



DERBY CITY COUNCIL

REVENUE BUDGET PROPOSALS STAGE 2

2011/12 – 2013/14



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Revenue Budget Consultation 2011/12 – 2013/14 STAGE 2

Consultation Document Contents

Section	Page
1. Introduction	2
2. Savings sheets by Directorate	7

Revenue Budget Consultation 2011/12 to 2013/14 – STAGE 2

Section 1 Introduction and Overview

1 Introduction

- 1.1 The consultation document published in January identified that £20.2m of specific savings had been identified and presented for consultation and scrutiny. The balance of £6.884m was to be met from a combination of potential changes to staff terms and condition and/or compulsory redundancies - CR's. Following negotiations with the Trade Unions a further round of the voluntary redundancies - VR - programme at an enhanced level commenced. This put on hold the proposals to consult on changes in terms and conditions. The voluntary programme runs until 28 February 2011, after which exits will be determined during March 2011. This programme aims to limit the number of CR's required.
- 1.2 To ensure that we achieve a balanced budget for 2011/12 a parallel process to identify potential CR's has been undertaken. Directorates have recently been identifying further savings including the CR's which would be required if the VR programme didn't return sufficient interest.
- 1.3 In addition, the Finance Department have been reviewing other options to save money which don't result in CR's. These include:

Increasing available funding

- a temporary funding increase from the collection fund surplus
- balancing the overall position from minor further use of reserves

Reducing pressures

- savings identified through the review of our capital programme resulting in lower borrowing costs
- charging the FRA for transferred debt costs
- minor changes to corporate contingency budgets

Increasing savings from review of contingency budgets

- the removal of any pay award contingencies for 2011/12
- removal or reductions in other contingency budgets

1.4 The latest budget position is shown in the table below:

Balance Required		£m 6.9
Changes		
<u>Funding Changes:</u>	<u>Budget Impact</u>	
• collection fund surplus	Increases available funding	0.4
• balance to be met from reserves	Increases available funding	0.2
		0.6
<u>Changes to Pressures</u>		
• Treasury Management borrowing	Reduces pressures	0.6
• HRA charge for transferred debt	Reduces pressures	0.7
• adjustment to minor corporate contingency budgets	Reduces pressures	0.2
		1.5
<u>Changes in savings - Corporate</u>		
• pay inflation contingency	Increases savings proposals	0.9
• adjustment to minor corporate contingency budgets	Increases savings proposals	0.2
		1.1
<u>Changes in savings - Directorate</u>	<u>Approximate FTE impact</u>	
• non staff savings	0	0.4
• recent vacancies released	25	0.7
• further volunteers anticipated	10	0.3
• service changes with CR's	88 (£ saving is part year)	2.3
		3.7
	Total budget changes	6.9

2 Financial Adjustments

2.1 The major financial adjustments are outlined in paragraphs 2.2 to 2.5, and shown in detail in Section 2.

2.2 Changes in the Collection Fund – The amount of Council Tax collection for 2010/11 has now been estimated. The Council's proportion is likely to be £0.4m in excess of the collection requirement due to maintaining a high percentage of collection and managing recovery of bad debts. This balance can be used to support the 2011/12 budget.

2.3 Changes to the Capital Programme - The current capital programme was reviewed by Cabinet and Chief Officer Group – COG – and identified proposed changes, including programme phasing and deletions. This resulted in revenue savings from reduced borrowing costs of £0.6m in 2011/12, £1.3m in 2012/13 and £0.3m in 2013/14

- 2.4 Housing Revenue Account - HRA - charge for Transferred Debt - The cost of the Council's borrowing is shared between the General Fund and the HRA in proportion to their respective Capital Financing Requirements. At a time when the Council is under-borrowing, and using internal cash balances to finance the capital programme, the interest on the internal cash balances, which is lower than the interest on external borrowing, are also charged to the HRA. Charges passed on to the HRA like this are covered by the HRA Subsidy.
- 2.5 Part of the Council's external debt is administered by Derbyshire County Council under an arrangement stemming from local government reorganisation in 1997. Now that the Council is not borrowing above the CFR, a proportion of the debt administered by the County Council can be charged to the HRA proportionately to its CFR. This will result in additional £725,000 income to the General Fund from the HRA in 2011/12. Subsidy beyond 2011/12 is subject to the implementation of HRA Subsidy Reform.
- 2.6 The total of £2.1m financial adjustments saves approximately 84 fte reductions in 2011/12.

