

**Report to:** Budget Panel  
**Date of meeting:** 2<sup>nd</sup> December 2010.  
**Report of:** Head of Strategic Finance  
**Title:** Draft Revenue and Capital Estimates 2011/2015 and Service Prioritisation proposals

1.0 **SUMMARY**

- 1.1 This Report updates Budget Panel of progress made and decisions to be taken in order to finalise revenue and capital estimates and declare a council tax for 2011/2012.
- 1.2 The May 2010 General Election has resulted in a Coalition Government where the major priority is to reduce the national deficit as quickly as possible. As a consequence the following has occurred: reductions to current year funding has been announced; an emergency budget has been produced; and the results of a Comprehensive Spending Review (CSR) was revealed on 20 October 2010. All of these issues have subsequently been reported to both Budget Panel and Cabinet.
- 1.3 The CSR in October outlined the level of savings local government is expected to make over the next four years to make its contribution to the national budget deficit reduction. The CSR confirmed that funding for local government will be reduced by 26% (probably more for district councils) over the next four years, which will reduce the grant the council receives to fund its services. Taking this into account our budget planning process has identified the need to make savings of about £3.8m over the period 2011-15.
- 1.4 The purpose of this Report is to highlight latest information to enable Budget Panel to review revenue and capital budgets for 2011/2012 and future years in light of the outcomes of service prioritisation, feedback from consultation and relevant financial information
- 1.5 Budget Panel will receive a further report on 11th January 2011 where it is anticipated it will receive options for the use of council reserves and levels of council tax.

2.0        **RECOMMENDATIONS**

- 2.1        That the Government Revenue Support (Formula) Grant Settlement (anticipated to be tabled at the meeting) be noted.
- 2.2        That the revised Medium Term Financial Strategy at Appendix 1 be noted, and in particular the need to make efficiency savings of £3.8m over a four year period.
- 2.3        That the results of the Budget Consultation process should be considered before any decisions on proposals for service reductions are taken.
- 2.4        Budget Panel consider which of those service prioritisation recommendations detailed at Part B should NOT be supported and make detailed recommendations to Cabinet for its meeting on 13<sup>th</sup> December.
- 2.5        Note the next steps in finalising revenue budgets and recommending the level of council tax for 2011/2012.

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- 3.0 **DETAILED PROPOSAL**
- 3.1 **Central Government Revenue Support (Formula) Grant Settlement**
- 3.1.1 On the 2 December, the Department for Communities and Local Government (DCLG) **is anticipated to** announce the draft Settlement for Watford BC. A period of time is necessary for statutory consultation but, in reality, the figures announced are unlikely to change. A synopsis of the Settlement will hopefully be tabled at the Budget Panel meeting.
- 3.1.2 In advance of the detail of the Settlement the following is **what is anticipated to be the case for Watford !!** The following comments are to aid individual members of the Budget Panel in advance of its formal deliberations BUT must not be assumed to be the final detail.
- 3.1.3 The RSG Settlement is anticipated to indicate that RSG Formula Grant for Watford for 2011/2012 will be £6,425,000 (compared to £8,072,000 in 2010/2011). This reduction includes approx £1,100,000 of grant relating to the concessionary fares scheme. The costs of this scheme will be transferred to Herts County Council in 2011/2012 and there will be a reduction in expenditure of £750k which is reflected within the MTFs (see next section of report). The scheme has never been fully funded and there will therefore be a net cost of £350k which will remain to be funded from Watford's council tax even though the function will have transferred to HCC..
- 3.1.4 In addition the Settlement should include an inflation allowance of 2.4% which has not been factored in within earlier reports. If the loss of grant re concessionary fares and the inflation allowance were to be discounted then the reduction in RSG will be approximately 10% and corresponds with the CSR report in October.
- 3.1.5 The Settlement should indicate that the current system of protecting authorities through a safety net/ floor damping will continue. This system recognises that the full effect of grant losses would have a severe impact upon some authorities if implemented immediately. Therefore there is a 'cap' on the gains experienced by some authorities which is then distributed to authorities where losses would otherwise be unacceptable. Watford has traditionally been an authority receiving this protection and the latest Settlement should indicate that this will continue but will be reduced progressively over succeeding years.
- 3.1.6 The RSG Settlement should also provide notification of the government grant to be received in 2012/2013 (and which is anticipated to be £6,033,000 - a further 8.3% reduction in grant support, offset by a 2.4% inflation uplift). For the remaining two years of the four year CSR review period, no notification of grant loss is anticipated to be included. For the purposes of budget planning further grant losses of 2.5% and 7.2% (again offset by 2.4% inflation) will be assumed.
- 3.1.7 The effects of the anticipated RSG Settlement is reflected within the Medium Term Financial Strategy and is discussed in the next section of this report. It

