011 to 2015.

Members were provided with details of pressures currently being experienced by services and noted the Council's existing general fund balances and capital budget for 2010/11.

Members were reminded of previous reports that had outlined the difficult and challenging position facing local government and the level of uncertainty in planning following changes and funding reductions outlined as part of the CSR. Key headlines from the CSR were provided together with areas of uncertainty relating to grants.

It was explained that the Provisional Finance Settlement provided further information and impact on the reduction of Council funding of the CSR. It also reflected changes in Formula Grant calculations and provided some clarification on the Specific and Area Based Grants position. Key information from the Settlement was provided.

A key issue for Stockton was that the Settlement was for 2 years only. There was to be a fundamental review of local government finance in 2011 and it was expected that this would inform subsequent years.

The Council's MTFP had been reviewed and updated, based on the Provisional Settlement for the next 2 years, and future years had been estimated. Cabinet was provided with a table detailing the estimated budget gap of approximately £6.3 million in 2011/12 to £20.5 million by 2014/15. It was explained that in calculating the estimated budget gap a number of assumptions had been made. Details of those assumptions

were provided.

Specific reference was made to pressures in Social Care where there had been a significant increase in numbers over recent years. Following an assessment of REIP programmes and funding, the Council had received some funding to invest in efficiency measures. An element of this funding would be allocated to work with the Voluntary and Community Sector to develop alternative models. The Council was also committed to continuing to support the voluntary and community sector through the development of a comprehensive package of financial and practical support, including an investment fund, a community fund and community network alongside the development of an Asset Transfer Strategy.

Members agreed that it was important that, by the time of the 2011/12 budget and medium term financial plan report, the Council could demonstrate a robust mechanism for resolving the deficit over the medium term. The Council would continue the managed approach to resolving the deficit. Members noted savings identified that could be incorporated into the MTFP and these included savings coming from the cancellation of Building Schools for the Future, organisational restructures, completed EIT Reviews.

Cabinet noted the effect delivery of the identified savings would have on the Medium Term Financial Plan. The remaining budget gap would range from approximately £3 million in 2011/12 to £12.9 million in 2014/15.

Members noted that there were a number of reviews to be undertaken as part of the EIT Year 3 programme, however, savings from these would not be sufficient to meet the remaining budget gap. Cabinet was reminded that a number of previous reviews had identified options for further savings, which could be considered if the Council's financial position dictated. It was recommended that Members implement those options, which would contribute a further £360,00:

- Minor amendment to concessionary fares policy, in line with the National Policy and Tees Valley Authorities if followed would save £60,000.
- Subsidised Bus Routes. The number of routes subsidised would reduce and this would save £300,000

These savings would contribute a further £360,000.

Members noted the reviews to be undertaken in the EIT Year 3

Programme. One of the reviews was in the School Improvement Service. The Service provided a number of services to schools, which were subsidised by the Council to the value of £600,000. It was suggested that this review includes within its remit the removal of this subsidy from the service and works with schools to consider and mitigate its impact.

The overall budget associated with all year 3 EIT Programme reviews was approximately £35m and for the purposes of the medium term financial plan a conservative estimated saving of £2.5m has been assumed from these reviews, given that these reviews include Safeguarding and Waste Management where both services were currently experiencing pressures.

Cabinet was provided with details of the effect these further potential savings would have on the Council's MTFP. It was noted that there would still be a remaining gap across the MTFP, and there would, overall, be a need to reduce base budget by a further £9.5m by 2014/15.

Members noted other areas where further savings may be possible:-

- Partnering
- Areas of employees' terms and conditions
- Social Care Funding
- New Homes Bonus

It was explained that the Government had announced major changes in the way Area Based or Specific Grants grants would be administered. Members were provided with details of grants to be incorporated into new funding streams, grants confirmed as stopping and grants where further information was awaited.

Previous budget reports had identified potential 'one off' funding available for use in supporting the Council. It was recognised that this was one off funding and could not be used to support ongoing expenditure and whilst it could be used to supplement budgets in a particular year, it could not support ongoing budget gaps. The Council's one off funds currently available had been re-assessed:

	£'m	
Pension Reserve	3.3	
Grant Exit Strategy reserve		1.5
PSA Reserve	1.1	
	5.9	

There was also a current surplus of £3.4m on the Councils Working

Balances.

