

REPORT TO: Cabinet

DATE: 17th February 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
0151 934 2057

EXEMPT/CONFIDENTIAL: No

PURPOSE/SUMMARY:

The report provides members with progress on previously approved savings and budget reviews. It provides the next stage of the budget setting process prior to final decisions on 3rd March 2011

REASON WHY DECISION REQUIRED:

Following the Government's Spending Review and the Local Government Settlement, the Council faced a significant budget gap over the next three years and decisions have been taken over previous months which aim to eliminate the gap and provide a balanced budget in 2011/12. There remains a significant gap in future years.

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 initial stage of the Learning & Development review and recommend to Council to mandate officers to commence 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
- c) Approve the Children's Centres Strategic Review Terms of Reference as outlined in Appendix A and the associated timescales
- d) Consider the proposals relating to Leisure Centres in Appendix B 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
- e) Approve the appropriation of the Earmarked Reserves and the Insurance Fund surplus totalling £12m as detailed in Appendix C and paragraph 7. This funding to be utilised to fund redundancy costs and any delay in implementing approved savings.
- f) Authorise officers to prepare for implementation immediately, pending final decisions of Council

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 3 March 2011

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

<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,
 Leisure & Tourism Director,
 Head of Personnel,
 Head of Corporate Finance & IS
 Trade Unions
 Cabinet Members.

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*
 Reports to Cabinet and Council 27th January 2011 *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. The final Local Government Settlement was announced on 31st January and provided no significant change from the provisional settlement.
- 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. Assuming all the approved savings are deliverable, the budget is broadly balanced with savings of approximately £2m remaining to be identified in 2011/12 although a gap of an additional £15m still remains for 2012/13.

	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
<u>Less Approved Savings</u>			
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
January	-15.6	-13.9	-13.9
<u>Net Saving Requirement</u>	2.0	17.5	19.5

- 1.3 It is important to note that these figures assume the following

- There will not be any increase from the major levying bodies. The Waste Disposal Authority has already announced a nil increase in Sefton's levy, whilst the Merseyside Integrated Transport Authority (MITA) has announced that there will not be any increase in spending. However, due to population changes, Sefton's share of the MITA levy will actually see a reduction of circa £0.200m. This is not allowed for in the above table.
- A 25% reduction in Management and Support is achieved over the two year period. With 20% achieved in 2011/12
- 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 for the four years of this Parliament; the position after this is unclear.
- No Council Tax increase in 2012/13.
- That the £4.2m resources for Social Care is passported to the Council by NHS Sefton

2. Transformation Programme Update

2.1 Members may recall that in addition to the “Big Ideas” that a further two reviews have been undertaken –

- **Neighbourhoods and Safer Stronger Communities**

An illustrative budget of £1.2m has been identified for this combined function. A review is being finalised which will identify all the activities currently provided by these functions, and will make recommendations as to which ones should continue and which will stop. Although, the details of the final review are yet to be determined the emphasis will be on helping our communities become and remain vibrant, strong and safe through improved co-ordination and focus of services, enhanced partnerships understanding of our communities risks and ensuring they are able to influence what happens in their areas. The full outcome of the review will be reported to Cabinet in March.

- **Learning & Development**

The initial review has been undertaken as a result of which there will be an integration of the Personnel Department’s Corporate Learning and Development Unit with the Adult/Children’s Workforce Development Unit based at Ruthven Road. The integration of these two units will create one organisational Learning and Development unit which will release an initial saving of £200,000 in staffing costs. Once the teams are integrated the intention is to co-locate them and then undertake a further review with the intention of releasing further savings. In addition there are administrative support services allied to Learning and Development and otherwise which will be reviewed with the object of further savings. Cabinet is asked to endorse the initial stage of the Learning & Development review and recommend to Council to mandate officers to commence 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.

2.2 A further “*Informing Sefton*” briefing has been published advising staff of the decisions made by Council on 27th January 2011 and progress. In addition to this a further personal message from the Chief Executive has also been published.