must be restated that the assumptions of receipt of RSG Formula Grant will need to be substituted by the actual settlement whenever it is announced.

### 3.2 **Revised Medium Term Financial Strategy (MTFS)**

3.2.1 The MTFS has previously been reported to Budget Panel/Cabinet and is an overview of major variables that need to be considered for financial planning purposes. The MTFS has previously indicated that £3.8m of efficiency savings would be necessary over a three year period in order to meet Central Government grant reductions. The MTFS is however subject to regular review as additional financial information is received.

3.2.2 The MTFS has again been reviewed and reflects the anticipated detail of the RSG Settlement for Watford and now covers a four year period and is detailed at **Appendix 1**.

3.2.3 Appendix 1 includes latest projections of spend in the current year (and still predicts a £300k permanent overspend carried forward into 2011/2012). It now reflects the transfer of concessionary fares to Herts County Council (both as it affects expenditure and the receipt of government grant). It also allows for price inflation such as fuel costs and outsourced contracts with an inbuilt inflation uplift. This additional cost is largely cost neutral as it is largely funded from the inflation uplift of 2.4% anticipated to be included within the RSG Settlement.

3.2.4 Appendix 1 now also reflects latest knowledge regarding the council tax base to apply for 2011/2012 which has increased due to new residential properties coming on stream. It also includes the anticipated Collection Fund surplus accruing to Watford and available for use in support of 2011/2012 expenditure/council tax (this has recently been calculated and advised to precepting authorities, HCC and HPA). The MTFS has however assumed no increase in council tax throughout the 4 year period under review. The option to increase council tax is available to Council and will be considered further at the 17<sup>th</sup> January Cabinet meeting.

3.2.5 The net effect of all of these updates is that efficiency savings throughout the four year period are £1.305m; £1.098m; £0.395m; and £1.080m and reflect the profiled reductions in central government funding. This cumulatively totals £3.878m and is comparable with the £3.8m target set at the July Cabinet meeting.

### 3.3 **Budget Consultation**

#### 3.3.1 **Citizen Panel feedback**

3.3.1.1 The council has recruited a Citizens' Panel of 1,154 local people who have expressed an interest in sharing their views on the council and local issues. This Panel was contacted in October 2010 and invited to take part in a Budget Survey, which focused on the issues emerging from service prioritisation. Those who had provided an email address when recruited to the Panel were sent an electronic link to a web-based version of the questionnaire. All other members were sent a paper copy. The survey was identical in both cases. A copy of this survey is at **Appendix 2**.

3.3.1.2 The survey closed on 22 November 2010. All paper replies have now been inputted into the same software programme as the electronic responses. However, there is still further work to be done in terms of inputting the demographic profile of the respondents. Responses are anonymous but it is possible to relate responses back to a reference number on the Panel list that contains demographic details. This will support the development of the service prioritisation equality impact assessment.

