

<b>TITLE</b>	<b>Council Efficiency Brainstorming Session</b>
<b>FOR CONSIDERATION BY</b>	Overview and Scrutiny Management Committee on 13 October 2014
<b>WARD</b>	None Specific
<b>DIRECTOR</b>	Andy Couldrick, Chief Executive and Graham Ebers Director of Finance and Resources

## The Financial Picture

### **1. Introduction**

This note is intended to provide Overview and Scrutiny with some overall context of the Council's financial position and introduces explanations around differences between sectors and between local authorities. It is hoped that this will help stimulate debate around the challenges and future efficiencies this council will be required to make.

### **2. Comparison between Private Sector and Local Government**

Although the imperative for efficiency and effectiveness exists equally in the public and private sectors, there is a fundamental difference between the impact of new customers/clients on income and profit. Most of the Council's income is fixed as it comes from an annual Government Formula Grant, other specific Government grants and Council Tax set for the year ahead. For Wokingham Borough Council the percentage of fixed income is 88%, comprising 46% council tax, 24% specific grants to services and 18% Formula Grant compared to customer generated income of 12% as shown in appendix A.

Although the Council receives a small amount of additional income in respect of some activities we charge for, we cannot charge for significant demand led expenditure within Adult Services, Children's Services or Environmental Services.

### **3. Comparison between WBC and other Local Authorities?**

It is not possible to compare one local authority with another with complete accuracy, however it is often very useful to compare approaches and practices. Although some national comparisons, such as WBC being the lowest funded unitary per head of population and also the second lowest spending per head of population, provide a useful context they are not holistic comparisons. One reason, for example, of why WBC is the second lowest spending authority per head of population is because the lowest spending (York City) receives a significantly greater income from tourism. It is useful to explore the differences between Local Authorities by looking at income, expenditure and service quality.

#### **3.1 Income Comparisons**

In a similar fashion to York, Windsor and Maidenhead earn significantly higher amounts from parking than Wokingham (in 2013/14 £5.8m compared to £1.3m). For example, their River Street car park charges £4 for one hour rising to £15 for five hours, whereas Wokingham Town Centre's car parks charge 70p and £2 respectively for the same periods. Local authorities in tourist areas (such as Windsor) may also receive higher formula grant based on estimated visitor nights to

compensate for extra costs such as litter generation. Furthermore, Windsor generates £2.9m additional income net of costs from shops and industrial premises. This compares to Wokingham's £1m net of costs in 2013/14.

The graph in appendix B shows the different levels of fees and charges and specific service grants as a percentage of spend for the four major services. It shows that on average (unweighted) Wokingham's income is 8.9 percentage points behind Windsor, 10.5 below Reading's, and 0.2 below Bracknell's.

When we look year on year at Council Tax increases/decreases the comparison becomes even more problematic. Relevant factors will include the spending aspirations of each Council, the level to which income is fixed and then its starting point in terms of resources (i.e. how lean it is in the first place). An example of different spending aspirations is Wokingham's appetite for investment in Strategic Development Locations and Town Centre Regeneration. These projects require significant up front funding. Although Bracknell and Windsor are regenerating their towns, the costs are funded by the developers who will own the assets and receive any future rewards.

The graphs in appendix C show that the other authorities raise a higher proportion of income from fees and charges and receive more funding from the Government than Wokingham. The 'sources of income, £ per head of the population' illustrates this further.

### **3.2 Expenditure**

#### **Staffing Numbers**

Wokingham's staffing numbers full time equivalent (FTE's) are the lowest at 874.67, despite having a larger than average population. The graph in appendix D for 2013/14 shows a more relevant figure, which takes account of population differences, which is FTE staff per 1,000 population, and Wokingham is again the lowest at 5.42 FTE. Since Wokingham has less staff than other councils this limits the ability to reduce staff without impacting on service standard.

