
Implementation of savings proposals

City of Salford

Audit 1999/2000

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Introduction

The Council is facing its most difficult financial position for a decade. Underlying levels of expenditure are £13 million greater than the Council's resources and it looks unlikely that the Council will have any truly usable and uncommitted revenue reserves to carry forward into the current financial year.

In response to its financial pressures the Council has developed a three year budget strategy to bring underlying expenditure into line with resources. The scale of the pressures mean that it is unrealistic to achieve financial stability in one year and the Council's approach is to produce a balanced budget in the year 2001/2002.

To balance its budget the Council plans to;

- implement savings proposal that will reduce the Council's expenditure by £8 million in 2000/01 and £13 million in 2001/02
- use capital receipts to meet the £5 million shortfall in resources in 2000/01.

This plan poses the Council two major challenges. First it must deliver a wide ranging set of initiatives to reduce expenditure in both this year and next. And second, it must secure the agreement of the Secretary of State to capitalise revenue expenditure, in addition to its proposal to capitalise the redundancy costs arising from the savings initiatives.

The objective of this report is to assess progress in relation to the Council's budget strategy, and in particular, whether action is being taken to implement the specific savings initiatives.

Findings

Capitalisation of revenue expenditure

The Secretary of State has the power to allow Council's to capitalise revenue expenditure in certain exceptional circumstances. The Council applied for approval to capitalise expenditure of £13 million, to cover the redundancy costs associated with the savings proposals, the shortfall of revenue resources after allowing for the savings proposals and certain other costs of an 'invest to save' nature.

Summary Report

The Council has received approval to capitalise only £7 million of expenditure. This leaves the Council with a potential budget shortfall of £6 million. The Council is currently considering its options for bridging this gap. These include further discussions with the DETR, seeking to identify items of expenditure in both 1999/2000 and 2000/2001 that can legitimately be capitalised without approval and options for further savings.

The Council needs to resolve the position with the DETR as a matter of urgency, so that it can identify the true scale of its budget shortfall and start the action required to close the gap.

At this stage, without the outturn for 1999/2000 being finalised, without the assurance that all the savings will be delivered and without reasonable assurance that further problems will not arise, we would consider it to be imprudent to utilise the planned £2 million contribution to reserves to meet the shortfall.

Monitoring progress against savings

The Council has set up specific corporate monitoring arrangements to monitor the delivery of directorate savings proposals. These arrangements include:

- the development of action plans for each savings proposal
- monthly reports to Cabinet of progress against the proposals
- monitoring of staff changes against the reductions required by the proposals
- a cross directorate budget planning group that looks at progress against the proposals, budget pressure points and future budget issues.

In addition, directorates have established their own monitoring arrangements through their directorate management teams.

The introduction of the Council's new accounting system should improve the quality of monitoring information for budget holders, however in the early part of the year there has been some delay as the system is being implemented.

Overall, we think that these monitoring arrangements should stand the Council is good stead over the coming year.

Progress against savings proposals

We found a generally positive picture with evidence that action is being taken on many fronts to implement the savings proposals. Action this year has been more far reaching than in previous years and a number of the proposals involve a radical reshaping of the Council's services.

There remain, however, a number of risk areas. Those that in our view are of most risk are set out in the attached appendix. These risk areas generally reflect a combination of the ambition behind some of the proposals and that some required more detailed research before the specific actions could be identified. The Council has already started to develop and implement alternative proposals to cover areas of slippage.

It is important to maintain the early momentum and keep a real focus on delivering the savings action plans. And where it appears that savings will not be delivered rapid action will be needed to either bring then back on track or to implement alternative proposals.

Other budget pressures

As well as delivering its programme of savings the Council must also ensure that other budgets are achieved. The Council's monitoring arrangements have already identified a number of budget pressure points for the 2000/01 that could, particularly if combined with any savings shortfall, result in a general fund deficit. These pressure points are included in the appendix attached to this report. It is important that the Council continues to closely monitor the position through the year and that problem areas are reported to Cabinet and that they are addressed at an early stage.

Conclusions and way forward

Our assessment is that the Council has already secured significant progress in relation to many of its savings proposals. Action to date has been more concerted and more far reaching than it has been against previous years' savings proposals.

Despite this progress the pressure on the Council's finances remains intense. Some of the savings proposals are behind schedule and compensating savings need to be achieved, some additional financial difficulties are starting to cause concern and the Council has not yet secured the agreement of the Secretary of State to capitalise revenue expenditure.

Summary Report

This points to the need for a combination of a steely commitment to implement the decisions the Council has taken in relation to savings proposals and the continued search for radical and innovative solutions to the Council's difficulties.

Our recommendations are set out below.

- R1 As a matter of urgency, finalise discussions with the DETR over the maximum amount of revenue expenditure that the Secretary of State will allow the Council to capitalise.*
- R2 Develop a action plan to balance the 2000/2001 budget that reflects the Secretary of State's decision, slippage against savings proposals and current year budget pressure points, that does not unitise the planned £2 million contribution to reserves.*
- R3 Maintain the close attention to the delivery of savings proposals, and take rapid action where under delivery looks likely.*
- R4 Continue to monitor the Council's overall financial position and ensure that problem areas are reported to Cabinet for action as soon as they are identified.*

Risk areas

Savings proposal	Target £000
AL2 Establish a leisure trust	*340
AL8 Remove subsidy from commercial catering	*300
AL10 Review of library strategy	27
ED2 Reduce/ release admin buildings	*240
ED19 Tech Train	390
ED21 Pupil travel	100
SS5 Day care for learning difficulties	260
SS6 & ED13 Community Nursery Centres	447
SS22 Review of advisory services	300
DE7/12/32 Staff car parking	200
ES13 Close public conveniences	114
PE12A Single status	250
CS1 Centralisation of financial support services	300
Total	3268
Budget pressure points	
Arts and leisure income	
Children looked after	
Care in the community	
Dispersed housing	
Asset sales	

* These are savings targets for next year (2001/2002)