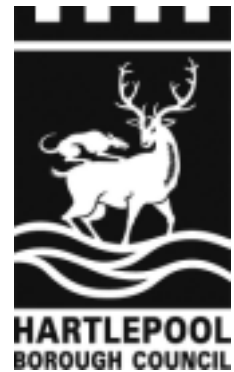


# SCRUTINY CO-ORDINATING COMMITTEE AGENDA



Friday 11 September 2009

at 2.00 p.m.

in the Council Chamber,  
Civic Centre, Hartlepool.

MEMBERS: SCRUTINY CO-ORDINATING COMMITTEE:

Councillors C. Akers-Belcher, S Akers-Belcher, Barker, Brash, James, London, A Marshall, J. Marshall, McKenna, Preece, Richardson, Rogan, Shaw, Simmons, Wright and Young

Resident Representatives: Iris Ryder and Linda Shields.

1. **APOLOGIES FOR ABSENCE**

2. **TO RECEIVE ANY DECLARATIONS OF INTEREST BY MEMBERS**

3. **MINUTES**

3.1 To confirm the minutes of the meeting held on 25 August 2009 (to follow)

4. **RESPONSES FROM THE COUNCIL, THE EXECUTIVE OR COMMITTEES OF THE COUNCIL TO REPORTS OF THE SCRUTINY COORDINATING COMMITTEE**

No items.

5. **CONSIDERATION OF REQUEST FOR SCRUTINY REVIEWS FROM COUNCIL, EXECUTIVE MEMBERS AND NON EXECUTIVE MEMBERS**

5.1 Council Referral – Strategy for Funding One off Business Transformation Costs – *Chief Financial Officer*

**6. CONSIDERATION OF PROGRESS REPORTS / BUDGET AND POLICY FRAMEWORK DOCUMENTS**

No items.

**7. CONSIDERATION OF FINANCIAL MONITORING/CORPORATE REPORTS**

No items.

**8. ITEMS FOR DISCUSSION**

No items.

**9. CALL-IN REQUESTS**

No items.

**10. ANY OTHER ITEMS WHICH THE CHAIRMAN CONSIDERS ARE URGENT**

**ITEMS FOR INFORMATION**

**Date of Next Meeting: Friday 18 September 2009 commencing at 2.00 p.m. in the Council Chamber, Civic Centre, Hartlepool.**

# **SCRUTINY CO-ORDINATING COMMITTEE**

## **MINUTES**

25 AUGUST 2009

The meeting commenced at 2.00 p.m. at Civic Centre, Hartlepool.

**Present:**

Councillor: Marjorie James (In the Chair)

Councillors: Christopher Akers-Belcher, Stephen Akers-Belcher, Rueben Atkinson, Jonathan Brash, Ann Marshall, Chris McKenna, Arthur Preece, Carl Richardson, Trevor Rogan, Chris Simmons, Edna Wright and David Young.

Resident Representatives: Iris Ryder and Linda Shields.

Officers: Paul Walker, Chief Executive  
Peter Devlin, Chief Solicitor  
Alan Dobby, Business Transformation Programme Manager  
Joan Wilkins, Scrutiny Manager  
David Cosgrove, Democratic Services Team

Also Present: The Mayor, Stuart Drummond

### **24. Apologies for Absence**

Councillors Francis London, John Marshall and Jane Shaw.

### **25. Declarations of interest by Members**

None.

### **26. Minutes of the meetings held on 31 July 2009**

Confirmed.

### **27. Responses from the Council, the Executive or Committees of the Council to Reports of the Scrutiny Co-ordinating Committee**

No items.

**28. Consideration of request for scrutiny reviews from Council, Executive Members and Non Executive Members**

No items.

**29. Consideration of progress reports/budget and policy framework documents**

No items.

**30. Consideration of financial monitoring/corporate reports**

No items.

**31. Call-in of Decision: Business Transformation (Programme Board and Asset Management Arrangements) (Scrutiny Manager)**

The Scrutiny Manager's briefing paper set out for Members' information the details of the call-in notice that had been accepted at the meeting of the Committee on 31 July 2009 (minute no. 23 refers). Submitted as appendices for the Committee's information were the original call-in notice, the relevant extracts from the Cabinet Decision Record of 13 July 2009 and the two relevant reports submitted to Cabinet.