3.3.1.3 Initial analysis shows that 539 Panel members returned the questionnaire. This equates to a 48% response rate, which is in line with what would be expected from the size of the Watford Panel. A detailed breakdown of results is currently being put together and will be reported to Full Council in January 2011. Headline results include:

- 48% of Panel members were expecting the cut to the council budget but the level of the cut was higher than they were expecting
- 81% thought that the savings should be spread across four years
- 79% thought the council should explore more shared services opportunities
- 46% thought that the council should protect statutory services and find savings elsewhere whilst 42% thought there was scope for reducing the standard of some statutory services provided. Just 12% thought the council should only provide a basic level of statutory services
- Of those who thought there was scope to reduce the level of some statutory services, waste/refuse (80%) and street cleansing (73%) were the ones that Panel members wanted to see maintained at the current standard. Licensing (64%) and Planning (62%) were the ones where Panel members thought standards could be reduced
- Of the non-statutory services the council provides, safety in the town centre and parks (62%) and work to tackle anti-social behaviour (61%) were seen as very important. Maintaining parks and open spaces (54%), customer services (53%) and the appearance of the town (52%) were seen as fairly important
- 78% thought the council should only continue to provide non-statutory services that are popular or well-used
- 68% thought the council should not fund or provide services that are provided by voluntary groups or other organisations in the town
- 63% thought the council should reduce all 'gold' standard services to a lower standard (e.g. silver or bronze)
- 77% thought the council should explore alternative options for providing some services, such as outsourcing services to private companies
- 66% thought the council should reduce the financial support it gives to the voluntary sector
- In terms of increasing the cost of services the council provides, allotments, the Avenue car park and parking permits were the most popular choices (76%, 58% and 47% respectively)
- In terms of introducing charges Panel members were in support of charging for the fireworks event (72%) and pest control of mice (58%) but wanted to keep public toilets (66%), Cassiobury Park paddling

- pools (59%) and disabled bay installation (59%) free
- 85% thought reducing the number of members per ward was a good idea

### 3.3.2 **General consultation feedback**

3.3.2.1 Residents not on the Citizens' Panel were also invited to take part in the survey. 153 responses were received – the vast majority of these were completed electronically. For the majority of questions, the results mirrored those received from the Citizens' Panel. Although the differences were not that statistically significant, they have been outlined below for comparison.

- A higher percentage of respondents felt the council should reduce the current standard of some statutory services (46%); this was the most popular response. However, the statutory services that residents wanted protected (waste/refuse and street cleansing) were the same as the Citizens' Panel and the ones where they were prepared to see a reduced standard (Licensing and Planning) were also the same
- The top three services that people thought the council should charge more for were different in one respect with burial charges replacing parking permits in the top three. Interestingly, parking permits were one of the two services that people thought should be maintained at the current cost along with medical parking permits

### 3.3.3 **Mayor's face-to-face briefings feedback**

3.3.3.1 The Mayor has held five budget briefings during November to engage with people face-to-face on the issues arising from the reduction in the council's funding and the choices it now faces. Three of the five sessions took place at the Town Hall on 16 November 2010 and were open to all residents and other interested stakeholder (for example, two were at neighbourhood forums (Central and Oxhey). During these sessions, people were given the opportunity to complete a survey, based on the one developed for the Citizens' Panel but, given the nature of the face-to-face engagement, it focused on those questions most closely aligned with spending decisions. Ninety six questionnaires were completed

3.3.3.2 Again the feedback from the briefings was comparable to that from the Citizens' Panel in most instances. The differences are detailed below:

- As with the general consultation feedback, a higher percentage of people felt the council should reduce the current standard of some statutory services (55%). There was also a difference in terms of which of these services people felt should be maintained at the current standard with waste remaining the top choice but with environmental health services the second most popular choice, followed by street cleansing
- In terms of the most important non-statutory services that the council provides, there were differences amongst those perceived to be 'fairly' important. Leisure activities for adults, customer services and advice services were the three top responses in this category

### 3.3.4 **Staff feedback**

3.3.4.1 Staff were invited to complete the survey and 106 took the opportunity to feedback their views. Of this 106, twenty six members of staff requested hard copies of the questionnaire as they did not have access to a computer. As might be expected, there were some noticeable differences in terms of staff responses. These related in particular to the non-statutory services staff thought were important and the council's approach to charging for services. The only non-statutory service staff think is 'very' important is safety in parks and the town centre and the top three 'fairly' important non-statutory services for staff are parks and open spaces, customer services and information services. A significant percentage of staff (51%) are not in favour of outsourcing but they are in favour of increasing prices of all services outlined in the survey and for introducing charges for all services except for paddling pools and public toilets.

