

## Report for Resolution

<b>Report to</b>	Cabinet	<b>Item</b>
	27 October 2010	
<b>Report of</b>	Chief Executive	<b>9</b>
<b>Subject</b>	Proposed savings programme for 2011/12.	

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### Purpose

To seek agreement to implement a programme of savings to the general fund revenue budget for 2011/12 following the completion of a formal consultation exercise.

### Recommendations

Cabinet is asked to:

- note the revised financial position following the Government announcement on the comprehensive spending review (an update will be provided at the meeting)
- agree to implement a programme of savings for 2011/12 ( current proposals are set out in Annex B, and may be subject to change following the conclusion of the consultation exercise)
- note the responses to the external consultation exercise (Annex C)
- note the responses to the internal staff consultation exercise (Annex D - to be provided at the meeting and considered in the non public part of the meeting)
- agree to a range of staff changes (Annex E - to be provided at the meeting and considered in the non public part of the meeting)

### Financial Consequences

The financial consequences of this report are a reduction in the council's general fund revenue budget of £3,007,309, which will take effect from 1 April 2011.

### Strategic Priority and Outcome/Service Priorities

The report helps to meet the strategic priority "Aiming for excellence – ensuring the Council is efficient in its use of resources, is effective in delivering its plans, is a good employer and communicates effectively with its customers, staff and partners".

**Cabinet Members:** Councillor Morphew - Leader of the Council  
Councillor Waters - Resources, Performance and  
Shared Services.

**Ward:** All

**Contact Officers**

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**Background Documents**

Report to Cabinet on the 28 July 2010 'Approval of a blueprint for a lean City Council'.

## **Report**

### **Background**

1. The effects of the recession continue to impact on the City Council's income levels. In addition, the Government's emergency budget announced on 22 June set out some specific proposals to reduce public sector funding in year.
2. It is expected that the Government will announce as part of the comprehensive spending review (CSR) plans to significantly reduce the funding available to local government by between 25-40% (an update on the CSR will be provided at the meeting)
3. Based on our projections, at the time of writing, we estimate that the City Council will need to identify significant savings of approximately £12-15m in its general fund budget over the next 4 financial years in order to provide a balanced budget and ensure reserves are kept at a prudent level (please see Annex A for MTFS savings projection).
4. Over the last 2 financial years the City Council has already reduced its spending by approx £10m, but has also achieved significant service improvements in financial management, housing and planning. To deliver such further significant savings over the next 4 years will be a very difficult task.
5. This report sets out proposals for delivering approximately £3m of those savings for 2011/12 to contribute to the overall savings target.
6. Work will continue to shape up further proposals for the additional savings needed for forthcoming years. As such, further reports and recommendations will be brought forward in due course.

### **Development of draft savings proposals**

7. In July 2010, in response to the impending financial challenges, the council's Cabinet approved a blueprint (target operating model) for how a lean City Council would operate following consultation with staff, elected members and Unison. This document set out the guiding principles for how the council will be organised in future, and is built upon the core elements of customer focus, cost consciousness and continuous improvement.
8. The principles in the lean blueprint for a new council have been used to shape the approach to delivering the programme of savings. These are focused on the following areas:
  - Customers
  - People
  - Organisational design

- Locations
9. Drawing on the lean blueprint, a variety of different methods have been used to develop the £3m of savings proposals covered by this report, including:
- Working with all senior managers to carry out reviews of income and spend to examine what options exist to reduce costs or increase income within different areas of the council.
  - Working with managers and staff across the organisation to generate savings ideas, through a series of staff briefings/workshops.
  - Reviewing services, structures and ways of working to identify savings opportunities particularly in back office, support services and senior management.
10. Through these different methods a programme of draft savings proposals has been developed that would contribute £3m of general fund savings for 2011/12 towards the council's overall savings requirement.
11. The focus of this programme of draft savings proposals is to remove cost from back office services and management arrangements, while protecting frontline services, and so give improved value for money.
12. However, these proposals will have a significant effect on the council's overall capacity and risks will need to be carefully managed.

