

HUNTINGDONSHIRE DISTRICT COUNCIL

Title:	Zero Based Budgeting Update: Preparation for the 2016/17 Budget and Medium Term Financial Strategy
Meeting/Date:	Overview & Scrutiny Panel (Economic Well-Being) – 3 rd September 2015 Cabinet – 17 th September 2015
Executive Portfolio:	Councillor Jonathan Gray Executive Portfolio Holder for Resources
Report by:	Head of Resources
Ward(s) affected:	All

Executive Summary:

As part of the budget setting cycle for 2016/17, the Council is continuing the Zero Based Budgeting exercise that started during the last financial year in preparation for the 2015/16 budget. The ZBB process is split into a number of Tranches, with Tranche 1 having been undertaken during the Autumn of 2014 (in which £1.8m was removed from the Councils 2015/16 budget) and Tranches 2 and 3 are being undertaken during 2015/16.

In preparation for 2016/17 budget setting, Tranche 2 commenced in April 2015 and concluded with a Cabinet led Star Chamber in mid-July 2015; the estimated savings totalled in excess of £1.3m and the detailed service changes are shown in Appendix 1. Tranche 3 commences in August and the associated Star Chamber is scheduled for November 2015.

In addition to the above ZBB reviews, other budget activity is being undertaken including a:

- series of ZBB “Light” reviews for those services that were “heavy” reviewed (Tranche 1) in the last financial year.
- two cross-cutting ZBB review’s, namely administration support and design service.

Recommendation(s):

That Cabinet:

- i. Comments on the progress of the ZBB programme to date.
- ii. Reviews the Tranche 2 savings proposals noted in Appendix 1 and comments accordingly.

1. PURPOSE

- 1.1 To provide members with an update on the Zero Based Budgeting (ZBB) process in preparation for the 2016/17 Budget and Medium Term Financial Strategy (MTFS).

2. BACKGROUND

- 2.1 As a result of:

- an external audit recommendation following the audit of the 2013/14 Annual Financial Report,
- the new management team's focus on ensuring that the Council has effective control and understanding of cost base,
- a past trend of excessive budget under spending over a number of years,
- a need to deliver significant budget savings over the medium term,
- a wish by members to have a more engaged and transparent budget process,

it was agreed by Cabinet that by the time that the 2016/17 Council Tax was to be set, all Council services would have been subject to a ZBB review. During the late summer of 2014 a comprehensive ZBB programme was developed that would involve all services being split into three Tranches and subject to a "Heavy" review process. Therefore for the:

- 2015/16 Budget, the Tranche 1 "Heavy" review was completed along with a "Light" review of all other services.
- 2016/17 Budget, Tranche 2 and 3 "Heavy" reviews will have been completed along with a "Light" review for all other services.

ZBB Tranche 1

- 2.2 Tranche 1 commenced in early Autumn 2014 and the services included were:

- Leisure & Health: One Leisure
- Community: Health Protection and Animal Welfare/Pest Control
- Operations: Greens Spaces and Car Parking
- Resources: All teams except Estates.

- 2.3 Along with the "Light" reviews; the total net ZBB related saving that was included within the 2015/16 budget was £1.847m.

3. 2016/17 BUDGET SETTING AND MTFS

- 3.1 In February 2016, Full Council will be presented with the proposed budget for 2016/17 and the MTFS, Council will then set the Council Tax for the forthcoming year. By this time Tranche 2 and 3 of the ZBB process will have been completed.

ZBB Tranche 2

- 3.2 Tranche 2 itself commenced in April 2015 and the services that have been subject to a "Heavy" review were:

- Development (including Housing Strategy and Economic Development)
- Community: Licensing and Projects & Assets
- Customer Services (including Housing Needs and Document Centre)
- Resources: Estates

3.3 As last year:

- an external “on-site” specialist has been appointed who is leading the day-to-day ZBB programme; this includes ongoing project management, service liaison and critical friend challenge. The appointee is a long-serving local government finance specialist who has expertise in technical, financial and budget management.
- Pixel Financial Consulting have been appointed to provide strategic benchmarking, forecasting and budgeting advice.

3.4 Members will recall that a key milestone in the ZBB process is the presentation of service change options to a Star Chamber. The Tranche 2 Star Chamber was held on the 20th and 21st July and the Cabinet members who attended the Star Chamber were the Leader, Deputy Leader and the Executive Portfolio Holder for Resources (Chairman). For each service, various options for service change were presented by the respective Executive Portfolio Holder, with support from the relevant Head of Service and a summary of the savings that were reported to the Star Chamber is shown at **Appendix 1**. At this time, the confirmed 2019/20 savings that can be included in the budget savings for 2016/17 at this time are £1.372m; there is a potential further £12,000 which may be able to be secured once a LEAN review is completed within the Licensing Service (this would give a total ZBB Tranche 2 saving of £1.384m). The conclusion of this review will be reported to the November Star Chamber and Cabinet thereafter.

3.5 The current MTFS modelled a total draw-down from General Reserves of £6.263m between 2016/17 and 2019/20. If the total savings from Tranche 2 are achieved, the total draw-down will have reduced by 77.1% to £1.435m. By the final year of the current MTFS (2019/20) the forecast net saving to the budget is 6.4%. This is summarised in **Table 1** below.