### 3.3.5 **Trade Union feedback**

3.3.5.1 A series of meetings have been held with union representatives. The meetings have involved detailed discussion on the SP process and early consultation on proposals. The dialogue has been constructive and realistic. A further meeting took place on 24 November. The key issues raised which were addressed were:

- The timetable for briefing the unions in advance of issuing the consultation document;
- The number of staff at risk in front line services compared to support services;
- The eligibility for voluntary redundancy;
- The selection criteria for redundancy in relation to sickness
- Consultation on the Equality Impact assessment.

### 3.3.6 **Business and partners feedback**

3.3.6.1 The Watford Chamber of Commerce and the borough's Local Strategic Partnership – One Watford has received copies of this report. Any feedback from business or partners will be reported at the meeting.

### 3.4 **Service Prioritisation proposals**

3.4.1 The Medium Term Financial Strategy reported to Cabinet on 12 July not only indicated the scale of efficiency savings required in future years, but also recommended a service prioritisation process should take place. The essence of this process was to avoid a 'salami slicing' approach across all services by the simple expedient of considering all activities carried out by the Council and reviewing both their need and degree.

3.4.2 The results of this service prioritisation has been summarised on the Part B Confidential section of the agenda. It is essential that these proposals should remain confidential at this time. The proposals will be publicised within the open part of the Agenda for the Cabinet meeting on 13<sup>th</sup> December. At this time however the views of the Budget Panel is requested before they are finalised and the need for confidentiality should be respected. **The views of the Budget Panel are particularly welcomed for consideration of**

## **Cabinet at its meeting on 13<sup>th</sup> December.**

3.4.3 The service prioritisation proposals in Part B indicates recommended savings of £3.1m can be achieved over a three/ four year period. This will not achieve the target efficiencies of £3.8m and four options are available to Cabinet/ Council:

- to require Heads of Service to identify further savings to make good the shortfall as part of this year's budget process.
- to consider increasing council tax over the four year period to finance the shortfall
- to consider the use of reserves
- to accept there is a shortfall and to reconsider the need for further efficiencies as part of next year's budget planning process

3.4.4 The Budget Panel's preliminary views on how this shortfall should be met would be welcomed by Cabinet but it is accepted that any proposals cannot be finalised until Budget Panel/ Cabinet meetings in January.

### **3.5 Service prioritisation delivery**

3.5.1 The proposals within Part B outline 90 proposed options for service prioritisation that will deliver £3.1m over the next three years. Those proposals agreed initially by Cabinet and then by Full Council in January 2011 will need to be delivered in order for the council to achieve the projected level of savings set out in its budget for 2011/12 onwards. If the recommendations are not delivered within the timeframe or fail to meet the proposed level of savings or income generation, then the council's budget will be under considerable pressure and further action will be required. Therefore, it is important that planning on how the service prioritisation recommendations are implemented starts as early as possible. This will ensure issues are considered and dealt with prior to implementation and that there is clarity on how the council plans to approach delivery.

3.5.2 These service prioritisation proposals range in complexity. This level of complexity will inform the approach that will be required to ensure effective delivery within the service prioritisation timeframe. An initial assessment by Leadership Team shows that these proposals fall into three main categories:

1. relatively straightforward projects / areas of work that are easy to implement in the short-term (first 6 months)
2. discrete projects / areas of work that have a degree of complexity and some dependencies – likely to be implemented in the medium-term (year 1 / possibly into year 2)
3. complex projects / areas of work that might involve cross cutting issues, have a high level of dependencies and are likely to be delivered in the longer-term (years 2 and 3)

3.5.3 Subject to formal identification of efficiency proposals, Leadership Team will undertake an assessment of all 90 projects in order to determine how best



they will be achieved.