#### **Expenditure**

Although WBC will spend relatively more or less on specific activities than our neighbouring authorities, overall we spend the lowest. See Appendix E

### **3.3 Service Quality**

Service quality is another aspect that distorts simple financial comparisons. A good example of this is waste collection where some authorities still retain weekly waste collections. The position with other councils is set out below:

Wokingham – weekly collections

Windsor – weekly collections

Bracknell – fortnightly collections since October 2008

Reading – fortnightly collections since October 2008

## **4. Strategic Financial Context**

Financial austerity measures have been with us since 2010. During this period there have been significant reductions to local authority expenditure despite other areas of the public sector being protected or indeed expanded (see appendix F (i)). The reductions in Wokingham's main Government grant, Formula Grant, are shown in Appendix F(ii), while Wokingham received a lower grant per head in 2014/15 than other authorities as shown in Appendix F (iii). Wokingham's efficiencies over the past three years total £16.465m and are shown by theme in Appendix G. This decline in funding is expected to continue over the next five years. In addition to a reducing grant, the overall position at WBC is exasperated with areas of escalating expenditure. Key financial trends are:

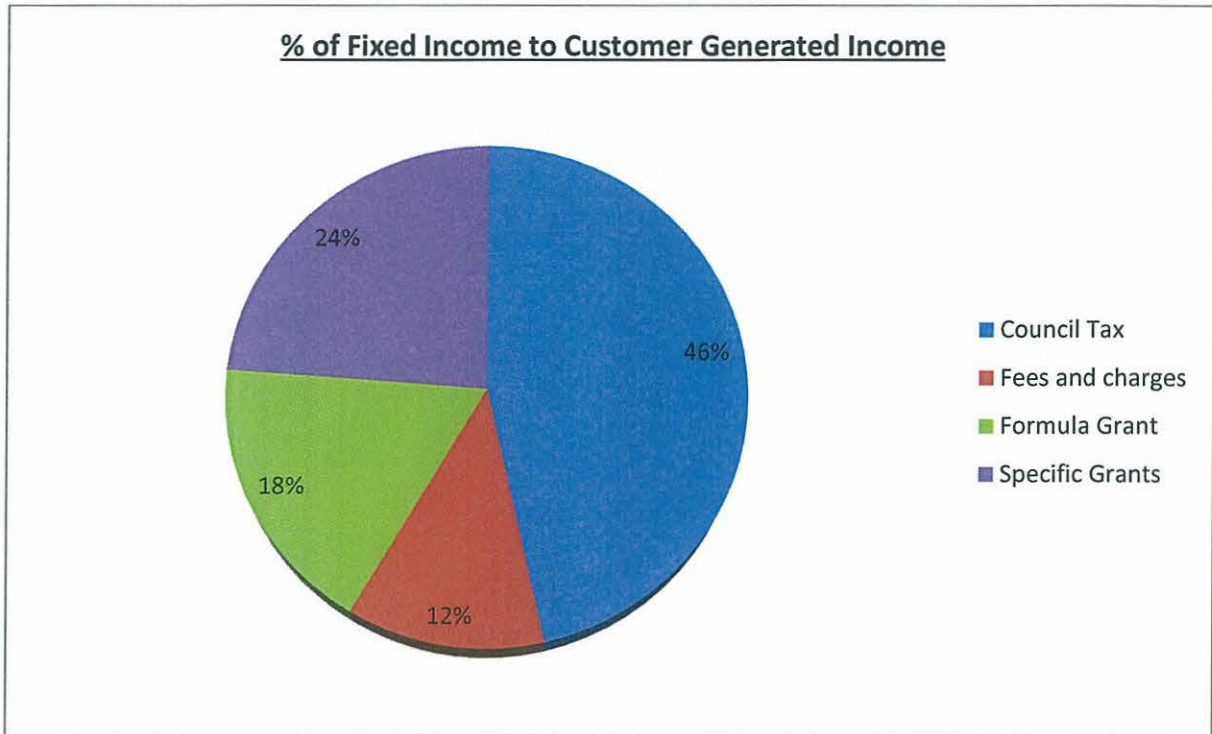
- Government grant is expected to keep reducing by approximately £3m each year;
- Inflation is expected to generate budget pressure of approximately £2m each year, giving a combined budget pressure of £5m per annum;
- Adult Social Care (ASC) – Approximately £1.3m extra will be required each year to meet growth pressures;
- Waste – An extra £200k will be required each year from 2016/17 onwards; and
- Others – An additional £2m (approximately) will be required each year for Children's Services and other unavoidable growth.

