

**REPORT TO:** Cabinet

**DATE:** 30<sup>th</sup> September 2010

**SUBJECT:** Transformation Programme Update  
Prioritisation and Strategic Budget Review

**WARDS AFFECTED:** All

**REPORT OF:** Margaret Carney  
Chief Executive

**CONTACT OFFICER:** Jan McMahon  
Head of Transformation  
0151 934 4431

**EXEMPT/CONFIDENTIAL:** No

**PURPOSE/SUMMARY:**

To report the progress of the Transformation Programme, Prioritisation and Strategic Budget Review and identify actions that can be taken now to help reduce the 2011/12 – 2013/14 budget gap.

**REASON WHY DECISION REQUIRED:**

To support timely decision making and allow early actions to be taken to help reduce the 2011/12 – 2013/14 budget gap.

**RECOMMENDATION(S):**

**Cabinet is recommended to:**

- i) note the VER/VR progress made to date as part of the Transformation Programme
- ii) endorse the Prioritisation/Identification process related to external funding detailed in Annex B
- iii) note that due diligence is taking place with regard to reviewing fixed term and temporary employment contracts
- iv) endorse the commencement of negotiations with the independent nursing home and domiciliary care sectors with a view reaching an agreement on the payment of inflation for 2011/2012
- v) agree that the Adult Social Care Director undertake a review of the charging policy relating to the provision of Adult Social Care
- vi) agree that the Adult Social Care Director undertake a review of the thresholds associated with packages of care managed by the Community Care Panel
- vii) agree that officers commence a consultation process with employees and Trade Unions to secure an agreement on the Terms & Conditions issues outlined in paragraph 4.3, including the issue of relevant statutory notifications, if appropriate
- viii) note the intention to present further tactical/operational budget savings options to future meetings of Cabinet, as the prioritisation process develops, to work towards the closure of the 2011/12 – 2013/14 budget gap.

**KEY DECISION:** No. This report is not a key decision in itself but forms part of the process for setting the Council's budget and Council Tax.

**FORWARD PLAN:** Yes. Setting the Council's budget and Council Tax is included on the forward plan.

**IMPLEMENTATION DATE:** Following the expiry of the call-in period for this meeting.

**ALTERNATIVE OPTIONS:**

Not to agree the issues identified will increase budgetary pressures on the Council.

**IMPLICATIONS:**

**Budget/Policy Framework:**

**Financial:** The options and actions proposed in this report will support the Council's budget setting process for 2011/12 and seek to reduce the currently predicted MTFP budget gap of ~£53m over the period 2011/12 – 2013/14.

<b><u>CAPITAL EXPENDITURE</u></b>	<b>2009/ 2010 £</b>	<b>2010/ 2011 £</b>	<b>2011/ 2012 £</b>	<b>2012/ 2013 £</b>
Gross Increase in Capital Expenditure	N/a	N/a	N/a	N/a
Funded by:				
Sefton Capital Resources	N/a	N/a	N/a	N/a
Specific Capital Resources	N/a	N/a	N/a	N/a
<b><u>REVENUE IMPLICATIONS</u></b>				
Gross Increase in Revenue Expenditure	N/a	N/a	N/a	N/a
Funded by:				
Sefton funded Resources	N/a	N/a	N/a	N/a
Funded from External Resources	N/a	N/a	N/a	N/a
Does the External Funding have an expiry date? Y/N	When?			
How will the service be funded post expiry?				

**Legal:** Formal budgetary decisions must be made at full Council.

**Risk Assessment:** Early decision making in relation to budget issues will help to mitigate the impact of the consequential changes by giving sufficient time to undertaken the required formal consultation / notification processes.

**Asset Management:** None

**CONSULTATION UNDERTAKEN/VIEWS**

Strategic Director Health & Well Being,  
 Strategic Director Children, Schools & Families,  
 Strategic Director Communities,  
 Safeguarding, Early Intervention & Prevention Services Director,  
 Assistant Chief Executive  
 Head of Personnel,  
 Head of Finance,  
 Assistant Director Operations.

