

South Gloucestershire Council

REPORT TO: CABINET

DATE: 2nd JULY 2018

COUNCIL TRANSFORMATION AND SAVINGS PROGRAMME (ALL WARDS)

Purpose of Report

1. This report requests Cabinet to consider the update on the council's transformation and savings programme.
2. Cabinet is recommended to:
 - a. Note the Directorate updates on the transformation and savings programmes;
 - b. Approve the revised savings programme for the Children, Adults and Health (CAH) Department as set out in Appendix 1;
 - c. Approve the revised savings programme for the Environment and Community Services (ECS) Department as set out in Appendix 2.
 - d. Approve the revised savings programme for the Corporate Resources (CECR) Department as set out in Appendix 3, including:
 - i) the disposal of 3 sites (Thornbury, Tytherington, Bradley Stoke) for self-build developments on the basis set out in Appendix 3.
 - ii) that officers move forward proposals to use a joint venture vehicle(s) for the development of surplus sites, including where feasible on the Grange and Mulgrove Farm sites.
 - iii) the specific recommendations to cabinet on Joint Venture vehicles as set out in section 5.5.2 of Appendix 3.
 - iv) the property investment strategy and associated governance and delegations, including the creation of a cross party panel, as set out in Annex 1 to Appendix 3.
 - v) the treasury management proposals set out in Annex 2 to Appendix 3, including recommendations to council on limits, setting up of an investment fund smoothing reserve, accounting treatment under IFRS9, implementation and reporting arrangements.
 - e. Request officers update the MTFP as part of the next stages of the budget setting report to reflect the contents of this report.
 - f. Note the improved cash flow position over the 4 year period, and agree to set this aside as enabling support to deliver the programme of savings.

Policy

3. The transformation and savings programmes are an integral part of the council's budget which is approved in line with the council's constitution that sets out the process for the budget and policy framework. Its delivery is critical to maintaining the financial sustainability and stability of the Council through its Medium Term Financial Plan (MTFP).

Background

4. The council has a successful track record of delivering savings and mitigating the impact on services as a result of early planning and robust delivery. It will have delivered in excess of £80m of savings through earlier reviews. Given this successful track record, and the significant learning and experience the council has gained over many years, the new transformation and saving programme will follow the previously established procedures moving forward.
5. The council's transformation and savings programme (CTSP), will need to be delivered in order to support the sustainability of the medium term financial plan. The process followed is the same as that through previous saving rounds, with high level strategic direction set by Council based on the overall financial context set out in the MTFP, followed by detailed proposals for delivery.
6. The budget report approved by Council on the 14th February 2018 provided further background to the key assumptions around the future change programmes. It also set out high level targets for the delivery of a new savings programme (CTSP). This report updates those assumptions, and revises the savings programme based on detailed work undertaken since February.
7. The original change programmes approved by Council in February 2018 were set out in Appendices K (CECR and ECS) and L (CAH) of the main budget setting report, and had total target savings of c£19.4m by 2021/22. These were broken down as:

Programmes	2018/19 (£'000)	2019/20 (£'000)	2020/21 (£'000)	20/21/22 (£'000)
Transformational Change:				
ECS	770	3,466	6,095	9,066
CE&CR/Corporate	800	1,824	1,939	2,085
CAH	500	3,659	6,041	8,243
Total:	2,070	8,949	14,075	19,394

(Source: Full Council February 2018 Budget Setting Report, appendices K&L)

8. In addition to this £19.4m, there are digital savings of c£3.2m and remaining CSP savings of c£5.6m to be delivered.

The Issues

9. Officers have developed further the ideas presented to Council in February, and the outcome of this work is set out below. This work has looked to:
 - further validate the potential opportunities;
 - consider the rationale and outline the proposals in more detail;
 - indicate the proposed decision making route where relevant/feasible;
 - considered the future consultation arrangements where relevant;
10. A number of the proposals have been externally validated through working in partnership with specialist external consultants to ensure 1) the proposals are as robust as possible at this stage in the process, and 2) ensure experience of what is

being done in other Local Authorities across the country is captured. The proposals are detailed at:

- Appendix 1 for CAH;
- Appendix 2 for ECS;
- Appendix 3 for CECR.

11. This work has led to changes to the proposals presented to Council in February, further strengthening the overall financial position of the council. The revised proposals still meet the overall savings target as set out in the MTFP by year 4, better aligns targets against practical delivery dates now proposals are more detailed (specifically in the early years), and delivers a positive one-off cash flow position over this period (when compared to the original February proposals). This will allow further one off funding to be available to support delivery of the proposals, or manage any further phasing changes in delivery that may be required as the programme progresses.
12. The revised programme details are summarised in the table below and are set out more fully in the relevant appendix.

