

REPORT TO: Cabinet
Council

DATE: 16th December 2010

SUBJECT: **Transformation Programme and Further Options**

WARDS AFFECTED: All

REPORT OF: Margaret Carney
Chief Executive

CONTACT OFFICER: Margaret Carney
Chief Executive and S151 Officer
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EXEMPT/CONFIDENTIAL: No

PURPOSE/SUMMARY:

The report makes recommendations on the relative priority of Council services in the light of the forecast savings required following the Government's Comprehensive Spending Review. This prioritisation informs the identification of further budget options which will reduce the 2011/12 – 2013/14 budget gap.

REASON WHY DECISION REQUIRED:

Following the Government's Spending Review, the Council continues to forecast a significant budget gap over the next three years and decisions are required to ensure that any actions taken to eliminate the gap can be implemented in a timely way. Given the scale of the forecast savings, the future shape of the Council must be determined by reference to the relative priority of the services it provides and the outcomes it is seeking.

RECOMMENDATION(S):

Cabinet is recommended to

- a) Note progress to date
- b) Agree the assessment of critical, frontline and regulatory services as defined in appendices A, B & C
- c) Consider the associated savings as defined in appendix D and make appropriate recommendations to Council
- d) Consider the tactical savings options at appendix E and make appropriate recommendations to Council
- e) Cabinet is asked to approve the proposed changes to the MTFP assumptions, note the illustrative assumption that Corporate and Departmental Management and Admin can be reduced by 25% and make appropriate recommendations to Council
- f) Mandate officers to commence a consultation process with employees and Trade Unions with a view to reaching an agreement on the Terms & Conditions issues outlined in paragraph 4.4, including the issue of relevant statutory and contractual notifications, if appropriate to achieve change
- g) Authorise officers to prepare for implementation immediately, pending final decisions of Council
- h) Note that the proposals contained in this report will not meet the forecast deficit and that further proposals will be presented to the Cabinet meeting in January

Council is requested to:

- a) Note progress to date
- b) Agree that the savings options identified in appendix F to achieve savings of £2.4m be progressed (*these matters have previously been approved by Cabinet 28th October 2010 and are submitted to Council for approval*)
- c) Agree that the savings options (external funding review) identified in appendix G be progressed (*these matters have previously been approved by Cabinet 25th November 2010 and are submitted to Council for approval*)
- d) Agree that the savings options (tactical savings Table A) identified in appendix H be progressed (*these matters have previously been approved by Cabinet 25th November 2010 and are submitted to Council for approval*)
- e) Agree that the savings options (tactical savings Table B) identified in appendix H be progressed (*these matters have previously been approved by Cabinet 25th November 2010 and are submitted to Council for approval*)
- f) Subject to the consideration of Cabinet on 16 December agree the assessment of critical, frontline and regulatory services as defined in appendices A, B & C.
- g) Subject to the consideration of Cabinet on 16 December approve the associated savings as defined in appendix D
- h) Subject to the consideration of Cabinet on 16 December agree the tactical savings options as recommended by Cabinet at appendix E
- i) Subject to the consideration of Cabinet on 16 December agree changes to the MTFP
- j) Subject to the consideration of Cabinet on 16 December agree to mandate officers to commence a consultation process with employees and Trade Unions with a view to reaching an agreement on the Terms & Conditions issues outlined in paragraph 4.4, including the issue of relevant statutory and contractual notifications, if appropriate to achieve change

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:

Subject to the decision of Council on 16th December 2010

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 ~£58m over the period 2011/12 – 2013/14.

<u>CAPITAL EXPENDITURE</u>	2010/ 2011 £	2011/ 2012 £	2012/ 2013 £	2013/ 2014 £
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
<u>REVENUE IMPLICATIONS</u>				
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 undertake the required formal consultation / notification processes. Particular risks associated with activity funded from external sources is contained within the report

Asset Management:

There are no direct implications contained in the report. However there may be indirect implications which will be assessed as implementation progresses

CONSULTATION UNDERTAKEN/VIEWS

Strategic Director Health & Well Being,
Strategic Director Children, Schools & Families,
Strategic Director Communities,
Director of Corporate Services,
Assistant Chief Executive,
Head of Personnel,
Head of Finance.

