

# Policy and Resources Committee

Date: **Monday 29 September 2014**

Time: **10am**

Venue: **Edwards Room, County Hall, Norwich**

## **SUPPLEMENTARY A g e n d a**

- 10. Update on progress of Shared Services savings proposals** (Page **A3**)  
Report by Director of Strategy and Resources
- 11 Strategic and Financial Planning 2015/18** (Page **A13**)  
Report by Head of Business Intelligence and Performance Service &  
Corporate Planning & Partnerships Service and Interim Head of Finance
- 12 Digital Norfolk Ambition - update** (Page **A25**)  
Report by Head of ICT and Information Management

**Please note that this is a revised report that replaces the report that was circulated with main agenda.**

**Chris Walton**  
**Head of Democratic Services**  
County Hall  
Martineau Lane  
Norwich  
NR1 2DH

Date Supplementary Agenda Published: 25 September 2014



# Policy and Resources Committee

Item No 10

<b>Report title:</b>	<b>Update on progress of Shared Services savings proposals</b>
<b>Date of meeting:</b>	<b>29 September 2014</b>
<b>Responsible Chief Officer:</b>	<b>Director of Strategy and Resources</b>
<b>Strategic impact</b> This report addresses prospective efficiency savings across the portfolio of Shared Services which fall within the remit of the Policy & Resources Committee, to inform the 2015/16 budget preparation and the County Council Plan.	

## Executive summary

This report summarises the approach taken to efficiency and improvement and savings across shared services achieved in 2011/14, provides details of savings of £8.5m previously identified for 2014/17, and identifies further potential efficiency savings of £2.29m for 2015/16 to contribute towards the identified gap of £17.5m

The shared services are here to:

- Maximise the productivity of people throughout the council, through providing effective ICT, efficient processes and a suitable working environment.
- Facilitate organisational transformation and development and provide high-quality data and analysis, so that the council's efforts can be focused effectively on its priorities.
- Secure best value for money from procurement and property spend.
- Deliver common services where there is an economy of scale or scope or a genuine need for consistency or compliance.
- Support the democratic process.

Shared services' main contribution to budget savings is through the work they do for other parts of the organisation – such as delivering procurement, property and workforce savings, enhanced ICT, reduced duplication and 'channel shift' (moving customers and staff to self-service and telephone channels to reduce the cost of delivery). But the establishment of shared services in 2010 has substantially reduced the cost of delivering these functions. For those services with a comparable scope now to that in 2011/12, savings of £5.72M (19%) have been achieved.

The additional savings identified will be delivered through:

- Consolidating the property portfolio and reducing property management costs
- Consolidating and re-tendering ICT contracts and reducing the number of software licences
- Other procurement savings
- Business process improvement and greater use of self-service
- Structural change

- Controls on discretionary spend such as hospitality, printing and the use of temporary staff.

Members are asked to review the current position and to consider any specific areas they wish officers to investigate further, to report back to the next meeting on 27 October.

## Background

### 1. Scope

#### 1.1 The shared services are here to:

- Maximise the productivity of people throughout the council, through providing effective ICT, efficient processes and a suitable working environment.
- Facilitate organisational transformation and development and provide high-quality data and analysis, so that the council's efforts can be focused effectively on its priorities.
- Secure best value for money from procurement and property spend.
- Deliver common services where there is an economy of scale or scope or a genuine need for consistency or compliance.
- Support the democratic process.  
Directly provide easy and effective access to our services and information for Norfolk County Council's customers and support responsive and efficient customer service delivery..
- 

#### 1.2 The following individual services (with individual Heads of Shared Services shown in brackets) fall under the remit of the Policy and Resources Committee and form the shared services function for Norfolk County Council:

- **Finance** (Peter Timmins) – includes the corporate property client function
- **Procurement** (Al Collier)
- **HR and Organisational Development** (Audrey Sharp)
- **Corporate Programme Office** (Pippa Bestwick)
- **Communications** (Joanna Hannam)
- **ICT and Information Management** (Tom Baker)
- **Business Intelligence & Corporate Planning and Partnerships** (Debbie Bartlett)
- **nplaw** (Norfolk Public Law) (Victoria McNeill)
- **Democratic Services** (Chris Walton)

There are other service areas which are part of the shared services function, but which fall within the remit of the Communities Committee. These are customer and consultation and community relations services and the registrars and coroner's services. The shared services employ 908 full-time equivalents in functions covered by the Policy and Resources Committee. These include staff providing services to schools and other external customers.

