

## **Agenda Item for Cabinet – 3 November 2010**

### **Report of the Deputy Leader and (in respect of Section 5) the Leader of Council**

#### **Development of Strategy in response to Coalition Government plans and Public Sector Finances**

##### 1. Background

The Coalition Government has inherited a public sector finance crisis with a net deficit in 2009/10 of £157bn. Immediate steps were taken in the June 2010 budget to reduce the deficit by some £6bn with approximately 21% falling on local government. For B&NES this meant a cut of £1.8m pa in revenue funding (equivalent to 2.5% on Council Tax) and a £1.8m reduction in capital funding alongside notice that Coalition Government funding of other critical B&NES capital schemes was to be reviewed. It is noted that the savings in 2010/11 have been taken by the Coalition Government but that the costs (£867k) of implementing the savings (including redundancies and meeting contractual commitments) have fallen to B&NES and have required additional efficiencies and / or cuts beyond the headline figures quoted. The Council has taken appropriate action to implement the Coalition Government required cuts and, despite the scale thereof, still expects to deliver a 2010/11 revenue expenditure outturn within the original budget and direct contingency.

The direct impact of the Comprehensive Spending Review (CSR) - and its £81bn of public spending and tax raising measures - on B&NES Council will not be known until December 2010 when final grant details are announced. However, with regard to government revenue grant funding, the assumption for Council medium term service and resource plans has been for a 30% reduction over four years in general and specific grants (excluding schools which are ringfenced in the Direct Schools Budget). The local government settlement announced in the CSR was for a 28% reduction over four years and was therefore broadly in line with our projections. The Direct Schools Budget was protected and included provision for a pupil premium for children from disadvantaged backgrounds.

The CSR provides for the removal of ring fencing of a number of grants and for transfer to the general formula grant distribution arrangements to all authorities. This is of some concern as under the formula arrangements the Council has historically received some £2.5m per annum less than its Government calculated needs entitlement due to 'damping' or, in layman's language, the protection by Government of other authorities who should be getting less on a needs basis than they currently are. The December final settlement details are therefore crucial to see the extent to which damping is maintained and how it is applied. We will be making appropriate representations for fair treatment via our MPs, the Local Government Association and otherwise.

The scale of the projected reduction in local government revenue funding is such that it cannot be met by efficiencies alone. The Council is already one of the lowest funded unitary authorities. There will need to be even greater prioritisation of services to reflect community demands and the Coalition Government's policies / diktat. This will lead to cuts in certain services which are lower priorities together with related staffing reductions. There will need

to be an emphasis on service redesign. In this connection it is noted that the Coalition Government Plans in key areas (e.g. education, health and social services etc) will also have a major impact on the Council's medium term planning both directly and with key partners (including the NHS, the Police and the voluntary / community sector).

Capital funding is expected to reduce by an average of 45% over four years across local authority responsibilities including education and transport.

The purpose of this paper is to consider / confirm a strategic steer by the Cabinet in key areas of the Council's business to reflect the expected impact of the Coalition Government's plans including the CSR. It also provides the background to requests that have been made to the Chief Executive to put forward proposals to Council on certain immediate issues (such as the Joint Health & Social Care Provider and the Commercial Estate) and with a view to developing a revised management structure appropriate for the B&NES Council of the future.

The management structure should take into account the Council's prospective funding and related service reduction, the implications of Coalition Government policy more generally (particularly as related to Education and Health / Social Services) and reflect the increasing emphasis on commissioning / 'core' / empowerment of communities. The Chief Executive has been asked to ensure that there are significant and ongoing management cost savings while ensuring transition can be effectively managed.

## 2. Council Priorities

The Council has established eight priorities and the strategic steer given should continue to reflect these priorities:-

- \* Improving Transport and the Public Realm
- \* Building Communities where people feel safe and secure
- \* Sustainable Growth
- \* Promoting the independence of older people
- \* Improving the availability of affordable housing
- \* Better lives for children and young people
- \* Improved school buildings
- \* Tackling the causes and effects of climate change

It is inevitable given the scale of reduction in local government funding envisaged that there will need to be a degree of prioritisation as between the priorities listed and indeed further prioritisation within each priority. The organisational approach we adopt should be to maximise efficiencies but there will be a limit; to consider whether a service is actually necessary or being delivered at the right level or in the right way (is a bronze standard rather than a gold standard appropriate?); can things be done differently? (working with statutory partners, the voluntary sector, the private sector, local communities); and lastly and

regrettably is a cut in service necessary and unavoidable as we prioritise resources?