3 Further Budget Proposals

- 3.1 Corporate and Directorate savings proposals totalling £4.8m are outlined in detail in Section 2. Some of these savings are as a result of bringing forward savings which would otherwise have been implemented in future years. The unidentified savings for 12/13 and 13/14 have therefore been adjusted.
- 3.2 A corporate saving related to pay contingencies is being proposed. The original strategy assumed the retention of a pay inflation contingency to support possible payments to officers with a salary of less than £21,000 p.a. Now that the impact of the financial settlement has been examined, it is not considered affordable and will be removed. The removal of this contingency saves approximately 38 full time jobs.
- 3.3 These savings are a combination of enhancements to existing savings proposals in the consultation document, savings brought forward, specified savings shown as ODOC efficiencies brought forward from 12/13 and new savings.
- 3.4 Brought forward savings, including the part year effect of ODOC efficiencies, which have now been specifically identified, provide a further level of certainty to the delivery of future balanced budgets. However, they adjust the overall estimated financing of redundancy costs and savings to be identified in future years.
- 3.5 In addition, the savings programme required to address the frontloading of funding reductions means that the Council needs to re-assess the balance of service and transformation savings from 2012/13 onwards. This will commence in April 2011, leading to an early 2012-15 Medium Term Financial Strategy - MTFs - being presented in the summer.

4 Changes to Redundancy Cost Assumptions

- 4.1 The consultation document contained redundancy costs over the three years, assuming that a level of savings would be achieved from terms and conditions rather than redundancies. This has now changed, assuming further redundancies would be required in 2011/12. The redundancy costs are funded from contingency budgets, permanent and one-off use of reserves which will be repaid in future years, and anticipated capitalisation.
- 4.2 The latest enhanced VR programme may increase these estimated costs, however this depends on the take-up of the offer. The changes take account of the increased offer, and latest estimated forecasts of average exit costs, including an additional one month payment in lieu of notice.

5 Grant Funding Changes

- 5.1 The consultation document highlighted a number of grants which had not been announced, including those from the Home Office, which currently support Community Safety Partnership - CSP activities.
- 5.2 On 31 January 2011 the Home Office announced a new Community Safety Fund grant drawing together the former Stronger Safer Communities, Young Peoples Substance Misuse and Community Call for Action grants. The national grant level in 2010/11 for these grants was £77.2m, of which Derby received £338,000. For 2011/12 it has been announced at £56.8m nationally, with Derby's allocation recently announced as £270,000 for 2011/12 and £137,000 in 2012/13.
- 5.3 It is proposed that based on this announcement the funding should be given to the CSP to support their continued service activity. The finer detail will be subject to an overall review of their budget plan, partner funding supporting the organisation, and the transfer of service which are to merge to become the City & Neighbourhood Partnership Department of the Chief Executive's Office.

6 Budget Risks

- 6.1 Budget risks were outlined in detail in the consultation document. Many of these are still relevant, however the following risks need to be emphasised:
- 6.2 Service Savings – some service savings in 2011/12 may not now result in full year effect savings due to delays in implementation whilst the staff consultation and dismissal process is in progress. These part year reductions in savings are being identified and supported by the £1m budget risk contingency budget. The full impact will not be known until the VR programme is completed, as it may in itself mitigate the risk of delays in savings.
- 6.3 ODOC Efficiency Savings – the identification of further detailed savings to support the 2011/12 balanced budget may result in 2012/13 savings being

brought forward. This may increase the level of unidentified/unspecified savings in future years.

- 6.4 Contingencies & Reserves – a further level of use of contingencies and reserves has been required to fund enhanced redundancy costs. The capacity to fund any further increases has therefore been dramatically reduced to the point where we would not wish to venture beyond.
- 6.5 Pensions – the cost of pension liabilities across a reduced workforce increases the average overhead percentage for future years. Options to spread this costs and /or review the number of years across which the deficit is paid continue to be explored.
- 6.6 Redundancy Payments – the cost of redundancy payments has increase due to the enhanced package. However, further financial modelling has highlighted that the average exit costs are lower than anticipated, prior to the enhanced package being offered. The affordability remains broadly the same, but remains as a risk until individual details are confirmed. We propose to apply for a capitalisation directive for 2011/12, but at this stage there is uncertainty as to whether this will be approved by central government.