2.3 In January 2011 Transforming Sefton - Meeting Challenging Times internet pages were published informing the public how services and spending have been prioritised so far. These pages include the provision for the public to submit their money savings ideas to the Transformation Team. At the time of writing the report, 183 suggestions/submissions have been received. The representations fall within the following broad categories:

- Youth Centres – 55
- Children’s Centres – 17
- Leisure and Tourism – 23
- Councillors and Democracy - 10
- Salaries and Conditions – 16
- General – 62

Members will be provided with details of all submissions made via the Transforming Sefton webpages prior to the meeting, and as the weeks progress. Responses to the questions will be grouped as a number are very similar in nature and will be published through the webpages.

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	2,544
2011/2012	2,298
2012/2013	149
Total	4,991

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.

2.5 A range of measures have been put in place to support staff who have been placed “at risk” of redundancy. These measures include Information Days, where employees can meet a range of partners, who will provide advice and guidance on careers, benefits and retraining. Bespoke courses have been organised and delivered to “upskill” employees. A dedicated internal Help Line has been introduced to offer confidential support as well as an Information Leaflet to sign post staff to support agencies. Invest Sefton has offered sessions on self employment. Finally a Job Fair/Information Day will take place on 11th February at Bootle Town Hall. Future support will include all of the above as well as tailored events to support employees planning their future, which will include support for those employees taking voluntary early retirement.

3. Reduction in Management and Support Costs

3.1 Council has previously approved the target of 25% reduction in Management and Support costs equivalent to £3.9m in 2011/12 rising to £4.8m in 2012/13. This target will apply to senior management costs and the costs of corporate support. The paragraphs below indicate the progress to date on the achievement of this target.

3.2 A new senior management structure has been developed and is being reported to the Employment Procedure Committee (EPC) on 16 February. Subject to the approval of the EPC the new structure is estimated to achieve £0.500m savings subject to the final assimilation and/or appointment.

3.3 In addition to the changes outlined in 3.2 a wider review of management structures is underway with the aim of streamlining and reducing costs across the organisation. The review will be comprehensive and test and challenge existing arrangements against a clear set of guiding principles. For information, a number of minor reorganisations have identified the following savings:-

Corporate Finance and Information Services

- Reorganisation of Senior Management budget by the deletion of 2 posts, with a budget saving of £118k.
- Reorganisation of Financial Management - saving achieved through VR/VER and subsequent re-allocation of responsibilities and deletion of vacant posts, with a resultant saving of £246k.
- Re-structuring of the Internal Audit Team £148k - saving achieved through deletion of 6 vacant posts and re-allocated responsibilities

- Reorganisation of Client Team ICT related duties £53k - saving achieved through VR/VER. Duties have been re-allocated to other team members. More savings opportunities are currently being explored
- Reorganisation of Claims & Admin £113k - saving achieved through VR/VER and subsequent re-allocation of responsibilities

Legal Services

- Reorganisation of Senior Management £56k

Personnel

- Initial review of Learning and Development as outlined in above (2.2) £0.200m

These savings total £0.934m which will contribute to the 25% savings on management and support costs.

- 3.4 In addition to the above Merseyside Chief Executives have collectively agreed to cease the activities associated with the Merseyside Policy Unit and the North West Policy Forum generating savings of £66.4k and £9.2k respectively.
- 3.5 Therefore to date savings of £1. 509m have been identified against the target of £3.9m. It is important that the remainder is identified with sufficient confidence to enable the final budget to be set in March 2011.

4. Terms and Conditions

- 4.1 Further to the resolutions of the Cabinet on 30th September, 16th December 2010 and 27th January 2011, the Director of Corporate Services and Head of Corporate Personnel have continued with 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. A separate report appears on the agenda for this meeting.

5. Other Budget Issues

5.1 arvato and Capita

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. The contract with arvato for Financial and ICT services commenced in October 2010 and delivered from its commencement a 10% saving to the Council on the cost of services it delivers.