It is critical that the Council should continue to prioritise the vulnerable. Similarly (as funds become even more precious) it is very important that there is an appropriate emphasis on disadvantaged communities. These issues in particular will help inform the increased targeting of relevant services both directly and in partnership with others. It should also be recognised that service redesign can lead to increased quality and customer responsiveness as well as reducing cost. The recent work undertaken in Revenues and Benefits is a very good example with reducing costs, claims periods reducing from 30 to 3 days and improved customer satisfaction. Other elements of the Council's Change Programme can point to similar improvements in service performance while delivering substantial cost savings.

It should also be recognised that there needs to be a balance in overall spending to achieve the long term goal of truly sustainable communities both of place and people. We need to continue to invest for the future and not just concentrate on short term financial pressures.

The strategic steer that the Cabinet gives should ensure that the current priorities are re-affirmed and that key principles as regards the vulnerable and disadvantaged communities are re-enforced. We need to assure our community and our staff that while the scale of the financial challenge is massive, we have the capacity to manage the impact of the changes while remaining consistent with the key priorities and principles that have already been established. There will need to be changes but we are better prepared than most Councils to deal with the financial shock to the system which is now with us. This is reflected in the current position and approach of our key services and partnerships (see below) and in the Council's financial standing.

### 3. Council's Financial Position

The Council's budget and financial plan for 2011 and beyond will be prepared against the background and benefit of sound financial management.

\* The Council has set and delivered revenue budgets over many years without any call on one-off reserves. This has been due to strong Member and Officer discipline in terms of living within our means and collective responsibility and awareness. In the current financial year the Administration resisted pressure from various quarters to spend reserves to cover recurring revenue budget pressures.

\* The Council has a Council Tax below national average notwithstanding it is one of the lowest funded unitary authorities and has some £2.5m per annum of its grant 'damped' / lost.

\* It has consistently delivered Value for Money in key services and exceeded the efficiency savings targets set by Government - generating a cumulative £17.8 million per annum of cash efficiency savings over the four year period.

\* The Council has the required level of risk-based reserves (approx. £10.5m) to cover the range of current corporate and other risks. In addition to these reserves (and having anticipated the impact of the public sector finance crisis) it has also set aside reserves for Restructuring (£2m) and for Medium Term Financial Challenge (£2m). Together with the £2.3m underspend for 2009/10 reported to Cabinet in July 2010 and the possible release of £3m set aside in 2009/10 and 2010/11 for prospective additional employer pension contributions, it has a sound / strong reserves position. (The pension reserve may not now be required due to changes in the inflation assumption being established by the Coalition Government, the recent performance of the Fund, and the CSR proposals for increased employee contributions). While the Council's reserves position is strong particularly when compared to many other local authorities, the reserves can only be spent once and cannot cover recurring budget pressures for any significant period - in this connection the reserves need to be seen against the background of an annual revenue and capital spend of over £400m. If reserves need to be spent then they should be to restructure or 'invest to save' such that there is a longer term sustainable service and financial position.

The Council's financial position gives it the flexibility to plan effectively for the troubles ahead and without panic. However, the prospective changes in key services mean that the reserves (beyond the risk-based reserves) will be needed to fund the restructuring and other costs to deal with the reductions in Government grant funding and the management of the transition to less service provision over the next few years as we have to live within less means. The Council will also need to consider its approach to Council Tax increases - the Coalition Government has signalled funding for no increase in 2011/12 and this will be included in Cabinet's budget proposals. Consideration will also need to be given to fee levels and areas of activity where significant income is generated - in particular the Commercial Estate (as to which see below); the Roman Baths; and Parking (albeit in the case of the last such income must be used only for specific purposes).

The remainder of this paper will concentrate on headline changes in certain key services as a result of Coalition Government Plans (including the CSR) and the expected impact on the Council's activities and plans. More detail will be provided in individual service and resource plans that will be going through O&S panels and staff and community consultative processes and this paper is not in any way intended to be a substitute for formal processes or indeed informal processes and discussions that are appropriate during a time of great uncertainty and as firm plans are developed.

#### 4. Children's Services

##### i) Schools / Education

The Coalition Government's Academy arrangements will change both the nature of the Council's role as a Local Education Authority (LEA) and indeed the range of activities which it is engaged in and has a capacity so to do at an appropriate level of critical mass.

