

Prime Minister



4 March 1981

MP 4/3

PRIME MINISTER

You will remember that I told you that Leslie Pym had invited the team of accountants that organised the water exercise into Barnet.

I have seen a confidential paper they prepared and I agreed with Leslie that you should have a copy.

My own impression is that Barnet by any standards compares favourably with many authorities and I have been most impressed by Leslie's receptive approach to my suggestion that he should seek professional advice.

In the event I believe that the accountants proposals that this year a reduction in the proposed rate increase from 30.4% to 25.3% (page 2) was only partially accepted (27.8% I believe). In other words the balances were used and the economy ideas are to be investigated for next year in a more leisurely timescale.

What is particularly interesting to me is that Barnet have apparently hit our 5.6% volume reduction and yet these other opportunities exist. I should point out that these potential economies were largely mentioned at official level in the authority and some of them have been considered and rejected politically.

And of course this is only after a most superficial one-week investigation.

WJH.

MH

LONDON BOROUGH OF BARNET
SUMMARY OF 1981/82 ESTIMATE

	1980/81 ORIGINAL ESTIMATE	1981/82 ESTIMATE	1981/82 OVER 1980/81	1981/82 OVER 1980/81	1981/82 OVER 1980/81	RATE IN £ 80/81	RATE IN £ 80/81	INCREASE IN PENNY RATE
	£'000	£'000	£'000	£'000	%	P.	P.	%
COMMITTEES:-								
Allotments	(21)	(21)	-	-	-			
Carnival & Shows	9	11	2	2	21			
Development & Estates	2,951	3,005	54	54	2			
Education	44,677	51,837	7,160	7,160	16			
Finance	(811)	(1,501)	(690)	(690)				
General purposes	1,159	1,243	84	84	7			
Central Administration	6,196	7,040	844	844	14			
Housing	855	729	(126)	(126)	(15)			
Libraries & Arts	2,235	2,363	128	128	6			
Public Works	6,017	6,609	592	592	10			
Social Services	9,947	11,639	1,692	1,692	17			
Town Planning & Research (Contingency)	1,076	954	(122)	(122)	11			
	5,800	4,050	(1,750)	(1,750)				
	80,090	87,958	7,868	7,868	10			
Cost of rate collection and rebates		948	948	948				
	80,090	88,906	8,816	8,816	11	138.8	152.0	9.5
EXPENSES UNDER PRECEPTS:-								
Greater London Council	11,885	14,140	2,255	2,255	19	20.6	24.2	
Metropolitan Police	7,328	8,980	1,652	1,652	23	12.7	15.3	
	99,303	112,026	12,723	12,723	13	172.1	191.5	11.3
Less: Rate Support Grant & Greater London Equalisation	(42,085)	(41,197)	888	888		(72.9)	(70.4)	
	57,218	70,829	13,611	13,611	24	99.2	121.1	22.1
Adjustment to Balances	(960)	249	1,209	1,209		(1.7)	0.4	
Rate required	56,258	71,078	14,820	14,820	26	97.5	121.5	24.6
Domestic Rate Support						(18.5)	(18.5)	
Domestic Rate						79.0	103.0	30.4

LONDON BOROUGH OF BARNET

Summary for Consideration of Possible Method of Reducing Rate

	<u>Rate to be Raised</u>	<u>Penny Rate (Domestic)</u>	<u>% Increase</u>	
Present proposal	£71,078,000	103p	30.4%	
Possible reductions in estimated expenditure	1,000,000			
Greater use of balances	1,340,000	4p		
Alternative proposal	<u>£68,738,000</u> =====	<u>99p</u> =====	25.3%	<i>5.1% less</i>

Notes

1. Penny rate product is estimated at £585,000.
2. Last years domestic penny rates was 79p.
3. Grant should not be affected.
4. Domestic rate support is 18.5p in 1980/81 and 1981/82. Fall is therefore:

— 1980/81 : 97.5p
1981/82 proposed : 121.5p
1981/82 alternative: 117.5p
5. A more aggressive strategy using all the listed savings and another £1m of balances could get the rate down to 96p - a 21.5% increase.

LONDON BOROUGH OF BARNET

BALANCES

	£'000	fund balances 31.3.81	use in 1981/82 to increase (reduce) rate	possible balance at 31.3.82	Notes
<u>General Rate fund</u>					
balance 31.3.80	4,126				
planned appropriation 80/81	(960)				
overspend 80/81	(1,449)				
additional RSG	255				
expected 31.3.81	2,000	£2.0m	£0.25m	£2.2m	Possible balances are approximations; detailed estimates are not yet available
	=====				
<u>Insurance fund</u>					
		1.2	(0.25)	1.2	Does not allow for clawback of grant (at 1½% would be £0.6m)
<u>Capital and renewals fund</u>					
of which:					
capital amounts (0.6m)		3.5	(0.50)	2.8	May be more if good claims experience continues. Repayment to rate fund in 1981/82 is surplus.
provision towards new offices (£1.85m)					In 1981/82 no provision is to be made, but fund will continue to be used to fund plant and equipment renewal
plant and equipment (£1m)					
<u>Capital receipts unapplied</u>					
		3		4.3	Assumes £1.3m from sales of property (Further £0.5m possible in 1981/82)
		-----	-----	-----	Interest credited to rate fund.
		£9.7m	£(0.5)m	£10.5	
		=====	=====	=====	

