

**CORPORATE
SCRUTINY AND PERFORMANCE PANEL**

DATE: 28 JANUARY 2011

**Revised Draft Revenue Budget and Draft Capital Programme 2011/12 for
Consultation**

Ward(s) All

Portfolio:

Councillor Towe – Finance and Personnel
Councillor Arif – Business Support Services

Summary of report

This report presents Cabinet's revised draft revenue budget and draft capital programme proposals for 2011/12 for consultation with the panel, and to provide an opportunity for the panel to make recommendations to Cabinet.

Recommendation

The panel are recommended to consider the draft proposals in this report and make further recommendations to Cabinet as appropriate.

Background papers

Various financial working papers.
Equality Impact Assessment
Budget Consultation

Reason for scrutiny

To enable consultation and scrutiny of the draft budget proposals for 2011/12.



**James T Walsh
Chief Finance Officer**

14 January 2011

Background

Cabinet on 17 November 2010 presented their draft revenue budget proposals for 2011/12 for consultation. These proposals were considered by this panel on 9 December 2010, with recommendations to Cabinet on 15 December 2010.

A further report on revenue savings options requiring a formal policy decision to implement was also presented to Cabinet on 15 December, along with a separate report on the draft Capital Programme for 2011/12.

The draft formula grant settlement was announced on 13 December 2010. This is a 2 year settlement and covers the period 2011/12 to 2012/13. The draft settlement includes a number of grants that have been unringfenced and rolled into this single funding mechanism totalling £16.689m. The settlement represents a 10.4% reduction in Formula Grant, which rises to 13.2% following a further reduction of £6.2m in specific grants.

The Government has also announced a one off council tax freeze grant of £2.712m for Walsall in 2011/12 (this will be included in the settlement for 2012/13, but we are not aware of how this will be treated beyond 2012/13). The actual grant will not be known until April 2011, but this replaces the need to raise council tax to residents of the borough in 2011/12.

Resource and legal considerations

Revenue

The draft revenue budget for services within the remit of this panel was presented to the panel meeting on 9 December 2010. This included the detailed breakdown of both investment and savings options submitted to Cabinet to enable the panel to make recommendations for Cabinet to consider as part of the budget process. The panel discussed the options in principle, and made the following recommendations to Cabinet on 15 December 2010 :-

- 1) That the proposed 2011/12 budget for services within the remit of the Corporate Scrutiny and Performance Panel be noted;
- 2) That the recommendations of the remaining Scrutiny and Performance Panels be noted;
- 3) That the draft revenue budget proposals as presented to Cabinet on 17th November, 2010 be noted.

Table 1 sets out the draft 2011/12 budget for the services within the remit of this panel and proposed changes in resources, compared to the approved budget for 2010/11.

Table 1 : DRAFT 2011/12 NET BUDGET – RESOURCES	
	£m
Budget brought forward from 2010/11	13.178
Inflation pressures	0.064
Other changes (including changes to grants)	(0.150)
Budget pressures : demographics, cost pressures, fall out of grant, etc	0.817
Full year effect of 2010/11 growth	(0.100)
Proposed savings	(2.169)
Full year effect of 2010/11 savings	(0.056)
Draft net budget	11.584

Investment

The draft 2011/12 revenue budget for services within the remit of this panel includes £100k reduction in growth which relates to investment decisions made by Council in February 2010 where a part year cost effect only was included in 2010/11. In addition further growth totalling £817k has been identified as a very high priority by Cabinet and as being essential to meeting cost pressures. There is no change to the investment reported in the report to this panel on 9 December 2010.

Savings proposals

The draft 2011/12 revenue budget for services within the remit of this panel includes £56k of savings which relate to decisions made by Council in February 2010 where a part year effect only was included in 2010/11.

Proposals for savings have been considered by Cabinet and total new budget reduction options (including efficiencies, service redesign savings and income generation) of £2.169m are included in the draft budget proposals, again representing no overall change to the position previously considered by this panel on 9 December 2010. None of these savings require a cabinet decision to proceed.

Impact of the draft Formula Grant settlement

The Government provides funding to councils through formula grant, specific grant (which must be used to deliver government specific outcomes), and un-ring fenced grants which the council can decide how to utilise. For Walsall in 2011/12 the provisional settlement has been confirmed as £137.104m. This is a 2 year settlement and covers the period 2011/12 to 2012/13.

The draft settlement includes a number of grants that have been unringfenced and rolled into this single funding mechanism, totalling £16.689m. None of these relate to grants for services within the remit of this panel.