Over recent years the Council has conducted a series of area and sector school reviews that have led to improved standards, a much improved environment for education in our schools and the related elimination of surplus places in primary and special schools. The Council is currently in the process of finalising a review of secondary schools including the proposed consultation as to the closure of Culverhay, the conversion of Oldfield to a co-ed (and as an Academy), and the proposed faith federation of St. Gregory's and St. Mark's. Many of the decisions have not been easy but they were necessary. As a result of the decisions that have been made there is now a sound basis for those schools who wish to pursue Academy status to do so with the Council's support. It is probable that most of our secondary schools over the next few years will pursue Academy status; that will mean that they will take with them not just the relevant portion of the central Education spending but also a proportion of the corporate (support services) spending. Similarly, a number of our primary schools may also decide (as has Trinity) to pursue Academy status with a similar impact on the Council / LEA.

Against the background of Academies and the related transfer of funding, the Council will need to consider its LEA role. It is suggested that the primary emphasis for the Council in the future will be Community Leadership and the direct and indirect influence of Admissions to ensure that our children and communities are treated equitably. The Council will continue to commission / provide school transport but there will be questions over whether certain other services should be transferred to schools directly in some form, provided in partnership with other local authorities or (in the absence of funding to the Council) discontinued entirely.

The Council has generally excellent relationships with its schools and it will need to continue to work closely with them to consider the potential impact of Academies and to manage accordingly. Aside from direct LEA responsibilities there is obviously a potentially significant impact on the demand for central support services and related funding that will need to be considered. It will also be necessary to discuss and agree with our schools the approach to the funding of school buildings in a post Academy world. Who provides what in future in terms of property maintenance? What happens to capital receipts (which have historically been ring-fenced by the Council for schools and, where appropriate and by agreement, used beyond the individual school to which they may relate)? These issues will need to be addressed as Academy funding arrangements and the implications for the Council and all schools are clarified.

## ii) Youth Service

At the time of the 2010/11 budget, the Administration made clear that it expected the model for Youth Services to change with an increasing emphasis on targeting particular groups / communities (rather than universal provision) and, where appropriate, the support and enablement of local communities to develop local arrangements without the degree of dependence on Council employed staff to run, for example, local youth clubs / activities. Consultation is currently ongoing as regards changes in the structure of Youth Services. However, the increased targeting of reducing resources can probably be viewed as a

precursor for certain other Council services.

### iii) Children's Social Services and Health

The Council and PCT enjoy close working relationships across Children's Social Services and Health and Children's Services are already included within the Council / PCT partnership and under the Health & Wellbeing Partnership Board - see also comments under Section 5 below.

With the demise of Children's Trusts (under the Coalition Government plans), it would seem the model of cooperative working that we have locally can be viewed as an exemplar for future arrangements envisaged nationally. Both the Council and the PCT have recognised the importance of close working in Children's Services, Adult Services and Public Health and they are a joint responsibility under the Health & Wellbeing Partnership Board and subject to contractual arrangements. There is already strong evidence of successes achieved which need to be built on for the future and these must not be lost as Academies are established on the Education side or as GP Commissioning Consortia are established on the Health side.

Safeguarding and Patient / Client Safety will continue to be the highest priorities for the Partnership. There will need to be close attention as to how this is managed in any new arrangements.

### 5. Adult Social Care, Health & Housing - **Responsible Cabinet Member for purpose of this report - Cllr. Haeberling, Leader. As Chairman of the Primary Care Trust, Cllr. Hanney has a personal interest in this section of the report.**

The recent Health White Paper makes clear the Coalition Government's objectives as regards the NHS. Key features include:-

- \* the establishment of GP Commissioning Consortia (and the demise of PCTs by April 2013);

- \* the transfer of Public Health to local authorities;

- \*the role of Health & Wellbeing Boards – 'to take on the function of joining up the commissioning of local NHS services, social care and health improvement. These Health and Wellbeing boards will allow local authorities to take a strategic approach and promote integration across health and adult social care, children's services, including safeguarding, and the wider local authority agenda.'

- \* the required transfer of the provider elements of PCTs to other organisations by April 2012 with substantive progress required by April 2011.

The impact of each of these on the Council and the current extensive partnership with NHS Bath & North East Somerset will be considered in turn:-

i) The establishment of GP Commissioning Consortia

NHS B&NES and the current Health & Wellbeing Partnership Board (Council / PCT) have always been clear that their objective is for clinical and professional leadership supported by management within an overall strategy determined by the Health & Wellbeing Partnership Board and its partners. The Coalition Government's decision to establish GP Commissioning Consortia gives even greater emphasis to clinical leadership. Existing relationships as between the Council and GPs (and other clinicians) will need to be strengthened during the transition. No final decisions have yet been made as to the possible configuration or approach of GP Commissioning Consortia within B&NES. This is a matter for GPs and the NHS Commissioning Board but representations are being made nationally by local government that the views of local authorities and communities must be taken into account particularly given the overall objectives of the White Paper. The initial indication in B&NES is that there will be one GP Consortium which would be very helpful for joint planning and working.