**3.6 Fees and Charges**

3.6.1 The service prioritisation recommendations within Part B has specifically highlighted where new charges or significant increases to existing charges are recommended to be introduced. There are however a number of fees and charges which would also require review at this time. This process is still being finalised at this time and will not be available for Budget Panel consideration until its January meeting.

**3.7 Shared Services**

3.7.1 The joint provision of services with Three Rivers District Council has resulted in significant savings accruing to both councils during 2010/2011. It was felt however that there is limited potential in succeeding years to extract further efficiency savings from shared services and an initial target of 10% reductions to current cost bases might be achievable.

3.7.2 The Shared Services Joint Committee met on 30 November to consider proposals for identifying 'cost reductions' which are 'confidential' at this time. The efficiency savings proposed ranged from £237k to £551k over a three year period. Watford's share of these savings will vary dependent upon the service provided but an 'average' proportionate saving of 60% has been assumed at this time and a mid point efficiency saving of £200k for Watford will be assumed for budget planning purposes. Further detail will be provided for Budget Panel and Cabinet in January 2011.

**3.8 Detailed Draft Revenue Estimates 2011/2015**

3.8.1 The service prioritisation exercise referred to earlier has very much been 'variations to existing detailed estimates'. These detailed estimates comprise a large number of service heads of expenditure where the budget for future years is unlikely to change (apart from inflation assumptions). For example, the council will need to budget for keeping its existing refuse fleet operational. There is no intention to reduce its current service (and therefore no 'variation to existing base'). The council does however need to estimate the cost of this activity and this will be reflected within detailed estimates.

3.8.2 These detailed estimates are currently being finalised and will be reported to Budget Panel in January. The detailed estimate control totals when finalised will need to be compared with the overall figures appearing within the Medium Term Financial Strategy at Appendix 1 (and hopefully will be broadly similar). This is however still a risk area and might conceivably affect the service efficiency target of £3.8m.

**3.9 Availability of Reserves**

3.9.1 The Council has accrued a significant level of reserves due to its prudent financial management. The full schedule of these reserves is attached at **Appendix 3**. It is however necessary to distinguish between those reserves that are earmarked for specific expenditures in the future and those general reserves which are available to support annual revenue expenditure.

- 3.9.2 Specific earmarked reserves include where a third party has contributed to that reserve such as the Charter Place Tenants reserve; where a reserve has a statutory limitation on its use such as the Car Parking Zones reserve; or where it is good practice to build up a reserve for a specific purpose such as the Leisure Services Corporate reserve which is being built up to enable future structural maintenance to the two leisure complexes to take place.
- 3.9.3 With regard to general reserves they have generally been built up to enable specific future initiatives to be financed. So, for example, the Spend to Save reserve can be accessed to pay for up front costs where a pay back saving is anticipated at a future time. This reserve was largely used to finance implementation costs relating to the shared services initiative with Three Rivers Council and which has subsequently reduced annual budgets by circa £1.2m per annum.
- 3.9.4 General reserves also need to be maintained to meet projected over spending within revenue budgets. For example, the current projection of net expenditure for 2010/2011 is forecasting a £300k overspend. If it were to occur then it is probable that part of the general reserves would be required to fund the deficit.
- 3.9.5 This of course is a crucial aspect of using reserves, in effect their use just temporarily finances a deficit. This deficit, at some point, would need to be funded from a permanent source of additional income or reduced expenditure. The use of reserves needs therefore to recognise they can smooth out the pace of required efficiency savings but ultimately permanent savings need to be achieved.
- 3.9.6 The decision upon the use of reserves should not be taken until the Cabinet Meeting on 17<sup>th</sup> January when all budget figures are known. In terms of meeting any shortfall in efficiency targets, it is suggested that approximately £2.4m of the general reserves summarised at Appendix 4 is probably available to support efficiency savings in the short term.
- 3.10 **Council Tax**
- 3.10.1 Recommendations regarding levels of council tax for 2011/ 2012 are not required until 17<sup>th</sup> January 2011 when all financial facts are available. Relevant issues to be taken into account include:
- the council tax base-this represents the cumulative value of all residential properties within WBC and is expressed as a 'Band D equivalent'. For 2011/2012 it is likely to be 32,771 (based upon a 97.5% collection rate) and is an increase to the council tax base of 730 and represents new residential properties coming on stream. This is good news as it will allow the council's net revenue expenditure to be funded from a greater number of properties. This increased base is reflected within the Medium Term Financial Strategy at Appendix 1. For 2012/2013 onwards a collection rate of 98% will be assumed and reflects a hoped for improvement to the economy.
  - The Council has traditionally ensured any council tax increase did