The Mayor, Stuart Drummond, the Chief Executive, Paul Walker and Alan Dobby, the Business Transformation Manager were present at the meeting and responded to Members questions as set out below;

- With Business Transformation Board (BTB) considering various service models for the delivery of council services, would the Board not benefit from further back bench councillor input? Other than the Mayor, there are no political groups represented other than the Labour Group. Was it not reasonable to have a wider and therefore more inclusive representation?
- The Mayor raised his concern at the reason for the call-in and considered that the decision had been made in accordance with the principles of decision making, but acknowledged that the call-in had been accepted by the Scrutiny Coordinating Committee. The Cabinet report had set out a number of options on the membership of the BTB and these were considered by Cabinet but the decision was taken to leave the elected representation as before. In relation to the issue of the Portfolio Holder responsibility for the disposal of property assets; the Mayor confirmed that the Finance and Performance Portfolio was responsible for the final decision on the sale of land or assets once all appropriate consultation

had been completed. It was during this process that the other Portfolio Holders would be made aware of any proposed disposals.

- The report submitted to the BTB gave the impression that it could comment on the decision process, including which portfolio holder made the final decision on disposal. There was no copy of the BTB agenda in the meeting. Later in the debate, a copy of the agenda had been obtained and the relevant item read to the meeting. It was acknowledged that the wording was not as tight as might have been preferred.
- The Mayor commented that the BTB made no decisions, only recommendations to Cabinet. There were other ways of Members feeding into the programme and there were also Members' Seminars informing on progress made.
- Members considered that particularly when the BTB was starting to consider the various delivery options for council services, it was essential that there was greater 'back bench' member input. Many members did not feel any 'ownership' of the transformation process. The Mayor indicated that he and the other members of the Board and the officers involved in the process were always available to speak to any Members about the process; all they had to do was ask.
- The Chair highlighted the Schools Transformation Board as a similar situation, where there was wider Member involvement that addressed many of the issues being raised about the BTB and left Members feeling more included in the process. The Mayor was asked if he would consider widening the membership of the BTB but he commented that such a request would need to go to Cabinet for consideration. The Mayor did indicate that he was open to a two-way exchange of information.
- Members considered that there was clear case for widening the membership of the BTB and that the Committee should consider recommending such. There was comment as to the actual remit of the BTB and how much influence it would have on service delivery options. The Chief Executive outlined the remit of the BTB to the Committee. He indicated that service delivery options would be considered by Cabinet. Departmental Teams would be the primary source of service delivery options, and the BTB would have a role in slimming down the number of options before Cabinet considered for approval before moving on to business case development.

Before moving onto to consideration of any potential recommendations, the Chair thanked The Mayor, Chief Executive and officers for attending the meeting and responding to Members questions. The Chair considered that it had been important for the views of back bench members on this issue to be made to the Mayor and Chief Executive. The Mayor and officers then left the meeting to allow the Committee to move on to its debate on recommendations to be submitted to Cabinet. The timetable for that process was raised and it was understood that a report would need to go to the next meeting of Cabinet on 7 September with any nominations that may be required through Council being considered at the full Council meeting on 17 September.

It was proposed that the back bench appointment made to the BTB by Council be removed to be replaced by the leaders of the four groups on Council. It was considered that this would widen the representation sufficiently to address Councillors comments. In relation to the delegation to Portfolio's, it was acknowledged that these were solely in the gift of the Mayor, but the item at the Board did give the impression that this could be commented upon. The view was expressed that such decisions shouldn't be made by a single portfolio holder but the Mayor's comment was noted in that that decision was at the end of the process and there was opportunity for other Cabinet Members to comment on any asset disposal prior to the final decision. It was considered by Members as to whether a recommendation should be made to Cabinet seeking the formal consideration of asset disposals by the Regeneration and Economic Development and Community Safety and Housing Portfolio Holders as well as the Finance and Performance Portfolio Holder. Members agreed to maintain their focus on membership of the BTB rather than the Mayor's delegations.

In light of the tight timescales concerned, the Scrutiny Manager requested authorisation to seek the Chair's approval to the report to be submitted to Cabinet containing the Committee's recommendation. The Chair indicated that she would be on holiday and suggested that the report be approved by the Scrutiny Forum Chairs present at the meeting. This was supported by the meeting.