The Council will be concerned to ensure that the existing joint planning and joint commissioning arrangements across health, social care and housing and with the broader links to public health are valued, coordinated, integrated (where appropriate) and developed. It would be a retrograde step if GP Commissioning Consortia focused only on NHS Commissioning rather than working closely with the Council and other partners in terms of the full care pathways across Health and Social Care and on the public health agenda. The risks (including patient / client outcomes and financial impact) of undue separation to both the Council and the NHS are significant and not least to the shared population served which has benefited from the existing joint arrangements in place. The Coalition Government has signalled the importance of the close links as between Health and Social Care in the CSR. Funding increasing to £1bn over 4 years has been provided to local authorities to support the pressures of the Social Care budget with a similar amount allocated to the NHS to support social care and to 'break down the barriers between the NHS and social care.' The total of £2 billion pa by 2014/5 for additional funding for social care needs to be seen in the context of pressures estimated at £6 billion nationally. Similarly, while the NHS funding is protected in real terms, similar demographic pressures and estimated drug / treatment cost pressures will mean that some 15-20% of current NHS spend will need to be eliminated by efficiencies and otherwise - the QIPP agenda (Quality, Innovation, Productivity and Prevention) is relevant in this respect.

The Council will want to work with GPs to ensure that arrangements are in place across B&NES that are sustainable and consistent. (A single GP commissioning consortium would minimise the risk of different approaches to working with social care unless justified by very particular local circumstances.)

The Council would wish to work with GPs and with current Joint Commissioning Staff to ascertain whether an 'offer' can be put to GPs to support effectively and on a financially viable basis a GP Commissioning Consortia arrangement within B&NES. If a satisfactory

arrangement can be mutually developed there will be overall cost efficiency savings, the avoidance of unnecessary TUPE transfers, and the possible minimisation of inappropriate redundancies and related costs.

#### ii) The transfer of Public Health to local authorities

There is already a Joint Director of Public Health in B&NES and public health falls within the current responsibilities of the Health & Wellbeing Partnership Board. The transfer of public health is not inconsistent with the Council's responsibilities for many services which have an impact on the determinants of health - education, housing, planning / regeneration, transportation, environmental health etc.

It will be important for the Council to manage the transfer of the service and related staffing effectively and not to lose key people or the links with NHS organisations. Similarly it will be important for the Council to work closely with GP Commissioning Consortia in progressing the public health agenda.

It is expected that public health budgets will be ring-fenced. Such a ring-fencing will be of little value if the Council does not continue to prioritise vulnerable people and disadvantaged communities. Similarly the transfer will be sub-optimal unless the Director of Public Health is seeking to (and is allowed to) influence strategy at the highest levels to achieve public health goals.

#### iii) Health & Wellbeing (HWB) Board

B&NES is believed to be unique in terms of having a Health & Wellbeing Partnership Board that includes responsibility for Children's Services, Adult Services (Health, Social Care and Housing) and Public Health. Although B&NES has had a Children's Trust it has also seen the importance of having Children's Services within the HWB Partnership Board. With the demise of Children's Trusts our current HWB Partnership Board may be said to have 'anticipated' the requirements of the Coalition Government's White Paper.

Similarly the composition of the current HWB Board has many similarities with the requirements of the White Paper in terms of composition. We currently have the Leader, Cabinet Members for Children and Adults, Council Chief Executive, Strategic Director of Children's Services, Joint Director of Public Health, Acting Chief Executive of PCT / Strategic Director of Adult Social Care & Housing, the Chair and 2 Non-executive directors of the PCT, and the GP Chair of the Professional Executive Committee. The composition will need to change but predominantly to reflect NHS changes with a greater clinical representation and to take account of the future demise of the PCT.

Along with the establishment of the new HWB Board, the Council's health scrutiny function, which has been a very valuable contributor to improved partnership working and patient / public accountability, will disappear / be incorporated within the new arrangements. There will also be a growing emphasis on patient and public involvement and a transition of the



current LINKs (Local and Involvement Networks) to 'Healthwatch'.

iv) The Joint Provider

The Council and PCT has established within its existing organisational structure a Joint Provider for Social Services and Health which has some 1,700 staff. The current Managing Director of the Joint Provider is a Council employee and senior management comprises both Council and NHS staff. Increasing autonomy (from the PCT Board in particular) has been given in the light of both the previous Government's and the Coalition Government's avowed intentions to transfer Provider Services from PCTs.

