



CABINET

24 September 2014

Subject Heading:

Alternative Budget Proposals

Cabinet Member:

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CMT Lead:

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Policy context:

Financial summary:

Is this a Key Decision?

Is this a Strategic Decision?

When should this matter be reviewed?

Reviewing OSC:

The subject matter of this report deals with the following Council Objectives

Ensuring a clean, safe and green borough	[X]
Championing education and learning for all	[]
Providing economic, social and cultural activity in thriving towns and villages	[X]
Valuing and enhancing the lives of our residents	[X]
Delivering high customer satisfaction and a stable council tax	[X]

SUMMARY

As part of the budget setting process for 2015/16 opposition group leaders were asked to submit any alternative budget proposals, by midnight on 15th September. This would allow any proposals to be properly scrutinised ahead of a Cabinet decision on whether to include them in the forthcoming public consultation.

The proposals received and set out in this report do not affect the proposed Council Tax level, and although the proposed amendments have degrees of risk associated with them, the sums involved are not significant enough to change the overall budget strategy.

Therefore, should these amendments be accepted, the overall budget is unlikely to carry a materially higher risk than it does in its current form and the proposals present no overall net adjustment to the Council's overall budget.

Members are however, reminded of the risks, and advice of the Chief Finance Officer on budget robustness, which are set out in the report.

RECOMMENDATIONS

Cabinet is asked to:

1. Note the alternative proposals and officer views on their feasibility.
2. To determine whether any of the proposals are to be added into the Council's overall budget strategy consultation.

REPORT DETAIL

1. As part of the budget setting process for 2015/16 opposition group leaders were asked to submit any alternative budget proposals, by midnight on 15th September. This was to enable the Chief Finance Officer to consider whether any proposals enabled a robust budget to be set. Although this is not for the final Council Tax setting meeting, this is in effect following the same Council Procedure Rules (constitution, Part 4 Rules of Procedure, rule 11):

Rule 11.9(b)

“upon receipt of such amendment, the Chief Finance Officer shall consider whether it meets the “robust budget” test and:

- i) If it does meet the test, the Proper Officer shall include it on the agenda for the meeting.
- ii) If it does not meet the test but the Chief Finance Officer considers that, duly altered, it will do so, that officer shall consult the proposers and, if they accept the alteration(s), the Proposer Officer shall include it, as altered, on the agenda for the meeting.
- iii) If it does not meet the test and the Chief Finance Officer considers that, whether or not altered, it will not do so, that officer shall refer the amendment to the Proper Officer who shall proceed with it as an improper amendment under Rule 11.9(b).”

These amendments are acceptable for consideration in accordance with the Procedure Rules as stated above, subject to Cabinet having regard to the comments set out below.

The impact of the proposals would have no net overall impact on the proposed budget requirement, or the current assumptions around the Council Tax levels.

2. Alternative Proposals:

2.1 UKIP 1 Outside Bodies

The Council currently makes contributions to a number of outside bodies and the proposal is to end the Council's membership of the following bodies: the Local Government Association (LGA) and London Councils (LC).

We are not aware of any other Council pulling out of LC, however some have pulled out of the LGA, including the London Borough of Bromley. There is a requirement to give 12 months notice, so although the savings is not available for 2015/16 it could be available for the second year of the budget strategy. However, the LGA is the national voice of local government, providing the Council with an opportunity to influence government policy in issues that matter to local government. Membership provides the Council with:

- Free/discounted attendance at events e.g. we recently attended a data sharing and transparency event that's been invaluable for the data warehouse project
- Policy information through daily e-bulletins and legislative briefing papers, which inform the Council's wider policy work
- A free corporate peer challenge every three years – our last one was in late 2012
- Information and training to support Councillors in their decision-making role.
- Cross council support on wider local government challenges such as land changes and Icelandic banks.

London Council's represents all 32 of London boroughs, ensuring the best deal from Government, the Mayor of London and other bodies on a range of issues, including transport, crime and health. Membership provides the Council with:

- Information sharing and benchmarking through political and professional networks, which help us inform our services and policy development across a range of areas, including HR and workforce planning, enterprise and skills, environment, transport and health.
- Provides London-wide services, such as the *Freedom Pass* for 60+ year olds on behalf of all London councils.
- Hosting bodies, such as the London Regional Employers' Organisation and London Safeguarding Children's Board (which helps councils and local safeguarding boards fulfill their safeguarding duties by sharing information, intelligence and best practice).

- Bringing together of the London pensions collective investment vehicle (CIV) to save costs for all participating Councils.