### **RECOMMENDED**

1. That a formal report on the result of the call-in notice considered by this meeting be forwarded to Cabinet at the earliest opportunity seeking Cabinet's reconsideration of its decisions in relation to the membership of the Business Transformation Board with the recommendation from Scrutiny that the Board's membership be amended to remove the back bench member appointed by Council to be replaced by the appointment of the four leaders of the political groups of the Council.
2. That the Chair of the Neighbourhood Services Scrutiny Forum, Health Scrutiny Forum, Regeneration and Planning Services Scrutiny Forum and the Adult and Community Services Scrutiny Forum be authorised to approve the final report to be submitted to Cabinet.

## **32. Call-In Requests**

No items.

The meeting concluded at 3.05 p.m.

MARJORIE JAMES  
CHAIR

# SCRUTINY CO-ORDINATING COMMITTEE REPORT



**Report of:** Chief Financial Officer

**Subject:** COUNCIL REFERRAL - STRATEGY FOR FUNDING  
ONE OFF BUSINESS TRANSFORMATION COSTS

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## 1. PURPOSE OF REPORT

- 1.1 To seek Members views on the proposed strategy for the funding of Business Transformation one-off costs and formulate a response to the referral from Council on 30<sup>th</sup> July 2009.

## 2. BACKGROUND INFORMATION

- 2.1 Following receipt of a report outlining the proposed strategy for the funding of Business Transformation one-off costs Council, on the 30<sup>th</sup> July 2009, agreed that Scrutiny views should be sought on the proposals before a decision is made. In accordance with this, the proposed strategy was referred to Scrutiny for consideration, with no defined timescale for its consideration.
- 2.2 A copy of the report considered by Council on the 30<sup>th</sup> July is attached at **Appendix A**.
- 2.3 As outlined within the Authority's Constitution, the Scrutiny Co-ordinating Committee has a mandatory obligation to consider referrals from Council within the timescale prescribed. In accordance with this, the Scrutiny Co-ordinating Committee, on the 31<sup>st</sup> July 2009, formally received the above referral.
- 2.4 In order to progress the referral, it was agreed that an additional meeting of the Scrutiny Co-ordinating Committee be convened today with the aim of formulating a response for submission to Council on the 17 September 2009. To assist in doing this, the Chief Financial Officer will be in attendance at today's meeting to outline the proposed strategy and answer questions from Members.

### 3. CONSIDERATION OF ISSUES

3.1 As part of the detailed budget recommendations approved by Cabinet and Council in February Members approved the principle of funding one-off Business Transformation severance costs (£3.14m) and one-off implementation costs (£0.68m) on a loan basis repayable over a five year period from the gross savings achieved from implementing the Business Transformation Programme (BTP).

3.2 The Business Transformation severance costs of £3.14m related primarily to the Departmental Restructure and Management Structures work-stream as at that stage no detailed work in relation to the Service Delivery work-stream had been done.

3.3 Since that time a number of one-off benefits have been identified, including a more favourable 2008/09 outturn than expected. Therefore, an alternative strategy for funding Business Transformation one-off cost has been proposed. This proposal would alleviate the need to pay the monies back to reserves and increase the contribution the Transformation Programme can make towards solving the budget shortfalls in 2010/11 and 2011/12. This proposal would then leave the "borrowing facility" from reserves as a means of addressing the costs arising from the Service Delivery review. Details of this proposal were reported to Members as follows:

- to the Business Transformation Board on 29<sup>th</sup> June 2009;
- to Cabinet on 13<sup>th</sup> July 2009. A copy of the Cabinet report is attached at **Appendix B**;
- to Council on 30<sup>th</sup> July 2009.

3.4 The key benefit of the revised proposal for funding one-off Business Transformation (BTP) costs is that it enables Business Transformation savings to be taken to the revenue budget earlier, as summarised in the table below:

|  | 2010/11 | 2011/12 |
|--|---------|---------|
| Value of BTP efficiency if one-off costs funded on a loan basis        | £2.088m | £3.245m |
| Value of BTP efficiency if one-off costs funded from one-off resources | £2.515m | £3.825m |
| Additional ongoing BTP efficiency released to General Fund             | £0.427m | £0.580m |

3.5 The proposed funding strategy involves allocating a number of one-off benefits, including £1.113m from the 2008/09 outturn position in relation to the following items:

- Lower 2008/09 Departmental Overspend - £0.924m
- Underspend on Area Based Grant - £0.189m



