

MEDIUM TERM SERVICE & RESOURCE PLAN RESOURCES

Customer Services, Improvement & Performance, Finance, Legal & Democratic, Policy & Partnerships, Property, Risk & Assurance, IT and Transformation

2013-14 until 2015-16

Introduction

This plan shows the changes that are already taking place and proposals for the future in response to the key influences and challenges facing the Resources Department and Legal & Democratic Services.

This plan is one of a series of plans that make up the Council's **Medium Term Service & Resource Plan**:

- Resources (this plan)
- People & Communities
 - Children's
 - Housing, Health & Social Care
- Place
 - Service Delivery (Planning, Transport, Waste, Highways, Libraries, Tourism Leisure & Culture)
- Regeneration, Skills & Major Projects

A separate document summarises the main financial assumptions (See Appendix 5).

The overall context is rising demand for services but public expenditure cuts that are unparalleled since the Second World War. In the short term this Council's reserves and commercial sources of income, together with its long term financial plans and efficiencies, put it in a strong position. However, the situation is now more challenging with the need for a greater shift towards reductions in service provision to supplement efficiencies.

Across the Council it is proposed that about a third of the savings will come from front line service reductions – the rest will come from new income, back office savings and working differently. The Council will strive for excellence in what it does albeit with limited resources.

The **external and corporate influences** on this plan can be summarised as follows:

- Cuts in public expenditure and reduced council budgets – this is the third year of the 2010 Government Comprehensive Spending Review which covers the four years to 2014/2015 – the savings are very challenging and are set to continue well beyond 2013 – CSR 2010 took 28% out of local

government funding (for the first 3 years of this settlement) and additional cuts are now coming in.

- There is a key demographic change with a projected 40% increase in the older population by 2026 creating a significant additional financial pressure and an increase of the entire population of 12% by the same date.
- Council Tax will in future be supplemented by 6 years' worth of new homes bonus – this helps to offset the budget challenge but only has a relatively marginal impact.
- Business rates growth (or decline) will from April 2013 become the responsibility of local government (as at least 50% will be retained or lost locally) and a level of growth below 1% p.a. is expected - with 90% of growth occurring as a result of growth in the enterprise area in Bath.
- No end is yet in sight for the review of funding of social care – following the Dilnot Commission - the increasing costs of care run the risk of making Council budgets unviable over the next decade, although there have been suggestions there may be some announcements as part of CSR 2013 to help mitigate this.
- The Government estimates that there are 220 families in Bath and North East Somerset experiencing a range of needs and who are costing services between £250K and £300K p.a. per family. Joining up services between agencies supporting such families is becoming a national and local priority.
- Schools continue to be funded separately through the Direct School Grant ring fenced budgets, but those that become Academies, which is the majority of secondary schools, are substantially independent of the Council and its support. This creates diseconomies because fewer schools will be supported by the Council and these diseconomies need to be compensated for through equivalent savings.
- Government expects that councils will continue to deliver further efficiencies and minimise Council Tax increases – Government guidance says increases are to be below 2% in 2013 to avoid triggering a local referendum and a 1% grant (for 2 years 13/14 and 14/15) to temporarily reward Councils for a 2013/14 Council Tax freeze.
- Changes in Government legislation, regulations and guidance - there are some simplifications and some new scope for local decision making but at the same time radical and demanding changes such as:
 - Localism, Planning Reform, new grant funding to support local government (less money and less types of grant),
 - Return of a share of Business Rates and related growth to local government, new Benefits system (Universal Credits and Council Tax Benefits – the latter now called Council Tax Support),
 - Incentives for growth (new homes bonus, regional growth fund, Business Rates growth, Local Enterprise Partnerships, more discretion over Council Tax discounts such as for empty homes and a second homes premium).
 - The Council will also be taking on significant statutory functions for Health and Wellbeing (this includes public health which is a new ring fenced grant) and the connected strategies and Boards.

The Council published a new corporate plan in 2012 which outlined a new vision and objectives. The Council Change Programme remains a key driver for internal efficiencies and improvements in services to customers. Note: A summary from the latest Joint Strategic Needs Assessment – the source of some of the above needs-related statistics - is attached as Appendix 6. (More detail is also available on the Council’s website).

