

BROMSGROVE DISTRICT COUNCIL

CABINET

9TH JANUARY 2008

Medium Term Financial Plan 2008/09-2010/11

Responsible Portfolio Holder	Councillor Geoff Denaro
Responsible Head of Service	Jayne Pickering – Head of Financial Services

1. Summary

1.1. To provide information to enable the Cabinet to review the position on the medium term financial plan (revenue budgets) and on the Capital Programme for 2008/09-2010/11 and to make recommendations to full Council for its adoption.

2. Recommendations

2.1. It is recommended that Cabinet recommend to full Council that:

2.1.1 the budget pressures identified as unavoidable and high in Appendix A of the report be included within the Medium Term Financial Plan as follows:

- 2008/09 £1.691m
- 2009/10 £2.279m
- 2010/11 £2.271m

2.1.2 the recommended savings / additional income generation identified in Appendix A of the report be included within the Medium Term Financial Plan as follows:

- 2008/09 £1.424m
- 2009/10 £1.803m
- 2010/11 £1.881m

2.1.3 officers undertake a review of alternative methods of service delivery to achieve savings as identified in Appendix A

2.1.4 the Capital Programme for 2008/09 to 2010/11 as detailed in paragraph 16.16 comprising the continuation of existing schemes and the new 'High' priority capital schemes shown on Appendix G of the report be approved;

2.1.5 Cabinet delegates authority to the Head of Financial Services, in consultation with the portfolio holder for Finance and Heads of Service in respect of projects, to release capital funds subject to receipt of a robust

business case and an option appraisal demonstrating that the Council is achieving value for money;

- 2.1.6 approval is given to proceed with the capital scheme totalling £45k to replace the hot water system at the Dolphin Centre in year 2007/08 as detailed in paragraph 16.3
- 2.1.7 approval is given for the cost of redundancy and early retirement be funded from balances

3. Background

- 3.1. The Council on 28th February 2007 approved a medium term financial plan that included the Revenue and Capital budget requirements for 2008/09 to 2009/10.
- 3.2. On 5th September 2007 the Cabinet approved the budget process and timetable to be followed to review the medium term financial plan for 2008/09 to 2010/11.
- 3.3. As part of the approved budget process Cabinet proposed a streamlined set of 5 priorities against the Council objectives for focus of resources which were approved by Council on 19th September 2007. These were:

1. Regeneration

Priorities

- A Thriving Market Town
- Housing

2. Improvement

Priorities

- Customer Service

3. Sense of Community and Well Being

Priorities

- Sense of Community

4. Environment

Priorities

- Clean Streets & Recycling

- 3.4. The approved objectives and priorities have been used to drive the budget process as follows

- Budget pressures have only been proposed to members by senior management if they have been identified as unavoidable / or they are fundamental in achieving the Council's priorities.
- Financial savings have been focused on more efficient working practices and alternative methods of service delivery
- Disinvesting in non priority areas.

- The capital programme proposals as detailed in later in the report have been considered in line with the priorities.
- 3.5 The current financial plan covers a period of 3 years. It is proposed that an overarching 3 year financial strategy will be reported to members in March . The Strategy will address the financial plans of the Authority in consideration of asset management ,ICT, risk management and investment strategies.
- 3.6 The approved objectives and priorities have been used to drive the budget process as follows:
- Financial savings have been focused on alternative methods of delivery e.g. collaborative and partnership working together with proposing savings on services that do not directly contribute to the priorities.
- 3.7 The Cabinet received an update with regard to the review of the medium term financial plan at its meeting on 5th December 2007 at which members agreed that officers should continue their work to identify further savings in order to balance the budget and invest resources in areas that will address the Council's priorities. This report sets out the work officers have done since that date and the proposals for the medium term financial plan.