£000's	2018/19	2019/20	2020/21	2021/22
Original February Savings Target	2,070	8,949	14,075	19,394
Revised Savings Targets				
CAH (Appendix 1)	500	4,320	7,645	10,050
ECS (Appendix 2)	770	1,745	4,907	8,247
CECR (Appendix 3)	2,600	3,364	3,635	4,000
CAH delivery/digital contingency		(600)	(1,300)	(2,000)
Write out additional MTFP inflation		(900)	(900)	(900)
Total Revised Savings Target	3,870	7,929	13,987	19,397
Difference to Feb Target	1,800	(1,020)	(88)	3
Cumulative cash flow benefit	1,800	780	692	695

13. In addition to the saving targets set out in the relevant appendices two further changes to targets/MTFP are recommended as set out in the table above. As will be noted, the delivery of savings of this magnitude are significant on top of the savings already delivered and are not without risk.
 - a. The work completed within CAH has identified potential opportunities in excess of the original target, however it is recognised that a number of these overlap with the planned digital savings targets, and therefore there is significant risk of double counting against the £1.67m digital target the department already has. The programme management of the delivery of these savings will therefore need to run with, and be aligned to, the digital programme. In addition to this, a number of the saving targets relate to work that is aimed at reducing future demand on services, and therefore is difficult to accurately predict. On this basis the target has been reduced to reflect these issues as set out in the table above.
 - b. The MTFP currently holds an earlier inflation savings target of £900k for 2019/20 which has not been allocated out to departments, and would need to be as part of next year's budget setting process. It has become clear as part of the work undertaken over the last few months that this additional target on top of those already identified by departments would be difficult to achieve, putting additional pressure on the delivery of an already challenging

programme of work, and therefore it is recommended this is written out of the MTFP as part of these revised proposals.

14. As set out above, this is a complex and challenging set of savings proposals, and will require pump priming support and capacity to deliver. Council approved £2m of support (enabling fund) when it set the budget in February 2018 through deployment of the flexible use of capital receipts initiative. It also set aside £2.5m of the financial risk reserve to support in part pressures arising from phasing differences in the programme or to support additional pump-priming support. Early indications are that funding support in excess of the original £2m is likely to be required to deliver the cumulative £46m of savings over the 4 year period. It is therefore proposed that the net cash flow benefit (c£700k) is set aside to support delivery of the savings. This would protect further the funding in the Financial Risk Reserve in support of the council's overall MTFP position.
15. The original CSP savings target allocated savings to the Transformation and Efficiency Team at the end of the programme, assuming the main savings work was completed by this time. This team has been integral to the delivery of the programme, and has built up significant programme expertise. It is therefore proposed that the target will be delayed once the exact level of T&E support is assessed to enable continued in-house support of the new programme delivery. This will be met through the pump priming support funding.

Consultation

16. The high level CTSP was an integral part of the budget proposals agreed by full council on the 14th February, which listed the outcome of the public consultation in summary form at Appendix A.
17. The original budget and savings proposals were considered by the Scrutiny Commission in February before being referred to Council. This report will be considered by the Scrutiny Commission at its meeting in June, and the outcome of that consideration will be reported to the Cabinet meeting.
18. The appropriate consultation arrangements will be carried out for each project as the proposals are further developed. The type of consultation will vary, being various combinations of staff and public as relevant to each review. Scrutiny commission will have opportunity to engage in these individual reviews where relevant and at its discretion. Further information on this is provided in each appendix.
19. Following staff feedback, the initial terminology of 'Bending the Curve' for the CAH programme has been dis-continued, and the overall programme referred to as the Council Transformation and Savings Programme (CTSP). Individual branding for specific work streams may be used within this where it is felt it would be helpful in encouraging stakeholder engagement.

Equalities Considerations

20. A comprehensive Equality Impact Assessment and Analysis (EqIAA) was carried out as part of the 2018 Council Revenue Budget and this information was used to inform the decision making process when the 2018/19 budget was approved.

- 21 Changes to services through the council change programmes or similar projects have been subject to separate decisions which have properly discharged the Public Sector Equality Duty. Future decisions will continue to follow this practice where required.
- 22 Cabinet are reminded of its statutory duty, in the exercise of its functions, to have due regard to the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by the Equality Act 2010, advance equality of opportunity between persons who share a protected characteristic and persons who do not share it, and foster good relations between persons who share a protected characteristic and persons who do not share it.

Risk Assessment

Financial Implications

- 23 The CTSP was considered as part of the 2018 budget setting arrangements and the Revenue budget report considered by Full Council on the 14th February 2018 considered the financial implications of the budget.
- 24 It is essential that the council develops and delivers the CTSP in order that the council continues to have a sustainable medium term financial plan. If a plan is not developed or delivered, alternative savings will need to be identified in order for the council to discharge its responsibility of having a balanced budget (sections 32, 43 and 93 of the Local Government Act 2003).
- 25 Services will not be limited by the setting of targets, and if new opportunities or initiatives arise these will be captured through the normal budget setting process. In common with previous year's strategies, the MTFP still has a £3m shortfall in funding in year 4, with a core remaining deficit of c£6m moving forward. This will need to be considered as part of the next budget setting round. Over the next 4 year period the overall funding of local government is being reviewed and changed, this will bring considerable additional uncertainty to financial planning.

