

## MUNICIPAL YEAR 2017/2018 REPORT NO. 41

**MEETING TITLE AND DATE:**

**Cabinet: 26<sup>th</sup> July 2017**

**REPORT OF:**

Executive Director of Finance,  
Resources and Customer  
Services

**Agenda – Part: 1**

**Item: 6**

**Subject: Budget 2018/19: Tranche One  
Savings**

**Wards: All**

**Key Decision No: KD 4528**

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### **1. EXECUTIVE SUMMARY**

- 1.1 This report sets out an update on the progress of the 2017/18 savings work streams, including proposals for a first tranche of savings for 2018/19 and beyond.

### **2. RECOMMENDATIONS**

It is recommended that Cabinet:

- 2.1 Notes the progress made in preparation of the 2018/19 budget.
- 2.2 Agrees the first tranche of savings proposals for 2018/19 and beyond set out in Appendix 1. These will be included in the Medium Term Financial Plan (MTFP) for 2018/19 and future years.

### 3. BACKGROUND

- 3.1 A balanced budget position was achieved for 2017/18 despite continuing cuts to core funding (£87.9m in cash terms from 2010/11 to 2017/18) with £13.4m of new savings identified. The latest MTFP, as reported in the February 2017 Budget report, is set out in Table 1 below.

<b>Table 1</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>Total</b>
<b>Medium Term Financial Plan</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Budget Gap	0.0	5.7	14.2	7.6	27.5

- 3.2 The MTFP is being updated in the light of financial performance in year, and will reflect the latest estimates of inflation and other pressures. Macroeconomic conditions will be key variables, e.g. inflationary pressures and changes in interest rates. In addition, the national review of pay spines to take account of the minimum wage could add significant pressure to LB Enfield's wage bill; detailed models are expected in the summer of 2017 to enable a financial assessment to be made. As the MTFP estimates are updated, the projected budget gap will change. Table 2 below sets out the financial impact of the factors discussed here.

<b>Table 2: Sensitivity Indicators</b>	<b>Budget impact</b>	<b>Council Tax impact</b>
	<b>£'000</b>	<b>%</b>
1% change in pay	1,300	1.3%
1% increase in departmental price inflation across income & expenditure	1,700	1.7%
0.5% increase in interest rates (benefit to the Council)	(100)	-0.2%

- 3.3 The MTFP for 2018/19 and future years is in the process of being reviewed and updated. An initial assessment of possible new cost pressures, informed by the revenue monitoring report as at the end of May, is set out in Table 3 below.

<b>Table 3: Pressures</b>		<b>2018/19 £000</b>
<b>Department</b>		
SCS	No Recourse to Public Funds (NRPF): In 2016-17 there was an overspend of over £1m, and the budget was increased for 2017/18. Based on the latest information, a pressure of £374k is projected.	374
SCS	Adoption/SG Allowances: this projection reflects new allowance rates.	485
SCS	Leaving Care - Client Costs: this projection reflects the latest information.	503
SCS	Children's Social Care Legal Service pressure	430
FRCS	Reduction in Council Tax Court Cost income	600
FRCS	ICT support costs for new systems to deliver transformation	500
	<b>Total</b>	<b>2,892</b>

#### **4. APPROACH TO BALANCING THE BUDGET FOR 2018/19 AND BEYOND**

- 4.1 The medium term financial plan will be revised to take account of new developments and financial performance during the 2017/18 cycle. The approach to balancing the budget for future years will take the form of cross cutting reviews, using an outcome based approach to assessing the impact of savings proposals. Ten work streams have been established, led by members of the senior leadership team. Savings will be identified in successive tranches, to build up options for the final 2018/19 budget and future years' budgets, combining savings that can be taken now in the light of past trends with savings which require more detailed groundwork to implement. A progress report and update on the first tranche of savings proposals is attached in Appendix 1.

#### **5. ALTERNATIVE OPTIONS CONSIDERED**

- 5.1 The MTFP will be updated for the latest Government spending plans.