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 3rd December 2009 *Transformation Programme Update - Strategic Budget Review*

Report to Cabinet 8th July 2010 *Strategic Budget Review and Budget 2010/11*

Report to Cabinet 5th August 2010 *Consultation Framework on Budget Reductions*

Report to Cabinet 2nd September 2010 *Prioritisation And Strategic Budget Review*

Report to Cabinet 30th September 2010 *Transformation Programme Update, Prioritisation And Strategic Budget Review*

Report to Cabinet 28th October 2010 *Transformation Programme Update and Initial Budget Savings*

Report to Cabinet 25th November 2010 *Transformation Programme and Further Options*

1. Background

- 1.1 Members will be aware from previous reports to Cabinet that the Council has forecast a budget gap of £58.5m over the next three years. This forecast is based on information contained in the Government Spending Review
- 1.2 The forecast savings represents approximately 26% of the Council's controllable budget. The table below identifies the phasing of the required savings.

Budget Year	Forecast Budget Gap	% of Controllable Budget
2011/12	£38m	16.7%
2012/13	£17m	7.3%
2013/14	£4m	1.7%

It can be seen from the above that the required savings are front-loaded. At the time of writing this report the Government has not issued its Finance Settlement for local government. If it is received in advance of the meeting a verbal update will be given to Cabinet. However given the scale of savings it is imperative that the Council continues to make timely decisions to reduce its spending.

- 1.3 In addition to identifying savings Cabinet at its meetings on 2nd September 2010, 30th September, 28th October and 25th November agreed a prioritisation process be undertaken relating to activity and approved the commencement of a number of negotiations relating to adult social care and some staff terms and conditions. Cabinet also noted that tactical savings options would be brought to future meetings.
- 1.4 This report presents further tactical savings for approval by Council and recommends the categorisation of activities as critical, frontline and regulatory and associated savings

2. Transformation Programme Update

- 2.1 The 6 Strategic / Organisational Design project work-streams ("*Big Ideas*") continue to progress including briefing with the overseeing Elected Member groups. The ongoing prioritisation process will mean that over the next few months it will be necessary to refocus the objectives and adjust the timescales of some or all of these projects.
- 2.2 In addition to the "Big Ideas" there are now a further two reviews being undertaken –

- Neighbourhoods and Safer Stronger Communities –

The Council has over recent years developed an approach to Area Management and co-ordination and activities aiming to develop safer and stronger communities. These activities are funded from a cocktail of funding including Area Based Grant, core funding and partnership contributions. A review is currently being finalised which considers how the desired outcomes in these areas can be achieved in the current economic climate. The total current cost of these activities is £3m. The outcome of the review will be reported in January.

- Economic Development

The Economic Development Division currently undertakes activity in 3 general work areas; Employment & Skills; Enterprise & Business Growth; and Regeneration

Initiatives including Low Carbon. The Division is funded by a combination of internal Sefton core budgets (currently supporting 14 permanent posts) and a variety of specific external funding streams (currently supporting 53 fixed term contract posts).

Following a fundamental review of the services provided and the funding mechanisms utilised, it is now proposed that the activities of the Economic Development Division be directly funded from successful bids for external funding and it be allowed to reinvest “over achievements” of external funding into maintaining and further developing service provision.

The outcome of the review is to, broadly, continue the current Economic Development activities but results in a core budget estimated saving of ~£725,000, generated by using the existing and predicted external funding streams to support both the core posts of the Division (which will reduce from 14 posts to 8) and the Employment & Skills; Enterprise & Business Growth; and Regeneration/Low Carbon activities (reduced from 53 posts to 50), for a period of 2-3 years, dependant on the extent to which existing external funding bids are successful. Additional future external funding streams will be explored and developed to support the continuation of the work of the Economic Development Division after this time.

By reconfiguring the funding to the Economic Development Division in this way the Division will benefit directly from its own successes, maintain the Council’s support for important areas of activity and significantly contribute to bridging the Council’s current budget gap. Full details of the review and the future funding streams are available should Members wish to view them.

The Council currently commissions organisations in the voluntary, community and faith sector to deliver schemes which support the work of the Economic Development Division. The Division will work with the Voluntary, Community and Faith Sector (VCF) *Big Idea* review to explore how to address the potential of funding opportunities to commission such work in the future.