Service	Current staff (fte)
Finance	321
HR	216
ICT	161
Nplaw	71
Communications (excluding customer services*)	19.1
Business Intelligence & Corporate Planning & Partnerships	31
Procurement	30
Democratic services (excluding registrars*)	24
Corporate programme office	23
<b>Total</b>	<b>908</b>

**Table 1: FTE numbers**

\*dropping to 17.1 at end of December.

## **2 Supporting front line service delivery**

2.1 The shared services play a critical role in delivering improvement and efficiency projects on behalf of other departments and the organisation as a whole.

2.2 For example:

- The Digital Norfolk Ambition (DNA) project, delivered by ICT and procurement, has reduced ICT staff costs by £4M, of which £2M has been re-invested in new laptops and in the information hub – a platform which enables us to manage data across the organisation far more effectively.
- Procurement has worked with services to undertake a series of major tenders in recent years. In particular, the three main highways contractors (works, professional services and traffic signals) were all replaced in 2013; HP has been appointed under DNA to deliver a substantial part of the council's ICT services; and the council's sexual health services have just been re-tendered. Savings of £5.6M per annum were achieved on the highways contracts (17% on works and 22% on professional services), and of £655,000 per annum (10.6%) on sexual health.
- Many improvement and efficiency projects mean changes and reductions in job roles. HR plays a critical role in managing organisational change, including a reduction in staff numbers by 2500 FTEs.

## **3. Traded services**

3.1 Shared services currently provide services to other organisations in a number of areas

Service	Main clients
ICT	Schools, Academies, Great Yarmouth Borough Council, Breckland District Council, South Norfolk District Council, Eastern Sea Fisheries, Norfolk Pension Fund, Independence Matters, Norse, NPS
HR	Schools and academies, payrolls and HR advice for a range of smaller public bodies
Customer services and communications	Over 200 Norfolk schools, NorseCare, NPS, and various communications work for other public bodies in the area
Democratic services	The public (registrars' service), schools panel, police and crime panel
Procurement	Local NHS bodies (generally for procurement exercises where budgets are shared). Independence Matters, Norfolk Pension Fund
Nplaw	District councils, Broads Authority, NPS, Norfolk Pension Fund

**Table 2: income sources**

- 3.1 As well as these formal arrangements, shared services provide services to other public bodies ad hoc where this is practical.

## 4. Financial savings to date

- 4.1 Initial savings in Shared Services were largely driven by bringing dispersed staff together to create dedicated teams, implementing best practice, reducing duplication and providing consistent processes across the organisation
- 4.2 Two of the shared services have changed scope significantly since they were established. For those which are comparable, the table below shows the savings made as a percentage of the 2011/12 budget (the first full year of operation of the shared services). These total £5.72M (19.3%)

	Net 11 / 12 budget £ 000	Net 14 / 15 budget £ 000	Reduction £ 000	As % of 11 / 12 budget
Finance	8,510	7,567	943	-11.1%
HR	6,981	5,116	1,865	-26.7%
Democratic services	3,231	2,754	477	-14.8%
Property	3,696	2,680	1,016	-27.5%
PPP	2,420	2,043	377	-15.6%
Procurement	1,922	1,518	404	-21.0%
CPO	1,292	907	385	-29.8%
MD's Office	399	377	22	-5.5%

Nplaw	-171	-402	231	135.1%
<b>Total</b>	<b>28,280</b>	<b>22,560</b>	<b>5,720</b>	<b>-19.3%</b>

**Table 3: budget savings from 2011/12 to 2014/15**

- 4.3 The budgets for customer services and communications, and for ICT, are shown below but the scope has changed significantly so the 2014/15 budget cannot be compared to 2011/12.

	<b>Net 14 / 15 budget £ 000</b>
ICT	27,393
Customer services and communications (see below)	6,705
<b>Total</b>	<b>34,098</b>

**Table 4: ICT and customer services budgets**

Customer Services and communications is made up as follows:	
Communications (incl HealthWatch)	1,273,984
Customer Services	5,127,132
Consultation and Community Relations	304,012

**Table 4a Customer Services and Communications**

- 4.4 The net cost of the shared services in 2014/15 is £55.5M.

## **Planned savings**

### **5. Savings for 2014-17**

- 5.1 The budget reductions previously agreed for 2014-17 are set out below, and are in addition to the 19.3% savings already achieved in 2011/14. These are described in further detail in Appendix 1.