#### **6. REASONS FOR RECOMMENDATIONS**

- 6.1 Cabinet needs to manage the 2018/19 financial planning process having regard to constraints in public spending.

#### **7. COMMENTS OF THE EXECUTIVE DIRECTOR OF FINANCE, RESOURCES AND CUSTOMER SERVICES AND OTHER DEPARTMENTS**

##### **7.1 Legal Implications**

The Council has various legal and fiduciary duties to arrange for the proper administration of its financial affairs. This report sets out the lawful basis upon which recommendations will be made to note progress made in preparation of the 2018/19 budget and agree savings proposals for 2018/19 and beyond. The Council's budget-setting process is set out in the Constitution.

As part of these recommendations, officers will undertake equality impact assessments to help secure compliance with the Council's ongoing duties under the Equality Act to have due regard to the need to eliminate unlawful discrimination, harassment and victimisation; and advance equality of opportunity between people who share a protected characteristic and those who do not and foster good relations between those who share a protected characteristic and those who do not. Members must consider how their decisions will contribute towards meeting these duties in the light of other relevant circumstances such as economic and practical considerations.

Members should note that some of the actions to deliver proposed savings for future years have not yet taken place and may require specific statutory and/or legal procedures to be followed.

## **7.2 Financial Implications**

Financial implications are implicit in the body of the report. By planning an effective budget round and considering financial resources in the light of the Council's strategic priorities and other resources, the framework for the development of the budget is robust and in line with service delivery requirements. By considering risk as part of this process, council reserves and balances will be appropriately set to ensure the continued financial stability of the Council.

## **7.3 Key Risks**

The budget risks during 2016/17 were managed through detailed revenue monitoring reports provided monthly to Cabinet. Departments took action to minimise budget pressures and align departmental spend to budget. Some of these pressures will also affect 2017/18 and departments are already taking action to contain current year spending pressures.

## **7.4 Property Implications**

There are no Property implications arising from savings proposals at this stage.

## **8. IMPACT ON COUNCIL PRIORITIES**

8.1 The savings proposals in this report are part of the budget development process for the 2018/19 budget and for future years. The budget will be developed in support of the Council's priorities:

- Fairness for All
- Growth and Sustainability
- Strong Communities

## **9. EQUALITIES IMPACT IMPLICATIONS**

9.1 As part of the development of the 2018/19 budget, Heads of Service will carry out an equality impact assessment of savings proposals requiring change or new services and policies and evaluate how the proposal will impact on all parts of the community. Heads of Service will identify what actions will be taken to mitigate against the worst adverse impacts at the end of their EQIA.

## **10. PERFORMANCE MANAGEMENT IMPLICATIONS**

10.1 The report provides clear evidence of sound financial management and efficient use of resources.

## **11. PUBLIC HEALTH IMPLICATIONS**

11.1 There are no public health implications directly related to this report.

## **Background Papers**

None.

## **Update on Progress of Savings Work streams and First Tranche of Savings Proposals**

### **1. Corporate Resources Reductions**

This work stream is exploring alternative models for service delivery in some back-office functions, and further options for income generation by providing services to other organisations. At this stage, £0.3m of savings have been identified.

### **2. Corporate Finance**

This work stream is reviewing the scope for reducing central budgets including capital financing and contingencies, a review of the balance sheet and the potential for additional expenditure controls. At this point, savings of £1.2m have been identified in corporate budgets with no adverse financial impact.

### **3. Adult Social Care/Public Health**

This review is focusing on:

- Demand Management, including more asset based approaches
- Assessment of risks in existing savings assumptions via the monitoring process and any necessary recovery plans (expected to be needed on Care Purchasing)
- Use of improved Better Care Fund, ensuring we meet national conditions whilst maximising potential to reduce existing pressures/risks
- Cost Control – review of direct payments, clawbacks, financial assessment and charging, 17/18 recovery plans from each Head of Service/budget holder
- Collaboration with other boroughs linked in part to STP
- Peer Review of Use of Resources in Adult Social Care using CIPFA/ADASS agreed methodology

### **4. Environment Services**

The work stream has identified services where additional income might be raised. At this point estimated savings are £0.3m.