**CORPORATE OBJECTIVE MONITORING:**

<u>Corporate Objective</u>		<u>Positive Impact</u>	<u>Neutral Impact</u>	<u>Negative Impact</u>
1	Creating a Learning Community			√
2	Jobs and Prosperity			√
3	Environmental Sustainability			√
4	Health and Well-Being			√
5	Children and Young People			√
6	Creating Safe Communities			√
7	Creating Inclusive Communities			√
8	Improving the Quality of Council Services and Strengthening local Democracy			√

**LIST OF BACKGROUND PAPERS RELIED UPON IN THE PREPARATION OF THIS REPORT**

Report to Cabinet 3<sup>rd</sup> December 2009 *Transformation Programme Update - Strategic Budget Review*  
 Report to Cabinet 8<sup>th</sup> July 2010 *Strategic Budget Review and Budget 2010/11*  
 Report to Cabinet 5<sup>th</sup> August 2010 *Consultation Framework on Budget Reductions*  
 Report to Cabinet 2<sup>nd</sup> September 2010 *Prioritisation And Strategic Budget Review*

## 1. **Background**

- 1.1. At the 3<sup>rd</sup> December 2009 meeting Cabinet recommended to Council that *“the Chief Executive be given delegated authority to agree to any further Expressions of Interest for Voluntary Early Retirement/Voluntary Redundancy.”*  
This recommendation was accepted by Council on the same date.
- 1.2. At the 8<sup>th</sup> July 2010 meeting Cabinet received a report entitled *“Strategic Budget Review and Budget 2010/11”* that outlined the impact of recent Government announcements, which resulted in a £7.145m reduction of grants for Sefton in the current financial year, 2010/11. The report also updated the Council’s Medium Term Financial Plan (MTFP) to take account of the measures included in the Government’s Emergency Budget, particularly the announcements of a 2 year freeze in Council Tax and the Government’s intention to reduce public expenditure by an average 25% over the next 3 years. The overall impact of these measures was to increase the predicted 3 year MTFP budget gap from ~£30m to ~£53m.
- 1.3 At the 5<sup>th</sup> August 2010 meeting Cabinet received a report entitled *“Consultation Framework on Budget Reductions”*, and resolved that
- (1) the consultation frameworks set out in the report be approved; and
  - (2) specific proposals be submitted to the Cabinet once the scope and impact of budget reductions on staff and service delivery is known.
- 1.4 This report outlined frameworks for consulting both with staff and with the public on changes to service delivery, set in the context of the significant reductions in central Government grant to local authorities. The Government have already made decisions to reduce public sector spending in this financial year and in future years. More information will be available after the Comprehensive Spending Review (CSR) in October.
- 1.5 When the Council has been able to analyse the CSR impacts locally, it will be important to communicate its impacts to the public. Any subsequent decisions taken will need to be open and transparent but, due to the pace of change, where significant reductions in services are identified, or where services cease, consultation with those staff and service users directly affected will have to take place quickly. The Chief Executive will ensure that the media are briefed throughout the process to ensure that decisions made are widely communicated.
- 1.6 At the 2<sup>nd</sup> September 2010 meeting Cabinet received a report entitled *“Prioritisation and Strategic Budget Review”* and resolved to
- i) note the report,
  - ii) approve the establishment of the identified Strategic / Organisation Design project work-streams, together with the Lead Officer support and Elected Member Overseeing Groups,
  - iii) note the intention to present further tactical/operational budget savings options to future meetings of Cabinet, as the prioritisation process develops, which will work towards the closure of the 2011/12 – 2013/14 budget gap,
  - iv) recommend to Council that the savings options identified in paragraph 8, to achieve full year budget savings of £2.4m in 2011/12 be progressed.

The recommendation was accepted by Council on the same date.