Understanding the significant budget reductions and challenges Sefton MBC faces over the next three years arvato recognises its role as a key long term partner to the Council and is committed to working closely with the authority to undertake a joint contract review. The review is being led by the Director of Corporate Services, supported by a working group of senior officers, a trade union representative and arvato's Partnership Director.

The review will identify the opportunities for savings to the council that could be realised by considering the implications of council service reductions, identifying new ways of working, reviewing terms and conditions of service, reviewing ICT infrastructure and its refresh or by re-shaping the manner in which services are delivered and monitored by arvato and the wider Council. Any savings realised will be utilised to support the council's budget in future years.

A similar review of the Capita contract is being led by the Strategic Director Communities. All opportunities to generate significant savings in relation to both the core services provided to the Council by Capita and ad-hoc commissioned works are being explored. The savings related to the outcome of this review will be factored in to the 2012/13 budget process; however any opportunity to generate savings during the 2011/12 financial year will be vigorously pursued.

5.2 New Directions

Currently we are exploring with and working alongside New Directions as to how they will continue to run their contracted services from April 2011, with a reduction in the overall contract sum of £3m.

Following Cabinet on the 27th January 2011 a joint exercise between the Adult Social Care Directorates Commissioning and Contracts Section and Corporate Procurement has been launched seeking “expressions of interest” for all or part of the current New Directions workload.

This will involve suitable providers undertaking an established Pre Qualification Questionnaire routine which then could generate a tendering process to secure economically viable alternative service provision.

This will ensure that if the current provider was no longer in a position to fulfil any or all of its contractual obligations the Council is able to assure continuity of care to all vulnerable service users of Sefton.

6. **Prioritisation Other Services - Update**

6.1 At its meeting on 27th January the Council resolved that

“(6) approval be given to:

- a) all Tier 3 Services detailed in Appendix E being de-commissioned to achieve savings of £3.0m in 2011/12;
- b) subject to the review of Neighbourhoods/Safer Stronger Communities (Tier 1 Service), savings of £1.2m being assumed from these areas from improved co-ordinating and the rationalisation of functions. (The detailed achievement of this saving to be reported to the Cabinet meeting on 17 February 2011);
- c) a saving of £400,000 to be identified in Leisure Centres to reflect smarter ways of working (Tier 1 Service). (The detailed achievement of this saving to be reported to the Cabinet meeting on 17 February 2011);
- d) the deferral of any decision on all stages of the Sure Start Programme - Children’s Centres pending a Strategic Review which will consider the national policy direction, local priorities and the need to engage communities to deliver priority outcomes with fewer resources. (The terms of reference and the timescale of this review to be reported to the Cabinet meeting on 17 February 2011);
- e) the previous assumption on Management and Support savings being rephased to achieve 20% in 2011/12 and a further 5% in 2012/13, thereby increasing the savings in 2011/12 by £1.5m with a corresponding reduction in 2012/13. (The detailed achievement of this saving to be reported to the Cabinet meeting on 17 February 2011);
- f) a further review of Tier 2 services being undertaken to determine if and how 50% cost savings can be achieved in 2011/12. (The outcome of this review to be reported to the Cabinet meeting on 17 February 2011 and to include a detailed assessment of the relative priority of service outcomes and implications); and
- g) note the potential to use one off resources to balance any

remaining savings requirement subject to the outcome of the above reviews;”

- 6.2 The review of Tier 2 continues to be progressed and final proposals will be presented to Cabinet in March. Unfortunately due to the complex nature of this review it has not been possible to finalise the review in time to be reported to this meeting.
- 6.3 In respect of Sure Start Childrens Centres’, Appendix A details the Terms of Reference for this review. Cabinet is asked to approve the Terms of Reference and the associated timescales.
- 6.4 Council has previously approved a saving of £400k to be identified in Leisure Centres (Tier 1 Service). This saving will be achieved by a further reduction in the Operational Management and staffing within Leisure Centres, a reduction in cleaning and customer service to the public. The detail of this proposal is contained in Appendix B. Cabinet is asked to consider these proposals 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.
- 6.5 Council has previously approved the Decommissioning of Tier 3 services. Decommissioning Plans continue to be developed and these will confirm the actual activities to be ceased and any mitigating action which would reduce the impact of the de-commissioning and the actual phasing of all savings. The impact of these plans and their consequences will be reported to Cabinet in March.