Table 1	Impact of ZBB Tranche 2 savings on the 2015/16 Budget and MTFS (Reserves & Net Expenditure)				
	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	Total £000
RESERVES					
2015/16 MTFS: Planned Reserves Used to balance budget	298	1,537	2,073	2,355	6,263
Tranche 2 Savings	(966)	(1,164)	(1,314)	(1,384)	(4,828)
Revised Planned Use of Reserves	(668)	373	759	971	1,435
	>100.0%	75.7%	63.4%	58.8%	77.1%
NET EXPENDITURE					
Approved 2015/16 MTFS Net Expenditure:	19,870	20,671	21,259	21,721	
Post Tranche 2 2015/16 MTFS Net Expenditure	18,904	19,507	19,945	20,337	
Tranche 2 Savings	(966)	(1,164)	(1,314)	(1,384)	
Reduction in Net Expenditure	4.9%	5.6%	6.2%	6.4%	

ZBB Tranche 3

3.6 Tranche 3 will commence in August 2015 with the Star Chamber provisionally agreed for November 2015. The services that will be subject to a “Heavy” review are:

- Community: CCTV
- Customer Services: Revenues and Benefits
- Operations: all services
- Corporate Team and Directors

3.7 By the conclusion of Tranche 3, all services will have been subject to the ZBB “Heavy” process.

Other Budget work currently being undertaken

3.8 ZBB Light

During the late Summer/Autumn of 2015, further “Light” reviews will be undertaken of those services that were in Tranche 1.

3.9 Cross-Cutting Review

The ZBB process currently being undertaken has followed a traditional “bottom-up” approach. However, it is considered that there may be some advantage in undertaking two cross-cutting reviews, namely Administrative Support and Design Services. Such an approach may allow some cross-service efficiencies to be achieved but also allow for a practical evaluation of the cross-cutting ZBB approach for future budget setting cycles.

4. COMMENTS OF OVERVIEW & SCRUTINY PANEL

4.1 The Overview and Scrutiny Panel (Economic Well-Being) Panel was informed that Officers have looked “over the horizon” to create progressive plans to deliver savings: there is more work to do but moving in the right direction.

Panel members queried the reductions in repairs and maintenance and were advised that these charges will now be payable by tenants as additional charges in their current terms and conditions. This means additional income rather than a reduction in expenditure.

The Panel were informed that consultancy costs in Planning Services would be reduced through a wider range of expertise as a result of sharing services.

5. LINK TO THE CORPORATE PLAN

5.1 Zero Based Budgeting is a key action within the Corporate Plan Strategic Theme “Ensuring we are a customer focused and service led council” by “becoming more business-like and efficient in the way we deliver services”.

6. LEGAL IMPLICATIONS

6.1 There are no direct legal implications arising from this report.

7. RESOURCE IMPLICATIONS

7.1 The implications in respect of ZBB are detailed within the report.

8 REASONS FOR THE RECOMMENDED DECISIONS

- 8.1 To ensure that there is continued strategic support of the ZBB process and that Cabinet fully support the Tranche 2 proposed savings following the July Star Chamber.

9. LIST OF APPENDICES INCLUDED


Appendix 1 – ZBB Tranche 2 Savings

BACKGROUND PAPERS

Enclosed

CONTACT OFFICER

Clive Mason, Head of Resources

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Star Chamber Confirmed Service Change Proposals & Budget Implication					
Service	Recommendation	2016/17 (£'000)	2017/18 (£'000)	2018/19 (£'000)	2019/20 (£'000)
Community Services					
Strategic Assets & Projects	Restructuring	(88)	(89)	(90)	(91)
	Reductions in Environmental Improvement Budgets	(10)	(15)	(15)	(15)
	Review of fees and charges	(37)	(73)	(73)	(73)
		(135)	(177)	(178)	(179)
Development Services					
Economic Development	Various Grants	(30)	(30)	(30)	(30)
Development Management & Planning Policy	Changes to working practices	(80)	(80)	(81)	(81)
	Pre-Planning Application fee increases	(10)	(10)	(10)	(10)
Housing Strategy	Reduction in Consultants budgets for redevelopment proposals	(140)	(140)	(140)	(140)
	Changes to working practices	(34)	(34)	(34)	(34)
	Procurement Savings	(20)	(20)	(20)	(20)
		(314)	(314)	(315)	(315)
Customer Services					
Customer Services	Reductions in Service offer	(39)	(39)	(39)	(39)
	Restructure of Customer Services and relocation of Call Centre to Pathfinder House	(183)	(185)	(186)	(188)
	Creation of Multi-Agency Customer Service HUB at Pathfinder House	(17)	(46)	(46)	(46)
	Review of front facing service provision at CSC's	0	(23)	(92)	(92)
Document Centre	Re-procurement and rationalisation of print and postage services	(31)	(36)	(36)	(36)
	Increased income generation from external customers	(60)	(95)	(110)	(115)
Housing Needs	Re-procurement of Information Technology Systems	(10)	(10)	(10)	(10)
	Reduction in Homelessness Prevention Budget	(20)	(20)	(20)	(20)
	Reduce Homelessness related Housing Benefits due to reduced use of temporary accommodation	(60)	(60)	(60)	(60)
		(420)	(514)	(599)	(606)
Resources					
Estates	Reduced Repairs & Maintenance	(8)	(8)	(8)	(8)
	Increased and new fees and charges	(77)	(139)	(202)	(264)
		(85)	(147)	(210)	(272)
Savings - ZBB Tranche 2 - Confirmed		(954)	(1,152)	(1,302)	(1,372)

Star Chamber Service Change Proposals & Budget Implication BUT Subject to confirmation via a LEAN Service Review					
Service	Recommendation	2016/17 (£'000)	2017/18 (£'000)	2018/19 (£'000)	2019/20 (£'000)
Community Services					
Licensing	Removal of vacant post	(12)	(12)	(12)	(12)
Savings - ZBB Tranche 2 - Subject to LEAN Review		(12)	(12)	(12)	(12)

TOTAL SAVINGS - ZBB TRANCHE 2	(966)	(1,164)	(1,314)	(1,384)
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