### **Consultation processes**

13. On 23 September 2010 the Council commenced consultation to gather views on the programme of draft savings proposals. This consultation has focused on:
- External consultation – the council has carried out a citizens panel survey (as part of the Norfolk citizens panel) with 1000 citizens and a series of focus groups.
  - Formal staff consultation – at the time of writing it is estimated that the draft proposals would result in the deletion of a number of posts. The council has therefore consulted formally with UNISON through the collective consultation process and with affected staff to gather views about the implications and possible alternative proposals to mitigate redundancies. The consultation process covers a period of a minimum of 30 days in accordance with employment legislation.
14. Further formal consultation will be carried out with businesses, community organisations and the public as part of the formal budget setting process for 2011/12.

## **Consultation feedback**

15. There has been a range of views received from local people in response to the external consultation. External responses are summarised at Annex C.
16. Through the programme of staff consultation feedback and questions have been received from staff, and this is summarised at Annex D. All responses have been considered by the relevant manager and responded to.

### Revised proposals

17. As a result of the feedback from the internal and external consultation exercises, at the time of writing, it is proposed to retain the majority of the draft proposals within the programme, and to seek approval to implement them. However, there are a number of areas where alternative proposals have been submitted, and where changes have been agreed. These are summarised in Annex D,
18. At the time of writing, these proposed changes do not significantly affect the overall savings amount which, if all proposals are implemented, would still deliver approximately £3m of general fund savings for 2011/12.
19. The proposed programme of proposed savings is attached at Annex B and the necessary staffing changes are attached at Annex E. Cabinet is asked to agree these changes so that implementation can commence in order to achieve the savings by 1<sup>st</sup> April 2011.

## **Implementation**

### Non-staffing changes

20. For those proposals where there are no staffing implications, it is proposed that implementation would take effect as soon as possible.

### Staffing changes

21. Where staffing changes require an assessment and selection process to be undertaken this will be carried out between the 28 October 2010 -19 November 2010.
22. Displaced staff will then be issued redundancy notices on the 22 November 2010 and redeployment and outplacement support will then commence. The council will minimise compulsory redundancies wherever possible.

### Management of reduced resources

23. Once staffing changes have been formally agreed, work will commence to revise service and team plans and ways of working to ensure the affected areas can function effectively within the reduced resources. Although the budget cuts do not have a direct impact on frontline services they will have

an impact on how the council operates. Reductions in support services will have an impact on all employees and, in line with the blueprint for a lean council, will require more self service from employees and managers. The result of this is that all services will need to clearly prioritise those things they will continue to do, those things to be done differently, and those things to be stopped. In addition the changes to the management structure means a reworking of duties and responsibilities across all senior managers to ensure work is prioritised to meet future challenges.

24. When the full impact of the Comprehensive Spending Review is understood the council will then be able to update its medium term financial projections, and will then be in a position to assess if any further action is needed to balance the budget for 2011/12, and, also the scale of savings needed in future years.
25. Early work on a rolling transformation and efficiency programme that will deliver future savings and move closer to the lean blueprint is already underway. This includes an accommodation and work styles review, improvements to our customers experience, and a rolling series of Lean/six sigma reviews. Due to the nature of this work it is likely that, in future, savings will be developed and brought forward throughout the year rather than on the current annual basis.

## **ANNEX A**

### **MEDIUM TERM FINANCIAL STRATEGY (MTFS) SAVINGS PROJECTIONS**

The table below shows projected levels of savings identified in scenario's produced by the medium term financial strategy (MTFS).

The worst option assumes a reduction per annum of £1 million in non-general grants from central government and a reduction in the RSG/NNDR grants of 5% per annum.

The expected option is based on a reduction of £500,000 per annum in non general grants per annum and a similar reduction (5%) in the RSG/NNDR grants.

