

## HUNTINGDONSHIRE DISTRICT COUNCIL

<b>Title:</b>	Zero Based Budgeting Update: Preparation for the 2016/17 Budget and Medium Term Financial Strategy
<b>Meeting/Date:</b>	Overview & Scrutiny Panel (Economic Well-Being) – 8 <sup>th</sup> December 2015 Cabinet – 10 <sup>th</sup> December 2015
<b>Executive Portfolio:</b>	Councillor Jonathan Gray Executive Portfolio Holder for Resources
<b>Report by:</b>	Head of Resources
<b>Ward(s) affected:</b>	All

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### 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 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 and reported to this committee and Cabinet in September 2015. Tranche 3 commenced in August and concluded with a Cabinet led Star Chamber in late November 2015; the estimated savings totalled in excess of £2.6m and the detailed service changes are shown in **Appendix 1**.

In addition to the above ZBB reviews a series of ZBB “Light” reviews for those services that were “heavy” reviewed (Tranche 1) in the last financial year.

### Recommendation(s):

That Overview & Scrutiny (Economic Well-Being) Panel:

- i. notes the progress of the ZBB programme to date, and
- ii. reviews the Tranche 3 savings proposals noted in **Appendix 1** and provides comments to Cabinet accordingly.

That Cabinet:

- i. Comments on the progress of the ZBB programme to date.
- ii. Reviews the Tranche 3 savings proposals noted in **Appendix 1** and agrees their inclusion in the forthcoming 2016/17 budget and MTFs.

## **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 £1.8m.

## **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 was completed in July 2015, with the outcomes reported to Cabinet in September 2015. The recommendations from this review accepted by the Star Chamber will be incorporated into the Council's budget that will culminate in reports to Cabinet

and Full Council in February 2016. The Tranche 2 reviews recommended savings totalling £1.4m over a four year period to 2019/20. The services that were subject to a “Heavy” review in Tranche 2 were:

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

### **ZBB Tranche 3**

3.3 Tranche 3 commenced in August 2015 with the Star Chamber taking place in November 2015. The services that have been subject to a “Heavy” review are:

- Community: CCTV
- Customer Services: Local Taxation and Benefits
- Operations: all services
- Leisure & Health: Sports and Active Lifestyle Team
- Corporate Team and Directors

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

3.5 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.

3.6 Members will recall that a key milestone in the ZBB process is the presentation of service change options to a Star Chamber. The Tranche 3 Star Chamber was held on the 23<sup>rd</sup> and 24<sup>th</sup> November and the Cabinet members who attended the Star Chamber were the 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 accepted by the Star Chamber is shown at **Appendix 1**. At this time, the confirmed savings that can be included in the MTFS 2016/17 – 2019/20 are £2.7m.

3.6 As well as the savings proposals being accepted, that are shown in **Appendix 1**, the CCTV and Sports and Active Lifestyle Team services were ask to investigate a number of additional opportunities for savings. If any additional savings are identified as a result of this further work it will be reported as part of the overall Budget Setting 2016/17 report, no later than February 2016

## Impact on Resources

3.7 The current MTFS modelled a total draw-down from General Reserves of £6.3m between 2016/17 and 2019/20. As summarised in **Table 1** below, after the savings from Tranche 2 and Tranche 3 are achieved, by 2019/20 (the last year of the current MTFS) the:

- forecast net saving to the budget is 18.7%, and the
- total contribution to reserves over the 4-years will be £6.7m, a movement of £13m. This will assist the Council in meeting potential future grant and funding reductions from Central Government which are currently being modelled, it is expected that the Government will announce the 2016/17 settlement in mid to late December. Further it should be noted that in each year of the MTFS there are no contributions from reserves required.

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
<b>RESERVES</b>					
2015/16 MTFS: Planned Reserves Used to balance budget	298	1,537	2,073	2,355	<b>6,263</b>
Tranche 2 Savings	(966)	(1,164)	(1,314)	(1,384)	<b>(4,828)</b>
Tranche 3 Savings	(1,331)	(1,883)	(2,217)	(2,677)	<b>(8,108)</b>
<b>Revised Contribution to Reserves</b>	<b>(1,999)</b>	<b>(1,510)</b>	<b>(1,458)</b>	<b>(1,706)</b>	<b>(6,673)</b>
<b>NET EXPENDITURE</b>					
Approved 2015/16 MTFS Net Expenditure:	19,870	20,671	21,259	21,721	
Post Tranche 2 & 3 2015/16 MTFS Net Expenditure	17,573	17,624	17,727	17,660	
Tranche 2 Savings	(966)	(1,164)	(1,314)	(1,384)	
Tranche 3 Savings	(1,331)	(1,883)	(2,217)	(2,677)	
Reduction in Net Expenditure	<b>11.6%</b>	<b>14.7%</b>	<b>16.6%</b>	<b>18.7%</b>	

