

REPORT TO: Scrutiny and Overview Committee 14 November 2019
Cabinet 4 December 2019

LEAD CABINET MEMBER: Councillor Bridget Smith
Leader of the Council

Councillor John Williams,
Lead Cabinet Member for Finance

LEAD OFFICER: Liz Watts, Chief Executive

Service Transformation Programme: Savings Proposals

Executive Summary

1. The Council is embarking on an ambitious 4-year plan to transform service quality, realign financial resources to business plan priorities and improve customer service.
2. This report outlines the key objectives and intentions in relation to the transformation of Council services within the context of a continually challenging financial environment due to ongoing reductions in funding from Central Government to deliver services.
3. This is not a key decision as the report seeks to identify initial service policy options for consultation. There are no resource implications directly arising from the report at this stage and the Cabinet will in due course need to review service specific proposals that could contribute to forecast savings targets.

Recommendations

4. That Scrutiny & Overview Committee is invited to consider, as part of a coordinated Council wide transformation programme, the proposed objectives and intentions in relation to the review of Council services and to comment on:
 - (a) The considerable challenges facing the Council given the financial outlook, including Government announcements in respect of local government funding, and the expectation that future cost pressures will exceed the resources available;
 - (b) The revenue budget guiding principles, outlined at paragraph 21 of the report, that has provided the context for the planning of the 2020/2021 revenue budget and the formulation of proposals to achieve service efficiency savings;
 - (c) The growth bids, detailed at **Appendix A**, for inclusion in the Budget Setting Report in February 2020;
 - (d) The proposed range of service efficiency savings/policy options detailed in **Appendix B** of the report and that these will undergo further refinement and consultation with employees and other stakeholders prior to forming part of the Budget Setting Report in February 2020;
 - (e) The requirement for some of the savings proposals to be subject to a detailed equality analysis.

Reasons for Recommendations

5. To create a key building block of the budget for 2020/2021 and the ongoing Medium Term Financial Strategy (MTFS).
6. To ensure that an appropriate framework exists to formulate and consider areas for potential efficiency savings and service delivery variations.
7. To consider the actions proposed by Officers to reduce the impact that service efficiencies would have on frontline services.

Details

Prospects for Local Government

8. Local government funding and the delivery of local government services has been and continues to be the subject of significant scrutiny, with demands for increased efficiencies and cost effectiveness in the delivery of public services. There is continued emphasis towards fundamentally changing the way the public sector operates with the aim to achieve greater public choice, local decision making and greater efficiencies within an overall reduction in real spend.
9. Local government has encountered significant cuts over the last decade. The 2019 Finance Settlement was expected to be a pivotal year for local government as 2019/2020 represents the last year of the current four-year funding settlement. However, on 4 September 2019, the Government confirmed that there would only be a one-year spending review for 2020/2021. The announcement means that the Comprehensive Spending Review – due to be delivered in the autumn – will now apply from April 2021.
10. The one-year settlement means that the proposed changes in funding are likely to be delayed. District Councils currently receive funding through the Government's Business Rate Retention Scheme and New Homes Bonus; these payments help manage the additional pressures of growth. It is expected that the amount of funding that District Councils receive through these schemes will be cut, but the delay in the Comprehensive Spending Review means that these changes will be made a year later than expected. For many districts – including South Cambridgeshire – these amounts are considerable and thus it provides a breathing space to the medium term financial challenges. This is, of course, only a short-term benefit but it provides a more realistic timescale for undertaking an effective service transformation programme.
11. Whilst the previous four-year settlement period to 2019/2020 provided some funding certainty and stability to support medium-term planning, there have been numerous changes outside the settlement that have added to the uncertainty. There continues to be legislative change affecting how local government is funded (such as the Business Rates Retention proposals with its inherent risks and revisions to the arrangements for awarding New Homes Bonus), together with the service demands placed on the Council.
12. Alongside central government funding cuts of nearly 50% since 2010/2011, local authorities are facing strong demand and cost pressures, and no reduction in their statutory obligations to provide a range of services. The future financial landscape for local government continues to be challenging and it is inevitable that further pressures and constraints will arise. Efficiency and value for money remain, therefore, firmly at the forefront of all public sector planning to ensure that Councils redefine and focus resources on their key priority service areas identified in the Business Plan in order to meet the needs of local communities.

