

REPORT TO: Cabinet
Council

DATE: 27th January 2011

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.

The Council has a statutory responsibility to set a balanced budget. This budget must also be robust and specific. The Budget Council is set for 3 March 2011 by which time the budget will need to be finalised.

RECOMMENDATION(S):

Cabinet is recommended to

- a) Note progress to date.
- b) Endorse the Economic Development Division review and recommend to Council that the activities of the Economic Development Division be directly funded from successful bids for external funding, realising a core budget saving of £714,000, and the Economic Development Division be allowed to reinvest future "over achievements" of external funding into maintaining and further developing service provision.
- c) Consider the proposals relating to the Specialist Transport Unit (Paragraph 2.4) and make appropriate recommendations to Council to mandate officers to continue the consultation process with employees and Trade Unions with a view to realising the reduction in costs identified, including the issue of relevant statutory and contractual notifications.

- d) Endorse the high level implementation plans contained in Appendix A and note that the financial implications of any implementation beyond 1 April 2011 is now built into the financial forecasts.
- e) Consider the further tactical savings options at Appendix B and make appropriate recommendations to Council.
- f) Endorse the package of terms and conditions proposals identified in paragraph 4.3 for negotiating purposes and officers be mandated in this respect.
- g) Consider the externally funded schemes at Appendix C and approve that the activity will cease in line with the reduction in Government funding and authorise officers to progress the necessary arrangements.
- h) Endorse the Decommissioning Guidance contained in Appendix D.
- i) Consider the prioritisation of other services as detailed in Appendix E and make appropriate recommendations to Council.
- j) Authorise officers to engage in consultation with employees and trade unions as appropriate and to prepare and issue relevant notifications under Section 188 of the Trade Union Labour Relations (Consolidation) Act 1992 and form HR1 to the Secretary of State. Officers are also authorised, subject to consultation, to implement this pending final decisions of Council; and
- k) Agree that a Cabinet meeting be convened, as provisionally advised at the last meeting of Cabinet, on Thursday 17th February 2011 and note that further proposals will be presented to the Cabinet meeting in February.

Council is requested to:

- a) Note progress to date.
- b) Subject to the consideration of Cabinet on 27th January 2011 approve the Economic Development Division review and recommend to Council that the activities of the Economic Development Division be directly funded from successful bids for external funding, realising a core budget staffing saving of £714,000, and the Economic Development Division be allowed to reinvest future “over achievements” of external funding into maintaining and further developing service provision.
- c) Subject to the consideration of Cabinet on 27th January 2011 approve the proposals relating to the Specialist Transport Unit and make appropriate recommendations to Council to mandate officers to continue the consultation process with employees and Trade Unions with a view to realising the reduction in costs identified including the issue of relevant statutory and contractual notifications.
- d) Subject to the consideration of Cabinet on 27th January 2011 approve the additional tactical savings options at Appendix B and make appropriate recommendations to Council.
- e) Subject to the consideration of Cabinet on 27th January 2011 approve the package of terms and conditions proposals identified in paragraph 4.3 for negotiating purposes and officers be mandated in this respect.

f) Subject to the consideration of Cabinet on 27th January 2011 note the activities to cease/reduce as outlined in Appendix C and mandate officers to commence a consultation process with partners, employees and Trade Unions with a view to ceasing the activity identified including the issue of relevant statutory and contractual notifications.

g) Subject to the consideration of Cabinet on 27th January 2011 consider the prioritisation of other services (Appendix E) and make appropriate recommendations; and

h) Subject to the consideration of Cabinet on 27th January 2011 authorise officers to engage in consultation with employees and trade unions as appropriate and to prepare and issue relevant notifications under Section 188 of the Trade Union Labour Relations (Consolidation) Act 1992 and form HR1 to the Secretary of State. Officers are also authorised, subject to consultation, to implement this.

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

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 ~£68m 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 are 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,
 Operational Services Director
 Head of Personnel,
 Head of Corporate Finance & IS.

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*

Reports to Cabinet and Council 16th December 2010 *Transformation Programme and Further Options*

1. Background

- 1.1 Members will be aware from previous reports that the Council has forecast a total budget gap of £68m over the next three years based on information contained in the Provisional Local Government Settlement. At the time of writing this report the final settlement has not been received but it is anticipated that this will not change significantly.
- 1.2 The forecast savings represents approximately 29% of the Council's controllable resources. Since September, the Council has been approving savings proposals, which are currently being implemented. The table below identifies the position regarding the balance of savings still to be approved.

