

PART A

Report to: Budget Panel

Date of meeting: 25 October 2011

Report of: Partnerships and Performance Section Head

Title: Progress update on the delivery of service prioritisation (phase 1) proposals and associated savings and income generation

1.0 **SUMMARY**

- 1.1 In January 2011, Council agreed the delivery of 87 saving or income generation proposals. These proposals make up the council's 'service prioritisation (phase 1)' delivery programme and should, when combined, achieve circa £3.2million worth of organisational savings by 2013/14.
- 1.2 The majority of the 87 proposals identified are for delivery in 2011/12 ('year 1') – totalling £1.8million worth of savings or income generation. Fifteen of the 87 proposals relate to income generation.
- 1.3 This report is to update Budget Panel on the savings achieved to date through the delivery of year 1 service prioritisation proposals and on the current state of play with regard to income generation against projected targets. The report relates to financial information as of Period 6 2011/12.

2.0 **Decision Required.**

- 2.1 Budget Panel to note the update against service prioritisation proposals (Appendix A) and the exceptions (Appendix B) as discussed in this report.
- 2.2. Budget Panel to note and comment on the proposed changes outlined in 3.2.1 which will be recommended to Cabinet in November.

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3.0 Detailed proposal

In January 2011, Council agreed to the delivery of 87 saving or income generation proposals. These proposals make up the council's 'service prioritisation – phase 1' delivery programme and should, when combined, achieve circa £3.2million worth of organisational savings by 2013/14. The organisation developed this savings programme in response to the significant reduction in central government funding to local authorities, which means Watford BC is faced with an overall savings target of around £5million by 2014/15.

Whilst the council is currently working towards identifying options that will deliver the additional £2million of savings it needs to make by 2014/15, it is vitally important that, as far as possible, the initial £3.2million of savings and income generation is achieved. This report, therefore, provides an update as to whether, at this stage in Year 1, proposals are generating the expected levels of savings or income and how this impacts on the overall service prioritisation target set for 2011/12.

3.1 Update on service prioritisation phase 1 proposals

3.1.1 Service prioritisation phase 1 progress

From August to September 2011, services were asked to provide updates on progress against the 87 service prioritisation proposals – with particular emphasis on Year 1 proposals (74 of the 87 proposals were identified for delivery in Year 1 – 2011/12). This was in terms of both the delivery of the proposals and the savings / income generated.

Financial information within this report, therefore, relates to Period 6 (i.e. September 2011).

3.2 Update on delivery of service prioritisation programme (Appendix A)

3.2.1 Appendix A captures progress against the delivery of 87 service prioritisation proposals – particularly in relation to the 74 Year 1 proposals.

An overview of the information in the Appendix is outlined below.

- 65 of the 74 proposals have been delivered outright (10 of these are income generation)
- 6 of the 74 proposals have been partly delivered (i.e. Year 1 of a two year delivery timetable) (2 of these are income generation)
- The remaining 3 proposals have either been modified or changes have been proposed as detailed below:
 - **Proposal 11** – 'Reduce frequency of the disability awareness course for taxi drivers' – this has been absorbed into proposal 10 - 'Reduce non-statutory licensing and night-time economy related functions' and saving identified (£2k added to the total for proposal 10 – now £42k)

- **Proposal 64** – ‘Close Church Street & Subway public conveniences’ – the change proposed is not to close the Subway public conveniences. This reduces the saving achieved for the proposal from £108,000 to £47,000 (£61k shortfall).
- **Proposal 72** – ‘Introduce charge of £150 for installation of disabled bays’ – the change proposed is not to introduce this charge, which reduces income generation by £43,000 per year

The proposed changes to Proposals 64 and 72 will need Cabinet approval (a report to Cabinet is scheduled for November 2011).

3.3 Update on level of savings/income generation achieved through service prioritisation

3.3.1 During August/September 2011, Finance undertook a detailed exercise to ascertain the council’s progress against the delivery of service prioritisation phase 1 savings and income generation. Services were asked to work with Finance on identifying:

- The amount of savings generated and the income received from the proposals as of September 2011
- The projected savings and income that the proposals will deliver by the end of 2011/12

3.3.2 Current projection for service prioritisation – year 1 savings/income generation

The analysis of the delivery of service prioritisation ‘year 1’ shows a projected shortfall for service prioritisation savings / income generation for 2011/12 of **£239,210** - see table below .

This figure is arrived at by deducting the projected end of Year 1 total of £1,566,880 (the blue column) from the Year 1 identified savings / income generation of £1,806,090.

