

BUDGET COUNCIL 27TH FEBRUARY 2013

BUDGET AMENDMENT SUBMITTED BY THE LABOUR PARTY

OFFICERS' ADVICE ON BUDGET AMENDMENT

General comments of the Chief Financial Officer

Subject to the financial implications of closing East End Life, which are set out in more detail below, the amendment would reduce Council expenditure in total by £3.264m over the next two financial years.

It would also reduce the Council's ongoing funding requirement by £0.443m per year.

This would result in a reduction in the unfunded gap in the 2015/16 budget from £24.173m to £20.466m. The funding gap for 2016/17, which has not yet been calculated because it lies outside the period of the current Medium Term Financial Plan, would however increase relatively, because £3.264m of the funding used to close the gap in 2015/16 is only temporary. In effect the amendment delays this much of the budget gap by one year.

In practice the unallocated funding would be allotted to reserves over the two year period 2013/14- 2014/15, not in 2013/14 as shown in the amendment. However since the funding would not be used until 2015/16, this would have no practical consequence in terms of the policy decision.

The implementation of the proposals would result in costs to the Council and these are set out in greater detail below. These costs could be justified in the medium term on the basis of invest to save. However it may also reduce the extent to which reserves would be available to offset the savings target in 2015/16.

The amendment also calls for a limit of £200,000 above which virements must be agreed by Council. Advice on this is provided below by legal officers.

General comments of the Assistant Chief Executive (Legal)

The amendment calls for a limit of £200,000 above which virements must be agreed by Full Council. This matter cannot be considered at Budget Council, Procedures and regulations make it clear that Budget Council is for financial matters not constitutional matters. The Constitution requires that such changes are referred to General Purposes Committee with full officer comments in order that all parties can be consulted. It would then be referred back to Full Council at a later date.

BUDGET COUNCIL 27TH FEBRUARY 2013

BUDGET AMENDMENT SUBMITTED BY THE LABOUR PARTY

OFFICERS' ADVICE ON BUDGET AMENDMENT

Item:

Reduce spending on advertising through East EndLife (£443,000)

Officers' comments:

The motion proposes to 'delete funding of £1.214m from the budget used to fund East End Life'. East End Life is budgeted at net nil cost with funding from both external and internal advertising – therefore there is no budgeted funding of £1.214m. However £556k of EEL's income comes from internal sources for a variety of purposes.

Statutory notices currently cost the council £267k and whilst it would be possible to purchase advertising elsewhere in a single publication with much lower circulation there is no evidence that this would cost less in the commercial sector. The East End Life Review of 2011 found that the replacement cost would be between £600k and £2.1m depending on the mix of advertising required. Other London councils including Newham, Hackney and Greenwich with a similar newspaper market have kept their council publications owing to the high cost of alternatives.

The amendment also proposes to cut departmental budgets by £143k to reduce advertising spend on East End Life. This sum is not fixed and is dependent on service requirements so would reduce the ability of services to communicate with service users and the wider community. Given the council's legal duty to promote race equality and also its duty to promote public health, reduce the fear of crime and foster social cohesion the cost of alternatives would need to be factored into the budget calculations.

East End Life is audited and reaches 83,000 households a week, with a 60% readership level, making it the most effective communications tool in the borough.

Choice based lettings advertising could be reduced as described in the proposal – however it does mean that users will need to visit the key locations on the off chance that a suitable property was available. The 2011 review found that many homeseekers found the existing service extremely valuable

and 81% of Housing Choice users who responded to the survey supported the continuation of East End Life for this purpose.

The closure of East End Life would result in the loss of £627,700 of external income and the loss of a service that reaches large numbers of borough residents and small businesses, the voluntary sector and other public sector partners.

To identify the financial and equalities impact of the proposals requires a detailed review. Closing East End Life precipitously without conducting a review of advertising/communication needs and costs would thus carry significant risk resulting in unwanted outcomes eg. higher costs and loss of engagement with residents on important community services.

This review however would not be cost free and would require officer time and possibly external support. Consideration would need to be given as to whether it represents value for money to conduct another review only two years after the July 2011 review - and potentially in advance of the government's desire to lay down further guidance or legislation in the parliamentary year 2013-14.

Closure of East End Life, including a corporate change programme and reprocurement of advertising needs would take an estimated six to eight months from the decision being taken. There may also be contract termination costs with suppliers that cannot be calculated yet.

In summary purchasing space for statutory notices, choice based lettings and departmental requirements in the commercial sector and printing separate publications would increase costs significantly if the council wished to achieve the same contact rate achieved through East End Life. There would also be procurement costs as any external advertising would have to go through a formal procurement process.

Additional Financial comments (if any)

The proposal would reduce advertising revenue to East End Life by over 35% so as the amendment anticipates, it would be likely to make East End Life unviable in its current form.

Due to the time taken involved in completing the organisational change process and a three month notice period on the contractual arrangements supporting East End Life , it would not be possible to close East End Life with

effect from 1st April and the saving may not therefore be available for a full year in 2013/14. Again this would need to be closed off from reserves.

Any redundancies required as a result of closing East End Life would need to be funded from Council reserves. The number of redundancies and therefore the cost depends upon the degree to which it is possible to redeploy staff within the Council. It is likely that the figure would be several hundred thousand pounds.

The amendment includes a proposal to create a £200,000 contingency to help manage the deletion of the budget for East End Life, which is a prudent measure in view of the implications set out above, but may not be sufficient. It is not known whether available capital resources can be used for this purpose in the manner set out in the amendment and officers would need to review this. In the event that this proved not to be possible, the £200,000 would need to be found by ring-fencing general revenue reserves.

Additional Legal comments (if any)

The Council cannot cap statutory adverts as they are a legal requirement . Any advertising placed externally would require formal procurement which would take at least 6 months . Even discretionary adverts are part of the Council's legal requirements on health and social care , education and other areas so these would all need review. There would also need to be a full EQIA on final proposals to ensure full regard is given to the equality impacts of the proposals

BUDGET COUNCIL 27TH FEBRUARY 2013

BUDGET AMENDMENT SUBMITTED BY THE LABOUR PARTY

OFFICERS' ADVICE ON BUDGET AMENDMENT

Item:

Delete £296,000 funding for the Mayor's advisers.

Officers' comments:

This would reduce the budget in effect to more or less the 2011/12 level when the office was originally established. The reduced amount would be enough to fund the core staff of the office. The main effect would be to delete almost all the budget for the Mayoral Advisors. This is do-able legally as they are not a statutory function, but would reduce the Mayor's capacity to respond on matters requiring policy input.

Additional Financial comments (if any)

The Mayor's office is part-funded for two years from reserves and therefore a cut would not deliver an ongoing saving.

Where employees of the Council, advisers may be entitled to severance pay on the termination of contracts and funding for this would need to be found from Council reserves.

Additional Legal comments (if any)

Mayor's advisers contracts are subject to a one month termination period.