LONDON BOROUGH OF BARNET

Summary Schedule of Possible Savings for Consideration

	<u>£</u>
<u>Public Works</u>	
1. Charge for off-street car parking	150,000
2. Implement refuse bonus scheme faster	150,000
<u>Vehicle and Plant Account</u>	
3. Reduce vehicle fleet size	100,000
<u>Estates</u>	
4. Implement parks bonus scheme faster	200,000
<u>Education</u>	
5. Cut secondary teachers by further 25	130,000
6. Cut primary teachers by further 32	130,000
7. Raise school meal price further	80,000
8. Reappraise expansion of nursery programme	20,000
9. Change admission policy for rising fives	60,000
10. Reduce discretionary awards	30,000
11. Close two libraries	80,000
12. Reschedule opening times of libraries	40,000
<u>Social Services</u>	
13. Restructure department	80,000
14. Close an additional children's home	80,000
15. Re-introduce assessment for charges for day nurseries	35,000
16. Reduce number of day care nursery places	75,000
17. Close Park House Hostel	20,000
18. Let more of Maynard House Observation centre to other authorities (or close it)	70,000
<u>General Purpose</u>	
19. Simplify committee structure	20,000
20. Streamline legal services	15,000
21. Stop letting out council rooms at a direct loss	5,000

	£1,570,000
	=====

LONDON BOROUGH OF BARNET

Detailed Schedule of Possible Savings for Consideration

<u>Item</u>	<u>Amount</u>	<u>Comments</u>
<u>Public Works</u>		
1. Introduce charges for off-street car parking.	£150,000	Council policy is not to charge. Estimate is based on 2,000 spaces in off-street parks at average rate of 50p per day for 5 day week. Capital costs for pay and display machines have been deducted from receipts, as have the running costs of two wardens. <u>Note:</u> charging for off-street parking may lead to greater on-street parking. Charges for this through meters could be considered.
2. Implement bonus incentive scheme for refuse collectors.	£150,000	Council is implementing scheme with estimated savings of £250,000 but only £100,000 has been included in 1981/82 on account of difficulties in achieving full savings in year 1 because council will have to employ forty-four surplus refuse collectors until they leave through natural wastage. Council policy does not envisage redundancy. Proposal is to utilise reserves to pay redundancy costs, make surplus men redundant and ensure planned operating savings are achieved.
<u>Vehicle and Plant Accounts</u>		
3. Reduce vehicle fleet size, making more flexible use of pool vehicles and hiring, on an as required basis, vehicles and plant that currently have low utilisation. Saving based on 5% reduction of £2 million estimated expenditure 1980/81.	£100,000	Currently, many classes of vehicles have relatively low utilisation. With previous years deferred/reduced replacement policy, the fleet has been getting older and maintenance cash would be expected to increase. Fleet management package proposed to monitor costs/usage, etc. and identify economic vehicle lives /'rogue vehicles'/low utilisation as basis for reducing costs. This is likely to provide longer term Recommend immediate study to analyse information currently available and determine short-term action including:

<u>Item</u>	<u>Amount</u>	<u>Comments</u>
		<ul style="list-style-type: none"> - disposal of high operating cost vehicles - disposal of vehicles and plant not being used economically (unless required for other reasons, e.g. gritters) - hiring of vehicles to cover short term needs - consider sharing of certain specialist vehicles with other Boroughs (e.g. high pressure drain cleaners) - more flexible use of vehicles on some extended form of 'pool' basis (there is clearly an inconvenience factor here) - reduce external hiring
<u>Estates and Research</u>		
4. Implement bonus incentive scheme for park and estate workers	£200,000	Council is implementing scheme with total saving estimated at £391,000. Only £25,000 is recognised in 1981/82 owing to difficulties in reducing workforce by the estimated 32 to 42 employees. Proposal envisages using reserves to meet redundancy costs and reducing workforce to ensure planned operating savings are met.
<u>Education</u>		
5. Cut secondary teachers by a further 25 from September: 25 x £9,000 p.a. x 7 months	£130,000	Cuts presently proposed will bring Barnet's September 1981 pupil/teacher ratio into line with average for 1980/81 <u>estimates</u> for London Boroughs. It is therefore likely to be significantly above the average of other Boroughs' proposals for 1981/82. Barnet's large sixth forms mean that Barnet should be able to manage with higher pupil/teacher ratios than most Boroughs. It might be necessary to cut out some subjects from the curriculum

<u>Item</u>	<u>Amount</u>	<u>Comments</u>
6. Cut primary teachers by a further 32: 32 x £7,000 x 7 months	£130,000	This will probably hold Barnet in line with the London Average. The figure of 32 is calculated on a class size of 28 based on projected school population plus head and one other teacher per school.
7. Raise school meal prices from 40p to 50p rather than 45p in September. Assume further 5% drop out.	£80,000	Revenue could be further increased if the rise was implemented in April.
8. Reappraise expansion of nursery programme.	£20,000	Cancellation of present capital programme would save full year cost of £35,000. There is no statutory requirement for the nursery programme; it might be possible to cut here, although staff turnover is very low.
9. Change admission policy to take in rising fives from January rather than September. Estimate provided by officers.	£60,000	This still meets the statutory requirements. To realise the saving the take on of teachers must be deferred from September to January. Officers believe this is possible but administratively difficult.
10. Reduce discretionary awards allocation	£30,000	This would require a reappraisal of the criteria for making such awards or to deal with them on a first come first served basis.