3.6 At the end of 2008/09 these amounts had been temporarily transferred to Unearmarked General Fund Balances as these benefits had not previously been identified. Therefore Cabinet and Council had not had the opportunity to determine a strategy for using these monies. As a result the total value of Unearmarked General Fund Balances at 31<sup>st</sup> March 2009 technically increased to £4.575m, as detailed below:

|  |                |
|--|----------------|
| Unearmarked General Fund Balances 1 <sup>st</sup> April 2008   | £4.506m        |
| LESS – Use approved by Council 14 <sup>th</sup> February 2008<br>(Actual expenditure incurred 2008/09) |                |
| • Emergency Coast protection Seaton Carew  | (£0.094m)      |
| • Memorial Testing/Property Database   | (£0.036m)      |
| LESS – Use approved by Council 12 <sup>th</sup> February 2009  |                |
| • Budget Support Fund  | (£0.790m)      |
| • Supported Bus Services   | (£0.124m)      |
| ADD – 2008/09 Underspends  |                |
| • Lower 2008/09 Departmental Overspend   | £0.924m        |
| • Underspend on Area Based Grant   | <u>£0.189m</u> |
| Actual Unearmarked General Fund Balance at 31.03.09  | <u>£4.575m</u> |

3.7 If no action is taken the Unearmarked General Fund Balance of £4.575m will equate to 4.6% of the General Fund Budget, which is well above the 3% good practise level. This level of Unearmarked General Fund Balance is also above the anticipated level of £3.462m and the increase reflects the year end accounting treatment of the unanticipated benefits of £1.113m identified in paragraph 2.5.

3.8 As reported to Council on 30<sup>th</sup> July 2009 it is proposed that the unanticipated benefits should be used to fund one-off Business Transformation costs, which will facilitate up to £0.58m of additional Business Transformation costs being taken by 2011/12. This proposal will help address the budget deficit for 2011/12, which is the first year of the next three year Comprehensive Spending Review period which it is anticipated will be the start of a period of public sector austerity lasting for many years.

3.9 The strategy will return Unearmarked General Fund Balances to the anticipated level of £3.462m, which equates to 3.5% of the General Fund Budget. This is slightly above the minimum recommended level of 3% (i.e. £3m). In the current economic climate it is appropriate to maintain slightly higher Unearmarked General Fund Balances to manage risks to the Council's income streams, including future grant allocations and demand on care services.

## **4.0 CONCLUSION**

- 4.1 Since the initial strategy for funding one-off Business Transformation costs was approved in February 2009 a number of one-off unanticipated benefits have arisen. These factors enable a revised funding strategy for one-off Business Transformation costs to be developed. This strategy increases the value of the Business Transformation efficiencies which can be taken to help balance the budgets in 2010/11 and 2011/12. This therefore reduces the need for more difficult decisions, although it will not remove the need for difficult decisions. The proposal also means that the borrowing facility is available for the one-off costs of arising from the Service Delivery Options.

## **5.0 RECOMMENDATION**

- 5.1 That Members formulate a view on the proposed strategy for funding Business Transformation costs for inclusion in the referral response to be considered by Council on the 17 September.

# COUNCIL REPORT

13 July 2009



**Report of:** Executive

**Subject:** STRATEGY FOR FUNDING ONE OFF BUSINESS TRANSFORMATION COSTS

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## 1. PURPOSE OF REPORT

1.1 To provide Council with details of Cabinet's proposed strategy for funding one off Business Transformation costs.

## 2. REASON FOR SUBMITTING REPORT

2.1 In accordance with the constitution Cabinet is responsible for proposing changes to the approved Budget and Policy Framework, which are then referred to Council for consideration. Details of Cabinet's proposal are set out in the following paragraphs.

## 3. CABINET PROPOSAL

### 3.1 BACKGROUND

3.2 As part of the detailed budget recommendations approved by Council in February Members approved the principle of funding one-off Business Transformation severance costs (£3.14m) and one-off implementation costs (£0.68m) on a loan basis repayable over a five year period from the gross savings achieved from implementing the Business Transformation Programme (BTP). The Business Transformation severance costs of £3.14m related primarily to the Departmental Restructure and Management Structures work-stream at that stage no detailed work in relation to the Service Delivery work-stream had been done.

3.3 As the funding strategy for the above costs was only agreed in principle and only dealt with a part of the Transformation Programme Council needs to review this proposal and determine an approved funding strategy.