### **5. Asset Utilisation**

This review will consider options for optimising the use of the Council's property estate.

### **6. Procurement and Contracts**

There will be re-negotiations of existing contracts and a review of how other supplies and services are procured. Savings of £0.8m have been identified.

**7. Children's Services Including Transport**

This work stream has identified savings from efficiencies and a reduction in short break grants. These would make a £0.07m saving in the General Fund budget. The review has also proposed a £2m saving in services funded by the Dedicated Schools Grant, due to expanding placements for SEN children currently schooled outside the Borough.

**8. Income Generation**

This work stream has examined the potential to increase income budgets in the light of past performance and market conditions and £0.8m is proposed at this stage.

**9. Management Structures and Bureaucracy Minimisation**

At this stage, a reduction in the use of agency staff is proposed. This is estimated to save £1m.

**10. Council Tax support, Homelessness and Other Benefit Related Issues**

This work stream will model the impact of different Council Tax Support policies together with comparative data from other Councils to set out options for Members. New legislation (the Homelessness Reduction Act) is scheduled to take effect on 1 April 18 and will place new duties on local authorities especially on single homeless people. An impact assessment will be prepared. There is additional revenue provision within the MTFP for future years for homelessness and the level that is needed will be reviewed in the light of financial monitoring. On welfare reform, Policy in Practice has been commissioned to review and make recommendations. There will also be a review of discretionary housing payments and other discretionary benefits.

**11. First Tranche of Savings – Summary**

A summary of proposed savings is set out in Table 4 on the next page.

Ref.	Table 4	2018/19	2019/20	2020/21	2021/22
	Tranche 1 Savings Proposals	£000	£000	£000	£000
	<b>1. Corporate Resources Reductions</b>				
1.1	<b>Financial System</b> Efficiencies following implementation of time-saving financial software.		(50.0)		
1.2	<b>Commercialisation of Procurement and Contracts Hub</b> The saving is based on a portfolio of ideas for frameworks that have the potential to generate income through charging a fee to other public sector parties who access the framework. This may require some investment in setting up such as legal advice and marketing costs.	(250.0)			
1.3	<b>Transactional Services</b> This covers payments processing functions. A review of processes will generate efficiencies.	(50.0)			
	<b>Subtotal Corporate Resources Reductions</b>	<b>(300.0)</b>	<b>(50.0)</b>	<b>0.0</b>	<b>0.0</b>
	<b>2. Corporate Finance</b>				
2.1	<b>Reduce Contingency budget</b> A review of corporate budgets indicates that there is room to reduce the contingency budget - this will however reduce capacity to manage in-year pressures.	(500.0)			
2.2	<b>Remove in-year underspends</b> As part of the monitoring process, structural underspends will be identified and budgets reduced.	(200.0)	TBC		
2.3	<b>Reduce Capital Financing (Interest Payment) budget</b> This reduction reflects current interest rates. This will be kept under review in the light of economic conditions.	(500.0)			
	<b>Subtotal Corporate Finance</b>	<b>(1,200.0)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
	<b>3. Adult Social Care/Public Health</b>				
3.1	Demand management/improved Better Care Fund/cost control/collaboration/peer review.	TBC			
	<b>Subtotal Adult Social Care/Public Health</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
	<b>4. Environmental Services</b>				
4.1	<b>Green bin service change</b> The change in service to fortnightly collection of green bins whilst retaining weekly collections of refuse and recycling will deliver this saving.	(306.0)			
4.2	<b>Re-use collections</b> This is based on the introduction of sales of re-use (furniture etc.) collections at Barrowell Green Recycling Centre.	(20.0)			
4.3	<b>Barrowell Disposal Haulage Saving</b> This is related to the transfer of general waste from the North London Waste Authority contract to the Recycling Centre contract.	(23.0)			
	<b>Subtotal Environmental Services</b>	<b>(349.0)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Ref.	Table 4	2018/19	2019/20	2020/21	2021/22
	Tranche 1 Savings Proposals	£000	£000	£000	£000
	<b>5. Asset Utilisation</b>				
5.1	<b>Options for optimising the use of the Council's estate</b> The review will identify the potential for optimising the Council's office and other property holdings.	TBC			
	<b>Subtotal Asset Utilisation</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
	<b>6. Procurement and Contracts</b>				
6.1	<b>Contract Review</b> Existing Contracts will be re-negotiated.	(300.0)			
6.2	<b>Procurement Forward Plan</b> <ul style="list-style-type: none"> <li>• a category strategy is being developed which will determine the procurement approach to be taken e.g. how should the Council approach procurement of office supplies;</li> <li>• a review of areas of low level expenditure e.g. quick quotes, purchase card expenditure, to include a review of how can we reduce the number of transactions and reduce the unit cost of processing;</li> <li>• re-procurement of services when current contracts come to an end and looking at different ways of procuring such as dynamic purchasing systems e.g. e-auctions.</li> </ul>	(530.0)			
	<b>Subtotal Procurement and Contracts</b>	<b>(830.0)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
	<b>7. Children's Services including Transport</b>				
7.1	<b>Independent Reviewing efficiencies</b> This saving is to be achieved through efficiencies in the statutory independent reviewing team which is reliant on the number of looked after children reducing over the coming years.			(65.0)	
7.2	<b>Joint Service for Disabled Children: 10% reduction of short breaks grants</b> A review of how short breaks are delivered is to be conducted in order to achieve efficiencies without adversely affecting the local offer and support services to disabled children in the borough.	(45.0)	(45.0)		
7.3	<b>Single Point of Entry new system</b> The implementation of a children's/professional portal within Liquid Logic will lead to efficiencies within the SPOE team.	(28.0)			
7.4	<b>Service development review</b> This is based on making efficiencies in the service development team.		(37.0)		
	<b>Subtotal Children's Services including Transport</b>	<b>(73.0)</b>	<b>(82.0)</b>	<b>(65.0)</b>	<b>0.0</b>