Libraries

11. Close libraries at:		Savings around 80% of full year saving.
South Friern	£40,000	
Childs Hill	£40,000	Borough appears to have unusually large number of libraries for its size, even after these closures. (Recognised as necessary due to awkward shape and poor transport within Borough.)
		This proposal has been considered and rejected once.
12. Reschedule opening times of libraries to reduce staff hours (estimate at 2% of budget)	£40,000	Most libraries in the Borough already shut on Mondays and of necessity are open in the evenings and on Saturdays. However it would be possible to effect further reductions.

<u>Item</u>	<u>Amount</u>	<u>Comments</u>
<u>Social Services</u>		
13. Restructuring of Department (O&M Study)	£80,000	Due to no redundancy policy O&M estimate on £30,000 can be saved in 1981/82, of which £15,000 reflected in estimates. £80,000+ could be achieved with early retirement and redundancy.
- reduce number of central senior posts		
- reduce area teams from 6 to 3		
- consequent occupancy cost savings in clerical/admin assistance.		
Total savings forecast by O&M of £250,000 or 30+ staff.		
14. Close an additional children's home.	£80,000	Assuming more aggressive shift towards fostering/adoption than currently. Department would argue that they are doing all they can. Closing a home would force them to find places. Jobs or redundancy or retirement for 6 staff also required - not clear how much, if anything, this would cost. In past costs of staff losing jobs because of closure have been minimal.
£100,000 saving less boarding out for 12 children. (£28 x 52 weeks)		
15. Re-introduce assessment for charges for day nursery places.	£35,000	Currently charges only made for meals in line with Education Department nursery school charges. Many parents pay nothing because they are already receiving supplementary benefit/family income supplement.
Increased amount represents value of money actually collected in 1976/77 (when assessment was dropped) at current prices.		
16. Reduce number of day care nursery places for under-fives from 240 to 190.	£75,000	Would also mean closing a day nursery with possible redundancy costs. Social Services Department see day care provision as one of cornerstones of policy to keep children out of care. It could be argued that they are successful. Would mean more aggressive use of sponsored child-minders.
£50 per week x 50 x 52 weeks		
less cost of full-time child minders		
£20 per week x 50 x 52 weeks		

<u>Item</u>	<u>Amount</u>	<u>Comments</u>
17. Close Park-House Hostel for mentally ill adults. £40,000 net cost after charges less cost of providing places in voluntary sector. £40,000 - 10 places at £2,000 per year.	£20,000	Have already been moves in this direction, i.e. number of places already reduced from 20 to 10. Savings could be increased further if some of inmates discharged altogether or sent to council owned group housing.
18. Increase use of Maynard House Observation and Assessment centre by other authorities. If 10 places instead of 5 paid for by other authorities, saving would be 5 x £300 x 52.	£70,000	Occupancy of this extremely expensive resource is reducing below 80% and seems to be scope for providing fixed number of places to other authorities. Alternatively Maynard House could be closed saving annual costs of £200,000+ for 16 places. (excluding £50,000 debt charges).

General Purposes

19. Simplify committee structure. Reduce number of committees from 17 to 11 and streamline committee support functions.	£20,000	A review of committee structure is currently taking place but the pace is slow because of entrenched positions
20. Streamline legal services. Save 3 staff	£15,000	Would require an O&M study
21. Stop letting out council rooms or increase charges (£15 cost less £5 income x50 weeks x 10 sites)	£5,000	Present charges do not cover heat, light and caretakers.
Total of above	----- 1,570,000 =====	

Other Observations

(These were not put in writing)

1. Administration

In a study of this nature we were not able to pinpoint specific suggestions for savings in the short term.

However, our general impression is that it would be worthwhile to conduct detailed reviews of administration concentrating on what activities give rise to cost, whether they are necessary and an appropriate level of unit cost for each activity. In a situation where departments are having to maintain vacancy levels at 15% it would be surprising if the squeeze had not been uneven in its effect.

2. Financial Control

While we have not carried out a complete review of the financial systems, our general impression is that poor computer systems support is provided. In particular, we suspect that the systems do not support an adequate level of accountability.

3. Depots and stores

There appears to be scope for rationalisation of depots and stores arrangements which go back to the days of the pre-decessor Councils. Potential benefits would be reduced stock levels, reduced storekeeping and purchasing costs, reduced obsolescence costs, and release of premises.

4. Productivity schemes

Further benefits are expected to be achievable from the implementation of bonus schemes in highways (£45,000), Transport workshops (£50,000) and street cleansing (£40,000). Implementation of these schemes is being held up by lack of work study capability.