4 Base budget information

- 4.1 The current budget book that was sent to all members in February 2007 includes the Base budget for 2008/09 and 2009/10. These budgets have been used as the starting point of the plan and the proposed pressures and savings will be included to form the new approved budget for 2008/09-2010/11.
- 4.2 The base budget for 2008/09-2009/10 included a number of approved changes to the funding of services from the financial position of 2007/08. These included:
- Carry forward of additional costs of £640k due to the anticipated impact of single status implementation. The £640k includes the anticipated cost of pay protection for any employees affected by a reduction in salary (£400k). The ongoing cost equates to £240k for the net impact of the implementation across the Council.
 - Increase in the car parking charges by 10p (average increase) for 2008/09 and 2009/10.
 - Savings in relation to delivering leisure services by alternative methods. (£100k)
 - Identified savings in relation to providing services in an alternative way £248k
- 4.3 Following detailed costings of the impact of salary increments and vacant posts the current estimated net operating expenditure for revenue services is:

- Base Budget for 2008/09 £12.065m
- Base Budget for 2009/10 £11.651m
- Base Budget 2010/11 £12.166m

4.4 Within this the following assumptions have been made for the main elements of the budget:

Pay awards	2.5% per annum (Note 1)
Utility costs	5% per annum
Business rates	5% per annum
Other costs	2.5% per annum
Government Grants	Actual figures provided by Government
Investment interest	5% per annum (Note 2)
Pension fund increase	Note 3
Vacancy Management	4%

Notes:

1. For the purposes of this exercise it has been assumed that a pay award of 2.5% will be given in 2008/09-2010/11.
 2. Investment interest for 2008/09-2010/11 has been included at a starting rate of 5.75% reducing to 4.75% in 2009/10. This is based on information obtained from the Councils fund managers as an appropriate level for investments during 2008/09. It is assumed that for 2010/11 the Council will have limited funds to invest and as such investment interest will be negligible.
 3. The pension fund actuaries have assessed that in order to move toward a fully funded pension scheme within six years the rate would need to increase by incremental steps of 0.7% per annum to a maximum of 19.1% by 2010/11. For 2008/09 the figure is 17.8%.
 4. Following the CSR review indicative grant levels for 2008/09 to 2010/11 have been received with regard to central government grant – these are detailed later in the report.
- 4.5 Savings of 4% each year on the pay bill have been assumed through vacancy management. These savings will also be used to cover the costs of recruitment.

5 Budget Pressures

- 5.1 Officers have identified a number of budget pressures that have either been deemed “unavoidable” or “high” priority. Unavoidable includes the ongoing effects of pressures during 2007/08 together with any corrections in the budget. A high priority is something that is in direct pursuit of the Council’s priorities. Each unavoidable and high pressure has a specific “funding request” schedule completed which reflects how the funding required meets the Council objectives.

5.2 A number of other budget pressures have been identified but these have been categorised as medium and low and do not form part of the financial projections. These are identified at Appendix B.

5.3 A full list of budget pressures is included at Appendix A. The pressures have been shown on a departmental basis together with proposed savings per department. Those classified as unavoidable and high are included in the budget total:

- 2008/09 £1.691m
- 2009/10 £2.279m
- 2010/11 £2.271m

5.4 The Unavoidable and High Pressures are recommended for approval.

6. Budget reductions

6.1 The savings have been proposed by Corporate Management Team who have sought to identify areas which could demonstrate:

- Additional income generation
- Reduction to costs with no impact on service delivery
- Alternative methods of service delivery / more efficient working practices / shared / collaborative working to realise savings
- Reduction in cost of services which do not directly impact on the Councils priorities

6.2 The savings are shown in Appendix A on a departmental basis together with the pressures required for the service. The savings shown in Appendix A are recommended for approval. These total:

- 2008/09 £1.424m
- 2009/10 £1.803m
- 2010/11 £1.881m

6.3 The savings as identified in 6.2 are recommended for approval.

7 Investment Interest

7.1 A critical element within the overall medium term financial plan is investment interest. Working alongside our fund managers we have looked at the projections with regard to investment interest and it is anticipated that a rate of return ranging from 5.75% in early 2008/09 to 5.25% towards the end of the financial year will be achieved. This will reduce to 4.75% in 2009/10 and zero in 2010/11 if the capital programme is approved as the Council will be in a position of borrowing from 2010/11.