In addition there have been changes to specific grants issued from other government departments. For 2011/12 these total £17.998m compared to £24.222m in 2010/11, a reduction of £6.224m. For services within the remit of this panel, these relate to :-

- Area Based Grants now stopped. This includes Community Call for Action of £1.8k.
- Reduction in Housing and Council Tax Subsidy Grant of £266k. This will be part funded from a £200k investment, leaving £66k to be consumed within existing budgets.

Capital Programme

Cabinet on 15 December 2010 presented their draft capital programme for 2011/12 for consultation.

Table 2 below out a summary of the draft capital programme for schemes under the remit of this panel, with the full list of associated schemes listed in **Appendix 1**.

Table 2 : DRAFT 2011/12 CAPITAL PROGRAMME – RESOURCES	
	£m
Mainstream (Council's own resources) – Appendix 1A	
Corporate Commitments	2.147
New Bids – Schemes that will cost the Council more in the medium term if we don't do them	0.650
Capital Insurance Reserve – Appendix 1B	0.300
Draft Capital Programme – Resources	3.097

If grant or council mainstream funding is unavailable, schemes will not proceed. At this point in time, a number of grants have not been confirmed, therefore there is likely to be some movement as the budget process progresses.

Schemes are recommended to go ahead as they represent council priorities, for a number of reasons:

- Corporate commitments - annual commitments that must be in the capital programme i.e for infrastructure projects, though the amounts may be varied.
- Prior year approvals - projects that have started or received prior Cabinet approval and funding in 2011/12 is required for their completion.
- Schemes which are critical for health and safety reasons, or which will cost the council more in the long run or are critical to deliver a specific service outcome.
- Capital insurance reserves: in a number of areas as insurance reserves to protect the council's position, for which funding is available should the need arise to draw it down.

Citizen impact

The budget is aligned with service activity in service plans, and prepared using the principles of the Working Smarter programme. The savings and efficiencies reduce net cost and dampen the need for council tax increases. A stable financial position ensures activity is targeted on service delivery and driving improvement.

Environmental impact

The draft budget provides funding for community safety initiatives.

Risk Management issues

Service managers undertake comprehensive risk assessments of their budgets by identifying risk factors associated with potential changes to service delivery and funding streams to ensure that adequate corporate budgetary provision is available to cover unforeseen future events. This risk management approach has been in place for several years and is used to inform the level of earmarked reserves and working balance. A detailed statement on the adequacy of general and earmarked reserves and provisions will be included within the final budget report in February, along with a comprehensive financial assessment of the key risks to the 2011/12 budget.

Equality Implications

Service managers have regard to equalities in setting budgets and delivering services. Equality impact assessments are undertaken on options and the overall budget which are independently assessed by the Councils Equality and Diversity team. These will be refined as feedback is received on the budget as part of the consultation process.

Consultation

This is the second of two meetings for scrutiny to consider Cabinet's draft budget proposals. Recommendation from this panel will be reported to Cabinet at its meeting on 9 February 2011 for their consideration.

The council is statutorily obliged to consult with representatives of non-domestic ratepayers before setting the budget for the following financial year. Public consultation started in September and includes:

- Budget consultation packs sent to key community and voluntary sector organisations, and also published on the council's website
- Interviews of older people at Age Concern road shows
- Discussions held with service users and young people, met people with learning disabilities, and gathered feedback at the Centre for Independent Living
- Business consultation with representatives from the business community on 28 September 2010, and a follow up meeting on 11 January 2011
- On line budget simulator tool launched on 8 October 2010 until 5 November 2010 for residents to review budget prioritisation
- A Workforce Management JNCC has been established to consult with employee representatives and discussion on budget options started formally on 22 November 2010

The feedback from budget consultation was reported to Cabinet on 15 December 2010, and is attached to this report for your information.

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DRAFT CAPITAL PROGRAMME 2011/12 to 2013/14: Mainstream (council's own resources)