	Savings Identified				Total Saving	2011/12	2011/12	2011/12
	Year 1	Year 2	Year 3	Maybe*		Year 1	Year 1	Year 1
	2011/12	2012/13	2013/14		Savings at P6 September	Projected for year	Variance Identified savings to projected	
Environmental Services	£340,800	£147,500	-	-	£488,300	£187,928	£340,800	£0
Community Services	£522,300	£510,740	-	-	£1,033,040	£392,430	£498,930	£-23,370
Corporate Services	£267,050	£29,900	-	-	£296,950	£239,455	£252,350	£-14,700
Legal & Property Services	£193,940	-	-	£5,000	£198,940	£129,940	£136,140	£-57,800
Planning Services	£280,080	£35,000	-	£60,000	£375,080	£123,640	£163,640	£-116,440
Strategic Finance	£49,000	-	-	-	£49,000	£39,000	£39,000	£-10,000
Executive Management	£152,920	£219,640	£228,000	-	£600,560	£82,020	£136,020	£-16,900
TOTAL	£1,806,090	£942,780	£228,000	£65,000	£3,041,870	£1,194,413	£1,566,880	£-239,210

3.3.3 Overall Savings / Income Generation Summary to September 2011

As of the end of period 6 (September) a total of £1,194,413 of savings / income generation has been achieved (the yellow column in the table in 3.3.2).

As part of the analysis of the progress, each service prioritisation proposal has been allocated a colour code to indicate whether it will be achieved or not (i.e. a 'RAG' rating). This is as follows:

- Green (saving estimated to be achieved)
- Amber (part of the saving estimated to be achieved)
- Red (saving will not be achieved)

From this an 'exception report' was produced – see Appendix B. This highlights all the amber and reds identified and also some of the proposals that are currently showing as 'green' but which are currently contributing to the gap between current (period 6) service prioritisation savings / income projection and the end of year projection.

3.3.4 Savings achieved through service efficiencies / staff reduction proposals

Of the 74 proposals identified for delivery in Year 1, 62 proposals / elements relate to service efficiencies / staff reductions. Combined these 62 proposals should generate **£1,367,220** of savings in 2011/12.

The current situation in relation to these 62 proposals is:

- £1,098,328 of service efficiencies / staff reduction savings have been generated by end of September 2011. See Appendix B for those proposals currently showing the highest level of variance from target.
- £1,269,880 service efficiencies / staff reduction savings are projected to be achieved overall by the end of 2011/12

This means there is a projected shortfall for this category of service prioritisation savings of **£97,340**.

This includes a potential £61k shortfall if Cabinet agrees not to close the subway toilets. A significant amount of the remaining shortfall (circa £29,500) has arisen from posts not being vacated from 1 April 2011. Although this impacts on in-year savings, the full saving will be realised from 2012/13.

In addition some proposals have generated slightly higher savings than initially anticipated, which has helped offset some of the shortfall.

3.3.5 Income achieved through income generation proposals

It is harder to gauge the progress in relation to the service prioritisation income generation proposals because income generation is not equally distributed across the financial year e.g. allotment invoices are sent out in October so at this stage of the year there is not yet certainty of the income that will be received.

Of the 12 proposals related to income generation:

- **£438,870** of income generation was identified for 2011/12
- £96,085 worth of income has been generated by end of September 2011. See Appendix B for those proposals currently showing the highest level of variance from target.
- £297,000 worth of income is projected to be achieved overall by the end of 2011/12

This means there is around **£141,870** shortfall in proposed income generation. This shortfall arises from:

- £43,000 potential should Cabinet agree not to charge for disabled parking bays
- £63,420 shortfall projected on income from Avenue car park
- £10,000 shortfall on burial income
- £11,000 shortfall on allotment income
- £ 8,000 shortfall on street naming income
- £ 6,450 shortfall on S106 fees

3.3.6 **Further analysis of current projection for service prioritisation – year 1 savings/income generation**

It should be noted:

- The full savings on deleted posts will be realised from 2012/13 – around £29,500
- The £11,000 additional income from allotment rental should be realised in future years – the council was required to give one year's notice of any increase in rental
- £109,000 of the shortfall will arise if Cabinet decides not to progress with closing the subway toilets or introducing charging for disabled parking bays
- Planning has realised an additional £20k saving through changes in transport subsidies required by operators. This forms part of the service prioritisation programme overall and can, therefore, be offset against the current shortfall.

If all of the above are taken into account the shortfall overall is circa **£70,000**.

3.4 Ongoing monitoring of service prioritisation proposals

Service prioritisation Year 1 will continue to be monitored on a regular basis to ensure that the council is on target to achieve the projected figures outlined in this report.

Programme Board, comprising the Managing Director, Executive Directors and Head of Strategic Finance, has the remit of monitoring and reviewing the delivery of service prioritisation. Programme Board will receive an update on the financial projections in this report in December 2011 and a final report on Year 1 delivery will be produced as part of the end of year budget process.

Those proposals identified for Year 2 will be monitored from April 2012.

An equalities impact assessment was developed as part of the service prioritisation programme. The assessment identified the proposals that would require further equality impact analysis before implementation. This is being monitored through the Corporate Equality Working Group led by the Executive Director – Services.

The risk of not achieving the level of savings / income generation identified through service prioritisation, and as outlined in this report, is already identified within the council's strategic risk register.

Appendix A - Service Prioritisation progress report – October 2011

Appendix B – Service Prioritisation progress report – exception report showing significant financial variance as of September 2011