Existing Staff Resources & Finances

The services incorporated in this plan are listed below together with related staff numbers. Changes start from this as the base position (October 2012):

	Gross £m	Net £m	Staff FTE
Public Facing	8.695	-9.710	137
Strategic & Commissioning	9.335	6.939	103
Traded Services	5.116	-0.049	136
Support Services	25.088	8.034	219
Total cash limit	48.234	5.214	595

Notes:

- (1) *The gross figures are before income including government grants.*
- (2) *The above table does not include Avon Pension Fund for which the Council is the lead authority and the finances for the Fund are planned and managed separately.*
- (3) *People Services (payroll and day-to-day HR transactions), and ICT are delivered by a private sector partner, Mouchel Business Services, under a contract and staff numbers are not included.*
- (4) *All the figures in this table include recharges from other Support Services.*

A more detailed analysis of planned revenue and capital expenditure is contained in the attached Appendices.

Key Proposed Changes – Years 1 to 3 – 2013/14 to 2015/16

There is a need to take a structured approach to the next 3 years. The scale of the cuts means that individual years should not be progressed in isolation. **A 3-year programme** is needed with cuts ‘front loaded’ whilst involving the community as far as possible and being mindful of impacts on specific groups and needs.

Taking account of the above the approach in the Resources Department is to:

- lead organisational development to reshape the Council including:
 - business and customer improvements (the Change Programme)
 - working more closely with communities (the Localism Agenda)
- tailor support services to needs & to changing shape of the Council

- rationalise and improve assets plus invest where this makes economic sense
- develop the Council's procurement & commissioning approach
- maintain tight financial control and excellent financial planning

It is important to note that in terms of staff numbers only about a third of the department is providing support services. The majority of resources are focussed on the delivery of strategic and commissioning roles and external customer facing services.

The focus remains on efficiencies and preparing for fundamental change in most areas. Substantial savings were achieved in 2011/12; these savings continue with a further **15% '3-year saving'** on resources gross budgets planned. (This percentage does not include savings led by the department but included in other departments' budgets such as ICT).

The Change Programme will help achieve further efficiencies in 2013/14 and a new way of working – a new target-operating model - will be introduced. Services will be more centralised, standardised, simplified and in the case of ICT and HR (transactional & payroll services) taking them back 'in-house' will enable radical change. This will also be accompanied by a new ICT strategy and centralised procurement & budgets.

The **changing shape of the Council** provides challenges for support services.

In 2011/12 the creation of the social enterprise (Sirona Care & Health Community Interest Company) reduced by about 6% the department's workload. Staff have either transferred or service level agreements been created to support the social enterprise. There is a transition period of about 18 months whilst the new organisation sets up its own support service capacity and further staff transfers are taking place with payroll having just been transferred in September 2012. So far the change has been achieved with a minimal net cost to the support service function of about £100K, which has been offset by other efficiencies.

Further pressure will arise from the impact of the creation of Academies and the review of the Local Education Authority role. About 5% of support services activity relates to supporting schools and in addition a substantial part of trading activity from catering (85%) and cleaning (35%). Schools continue to be very positive about the trading activities but some of the support services activity is at risk and will need to be reduced if the demand from schools reduces.

The approach for customer facing services is as follows:

In **Council Connect plus Revenue & Benefits** - a radical approach is continuing to enable very substantial service improvements and low costs. The approach uses lean systems thinking and puts all the emphasis on getting it right first time for the customer and focusing on those with the highest needs. The achievements are greater than would be seen through

traditional shared service approaches, involve far lower levels of investment, provide immediate payback and enable better integrated local provision of service including face-to-face advice. The accessibility and speed of these services has greatly improved and is now best practice.

Council Tax discounts for second homes and empty properties will be reviewed and changes implemented in accordance with the new legislation – the Local Government Finance Act. The aim will be to increase income as well as improve incentives to bring homes back into use as well as reduce second homes in the area. These changes will be implemented in April 2013.

The introduction of a new local Council Tax Support (Benefits) system in 2013 and the gradual implementation of Universal Credits from the same year has the potential to adversely affect the accessibility of benefits and face-to-face advice. The Council has been granted pilot status to work with the Government Department for Work & Pensions (DWP). This will enable priority to be given to supporting the public through the changes especially face to face as the Government moves to a 'digital by default' approach. Our one-stop shops (especially the new facility at Lewis House in Bath – plus the new facility planned for Keynsham) play a key role, as does the work with the key voluntary organisations they now include.