Both options assume 0% increases in council tax and an allowance for unavoidable growth/contingency of £1.5 million per annum. The later figure is based on the experience of the last three budget rounds

#### **General Fund Forward Projections**

##### **Savings Requirement**

	2011/12	2012/13	2013/14	2014/15	Total
Worst	-4,600.0	-3,600.0	-3,500.0	-3,650.0	-15,350.0
Expected	-3,600.0	-3,100.0	-2,950.0	-3,250.0	-12,900.0

## ANNEX B

### PROPOSED SAVINGS PROGRAMME FOR 2011/12

Theme	Project	Portfolio Holder	Lead Officer	General Fund Savings 2011/12	Description
Back Office Services Review	Procurement and Service Improvement Review	Alan Waters	Anton Bull	132,750	A restructuring of the council's service improvement and procurement teams to realise savings.
Back Office Services Review	Shared Legal Service	Alan Waters	Philip Hyde	30,000	The establishment of a shared legal service with Norfolk County Council and Great Yarmouth Borough Council.
Back Office Services Review	Democracy Review	Alan Waters	Andy Emms	28,500	The review of the frequency of meetings and the size of committees and levels of support.
Back Office Services Review	Finance Review	Alan Waters	Barry Marshall	299,250	The reshaping of the council's accounting function and reduction of resources in the benefits team following a lean review that has streamlined the council's approach.
Back Office Services Review	Cashiers (Additional savings)	Sue Sands	Tina Bailey	38,000	These are additional savings from last years cost reduction and efficiency programme which accrue naturally.
Back Office Services Review	Business Support Phase 2	Alan Waters	Tina Bunn	110,000	The reshaping of the council's support functions into a business support model.



Organisational Structure	Management Structures Review	All Exec Members	Laura McGillivray	209,142	The restructuring of the council's management arrangements in line with the best practice spans of control and layers as set out in the council's lean blueprint.
Strategic Services Review	Review of Policy, Performance, Partnerships, and Change Resources	Alan Waters	Paul Spencer	31,000	The reshaping of the council's strategic services in line with the changed national frameworks and requirements.
Strategic Services Review	Review of HR and Learning and Development Resources	Alan Waters	Bridget Buttinger	241,319	The refocusing of the council's recruitment approaches in line with modern methods and the reshaping of the council's approach to learning and development.
Service Delivery Review	Communications and Culture Review	Steve Morphew	Nikki Rotsos	195,348	The redesign of the council's cultural services.
Service Delivery Review	Third Sector Commissioning and Delivery Models Review Including Culture Company	All Exec Members	Anne Bonser / Nikki Rotsos	100,000	The reduction of the council's overall commitment to third sector grants and the exploration of alternative model of service delivery.
Service Delivery Review	Regeneration and Development Review	Steve Morphew	Jerry Massey	480,000	The movement of the council's property function to a fee based approach, the establishment of a local delivery team in line with the regeneration agenda, the reshaping of the council's transportation service in line with the likely reduced income and the deletion of directorate vacancies.
Service Delivery Review	Review of Income and Spend	All Exec Members	Barry Marshall	1,064,000	The cost centre by cost centre review of the council's budget provision for specific elements of expenditure and income.

Accommodation	Additional St Giles	Alan Waters	Jerry Massey	48,000	These are additional savings from last years cost reduction and efficiency programme which accrue naturally.
<b>Totals</b>				<b>£3,007,309</b>	

## **ANNEX C**

### **FEEDBACK FROM EXTERNAL CONSULTATION EXERCISES.**

#### **Methodology**

To inform the council's savings work, as part of the regular Citizens' Panel surveys, questions were asked about the council's overall approach to budget reduction and the priorities. At the time of writing initial results from 497 returns have been received and an initial analysis of the data undertaken. More detail will be forthcoming later in November at the end of the full survey period to inform future savings work.

In addition, three focus groups were run by the same company to test some of the detail behind the broad headings. A total of 29 residents attended from a range of locations, family, tenure and work backgrounds. Whilst these responses cannot be seen as statistically representative they do help uncover some detail behind the broad themes.

The current savings proposals are focussed upon primarily back office and internal support functions and protecting frontline services. These results show that residents support this internally focused approach and see cutting services as the last resort. They also highlight areas for the council to consider for the development of future savings when the council will face more difficult choices.

Very generally the themes covered in the consultation were:

- Priorities
- Savings options
- Service provision, and
- Contacting the council

Findings from both methodologies are combined within the report.

