

LEADERSHIP GROUP

5TH JULY 2011

BUDGET 2012/13 – 2014/15



AGENDA

9.00 – 9.15	Introduction (Alistair)
9.15 – 10.00	The Council's Financial Position (Andy Lowe)
10.00 -10.30	The implications for the Financial Projections (Alistair)
10.30 – 11.30	Group Discussion (Directorate Based)
11.30 – 12.10	Feedback in Full Group (Lecture Theatre)
12.10 – 12.45	Lunch
12.45 – 2.15	Group Discussion (Directorate Based)
2.15 – 3.00	Feedback in Full Group (Lecture Theatre)
3.00 – 4.00	Group Discussions (Directorate Based)
4.00 – 4.45	Feedback Session in Full Group – What can we stop doing ?

TERMS & CONDITIONS SAVINGS

	2011/12 £	2012/13 £
Pay Reduction	3,150,000	3,150,000
Non Payment of Increments	1,500,000	3,000,000
Car Allowance & Mileage Reduction	400,000	400,000
Market Supplements	47,000	47,000
Lease Car Allowance	70,000	70,000
Total Saving as Feb Budget	5,167,000 *	6,667,000
Proposed removal of 2% pay reduction where earning less than £22k	(300,000)	(300,000)
Total Potential Revised Saving	4,867,000	6,387,000

*** Shortfall due to July Implementation - £1.3M**

TERMS & CONDITIONS SAVINGS

- Cost per weeks delay in implementation - £100k
- Cost per months delay in implementation - £430k
- Replace T's & C's with new proposals ?
 - Minimum 4 months to implement new proposals (3 months consultation plus & min 1 months notice):
Minimum Cost of delay £1.7M

TERMS & CONDITIONS SAVINGS

- Average cost per employee - £30k
- Minimum number of posts required to replace T's & C's (excl redundancy costs) – 222 fte by 2012/13
- Average cost per compulsory redundancy - £20k
- Average cost per voluntary redundancy - £47k
- Cost to fund 222 compulsory redundancies - £4.4M

REDUNDANCY COSTS

Year	Number	Redundancy	Payment to LGPS / TPS for Early Release of Pension
2006/07	22	320,561.19	921,127.36
2007/08	15	401,243.45	341,815.01
2008/09	30	552,972.98	472,796.23
2009/10	30	378,383.53	554,308.03
2010/11	171	2,533,608.41	1,197,214.52
2011/12	57	1,122,050.37	602,501.85
TOTAL	325	5,308,819.93	4,089,763.00

REDUNDANCY COSTS

Year & Type	Number	Redundancy	Payment to LGPS / TPS for Early Release of Pension	Average Redundancy	Average Payment to LGPS / TPS for Early Release of Pension	Average Total Cost
<u>2010/11</u>						
Voluntary	66	1,312,162.38	567,584.29	19,881.25	8,599.76	28,481.01
Compulsory	101	1,221,446.03	459,194.89	12,093.53	4,546.48	16,640.01
Early Retirement	4		170,435.34		42,608.84	42,608.84
	171	2,533,608.41	1,197,214.52	14,816.42	7,001.25	21,817.68
<u>2011/12 to date</u>						
Voluntary	21	634,551.66	369,668.61	30,216.75	17,603.27	47,820.01
Compulsory	32	487,498.71	149,150.81	15,234.33	4,660.96	19,895.30
Early Retirement	4		83,682.43		20,920.61	20,920.61
	57	1,122,050.37	602,501.85	19,685.09	10,570.21	30,255.30

REDUNDANCY COSTS

- Budget set aside for redundancy costs:

	£M
2010/11	2.00
2011/12	2.00
2012/13	1.5
2013/14	1.5
Total	7.0

- Forecast Redundancy Costs 2010/11 & 2011/12 - £9.4M
- Shortfall £2.4M – funded from outturn 2010/11

REDUNDANCY COSTS

- In budget forecast 2012/13 – 2014/15 have assumed additional £5m required to be set aside per year to fund redundancy & pension costs

OUTTURN 2011/12

- The Council under spent by £4.7M for 2010/11
- After carry forward requests, the balance of £4M has been used to fund redundancy costs:
 - £2.4M towards costs in 2011/12
 - £1.6M towards future years costs

BALANCES

- Minimum level of recommended balances - £4.5M

	2010/11 £	2011/12 £	2012/13 £	2013/14 £	2014/15 £
Opening Balance	19,849.5	17,393.9	9,760.1	5,223.8	4,458.3
Draw (From) / To Revenue	2,369.2	249.0			
Draw to Support Capital	(499.6)	(145.0)			
Draw for Strategic Schemes	(4,325.2)	(7,737.8)	(4,536.3)	(766.5)	42.3
Closing Balance	17,393.9	9,760.1	5,223.8	4,458.3	4,500.6

- We are at minimum level of balances by end of 2014/15, so little scope to contribute one off funding to the budget