	2011/12	2012/13	2013/14
	£m	£m	£m
Original forecast saving	38.1	55.8	59.4
Government Settlement impact	6.1	8.3	8.3
<u>Amended Target</u>	44.2	64.1	67.7
Less Approved Savings			
September	-2.5	-2.5	-2.5
October	-2.3	-2.6	-2.6
November	-5.0	-5.1	-4.3
December	-16.8	-22.5	-24.9
<u>Net Saving Requirement</u>	17.6	31.4	33.4

It can be seen from the above that the Council still needs to identify around £18m savings to balance next year's budget with a further £13.8m required the year after. It is imperative that the Council continues to make timely decisions to reduce its spending.

- 1.3 It is important to note that these figures assume the following
- That the provisional settlement will remain unchanged
 - All savings are achieved in line with the implementation plans as defined in Appendix A.
 - Levies do not increase
 - A 25% reduction in Management and Support is achieved over the two year period
 - The implementation of revised terms and conditions to the value of £3m in 2011/12 and £4m in 2012/13
 - No Council Tax increase in 2011/12. However, the Council is eligible to receive an additional specific government grant equivalent to a 2.5% Council Tax increase for 2011/12. This will be received from 2011/12 on an ongoing basis.
 - No Council Tax increase in 2012/13.

2. Transformation Programme Update

- 2.1 The six Strategic / Organisational Design project work-streams ("*Big Ideas*") continue to progress, where appropriate. 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 Members may recall that in addition to the “Big Ideas” there are a further two reviews being undertaken –

- **Neighbourhoods and Safer Stronger Communities**

The review is currently being finalised and considers how the desired outcomes in these areas can be achieved in the current economic climate. The outcome of the review will now be reported in February.

- **Economic Development**

In the previous report to Cabinet, dated 16th December 2010, it was identified that a fundamental review of the services provided and the funding mechanisms utilised by the Economic Development Division had taken place. Cabinet are now asked to endorse the review and recommend to Council that the activities of the Economic Development Division be directly funded from successful bids for external funding, realising a core budget staffing saving of £714,000, and the Economic Development Division be allowed to reinvest future “over achievements” of external funding into maintaining and further developing service provision.

2.3 **The Voluntary, Community and Faith Sector (VCF) Big Idea Project**

The first stage of this review is complete. There is a separate report elsewhere on this agenda setting out the findings and recommendations from this first stage of the review. This report assumed that the recommendations in that report are approved (see 3.2 and 5.3 of this report).

2.4 **Specialist Transport Unit**

In addition to these reviews officers are progressing a review of the Specialist Transport Unit, focussing on management, supervision and internal staffing. The internal core service provision currently caters for taking children with special needs to schools in the morning, followed by transporting elderly clients to day care centres. Children are then taken home after the school day, followed by elderly clients taken home from day care. There is limited work available during a three hour period in the middle of the day. During this period minimal transport is provided for individual day care centres to take clients on trips and to alternative facilities. From April 2011 this limited activity will be purchased on an ‘as and when’ basis. Therefore, the surplus of drivers, passenger assistants and vehicles, coupled with management and supervisory arrangements of the Unit is being reviewed.

This rationalisation is in direct response to the minimal requirement for transport during the mid day period. Service provision for schools and day care clients will be maintained.

NB; This will achieve actual service cost reductions i.e. this will reduce an ongoing overspend and will not contribute directly to the forecast gap.

The anticipated staffing impact will be a reduction of 27 posts in total; 15 full-time and 12 part-time (5.5fte). A soft consultation exercise has been conducted and staff have been reminded of the opportunity to consider Voluntary Redundancy / Voluntary Early Retirement. For information expressions of interest from a number of STU staff (3 full-time and 8 part-time) have recently been approved.

Cabinet is asked to consider these proposals and make appropriate recommendations to Council including the issue of relevant statutory and contractual notifications.

2.5 Other Reviews

In addition officers are also progressing the following reviews

- Learning & Development. This review is progressing well with arrangements now in place to integrate the corporate function with the function that supports the Children's Schools & Families and the Health & Well Being Directorates. Following from this, savings options are being identified and will be reported to a future Cabinet.
- Council's Occupational Health Services given the current volume of work, and the available resources, has been given a lower priority. However, the review has now commenced and an examination of the entire service including the external provider and possible partnership arrangements in the public sector are being explored.
- Officers continue to explore other shared service opportunities for example Emergency Planning.

2.6 A further two "*Informing Sefton*" briefings have been published advising staff of the decisions made by Council on 16 December 2010 and progress, with two further personal message from the Chief Executive published on 17 December 2010 and 19 January 2011.