A Council Tax freeze year on year will mean that available resources for spending of services are reducing by approximately £5m a year (before taking account of unavoidable service growth pressures). Although we would like to think this can be achieved through greater efficiency, more effective procurement and income generation, it will inevitably also mean tough decisions. Most of the Council's spending is on waste and care services for children and adults. Meeting our £5m per annum funding challenge will inevitably force the Council to consider making reductions already enacted by other local authorities. These may include the likes of :

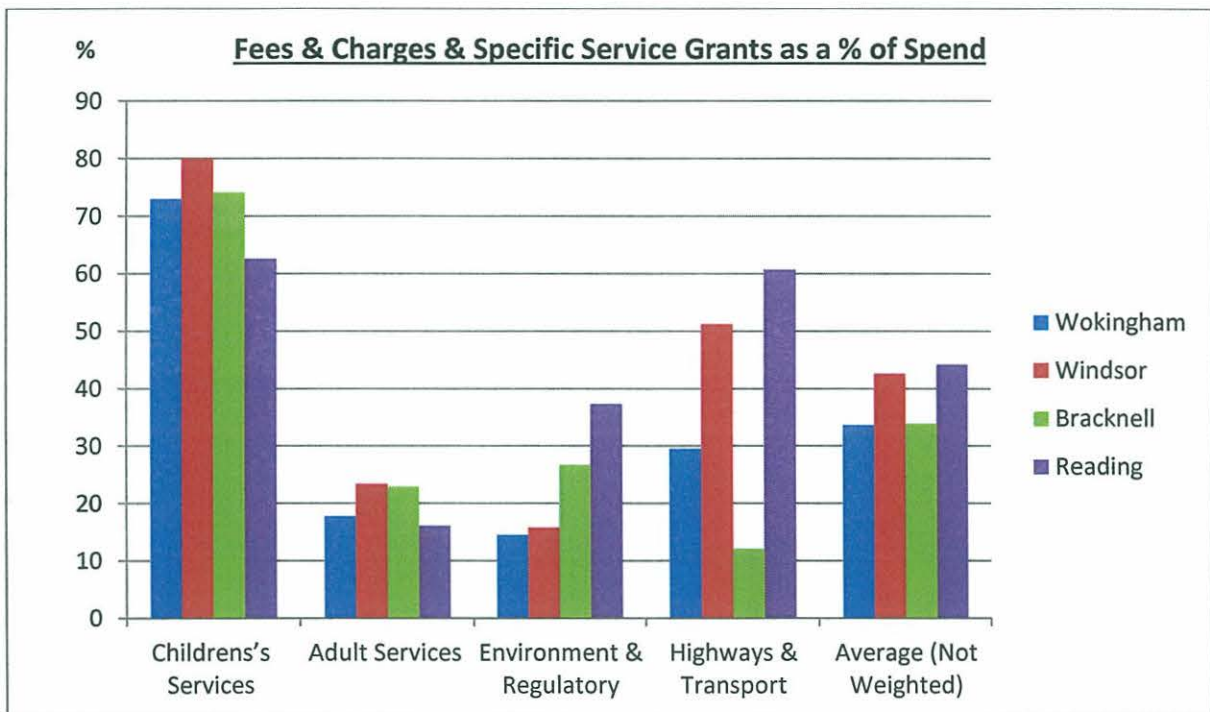
- Reduction in use of waste sacks, and moving to fortnightly collections
- Reduction in ASC standards
- Increasing income from car parking
- Provision of services at statutory minimum levels
- Reducing or stopping altogether other discretionary services (e.g. School Crossing Patrollers).

The above will need to be considered in addition to the ongoing themes of exploration set out in Appendix G.

