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<b>PART B:</b>	<b>RECOMMENDATIONS TO COUNCIL</b>
<b>REPORT TO:</b>	<b>POLICY AND RESOURCES COMMITTEE</b>
<b>DATE:</b>	<b>16 JUNE 2016</b>
<b>REPORT OF THE:</b>	<b>CHIEF EXECUTIVE, JANET WAGGOTT</b>
<b>TITLE OF REPORT:</b>	<b>TOWARDS 2020 - USE OF RESERVES</b>
<b>WARDS AFFECTED:</b>	<b>ALL</b>

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## **EXECUTIVE SUMMARY**

### **1.0 PURPOSE OF REPORT**

- 1.1 To inform Members of the progress made on the T2020 programme and to explain the need to transfer part of New Homes Bonus (NHB) reserve to the Redundancy reserve and the Improvement, Contingency and Efficiency (ICE) reserve.

### **2.0 RECOMMENDATION**

- 2.1 That Council is recommended to approve:
- i. that £958K is transferred from the NHB reserve as follows:
    - transfer of £778K to the restructure reserve giving a total balance of £1.2m to fund the cost of further redundancies
    - transfer of £180K to the ICE Fund as an invest to save measure to accommodate other organisational costs of change, including IT and transformational support and the continued work with iESE.
  - ii that £150k is transferred from the General Reserve to the ICE Fund as detailed in bullet point 2 above

### **3.0 REASON FOR RECOMMENDATION**

- 3.1 The Government announced its planned deal for Local Government up to 2019/20. The four year settlement announcement was materially worse than expected. The current savings requirement is £1.1m for the 3 years starting from 2017/18.
- 3.2 The Council has already undertaken a number of successful efficiency programmes and has achieved savings in the region of £3.8m since 2011. This is equivalent to 60% of the Revenue budget. The Council needs to be prepared and ready to act quickly and decisively, creating and using opportunities to work differently and be

prepared for the future.

- 3.3 In order to manage the risk and deliver the savings it is necessary to continue to invest in the transformational change programme. There is also a requirement for one off specialist skills including HR, Legal and IT to help deliver the programme of change.

#### **4.0 SIGNIFICANT RISKS**

- 4.1 There is a significant risk that if the Council does not anticipate the need to change and respond to the financial pressures that it will fail its residents and businesses and have insufficient resource to balance the budget.
- 4.2 That the Council does not release the reserves to resource the necessary cost of change and Ryedale cannot deliver the necessary changes to achieve the savings and risk having insufficient funds to balance the budget.
- 4.3 There is a significant risk that if efficiencies cannot meet the shortfall, cuts to front line services will be required. This is mitigated through a whole Council approach to savings identification, highlighted through the Towards 2020 Transformation Programme.

#### **5.0 POLICY CONTEXT AND CONSULTATION**

- 5.1 The size and scale of the savings necessary means that small service level improvements will be insufficient to meet the scale of change required. To deliver against this challenging requirement, there needs to be more focus on two things – finance and performance to deliver a new way of working , a new operating model.

### **REPORT**

#### **6.0 REPORT DETAILS**

- 6.1 The objective is to ensure that the Council works as effectively as possible and that the right capacity and skills are in place to deliver services into the future Towards 2020. It is necessary to anticipate the continuing austerity measures and the evolving devolution agenda and the likely effect it may have on the District Council in the future.
- 6.2 The Council is taking decisions in good time to ensure that the necessary financial savings are achieved and that the resulting salary savings from any redundancy can be used to off set any costs associated with the Redundancy.

#### **7.0 IMPLICATIONS**

- 7.1 The following implications have been identified:

a) Financial

The Financial Strategy report 4 February 2016 Policy and Resources and Council 25 February 2016 included the following in relation to the NHB Reserve.

**Officers recommend that this balance be ring fenced subject to a further report to this Committee focusing on transformational support.**

This was the subject of the use of reserves report which was discussed at Policy and Resources 31 March 2016. Members considered that there was insufficient detail contained within the report to explain the need to use the reserves and therefore did not agree with the Officer recommendation. It was stressed that the use of New Homes Bonus reserve was a Council decision.

The use of some of the New Homes Bonus reserve is necessary to allow the Head of Paid Service to fund and manage the transformational changes, including redundancies, required to achieve the necessary financial savings. This includes the transfer of £778k from the NHB Reserve to the Restructure Reserve giving a total balance of £1.2m to fund the cost of further redundancies.

Transfer of £180k from the NHB Reserve and £150k from the General Reserve to the ICE Fund which along with £70k previously earmarked for the cost of change will generate £400k as an invest to save measure to accommodate the cost of transformational change.

The breakdown of the £400k includes

• Transformational support from iESE	£90k
• Improved corporate systems integration	£100k
• Website redesign and improved digital customer integration	£75k
• EDM Gazetteer improvements	£25k
• Performance Management Improvements – Covalent	£10k
• Additional HR support	£40k
• Assets – Legal advice and programme management	£40k
• Contingency	£20k

The implications of a proposed new structure will lead to the requirement to incur "one off" reorganisation and redundancy costs. The exact amount and requirements cannot be established until the proposed structure is complete. It is inappropriate to predetermine or assume which individuals will apply or be successful for which positions. It is the intention that these costs will be offset by consequent ongoing salary savings.

These figures are based on Officers prudent estimates of the likely cost of change at this time, should this level of support not be required then a further report will be brought before members to reallocate balances.

b) Legal

All of the actions proposed within this report comply with the Council's constitution and comply with the relevant local government law including section 4 of the Local Government and Housing act (1989) and guidance issued under section 40 of the Localism Act 2011.

c) Other (Equalities, Staffing, Planning, Health & Safety, Environmental, Crime & Disorder)

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**Background Papers:**

Policy and Resources Committee February 2016

Policy and Resources Committee March 2016

Policy and Resources Committee April 2016