Medium Term Financial Planning

- 13. The reshaped funding landscape that Local Government has faced over recent years has the effect of increasing financial uncertainty and risk and the Council’s financial resilience will depend upon appropriate mitigating actions ranging from effective financial control, a clear financial strategy and strong financial governance. The ongoing assessment of resilience, including the sufficiency of Reserves to enable the Council to withstand the financial impacts of future developments, will continue to form a major element of the response to the financial landscape. A full review of Reserves will, therefore, be made as part of the Budget Setting Report to Cabinet and Council in February 2020.
- 14. The recent announcements about the ‘end to austerity’ made little reference to local government (particularly districts) and the future picture remains uncertain.
- 15. In considering the 2019/2020 General Fund Revenue Budget, the Council instructed the Executive Management Team to identify additional cumulative savings of £3 million for the 5 years from 2019-2024.
- 16. Service Areas were, therefore, tasked to identify the existing budget pressures that need to be managed, together with a range of efficiency/savings targets across the Council’s services (including possible invest to save initiatives and income generation opportunities) ensuring that proposed efficiency/savings targets are realistic, achievable and sustainable. The schedule of these pressures is attached at **Appendix A** and the range of savings/new income is attached at **Appendix B**.

Transformation Programme

- 17. The Transformation Programme is aimed at delivering Council services more efficiently and in a more convenient way for the public. The programme is still emerging but it will be built broadly around the following principles:
 - transforming service quality;
 - improving organisational productivity and process efficiencies;
 - improving customer service.
- 18. The programme has a number of workstreams, all of which seek to ensure that resource can be allocated to Business Plan priorities:

WORKSTREAM	DESCRIPTION
Develop a Workforce Operating Model	This workstream aims to reduce silos and create a ‘one council’ approach to service delivery, through a thorough review of structure, processes and skills.
Alternative Ways of Working	This includes exploring alternative, improved methods of conducting the business, including a review of essential accommodation needs, the scope to establish a paperless office and the positive transition to lean methods of operation. The outcome of this commitment is the adoption of streamlined approaches to business processes, with reduced bureaucracy and emphasis on a “right first time” culture. A better service for customers is paramount and a ‘Digital by Design’ approach will enable as many services as possible to be accessed by customers online through a single customer portal at their convenience (mindful, of course, that there will always be a number of customers who will not be able to switch).

Business & Growth	South Cambridgeshire District Council is a competitive place to do business and, as part of this, a Growth Plan will provide a framework for promoting economic development, with a positive commitment to promote the growth of existing businesses and enable new employment sites to be developed faster and older industrial estates to be regenerated. The Growth Plan will, through appropriate measures, assist the retention of existing businesses and attract new private sector investment and this will include appropriate procedural improvements and reliefs and incentives to grow business rates and, therefore, financial rewards from growth.
Managing Demand Better	This includes initiatives and work practices across service areas to best manage demand to achieve better outcomes for clients and service users. Demand management and behaviour change offer significant opportunities to save money over and above traditional savings approaches, leading to the reduced consumption of certain services and increase take-up of others.
Ensuring a Successful, Streamlined Organisation	This includes the development of a programme management approach to provide oversight and assurance of savings delivery, together with a commercial mindset aimed at creating an even leaner organisation and an open mind to effective service delivery models. The outcome is the effective monitoring of performance, adoption of a streamlined organisation, void of non-added-value behaviour and a focus on effective delivery models.

19. The Council has already recognised the need to continue the existing commitment to smart working and to develop income streams through prudent investment but the key message in the Budget Setting Report, considered by Council on 21 February 2019, was that a programme of transformation and service review needs to be developed to ensure that the Council is "fit for the 21st century". This programme is now being developed in detail, with some elements of resulting savings/new income sources already being identified in the 2020/2021 budget (as identified in Appendix B).
20. Critical to the transformation process has been the determination of guiding principles that should be adopted by Members and Officers to ensure that the Council can resource its expenditure plans for 2020/2021 and beyond. The uncertain financial outlook over the medium term remains and the need for more income and savings to deliver the Council's priorities and balance the Council's budgets further emphasises the need for control and prudent financial management and planning.
21. The following guiding principles have, therefore, been developed in response to the unsettled economic background, the significant changes that will have an impact upon medium term finances, and the forecast spending pressures:
- (a) Front line service reductions should be avoided, wherever possible, but emphasis will be towards Business Plan priorities, meaning some realignment may take place;
 - (b) A programme of Service Reviews will be undertaken alongside a "zero-base budget" approach to resourcing delivery and constructing the MTFS;
 - (c) Heads of Service are accountable for the management of performance, finance and risk of assigned services. Heads of Service must challenge and produce options to reduce (or eradicate) pressures identified in their MTFS forecast, clearly identifying costs, income streams and performance levels and performance indicators to track delivery of performance;