8 Government Grant

8.1 The Council has received the draft settlement for 2008/09 to 2010/11 which is included in the base budget.

8.2 The main elements of the provisional grant settlement are (2007/08 figures provided for information):

	2007/08 £	2008/09 £	Increase £	Increase %
Revenue Support Grant	679,695	593,669	-86,026	-12.66
Redistributed business rates	4,050,128	4,264,616	214,488	5.30
Formula Grant (FG)	4,729,823	4,858,285	128,462	2.72%

8.3 For 2008/09 the indicative grant settlement represents a net 2.72% increase to the 2007/08 settlement. In comparison to other Districts:

	2007/08 £m	2008/09 £m	Increase £m	Increase %
Bromsgrove	4.730	4.858	0.128	2.72
Malvern Hills	4.965	5.059	0.094	1.89
Redditch	6.287	6.394	0.107	1.70
Worcester	7.981	8.112	0.131	1.64
Wychavon	7.122	7.341	0.219	3.07
Wyre Forest	7.687	7.879	0.192	2.50

9 Council Tax

9.1 The Cabinet approved on 5th December 2007 the Council Tax Base for 2008/09 as 36,214.70 Based on a 4.99% increase in Council Tax for 2008/09 this would result in a demand on the Collection Fund of £6,557,396 an increase of £359,324 from 2007/08.

9.2 Given that the Government has given strong indications that it will cap any authority that imposes an increase in Council Tax of more than 5% it is felt that any rise needs to be carefully considered. It is therefore recommended that the Council Tax is increased by 4.99% for 2008/09 and 4.99% for 2009/10 and 2010/11. The demand on the Collection Fund for 2009/10 and 2010/11 has assumed an increase in the Council Tax base of 1%.

9.3 The impact of this increase will be an additional £8.61 on Band D with a revised charge of £181.07. This will be formally considered by Council in February as part of the Council Tax resolutions which can't be considered until details of Parish Council precepts are received.

10 Collection Fund

10.1 Every year the Council has to estimate the surplus or deficit on the Collection Fund. The surplus as at the 31st March 2008 has been estimated in accordance with statutory requirements. The surplus was calculated as £264,190. This is then distributed to the major precepting authorities pro rata to their Band D charge, thus the surplus will be paid as follows:

Worcestershire CC Share	69.67%	£184,078
*Bromsgrove DC Share	13.88%	£36,682
West Mercia Police Share	11.64%	£30,750
Hereford & Worcester FB	4.79%	£12,680
Totals		£264,190

10.2 This means that the Council will receive £36,682 in 2008/09 to help fund the revenue budget.

10.3 The main way in which the Collection Fund generates a surplus is if the Council collects more council tax, in percentage terms, than was assumed when setting the Council Tax base. When setting the Council Tax base for 2008/09 the collection rate was set at 99.0%. At this level it is not considered that any further surplus will be generated in the period covered by the Medium Term Financial Plan 2008/09 to 2010/11.

11 Overall Position

11.1 Based on the assumptions and the proposed pressures and savings the overall position for each of the three years is as follows:

	2008/09 £'000	2009/10 £'000	2010/11 £'000
Base cost of General Fund Services	12,065	11,651	12,166
Pressures	1,691	2,279	2,271
Savings	-1,424	-1,803	-1,881
Investment Income	-426	-145	
Recharge to capital programme	-130	-133	-136
Net operating expenditure	11,776	11,849	12,420
Transfer from (-) to balances	-324	49	0
Collection Fund Surplus	-37		
Government Grant	-4,858	-4,945	-5,047
Assumed Council Tax @ 4.99%	-6,557	-6,953	-7,373
Overall Shortfall	0	0	0

11.2 The balanced budget for 2008/09-2010/11 assumes the Council will deliver the recommended savings and will fund the Capital Programme as detailed in the Capital Programme later in the report.

