

Committee: Council
Date: 9 October 2007
Title: General Fund Budget
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Agenda Item

8

Item for
decision

Summary

This report sets out a number of actions and proposals arising from the issues in relation to financial management considered by the Finance and Administration and Performance Select Committees during September 2007.

Recommendations

1. That progress on the savings exercise is noted, and that managers and staff are asked to continue to bear down on current expenditure;
2. That the areas of exploration of further savings are also noted;
3. That the proposals for agreeing voluntary redundancies be approved;
4. That the proposed restructuring of the Strategic Management Board be agreed, subject to further consultation on process and timescales with those involved;
5. That members note that further reports on the actions being taken will be brought to future meetings of the Council, Finance and Administration Committee and the Performance Select Committee;
6. That members formally record their thanks to the staff of the organisation for their continued commitment to service delivery in the district and for their constructive approach to the difficulties the council currently faces.

Background Papers

Minutes and reports to the Finance and Administration Committee, 20 September 2007;

Minutes and reports to the Performance Select Committee, 27 September 2007

Impact

Communication/Consultation	
Community Safety	
Equalities	

Finance	
Human Rights	
Legal implications	
Sustainability	
Ward-specific impacts	
Workforce/Workplace	

Situation

1. Apologies that this report is not in the normal format. It is a wide-ranging set of issues that need to be covered, and the late availability of information made it impossible to apply the usual polish.
2. Members will be familiar with the following:
 - the report to Finance and Administration Committee on 20 September which set out the problems in the current financial year's general fund budget which could lead to a £1.1 million overspend;
 - the agreed action plan set out in that report which was endorsed by the Finance and Administration Committee
 - the subsequent report to Performance Select Committee on the circumstances which led to the current problems, and the resolution of PSC on that subject;
 - the requirement of both the F&A committee and PSC to provide a further report to the council meeting tonight;
 - public statements on the position of the Director of Resources which also anticipated further information to tonight's meeting.
3. This report responds to each of those requirements, updates members on the progress thus far achieved to addressing the underlying financial problems and sets out further steps that will be taken to reduce the ongoing running costs of the council.

Director of Resources

4. It was announced on Monday 1 October that Phil O'Dell, Director of Resources, was taking an extended leave of absence. Council will be asked to consider a confidential report on this issue later this evening. Depending on council's response to that report, a further public statement on the position of the Director may be made tomorrow (October 10).

Financial Management

5. In the absence of the Director of Resources, Adrian Webb (Head of ICT and OR) has been appointed the council's Acting Chief Finance Officer and has been carrying out the duties of the section 151 officer. He is the only senior member of staff who has the requisite qualification to carry out the role.
6. Adrian is being supported by David Bradley, an external consultant, who is acting as Head of Finance in the continued absence of the substantive postholder. David is a former section 151 officer with Fenland District Council.
7. The Chief Executive is in discussion with a number of other organisations and individuals about providing additional support for the Acting Chief Finance Officer in carrying out his role and in support of the organisation's overall financial management systems.
8. Adrian Webb has been asked to prioritise:
 - Stabilising the staffing in the finance team, ensuring that they are capable of providing the right support to members and managers in carrying out their respective roles;
 - Ensuring – in accordance with the requirements of both F&A and PSC – the production of regular and robust financial reports;
 - Identifying – with the support of managers across the organisation – potential savings in the current financial year and in ongoing running costs.
9. We are also working on the preparation of the revenue budget and other financial plans for 2008-9 and beyond, with a view to ensuring financial stability over the lifetime of the council. Next year was always looking to be a difficult year financially, and the announcements in the Comprehensive Spending Review will not have made it any easier – though the full and detailed implications for UDC have not yet been assessed.

2007-8 budget

10. The F&A committee report set out a three stage plan:
 - Revisit budgets to look for further savings;
 - Tighten control on existing spending;
 - Seek opportunities for partnerships with other agencies to reduce ongoing costs of service delivery

Revisiting budgets

11. This exercise has been ongoing over the last three weeks, and the full results are not yet collated. However, a number of potential savings have been identified – with others requiring further examination. Firm savings proposals total £126,000 – this report makes no assumption about any further savings being achieved from among the other possibilities being examined.