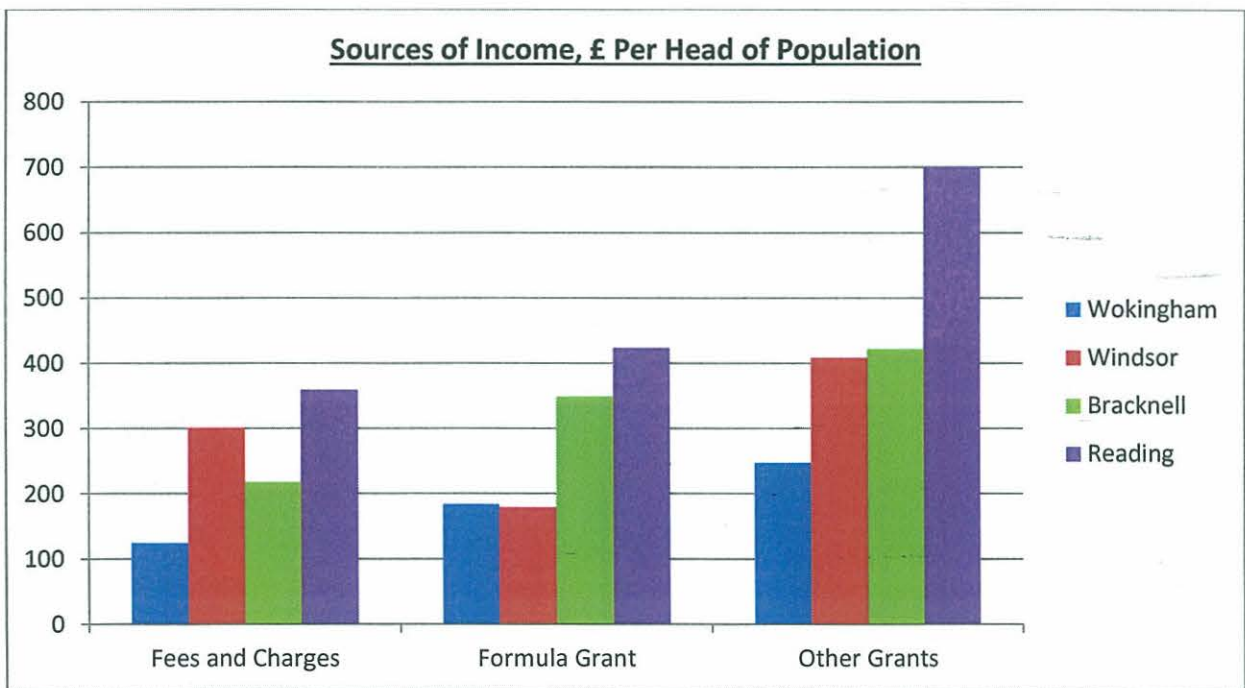
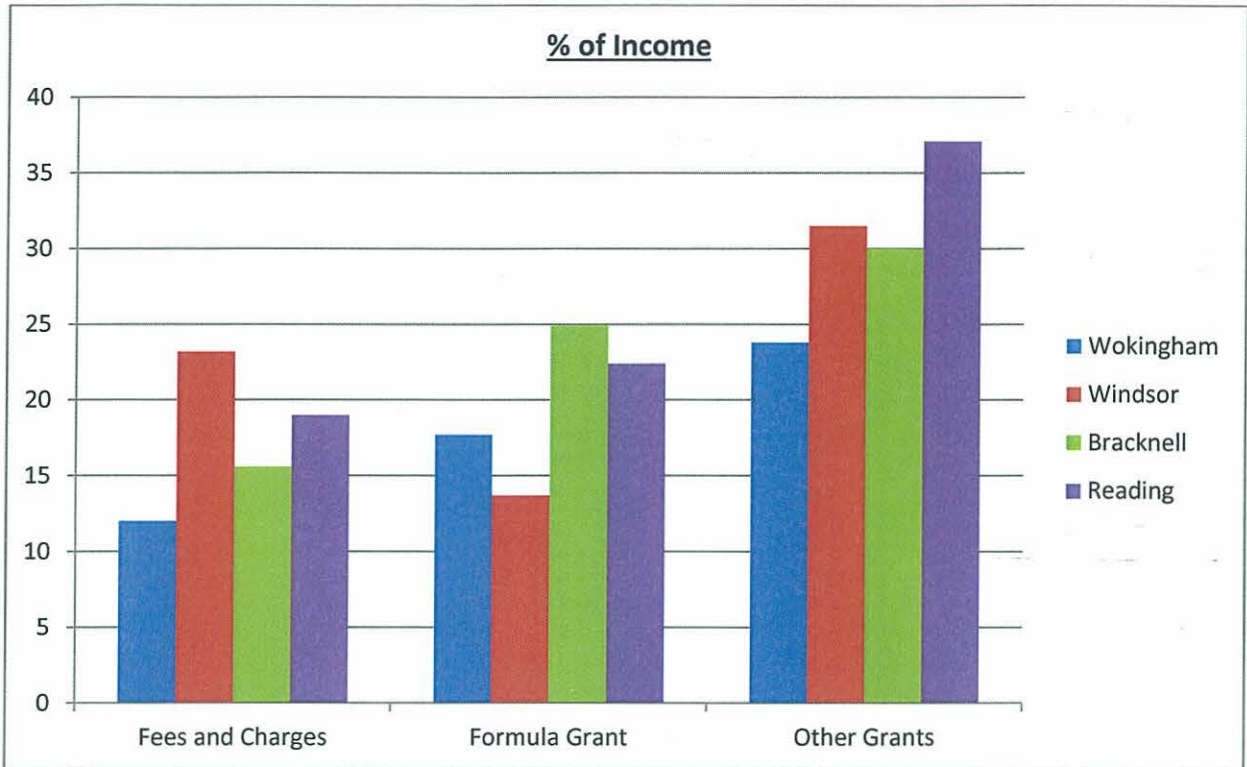
Appendix A