12. Balances

- 12.1 The projected level of balances at 31st March 2008 is £1.055m assuming that the 2007/08 budget is underspent approximately £300k. The level of balances can be utilised for one off costs and it is proposed that the funds required for any redundancy or early retirement costs are met from this area.
- 12.2 The estimated costs of redundancies and the cost of the pension strain on the redundant posts is £424k.
- 12.3 The impact on the use of balances are shown in the table below:

	2008/09 £000	2009/10 £000	2010/11 £000
Balance available at start of year	1,055	731	781
Use of balances	-324	50	
Balance available at end of year	731	781	781

- 12.4 When considering the medium term financial plan last year an assessment was made of the financial risk to the Authority. This concluded that the minimum level of revenue balances that the authority should hold was £600k. £600k represents approximately 5% of the Councils base cost of general services. It is not recommended that this amount be changed.

13. Fees and charges

- 13.1 The financial plan currently includes a 2.5% increase on fees and charges together with a 10p average charge on car park income.
- 13.2 The details of the Fees and Charge rates will be presented to members at the February meeting.

14 Scrutiny and Consultation of Budget

- 14.1 The budget proposals are to be presented to Scrutiny Committee on 8th January 2008 – their comments together with the response from officers will be tabled at the Cabinet meeting.
- 14.2 As was reported to Cabinet in December 2007 the Council's detailed budget proposals were subject to public consultation through two focus groups undertaken in November and were supplemented by placing the detailed budget on the Council's website with a series of questions contained in a feedback form.
- 14.3 The Council's priorities, which are driving the budget process have already been subject to consultation through a focus groups over the last two years, through the Customer Panel, Together Bromsgrove and Street Theatre. The Equalities and Diversity Forum have also been asked to put forward a number of budget bids, which will also feed into the budget deliberations.

- 14.4 Appendix G contains the results of the two recent focus groups held on the 2008/09 budget. Obviously Cabinet should pay due regard to the findings, but are not duty bound to adjust the budget as a result of the findings.

15 Other Issues

- 15.1 In 2007/08 £300k was identified as saving to be achieved in 2008/09 as a result of the implementation of the Spatial project. The basis of the savings relied on the achievement of additional income in respect of Planning Delivery and Pendleton Grant, the sale of land searches and the achievement of software savings following implementation of the full project. As members are aware there has been a change to the main sub contractor in the last 2 months which has resulted in a delay in the full implementation of the project. In addition there has been a change to the criteria of obtaining both PDG and Pendleton Grant and it is assumed that the Council may not be in a position to receive these grants in the future. The pressures associated with the non delivery of these savings have been included in the Appendix and Heads of Service have proposed alternative savings to meet these targets.
- 15.2 Currently Heads of Service are undertaking a feasibility study with regard to Phase 2 of the Spatial Project. This feasibility study will identify what improvements can be made both in terms of improvements to services and operational efficiencies (including the level of savings that need to be achieved to justify the level of expenditure on Phase 2). The budget projections include initial estimates with regard to savings that can be achieved.

16 Capital Programme

- 16.1 The level for capital spend within the Authority is set at £1m per annum. As part of the 2007/08 review of the financial plan members approved a Capital Programme of £7.681m for 2008/09 which included the funding required for the spatial project of £5.793m.
- 16.2 Officers have requested £1.445m of new funding as part this review of the financial plan into 2008/09. The details of the new bids are at Appendix C. The bids prioritised as medium or low are shown at Appendix D. The additional funding over the £1m is due to funding key priorities including the Town Centre Development and clean streets.
- 16.3 Ongoing maintenance at the Dolphin Centre has also revealed the urgent need to replace the hot water system at the Dolphin Centre on health and safety grounds and for the work to be carried out whilst the pool is closed in early 2008. A separate report will be submitted to Cabinet giving full details but Members approval is now requested to include the scheme costing £45k in the capital programme for 2007/08.
- 16.4 If Members approve the level of Capital Spend to 2010/11 the effect on capital receipts will be as follows based on expected expenditure in 2007/08:

	2008/09	2009/10	2010/11
	£m	£m	£m
Opening Balance	10.586	2.553	0.873
Used in Year	8.325	1.772	1.176
Received in year	0.292	0.092	0.092
Closing Balance	2.553	0.873	(0.211)

The figures in the above table represent both general and receipts ring fenced for housing purposes, and currently there are estimated unallocated housing receipts available totalling £0.603m at the end of year 2010/11. If these receipts are deducted the closing balance available for general purposes is estimated at (£814k).