Ref.	Table 4 Tranche 1 Savings Proposals	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
	<b>8. Income Generation</b>				
8.1	<b>Additional Commercial Income (Waste and Parks)</b> This is additional income following successful marketing of commercial waste services and the provision of more services by Cemeteries Services.	(80.0)			
8.2	<b>Additional Commercial Income (Waste and Parks)</b> This is based on uplifting fees and charges as agreed in the 2017/18 fees and charges report.	(80.0)			
8.3	<b>Assets Income</b> This is based on charging rental income at sports fields.	(80.0)			
8.4	<b>Tree team income</b> This is based on income from additional services generated by the Parks Trees maintenance team.	(39.0)			
8.5	<b>Cross over income</b> This is related to income from the Footway Cross Over Services for provision of drop kerbs.	(50.0)			
8.6	<b>Traffic and Transportation income - three years only</b> This is based on a temporary, project-based, increase in salary recharges to Capital and Traffic Order Charges.	(130.0)			130.0
8.7	<b>Arts Income</b> Increased and changed retail and catering offers at Leisure and Culture sites, increased participation in sports at the Council's own Sports Development courses and at Fusion leisure centres, increased room hire at Leisure and Culture sites.	(300.0)			
	<b>Subtotal Income Generation</b>	<b>(759.0)</b>	<b>0.0</b>	<b>0.0</b>	<b>130.0</b>
	<b>9. Management Structures and Bureaucracy Minimisation</b>				
9.1	<b>Control of Agency Spend</b> This proposal is for a reduction in agency spend. Given the high levels of expenditure, this reduction is considered low risk. Further savings may be possible in later tranches.	(1,000.0)			
	<b>Subtotal Management Structures and Bureaucracy Minimisation</b>	<b>(1,000.0)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
	<b>Total</b>	<b>(4,511.0)</b>	<b>(132.0)</b>	<b>(65.0)</b>	<b>130.0</b>