- (d) Non-Business Plan priority areas should be tasked to reduce spend/increase income by a minimum 3% over the next three years over and above the existing modernisation proposals. This would derive an estimated saving of at least £600,000 per annum;
- (e) Non-core budgets (such as running costs, supplies and services) should be challenged and reduced;
- (f) Inflation provision should, where possible, be targeted at nil or at a reduced percentage (exceptions will include contractual commitments, nationally agreed increases and utility/fuel costs essential for service delivery).
- (g) Any one-off savings should be used to maintain appropriate earmarked reserves and deal with one-off pressures identified in the MTFs as agreed by Members;
- (h) Further income generation opportunities should be identified and considered, and existing arrangements should be exploited; income, and controllable fees & charges must be set taking into account all costs incurred across all Service areas to ensure full-cost recovery where permitted;

Options

22. The option of not undertaking a structured review of services and the allocation of scarce resources is not considered to be appropriate. The key message in the Budget Setting Report, considered by Cabinet at its meeting on 6 February 2019, was that a programme of transformation and service review would be developed to ensure that the Council is "fit for the 21st century". The Council, in considering the budget and medium-term forecasts has already tasked the Executive Management Team to identify additional cumulative savings or additional income of £3 million for the 5 years from 2019-2024.

Implications

23. In the writing of this report, taking into account the financial, legal, staffing, risk management, equality and diversity, climate change, community safety and any other key issues, the following implications have been considered:

Financial

24. The General Fund MTFs and financial forecasts, based upon the Spending Review consultation, are identified in a separate report to Scrutiny/Cabinet at this meeting. The forecasts identify the following funding gap for the period to 31 March 2025:

	2020/2021 £m	2021/2022 £m	2022/2023 £m	2023/2024 £m	2024/2025 £m	TOTAL £m
Total Resource	22,642	15,996	15,927	16,000	16,549	-
Net Budget Requirement	19,865	19,207	18,361	17,682	17,682	-
Net Resource Position	(2,777)	3,211	2,434	1,682	1,133	5,683

25. The service transformation programme is being developed in response to the funding gap and the financial challenges over the medium term.

Legal

26. The Council is required by law to set a balanced revenue budget each year.
27. There are two specific dates in relation to budget and Council Tax setting that are required by statute to be achieved. Firstly, it is a requirement that each local authority approves its Revenue Budget by 28 February each year for the forthcoming financial year. Secondly, a billing authority (i.e. this Council) is required to set the Council Tax for its area by 11 March each year for the forthcoming financial year. To achieve budget setting deadlines, and essential cost reductions to achieve a balanced budget effective from 1 April 2020, appropriate consultation will need to be undertaken in respect of a range of policy options and emerging proposals.

Risk

28. The Council's overall reputation and performance assessment is at risk if it is not aware of the challenges presented by the reduction in resources available to it and their impact on key areas of performance of the Council. This report seeks to outline the strategic direction of the Council in order to mitigate risks and to respond to the areas of concern outlined above. In doing so, regard will need to be given to the impact of legislative changes affecting local government and changes to local government funding.

Environmental

29. Environmental implications will need to be considered in the context of specific proposals that emerge.

Equality Impact

30. Service Areas will need to assess the impact of the budgetary reductions arising from the emerging proposals and to determine appropriate actions to manage the change/residual business; this is to ensure compliance with the Council's statutory equality duty.
31. Equality impacts will need to be considered in the context of the specific proposals and any Equality Analyses must, therefore, also be prepared as necessary to reflect the impact of any change.

Effect on Council Priority Areas

32. The guiding principles are designed to protect front line services, maximise income sources and create resilient, efficient and cost effective services that make best use of the limited resources available to the Council.