Following the recent outcome of the Scottish referendum, and subsequent announcements about devolution, Havering needs to ensure that it has a strong position within the London grouping. London Councils, along with the Mayor of London is a significant and influential voice in the debate about future devolution to London local authorities.

The funding to London Councils could not be the full saving as for example we would either need to continue to make a contribution towards the delivery of the administration of the freedom pass, or the Council would need to replicate this locally.

Although not recommended, this savings could be deliverable.

2.2 UKIP 2 Consultancy

The Council uses consultants at particular times, to bring in skills and or capacity that the Council doesn't currently have within existing resources. They are not brought in lightly, and when they are we try to ensure there is a process of up skilling existing staff to ensure the organisation learns and benefits from the use of external expertise. The Council also does not hold a specific budget for consultants, as they are used for stand-alone pieces of work and funded through one off monies such as the transformation reserve. We could however reduce the level of that base budget transformation sum, although not without risk in respect of having sufficient resources to deliver the budget strategy. Given that this level of adjustment would not be significant, this saving should be deliverable, however these funds were growth in the first two years of the budget strategy so as such are one off so should not be used to deliver on going services beyond the first two years.

2.3 UKIP 3 StreetCare

A proposal to turf or chip over many of the flower beds, leave more grass areas to meadow, reduce the frequency of grass cutting in general and stop the use of leaf blowers post-cutting. The proposal would also reduce maintenance of shrubs and bushes to once every two years, rather than once a year and would reduce the frequency of herbicide spraying.

Use of tree chippings is already in place in the hard wearing highway shrub beds. The highway grass verge grass cutting regime has already reduced to 9 cuts per year which equates to approximately 3 weekly cuts commencing March through to October.

It is felt that any further reduction would have a severe impact on the image of the Borough. It is not recommended to reduce shrub pruning as in recent time an additional team has been used to maintain the level of service following numerous complaints from residents and Members over recent years. The weed control contract allows for 4 sprays per year, and is again an area of concern for residents and Members. This saving is not considered to be feasible, without a significant negative public reaction.

2.4 UKIP 4 Parks

A proposal to give more park area over to meadow, increasing the amount of composting which could then be sold to householders to cheaply generate revenue. The proposal would also consider a reduction in the number and frequency of replacing bedding plants.

About a third of our parks and open spaces are set aside for meadows and there is limited scope for further meadows because of the need to provide sports pitches and other amenity use. Officers estimate that up to approximately 2% of additional amenity grass in parkland could be converted to grass meadows, however it is felt savings would be limited to around £5k per annum.

The composting proposal could be considered using the old nursery at Bedfords Park and in areas at Hornchurch Park, but there would be significant work required to clear and then install the necessary bays and additional staff resources needed to manage the activities and processes associated with composting. So although there is merit in the composting proposals, including environmental sustainability, officers do not consider that the costs of proceeding would be covered, as these are estimated at up to £10k.

Regarding a reduction of bedding, the Council has largely removed the old bedding areas over the last few years. There are only four or five sites where there is still bedding, including at the Town Hall. The Council currently spends about £5k per annum on bedding.

The use of leaf blowers after cutting ensures that clippings are not left to cover hard surfaces throughout the borough. This could result in slips and falls claims and would undoubtedly lead to public complaints, especially in residential roads. Ceasing this activity could deliver a small level of saving, it would not be on the level originally proposed.

2.5 UKIP 5 Executive Pay Cuts / Freeze

The proposal is to consider coming out of National Terms and Conditions and therefore being able to locally determine pay rises for the future, with a proposal to hold or cut senior management pay over the next three financial years, on a sliding scale from those earning above £30k, with the biggest impact at the higher end. This would then have a second impact of cutting assumptions in the actuarial forecast which would in turn cut the need for the growth in funding to the pension fund.

The proposed cutting or freezing pay on a sliding scale would deliver approximately £226k in savings. However, to be able to do this, the Council would be required to come out of national terms and conditions.

The impact on the pension fund would not deliver the savings assumed. The proposal cuts pay by approximately 4% over a three year period and a recently modelled actuary impact of a one-off 5% pay cut only reduced the

deficit by around £1m. The deficit relates to the shortfall in pension commitments already earned, changing pay levels is only one component in the calculation of pensionable pay, so would have a minimal impact on the Council's contribution level.