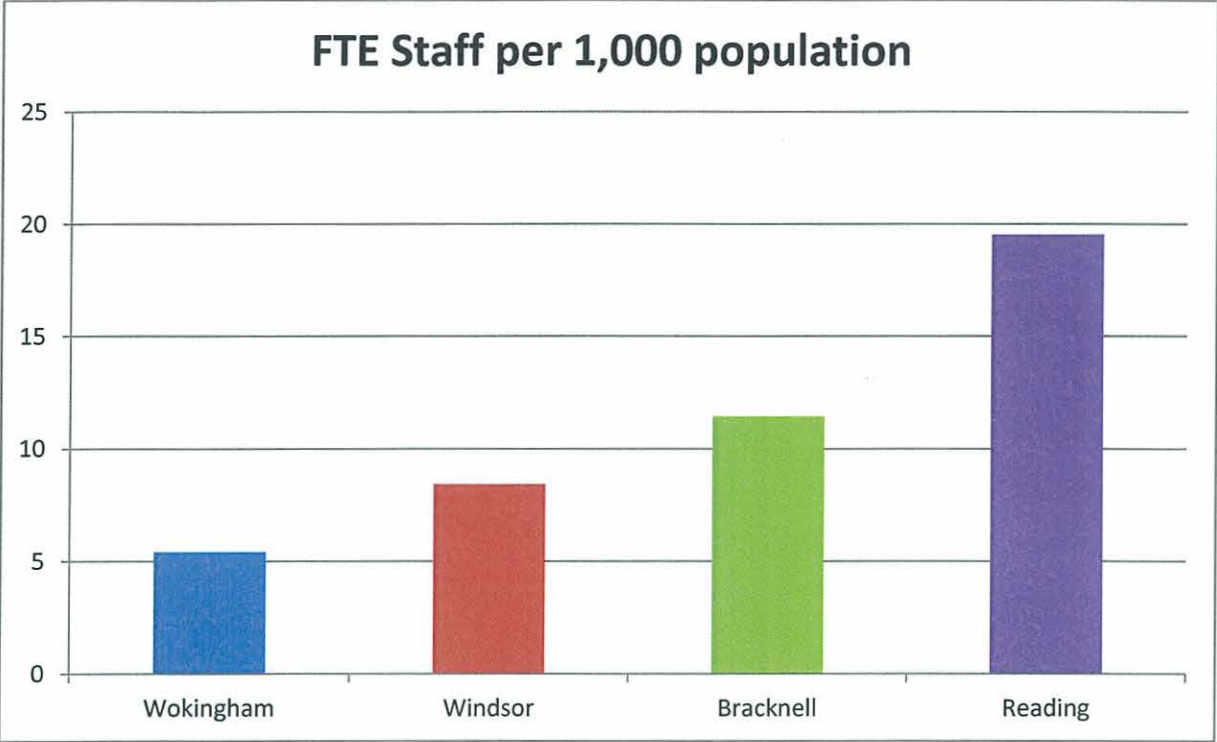
Appendix B



Appendix C



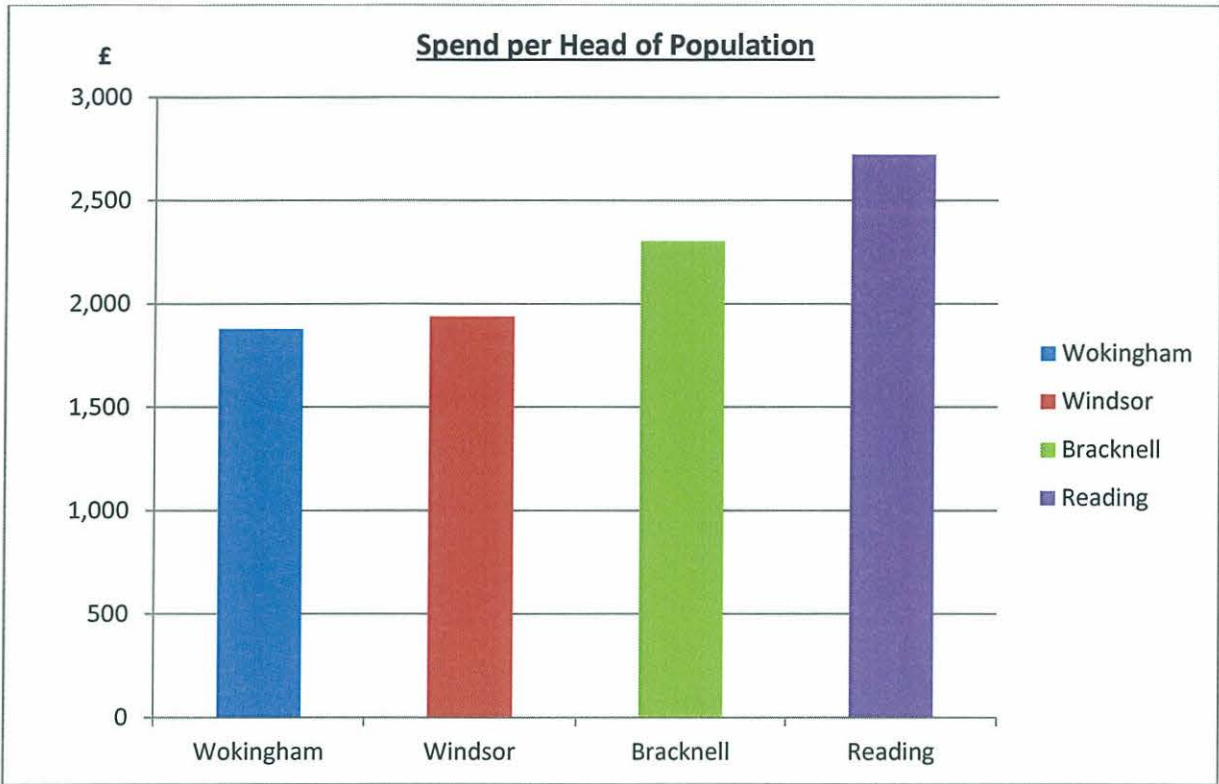
Appendix D