Background Papers

Where the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 require documents to be open to inspection by members of the public, they must be available for inspection:

- (a) at all reasonable hours at the offices of South Cambridgeshire District Council;
- (b) on the Council's website; and
- (c) in the case of documents to be available for inspection pursuant to regulation 15, on payment of a reasonable fee required by the Council by the person seeking to inspect the documents at the offices of South Cambridgeshire District Council.

The following documents are relevant to this report:

- General Fund Medium Term Financial Strategy – Report to Cabinet: 7 November 2018
- Budget Report – Report to Cabinet: 6 February 2019
- Business Plan 2019 - 2014 – Report to Council: 21 February 2019
- Medium Term Financial Strategy and General Fund Budget – Report to Council: 21 February 2019
- General Fund Medium Term Financial Strategy – Report to Cabinet: 4 December 2019
- Savings Proposals: Business Case Templates
- Service Pressures: Funding Bids

Appendices

Appendix A: Schedule of Budget Pressures

Appendix B: Revenue Budget Planning 2020-2024: Proposed Savings

Report Authors:

Liz Watts – Chief Executive
e-mail: Liz.Watts@scambs.gov.uk

Trevor Roff – Interim Director of Finance
e-mail: Trevor.Roff@scambs.gov.uk

Summary of New On-Going Funding Bids

New Revenue Budget Bids: Staff Related	Ongoing £ pa
<p>New Post: Health & Safety Officer</p> <p>A recent health and safety compliance audit identified the need for additional support to maintain compliance with the Council's statutory responsibility for health and safety. The safety of communities, visitors and staff is really important and a designated post of Health & Safety Officer is now recommended.</p>	40,000
<p>ICT Resource [Local Government Association (LGA) Review]:</p> <ul style="list-style-type: none"> • Intelligent Client – Skilled Resource (1 FTE) <p>A recent review, by the LGA, recommended the strengthening of the intelligent client function within the Council by an additional full time skilled resource to enable the relationship between the Council and the 3C Partnership to be better managed.</p>	60,000
<ul style="list-style-type: none"> • Digital Team Support <p>The funding for the 3C Digital Support Team is imbalanced between the partner Councils and inadequate to access the full range of services. Additional funding will enable the Council to accelerate its delivery of digital services and access web-site development and support, portal and business system integration and mobile application/voice development.</p>	150,000
<p>Project Initiation/Management (Capital Projects) – Core Resource:</p> <ul style="list-style-type: none"> • Client Side Project Officer [2 FTE] • Project Support Officer [1 FTE] • Project Surveyor/Clerk of Works (1 FTE) <p>The funding supports the creation of core professional capacity in the organisation to deliver large capital investment projects. This includes projects such as the construction of a Sports Pavilion, Community Centre and Civic Hub (as part of Northstowe Phase 1 and Phase 2). It will also support an extension to the New Build Programme and a range of commercial investment projects.</p>	100,000 40,000 50,000
<p>Business Plan Priority – Support Business Growth in the District:</p> <ul style="list-style-type: none"> • Business Support Service [4 FTE] <p>To provide dedicated resource to support local businesses and the specific needs of the rural area and to enable the Council to pursue with vigour its Business Plan commitments, including the provision of information and support to businesses, encouraging rural inward investment, organising business events and effective area promotion. This includes revenue funding for a business support programme, marketing and promotion.</p>	200,000
<p>Business Plan Priority – Mobile Warden Partnerships</p> <p>To achieve, on a phased basis, District wide coverage of effective mobile warden partnerships to ensure support for elderly and vulnerable people across the area who currently have limited or no access to this service.</p>	200,000

<p>Business Plan Priority – Community Liaison Forum</p> <p>To deliver effective community engagement on new developments through Community Liaison Groups (building on the successes in Northstowe and Cottenham) thus enabling the delivery of better housing developments and communities for all. A designated post of Community Liaison Officer is proposed to fulfil this role.</p>	30,000
<p>Business Plan Priority – Improve Recycling Performance</p> <p>To provide support at community based events, including the provision of advice to local communities on recycling practice and organising the temporary provision of recycling bins, litter picking equipment and reusable cups etc.</p>	30,000
TOTAL	900,000