#### **Priorities**

The main priorities were:

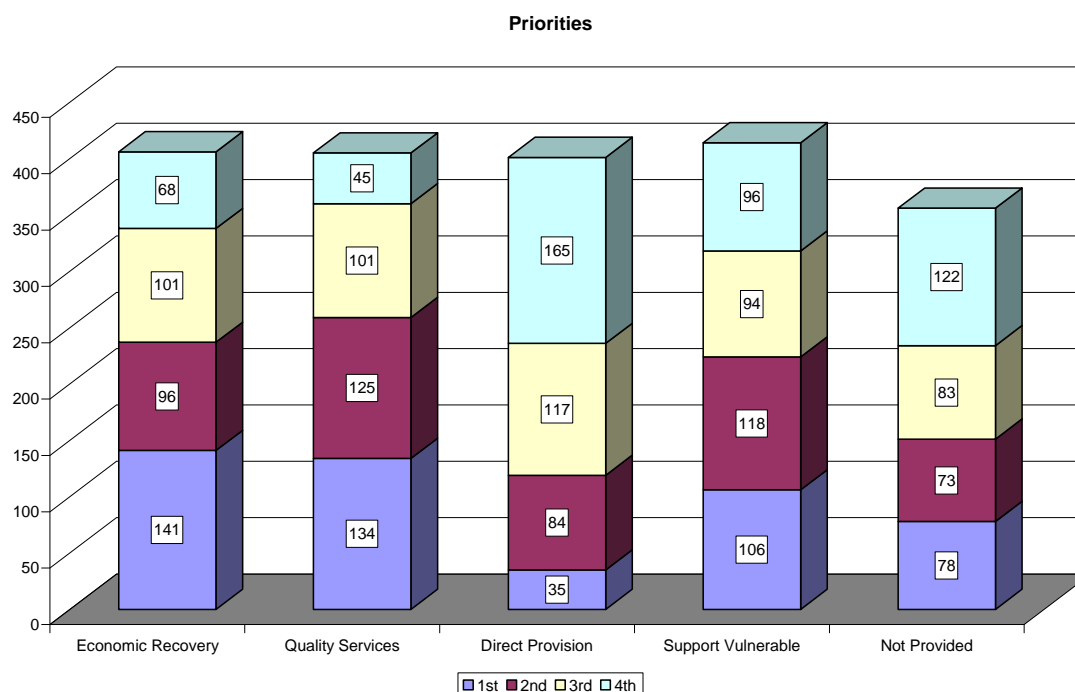
- Supports the city's economic recovery and future prosperity
- Protects and provides high quality local services
- Provides services directly and in neighbourhoods where it is efficient to do so
- Supports the most vulnerable in society

Generally there was broad support for the main priorities. However one in six did not express support or opposition. This may be a reflection of some of the comments from the focus groups that there was nothing which could be disagreed with and that more detail was required:

**Q52. To what extent do you agree or disagree that the priorities set out above are the right ones for Norwich City Council?**

Agree strongly	209	42.10%
Agree slightly	137	27.60%
Neither agree nor disagree	84	16.90%
Disagree slightly	20	4.00%
Disagree strongly	16	3.20%
Don't know	20	4.00%
Not provided	11	2.20%

When asked to rank each of the priorities in order of importance there was high support for both supporting economic prosperity and recovery and the provision of quality services. However the direct provision of services ranked lower than any of the other themes. Some 15% of respondents did not provide a first choice, increasing to 25% not expressing a fourth preference. This could reflect the nature of the themes or wording or that people found it difficult to choose.



Whilst the focus groups generally found some of the language vague or “unarguable” they were asked to consider their own priorities. These specifically (and unprompted) included the economy and support for the city generally and support for more vulnerable residents. In addition they suggested the need for transparency and accountability, high levels of internal efficiency and strong procurement and contract management measures.