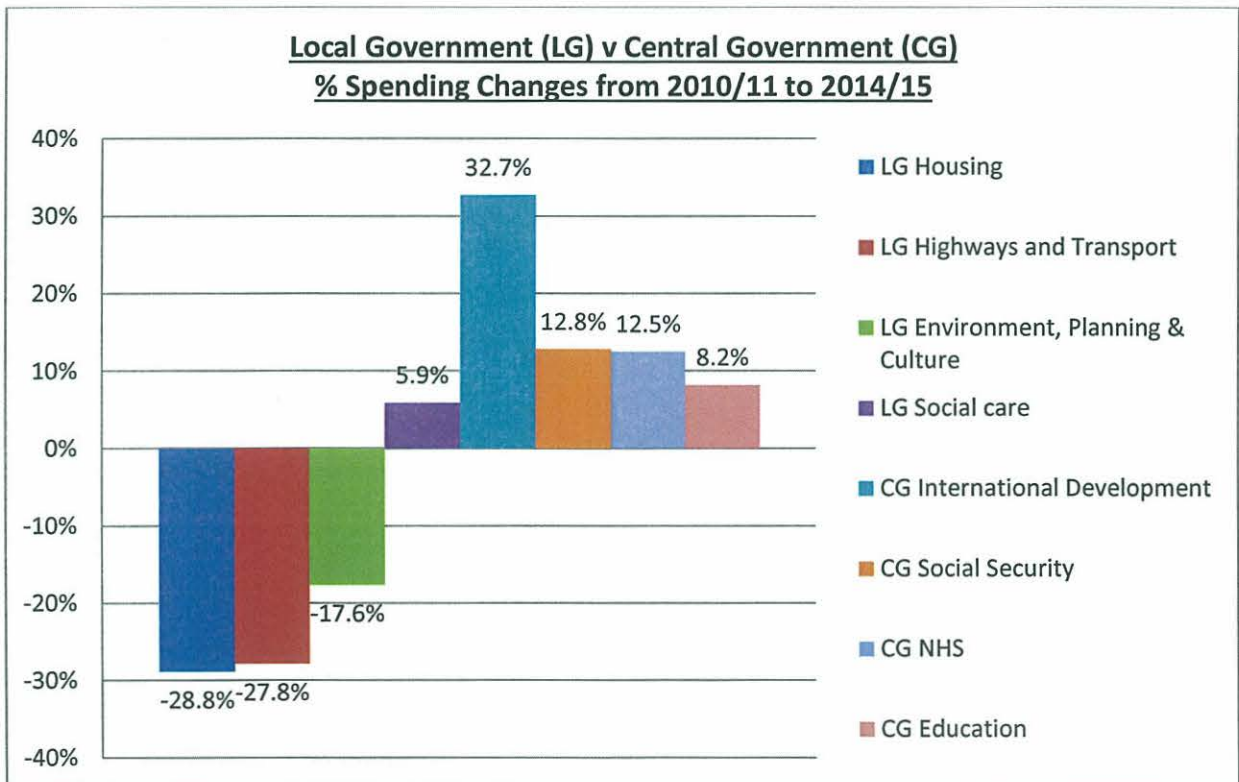
The numbers of FTE staff are impacted by issues like the level of outsourcing