In the case of Council Tax Support the administration role stays with the Council but local schemes and less funding will cause risks. The funding will be 20% less for working age claimants and the Council is having to pass these cuts across to claimants whilst protecting pensioners (as required by Government). The opportunity is being taken to simplify the scheme and protect as far as possible the most vulnerable.

A new one stop shop opened in 2012 in Lewis House in Bath. Similar changes are planned for Keynsham in 2014 linked to the creation of new retail, offices and a new library on the former Town Hall site. The ability of customers to self-serve on the web is also improving and the role of the Council Connect call centre is evolving. The emphasis remains on making services more accessible for all, providing choice of how to get information, but also using resources wisely.

In the case of the **Commercial Estate** high quality service has been maintained throughout the recession with (relatively) very low levels of voids. This approach continues as it is an essential means of protecting Council income. The estate generates over £13M of net income for the Council and contributes to the rich pattern of retail in Bath. The Council owns more than 50% of the City Centre retail premises. The other main focus for **Property** is supporting the growth agenda and bringing forward some of the Council's key sites for development. Some additional City centre assets may be purchased as a means of securing better income returns. Development in the Enterprise Area, in Keynsham town centre and elsewhere will also be enabled and supported.

In the case of **Registration and Electoral Services** the focus will continue to be on expanding and improving the range of services offered to the public whilst minimising the cost of provision consistent with maintaining a service that competes effectively with other areas for business. New duties concerning local referenda and especially the move to individual registration of voters will also need to be supported and managed.

Details about these and other service changes are set out in Appendix 3.

For the **strategic & commissioning** services within the department the approach is as follows.

Excellent **financial planning** remains a top priority as does supporting and enabling the various changes across the Council all of which are heavily demanding on financial advice. The team will also support the implementation of the new approach to local government finance (the so called Resource Review) and return of business rates income growth plus risk to local councils. More emphasis will be placed on ensuring that income streams achieve their maximum potential and that commercial opportunities are realised.

Improvement & Performance division - The Communications and Performance Teams have been significantly downsized and re-shaped to meet the changing needs of the organisation. The Communications Team is now focussing on completing the transformation the website, the Performance Team has created a new streamlined performance framework albeit further changes will be required, and the HR service has a major focus on co-ordinating and supporting the organisational change work associated with budget reduction and job losses.

The **Policy & Partnerships** division is leading the work on the development of an approach across the Council that ensures that services are designed around local needs, commissioned in line with Council priorities, involve the most effective forms of community engagement, focus on cross-cutting themes from the Sustainable Community Strategy such as equalities and climate change and effectively target scarce resources across our local strategic partnership key agencies and partners). This division also manages community safety (which will be affected by the creation of Police and Crime Commissioners in 2012). Taking forward the Government Green Deal is part of the sustainability team's priorities.

The **Workplaces** project (less but more up-to-date offices with better customer access) continues to deliver and is led by Property. Integrated office space for Health and Social Care staff has been delivered. Lewis House has been much improved with flexible working arrangements built in; Plymouth House and Trimbridge in Bath have both closed saving 16% of space. The Hollies in Midsomer Norton is currently being improved. This is all part of the plan to implement better access to services, flexible working across the Council, reduce space requirements by about 40%, reduce costs by between 10% and 20% and carbon impact of offices by 70%. The Keynsham part of the scheme is now underway.

There are 4 main aspects of **Risk and Assurance**: Procurement, Information Management, Audit & Risk and Business Continuity & Emergency Planning.

In the case of **Procurement** the focus will be on supporting the public and the local economy in the new use of new community rights, notably the Community Right to Challenge. This will involve placing greater importance on engagement between Council Services and the voluntary sector as well as clarity on the Councils commissioning intentions to the wider business sector.

Developing a long-term procurement and commissioning plan will enable the target operating model for procurement to be delivered more effectively, releasing more savings. At the heart of all procurement activity are five key principles, cost reduction, collaboration, social value, knowledge and skills and transparency.

In the past 3 years £2M of savings have been achieved through better procurement and collaboration with other local authorities is already delivering returns of up to 15% on every project.