- 16.5 If all Capital Programme funding requests are approved there will be a need to fund £0.211m through borrowing in 2010/11. This calculation is based on the utilisation of the unallocated receipts to minimise the estimated borrowing requirement. Allocation of the resources will affect future borrowing requirements. Officers are currently reviewing the financial impact of the most appropriate option for borrowing purposes.
- 16.6 All capital schemes that receive approval from Members will be developed into detailed business cases and it is proposed that approval to release capital funds should only be given on receipt of a robust business case, including an option appraisal demonstrating that we are achieving value for money.
- 16.7 Criteria has already been approved in relation to the Capital Programme to include:
- The capital programme is limited to £1m per annum funded from the Council's own resources (in order to maximise the investment interest);
 - Cabinet give consideration to fund housing grants over and above the £1m.
- 16.8 Cabinet also approved the capital investment criteria (as part of the Capital Strategy) that a scheme should satisfy for inclusion in the capital budget as follows:
- Maintain existing assets to standards suitable for service delivery.
 - Improve and acquire assets to meet service and customer needs.
 - Improve the stewardship of assets; spend to save (innovative schemes that will secure the Council a better rate of return than the investment interest earned); to reduce longer-term problems and liabilities.
 - Satisfy legal obligations of the Council (e.g. health and safety requirements, and compliance with the disability discrimination legislation).
 - Develop community assets in areas of need.
 - Maximise the use of other funds to encourage investment in specific areas such as energy efficiency, economic development

and infrastructure developments (using funds derived from Section 106 agreements with developers).

- Maximise the benefits of partnership working.

16.9 Officers are currently updating the capital strategy which will include the above. This will be presented to Members at the March 2008 Cabinet meeting.

Capital Income

16.10 It is estimated that the level of capital receipts available at the start of 2008/09 will be £10.586m.

16.11 A review of the likely capital receipts in the period 2008/09 to 2010/11 has been undertaken and it has been estimated that the level of capital receipts is as follows:

	2007/08	2008/09	2009/10	2010/11
	£m	£m	£m	£M
Estimated total capital receipts for Council use	£1.024	£0.292	£0.092	£0.092

The £10.586m available for investment at the beginning of 2008/09 quoted above includes the £1.024m estimated to be received for 2007/08.

16.12 The amounts shown are for Council use after the housing capital receipts have been 'pooled' and a proportion paid over to Central Government as required under the Local Government Act 2003 and the Prudential Code capital control system which began on 1st April 2004. Poolable housing capital receipts now only relate to the low level of payments of mortgage principal on mortgages granted by the Council in earlier years where the advance was greater than £10k. Capital receipts on the re-sale of pre Large Scale Voluntary Transfer Right-to-Buy sales ceased on 31st March 2007.

16.13 Capital receipts are also still being received on low levels of sales of the Council's holding in shared ownership properties, and sales of retained housing land and assets which have been transferred to General Fund.

16.14 Capital receipts of up to £400k are also anticipated in 2007/08 and a further £200k in 2008/09 from Bromsgrove District Housing Trust (BDHT) under a VAT Shelter/Sharing arrangement following the transfer of the Council's housing stock. This relates to a refund of Value Added Tax previously paid over to HM Revenue and Customs (HMRC) which will be shared between BDHT and the Council. The precise amount is currently uncertain because it depends on ongoing discussions between BDHT

and HMRC. The £600k has been included in the projected capital receipts.

16.15 The Capital Programme has been reviewed in accordance with the above timetable and process and attached at Appendix G is the complete list of new bids for schemes that have been brought forward for consideration. Corporate Management Team has reviewed all schemes proposed by officers and only brings forward those that meet the investment criteria.