In addition to these reviews the Voluntary, Community and Faith Sector (VCF) Big Idea Project has continued to be progressed. This will enable the Council to understand the impact on the sector of a reduction in external funding and available resources to commission services and to provide grants to VCF organisations. There have been a number of Cabinet and Council decisions to date which will result in a reduction in both Council delivered activity and commissioned activity from VCF and other organisations. The Cabinet and Council in January 2011 will be asked to consider the outcome of this review.

2.3 A further “*Informing Sefton*” briefing has been published advising staff of the decisions made by Cabinet 25th November 2010 with a further personal message from the Chief Executive published on 8th December 2010. In addition to this staff briefings have taken place and over 1600 staff have attended these meetings so far.

2.4 In September 2009 and June 2010 exercises were undertaken seeking Expressions of Interest for Voluntary Early Retirement/Voluntary Redundancy (VER/VR). The subsequent VER/VRs agreed have resulted in the following savings being generated:-

Year	Savings £000
2010/2011	2,524
2011/2012	767
2012/2013	46
Total	3,337

The above savings have been incorporated into specific savings proposals contained elsewhere in this report. The opportunity to express an interest in VER/VR remains open to the workforce and is positively promoted. The list of declined and pending expressions of interest have again been circulated and active measures will take place to progress those expressions where the financial case can be substantiated.

3 **Prioritisation**

- 3.1 At its last meeting Cabinet considered a number of recommendations regarding the externally funded activity and resolved that the Council be recommended to give approval to options in respect of externally funded activity totalling £3.4m (Appendix G). Cabinet may recall that whilst the savings identified assumed full achievement in 2011/12, further work was being undertaken to revise the actual phasing of the savings. This work has confirmed that CM57 (Detrunking) will have an impact in 2011/12 and 2012/13 only. Consideration is still being given to the phasing of savings associated with CS – 14-19 Partnership saving, it is unlikely that the full saving will be achieved in 2011/12 although they should be achieved in 2012/13.
- 3.2 The review of externally funded activity has been comprehensive and is now nearing conclusion.
- 3.3 In addition to this officers have been progressing the prioritisation of Council activity based on ensuring that impact on services at the frontline and those, which are critical to vulnerable people, is minimised. Elements of externally funded activity have been included in this process.
- 3.4 Appendix A identifies those services categorised as critical, Cabinet is asked to agree the assessment of these services as critical.
- 3.5 Appendix B identifies those services categorised as frontline, Cabinet is asked to agree the assessment of these services as frontline.
- 3.6 Appendix C identifies those services categorised as regulatory, Cabinet is asked to agree the assessment of these services as regulatory.
- 3.7 Appendix D identifies savings proposals associated with critical, frontline and regulatory services. Cabinet is asked to consider these savings proposals and make appropriate recommendations to Council. While these activities represent the highest priority activity for the Council as previously agreed no service is exempt from efficiency and therefore officers will continue to seek to identify further opportunities to reduce the costs of critical, frontline and regulatory services over the coming weeks.

3.8 The table below summarises the forecast costs of critical, frontline, regulatory services over the next three years assuming that all the savings identified at Appendix D are approved;

	2010/1 1 £m	2011/1 2 £m	2012/1 3 £m	2013/1 4 £m
Forecast Resources Available for Sefton Services	234.414	208.294	198.162	200.305
<u>Priority Services</u>				
Critical	127.609	127.449	132.259	133.249
Front Line	22.816	21.530	22.207	23.173
Regulatory	14.061	10.573	10.478	10.378
Total Priority	164.486	159.552	164.944	166.800

Note 1: whilst the phasing of savings proposed has been considered, further work is currently being undertaken to confirm the actual phasing of all savings.

Note 2: this forecast assumes that all proposals contained in appendix D of this report will be accepted by Cabinet and Council.

Note 3: the achievement of the associated proposals has been risk assessed and any issues identified will be reported to Cabinet at the appropriate time.

3.9 All other services of the Council are currently categorised as “Other”. This category has been split into General Corporate and Departmental Management and Administration and all Other Services. The relative priority of these “Other” Services is currently being assessed and will be reported to a future meeting of Cabinet.

In parallel with this work high level decommissioning plans are also being developed.