### Savings options

Residents were asked to consider a number of ways of managing the budget gap:

Increase council tax	66	13%
Cut services	49	10%

Target services to some and cut to others	228	46%
Introduce charges	122	25%
Increase charges	62	12%
Reduce face to face contact	113	23%
Contract out services	115	23%
Shared services	350	70%
Encourage other provision (local people)	152	31%

Perhaps unsurprisingly there is little appetite to cut services or increase council tax. There is also no desire to increase fees and charges beyond existing levels, although there may be some limited support for introducing new charges. However a strong message arising from the focus groups was that no services are perceived as being free. It was felt that services were already paid for in the council tax and charging was in fact being asked to pay twice. There was less resistance in some areas where charges already exist but any extension of or increase to charges would not be popular.

There is some support to encourage provision by individuals and communities as well as targeting of services (although even this does not receive even majority support). Again focus group responses suggested that there would be limited interest in this. Those who already volunteer appeared to be the most sceptical. Furthermore any take up of services by volunteers or communities was seen to be a temporary measure in the current financial climate, with the council picking these up again once resources increased. The single largest support is for sharing services with other councils whilst the appetite for further contracting out does not seem to be very great. This was corroborated by the focus groups, which were sceptical of more contracting out. The groups also suggested some areas for potential sharing of services and did not seem to mind whether these were shared with districts or county councils.

## Service Provision

Not surprisingly there was widespread support for services reflecting local priorities and being provided “more efficiently”. More problematic were suggestions that services could or should be targeted either geographically or by need. Focus group feedback reiterated the point that services had already been paid for by all and that as public services should be available to all parts of the public. In some instances residents could see the need to target vulnerable groups who relied more upon public services, but this did not necessarily override the principle of universal access. Any sharing of services or offices should be done where it was financially efficient so to do, but vulnerable users should not necessarily be disadvantaged by having to travel further to access services.

	Agree	Neither	Disagree
Services should reflect local priorities	89%	5%	1%
Vary services between areas	47%	23%	19%
Target services at those most in need	54%	17%	24%

Local people could deliver services	47%	22%	22%
Prepared to travel further to offices	42%	24%	26%
Worried about cuts affecting me	47%	26%	20%
Correct to reduce spending	43%	17%	33%
Should find ways to be more efficient	88%	5%	2%

## Contacting the council

The single most used method for contacting us via telephone. This is perhaps no surprise. The use of face to face and, in particular, letters as ways of contacting us is falling below use of the internet and email. Whilst residents would like in some cases direct dial numbers the majority are happy to use a single phone number. Information from the focus groups appears to confirm that residents are very happy to increase electronic methods of communication so long as their queries are responded to and they can keep records of the information sent to us.

	All the time	Most of the time	Some of the time	Rarely	Never	Can't Use
Face to face	6%	7%	17%	36%	27%	0%
Telephone	13%	33%	30%	15%	4%	0%
Letter	2%	4%	23%	34%	29%	0%
Email	2%	10%	21%	16%	36%	5%
Online	3%	12%	21%	13%	35%	6%

Methods of communication were in part determined by the type and nature of the contact and are influenced by speed, complexity and perceived seriousness. There does not appear to be any intrinsic resistance further use of email and the internet, based upon how other agencies are contacted, and residents would support “doing their bit” to make us more efficient and less expensive. However this is subject to caveats about supplying alternative methods for residents for whom these may not be suitable options. Overriding concern from the focus groups was that queries are responded to and customers kept informed of what was happening.

## Conclusion

There are some contradictions in these findings, reflecting the complex nature of the choices. For example whilst there is support for protecting vulnerable people the issue of targeting or providing differential levels of service is not universally supported. Focus group feedback highlighted degrees of confusion about was provided by the City and County councils and surprise at the low level of council tax retained by the City whilst we billed and collected the full amount.

There appears to be some appetite to get involved in the process (supported by more detailed and costed information) and that transparency and accountability are important concerns for residents. Services are seen as having already been paid for and as such should remain accessible to all. The option of sharing services appears

to attract quite high levels of support. The focus groups suggested that attempts to increase charges, offer differential services or to sell off housing stock would be unpopular.

It will be important to draw on this information when developing future savings proposals and continue to involve people in the difficult choices facing the council in the future in regards to budget reductions.