7. Review of Reserves & Balances

- 7.1 A review has been undertaken of all Earmarked Reserves and the Insurance Fund to determine if any can be appropriated to create a one-off funding source to support the financial position. This is particularly important as it is estimated that the net cost of redundancies associated with the achievement of required savings is circa £10m. This sum is net of any capitalisation directive and as yet there is no budget provision to fund this requirement. In addition to the funding of redundancies it is recognised that it may be necessary to fund the delay in achieving approved savings.

In undertaking the review the following criteria has been used

- a. Preserving ring-fenced resources;
- b. Meeting known and on-going commitments;
- c. Preserving potential high profile amounts (e.g. war memorial and grave maintenance reserves);
- d. Preserving sinking fund/warranty commitments;
- e. Excluding legislative commitments (e.g. S278 and Taxi surplus)

Appendix C details the results of the review of Earmarked Reserves and identifies that approximately £6m of currently earmarked reserves could be appropriated. Work is ongoing to clarify the position of a small number of the items earmarked for release; a firm figure will be declared at March Cabinet. However, any changes are expected to be minimal.

In addition Cabinet is advised that following an actuarial assessment of the Insurance Fund, it is recommended that a sum of £6m can be declared as surplus. This fund will be kept under review during 2011/12 to establish if further resources can be released.

In total, therefore, funds of £12m could be appropriated to fund the cost of redundancies and provide for up to £2m to fund other one off items.

It must be recognised that this proposal is not without risk. However it is felt that these risks can be managed. In addition the sums involved were originally set aside for other specific purposes. These will not be fulfilled if the recommendation is agreed.

A report elsewhere on the agenda provides an interim assessment of the robustness of the budget. This reminds Cabinet of the current policy around the use of one off resources.

8. Equality Impact Assessment

8.1 In accordance with the Decommissioning Guidance approved at the last Cabinet meeting, Officers are undertaking equality impact assessments in relation to services which Council has agreed will be decommissioned in tier 3 and are looking at how to mitigate the impact on service users, as part of this process. A high level equality impact assessment has been completed in relation to tier 1 and tier 2 other services. Once Cabinet and Council determine the prioritisation of these services on 3rd March, 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 within these tiers.

9. Public Consultation and Engagement

9.1 The Cabinet Member for Performance and Governance at his meeting on 16th February, 2011, will be asked to approve a high level Communication and Consultation Strategy and Plan in relation to the Transformation Programme. Cabinet at its last meeting, approved, the summary detail of the strategy, when it approved the Decommissioning Guidance.

10 Conclusion

10.1 The Council has been planning and approving significant savings for many months. There is a legal requirement to balance the Budget by 10 March and the Budget Council is scheduled for 3 March. The vast majority of savings have been identified although a number still require detailed analysis.

10.2 This report continues the process of identifying and clarifying savings and provides a progress report on decision made at the January Council. Assuming all the recommendations are agreed the balance of savings still to be identified is £2m. It is essential that this gap is closed before the Budget Council.

11. Recommendations

Cabinet is recommended to

- a) Note progress to date
- b) Endorse the initial stage of the Learning & Development review and recommend to Council to mandate officers to commence 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.

- c) Approve the Children's Centres Strategic Review Terms of Reference as outlined in Appendix A and the associated timescales
- d) Consider the proposals relating to Leisure Centres in Appendix B 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
- e) Approve the appropriation of the Earmarked Reserves and the Insurance Fund surplus totalling £12m as detailed in Appendix C and paragraph 7. This funding to be utilised to fund redundancy costs and any delay in implementing approved savings
- f) Authorise officers to prepare for implementation immediately, pending final decisions of Council