Capital Expenditure

16.16 A summary of the proposed capital programme including the new High priority capital schemes only is shown in the following table:

	2008/09	2009/10	2010/11	Future Years
New proposals	£m	£m	£m	£m
Street Scene & Waste Management	0.025	0	0.093	0
Policy and Performance	0	0	0	0
Legal and Democratic	0.286	0.207	0.284	0
Culture and Community	0.200	0	0.079	0
e-Government/ICT schemes	0.035	0	0	0
Housing schemes / P&E	0.769	0	0.865	0
Support Services Recharges (to be charged to schemes)	0.130	0.133	0.136	0
Total (new proposals)	1.445	0.340	1.457	0
Existing Schemes	7.361	1.713	0	0
Total	8.806	2.053	1.457	0

16.16 The capital programme will be financed from a variety of sources including the BIG lottery fund, Government Grants, capital receipts including those that the Council has been allowed to retain under the new capital 'pooling' arrangements, and borrowing. Details of the proposed financing arrangements for the capital programme are shown below:

	2008/09	2009/10	2010/11	Future Years
Capital Receipts	£m	£m	£m	£m
Capital receipts	8.162	1.772	0.362	0
Capital receipts or borrowing	0	0	0.603	0
Borrowing	0	0	0.211	0
Housing schemes financed from	0.154	0	0	0

capital receipts ring fenced for low cost housing				
Housing schemes financed from retained capital income after pooling	0.009	0	0	0
Total capital receipts or borrowing	8.325	1.772	1.176	0
Other funding				
BIG Lottery Childrens Programme	0.200	0	0	0
Government Grants	0.281	0.281	0.281	0
Total other funding	0.481	0.281	0.281	0
Total Programme	8.806	2.053	1.457	0

16.17 As Members can see from the above the proposed schemes significantly exceed the £1m limit, however given the impact on the Council's priorities it is not felt possible to reduce the proposals any further and the capital programme comprising the existing schemes, rolling programmes, and the 'High' priority capital scheme bids as shown on Appendix G is recommended for approval.

16.18 As can be seen from the above table the estimated balance at 31st March 2010 will be insufficient to fund a significant capital programme within the district. The Council therefore will have to address the issue of borrowing.

16.19 The Prudential Code that came into force on April 1st 2004 as part of the Local Government Act 2003, allows councils to borrow without the consent of central government, as long as they remain within their own affordable borrowing limits. Future revenue streams are used as security for loans. Any borrowing would have an impact to the Revenue account and therefore would represent an additional charge against the Council Tax.

17 Local Government Act 2003

17.1 There are a number of requirements that fall upon me, as the Council's Section 151 officer, to include in the budget report. These are set out below, together with my comments on each of the issues:

17.1.1 The level and use of reserves to be formally determined by the Council must be informed by the judgement and advice of the Chief Financial Officer (CFO).

Section 151 officer's comments: I have reviewed the level of balances and assessed against the financial risk to the Authority. In my professional opinion the revised minimum level of £600k meets the Authorities needs. In addition, and a continuation of the previous medium term financial plan, balances should not be used to fund ongoing revenue expenditure. I believe this strategy remains robust and the Council should seek to achieve this position as soon as possible.

17.1.2 The CFO to report the factors that have influenced his/her judgement in the context of the key financial assumptions underpinning the budget, and ensure that his/her advice is formally recorded. Where that advice is not accepted, this should be formally recorded in the minutes of the meeting.

Section 151 officer's comments: The main assumptions included in the calculation of the budget are as follows:

<i>pay awards</i>	<i>2.5% increase per annum</i>
<i>utility costs</i>	<i>5% increase per annum</i>
<i>business rates</i>	<i>5% increase per annum</i>
<i>other costs</i>	<i>2.5% increase per annum</i>
<i>Government grants</i>	<i>Actual figures provided by Government</i>
<i>investment interest rate</i>	<i>See 7.1</i>
<i>employer's pension fund</i>	<i>increase to 17.8% from April 2008 and 18.5% from April 2009 –</i>
<i>vacancy management</i>	<i>4% per annum</i>
<i>Council Tax</i>	<i>4.99% per annum</i>
<i>Council Tax base</i>	<i>1% increase per annum.</i>

17.1.3 The report should include a statement showing the estimated opening balance on general fund reserves for the year ahead, any contribution to/from the fund, and the estimated closing balance.

Section 151 officer's comments: statement included in this report.