Purchase orders

12. Since 20 September, the Strategic Management Board has been required to approve all spending requests – even where budgets and previous authorisation exists. This has been designed to a) avoid unnecessary expenditure, b) stimulate discussion of further opportunities for financial savings and c) slow down the rate at which the organisation spends money. While the number of spending requests which have been stopped is small, it is the case that a slow down has been achieved, and that staff and managers are ‘self-limiting’ their expenditure requests. The Finance Team is working on a mechanism to report and monitor savings which arise from this mechanism.
13. It is also the case that a number of areas which require further examination have been identified, and will be being investigated. These include:
- the extent to which external private contractors are used rather than directly employed staff;
 - levels of stock being held in various locations (including the Newport Depot) and the associated expenditure.
 - The quantity of paper being used in the organisation and the possibilities of reducing that usage
 - The levels of expenditure on conferences, seminars, subscriptions and travel.
14. Further work is being done on each of these areas and the potential for savings will be robustly assessed and reported to both F&A and PSC.

Organisation Re-engineering

15. In addition to this, the work of the Organisation Re-engineering team will continue – and is currently commencing engagement with the planning service and the central administrative functions of the organisation. It is anticipated that further savings proposals will emerge from these exercises, but again, no assumption of further savings is being included in this report.

Staffing

16. A number of agency staff and staff on temporary contracts have been released. Where temporary staff have continued to be in place, this has been as a result of a clear business case being presented that failure to keep them engaged would result in significant service failure and/or financial cost.
17. A number of vacancies are being held in the organisation and a number of requests to fill posts have been refused. Wherever possible, attempts are made to fill posts internally if the post is essential, or to fill the gap in some other way (e.g. a part-time secondment, or the like). Where a post is filled from inside the organisation then, clearly, a vacancy is created elsewhere and any request to fill that vacancy would then need to be considered by the SMB.
18. A cautious estimate of the saving so far achieved by these methods is £50,000.

Staff reductions

19. Members will be aware that staff have been told that there might be the possibility of voluntary redundancies or early retirement. It has also been said that we were not 'at this stage' looking at compulsory redundancies. It is now possible to provide some greater clarity on these issues.

Voluntary redundancy/early retirement

20. A significant number of staff members have enquired about the possibility of voluntary severance in some form. These requests have been channelled through the Human Resources team who have sought illustrative, and without commitment, quotations from Essex CC (who provide this advice on our behalf) on the individual situation for each request. Some quotations are still awaited from the county council.

21. It is proposed that we now deal with this issue so as to bring it to an early conclusion. The suggested timescale would be as follows:

12 October	Deadline for expressions of interest to the HR team
26 October	Allowing for a two-week turnaround, all quotations should have been provided to individuals and (where those individuals agree) to their managers
2 November	Individuals to inform HR and managers on whether they would wish to take up the offer
6 November	SMB to meet, consider overall cost and implications of redundancies/retirements and agree proposals

22. This report asks that members authorise in advance SMB to agree these requests for redundancy subject to the following:

- that the total draw on balances to fund redundancies should not exceed £300,000
- that the repayment period for redundancies (taken all together) should not exceed eighteen months, including allowing for any knock-on effects in terms of reorganisation to cover the work of the departing individuals
- if SMB wish to recommend that there be any variation in the above restrictions, then it will be necessary to seek the authority of the Finance and Administration Committee which meets on 15 November.
- In any case, the redundancies, their overall cost and the savings achieved will be reported to Finance and Administration Committee at its November meeting.

23. It is estimated that it may be possible, by this process, to achieve savings this year of approximately £75,000, but this will depend on the exact numbers and nature of the posts being released by this mechanism and assumes that those departing do so on 31 December 2007.