4. **Tactical Savings Options**

4.1 At its last meeting the Cabinet noted that in addition to the major transformation projects a series of tactical savings options continue to be developed and where necessary disaggregated. Appendix E contains those options, which are ready for consideration at this stage or have previously been deferred. These total £4m and Cabinet is asked to consider these options and recommend those to be implemented. Appendix E identifies the activity and the impact of the reduction or change to charging policies.

4.2 Further work has been undertaken over recent weeks to assess the assumptions included in the Medium Term Financial Plan (MTFP) given the current financial context. Other than inflation relating to critical services and any contractual obligations services are being asked to contain price inflation within their existing budgets, hence the associated MTFP provision has been deleted. Given the current financial position the Council is facing, the additional contributions to General Balances and Earmarked Reserves have been withdrawn. The increase in these balances will be considered in future years. The MTFP has assumed that additional pressures that will be faced by demand led services would continue. The changes that the Authority is currently making to help balance the budget is expected to reduce the

potential additional burden from 2013/14. The allowance for growth has therefore been eliminated. This pressure will need to be closely monitored in future years. The proposed changes, are summarised below–

MTFP Assumptions	2011/12	2012/13	2013/14
Assumption	£m	£m	£m
Delete Other Price Inflation Provision	-0.6	-1.2	-1.8
Delete Demand Led Pressures Growth in 2013/14	0.0	0.0	-1.0
Delete Contribution to Balances	-0.5	-0.5	-0.5
Delete Contribution to Earmarked Reserves	-0.2	-0.2	-0.2
TOTAL	-1.3	-1.9	-3.5

- 4.3 In addition to the above it is also suggested that the costs of Corporate and Departmental Management and Support should be reduced by 25% over the next two years including the impact of the approved Integration Workstream. Cabinet is asked to approve the proposed changes to the MTFP assumptions and to note the illustrative assumption that Corporate and Departmental Management and Admin can be reduced by 25%.
- 4.4 As Cabinet will be aware employee Terms & Conditions are potentially a way of achieving savings and also mitigating the potential effect of compulsory redundancies. Officers are seeking a mandate to commence a consultation with employees and Trade Unions with a view to seeking agreement on Terms & Conditions issues which will provide a saving of £3m in 2011/12 rising to £4m 2012/13. Further changes will of course be considered after that period. It is intended that following consultation that a further report is tabled providing options to be considered by Cabinet. If agreement is not possible Cabinet should be aware that a process will need to be followed which would involve the issue of relevant statutory and contractual notifications. However, a further report will outline this process, if necessary.
- 4.5 A high-level equality impact assessment has been completed on the enclosed savings proposal and no disproportionate adverse impacts have been identified. The impact assessment has identified the need to establish the monitoring of take up in some services and the need to have clearer communication with those services users and staff affected. Specific equality impact assessments, including appropriate service user consultation, will be undertaken which involve the delivery or commissioning of services to people with protected characteristics, in order to mitigate the impacts of reductions or cessation in services.
- 4.6 Cabinet may recall that whilst the savings agreed/recommended at its meetings on 2nd September 2010, 30th September, 28th October and 25th November assumed full achievement in 2011/12, further work was being undertaken to revise the actual phasing of savings. This work has confirmed that -

CS4 Schools ICT – This is a one-off saving for 2010/11 only

CS5 - Post 16 Transport – This will have an impact of £140k in 2011/12, with £240k being the ongoing saving from 2012/13

CM22 – This will reduce HMRI support reduces the recharge to the capital budget and therefore no revenue saving achievable

CM23 - Increase Charge to Schools for Energy Advice- This will commence from 2012/13

CM24 - Charge schools for Environmental Education or stop service - This will commence from 2012/13

CM35 – Reduce subscription to Mersey Partnership - This had already been built into the Medium Term Financial Plan and so does not represent a saving

CM36 & CM38 – Restructuring of Environment Team and European Officer - These savings will now be managed within the Business and Economic Review

These updates are reflected in Appendices F, G and H.

5. Public Consultation and Engagement

- 5.1 Consultation has commenced in relation to specific service reductions and cessation, with service users. This needs to be complemented with a programme of consultation and engagement with the Sefton Community. This will take the form of informing the community of the priorities of the Council, as detailed in section 3 above. In addition, Officers are exploring methods of consulting the community in relation to reductions in these priority service areas, and the prioritisation, reductions/cessation of other services which the Council currently provides. The results of this consultation and engagement will be reported to the Cabinet and Council as part of its budget setting process, to ensure that the community are aware of and can influence the decisions that will be made in coming months about the services the Council provides, and commissions on behalf of the community. This formal engagement process will commence shortly and will be publicised on the Councils website, through the media, and utilise other means to ensure the community are fully aware that they can influence decisions about future services.