## 2. Transformation Programme Update

- 2.1. The 6 Strategic / Organisational Design project work-streams (“*Big Ideas*”) identified above are now progressing and resourced as described in Annex A. The projects sit within the reporting structure of the Transformation Programme and the Project Managers meet on a regular basis.
- 2.2. All project Lead Officers have met with their overseeing Elected Member group.
- 2.3. To support the Prioritisation process the Transformation Team completed an organisational mapping exercise in conjunction with colleagues from all departments. This enabled the Team to develop a snapshot of the organisation in terms of reporting lines and service delivery. The output of this process is also being used to review existing delegated authorities.
- 2.4. As stated above clear communications, both internally with staff, Trade Unions & Elected Members and externally with partners and the media, continue to be essential if progress is to be made. Presenting regular, consistent and informative messages to staff updating them on the rationale for the Transformation programme and the progress made, is critical to achieving the changes required. Staff communications continue to be provided via a number of channels including, but not limited to, the Strategic Leadership briefings, senior management meetings and workshops, “*Informing Sefton*” Intranet page, departmental and team meetings.
- 2.5. Staff are able to make suggestions or ask questions relating to the Transformation Programme via e-mail, phone and written correspondence. Responses to Frequently Asked Questions are published on the Intranet and made available to those without access to this facility. Alternative arrangements are made for staff who do not have access to the Intranet.
- 2.6. Transformation Programme progress is reported to Trade Unions on a regular basis.
- 2.7. In September 2009 and June 2010 exercises were undertaken seeking Expressions of Interest for Voluntary Early Retirement/Voluntary Redundancy (VER/VR). The table below details the current position of received expressions of interest -

Number of Expressions of Interest approved by Cabinet December 2009	50
Number of Expressions of Interest approved by Chief Executive (since 3 <sup>rd</sup> December 2009)	53
Number of Expressions of Interest declined since September 2009	59
Number of Expressions of Interest decision pending	56
Number of Expressions of Interest withdrawn by employee	9

- 2.8. The subsequent VER/VRs agreed have resulted in the following savings being generated:-

2010/2011	£2,488,855 (reflected in setting current year’s budget)
2011/2012	£497,072 (full year impacts of VER/VRs agreed since 1/4/2010)
2012/2013	£25,110
<b>Total</b>	<b>£3,011,037</b>

- 2.9. The opportunity to express an interest in VER/VR remains open to the workforce.

2.10. Cabinet is asked to endorse the VER/VR progress to date as part of the Transformation Programme.

2.11 A report on the Capital Programme was presented to Cabinet/Council on 2 September 2010 which identified agreed schemes which had not, as yet, been contractually committed. Cabinet considered each scheme with a view to either agreeing progression to completion or to ceasing further work on the scheme and releasing the uncommitted resources, either prudential borrowing or un-ringfenced grant.

2.12 This review resulted in the release of

- £699,000 in the current year with a further £48,000 in 2011/12 of prudential borrowing requirement, which has a revenue budget impact of £56,000 in 2011/12 rising to £60,000 in 2012/13, (this will be updated in the MTFP) and
- £421,000 of un-ringfenced grants, which could have a revenue budget impact of up to £35,000 as it is intended to use these resources to offset existing prudential borrowing for committed capital schemes. There is still the possibility of Government clawback in relation to these grants and formal amendment to the MTFP will not be progressed until that issue has been resolved.

### 3. **Prioritisation**

3.1. The Council will need to continue to achieve efficiencies or downsize in lower priority areas and this process will need to be effectively managed to ensure service impacts are minimised whilst achieving sustainable savings.

3.2. As part of the next stage in determining Council priorities, consideration is being given to those service areas underpinned by external funding. By its nature this funding is additional to the Council's core budgets and is generally applied to achieve a specific set of outcomes.

3.3. In developing a prioritisation process it has been generally accepted that these external funding streams are at the highest risk of being reduced, or ceased, by the Government or the sponsoring organisation. The funding streams have often been applied to achieve specific (previous) Government priorities/policy objectives which may no longer be considered a priority by the current Government. This does not mean that the activity is automatically a lower priority for the Council and this will need to be assessed as part of the process.

3.4. In order to effectively plan for this the prioritisation/identification process for externally funded activities described in Annex B is being proposed.

3.5. This process may reveal areas for savings not previously identified or discussed.

3.6. All activity funded externally will be assessed on its priority for the Council going forward. If the activity is deemed to be critical to core business then it will all go into the second phase of prioritisation with the rest of the Council's activities.

3.7. Cabinet is asked to endorse this process and note that due diligence is taking place with regard to reviewing fixed term and temporary employment contracts.