### 3.4 DETAILED PROPOSAL

3.5 Cabinet has reviewed the initial funding strategy for the one-off Business Transformation Programme (BTP) costs to reflect the wider financial position

of the Council and changes which has arisen since February 2009. This review has identified one-off resources of some £2.5m which are potentially available to fund BTP costs, as detailed at Appendix 1.

- 3.6 The availability of the above resources provides an opportunity to review the existing strategy for funding the BTP one-off costs. If these resources are used to fund the costs outright this alleviates the need to pay the monies back to reserves and increases the contribution the Transformation Programme can make towards solving the budget shortfall. This then leaves the “borrowing facility” from reserves as a means of addressing the costs arising from the Service Delivery review.
- 3.7 If these resources are all used to fund BTP one-off costs this would enable the BTP savings to be taken to the revenue budget earlier than previously planned. Given the financial outlook for the next few years this would help balance future years budgets and reduce the need for more difficult decisions. Because the one-off costs are phased over two years this proposal would produce benefits in the order of £0.4m in 2010/11 and up to a further £0.15m in 2011/12.
- 3.8 This proposal would also leave £2.5m of the initial borrowing facility available to cover costs arising from the Service Delivery Programme. Whilst there will be costs in relation to the Service Delivery options work stream these have not been quantified at this stage and further work as part of each review will need to be undertaken. Regular review of this will need to be undertaken. These costs would need to be repaid from the savings achieved over a 5 year period.
- 3.9 In considering a strategy for funding such significant costs it is appropriate that this be used only as a last resort and that departments’ be required to use any internal funding flexibility that they might have initially and the corporate funds only be accessed as a last resort. Cabinet have therefore proposed a revised following strategy for funding these costs as detailed in the next section.

#### 4. PROPOSAL

- 4.1 Council is requested to consider the following strategy, in priority order, for funding the one-off BTP implementation costs and the Departmental Restructure and Management Structures and Service Delivery work-streams up front costs:
- i) Use available departmental underspends and reserves (where these exist) to maximise ongoing savings;
  - ii) Use the resources identified in paragraph 3.6;
  - iii) Use loan funding of up to £3.7m repayable from the gross BTP efficiencies for any residual costs not funded from (i) or (ii) (note that this includes the service Delivery Costs also).

**APPENDIX 1****SCHEDULE OF AVIALABLE ONE OFF RESOURCES**

Lower 2008/09 Departmental Overspend £0.924m

It was reported to Cabinet on 18<sup>th</sup> May 2009 the 2008/09 Departmental overspend was lower than anticipated. Cabinet agreed to capitalise expenditure of £2.6m, the level of the forecast overspend, and to fund this amount from Prudential Borrowing. This released £2.6m of revenue resources and after reflecting the actual 2008/09 departmental overspend an uncommitted balance of £0.924m was transferred to General Fund Balances at 31<sup>st</sup> March 2009.

Underspend on Area Based Grant £0.189m

On 18<sup>th</sup> May 2009 Cabinet were also advised that there was an under-spend on the Area Based Grant. This amount has also been transferred to General Fund Balances.

Job Evaluation – pre 2009/10 costs £0.300m

Further work has now been completed on the cumulative costs of JE for 2007/08 back-pay, 2008/09 pay costs and whilst there are some risks still to be addressed it is likely that they will be incorporated within the overall position on appeals for which an annual provisions of £0.4m for the ongoing costs of appeals backdated to 1<sup>st</sup> April 2007 exists. Accordingly it is suggested that the uncommitted resources of £0.3m can be released.

Job Evaluation – temporary saving 2009/10 and 2010/11 £0.900m

In looking at Job Evaluation (JE) costs for future years it is anticipated that costs will be within the projected budget by 2011/12. This assumes actual pay awards are in line with forecasts and more importantly the annual cost of appeals (including NI and pension costs) do not exceed about £0.4m per year.

In implementing the details of the scheme however the rate at which individuals were expected to proceed through the incremental points has been slower than expected when the budgets for 2008/09 and 2009/10 were prepared. These forecasts assumed increments would be greater in the earlier years as lower bands have less incremental points. Further work has now been completed to roll forward future years salary budgets on the basis of actual year one JE salaries and future incremental progression. This has identified that incremental costs will be phased differently owing to changes in the grades staff have been allocated to and the impact of career graded posts. These changes mean that in budget terms incremental costs will be incurred later than expected. Therefore, there will be a temporary benefit to the budget in 2009/10 and 2010/11. In total this temporary benefit is expected to be £1.2m, over the two financial years - assuming appeals don't exceed the £0.4m level.