Summary of New On-going Funding Bids:
Non-Staffing Related

NEW REVENUE BUDGET BIDS: NON - STAFF RELATED	ONGOING £ PA
<p>Waste Service: MRF Costs</p> <p>The pressure is due to changes in the world commodity market which has led to a fall in the secondary material value and an increase in the quality requirements for material for recycling. This has already impacted on the level of income from recycle.</p>	100,000
<p>Waste Service: Additional Vehicles/Associated Revenue Costs</p> <p>This relates to the additional revenue costs, comprising transport and employee costs, of a new vehicle. In line with housing growth, and planned replacements, it is planned to add one additional vehicle in 2020/2021 (funded by the Council) and a further vehicle in 2021/2022 (funded by Cambridge City Council).</p>	135,000
<p>Human Resources: New IT System</p> <p>This relates to the additional cost of software licences, hosting charges and maintenance costs of the new system human resources software solution.</p>	23,400
<p>Upgrade AV and Delegate Systems: Council Chamber</p> <p>This relates to the ongoing support costs of the replacement equipment.</p>	19,000
<p>IT Investment: Other Projects</p> <p>This relates to the revenue costs of the call management system (£2,900), server and network monitoring system (£3,800) and resource planning tool (£2,900).</p>	9,600
<p>Members' Services: Member Training & Development</p> <p>There is currently insufficient capacity to support Members and to deliver the Member Development Programme leading to risk of Members not being equipped with the skills, knowledge and information they need to carry out their roles.</p>	8,900

<p>Procurement: Electronic Tendering System</p> <p>This relates to the ongoing support costs of the replacement electronic tendering system (procured in partnership with Cambridgeshire County Council, Cambridge City Council and Huntingdonshire District Council).</p>	2,700
<p>Shared Audit Service: Additional Audit Days</p> <p>The risk based internal audit plan is continuously appraised and updated. The plan coverage has been lower than some other Councils and, following review by the Audit & Corporate Governance Committee, the approved plan requires more audit days, which reflects the need to provide an appropriate level of assurance.</p>	62,000
<p>Business Plan Priorities:</p> <ul style="list-style-type: none"> • Air Quality Monitoring <p>To accelerate the installation of air quality monitors, collate baseline data and commence remedial action at sensitive sites in the District.</p> • Fly Tipping <p>To take actions to deter fly-tipping in the District, including the installation of overt surveillance and signage in hot spot locations to ensure that the campaign against fly tipping is visible and effective.</p> <p>There are no additional resource implications arising from this initiative as a revenue budget is already in place for signage and campaigning, including the installation of overt surveillance cameras.</p> 	30,000
	0
TOTAL	390,600

Overall Total

£1,290,600

Value Attributable To:

General Fund

£1,038,800

Capital

£190,000

Housing Revenue Account

£61,800

Medium Term Financial Plan 2020-2024: Proposed Savings

Theme 1: Develop a Workforce Operating Model		Timeline/Saving			
		2020/2021 £	2021/2022 £	2022/2023 £	2023/2024 £
1	Undertake a thorough review of processes across the organisation to identify potential changes to workforce deployment and a revised senior management structure, targeting a saving of £600,000 per annum by 31 March 2024. (* proposals approved by Council in May 2019)	£230,000 *	£170,000	£100,000	£100,000
2	The creation of business resource capacity in order to release professional staff from corporate processes thus enabling and optimising professional staff time deployment on key professional duties in Environmental Health.	£36,000	-	-	-
3	Rationalise processes and budgets to focus on efficient service delivery and effective resource deployment, including a review of:				
	(a) the corporate communications budget to further the benefits already achieved from the transition from in house to commissioned design work and to the digital tasks needed for the Council.	£3,500	-	-	-
	(b) the statutory electoral registration service and, in particular, the scope to optimise canvassing by electronic means.	£5,000	-	-	-
	(c) the HR function following the implementation of a new Human Resource Information System, including an extension of self-service arrangements.	-	£20,000	£20,000	-
	(d) the review and refocussing of services relating to the health and well-being of residents to enable the rationalisation of processes and effective targeted support in a cost effective manner.	£75,000	-	-	-
	(e) the planning application registration and administration processes.	-	£20,000	£20,000	-
	(f) the shared waste collection service in order to achieve further efficiencies in the delivery of the service, including streamlined policies that has enabled the improved communication of information to residents.	£25,000	-	-	-