and which councils have a Housing Revenue Account



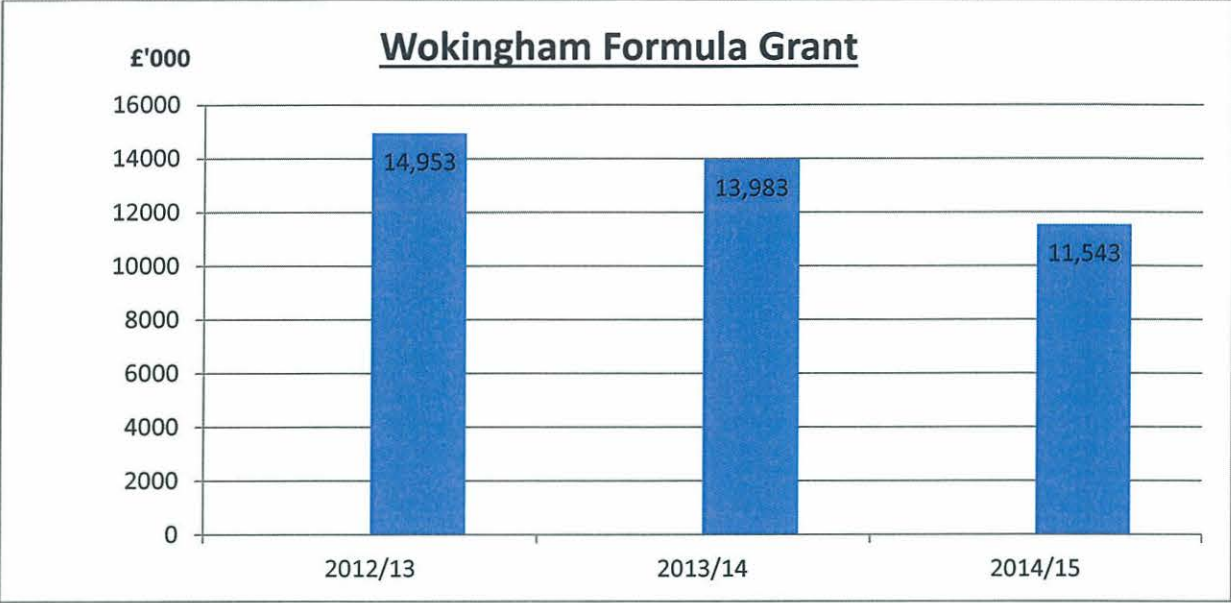
Appendix E



Appendix F (i)