2.7 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	2,530
2011/2012	1,727
2012/2013	137
Total	4,394

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.

2.8 In line with previous Council decisions, the implementation of all approved savings are now being implemented. The high-level implementation plans are contained in Appendix A for members to consider and note.

3. Additional Savings Options

3.1 Since the December Cabinet additional work has been undertaken to verify already approved savings and identify any additional options. The following areas have been identified

- a) A re-evaluation of savings accruing from ABG has identified a saving of £2m. This will reduce the savings gap.
- b) Appendix B identifies further tactical savings proposals that have been identified since the last Cabinet meeting. Cabinet is asked to consider these savings proposals and make appropriate recommendations to Council.
- c) In the Government's calculation of the spending power that should be available to Councils in 2011/12, it was assumed that £4m of resources would be made available

through PCT's to support adult social care. Whilst discussions are ongoing with the NHS Sefton it is assumed that this amount will be made available to the Council in both years.

3.2 Assuming all issues at 3.1 are approved the latest assessment of the savings still to be identified is as follows

	2011/12	2012/13	2013/14
	£m	£m	£m
Saving Requirement Post December Council	17.6	31.4	33.4
Re-evaluation of ABG	-2.0	-2.0	-2.0
Additional Tactical Savings (Appendix B)	-0.7	-0.7	-0.7
VCF Savings	-0.3	-0.4	-0.4
Government Resources for Social Care	-4.2	-4.0	0
Savings Required	10.4	24.3	30.3

Therefore there remains a significant gap for which further savings will need to be identified.

4. Other On-Going Work

4.1 Members should be aware that a number of the approved savings have yet to be fully developed. In addition a number of other potential opportunities are currently being considered which have yet to reach the approval stage. Progress on these issues are summarised below.

4.2 Detailed proposals on the achievement of 25% savings on management and support costs are currently being developed. As part of this review changes to the Senior Management structure are currently being finalised. This restructure relates to posts at Service Director and above and will reflect the financial realities, changing landscape of the Council and the need to ensure that we have the capacity to deliver more joined up solutions to the challenges faced by the Council.

4.3 Further to the resolutions of the Cabinet on 30th September and 16th December 2010, the Director of Corporate Services and Head of Corporate Personnel have embarked on discussions with the recognised trade unions with the object of realising savings from changes to terms and conditions – a target of £3m in 2011/12 rising to £4m in 2012/13 has been identified.

The trade unions acknowledge that a reduction in terms and conditions is a preferable option to compulsory redundancies. However, any possibility of them agreeing (or at least acknowledging) changes would be subject to the Council guaranteeing no such redundancies – a guarantee which it is impossible to give. Moreover, the trade unions are totally opposed to any changes to Part 2 of the NJC Conditions of Service (the 'Green Book'). These are the core employment terms which the trade unions contend have been hard won over many years and are central to the achievement of single status.

Against this background there is little, if any, possibility of agreement. Consultation with the trade unions will continue but if the proposed changes are to be realised an imposition must be anticipated. Allied to this is the prospect of industrial action.

The proposed changes (excluding school based employees) and the estimated savings are:

- (i) 5% 'across the board' pay cut other than where precluded by statute (e.g. centrally employed teachers) - £2.5 million (assuming incremental progress then pay cut)
- (ii) Reduction in night rate and unsocial hours payment rate to 15% - £59,000
- (iii) Work on a Saturday and/or Sunday as part of an individual's normal working arrangement (i.e. contractual) at time and a half.
- (iv) Reduce all overtime to time plus 50% - £83,000

(Note: In respect of SCP 32 or equivalent and below no overtime to be payable until 39 hours have been worked in the period Monday to Sunday (inclusive) between the hours of 6.00 a.m. and 8.00 p.m. on any day). This applies equally to work on a free day and/or rest day.)

- (v) Reduce emergency duty team allowance to 15% - £6,000
- (vi) Removal of retainer pay - £200,000 (2012/13)
- (vii) Mileage at rate of 40p per mile - £250,000

In relation to (i) above, it is important to note that a 5% cut will represent a change to the nationally prescribed pay points. As such it can be regarded as a fundamental departure from the national conditions of service.

Added to this, the Council is the 'employer of last resort' relative to employees in Community Schools. If the proposed 5% reduction is realised this would create a situation whereby employees whose jobs are rated as equivalent receive different levels of pay. In order to avoid this it would be the intention to influence schools to come in line with the Council's arrangement. Nevertheless the risk must be recognised.

It must be recognised that reductions in the numbers employed will impact on the savings to be achieved from terms and conditions. There will be a further impact if a national pay award is agreed.