7 Detailed Breakdown of the budget strategy for 2011/12 to 2013/14

- 7.1 Details of the latest savings proposals are shown in Section 2
- 7.2 The second stage of consultation, on these latest proposals will be subject to an emergency Scrutiny Management Commission meeting, involving the Chairs of all Scrutiny Commissions.

Harvey Jennings
Leader of Derby City Council

Roger Kershaw
Strategic Director of Resources

9 February 2011

2011/12 TO 2013/14 PROPOSED BUDGET SAVINGS - STAGE 2

Directorate	Service Activity	Proposed Change	Potential Savings - £'000s			Total £'000s
			2011/12	2012/13	2013/14	
			£'000s	£'000s	£'000s	£'000s
RES	IT	Staff savings in IT Department including restructuring of teams and an additional VR request.	(106)	(21)		(127)
RES	Customer Services	Staff savings in Customer Services Department including restructuring of teams and deletion of vacant posts.	(352)	(73)		(425)
RES	Customer Services	Non staffing efficiencies	(65)			(65)
RES	HR, Legal and Democratic, Finance, procurement, Audit and Risk	Deletion of vacant posts and potential additional VR/VER requests	(258)			(258)
AHH	Older People & Physical or Sensory Disability Home Care	Efficiencies within Enablement Service	(48)	(17)		(65)
AHH	Learning Disabilities	Deletion of vacant posts, re-profiling of shift patterns and review of day services.	(190)	(54)		(244)
AHH	Mental Health Care & Assessment	Deletion of vacant posts.	(69)	0		(69)
AHH	Strategic Management & Support Services	Efficiencies in Fairer Charging Team	(75)	(22)		(97)
AHH	Strategic Management & Support Services	Reduction in software development personnel within the Information Section Team.	(26)	(9)		(35)

2011/12 TO 2013/14 PROPOSED BUDGET SAVINGS - STAGE 2

Directorate	Service Activity	Proposed Change	Potential Savings - £'000s			Total £'000s
			2011/12	2012/13	2013/14	
			£'000s	£'000s	£'000s	£'000s
CEO	Community Safety partnership	Reduction in Tier 4 manager posts and ASB team reduction	(81)	(25)		(106)
CEO	Regeneration	City Centre Management	(31)			(31)
CEO	Policy Performance	Restructure of the Policy, Performance and Communication team.	(161)			(161)
CYP	Grant Funded Activities	To review grant funded activities in SEN, Healthy Schools, Excellence in Cities, Primary Expansion, LSC transfer and Secondary Strategy.	(984)	(257)		(1,241)
CYP	Further Management Restructure	Review current proposals	(33)	(32)		(65)
CYP	Commissioning and Partnerships	Review provision of crèche facilities, schools and other providers to determine which arrangements they make.	(22)	(22)		(44)
CYP		Review structures of Childrens Trust Partnership and Safeguarding Policy Unit.	(54)	(53)		(107)
NBH	Neighbourhoods	Additional ODOC VR/VER Savings on top of those included in consultation document	(153)			(153)
NBH	Streetpride - Waste, Fleet & Depot	Restructure Tier 4 to create managers with dual area & service management responsibilities	(65)	(21)		(86)
NBH	Streetpride - Refuse Collection	Delete vacant posts in section	(56)			(56)
NBH	Streetpride - Waste, Fleet & Depot	Restructure Inspection and Supervision.	(60)	(20)		(80)