## 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. These reviews will take place during 2016/17 and any outcomes will be fed into the 2017/18 budget setting process

#### **4. COMMENTS OF OVERVIEW & SCRUTINY PANEL**

- 4.1 To be circulated after the Overview & Scrutiny (Economic Well-Being) Panel to be held on the 8<sup>th</sup> December 2015.

#### **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 3 proposed savings following the November Star Chamber.

#### **9. LIST OF APPENDICES INCLUDED**


Appendix 1 – ZBB Tranche 3 Savings

#### **BACKGROUND PAPERS**

Enclosed

#### **CONTACT OFFICER**

Clive Mason, Head of Resources

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<b>Star Chamber Confirmed Service Change Proposals &amp; Budget Implication</b>					
<b>Service</b>	<b>Recommendation</b>	<b>2016/17 (£'000)</b>	<b>2017/18 (£'000)</b>	<b>2018/19 (£'000)</b>	<b>2019/20 (£'000)</b>
<b>Operational Services</b>					
Waste Management	Reconfiguration of rounds for residual waste, green waste & recycling to bring about more efficient collection	207	276	276	276
Whole Service	Staff Restructuring	300	300	400	400
Whole Service	Income Generation and full cost recovery - Parking Services - Trade Waste - Grounds Maintenance - Street Cleansing - Countryside Service	300	400	440	560
Grounds Maintenance	Operational efficiencies in the provision of the grounds maintenance service	50	80	130	180
Parking Facilities	Car Park rationalisation programme	0	8	8	8
	Additional income from external lettings at PFH and EFH	3	24	24	124
One Leisure	Utilities from energy management measures at One Leisure sites (Saving will be from One Leisure, included here as within Operational ZBB review)	0	33	69	109
		<b>860</b>	<b>1,121</b>	<b>1,347</b>	<b>1,657</b>
<b>Customer Services</b>					
Local Taxation	Changes to billing - single bills with HB and e-billing	2	7	12	12
	Online self-service for customers	21	42	42	42
	Changes to telephone answering standards	21	21	21	21
Housing Benefits & Fraud	Online self-service for customers	55	55	55	55
	Send single annual bill and benefit entitlement	12	12	12	12
	Staff savings following introduction of Universal Credit	0	0	0	100
	Review of benefits surgery in St Ives	5	10	10	10
	Increased recovery of HB Overpayments	7	17	17	17
Local Taxation & Housing Benefits	Restructure to form a single team	0	100	100	100
	Shared Service with Strategic Partners	0	0	50	100
		<b>123</b>	<b>264</b>	<b>319</b>	<b>469</b>
<b>Leisure &amp; Health</b>	Budget realignment of prior year budget error	51	51	51	51
Sports & Leisure	Income generation from activities	8	9	9	9

	Staffing efficiencies through better balance of permanent and casual staffing	21	28	28	28
	general efficiency savings and savings following ending of DAS project	22	35	35	35
		<b>102</b>	<b>123</b>	<b>123</b>	<b>123</b>
<b>Community Services</b>					
CCTV	Final Savings as a result of shared service	0	3	5	5
	Wireless CCTV cameras	25	50	50	50
		25	53	55	55
<b>Corporate Services</b>					
	Improved efficiencies within team, through deleting vacant posts and realignment of duties.	127	127	127	127
	Miscellaneous savings across supplies and services	30	30	30	30
	Restructure of Management team	0	0	50	50
	Review of LGSS Contract	4	79	79	79
	Communications team shared service	0	17	17	17
	Efficiencies through the centralisation of training across the Council.	60	60	60	60
	Additional income from provision of training to town and parish councils	0	10	10	10
		<b>221</b>	<b>323</b>	<b>373</b>	<b>373</b>
<b>Savings - ZBB Tranche 3</b>		<b>1,331</b>	<b>1,883</b>	<b>2,217</b>	<b>2,677</b>