The proposed changes are intended to be permanent. It is recommended that the package of terms and conditions proposals identified in paragraph 4.3 be endorsed for negotiating purposes and the officers be mandated in this respect.

- 4.4 Council has previously approved a number of recommendations regarding externally funded activity. Cabinet will recall that in addition to these approved options Officers continued to progress the review of externally funded activity. Appendix C identifies those services where Officers are now aware that funding is to cease or reduce. Cabinet is asked to mandate officers to commence a consultation process with partners, employees and Trade Unions with a view to ceasing the activity identified including the issue of relevant statutory and contractual notifications. The review of externally funded activity has been comprehensive and continues to be updated upon receipt of further detail from government and other organisations.
- 4.5 A review of the Major Service Review contracts with arvato and Capita has commenced with a view to finding savings and to ensure the other contractual outcomes are being achieved.

4.6 High level decommissioning plans are also being developed. Decommissioning guidance is outlined in Appendix D, Cabinet is asked to endorse this Guidance.

5. Prioritisation Other Services

5.1 As indicated in 3.2 above the Council still has to identify £10.4m savings next year. Council on 16 December 2010 determined the prioritisation of Critical, Frontline and Regulatory Services and approved savings to be made in these areas. Officers have continued to review all the “Other” services of the Council to determine their relative priority in order to identify the balance of savings required.

5.2 The total value of all other services provided by the Council including all previously approved savings is as follows

	2010/11	2011/12	2012/13
	£m	£m	£m
Total All Other Services	29.023	24.686	24.450

5.3 Given the need to identify significant additional savings as outlined above it is important that the other services provided by the Council are prioritised. Officers have undertaken an initial prioritisation of “Other” services taking into account a number of factors:

- The relative priority of the outcomes achieved
- The balance of activity between those targeted at particular individual needs and those universally available
- The ability of facilities and staff to be adapted to provide a wider range of activities linked more closely to priorities.
- The practical implications of decommissioning services particularly those that are building based

Having taken these factors into account, a recommended prioritisation has been undertaken and this is summarised at Appendix E. The prioritisation places services into 3 tiers with priority being given to the extent to which those services contribute to early intervention and prevention and those which provide the widest universal community value. The financial summary of the allocation across these tiers is shown below

	2010/11	2011/12	2012/13
	£m	£m	£m
Tier 1	18.8	15.3	15.2
Tier 2	6.9	6.4	6.3
Tier 3	3.3	3.0	2.9
Total	29.0	24.7	24.4

5.4 Members are asked to consider this prioritisation and identify how it might be used to identify the additional savings required.

6. Equality Impact Assessment

6.1 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.

7. Public Consultation and Engagement

7.1 Consultation and engagement continues in relation to specific service reductions and cessation with service users. Communication of the Council's priorities for its communities will take the form of provision of information on the priorities agreed by the Council. The main medium will be through the Council's website, together with other communication medium as appropriate. Specific consultation and engagement on service reductions as appropriate to each service will be undertaken, to ensure the community have an opportunity to influence the design and delivery of these transformed services. Consultation on complete cessation will be limited to what is required, given the timescales involved in setting a balanced budget. Service users will, where possible, be signposted to alternative provision where it exists. Impact Assessments have and will continue to be undertaken to ensure that the needs of members of the community, particularly those with protected characteristics have been suitably assessed and appropriate mitigation effected where possible.

8. Conclusion

8.1 The Council has been planning and approving the significant reductions in costs for many months. The extent of the required savings has been confirmed through the Local Government Settlement received in December. The extent of the required savings is such that radical changes are required. Key to this work has been the assessment of the relative priority of existing Council activities and in effect a zero based approach has been taken to this task. 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.

8.2 This report continues the process of identifying savings. The overall impact on the forecast savings will depend on which options are approved and in particular how the prioritisation of other services can be utilised to identify additional savings.

8.3 It remains clear that reductions of the magnitude still required will have a significant impact on the services the Council can continue to provide. A significant amount of work is still required to implement approved savings and identify sufficient savings to meet the financial objectives set by the Government. The Cabinet and Council meetings will consider further radical changes to service delivery in advance of setting the budget in March.

9. Recommendations

Cabinet is recommended to

- a) Note progress to date.
- b) Endorse the Economic Development Division review and recommend to Council that the activities of the Economic Development Division be directly funded from successful bids for external funding, realising a core budget saving of £714,000, and the Economic Development Division be allowed to reinvest future "over achievements" of external funding into maintaining and further developing service provision.

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