	<b>14 / 15 reduction £ 000</b>	<b>15 / 16 reduction £ 000</b>	<b>16 / 17 reduction £ 000</b>	<b>Cumulative reduction £ 000</b>	<b>Cumulative reduction as % of 13 / 14 budget</b>
HR	673	368	326	<b>1,367</b>	<b>-23.4%</b>
PPP	275	188	115	<b>578</b>	<b>-25.2%</b>
Democratic services	320	50	50	<b>420</b>	<b>-12.5%</b>
Nplaw	298	58	51	<b>407</b>	

	<b>14 / 15 reduction £ 000</b>	<b>15 / 16 reduction £ 000</b>	<b>16 / 17 reduction £ 000</b>	<b>Cumulative reduction £ 000</b>	<b>Cumulative reduction as % of 13 / 14 budget</b>
MD's Office	31			<b>31</b>	<b>-7.6%</b>
Communicat ions (only)	218	9	96	<b>323</b>	<b>-12.9%</b>
ICT	1,857	-10		<b>1,847</b>	<b>-10.0%</b>
Procurement	127	50	133	<b>310</b>	<b>-18.7%</b>
CPO	100	100		<b>200</b>	<b>-20.2%</b>
Finance	800	160		<b>960</b>	<b>-12.1%</b>
Property (excluding CH refurb)	300	200	100	<b>600</b>	<b>-22.0%</b>
<b>Total service savings</b>	<b>4,999</b>	<b>1173</b>	<b>871</b>	<b>7043</b>	<b>-15.2%</b>
Savings to be achieved collectively across shared services	98	1,467	16	<b>1,581</b>	
Cross cutting savings across NCC		440	860	<b>1,300</b>	
Use of reserves	3,122	-3,122		<b>0</b>	
<b>Total</b>	<b>8,536</b>	<b>-42</b>	<b>1,747</b>	<b>10241</b>	

**Table 5: Savings previously agreed**

- 5.2 A full list of savings is shown in Appendix A.
- 5.3 The £98,000 collective savings for this year are being absorbed through under spends across the shared services.
- 5.4 The £1.467M collective savings for 2015/16 will be achieved through a comprehensive review of the shared services, encompassing:
- a review of traded services to confirm whether they are sustainable and fit with overall strategy;
  - merger of teams where this is sensible;
  - a review of service levels;
  - process improvements;
  - greater automation and more self-service;



- a review of contracts to identify procurement savings;
- a review of whether any services should be outsourced or carried out by partners.

### The new financial challenge

5.5 At its meeting on 5 September 2014, policy and resources committee considered a paper from the Head of Finance which set out an additional budget 'gap' of £17.5M in 2015/6.

5.6 The following additional savings proposals have been identified for shared services for next financial year.

	£ 000
Reduce property costs through reducing area occupied and reducing cost per square metre	1000
Optimise car leasing and reduce mileage	300
Reduce management hierarchies in finance	100
Further savings target for review of shared services organisation (described in para 5.3 above)	100
Review VAT payments made in recent years and seek to reclaim any overspend	100
Reduce expenditure on external venues	100
Increased rebate from the Eastern Shires Purchasing Organisation	100
Further reductions in printing spend	90
Reduce number of interims and temps	90
Rationalise procurement functions across the organisation	60
Bring forward change to procurement management team from 2016/17	50
Introduce a telephone expenses management system and rationalise phone lines and mobile phones	50
Increased income from advertising	50
Service review communications	65
Reduce the chairman's budget	30
Courier savings - enforce, bring forward, digitise HR process	30
Staff savings from new committee management system	20
Switch off colour printing for shared services staff	20
<b>Total</b>	<b>2355</b>

**Table 6: Additional savings proposals awaiting validation**

5.7 These figures are in the process of being validated and should be treated with caution at present.

5.8 Further lines of enquiry have emerged from the work to date and will be pursued with a view to arriving at a final figure before the end of the year.

### Risks

- 6 The magnitude and achievability of the proposed savings needs further testing and some figures are inevitably uncertain at this stage.
- 6.1 Continued cuts in shared services have a cumulative effect on their resilience and their capacity to support organisational change.
- 6.2 Future change programmes will need to factor in support from shared services' functions explicitly in their business cases, and additional capacity will need to be bought in if required, which may increase the cost and timescales for such programmes.

## **Action Required**

7. Members are asked to review the current position and to consider any specific areas they wish officers to investigate further, to report back to the next meeting on 27 October.