The **Audit & Risk** team provides an independent and effective internal scrutiny function which reports to the Audit Committee. That Committee also receives information from the external auditors, the Audit Commission, albeit a change of auditors is taking place this year as the Government delivers its plans for the abolition of the Commission.

Business Continuity & Emergency Planning continues to help services in coping with major incidents such as severe weather and help the organisation be prepared for its role in recovery actions following a civil emergency. Its principles are based on Community Resilience (working with communities) and partnership working (through the Avon and Somerset Local Resilience Forum).

Information Management is a strategic asset for the organisation and building business intelligence is a key outcome of a new project to improve the way we capture and use community and organisational data. Currently the function controls over 100,000 physical files and has helped reduce storage space in offices by 40% with a new records recovery service. In addition it is helping the organisation deal with the government's transparency agenda and provides direct support in protecting both individuals and the Council's information through compliance with various statutes, i.e. Freedom of Information & Data Protection.

In the case of **ICT** the strategic plan is also to help reduce the number of systems used in the Council, save on license costs, save on administration costs and invest in a simpler ICT architecture. A new ICT strategy will be delivered, starting in 2012 and gathering pace in 2013 as services are taken back in house. Significant savings are being targeted and some

investment is required to enable this progress to be made. This is reflected in the draft capital programme.

The statutory roles of Section 151 officer and Monitoring officer will also need to be maintained and supported.

The main changes for **support services** include:

Finance, HR, ICT and Legal Services must reflect the needs of front line services and are being rationalised and simplified wherever possible. This needs to be done whilst maintaining adequate levels of service. The service levels also need to reflect demands including from other organisations such as Sirona, Academies and a reshaped LEA role in due course.

Democratic Services have responded to the new Council arrangements and changes whilst seeing a reduction in senior staff. Reductions in meetings and more streamlined democratic arrangements will need to be achieved to enable savings to be made.

Property maintenance and improvement of assets is managed by Property for most Council assets and is kept to safe levels to protect their condition and less office space is helping to reduce costs. Disabled Access remains a priority and lots of progress has been made including recent improvements to the Roman Baths. Budgets are being reduced as assets are consolidated but also as a more planned approach is developed.

Trading services including printing, catering and cleaning are also managed within property and are generally performing well. The emphasis will be to ensure that they continue to break even and to act promptly if not. The schools meals service remains in high demand despite changes in school funding, but the printing service is less well supported. Cleaning is a very efficient service but is having to reduce standards to save money.

Some transactional aspects of Support Services are delivered by private sector partners, **Mouchel Business Services**. They are responsible for the Council's ICT and People Services (mainly payroll and HR transactions). These services are being taken back in house to enable them to be consolidated and changed to reflect the other changes taking place in support services, as well as the new ICT strategy.

A series of corporate projects are also planned to reduce capital financing costs, increase commercial income, consider the possibility of a form of tourism levy or charge and generally improve income generation and investment returns.

Finances & Service Impacts

The service impacts of the changes are set out in the attached impact analysis at Appendix 4.

The following targets have been set for the next three years:

- 2013/14 £4.102m (including £1.721m Corporate items)
- 2014/15 £3.852m (including £2.294m Corporate items)
- 2015/16 £2.220m (including £1.4m Corporate items)

When unavoidable growth is added in for 2013/14 and 2014/15, savings in both years in excess of £1M will be required as well as absorbing inflation on non-pay items. Pay has been assumed to remain unchanged in 2012/13 but increase by only 1% after that. The unavoidable growth in 2012/13 is itemised in Appendix 4 and is mainly associated with contract inflation, pay increments and loss of Government grants. This means the real savings in each year will need to be in the region of 5% of gross spend.

The proposals to meet the three year targets (including the Corporate items) can be categorised as follows:

- » Change Programme £2.870m
- » Cashable Efficiencies £3.783m
- » Additional Income £2.860m
- » Reduced Service Levels £0.661m

The **impacts** for 2013/14 and the following two years are detailed in Appendix 4.

National and Local Performance Frameworks

There have been significant changes in the national performance regime in the last 18 months. An initial reduction in the national performance framework has been replaced by a number of service specific requirements in Adult Health & Social Care and Public Health. National inspection frameworks are anticipated to emerge in the future. National inspection frameworks in Adult and Children's Services (CQC and OFSTED) are continuing.