17.1.4 The report should show the extent to which reserves are financing ongoing expenditure.

Section 151 officer's comments: included in this report

17.1.5 The report should include a statement from the CFO on the adequacy of general reserves and provisions both for the forthcoming year and in the context of the medium term financial plan.

Section 151 officer comments: the reserves are sufficient for the period of the medium term financial plan i.e., 2008/09 to 2010/11.

17.1.6 The report should include a statement on the annual review of earmarked reserves showing:

- list of earmarked reserves
- purpose of reserve
- advice on appropriate levels
- estimated opening / closing balances
- planned additions / withdrawals

Section 151 officer's comments: detailed at Appendix E.

17.1.7 Prudential indicators and related matters

Section 151 officer's comments: This will be covered by the Treasury Management Strategy which will be presented to Cabinet in March.

18.1 None other than those included in the report.

19. LEGAL IMPLICATIONS

19.1 Section 188 of the Trade Union and Labour Relations (Consolidation) Act 1992 provides that where an employer proposes to make 20 or more employees redundant at one establishment within 90 days he must consult all the representatives of any of the employees who may be dismissed. Consultation must begin in “good time” and in any event at least 30 days before the first dismissal takes place. This consultation must include consultation about ways of avoiding the dismissals, reducing the number of employees to be dismissed and mitigating the consequences of the potential dismissals.

By virtue of the S188 requirements, an employer must, for the purposes of consultation, provide employees’ representatives with certain information in writing. If the employer fails to comply with these consultation obligations an Employment Tribunal has the power to require him to make protective awards equal to 90 days pay to each of the employees. A trade union may also bring a claim against the employer.

The Secretary of State for the Department for Business Enterprise and Regulatory Reform (formerly the DTI) must also be notified if the employer is considering making 20 employees or more redundant.

20. CORPORATE OBJECTIVES

20.1 The delivery of a balanced budget demonstrates the Councils ability to fund objectives and priorities within a reasonable level of increase to residents.

21. RISK MANAGEMENT

21.1 The main risks associated with the details included in this report are:

21.1.1 Non compliance with the statutory deadlines to set a balanced budget.

21.1.2 No formal consultation undertaken with the public

21.1.3 Poor use of resources scoring in relation to consideration of the budget

21.1.4 Failure to carry out statutory consultation requirements with the Department for Business Enterprise and Regulatory Reform (BERR), recognised trade unions, and individual employees in respect of posts being considered for redundancy before the final budget decisions are made. Failure to enter into such consultation could lead to employment tribunal claims for failure to ensure proper consultation arrangements which in turn could lead to the awarding of financial compensation to both individuals and the trade unions and ultimately, potential claims for unfair dismissal.

21.2 An overall risk assessment of the budget is included in Appendix F.

21.3 These risks are being managed as follows:

21.3.1 Non compliance with statutory deadlines

Risk Register: Financial Services

Key Objective Ref.: 6

Key Objective: Effective and Efficient Accountancy Service

21.3.2 No formal consultation undertaken with the public

Risk Register: Financial Services

Key Objective Ref.: 6

Key Objective: Effective and Efficient Accountancy Service

21.3.3 Poor use of resources scoring in relation to consideration of the budget

Risk Register: Financial Services

Key Objective Ref.: 6

Key Objective: Effective and Efficient Accountancy Service

21.4 Key actions and controls to manage these risks include:

Detailed timetable in place to manage the budget process with departments and accountancy support

Allocation of qualified and professional staff to focus on budget setting accounts

Regular updates at Corporate Management Team in relation to budget processes

Formal consultation in place with unions and individual employees

Formal consultation with customer panel via SNAP in place

22. CUSTOMER IMPLICATIONS

22.1 Public feedback is included within Appendix G.

22.2 The setting of the budget against the Corporate Priorities will ensure that the Council demonstrates to the customer that we have aligned our resources to the key services required.

23. OTHER IMPLICATIONS

23.1 Personnel Implications

23.1.1 In the spirit of developing and maintaining an open and positive industrial relations environment, the Chief Executive, Head of Financial Services and Head of Human Resource and Organisational Development have met with the unions to begin the necessary consultation process. Consultation with all potentially affected employees has also begun, and notification to the Secretary of State **has been** put in place. As a matter of courtesy and best practice, all individual employees who are affected by these budget proposals were made aware of how the proposals may

affect them personally in advance of the first budget proposals to Cabinet becoming public.