## **Officer Contact**

If you have any questions about matters contained in this paper please get in touch with:

Anne Gibson

Tel No: 01603 222609

[anne.gibson@norfolk.gov.uk](mailto:anne.gibson@norfolk.gov.uk)



If you need this report in large print, audio, Braille, alternative format or in a different language please contact Denagh Hacon on 0344 800 8020 or 0344 800 8011 (textphone) and we will do our best to help.

**Proposed Budget Savings for 2014-17**  
**P & R COMMITTEE**

		2014-15	2015-16	2016-17
		£m	£m	£m
Ref	<b>BUDGET SAVINGS</b>			
1	Restructure staff management in Procurement			-0.050
1	Reduce staff in Procurement by introducing e-tendering	-0.036		
1	Reduce staff in Procurement by introducing automated document assembly		-0.050	
1	Continued efficiencies in tendering and contract management in Procurement			-0.083
1	Mobile Data Management (Member Tablets)	-0.030		
2	Savings in ICT (one off)	-0.010	0.010	
2	Replace current ICT systems, introducing cheaper solutions	-0.017		
4	Reducing the costs of business travel	-0.019	-0.017	-0.016
4	Reducing the costs of employment	0.000	-0.440	-0.860
7	Take out areas of underspend from the Procurement budget	-0.079		
7	One off use of the customer services development reserve	-0.122	0.122	
8	Stop using temporary staff in Procurement	-0.012		
8	Restructure and reduce the number of corporate and business support staff in Democratic Services	-0.065		
8	Introduce a new staffing structure for the Registration Service	-0.050		
8	Restructure and reduce staff supporting democratic processes	-0.070		
8	End the intern scheme in Customer Services and Communications	-0.026		
8	Do not fill vacant posts in the Customer Services and Communications team	-0.100		
8	Review and reduce staffing in Customer Services and Communications to reflect changes in communication practices and the business requirements of the organisation	-0.173	-0.009	-0.042
8	Reduce staff in the Corporate Programme Office	-0.100	-0.100	
8	Reduce staff in the HR Reward team	-0.061	-0.018	-0.018
8	Reduce staff in the HR Strategy team	-0.062		
8	Reduce staff in the Health, Safety and Wellbeing team in HR	-0.066		
8	Restructure and reduce staff across HR	-0.176	-0.296	-0.308
8	Restructure and reduce staff in ICT Services	-1.800		
8	Review and reshape the responsibilities of the Chief Executive's role	-0.031		
8	Reduce the cost of providing a Coroners Service	-0.055		
8	Reduce spend on properties with 3rd parties	-0.300	-0.200	-0.100
8	Office moves for some HR teams	-0.015	-0.015	

8	Consolidate support services into a reduced number of service groups		-1.000	
8	Commercial and industrial waste produced by NCC premises	-0.037		
9	Reduce controllable spend (eg training & subscriptions) in Customer Services and Communications	-0.056		
9	Reduce staff supporting organisational development and learning and development	-0.094	-0.039	
9	Reduce controllable spend (eg training & subscriptions) in HR	-0.116		
9	Reduce spend on attendance at the Royal Norfolk Show	-0.028		
9	Spend less on organisational development and learning and development	-0.065		
10	Restructure the Corporate Resources department to reflect a smaller council	-0.042	-0.400	
10	Reduce staff in Finance by increasing use of technology and changing business processes	-0.800	-0.160	
10	Reduce spend on postage	-0.048		
10	Reduce printed marketing materials	-0.054		-0.054
11	Percentage staff saving from integration of customer insight into new corporate business intelligence function	-0.005		
11	Restructure the Planning, Performance & Partnerships service, creating a new Business Intelligence function	-0.275	-0.188	-0.115
20	Increase charges for Registration Services	-0.080	-0.050	-0.050
20	Increase income from services we sell to schools	-0.018		
20	Increase income from Nplaw	-0.298	-0.058	-0.051
57	Reduce funding to organisations that support and represent the local voluntary sector	-0.045		
58	Move the historical registration records to the Norfolk Record Office		-0.050	
	Use of organisational change reserves (one off)	<b>3.000</b>	<b>-3.000</b>	
	<b>Total Savings</b>	<b>-8.536</b>	<b>0.042</b>	<b>-1.747</b>

# Policy & Resources Committee

Item No 11

<b>Report title:</b>	<b>Strategic and Financial Planning - 2015/18</b>
<b>Date of meeting:</b>	<b>29 September 2014</b>
<b>Responsible Chief Officer:</b>	<b>Debbie Bartlett, Head of Planning, Performance &amp; Partnerships &amp; Peter Timmins, Interim Head of Finance</b>
<b>Strategic impact</b> <p>The proposals in this report position the County Council to conduct its strategic and financial planning in accordance with the law and proper standards and ensure that public money is used economically and efficiently.</p>	

Norfolk County Council is due to agree its new budget and plan for 2015/18 on 16 February 2015. Policy & Resources Committee is responsible for coordinating this process and developing a whole-council budget and plan for Norfolk.

