

**CABINET**

**Revenue Budget Strategy 2010/11  
23<sup>rd</sup> June 2009**

**Report of Corporate Director (Finance & Performance)**

PURPOSE OF REPORT			
To present for Cabinet an issues paper of financial matters that will need to be addressed in delivering the 2010/11 revenue budget targets set out in the Medium Term Financial Strategy.			
Key Decision	<input type="checkbox"/>	Non-Key Decision	<input type="checkbox"/>
		Referral from Corporate Director	<input checked="" type="checkbox"/>
Date Included in Forward Plan	N/a		
This report is public			

**RECOMMENDATIONS OF COUNCILLORS LANGHORN & THOMAS**

- (1) That Cabinet agree the approach outlined in the report and undertake the actions set out in Section 3 with immediate effect.

**1 Background**

1.1 The financial targets included in the current Medium Term Financial Strategy (MTFS) provide the direction for the forthcoming 2010/11 budget exercise. In particular it commits the Council to :-

- delivering a balanced budget that limits the annual council tax increase to no more than 4% for both 2010/11 and 2011/12;
- achieving significant on-going revenue savings. The targets are currently estimated at £1.3M for 2010/11 with a further £0.250M on-going savings for 2011/12.

These savings/efficiencies targets will be reviewed and updated over the summer, for reconsideration by Cabinet and Council in October/November. This review will take account of 2008/09 outturn and the most recent monitoring information for 2009/10, as well as updated prospects for public spending and the economy generally. It should be noted also that the current targets make no allowance for any new growth that the Council may wish to consider. Given these points, it is felt prudent that the 2010/11 budget exercise should target savings /efficiencies of around £2m over the

period of the existing MTFs, which would meet the current financial targets and provide some limited opportunity for new growth items.

## **2 Budget Principles**

- 2.1 Over recent years the Council has faced increasing challenges to manage its revenue budget within available resources in line with the targets set out in its MTFs. Last year's budget exercise in particular, caused the Cabinet/Council unprecedented problems which were only resolved at the last minute. Early conversations with the new Leader and Finance portfolio holder have stressed that this should not, under any circumstances, occur again and have requested this early budget report that seeks to highlight the problems that need to be addressed.
- 2.2 The crux of the Council's financial position is that it can no longer undertake everything that it might wish to do. Whilst in recent years' outturns there has been a pattern of net underspending overall, this has been influenced by various windfalls and different factors, including the sort of risks that are inherent in making any forecasts. Furthermore, in turn such underspendings have allowed the Council to support its plans in other areas of activity where perhaps it had insufficient funding allocated, or where new financial risks have arisen (Access to Services and Luneside being such examples).
- 2.3 Recent budget exercises have stressed the need for the Council's limited resources to be directed into its corporate priorities first and foremost and to meet any statutory requirements. Significant progress has been made in achieving this with the refresh of the Council's own Corporate Plan clearly now linked to delivering the council's responsibilities/duties within the Lancaster District Local Strategic Partnership (LDLSP) and the wider Lancashire Local Area Agreement. But much more can still be done to understand what we do, why we do it, and how much it costs.

## **3 Proposal Details**

At this stage, it is unclear if the Star Chamber process will continue. It is clear, however, that if Cabinet decide that it doesn't, then there must be an alternative, effective process for identifying the savings and efficiencies targets set out in the MTFs and how each Cabinet Member will contribute and engage with this process. However, until Star Chamber's future is decided, there are a number of things that Cabinet Members can undertake immediately and these are considered below.

### **3.1 Know your Portfolio/Budget**

Now that the Cabinet portfolios have been allocated, it is imperative that each Cabinet Member :-

- gains a good and early understanding of which council priorities/service activities they have responsibility for,
- is clear about how those service activities contribute to delivering the council's approved corporate priorities,
- understands which of those service activities are statutory or discretionary
- and most importantly, how much is spent on each.

Cabinet members should have by now, met with their Corporate Directors and Service Heads to discuss the matters highlighted above.

### **3.2 Deliver the Savings /Efficiencies Targets agreed at Budget Time**

To meet the current savings/efficiencies targets included in the MTFS , its important that the agreed projects/exercises to achieve savings to balance the current year's budget are progressed quickly and effectively. These also have ongoing savings assumed for future years and the main areas are :-

- Senior Management Restructuring
- Corporate Strategy Restructure (remaining target for 2010/11 onwards)
- Communications and Marketing Review
- IT Desk Top, Telephony, Multi-Functional Devices Review
- Council Tax/Housing Benefits Staffing Review
- Reduction in Building Cleaning services
- Public Toilets (some current year savings, but also reviewing future provision)
- Salt Ayre Operational savings
- Reduction in support for Festival innovation Fund events
- Arts and Leisure Development reductions
- The Dome (current year operations, but also determining the site's future)
- Break Even for Building Control Service
- Community Transport Flat Fee introduction
- Concessionary Travel Re-negotiation

Arrangements are already in hand to provide a summary update in each quarter's corporate financial monitoring report, but relevant Cabinet Members should take responsibility for each of the above, to oversee their delivery and successful completion.