There are still risks around the resources available from Job Evaluation and the key risk relates to the cost of appeals. Thus whilst in total some £1.2m of resources could be made available to assist the one funding of Business Transformation it would be appropriate to withhold say some £0.3m of this as a means of mitigating any risks of appeals exceeding the budget position until these risks are resolved. This would leave a sum of £0.9m that could be used to fund outright the up front costs of Business transformation

Uncommitted Severance Funding

£0.200m

As part of the 2008/09 budget strategy resources of £0.7m were set aside for severance costs in 2008/09 and 2009/10 arising from the implementation of 3% efficiencies. At the end of 2008/09 £0.2m of these resources are uncommitted. As costs in 2009/10 are being funded differently the uncommitted resources can there be released.

# CABINET REPORT

13 July 2009



**Report of:** Chief Financial Officer

**Subject:** STRATEGY FOR FUNDING ONE OFF BUSINESS TRANSFORMATION COSTS

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## SUMMARY

### 1. PURPOSE OF REPORT

To consider funding proposals for the one off costs for Business Transformation.

### 2. SUMMARY OF CONTENTS

As part of the detailed budget recommendations approved by Cabinet and Council in February Members approved the principle of funding one-off Business Transformation severance costs (£3.14m) and one-off implementation costs (£0.68m) on a loan basis repayable over a five year period from the gross savings achieved from implementing the Business Transformation Programme (BTP).

### 3. RELEVANCE TO CABINET

Change to Budget and Policy Framework proposal.

### 4. TYPE OF DECISION

Key. Test 1 applies.

### 5. DECISION MAKING ROUTE

Cabinet and then Council.

**6. DECISION(S) REQUIRED**

It is recommended that Members approve the following strategy, in priority order, for funding the one-off BTP implementation costs and the Departmental Restructure and Management Structures and Service Delivery work-streams up front costs:

- i) Use available departmental underspends and reserves (where these exist) to maximise ongoing savings;
- ii) Use the resources identified in paragraph 1.5
- iii) Use loan funding repayable from the gross BTP efficiencies for any residual costs not funded from (i) or (ii) (note that this includes the service Delivery Costs also).



**Report of:** Chief Financial Officer

**Subject:** STRATEGY FOR FUNDING ONE OFF BUSINESS TRANSFORMATION COSTS

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## 1. PURPOSE OF REPORT

- 1.1 As part of the detailed budget recommendations approved by Cabinet and Council in February Members approved the principle of funding one-off Business Transformation severance costs (£3.14m) and one-off implementation costs (£0.68m) on a loan basis repayable over a five year period from the gross savings achieved from implementing the Business Transformation Programme (BTP).
- 1.2 The Business Transformation severance costs of £3.14m related primarily to the Departmental Restructure and Management Structures work-stream at that stage no detailed work in relation to the Service Delivery Workstream had been done.
- 1.3 As the funding strategy for the above costs was only agreed in principle and only dealt with a part of the Transformation Programme Cabinet needs to review this proposal and then refer a final proposal to Council for consideration in order to maximise the revenue benefit to be obtained from the Transformation Programme. In undertaking this review Cabinet need to consider the wider financial position of the Council and changes which has arisen since February.

## 2. BACKGROUND

- 2.1 The revenue outturn for 2008/9 was slightly more favourable than expected and resources of £2.813m are potentially available to fund one-off Business Transformation costs. If these are used to fund the costs outright this alleviates the need to pay the monies back to reserves and increases the contribution the Transformation Programme can make towards solving the budget shortfall. This then leaves the “borrowing facility” from reserves as a means of addressing the costs arising from the Service Delivery review.
- 2.2 The resource availability mentioned in the previous paragraph arise from the following issues:

|   |         |
|---|---------|
| <u>Lower 2008/09 Departmental Overspend</u> | £0.924m |
|---|---------|

As reported to Cabinet on 18<sup>th</sup> May 2009 the 2008/09 Departmental overspend was lower than anticipated. Cabinet agreed to capitalise expenditure of £2.6m, the level of the forecast overspend, and to fund this

amount from Prudential Borrowing. This released £2.6m of revenue resources and after reflecting the actual 2008/09 departmental overspend an uncommitted balance of £0.924m was transferred to General Fund Balances at 31<sup>st</sup> March 2009.