Further national performance frameworks are anticipated to emerge in the future. The local government Association (LGA) has introduced a new national Peer Challenge scheme. Most local authorities are expected to participate in this scheme which replaces the Audit Commission's Corporate Peer Assessment (CPA). This will allow local authorities to identify their own strengths and areas for improvement. It is anticipated that Bath & North East Somerset Council will undergo a peer assessment in 2013.

The Council has developed a new performance framework which meets service specific national requirements and also provides local performance information to support effective decision making. This incorporates value for money (VFM) and benchmarking where information is available and a corporate VFM judgement continues to form part of the annual audit of accounts.

Currently, it is not possible for councils to compare their relative overall performance as this information is now not gathered nationally. However, continuing local monitoring indicates that levels of performance have been broadly

sustained and we are currently reviewing how we can actively demonstrate this using new LGA mechanisms.

Workforce Planning

Workforce planning, as part of a broader Organisational Development, will remain critical during the course of this medium term plan as the Council reshapes to meet the financial challenges alongside the expectations of local communities. More diverse service delivery models both within the Resources Department and elsewhere in the Council may bring additional challenge.

The aim must be to develop an agile workforce in terms of numbers, skill and competence that can be 'flexed' to meet changing needs. Each division in the department will be considering future organisational models and service plans for the next and subsequent years will be identifying workforce issues that will inform the development of the Council's on-going Organisational Workforce Development plan.

Over the next 3 years, there will be a reduction in overall staffing levels across the Resources Department of around 50 FTE posts. A range of measures utilising the Council's Organisational Change Policy & Procedures will be deployed to minimise job loss and compulsory redundancy. Forward planning, together with sound staff and union consultation will help to mitigate the potential impacts. The potential impacts on staff morale, wellbeing and motivation will need to be considered, given both the Council's financial decisions and the more general economic climate in the country.

The management structure for the department is under review. The intention is to ensure a new structure (to be implemented in 2013/14) reflects the new demands on the department, streamlines management arrangements and delivers savings.

Longer Term Options – Years 4 to 10

The longer term solutions are more speculative and will in part be driven by the wider agenda for local government, city regions, Local Enterprise Partnerships, demand pressures on social care (with an aging population), climate change issues but also perhaps the growth and economic prosperity opportunities arising from an expanding population.

The proposed changes in the next 3 years are radical and will set the agenda for some years to come. Public expenditure reductions will also continue for some years to come. The slow recovery of the economy and public sector finances at a national level is a major concern and threat to local government.

The Council's role as an enabler and community leader is crucial so that local people have access to the right services is central to the changes described here. The changes in schools and health and social care alone will radically take this agenda forward over the next 3 years.

The fundamental issue remains the funding of social care. The increasing demands and associated costs are linked to the demographic change affecting all

Councils as people are living longer and the population of people in care continues to grow. This runs the risk of making Council budgets unviable if a new approach and national funding system is not introduced. Councils will not be able to support their other priorities in the medium term if this issue remains unresolved.

A link to a report showing the potential effect of social care funding in the medium term is provided below – just after list of appendices. The analysis has been provided by the Local Government Association.

Approval of this plan

This plan is to be considered by the Community Resources Policy Development & Scrutiny Panel (CPR PDS) in November 2012.

The Portfolio Holder for Community Resources and the Leader will then jointly review it again so that any changes will be incorporated into a final version of the plan for approval alongside the overall budget in February 2013.

Appendices

Appendix 1 - Resources Department – Analysis of Headline Numbers

Appendix 2 - Resources Department - Capital Programme

Appendix 3 - Resources Department - Service specific initiatives at Divisional level

Appendix 4 - Resources Department - Impact of proposed budget changes

Appendix 5 - Financial Planning Assumptions (Council's financial context)

Appendix 6 - Joint Strategic Needs Assessment summary

Appendix 7 - Potential critical impact of social care costs.

More information about:

The **Change Programme**, the existing Sustainable Community /Strategy and Corporate Plan can be found on the Council's web site www.bathnes.gov.uk/

The **Local Government Association** has analysed the impact of the problem with social care funding and increased demand. This has a fundamental impact on the viability of council budgets beyond 2015/16. A link to this report is enclosed below:

http://www.local.gov.uk/web/guest/publications/-/journal_content/56/10171/3626323/PUBLICATION-TEMPLATE