At its last meeting on 5 September 2014, P&R Committee received revised budget estimates for 2015/18, predicting a shortfall just over £147.5m for 2015/18 and forecasting a need to cut expenditure by a further £17.5m in 2015/16. This was £13.7m higher than earlier forecasts had predicted. In view of this P&R Committee agreed an approach to meeting the shortfall that focused on identifying efficiencies before considering any proposals which would represent cuts to services. This would be in addition to the £88m of efficiencies already agreed by Full Council in February 2014.

Committee Chairs will give a verbal update on progress to date in Committee discussions about how to close the budget gap. A presentation will also be provided by the Head of Procurement, Al Collier, to set out the Council's current approach to procurement and potential opportunities for savings in the future.

A separate item on the agenda deals with P&R Committee's contribution to finding efficiencies across corporate services.

## **RECOMMENDATIONS:**

P&R Committee to:

5.1 Consider the Council's latest financial position, detailed in Section 2 specifically:

The provisional Better Care Fund (BCF) position for 2015/16;  
The confirmation of an overall savings target for 2015/16 of £17.5m;  
The risks set out in paragraph 2.10.

5.2 Require Committees to:

- assure themselves of continued tight control on revenue budgets in this financial year;
- ensure early notice to Policy and Resources Committee of any potential overspends;

- ensure delivery of savings already agreed for 2015/16.

- 5.3 Consider verbal reports from Chairs of service committees on progress to date to close the budget gap and the schedule of savings identified to date (and to be tabled).
- 5.4 Consider and agree any further actions for Committees to ensure any residual gap is closed and savings proposals are developed in readiness for consultation at the end of October.
- 5.5 Agree to re-schedule the December meeting of P&R in order to allow for the publication of the Council's grant settlement.

## Proposal

- 1.1 On 16<sup>th</sup> February 2015, Full Council will agree the County Council's budget and plan for 2015/18. This is the Council's first year of committee governance arrangements so the process for decision-making is different from previous years. Policy and Resources Committee is responsible for working with service committees to co-ordinate budget activity and develop a sound, whole-council budget and plan for Norfolk people
- 1.2 At its meeting in February 2014, the County Council agreed the budget for 2014/15, and in the context of establishing a three year rolling financial plan, agreed planned savings of £71.8m for 2015/17. This left a predicted shortfall of £3.8m in 2015/16 and £18.2m in 2016/17, to be addressed in the current budget round.
- 1.3 On 5 September 2014, P&R Committee considered a report setting out the Council's future planning assumptions and the financial challenges ahead, taking the financial planning horizon forward to 2018. The report predicted a total budget shortfall of just over £147.5m for 2015/18 and forecast a need to cut expenditure by a further £17.5m in 2015/16. This was £13.7m higher than earlier forecasts had predicted, and on top of the £40m savings already identified through consultation. (A schedule of these savings was included in the July paper to P&R Budget Planning 2015-18 in Annexe 5.)
- 1.4 P&R Committee's view was that the Council should seek to find further efficiency savings (in addition to the £88m in 2014/17 already agreed by Full Council in February 2014) to meet the 2015/16 shortfall before looking to cut services for residents. P&R Committee also agreed that public consultation on the budget and plan should start immediately, so that residents and stakeholders could engage in discussions at the earliest possible opportunity.
- 1.5 Service committees were therefore asked to use the September round of meetings to identify further efficiencies. To bring consistency to discussions, this would be pursued using the following headings:
  - Better procurement and commissioning, including demand management;
  - Better ways of working – including digital transformation and opportunities for improved productivity;
  - Income generation.

- 1.7 This report provides an update on the Council's financial prospects and progress to find additional efficiencies to close the 2015/16 budget gap. It also provides background information against the three efficiency headings listed above, and will include a presentation from the Head of Procurement, as requested by Members at their last meeting.
- 1.8 At the time of writing this report the September committee round was ongoing, so Committee Chairs will report verbally to P&R Committee on progress in Committee discussions about how to close the budget gap. A schedule, reflecting Committee discussions and prepared by finance and service heads, will be tabled setting out progress to date on identifying efficiency savings.