Theme 2: Alternative Ways of Working		Timeline/Savings			
		2020/2021 £	2021/2022 £	2022/2023 £	2023/2024 £
4	Increase customer self-service and remote access through the implementation of the “One-Vu” customer portal project.	-	£80,000	-	-
5	To establish a framework for electronic service delivery, encouraging “paperless” business processes and reduced printing.	£20,000	£20,000	-	-
6	Revised Scheme of Members’ Allowances taking into account the recommendations of the Independent Remuneration Panel (October 2019).	£60,000	-	-	-
7	Following the introduction of ‘Council Anywhere’, reduce unnecessary travel to meetings. Target 10% of total General Fund mileage costs per annum.	£6,000	£6,000	-	-

Theme 3: Business and Growth		Timeline/Savings			
		2020/2021 £	2021/2022 £	2022/2023 £	2023/2024 £
8	Implementation of the Investment Strategy (subject to Council approval on 28 November 2019) by pursuing, subject to business case justification, commercial investment opportunities.	£940,000	£590,000	£990,000	£990,000
9	To review Planning Performance Agreements and processes to reduce the current subsidy provided to those who undertake major developments.	£10,000	£30,000	-	-
10	To consider prevailing fee scales and income generation opportunities for regulatory services, including:				
	(a) A review of the current pre-planning advice charging policy.	£10,000	£10,000	-	-
	(b) A review of the charging policy that applies in respect of the licensing function, targeting additional income from safeguarding training and DBS checks for Taxi Drivers.	£60,000	-	-	-
	(c) The development of a commercial model for the building control service to generate additional income from consultancy services.	£2,500	£5,000	-	-
11	To undertake a review of the Ermine Street Housing recharge model for both housing and support staff.	£6,000	-	-	-

Theme 4: Managing Demand Better		Timeline/Savings			
		2020/2021 £	2021/2022 £	2022/2023 £	2023/2024 £
12	Expand and grow the commercial waste collection service.	£25,000	£25,000	£25,000	£25,000
13	Encourage budget holders, through increased autonomy, to manage budgets within cash limits thus eliminating budget uplift for inflation (exceptions will include contractual commitments, nationally agreed increases and utility/fuel costs essential for service delivery).	£50,000	-	-	-
14	To review annually the revenue budget outturn position and to identify areas of budgetary underspend where, in the context of managing demand and resource better, budgets could be reduced without significant and noticeable impact on service delivery.	£80,000	-	-	-
15	To review high volume printing and mail processing services across all service areas and to seek to rationalise processing costs:				
	(a) To review the benefits to be derived from the establishment of a Council wide hybrid mail/single printing contract with print jobs completed off site and posted directly by the service provider.	-	£7,000	-	-
	(b) To review the potential for additional discounts on postage budgets held by service areas by using Royal Mail's CleanMail service and/or transferral of universal postal service provider for '2 nd class' mail to a competitor of Royal Mail.	£11,000	-	-	-
16	Review of all council tax exemptions/discounts using data matching techniques (countywide project).	-	£35,000	-	-
17	To review the way in which housing services are delivered, particularly developing self-service opportunities and partnership approaches to the delivery of some services, with realisation of cost and efficiency savings.	£55,000	-	-	-

18	To pursue, in line with the Business Plan Theme “Green to Our Core”, the following specific investment opportunities:				
(a)	Energy efficiency and green energy measures at South Cambridgeshire Hall, including Ground Source Heat Pump, solar canopies in the car park, internal LED lighting upgrades, electric vehicle charging points and chiller modifications and enhancements.	£79,700	-	-	-
(b)	The installation of roof-mounted solar panels at the Waterbeach Depot (fully operational).	£5,000	-	-	-
(c)	The installation of LED footway lighting throughout the District and consequent impact on maintenance and energy costs.	-	£50,000	-	-

Total Estimated Savings	£1,794,700	£1,068,000	£1,155,000	£1,115,000
Value Attributable to General Fund	£1,739,700	£1,045,000	£1,152,000	£1,115,000
Value Attributable to Housing Revenue Account	£55,000	£23,000	£3,000	-