#### 4. **Strategic & Tactical Savings Options**

##### 4.1. Procurement & Commissioning

- a) The re-tender of the Office Supplies contract is now complete. The savings associated are currently being identified and will be reported to Cabinet once confirmed.
- b) The Adult Social Care Director will be progressing re-negotiations with New Directions in relation to contract provisions. All commissioning/contracts will be evaluated to ensure they are providing value for money as part of the "Big Idea" review of services provided by the Third Sector.
- c) The Head of Personnel is about to commence the review of the contractual provision with providers to the Health Unit.
- d) The Operations Director is about commence negotiations with new and existing building cleaning clients to review pricing at the commencement of all new / renewed contracts.

##### 4.2. Integration of Integration of Adults & Children's Services

- a) The closure of Kirwan House is progressing, consultation with staff is underway.
- b) Cabinet is asked to endorse the commencement of negotiations with the independent nursing home and domiciliary care sectors with a view reaching an agreement on the payment of inflation for 2011/2012.
- c) Cabinet is asked to agree that the Adult Social Care Director undertake a review of the charging policy relating to the provision of Adult Social Care.
- d) Cabinet is asked to agree that the Adult Social Care Director undertake a review of the thresholds associated with packages of care managed by the Community Care Panel.

##### 4.3. Terms & Conditions

- a) A number of savings options relating to staff terms and conditions were identified in the informal briefing sessions undertaken with Cabinet and individual Party groups. These included;
  - i) Freezing incremental progression
  - ii) Removal of retainer pay
  - iii) Reduction in car mileage rates
- b) Alongside the pay and grading changes the Trade Unions were also invited to agree to potential amendments to allowances and enhancements. The basis of this proposal focused on mitigating the cost of the pay and grading review and exploring the possibility of extending the pay protection period. The suggested changes to terms and conditions are;
  - i) Night rate and unsociable hours rate becomes a uniform rate of 15%.
  - ii) All overtime at a rate of time and a half.
  - iii) No enhancements paid for additional hours worked (including weekend work) until 39 plain time overtime threshold has been achieved.
  - iv) Free day and rest day working paid at time and a half.

- v) No overtime to be payable on SCP 32 or above, emergency duty allowance payable at a rate of 15%.
- c) It was understood that the Trade Unions intended to seek their members' views by balloting on the general acceptance of the new pay structure and had decided to include the allowances proposals to this process. However, at a meeting on 25th August all 3 Trade Unions reported that they had consulted their Regional Officers who had confirmed that a ballot was no longer considered appropriate and this has been confirmed in writing.
- d) If a collective agreement is not possible, Cabinet is asked to endorse continued consultation including the issue of appropriate statutory notifications to progress these matters further.

4.4. Further discussion of detailed savings proposals will be undertaken with Cabinet and Party Leaders over the next month.

4.5. Cabinet is asked to note the intention to present further tactical/operational budget savings options to future meetings, as the prioritisation process develops, which will work towards the closure of the 2011/12 – 2013/14 budget gap.

## 5. Recommendations

5.1. Cabinet is recommended to:

- i) note the VER/VR progress made to date as part of the Transformation Programme
- ii) endorse the Prioritisation/Identification process related to external funding detailed in Annex B
- iii) note that due diligence is taking place with regard to reviewing fixed term and temporary employment contracts
- iv) endorse the commencement of negotiations with the independent nursing home and domiciliary care sectors with a view reaching an agreement on the payment of inflation for 2011/2012
- v) agree that the Adult Social Care Director undertake a review of the charging policy relating to the provision of Adult Social Care
- vi) agree that the Adult Social Care Director undertake a review of the thresholds associated with packages of care managed by the Community Care Panel
- vii) agree that officers commence a consultation process with employees and Trade Unions to secure an agreement on the Terms & Conditions issues outlined in paragraph 4.3, including the issue of relevant statutory notifications, if appropriate
- viii) note the intention to present further tactical/operational budget savings options to future meetings of Cabinet, as the prioritisation process develops, to work towards the closure of the 2011/12 – 2013/14 budget gap.