A paper will be going to Council in November with detailed options on proposals for a vehicle to deliver the Joint Provider services. Overview & Scrutiny will also have considered the issue at its meeting on 28 October 2010. Whilst the NHS has still not fully developed its requirements in this respect and further review is required by the Council and Partnership, it does appear at the time of writing this paper that a Social Enterprise vehicle under the auspices of the Local Strategic Partnership is likely to be the favoured option.

For the purpose of this paper, it is probably appropriate only to indicate that it is believed that a viable proposal can be developed and that such a vehicle (given the Coalition Government's requirements) is likely to be in the best interests of patients / clients, the community and staff. There will be a lot of work required to progress such a proposal in the required timeframe.

Over time it is expected that any Joint Provider will expect a degree of autonomy (after a period of transition) in terms of the purchase of relevant support services. The Coalition Government as well as the Council and PCT / GP Commissioning Consortia will expect the Joint Provider to be providing value for money and improving services. As the Joint Provider is expected to compete on service quality and other factors (including price) with other providers (both statutory and otherwise) it will need to know its support service costs are optimal. The Council and the NHS individually and jointly will need to ensure support service arrangements offered are cost efficient as compared to other alternatives.

The alternative to maintaining a joint provider from the Council's perspective would most probably be 'divorce' of the Health and Social Care elements with the latter returning to the Council. The loss of 'join-up' would not only be contrary to the objectives of the Coalition Government but also a loss of existing joint teams and services that have been effective and valued by B&NES patients and clients. It is also believed that neither the Council's Social Services Provider nor the PCT's Provider would be of sufficient critical mass to operate independently on a cost or indeed service efficient basis. The opportunity for efficiencies by working together would also be lost. To the extent that either the Council and / or PCT operate other than at critical mass (and together) there is a greater risk of predatory providers on some elements of key services with consequential impact on overall service provision and related staffing.

The decision on the Joint Provider is a matter for Council (unless it can be established within the budget set by Council in which case it would be a Cabinet decision) and the PCT Board (in the latter case taking into account views of GPs) and having regard to resident considerations.

There are major changes planned in this area and there remains a significant amount of continuing uncertainty (e.g. with regard to GP Commissioning Consortia). The Council and NHS have a strong and effective partnership and it is very important that this is maintained and developed. The scale of change is potentially a cause for concern for all relevant staff and as much clarity and certainty as regards future arrangements needs to be given as soon as reasonably practicable.

## 6. Customer Services / Service Delivery

The scale of future organisational change for this area may initially appear to be somewhat less than for Children's Services and 'Adult Services' as detailed in paragraphs 4 and 5 above. Such a view may be somewhat misleading particularly given the change that is already in process.

Successive B&NES Councils have prioritised Education and Social Services consistent with successive national government requirements. However B&NES Councils' approach (and related funding priority) has also reflected the importance given locally to education (fully justified by outcomes including but not limited to the national ranking performance of our schools) and to the support of those most vulnerable in our communities.

For Customer Services this has often meant that resources have been very tight. The last budget recognised a particular issue (i.e. Highway Maintenance) and injected an additional £3m of funding to deal with a combination of a harsh winter and a need to invest more to avoid an escalating problem. Ongoing commitments of such a level will be challenging; continuing investment will though be necessary - if a problem is not sorted today it will cost up to 10 times more tomorrow.

The Planning Service has been changing its delivery and process arrangements particularly for Development Control as it has had to meet challenging targets and the need to prioritise. There has been both an elimination of posts and some redundancies. There is a pressure by many residents and communities for more to be spent on certain functions including enforcement. However, future funding will continue to be challenging as the Council deals with the public sector finance pressures detailed in 1 above and as otherwise described in this paper. In essence we will not be able to spend more on a particular service until we have identified the means to deliver overall financial balance. If a service or indeed the community wants to spend more it will first have to say where it will spend less.

At a Strategic Planning level the Council will be one of the first Councils, if not the first

Council, to publish its Core Strategy following the demise of Regional Spatial Strategies and top down prescription - that is if Council approves in early December. A significant amount of work has been done to ensure the Core Strategy is evidence based, appropriately considers the responses from earlier consultations, and links the planning of housing, jobs and infrastructure cohesively. This is very important for the future of Bath and North East Somerset.