### **3.3 Pursue Opportunities for Savings/Efficiencies Previously identified**

In addition to those savings and efficiencies identified in 3.2 above, a number of other opportunities were discussed at budget time which should be pursued, in particular :-

- A review of Support Services following the reductions in service activities in balancing the 2009/10 budget
- Progressing the Access to Services Project to a successful conclusion
- Delivering the actions included in the Council's Customer First Strategy
- A review of the museum partnership fee
- Community Pools and their charging policy
- Review of the council's Asset Facilities Management ( including energy options )
- Review of the implications for planning arising from the Pitt Review
- Options for the future of Lancaster Market
- Further review of grants to organisations and existing Service Level Agreements.

Again, responsibility for researching the feasibility of each of these to generate savings and efficiencies should be clearly designated to Cabinet Members.

### **3.4 Pursue New Opportunities for savings/efficiencies through value for money challenges**

Although the Council no longer has a statutory responsibility to have in place a programme for best value reviews, the need to justify and demonstrate value for money in its service delivery activities is gaining in importance with increasing scrutiny being undertaken by external assessors through the annual Use of Resources judgement. In particular, there is much scope to strengthen the Council's focus and prioritisation when considering, comparing and challenging individual budget proposals and their impact. As a consequence, Cabinet Members should in their discussions with Directors and Service Heads examine the following issues :-

- Identify service activity that no longer supports the delivery of the council priorities
- Consider the last public satisfaction data and any consultation details of what services the community consider important and essential
- Identify any service statutory responsibilities and check if its exceeds minimum requirements
- Opportunities for increased collaborative/partnership working in particular those available through the LDLSP, Team Lancashire, and the Lancashire Procurement Hub
- New ways of delivering existing services through business process re-engineering and increased use of technological improvements
- Invest to Save opportunities
- Use of Performance Management Benchmarking Data to identify high cost service activities
- Opportunities for new sources of external funding/income generation
- Issues/activities that could be referred to Overview and Scrutiny for review

### **3.5 Review of the 2008/9 Revenue Outturn**

The recent quarter 4 Corporate Performance Review Team report identified that the outturn for 2008/9 could be significantly underspent. Although these were only provisional figures and likely to alter before the final outturn is agreed, Cabinet members should acquaint themselves with each potential outturn variance to understand if it has any on-going impact on the base budget for 2009/10 onwards. The outturn is due to be considered formally by Cabinet at its July meeting and as mentioned earlier, any impact for future years will be fed into updating the MTFS budget projections.

### **3.6 Potential Risks/Unknowns to the Budget**

In addition to everything mentioned above, the Section 151 Officer in her budget report to council highlighted a number of issues that could impact on future council revenue budgets, in particular :-

- Conclusion of the Fair Pay Project
- The outcome of future Pay Award negotiations
- Icelandic banks settlement
- The Luneside project
- The Winter Gardens future
- Outcome of the Review of Parish Expenditure
- Completion of LDLSP Thematic Group action plans
- Central Govt funding for Local Government.

All the above will need to be researched further to assess any budgetary impact for the MTFS and next year's budget in particular. Cabinet members should be identified to oversee each.

### **3.7 Targets for Cabinet Members**

Whilst all the above may contribute in some way to delivering a balanced budget in line with the MTFS targets for 2010/11 and beyond, it may well be opportune to focus each Cabinet Member's attention to the task at hand at this early stage by setting each Cabinet Member a savings/efficiency target to achieve based on the assumption that a sum of £2M must be identified and achieved over the period of the current MFTS. Whilst it is recognised that some Cabinet Members will have larger budgets than others, the setting of individual targets would provide a clear focus for leading the discussions between Cabinet Members, Directors and Service Heads. That said, ideally the targets for each portfolio should also be informed by corporate priorities, statutory service provisions and other major risk considerations. (i.e., given these points, different portfolios may have significantly different targets). In order to ensure that early consideration can be given to any options, Cabinet Members would need to ensure that a provisional set of options, for ranking in priority order, would be available for September following the summer recess. Progress against this could then be included within the formal MTFS review report to Cabinet in October.

### **4.0 Options and Options Analysis (including risk assessment)**

#### **4.1 Option 1**

Is for Cabinet members to progress the issues set out above by arranging regular meetings between themselves, Directors and Service Heads to identify and bring forward options for achieving savings and efficiencies by early September.

#### **4.2 Option 2**

As Option 1 but with each Cabinet member set a savings/efficiency target to meet.

### **5.0 Officer Preferred Option (and comments)**

- 5.1 The officer preferred option is Option 2 as it would enable a set of provisional budget savings/efficiencies options to be prepared in good time and provide the focus for each Cabinet Member to contribute to the process. There would need to be some agreement by Cabinet regarding how the targets should be set, however.

**RELATIONSHIP TO POLICY FRAMEWORK**

Delivery of the Medium Term Financial Strategy targets is key to the 2010/11 Budget Strategy, Corporate Plan and LSP/LAA priorities.

**CONCLUSION OF IMPACT ASSESSMENT**

**(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)**

None directly arising from this report.

**FINANCIAL IMPLICATIONS**

There are no direct financial implications arising at this stage – though clearly any actions taken to strengthen the Council's financial management will also inform and influence its future financial prospects.

**SECTION 151 OFFICER'S COMMENTS**

The s151 Officer has been consulted and her comments reflected in the report.

**LEGAL IMPLICATIONS**

There are no legal implications directly arising from this report.

**MONITORING OFFICER'S COMMENTS**

The Deputy Monitoring Officer has been consulted and has no comments to add.

**BACKGROUND PAPERS**

None.

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