## **2. Updated financial forecast 2015/18**

### **Better Care Fund**

- 2.1 One of our assumptions for budget planning had been that we would receive £15m from the Better Care Fund (BCF) for the protection of social care. We now know this will not be the case.
- 2.2 The BCF was created by the Government to encourage further joint working between the health service and local authorities, as well as providing some protection to the provision of adult social care. The fund is made up of existing health funding as well as local authority capital funding for adult social care and for Disabled Facilities Grants, which in total amounts to £62.461m.
- 2.3 The Health and Wellbeing Board approved a revised Better Care Fund plan which was submitted by the national deadline of 19<sup>th</sup> September 2014. The plan, still subject to approval by the Department of Health, provides £10m from the Better Care Fund for the protection of social care.
- 2.4 The reduction in the amount available for the protection of social care is a result of the change to the Better Care Fund made in July when the Government required a performance fund to be created from the fund to support a reduction in emergency hospital admissions.
- 2.5 The negotiations with the five clinical commissioning groups covering Norfolk have been positive, and despite the national reduction in protection for social care, are felt to be the best achievable arrangement for Norfolk based on appropriate sharing of risk between the Council and CCGs.
- 2.6 In addition, given the high level of savings required of each Clinical Commissioning Group to create the Better Care Fund, the 'NHS Invest to save budget' included in draft planning for 2015/16 will not be delivered. Therefore the total impact arising from the Better Care Fund and the NHS invest to save fund on the Council's budget is a loss of £6.853m in revenue for 2015/16.
- 2.7 There is a further loss for 2015/16 of £800,000 in revenue which relates to the agreement with West Norfolk CCG. As part of the agreement, the payment from them will be deferred and paid to the County Council in 2016/17 and 2017/18. The shortfall for 2015/16 will be met from earmarked reserves.

## 2.9 Implications and risks for budget planning for 2015/16

2.10 As previously reported, the Council's shortfall derives from risks identified in three areas:

- The Government's announcement in July that it was to reduce the Education Services Grant.
- Risks that we may not achieve some of the 2014/15 budget reductions which could have a recurring impact in 2015/16. These risks are currently being evaluated in detail by Chief Officers. An update will be provided at the meeting and a final analysis provided for the October meeting of Policy and Resources.
- Emerging risks to the savings currently identified for 2015/16, including post-16 transport, second home monies, some of which have already been the subject of public consultation.

2.11 As explained in the P&R report of 5 September, the forecast shortfall was based on assumptions and projections which could yet change because of continuing volatility in the service and funding climate. The Head of Finance's recommendation was that planning should be based on a shortfall of £17.5m in 2015/16, although this needed to be kept under review.

2.12 Closer examination of the risks set out in paragraph 2.10 above suggests that in-year spending pressures are being actively managed. However, there remains a risk, so it will be critical for Service Committees to exercise tight control on revenue budgets in this financial year, and deliver on savings already agreed for 2015/16.

2.13 Whilst we now have clarity on some elements of the shortfall (see Table 1), there is still a changing picture, and the Head of Finance is not recommending any change to the £17.5m planned shortfall for 2015/16 at this stage.

Table 1

	<b>2015-16</b>
	<b>£m</b>
Original Funding gap plus Education grant withdrawal	5.999
Better Care Fund/NHS Spend to Save	6.853
Known funding gap	<u>12.852</u>

## 3 Progress on efficiency savings

3.1 Committees have used the September round of meetings – or other workshop discussions - to identify proposals that can help close as much of the outstanding funding gap as possible through further efficiency measures.



- 3.2 Whilst there were no specific targets for this work, the Head of Finance advised that bridging the total £17.5m gap in 2015/16 could represent a reduction of a further £3 - 4m in the budgets for each of the larger services – Children's, Adults, Environment, Transport and Development, and Resources, and between £750k and £1m each for the smaller departments – Fire and Rescue, Cultural Services, Public Health. These illustrative figures were based on a high level analysis of addressable spend, which took into account that those services which were commissioned rather than directly provided will require longer and more complex negotiations to change. It was acknowledged that this may mean a disproportionate impact on the smaller services mentioned above which Members will wish to assess.
- 3.3 Committee Chairs will update Members of Policy and Resources on progress from those discussions, and a schedule of savings will be tabled. The results of this will make clearer how much of a gap remains and how much will need to be closed through specific options that involve service cuts or changes likely to impact directly on residents.
- 3.4 It will then require Policy and Resources Committee to consider any further actions for Committees to ensure that any residual gap is closed and savings proposals are developed in readiness for consultation at the end of October.