Other savings possibilities

24. We will continue to bear down on expenditure levels, and will also be examining a number of other options for savings:

- there are a number of central budgets relating to the work of councillors and corporate management which would bear re-examination. In the first instance, some proposals will be brought to the meeting of Group Leaders which is scheduled for 19 October to ensure that any restrictions placed on members activities command wide support;
- all specific project funding will be reviewed to ensure that the council's expenditure plans correspond to overall priorities – SMB will be reviewing these proposals over the next three weeks;
- all budget proposals which require the engagement of external consultants will be examined across the piece to assess their necessity and priority;
- opportunities for income generation will be examined, as will any possibility of reducing the fixed costs of the council through disposal of surplus assets etc. Any firm proposals in either of these areas will require further member approval before implementation.

Staffing levels

25. It is clear that there is going to be a need to achieve further savings in the council's ongoing running costs as well as in this year's expenditure. It is important that spending decisions that are taken in this year's circumstances do not cause greater than necessary difficulty in future years.

26. In order to take the necessary steps towards stability, and to ensure that the resources of the organisation are deployed in accordance with the priorities of the council, the following approach is being proposed.

- a further review (and reduction) in the senior management structure detailed further below;
- the identification of savings targets based on the council's priorities, the need to ensure service continuity, with Heads of Division and budget managers being required to develop proposals for service delivery and staffing structures to meet these targets;
- once the staffing requirements have been identified, it will be apparent from a matching exercise to current roles that some jobs will be at risk in this process, while others will change significantly. However, most jobs will continue broadly unchanged.
- that, subject to further discussion with staff and Unison, a protocol for an accelerated redeployment of staff to ensure that those whose jobs are at risk can be placed into 'secure' roles where vacancies exist and where the skills and capabilities of the individual allows.

27. The use of the approach set out above will need to be rigorous, and Heads of Division and others will need to ensure that the proposed future staffing requirements are fully tested and challenged. It will also be necessary to ensure

that the process for consulting and communicating the process to staff is fully discussed with the staff as a whole and Unison in particular.

28. The aim of this process has to be to preserve and protect front-line services and to migrate towards the new level as quickly as possible while maintaining a fair and equitable process at all times. It is hoped that the use of this approach will minimise, or perhaps avoid entirely, the need for any compulsory redundancies.

Senior Management Restructuring

29. The events surrounding the Director of Resources and the current financial position make it imperative to consider the current scale of the council's senior management. As currently constituted there is a Chief Executive, Five Directors, an Assistant Chief Executive and Twelve Heads of Division. One HoD post (HR) is currently vacant, one HoD (Development Control) will be leaving the council for another post before year end while a third (Finance) has been absent for some time, with an interim (part-time) consultant in their place.

30. It is proposed that the council move towards the following structure at SMB level:

- A chief executive
- Three directors, with the following remits:
 - Development, the Environment and the Economy;
 - Operational Services, including the U Connect customer centre and other front line service delivery
 - Central services – including administration, finance, HR, IT, OR, performance, partnerships and the transformation agenda;
- An Assistant Chief Executive/Monitoring Officer
- A Chief Finance Officer/Section 151 Officer who – for line management purposes will sit within the Central Services directorate, but will be part of SMB in their own right in order to be able to exercise the full authority of the s. 151 role.

31. Due to the absence of directors and others on leave it has not been possible to fully consult and engage all those concerned on these changes. Such consultation is necessary and will take place. It is not possible therefore at this stage to be precise on timetables for putting these changes in place, but it is hoped that the new structure can be established by 1 December, and certainly no later than 1 January.

32. At Head of Division level, there will be a consequential need for some changes to line management arrangements and to the areas of responsibility for some of the divisions. These will be kept to a minimum at this stage to ensure that the process of re-designing service structures can be carried through with the maximum level of continuity. Full details will be reported to the Finance and Administration Committee on November 15.

Council Staff

33. This period of difficulty has been a real challenge to the staff of the council. Many of them have reported feelings of bewilderment and distress at the difficulties the council finds itself in – particularly when none of the responsibility for the situation can be attributed to their own performance, which has remained high throughout. The next few months will continue to be difficult, but on the evidence so far, the council is in the fortunate position of being able to count on the commitment, effort and creativity of its staff in addressing these issues. Staff meetings in recent weeks have been challenging and critical but also constructive. It is appropriate to record the gratitude of senior management for the approach staff have taken, and I hope that members will feel able to associate themselves with that expression of thanks.