not exceed the rate of inflation (as measured by the Retail Price Index in September preceding the start of the financial year). This is a Mayoral promise and, for example, the 2010/2011 Council Tax actually fell by 1.4% and reflected the RPI at September 2009. In 2010 the RPI at September was 4.6%. Whilst detail is still awaited from Government it is unlikely that an increase of this level would exceed any government 'capping' limitations (which is assumed to be at a 5% maximum increase level). An increase in council tax equivalent to RPI would generate an additional £370k of income which again could reduce any shortfall in identified efficiencies.

- Within the Comprehensive Spending Review in October, the Government announced an incentive for authorities freezing existing levels of council tax in 2011/2012. Should WBC meet this requirement then it would be compensated by receiving additional grant equivalent to a 2.5% increase in council tax (£200k) which would be maintained throughout the 4 year Review period. The RSG Settlement announcement on 2<sup>nd</sup> December (or whenever) will hopefully confirm this incentive.

3.10.2 Recommendations upon the level of council tax to apply for 2011/2012 will not be taken until the Cabinet meeting on 17<sup>th</sup> January. At this time for Budget Planning purposes the MTFs at Appendix 1 has assumed a freeze on council tax (and therefore additional government grant). It is of course an option for Cabinet to recommend a different proposal for council tax. No increase in council tax has been assumed for the following years 2012/2015, again this is for subsequent Cabinet/ Council decision,

### 3.11 **Draft Capital Programme**

3.11.1 The previous sections of this report have focussed upon the cost and financing of providing day to day services to the public. For example, street cleansing (3 times a day) in the High Street.

3.11.2 In addition to the daily provision of services, the council also needs to consider what capital investment is necessary to provide services in the future. For example, the council is currently financing a complete renovation of the Colosseum, which will enable a better cultural and community service to be provided when it re-opens.

3.11.3 This investment is not financed from annual government grant or council tax but, for Watford, it is financed from accumulated holdings of capital receipts. Many other local authorities have recourse to borrowing to finance such investment but Watford continues to be 'debt free' and does not need to access loan finance.

3.11.4 The Draft Capital Programme is currently being finalised but is very largely a continuation of the programme approved last year with few new proposals. The detailed draft capital programme will be reported to Budget Panel in January.

3.11.5 There is an impact upon the revenue estimates of investing for the future and that relates to the fact that the council's current holding of capital receipts

does earn investment interest which is classified as revenue income and helps finance day to day services. Currently every £1m of capital receipts held by the council would earn £13,000 of interest (this is an historically low rate of return and reflects the current low level of Base Rate fixed by the Bank of England). The effects upon the revenue budget of completing the council's capital programme has been allowed for within the Medium Term Financial Strategy at Appendix 1.

### 3.12 **Next Steps**

3.12.1 Cabinet will consider proposals for identifying efficiency savings at its meeting on 13<sup>th</sup> December. Those proposals will appear on the open part of the Agenda. In the meanwhile Cabinet would welcome the views of Budget Panel prior to finalising overall reductions in expenditure/ increases in income. The views of Budget Panel are specifically requested regarding all proposals appearing in the Part B confidential section of this agenda.