Some further observations:-

i) The number of minor highways schemes will need to reduce reflecting the expected cut in capital funding and indeed the pressure on revenue funding including 'damping' which for the Council effectively means that it does not get the full amount of Local Transport Plan funding. Expectations of Communities will need to be realistic and managed and there may be disappointments as we will be unable to deliver the range and nature of schemes that we have hitherto or that communities would like to have.

ii) The successful partnerships with the business community (Bath Tourism Plus, Future Bath Plus etc) have enabled the area to come through the recession somewhat better than many other areas in the UK. Tourism has held up remarkably well (including the Roman Baths which is an important source of income for the Council) and this is one of the benefits of the partnership with the business sector. Future Bath Plus has brought together public and private financing which has led to the appointment of a City Centre Manager and the current consideration of a Business Improvement District proposal that will increase the funds available to be spent on matters important to the business community. There has been collective support for events and festivals that encourage footfall; cooperation and joint funding of a retail marketing campaign; the establishment of a Landlords' Forum etc.

It is important that the Council continues to work closely with the business community to promote the area. The Council's commercial income (Commercial Estate, Roman Baths, Parking) is aligned with the interests of business. If the BID proposal is successful the Council will be one of the largest contributors - that is how it should be.

iii) Despite financial pressures the Council has continued to promote recycling and Food Waste collections begin in October. The public will expect the continuation of an effective and efficient waste and recycling collection service. The Council has successfully implemented same day collections and not eliminated (as so many Councils have) a weekly collection of waste. There will be challenges to build on current performance but this is an area (as with street cleaning) where public expectations are high and that we will need to meet but within reducing resources.

iv) Libraries and Leisure facilities remain important to residents. As with other services we will need to continue to deliver innovatively within reasonable expectations but possibly with much reduced resource allocation.

v) There has been much pressure from certain quarters in recent years to increase free or subsidised bus provision (including but not limited to free school bus travel for children and a subsidised Youth Travel card). The sources of additional funding in this area are not immediately obvious given the scale of local government finance pressure nationally, locally and within the relevant service / directorate. In order to fund such aspirations proponents will need to identify where services will otherwise be cut within the service or across the Council.

vi) Customer Connect (and more broadly the provision of portals for Council / Public Sector Services) will have an important role to play in future as there is a greater plurality of provision in public services. It will need to move from a concentration on Council Services to working out how it provides Customer Services functions and services to a wide range of providers including Academies, providers of Council Services (including for example existing third party providers e.g. domiciliary care) and indeed providers across the statutory, private and third sectors. There will need to be a balance as between contractual requirements and persuasion of providers to pay for what they get because of the quality and utility of the offer. This area will need much review as matters progress.

## 7. Support Services

The Council has been innovative in support services including the Partnership with Mouchel on IT, Human Resources / People Services and otherwise. It has also developed the partnership with the PCT with a view to delivering support services efficiencies over time.

The Coalition Government's decisions on Academies and Health as above have profound implications for both the Council's and PCT's support services functions (Finance, HR, IT and Facilities Management). The impact of Academies and loss of funding will need to be considered as will the future of the Joint Provider. There will need to be transitional arrangements but the bottom line impact is that there will be less direct Council services. This means that the Support Services functions cannot just charge out current costs or even modestly reducing costs to a much smaller group of Council providers. Historically the Council has transferred certain services to third party providers without always achieving an appropriate reduction in service and central support costs - e.g. Housing (to Somer), Leisure (to Aquaterra), Tourism (to Bath Tourism Plus), and Domiciliary Care (to various third parties). That won't work in the future.

There will have to be a step change in arrangements most probably with an emphasis on the 'Core' services remaining (including but not limited to Commissioning responsibilities). Other support services will have to reduce costs to levels that are viable as compared to other providers of support services whether public or private sector. This may involve partnerships with other Councils or public sector bodies, partnerships such as that currently with Mouchel, or transfer of such services e.g. to schools.

## 8. Other Services

The services referenced in this paper are not intended to be comprehensive. All services will need to be reviewed and there may be a number of services that we should stop because they are not critical mass and / or they are not cost effective and / or the returns are unjustified as compared to related risks and / or because they are not priorities but require significant management oversight. It will be for Divisional Directors to be robust in relevant reviews.

Clearly a number of our priorities require support from other partners such as the Police, Fire and Rescue and other partners who are also facing funding issues (with the Police, for example, having a 20% cut over 4 years) and we will need to work with these organisations to ensure the issues that are important to Bath & North East Somerset are protected where possible. The plans in place to deliver these will need to be reviewed and aspects of those plans reprioritised

## 9. Management

The Changes as indicated above are major. We need sufficient and high quality management to manage the Council's activities both through transition and for the B&NES Council of the future. However, if we experience cuts in government funding of the order of 28% over the next four years it is not an unreasonable expectation that our management costs should reduce by a similar or larger amount.