Underspend on Area Based Grant £0.189m

On 18<sup>th</sup> May 2009 Cabinet were also advised that there was expected to be an under-spend on the Area Based Grant, although this amount had not been quantified at that time. Cabinet determined to also transfer this amount to General Fund Balances.

Job Evaluation – pre 2009/10 costs £0.300m

Further work has now been completed on the cumulative costs of JE for 2007/08 back-pay, 2008/09 pay costs and whilst there are some risks still to be addressed it is likely that they will be incorporated within the overall position on appeals for which an annual provisions of £0.4m for the ongoing costs of appeals backdated to 1<sup>st</sup> April 2007 exists. Accordingly it is suggested that the uncommitted resources of £0.3m can be released.

Job Evaluation – temporary saving 2009/10 and 2010/11 £1.200m

In looking at Job Evaluation (JE) costs for future years it is anticipated that costs will be within the projected budget by 2011/12. This assumes actual pay awards are in line with forecasts and more importantly the annual cost of appeals (including NI and pension costs) do not exceed about £0.4m per year.

In implementing the details of the scheme however the rate at which individual were expected to proceed through the incremental points has been slower than expected when the budgets for 2008.09 and 2009.10 were prepared. These forecasts assumed increments would be greater in the earlier years as lower bands have less incremental points. Further work has now been completed to roll forward future years salary budgets on the basis of actual year one JE salaries and future incremental progression. This has identified that incremental costs will be phased differently owing to changes in the grades staff have been allocated to and the impact of career graded posts. These changes mean that in budget terms incremental costs will be incurred later than expected. Therefore, there will be a temporary benefit to the budget in 2009/10 and 2010/11. In total this temporary benefit is expected to be £1.2m, over the two financial years - assuming appeals don't exceed the £0.4m level.

Uncommitted Severance Funding £0.200m

As part of the 2008/09 budget strategy resources of £0.7m were set aside for severance costs in 2008/09 and 2009/10 arising from the implementation of 3% efficiencies. At the end of 2008/09 £0.2m of these resources are

uncommitted. As costs in 2009/10 are being funded differently the uncommitted resources can there be released.

- 2.3 The availability of the above resources provides an opportunity to review the existing strategy for funding the existing BTP one-off costs. If these resources are all used to fund BTP one-off costs this would enable the BTP savings to be taken to the revenue budget earlier than previously planned. Given the financial outlook for the next few years this would help balance future years budgets and reduce the need for more difficult decisions. Because the one-off costs are phased over two years this proposal would produce benefits in the order of £0.4m in 2010/11 and up to a further £0.15m in 2011/12.
- 2.4 There are still risks around the resources available from Job Evaluation and the key risk relates to the cost of appeals. Thus whilst in total some £2.813m of resources could be made available to assist the one funding of Business Transformation it would be appropriate to withhold say some £0.3m of this as a means of mitigating any risks of appeals exceeding the budget position until these risks are resolved. This would leave a sum of £2.5m that could be used to fund outright the up front costs of Business transformation whilst leaving the initial borrowing facility of £3.7m available to cover costs arising from the Service Delivery Programme. The latter £3.7 would need to be repaid from the savings achieved over a 5 year period. In considering a strategy for funding such significant costs it is appropriate that this be used only as a last resort and that departments be required to use any internal funding flexibility that they might have initially and the above corporate funds only be accessed as a last resort. The following strategy for funding these costs is therefore suggested, in priority order:
- i) Use available departmental underspends or reserves (where these exist) in order to maximise ongoing savings;
  - ii) Use the resources identified in the above paragraphs
  - iii) Use loan funding repayable from the gross BTP efficiencies for any residual costs not funded from (i) or (ii).
- 2.5 Whilst there will be costs in relation to the Service Delivery options work stream these have not been quantified at this stage and further work as part of each review will need to be undertaken. Regular review of this will need to be undertaken.

### 3. RECOMMENDATIONS

- 3.1 It is recommended that Members approve the following strategy, in priority order, for funding the one-off BTP implementation costs and the Departmental Restructure and Management Structures and Service Delivery work-streams up front costs:
- iv) Use available departmental underspends and reserves (where these exist) to maximise ongoing savings;
  - v) Use the resources identified in paragraph 1.5

- vi) Use loan funding repayable from the gross BTP efficiencies for any residual costs not funded from (i) or (ii) (note that this includes the service Delivery Costs also).