3.12.2 Following Cabinet consideration of proposals for service efficiencies, detailed revenue and capital estimates (including proposals for fees and charges) will be finalised and will be reported to Budget Panel in January. At the January meeting Budget Panel will also have the opportunity to consider the scope for the use of reserves and any recommendations regarding levels of council tax.

3.12.3 In terms of the Budget Timetable, the following are key dates:

- January 11<sup>th</sup> Budget Panel
- January 17<sup>th</sup> Cabinet (where detailed estimates and levels of council tax should be recommended).
- January 26<sup>th</sup> Council agrees levels of expenditure
- February 28<sup>th</sup> Functions Committee agrees levels of council tax for 2011/2012

### 3.13 **Conclusions**

3.13.1 The UK Government faces unprecedented levels of debt and a severe balance of payments deficit. As a consequence it has implemented a programme over a four year period of reductions in public expenditure and tax increases.

3.13.2 Local Government has been badly affected by the necessary reductions in expenditure with at least a 26% reduction in government grant over this four year period being the consequence.

3.13.3 For Watford the level of grant reduction will not be known until 2<sup>nd</sup> December at the earliest but certain assumptions have been included within the MTFs at Appendix 1. These assumptions will almost certainly need to be revised in the light of the actual Settlement.

3.13.4 Whatever the extent of the grant losses they will need to be made good by a combination of reduced expenditure, increases in income/ council tax and a judicious temporary use of reserves. The first part of this process is to agree a series of efficiency proposals to meet government funding reductions.

3.14 **Recommendations**

3.14.1 A detailed set of recommendations has been set out within Section 2 of this report and should act as a check list of the decisions to be taken at this meeting.

4.0 **IMPLICATIONS**

4.1 **Financial**

4.1.1 The Head of Strategic Finance comments that all relevant financial issues have been reflected within the report.

4.2 **Legal Issues** (Monitoring Officer)

4.2.1 The Head of Legal and Property Services comments that any proposals for service reductions will need to comply with statutory legislation.

4.3 **Equalities**

4.3.1 The Head of Corporate Services has carried out a detailed Equality Impact Assessment which will be reported to Cabinet on 13<sup>th</sup> December.

4.4 **Potential Risks**

Potential Risk	Likelihood	Impact	Overall score
That Cabinet does not recommend any efficiency savings should be made and would result in a significant budget shortfall	1	4	4
That Cabinet recommends insufficient efficiency savings be made	2	4	8
That Cabinet assumes the use of too high a level of reserves to meet the predicted budget shortfall	2	4	8
That Cabinet assumes a council tax increase of over 5% which would probably be stopped by government through a capping limit	1	4	4
Failure to deliver the level of savings / income generation identified within the service prioritisation options	3	4	12
Failure to manage HR implications effectively	1	4	4
Cumulative impact of savings affects certain community groups adversely	2	4	8
Drop in service performance and impact on delivery of corporate plan	3	3	9
Reputation of the council damaged with community	1	4	4

4.5 **Staffing**

4.5.1 Some proposals within the service prioritisation options at Appendix 4B will have an effect upon current staffing levels. A full consultation process with both staff and unions has commenced and a process of notifying some staff

that they are potentially 'at risk' has been put in place. This consultation runs until 7 January 2011.

4.6 **Accommodation**

4.6.1 Some proposals within the service prioritisation options should lead to accommodation rationalisation and lead to either reduced running costs or additional rental income. This area of work will be considered as part of the delivery programme currently being developed.

Appendices

A comprehensive set of appendices are attached to this report and have been referenced clearly within individual sections of this report.

- Appendix 1 - Revised Medium Term Financial Strategy (MTFS)
- Appendix 2 - Budget Survey
- Appendix 3 - Schedule of reserves