In addition, as reported in the 2010/11 budget report, the Insurance Fund could manage without the annual contribution of £1.9m for a period of three years, and this was therefore also available as one off resources.

It was likely that these balances would be required to balance the 2011/12 budget, currently estimated at £2.3m, to allow time to assess further funding announcements and allow time to deliver further budget savings. Given the potential transition costs, including redundancy payments associated with the reviews, the grant exit arrangements, and the potential requirement for invest to save schemes, it was strongly recommended that this resource be retained for this purpose.

Members considered the Human resource implications and given the extent of change and budget reductions it was considered that there would be a significant reduction in the number of posts. It was explained that approval of recommendations in EIT reviews being considered by Cabinet at this meeting would result in the reduction of approximately 100 posts, however, if the services associated with all of the grants at risk or unconfirmed ceased also, this could rise to approximately 250.

There was a well established consultation procedure in place in the Council, which requires the involvement of the Trade Unions and employees in the process. Cabinet noted Legally, an employer must consult with appropriate representatives where they were proposing to dismiss as redundant more than 20 employees within a 90 day period. The consultation period was 30 days for 20 – 99 employees and 90 days for 100+ employees. Although consultation could be concluded earlier than the 30/90 day consultation period no redundancies could take effect until the consultation period had expired. In addition there was also a requirement to notify the Secretary of State, in writing, of the proposal before giving notice to terminate any contracts and at least 30/90 days before the first dismissal takes place. Although the number of potential redundancies was unknown at this stage it was expected that more than 100 redundancies were likely from the reports considered at this Cabinet. In this regard a 90 day consultation period with the trade unions would be required and it was proposed to commence this period on 17 December 2010. Allowing for meaningful consultation to take place the first redundancy dismissals would not take effect before 17 March 2011. This process would need to be repeated as further reviews identified preferred options which might lead to redundancy situations with the consultation period determined by the number of employees potentially to be made redundant over a 90 day period.

The potential redundancies impact across teaching and non teaching

employees of the Council and as such terms and conditions associated with different groups needed to be managed. For instance, teaching staff had specific notice provisions, built into their contracts of employment, which meant that notice to terminate employment must end on or before 30 April, otherwise termination could not take effect before the 31 August. This would have further financial implications for the Council, as any savings realised would be for a part year only and in the case of grant funded posts where grants were withdrawn immediately, result in ongoing salary costs. Given the current situation therefore it was proposed that many employees affected by the EIT and Task and Finish reviews and grant funded jobs may need to be issued with an "at risk" letter. In the case of grant funded jobs this would include the grants where future funding was unconfirmed. This was not a notice of redundancy letter but merely explained the current situation and potential risk to an employee to keep them informed. The issuing of these letters needed to be considered on a service by service basis and should be with the agreement of the Head of HR. There were 270 posts currently funded by specific grants which could be withdrawn.

RESOLVED that:-

1. the financial position as at September 2010 be noted.
2. the approach to the development of the Medium Term Financial Plan for 2011-15 and endorse the efficiency plan proposed to cover the likely budget gap be agreed
3. for grant funding at risk, grant exit strategies be developed with a view to services being stopped or reduced to reflect the reduced funding.
4. the continued support for the voluntary and community sector through the development of a comprehensive package of financial and practical support for the sector that includes an investment fund, a community fund and community empowerment network alongside the development of an Asset Transfer Strategy and the exploration of new models of delivery for social care.
5. Members note the strategy for dealing with HR issues outlined above and in at Paragraphs 43 and 44 of the report to Cabinet.

3. Reasons for the Decision

To update Members on the current Medium Term Financial Plan position.

4. Alternative Options Considered and Rejected

None

5. Declared (Cabinet Member) Conflicts of Interest

None

6. Details of any Dispensations

Not applicable

7. Date and Time by which Call In must be executed

Midnight on Friday 24 December 2010

Proper Officer
20 December 2010