SERVICE	PROJECT	CAPITAL 2011/12 £	CAPITAL 2012/13 £	CAPITAL 2013/14 £	DETAILS OF PROJECT
Corporate Commitments					
Finance	Project reserve/asset investment reserve	517,544	0	0	To manage unforeseen expenditure following budget approval in February 2011
Shared services and procurement	Council wide IT planned rolling replacement and upgrade	1,629,206	1,198,750	1,081,000	<p>Uninterruptible power supply (UPS) for civic/council house IT network. IT equipment can be subject to power fluctuation or loss resulting from issues with external supply. Provision of a UPS to each network cabinet will avoid this. Revenue costs of £4k pa</p> <p>Centralised storage of workstation C: drive data. To expand the current corporate network file store</p> <p>IT server operating system upgrade. Essential upgrade to the 21 servers within the IT data centre that use Windows 2000 operating system</p> <p>CiscoWorks upgrade. The current software has reached the end of its useful life and the new release needs to be purchased</p> <p>Cisco telephony expansion. There is a need to expand the gateway that joins together the Cisco and NEC/Philips systems to cater for increased traffic. Revenue costs of £1k pa</p> <p>Disaster recovery - second data centre. The council currently operates all centralised IT systems from a single data centre. Opportunities exist to partner with another local authority to share data hosting facilities and provide the foundation for disaster recovery. The bid is to ensure the infrastructure is in place to handle a recovery. In addition there would be ongoing annual unbudgeted revenue costs of £12k (£15k in year 1) relating to infrastructure maintenance.</p> <p>Workstation and remote access security. Government Connect (established by DWP) has mandated certain IT security standards which must be implemented across all local government organisations. The council must be able to demonstrate compliance with the latest standards or demonstrate significant progress. This is required to ensure security of data and relates to software. Revenue costs of £203k pa (£180k in year 1)</p> <p>IT SQL server database upgrade. All servers may be vulnerable to security loopholes within the software exposing the whole council network to an IT security risk</p> <p>IT system log monitoring software. Failure to comply with Government Connect standards will result in the authority being unable to process benefit payments and limit the ability to work with central government</p> <p>Telephony consolidation. The council currently maintains two main telephone systems which introduces unnecessary costs and requires IT support staff to be skilled in both systems. There are opportunities for business efficiencies with the Cisco IP system. Revenue costs of £15k in year 1</p> <p>Upgrade Altitude call management system. To standardise the call management system across the council to improve the service to customers and simplify support. Revenue costs of £2k pa</p> <p>Upgrade to Windows 7. All Microsoft support for Windows XP will cease by April 2014. The current equipment would be refreshed over a short period and reduce the risk of equipment failure. Revenue costs of £88k pa</p>
Sub-total Corporate Commitments		2,146,750	1,198,750	1,081,000	
MUST DO SUB-TOTAL - RESOURCES		2,146,750	1,198,750	1,081,000	

SERVICE	PROJECT	CAPITAL 2011/12 £	CAPITAL 2012/13 £	CAPITAL 2013/14 £	DETAILS OF PROJECT
NEW BIDS Criteria 2 - Will cost the council more in medium long term (non property) if we don't do them					
Business change	Resources Delivering - Right, Fast and Simple - to deliver ongoing revenue savings of £1.9m (2011/12), £2.3m (2012/13) and £2.6m (2013/14)	500,000	400,000	250,000	<p>New HR system - upgrade to Trent. To upgrade the current Trent system to include additional licences and new software to give a full self-service functionality. It will be more cost effective as it is expected that the investment will be recouped via savings on staffing in the 3 years following implementation. Staff savings are already included in revenue</p> <p>Hardware and software licences and infrastructure for the web. To provide automatic self-services processes. Savings of £5.1m over 3 years and additional costs of £452k over 3 years</p> <p>Customer services telephony. To support contact centre</p> <p>Electronic document management system. Council wide investment which will result in savings from staff time, accommodation and storage and improve productivity</p> <p>Integration of performance information systems</p> <p>Management information system portal implementation. To provide automatic self-services processes</p>
Benefits	Increased productivity to be delivered by home working	150,000	0	0	Drivers for implementing home working are improved productivity, reduction in unplanned and sickness absence, reduction in accommodation requirements, fewer car journeys and increased staff motivation. Savings of £120k per year will be achieved if this bid is approved
Sub-total will cost the council more in medium long term (non property) if we don't do them		650,000	400,000	250,000	
NEW BIDS SUB TOTAL - RESOURCES		650,000	400,000	250,000	
TOTAL SCHEMES - RESOURCES		650,000	400,000	250,000	

DRAFT CAPITAL PROGRAMME 2011/12 to 2013/14: Capital insurance reserves

Funded schemes to act as insurance to protect the councils positions. This funding is available to be drawn down when required.

Service	PROJECT	CAPITAL 2011/12 £	CAPITAL 2012/13 £	CAPITAL 2013/14 £	DETAILS OF PROJECT
Risk and insurance	Risk management	100,000	100,000	100,000	The funding is utilised where risk assessments have been undertaken or where events dictate that immediate action be taken to manage risks e.g. insurer intervention, regulatory reform
Risk and insurance	Uninsured property damage	200,000	200,000	200,000	The council self insures its assets and is responsible for the first £250k of each claim. Expenditure is only incurred where the council has suffered loss or damage to its property in accordance with the terms and conditions of the insurance policy.
TOTAL CAPITAL INSURANCE RESERVES - RESOURCES		300,000	300,000	300,000	