## Transformation Programme 2010/11 – Strategic Groups

## Annex A

*(Note: All Project Managers will meet fortnightly (Neighbourhoods & Invest/Programmes Director will attend on a monthly basis), Head of Transformation Services will report to SLT in order to progress decisions, escalate issues, work with Finance to track savings etc., SLT will agree items within scheme of delegation and agree items to report to Cabinet/Council)*

Customer Access	Integration of Health & Well Being with Children, Schools & Families	Early Intervention	Procurement & Commissioning Review	Community, Voluntary & Faith Sector Service Delivery & Grants Review	Integration & Shared Services
Lead Officer: Bill Milburn	Lead Officer: Peter Morgan	Lead Officer: Charlie Barker	Lead Officer: John Farrell	Lead Officer: Sam Tunney	Lead Officers: Sam Tunney, Mike Fogg
Project Manager Wayne Leatherbarrow	Project Manager Ruth Rice	Project Manager Simon Carrigan	Project Manager Tommy Crawford	Project Manager Roger Robinson	Project Managers Jan McMahon, Wayne Leatherbarrow
Strategic Group Bill Milburn, Graham Bayliss, John Farrell, Sue Holden, Wayne Leatherbarrow, Michael Jones, Margaret Loughlin, Linda Price, Peter Moore	Strategic Group Peter Morgan, Colin Pettigrew, Jean Massam, Graham Taylor, Ruth Rice, Charlie Barker, Robina Critchley, Graham Bayliss, Amanda Langan, Janet Atherton/Hannah Chellaswamy, Jan McMahon	Strategic Group Charlie Barker, Sarah Austin, Simon Burnett, Nick Carbonaro, Simon Carrigan, Dave Fenney, Liz Johnson, Derek Jones, Jacqui Kerr, Amanda Langan, Alan Lunt, Colin Pettigrew, Cathy Warlow, Jan McMahon	Strategic Group John Farrell, Jim Black, Nick Carbonaro, Peter Cowley, Robina Critchley, Tom Clay, Steve Deakin, Brian Gibson, Mo Kundi, Jan McMahon, Gary Massey, Linda Mitchell, Colin Pettigrew, Dave Richardson	Strategic Group Sam Tunney, Olive Carey, Robina Critchley, Sue Holden, Mike Martin, Ian Willman, Angela White plus rep from PCT.	Strategic Group Performance – Sam Tunney, Sue Holden, Wayne Leatherbarrow, Laura Shepherd Strategic Group Communications – Sam Tunney, Andrea Grant, Dan Grice, Jan McMahon Strategic Group Finance - John Farrell, Nick Carbonaro, Mike Fogg, Jeff Kenah, Jan McMahon, Mike Martin, Colin Speight, Helen Wilson Strategic Group Personnel – Mark Dale, Mike Fogg, Jan McMahon Strategic Group Legal – Jill Coule, Mike Fogg, Jan McMahon, Dave McCullough

**Accommodation Strategy, Communication, Consultation, Cultural Change, ICT Strategy, Vacancy Panel, VR/VER, Workforce Development Strategy**

**Prioritisation – Process - Externally Funded Activity**

- Identify all sources of external funding for the Council including Government and other organisations.
- Confirm the activity which is delivered with this funding.
- Identify occupied posts/ teams funded from these sources – (10th September 2010)
- Identify commissioned activity.
- Confirm scope of services/activities identified and confirm if critical to core business or non critical (Departments 24th September 2010).
- Provide departmental staffing information to Service Directors for review and validation. (14th September 2010).
- Validated staffing information to be returned to Transformation (17th September 2010).
- Confirm salaries associated, whole organisation (Finance & Transformation 23rd September 2010).
- Undertake Equalities Impact Assessment (Personnel 28th September 2010).
- Commence “soft” consultation process (Departments & Personnel date to be agreed).
- Collate and provide scope of services/activities, staffing and financial information to next SLT (30th September 2010).
- Review information provided (SLT 30th September 2010).
- Agree proposals to be presented to Cabinet (SLT 30th September 2010).
- Undertake Equalities Impact Assessment (Personnel 7th October).
- Seminar to be provided re handling consultation process (Personnel date to be agreed).
- Cabinet to consider proposals (28th October 2010).
- For approved proposals creating a redundancy situation approved by Cabinet issue HR1 & Section 188 (Personnel 12th November 2010).
- For approved proposals leading to the cessation of a service/activities confirm and action de-commissioning plan.
- For approved proposals leading to the re-direction or diminution of a service/activities confirm and action plan.
- Formal consultation process commences.