## 4. Timetable

- 4.1 As agreed by P&R Committee on 5 September 2014, the timetable for developing the budget and County Council Plan for 2015/18 is as follows:
- **Ongoing** - Public consultation and debate runs from 5 September 2014 to 19 December 2014.
  - **October committee round** – Committees meet again to identify proposals for achieving further savings to close the budget gap, which cannot be met through efficiencies or income generation and to finalise if necessary any review of previously identified efficiency proposals. Any proposals that may impact on **service users, disadvantaged groups or people in rural areas** will be subject to particularly rigorous open discussion and analysis.
  - **October Policy and Resources** – considers all the proposals in the round, and ensures that the cumulative impact on disadvantaged groups is evaluated. Policy and Resources assures itself that there are sound arrangements for individuals and groups directly affected by potential proposals to have an opportunity to voice their views.
  - **November round of committee meetings** – committees will be able to note any feedback to date from the consultation and engagement so far but largely this round of meetings will focus on other committee business.
  - **December Policy and Resources Committee** to receive latest financial update and emerging results from the consultation. As highlighted at the last meeting, it is now **recommended** to move this date so that Members can be more certain of having the latest grant settlement update from the Government

- **19 December 2014** – public consultation closes. Analysis of issues carried out between 19 December and the New Year, to ensure the findings can be reported to the January round of service committees.
- **January 2015** round of service committees – committees review the findings and public consultation, the outcome of the local government settlement, other risk and impact assessments and agrees final proposed budget savings;
- **26<sup>th</sup> January 2014** – Policy and Resources Committee reviews the recommendations from all committees, and taking a whole council view makes recommendations to Full council
- **16 February 2015** – Full Council in February to agree a revised County Council Plan and budget.

## **5. Recommendations:**

### **Policy and Resources is recommended to:**

- 5.1 Consider the Council's latest financial position, detailed in Section 2 specifically:
  - The provisional Better Care Fund (BCF) position for 2015/16;
  - The confirmation of an overall savings target for 2015/16 of £17.5m ;
  - The risks set out in paragraph 2.10.
- 5.2 Require Committees to:
  - assure themselves of continued tight control on revenue budgets in this financial year;
  - ensure early notice to Policy and Resources Committee of any potential overspends;
  - ensure delivery of savings already agreed for 2015/16.
- 5.3 Consider verbal reports from Chairs of service committees on progress to date to close the budget gap, and the schedule of savings identified to date.
- 5.4 Consider and agree any further actions for Committees to ensure any residual gap is closed and savings proposals are developed in readiness for consultation at the end of October.
- 5.5 Agree to schedule the December meeting of P&R in order to allow for the publication of the Council's grant settlement.

## **6. Evidence**

- 6.1 The proposals in this report are informed by the Council's constitution, local government legislation, best practice recommendations for financial and strategic planning, and feedback from residents and stakeholders in the Council's two most recent budget consultations (the Big Conversation and Putting People First).

**Financial Implications** – the financial implications are detailed throughout this paper.

### **Officer Contact**

If you have any questions about matters contained in this report or want to see copies of any assessments, e.g. equality impact assessment, please get in touch with:

**Officer Name: Debbie Bartlett Tel No: 01603 222475**

**Email address:** [Debbie.bartlett@norfolk.gov.uk](mailto:Debbie.bartlett@norfolk.gov.uk)



If you need this report in large print, audio, Braille, alternative format or in a different language please contact 0344 800 8020 or 0344 800 8011 (textphone) and we will do our best to help.

## **Annex 1 - Background information on efficiencies**

1. This section describes in more detail the main areas of work being pursued to find efficiencies against the three headings.