2011/12 TO 2013/14 PROPOSED BUDGET SAVINGS - STAGE 2

Directorate	Service Activity	Proposed Change	Potential Savings - £'000s			Total £'000s
			2011/12	2012/13	2013/14	
			£'000s	£'000s	£'000s	£'000s
NBH	Streetpride - Waste Management	Waste Disposal costs - reduction in forecasted landfill costs due to reduction in waste stream	(264)			(264)
NBH	Streetpride - Grounds Maintenance & Cleansing	Restructure Tier 4 to create managers with dual area & service management responsibilities	(65)	(21)		(86)
NBH	Streetpride - Arboriculture	Introduce CAVAT tree valuation system - increased charges for services	(25)	(25)		(50)
NBH	Streetpride - Arboriculture	Improved efficiencies in the way arboriculture work is undertaken.		(50)		(50)
NBH	Streetpride - Highways	Restructure Tier 4 to create managers with dual area & service management responsibilities	(26)	(9)		(35)
NBH	Streetpride - Highways	Review contracts and management of contracts in street lighting and highways maintenance		(50)	(75)	(125)
NBH	Streetpride - Traffic & Transport	Restructure Tier 4 to create managers with dual area & service management responsibilities	(52)	(18)		(70)
NBH	Derby Live	Transfer the operation of Derby Theatre from Derby LIVE to the University of Derby		(100)		(100)
NBH	Libraries	To re-organise the operational manager support for libraries, cease providing CD and DVD loan services and remove the Digital Information Services post.	(99)	(33)		(132)
NBH	Libraries	Revision of opening hours initially whilst the use of volunteers is explored to assist with the delivery of the library services to potentially increase the opening hours		(25)		(25)
NBH	Libraries	Re design the service delivery of books to housebound people		(18)		(18)
NBH	Leisure Development	Restructure of leisure development to improve efficiency, reduce costs and redefine rates.	(94)	(44)		(138)

2011/12 TO 2013/14 PROPOSED BUDGET SAVINGS - STAGE 2

Directorate	Service Activity	Proposed Change	Potential Savings - £'000s			Total £'000s
			2011/12	2012/13	2013/14	
			£'000s	£'000s	£'000s	£'000s
NBH	Leisure Facilities	Deliver the crèche provision as part of a new Learn to Move scheme	(11)	(4)		(15)
NBH	Natural Environment	Reduce technical support.	(7)	(2)		(9)
NBH	Development Management	Redesign service and combine roles.	(13)	(4)		(17)
NBH	Development Management	Reduce planning enforcement activity by 50%.	(23)	(8)		(31)
NBH	Traffic & Transport	Redesign service and combine and combine responsibility.	(41)	(10)		(51)
NBH	Engineering Design & Structures	Review capacity in structures team and delete vacant posts	(11)			(11)
CORP	Performance Improvement / BID Contingencies	Reduction in Performance Improvement and BID Contingencies	(209)			(209)
CORP	Inflation Contingency	Release of corporate pay inflation contingency budget in line with Council pay freeze policy	(943)			(943)
CORP	Reversal of Redundancy Costs Pressure	Reversal of one-off prior year redundancy costs pressure		(8,015)	(1,300)	(9,315)
TOTAL ADDITIONAL SAVINGS			(4,772)	(8,041)	(1,375)	(15,082)

2011/12 TO 2013/14 PROPOSED BUDGET ADJUSTMENTS - STAGE 2

Directorate	Service Activity	Proposed Adjustment	Adjustment - £'000s			Total £'000s
			2011/12	2012/13	2013/14	
			£'000s	£'000s	£'000s	£'000s
CORP	Treasury Management	RCCOS - Reduction in TM Pressure from reduced capital borrowings in line with 2011/2012 capital programme	(551)	(1,271)	(309)	(2,131)
CORP	Treasury Management	Reduction in TM Pressure - HRA Charge for Transferred Debt	(725)	725		0
CORP	Corporate Contingency Fund	Minor savings in corporate contingency fund to provide for unforeseen budget risks – held at £1m	(168)			(168)
CORP	Use of Reserves	Increased use of service and corporate reserves to achieve a balanced budget	(256)			
CORP	Funding - Collection Fund	2010/ 2011 collection fund surplus	(415)			
CORP	Funding - Final Financial Settlement	Net decrease in RSG funding from final financial settlement.	3			
TOTAL CORPORATE ADJUSTMENTS			(2,112)	(546)	(309)	(2,299)
OVERALL TOTAL - STAGE 2 ADJUSTMENTS			(6,884)	(9,587)	(1,684)	(17,381)

Directorate Key:

RES - Resources Directorate
 AHH - Adults, Health & Housing Directorate
 CEO - Chief Executive Office
 CYP - Children & Young Peoples Directorate
 NBH - Neighbourhoods Directorate
 CORP - Corporate Budgets