BUDGET TIMETABLE 2012/13

Action	Date
Management Board / Cabinet Session	15/07/2011
Review and challenge of Portfolio / Directorate budgets	July 2011
Development of specific proposals and progression of ideas with Cabinet Members (Directorates to organise local Spending Review Sessions)	August 2011
Portfolios / Directorates to submit key service pressures and options for efficiencies, service reductions and income generation	End August 2011
Management Board review of proposals	Early September 2011
Leader & Key Cabinet Members review budget proposals (Star Chamber Review Sessions)	Mid September 2011
Management Board / Cabinet Agree Draft Budget	End September 2011
Report on Budget Position & Development / Mini Budget for some proposals?	October 2011

HIGH LEVEL BUDGET FORECAST

- Reduction in Local Government funding 27% over the 4 years 2011/12 – 2014/15
- SCC reduction in government grant 10.7% 2011/12
- Assumed further grant reductions of 7% 2013/14 & 2014/15
- Other grants significantly reduced
- SCC 4 year shortfall 2011/12 – 2014/15: £76M

HIGH LEVEL BUDGET FORECAST

	2012/13 £000's	2013/14 £000's	2014/15 £000's
Revised Gap	21,835.2	38,734.5	53,503.5
Corporate savings to be identified & delivered	(1,500.0)	(1,500.0)	(1,500.0)
Savings Approved and to be Delivered Medium Risk *	(1,586.0)	(2,337.0)	(2,337.0)
Savings Approved and to be Delivered High Risk *	(2,250.0)	(2,600.0)	(2,600.0)
Future Savings (Work In Progress) *	(5,674.0)	(10,351.0)	(10,351.0)
Overall Remaining Gap	10,825.2	21,946.5	36,715.5

* Need to review savings put forward in February for 2012/13

HIGH LEVEL BUDGET FORECAST

CHANGES SINCE FEBRUARY

	2012/13 £000's	2013/14 £000's	2014/15 £000's
February Budget - Overall Remaining Gap / (Surplus)	2,977.2	13,243.5	27,612.5
Use of Balances in 2011/12 (previously planned for 2012/13)	1,340.0		
Redundancy & Early Retirement Contingency	3,100.0	5,000.0	5,000.0
Impact of Rising Inflation e.g. Energy, RPI etc	2,000.0	2,000.0	2,000.0
Addition Planned Increase in Highways Maintenance Spend			600.0
Shortfall in Mileage Saving due to Rate Change	107.8	107.8	107.8
Increased Borrowing Costs (Sea City £5M Fundraising Shortfall)	500.0	500.0	500.0
Environment & Transport - (Continued Fall in Income)	400.0	600.0	400.0
Changes in Government Grant	113.8	113.8	113.8
Other Changes	286.4	381.4	381.4
Overall Remaining Gap	10,825.2	21,946.5	36,715.5

HIGH LEVEL BUDGET FORECAST

NOTIONAL IMPACT ON JOBS

	2012/13	2013/14	2014/15
Latest Position	10,825.2	21,946.5	36,715.5
• Equates to Number of jobs @ average £30k salary	361	725	1,224

- **Clearly the savings will not all be found from 100% post reductions**

HIGH LEVEL BUDGET FORECAST - SAVINGS

	Gross Expenditure
Total Spend	537,045,600
<u>Exclusions</u>	
Housing Benefits	110,381,400
School Related Spend – ring fenced	112,501,800
Major Contracts (*see separate list)	51,085,500
Environment Trading Areas	4,070,700
Other Ring fenced Items (e.g. Land Charges)	830,300
Assume Max 15% Premises Saving	6,923,200
Assume Max 15% Other Direct Cost Savings	50,180,800
Pension Costs	2,663,700
Subtotal Exclusions	338,637,400
Targetable Total	198,408,200

HIGH LEVEL BUDGET FORECAST - SAVINGS

MAJOR CONTRACTS (*)

CAPITA	35,268,500
Highways (Balfour Beatty)	2,562,700
Street Lighting (Southern Electric)	3,720,800
Waste Disposal (Veolia)	7,632,800
Northguild Contract (Live Nation)	453,900
Recreation Facilities (Active Nation)	1,446,800
Total Major Contracts	51,085,500

Currently assumed no savings – in reality need to deliver significant savings across our major contracts

HIGH LEVEL BUDGET FORECAST - SAVINGS

SAVINGS TARGET

Targetable Total

Gross Expenditure
198,408,200

	GROSS		NET	
	%	£M	%	£M
2012/13 (Gross £22M Net £11M)	12%	24	6%	12
2013/14 (Gross £39M Net £22M)	20%	40	12%	24
2014/15 (Gross £54M Net £37M)	30%	60	20%	40

HIGH LEVEL BUDGET FORECAST – SAVINGS BY DIRECTORATE

Directorate/Portfolio	3 Year Saving @ 30%
ASC&H Portfolio / Directorate	16,617,225
CSL Portfolio / Directorate	19,146,810
E&T Directorate	11,029,884
Economic Development	6,014,640
Corporate Services	7,141,830
TOTAL	59,950,389

DIRECTORATE GROUP WORK

- Review savings already put forward; review relevant Risk Fund items; review Revenue Developments
- Begin discussions on how Directorate could deliver a 30% reduction in spend; what services can cease 100%, what efficiencies can be achieved, what level of service reductions can be achieved
- How different will your service need to look in 3 years time ?
- Don't 'salami slice' – not looking for every service to deliver 30% saving; will be a range based on what is possible from 0% - 100%

WHAT IS IN YOUR PACK ?

QUESTIONS ?