The Chief Executive is therefore requested to bring forward for consideration by Council an appropriate senior management structure to produce significant management costs savings as aforesaid while ensuring the effective management of transition. Management Cost savings of at least £2m pa by 2013/14 are sought with comparable reductions in the senior management structure.

## 10. Future Investment / Regeneration

The emphasis of the paper as above has largely been on the service changes envisaged as a result of the Coalition Government's Policies, the Council's preparedness, and the Cabinet's approach. It is going to be a very difficult time.

However, it is also important that the Council ensures appropriate investment for the future and supports the regeneration of the area including promoting and enabling the growth of the private sector as the public sector contracts. In this connection the very positive working we have had with the private sector including but not limited to Future Bath Plus, Bath Tourism Plus, Bath City Centre Management, Creative Bath (which we helped to set up) etc will stand us in good stead. At a time of great uncertainty it is perhaps also a time to celebrate the success we have had locally and to have some confidence for the future. Bath and B&NES is very well positioned - we have suffered less than many other areas of the UK.

Tourism continues to thrive and the Council's own Roman Baths continues to be a great success story benefiting from the £5.5 million refurbishment programme over the last 5 years. Retail in Bath (including the opening of SouthGate and Milsom Place) has done remarkably well and the Council has very low vacancies in the Commercial Estate which suggests / confirms that the new developments are enhancing the retail 'offer' rather than just competing. B&NES can be proud of the success of its Universities, the range and contributions of its creative sector and indeed other businesses who contribute so much to the local economy in terms of employment but also more broadly to our communities. We need to build on these successes and recognise that we have moved forward and are well placed to continue to move forward and we must not go into reverse.

#### i) Local Enterprise Partnership

Some of the regeneration work will be in conjunction with other Councils and business through the West of England Partnership and the proposed Local Enterprise Partnership (LEP). The Bristol, Bath and West of England area is a major generator of Gross Value Added (GVA) ranking, I believe, second in national terms after London. If the Coalition Government is to avoid even greater cuts to public spending and services than currently envisaged, then it needs growth. The West of England needs to plan for and provide an element of that growth and, as part of the compact with Government, get support for necessary infrastructure to deliver same from the £1.4 billion Regional Growth Fund and otherwise. B&NES will provide an important element of the sub-regional growth in terms of the smart economy, value added tourism, creative industries etc. We will need to work with our partners in the West of England to raise skills across the sub-region. Some of this work will be done locally and some in partnership.

Within the context of what is agreed in the Core Strategy in December and our local Economic Strategy (the latter being on the Cabinet's November Agenda with this paper), we will need to 'embrace' Coalition Government measures for a New Homes Bonus, Tax Incremental Finance, the Community Infrastructure Levy and bidding for Regional Growth Funds without which the sustainable level of growth sought locally may not be achieved.

The LEP arrangements will need to encourage cooperative working and empowerment particularly on delivery while ensuring that those matters that are appropriate for local decision-making as regards Strategy are decided locally and not unnecessarily at LEP level. There is no reason to believe satisfactory arrangements cannot be developed given past experience on Housing Strategy, Waste Strategy, and on Transport. It should also be recognised that if cooperation is not in place across the LEP then we will lose out to other areas / regions.

#### ii) Vision for B&NES and Commercial Estate

The Council has been successful alongside partners in developing Visions for B&NES urban settings (Bath, Keynsham and Somer Valley) and with a clear understanding as to the importance of having robust business plans to support. It is now clear that the level of

support previously expected from government is not guaranteed whether related to affordable housing finance and / or infrastructure. The Council was in a position to allocate £3m in the 2010/11 budget to affordable housing but for the future it will be increasingly difficult to fund affordable housing requirements directly from the Council - there will be a reliance on residential developments generating the prescribed 35% level of affordable housing. If affordable housing is prioritised as would be indicated from the Council's Priorities - see 2 above - then it may be more difficult to generate the level of planning gain necessary to support the required infrastructure improvement including public realm. In this connection the level of Coalition Government support for Housing as indicated at a national level in the CSR is of some concern in terms of delivering affordable housing objectives and particularly until the basis of allocation is somewhat clearer.

We are at a crossroads. Bath and indeed the B&NES area is attractive to potential businesses and investors. As indicated above the delivery of SouthGate in Bath is a major success which has been accompanied by other notable successes e.g. Milsom Place. The Roman Baths has been substantially upgraded; other key local 'attractions' have been upgraded e.g. The Theatre Royal and the Holburne each supported by a modest level of Council capital funding. All of this is important in terms of maintaining and improving Bath's retail and tourism destination offer. The Council's commitment to Keynsham Town Centre is critical to the future of that town and attracting other employers and businesses. Efforts have been made in Radstock but so far without the same level of success not least because of the difficulties in bringing large landowners such as NRR, Radco and the Council together with local leaders. In Midsomer Norton, the Council's continuing commitment to the Hollies has been important as will be its enabling role with regard to future improvements in the town.