Dave Perry – Director of Corporate Resources and Deputy Chief Executive
01454 865001

Legal Implications

- 26 The main legal requirements in setting the budget (of which the CTSP makes a significant contribution) have been set out above and there are no additional legal implications arising at this stage. Any further legal implications will be considered as the individual projects develop and these will be set out in the appropriate decision report for that project.
- 27 Due to purdah (with the local elections to be held in May 2019), engagement and decision making will need to be planned appropriately to take account of the purdah restrictions.

John McCormack – Head of Legal, Governance and Democratic Services -01454-865980

Human Resources Implications

- 28 This report sets out the continuing requirement for the council to make savings as part of the CTSP. These projects will continue to be run in line with the council's workforce change procedures. Robust workforce change procedures have operated successfully during the first phases of the Council Savings Programme and these will continue through the subsequent phases and any future organisational change where there is a significant impact on staff. The Human Resource implications associated with each project will continue to be clearly defined within Cabinet, Executive Member, Director Reports and Trade Unions/staff consultation documents.

Claire Kerswill – Head of Human Resources – 01454 866348

Environmental Implications

- 29 The environmental implications will need to be assessed for CTSP proposals on an individual basis as they are progressed. It is envisaged that some proposals around joint venture companies could have a positive impact on environmental standards, specific proposals may increase or decrease the council's ability to meet its climate change objectives, which will need to be considered in full as decisions are taken.

Lucy Rees – Senior Environmental Policy Officer & Climate Change Officer
01454 862224

Social Implications

- 30 There may be broad social implications to the council, its residents, communities and businesses that arise depending on the saving decisions made. The social implications associated with each project will continue to be carefully considered within Cabinet, Executive Member, or Director Reports for the projects being progressed where required.

Mark Pullin, Strong, Safer Communities Manager – 01454 868480

Economic Implications

- 31 Each of the directorates CTSP proposals will need to undergo an individual economic impact assessment where relevant. Individual schemes may have a direct impact on the loss or creation of jobs within, and external to, the council; alter trading arrangements with suppliers and supply chains; or create new investment opportunities. The option to take forward joint ventures to develop surplus sites could provide the opportunity to bring forward employment or mixed use development alongside housing. The option to introduce a property investment strategy can also offer the opportunity to stimulate speculative employment site development and intervene where there is market failure on employment sites. This would need to be weighted against the need to return an income to the council.

Antony Merritt- 01454 863870

Privacy Impact Assessment

- 32 There is no direct requirement for a Privacy Impact Assessment (PIA) to be undertaken at this stage. As the projects progress a PIA will be completed as appropriate.

Risks, Mitigations & Opportunities

- 33 The Chief Officers management team has reviewed the CTSP programme risk register and there are four main risks identified at this stage. These are set out in the table below:

Risk Area	Mitigation	Rating
1) The level of planned CTSP savings may not be achieved, or they may be achieved later than planned, and that the level of severance allowance set aside by the Council will not be sufficient based on need.	This risk is mitigated by the council's track record of robust project delivery and governance arrangements which should highlight early warning allowing for COMT/Members discussions on decisions on alternative saving strategies. Contingency has been set aside support re-phasing where required.	High
2. There is the potential risk that due to the number of projects being run consultation activities may be fragmented resulting in conflicting messages to staff or the general public.	The consultation team has a good track record of running successful CSP projects which mitigates this risk. The team will develop an overall plan of consultation activity for the council for the CTSP to ensure a co-ordinated approach.	Medium
3. Due to purdah engagement and decision making reviews may be impacted by the local elections of May 2019 due to purdah.	This is mitigated by consistent engagement with Chief Officers and Executive Members and robust project planning arrangements over the planning of decisions.	Medium
4. The CTSP represents a further period of significant organisational change for staff and the possibility of concurrent or sequential change programmes within service areas. This may impact staff resilience and capacity to adapt to change.	Well established workforce change procedures. Workforce development support to change programmes. Wellbeing offer available to managers and staff.	High

34. The Chief Officers management team will continue to monitor the CTSP risks on a regular basis through the council's robust programme management arrangements.

Reasons for Decision

35. Cabinet are required to consider the update on the council's transformation and savings programmes, together with the detailed information set out in each of the 3 appendices.

Author

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Background Papers

1. Report to Council on 14th February 2018 - Revenue Budget, Special Expenses and Council Tax 2018/19 to 2021/22 Report
2. Fully EqIAA – Council Revenue Budget 2018/19
3. Budget and Council Savings Plan 2018/19 consultation Output Report.

Appendices

1. CAH Transformation Savings Programme
2. ECS Transformation Savings Programme
3. CECR Transformation Savings Programme