Cuts in pay are likely to generate a fall in pension fund membership and consequentially the level of contributions, the impact of which is likely to impact detrimentally on short to medium term cash flow and investment returns. However, savings would come from a pay freeze, removing the 1% budget provision for pay increases would save approximately £750k. As already noted, this change would require the Council to come out of national terms and conditions and so could not be achieved by April 2014, and would be to likely require the Council to have to dismiss and re-engage the staff on new contracts. One of the savings currently being considered is a change to the pay structures, moving to a new grading system and changes in work days. This is required to modernise the Council's approach for the future, so would be a necessary step before considering coming out of national terms and conditions.

Councillors will also be aware that we have not yet bridged the assumed budget gaps for years three and four of the budget strategy, so this may well be a savings item that we need to return to at a later stage.

2.6 UKIP 6 Library Opening Hours

A proposal to use half of the freed up monies to keep as many of the smaller six libraries open, as much as possible during school holiday times.

All of the Libraries are due to be open in the school holidays, although the smaller ones on reduced hours. With this level of funding the Libraries could be open an additional 16 hours a week during the 13 weeks of school holidays, which could be transmitted in to a variety of opening arrangements, but the "smaller" libraries (currently proposed to be open on 4 days) could open an additional 2 days a week during the school holidays.

2.7 UKIP 7 Youth Service

A proposal to use the other half of the freed-up monies to reduce the reduction in provision of the youth service. This would enable several posts (3-4) to be retained and a potentially a number of existing activities at the Myplace and Robert Beard youth centres could continue, including advice and support, as well as positive activities for young people.

Ref	Description	£'000
UKIP 1	LGA 40k London councils 120k	160
UKIP 2	Consultancy	0
UKIP 3	Streetcare:	0
UKIP 4	Parks:	20
UKIP 5	Changes to Terms and Conditions	0
UKIP 7	Reduce savings in Youth Services	90
UKIP 8	Libraries	90
	Sub Total	0

These proposals do not affect the proposed Council Tax level, and although the proposed amendments have degrees of risk associated with them, the sums involved are not of great significance. This does mean that, should the amendment be accepted, the overall budget is unlikely to carry a materially higher risk than current. The proposals present no overall net adjustment to the Council's overall budget. Members are however, reminded of the risks, and advice of the Chief Finance Officer on budget robustness, which are set out in the report.

REASONS AND OPTIONS

Reasons for the decision:

It is essential that the Council's financial strategy takes due account of Government plans, and any other material factors where these are likely to have an impact on the Council's financial position. Further the main report on the agenda this confirms the position in relation to alternative budget proposals.

Other options considered:

None. The Constitution requires this as a step towards setting the Council's budget.

IMPLICATIONS AND RISKS

Financial implications and risks:

The Council's budget process will ensure that financial implications and risks are fully met. There are continuing risks with the potential impact on funding arising from both the Budget and CSR announcements, as highlighted in both this and the previous report to Cabinet. The steps already taken by the Council should mitigate this, but it is evident that a longer term approach now needs to be considered, as the potential scale of the future budget gap could prove to be even bigger than the gap the Council is currently addressing.

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As part of this process, Members need to be suitably aware of the background to the Council's current financial position, and the context within which the budget strategy has been developed.

Legal implications and risks:

The Council is subject to a number of duties in relation to revenue, capital and procurement. For instance, as a Best Value Authority the Council is under a duty to "make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness." s 3 Local Government Finance Act 1999. The Council is also under an implied duty to set a balanced budget.

Case law has established that when consultation is undertaken it must be done at a time when final decisions have not yet been taken. It is appropriate nevertheless to have a preferred option. Consultees must have sufficient information and time to comment meaningfully. Once the responses have been received they must be conscientiously taken into consideration before a final decision is taken. There is nothing within the Report to indicate any legal risk in putting the Budget and other proposals out to a 3 month consultation.

Otherwise there are no apparent specific legal risks in adopting the Recommendations set out in the Report.

Human Resources implications and risks:

The Council continues to work closely with its staff and with Trades Unions to ensure that the effects on staff of the savings required have been managed in an efficient and compassionate manner.

Equalities implications and risks:

As this report merely sets the background and context to the Council's Financial Strategy, there are no specific equalities implications or risks at this stage. However any savings that need to be considered following publication of details of the Local Government Financial Settlement may carry equalities implications and risks and accordingly, these will need to be analysed to ensure that mitigating action can be taken to reduce any disproportionate impact on protected characteristics set out in the Equality Act.

Other Risks:

There are no particular other risks arising, but Cabinet is asked to be mindful of the risks inherent with forecasting as well as the general economic background and its volatility over the last 5 or 6 years.

BACKGROUND PAPERS

Previous cabinet reports on the budget.