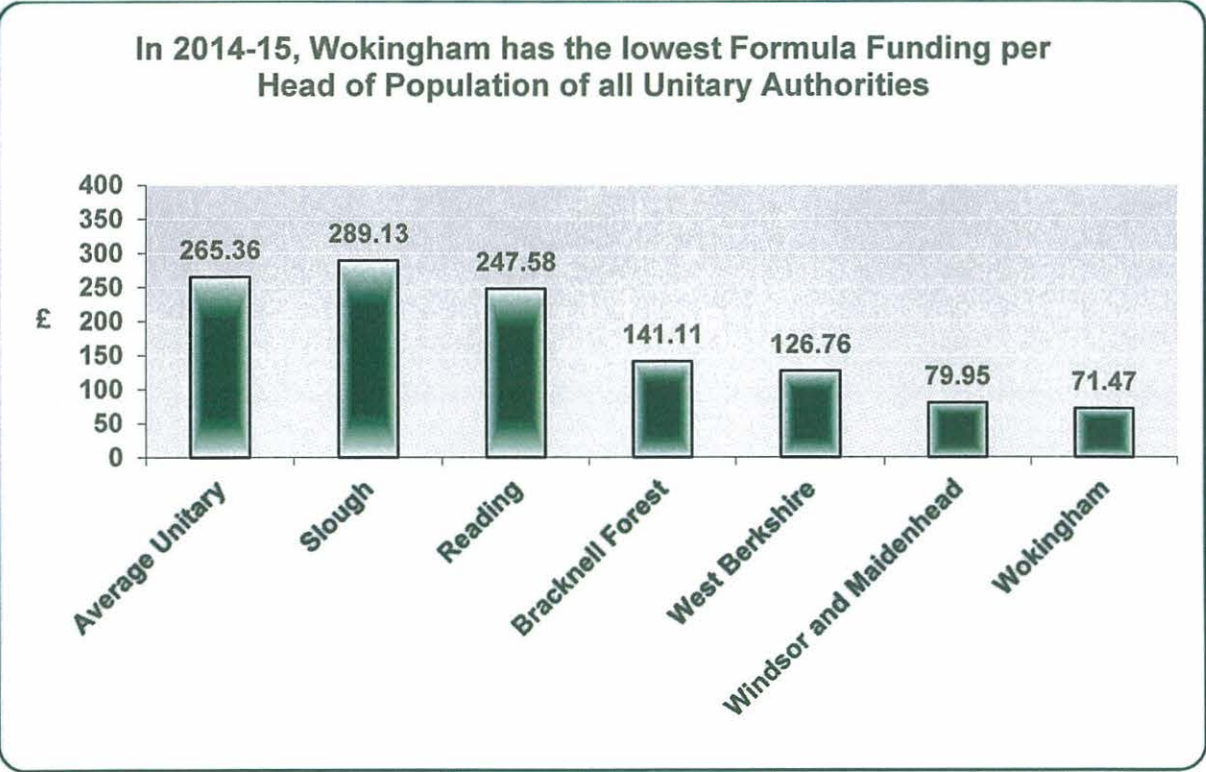


Appendix F (ii)



The reduction from 2012/13 to 2014/15 of £3.41m from £14.953m to £11.543m is a significant 23%

Appendix F (iii)



Appendix G

**Analysis of Type of Saving from 2012/13 to 2014/15**

<b>Type/Theme of Saving</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>Total 2012/13 to 2014/15</b>	<b>Savings as a % of Total Savings</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>%</b>
<b>Procurement</b>	0	853	1,190	<b>2,043</b>	<b>12.4</b>
<b>Staffing</b>	3,428	505	1,265	<b>5,198</b>	<b>31.6</b>
<b>Income Changes</b>	0	1,173	702	<b>1,875</b>	<b>11.4</b>
<b>Alternative Service Delivery</b>	1,076	3,496	2,777	<b>7,349</b>	<b>44.6</b>
<b>Total</b>	<b>4,504</b>	<b>6,027</b>	<b>5,934</b>	<b>16,465</b>	<b>100</b>