However, we can't wait for the recession to end and public finances to recover before we progress regeneration further. We need to be well positioned and be clear that Bath and B&NES are going to outperform regional and national competitors. We also need to protect our Heritage while ensuring that there are new offices for employment and new houses built to meet unquestionable demand.

The Council which has an interest in many of the key development sites in Bath, Keynsham and the Somer Valley needs to develop a partnership or partnerships with appropriate investment and development partners to ensure the long term sustainable development of the area.

The Chief Executive is therefore asked to develop proposals with the Chief Property Officer and the Cabinet Member for Resources to achieve the following objectives for the Commercial Estate:-

\* Continuing to maximise the total long term return (income plus capital appreciation) of the Council's Commercial Estate

\* Protection of revenue income to Council particularly over next five years

\* Generation of significant Capital Receipts of up to £100m over the next 5 years to invest in and implement the Public Realm & Movement Strategy and other necessary infrastructure for the future sustainable development of Bath and Bath & NE Somerset (alongside Government funding and developer contributions). The capital receipts will also be used to implement the objectives of the World Heritage Site Plan and support the capital investment necessary for the development of cultural and leisure facilities that will enhance Bath / B&NES in terms of attracting and retaining businesses and residents. Any proposals regarding use of capital receipts for cultural or leisure facilities will need to be supported by robust business plans that do not require substantial revenue support from the Council other than within existing budgets as tempered by the future outlook for local government financing.

The generation of Capital Receipts is expected to come from working with partners with regard to the Commercial Estate and / or development opportunities within the Council's Corporate / Operational Estate. The overriding principle is that the Council's Commercial Estate will be enhanced by the proposed investment in public realm and infrastructure, World Heritage Site Management and cultural and leisure facilities and will be worth significantly more (adjusted for any partnership interests that will not include freehold interests) than the 'do nothing' alternative.

\*The Council wishes to identify partners who share the Council's long term vision for Bath and Bath & North East Somerset and who will be able to contribute capital, experience and value added to the Council's objectives as stated. In particular we want to identify a partner or partners who will take a long term view of the Estate while establishing and meeting appropriate short and medium term targets.

## 11. Conclusion

This paper has considered the impact of the Coalition Government's policy objectives in key areas and the likely reduction in local government funding. It has identified how the Council has responded to date and provided a steer for the future on services, partnerships, finance, priorities, management costs, and regeneration / the Commercial Estate.

Cabinet needs to consider / confirm the strategic steer given and provide further comments as may be appropriate. There are also some additional overriding criteria that may be helpful in developing future plans:-

i) The Council must retain democratic responsibility for outcomes and for all the services it funds to achieve those outcomes.

ii) The democratic accountability of Councillors places a responsibility on the Council to establish the needs of the community and provide community leadership.

iii) The future Council should be strategic rather than operational, focussed on convening



and working with partners and the community to prioritise and commission public services that provide value for money. The emphasis will be less on direct delivery than at present and there will be an increasing emphasis on individuals and our community(ies) taking on greater direct responsibility. In this respect the 'Big Society' is critical. There will be an increasing plurality of providers - public sector, community / voluntary sector, private sector and combinations of partnerships thereof.

iv) The Council will remain responsible for making policy, setting priorities and the annual budget and Council Tax, and working with its partners to commission and ensure delivery of outcomes for individuals and communities.

The paper confirms informal requests made to the Chief Executive to develop proposals for the next Council Meeting on the Health & Social Care Joint Provider and Management Costs. It will also be appropriate to advise Council as to the proposed development of partnership options for the Commercial Estate.

The Council is well placed to move forward while maintaining a high standard of service and services to its residents. There will be difficult decisions to be made and some will inevitably not be welcome by some residents or indeed by those staff whose jobs may be affected. We will need to engage effectively with Stakeholders (Service users, Residents, Staff and Unions, and Partners) as plans are progressed and implemented. How we manage the change will impact on the success of the Council and the area as a whole.

## 12. Note to Cabinet

This report has been seen by the Council's Head of Paid Service, Monitoring Officer and Section 151 Officer and where appropriate their comments have been incorporated. In accordance with the requirement that such Officers must be satisfied that the report contains all the information necessary to enable a decision or decisions to be made. The Officers are so satisfied.