23.1.2 The effect of the proposals as they currently stand is that 34 posts are to be considered for redundancy in order to ensure that the budget is aligned to the Council's priorities.

23.1.3 9 of those posts are current vacancies, with a further 1 becoming vacant in January 2008; therefore a total of 10 vacancies will be used to mitigate against the possibility of compulsory redundancies and therefore do not present threats of redundancy to any particular employees.. 10 represent individuals who have volunteered to leave the Council's employment and who fall within service areas that are directly at risk of redundancy. 1 represents a job which is to be reshaped, for which the postholder will be ringfenced and which it should be possible to retain them in post. A further 1 is also expected to be successfully redeployed. This will leave **3.5 FTE** employees at risk of compulsory redundancy, and for whom the Council will do its utmost to seek redeployment opportunities, although it is not possible to guarantee that we will be successful. We will also ensure that those individuals at risk of redundancy receive appropriate outplacement support/training.

It is worth noting that in addition to the 10 volunteers above, we have also received a number of additional volunteers for early retirement/redundancy from across the Council, which will be considered after the closing date of 31st December 2007. The costs of any volunteers that the Corporate Management Team propose to accept as part of the wider strategy to minimise redundancies or to deliver further efficiencies in services will be tabled nearer the time of the meeting.

23.1.4 Representatives from the Corporate Management Team have to date met with the unions on 3 separate occasions in order to promote an effective consultation process, and will be meeting for what is expected to be the final time on 3rd January 2008 prior to Cabinet on 9th January, and Full Council setting its budget on 16th January. Representatives from the Cabinet (the Portfolio Holder for Finance, and the Portfolio Holder for HR, Legal, Democratic and Equalities) have also attended one of the early meetings in order to demonstrate their willingness to listen to any views/representations that the trade unions may wish the Cabinet to take into account before making its final recommendations to Full Council. All meetings have been constructive.

23.1.5 As referred to above, part of the strategy agreed with the trade unions for minimising the possible effect of the budget proposals for 2008/9 and the medium term financial plan upon jobs, was to seek expressions of interest for voluntary redundancy/early retirement. The Corporate Management Team will also consider every vacancy as it arises in order to maximise the potential for redeployment of any employee who may find that their current post is made redundant as a result of these budget proposals.

23.1.6 Conversely, by way of a conscious decision to respond to some of the comments by the CPA Inspectors and to demonstrate that the Council is

prepared to redirect resources into the Council's priority areas, the Corporate Management Team is also proposing to increase staffing resources in a number of areas. Any new posts which are approved as part of the budget process will be considered as potential redeployment opportunities for any employee who may be at risk in order to minimise the potential number of compulsory redundancies.

Procurement Issues N/A
Governance/Performance Management N/A
Community Safety including Section 17 of Crime and Disorder Act 1998 N/A
Policy N/A
Environmental N/A
Equalities and Diversity The Equality and Diversity Forum have received a presentation on the budget and the issues arising from the identified pressures and savings. The budget bids included as high priority include those proposed by the Equalities and Diversity Forum. In addition the budget is available for comment on the internet and via the focus groups with the aim to reach as diverse as possible residents and customers.

24. OTHERS CONSULTED ON THE REPORT

Portfolio Holder	Yes
Chief Executive	Yes
Executive Director – Partnerships and Projects	Yes
Assistant Chief Executive	Yes
Head of Service	Yes
Head of Financial Services	Yes
Head of Legal & Democratic Services	Yes
Head of Organisational Development & HR	Yes
Corporate Procurement Team	Yes

25. APPENDICES

Appendix A – pressures and savings - high
Appendix B – pressures and savings - medium & low
Appendix C – Capital bids – High
Appendix D – Capital bids – medium & low
Appendix E – Statement of Reserves
Appendix F – Risk Analysis
Appendix G – Feedback from consultation

26. BACKGROUND PAPERS

Budget timetable
Detailed budget working papers

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