6. Conclusion

- 6.1 Leading up to and following the Governments Spending Review the Council has been planning significant reduction in its costs and the corresponding service activity. Key to this work has been the assessment of the relative priority of existing Council priorities. The significant savings required over the next four years will require tough and far reaching decisions regarding services cessation, reduction and change in order to meet the financial objectives set by Government. Even where service activity is prioritised it is imperative that this is undertaken in the most efficient way and therefore it is essential that all opportunities to achieve savings continue to be fully explored.
- 6.2 This report outlines the key priorities for the Council and continues the process of identifying savings, Proposals with a significant value are identified in the report and the overall impact on the forecast savings will depend on which options are approved. Subject to the consideration of the Cabinet and Council, this stage of the process will determine how much resource will be available to fund the other services currently provided by the Council.

6.3 The table below summarises the progress to date towards achieving the forecast level of savings, assuming all the proposals presented in this report are approved. Whilst steady progress is being made, a significant gap remains. This position will be updated once the Cabinet has considered the proposals. It should be noted that this is illustrative at this stage as the savings on both Management and Admin and Terms and Conditions are indicative at this stage pending a settled report to a future meeting

	2011/12	2012/13	2013/14
	£m	£m	£m
Forecast saving	38.1	55.8	59.4
Approved Savings			
September 2 Cabinet	2.5	2.5	2.5
October 28 Cabinet	2.6	2.6	2.6
November 25 Cabinet			
Tactical	1.5	1.6	1.6
External Funding	3.1	3.5	2.8
Changes Proposed 16 December:			
Priority Services Savings (Appendix D)	9.2	10.0	10.8
Additional Tactical Savings (Appendix E)	4.0	4.0	4.0
Other Services Savings (see note 6)	0.8	0.8	0.8
Corporate and Departmental Support savings (in addition to £1m integration workstream savings)	1.9	4.8	4.8
Terms and Conditions	3.0	4.0	4.0
MTFP Assumptions	1.3	1.9	3.5
Savings Required	8.2	20.1	22.0

Note 4 – whilst the savings identified assume full achievement in 2011/12, further work continues to confirm the actual phasing of the savings with consideration being given to required decommissioning activities.

Note 5 - the table above includes the savings relating to CM18 Refuse Collection AWC Zoning (£100k) and the restructure of Children's Social Care Management (£72k) both approved at Cabinet 28th October 2010.

Note 6 – Other services savings include Economic Development Review (£725k), CSF - Music Service (£37k), CSF - Other Courses (£22k), E & TS - Pest Control £30k.

6.4 Whilst these figures are provisional, pending the detailed local government settlement it is clear that reductions of this magnitude will have a significant impact on the services the Council can continue to provide. Even if all the proposals identified in this report are approved a significant gap still remains and therefore it is essential that the prioritisation of other services provided by the Council must be undertaken. It can be seen that the value of priority services identified in this report is significant when compared to the forecast available resources. This will result in the need to radically prioritise all other services to meet the Governments financial objectives

The Cabinet and Council meetings in the new year will consider further radical changes to service delivery in advance of setting the budget in February.

At the time of writing this report the Government is yet to announce its settlement for Local Government. This will confirm the grant for Sefton and will enable the MTFP to be reviewed again. As yet there is no further information on whether the Government intends to change its method of distributing grant. In recent weeks there has been a suggestion that the Government may review its requirement for local government savings to be frontloaded although this has not been confirmed. This may give the Council more time to plan further savings. However there remains a risk that the Council's grant position may be worse than forecast due to demographic factors and/or the Government decides to change the distribution formula. If the local government settlement is analysed prior to the meeting, a verbal update will be given.

7. **Recommendations**

Cabinet is recommended to

- a) Note progress to date
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- j) Subject to the consideration of Cabinet on 16 December agree to mandate officers to commence a consultation process with employees and Trade Unions with a view to reaching an agreement on the Terms & Conditions issues outlined in paragraph 4.4, including the issue of relevant statutory and contractual notifications, if appropriate to achieve change