### **Better procurement and commissioning, including demand management**

2. Commissioning is the process of identifying customer needs, prioritising, and ensuring that needs are fulfilled through shaping markets, influencing voluntary efforts, specifying internal services or letting contracts. Procurement is the function which develops contracting strategies, lets contracts and manages suppliers.
3. Of the Council's £1.41 billion 2014/15 gross revenue budget, £991 million relates to non-school services. Of this some £622 million is allocated to premises, transport, supplies and services and agency and contracted services, compared to £214 million on employee expenses. In addition, £210 million is allocated to the capital programme. Effective procurement and commissioning are critical to the Council's performance and financial position
4. With the exception of property and waste-related activities, procurement strategy was centralised in 2010/11. Commissioning remains the responsibility of directorates, but procurement and the adults' and children's commissioning teams have been co-located since 2013 in order to work closely together. This centralised approach enables procurement strategy to be considered both across the function as a whole or against specific themes.
5. Most public-facing services – including for example adult and children's care, highway construction and maintenance and passenger transport – are procured from outside providers, and such expenditure accounts for around three-quarters of procurement spend. Decisions around procurement – for example the re-specification of contracts - therefore have a direct effect on the public.
6. The Council has worked hard to make its tendering opportunities more accessible to small businesses. In 2013 Lord Young, the Prime Minister's adviser on enterprise, gave Norfolk County Council one of ten awards for being 'best council to do business with'. The Council was ranked 16th (4th amongst county councils in England and Wales) in a recent report on the proportion of work undertaken by SMEs.
7. A series of major tender exercises have been undertaken in recent years. In particular, the three main highways contractors (works, professional services and traffic signals) were all replaced in 2013; HP has been appointed to deliver a substantial part of the Council's ICT services; and the Council's sexual health services have just been re-tendered. Savings of £5.6M per annum were achieved on the highways contracts (17% on works and 22% on professional services), and of £655,000 per annum (10.6%) on sexual health.
8. Through its close working relationship with the Cabinet Office – whose procurement policy arm is based in Norwich – the Council has been able to pioneer a process known as 'lean competitive dialogue'. This enables major procurement exercises such as these to be carried out more quickly than

previously. For example, the highways works contract was delivered in 247 days – 44% quicker than the UK average.

9. Other significant contracts have been or are being renegotiated, taking advantage of 'break points' in the contract to deliver savings in 2015/16. These include:

- The Council's main data network – resulting in a budget reduction of £2.5M.
- The contract for community services for people with learning disabilities – saving £960,000 per annum.
- A series of supporting people contracts, with savings totalling £2.1M.

10. There are in essence five ways of reducing procurement expenditure.

(a) Demand, which may be reduced through:

- Changes to eligibility criteria or more effective application of criteria – for example, optimising the frequency of re-assessments in supported living;
- Changes to standards – for example, the frequency of bus services or building cleaning;
- Straightforward management action - supported by better management information and clear expectations on managers and team leaders – in areas such as travel and photocopying;
- Expenditure controls in areas such as software licence renewals, management consultancy and advertising campaigns.

(b) Utilisation

- Moving to 'pay as you go' models, for example in ICT and social care
- Making the best use of any block-purchased capacity – for example, reducing 'voids' in social care
- Ensuring that in-house capacity is either fully used or divested – for example, maximising internal meeting room utilisation.

(c) Mix

- For example, a children's home placement may cost three to four times as much as a foster care place, whilst colour copying costs eight times as much as black and white;

(d) Unit price, which may be reduced by

- Changing specification – standardisation or reduced 'gold plating'
- Making the Council cheaper to do business with
- Increased order quantities
- More efficient ordering and payment processes
- Prompt payment
- Working with the supplier to reduce its costs
- Taking advantage of new technologies
- Using assistive technology reduces the need for carers to be physically present
- Telecommunications costs have steadily reduced over time as new technologies have been introduced
- New patching techniques can potentially reduce highway maintenance costs
- Reducing excessive supplier profits where these exist.

- (e) The 'rightsourcing' decision- what should we do ourselves, what should others do, should activities be delivered offshore?
11. It is anticipated that overall, demand, utilisation and mix are likely to be the most-fruitful areas for finding efficiencies.
12. Spend data available to procurement and commissioning teams has been improved markedly in the last two years but there needs to be much greater emphasis on the quality, availability and timeliness of spend data to enable opportunities to be identified and progress to be tracked. This was one of many drivers for Digital Norfolk Ambition (DNA) and due to progress on DNA the Council is now in a position to take it forward.

### **Better ways of working – including digital transformation and opportunities for improved productivity**

13. Better ways of working being led by the Council to achieve efficiencies span a range of areas:

#### Digital transformation – Digital Norfolk Ambition (DNA)

14. DNA is a partnership between the Council and Hewlett Packard (HP) and HP's partners Microsoft and Vodafone. It will provide superior, quicker ICT infrastructure (e.g. new computers, lap tops and hand-held devices), and enhanced information-sharing through an 'information hub' to enable the Council to work more closely with partners. It will improve productivity by facilitating easier remote and flexible working via virtual meetings, video conferencing, hot desking and better equipped meeting rooms. This will reduce the need to travel, with a target saving of £905k on business mileage over 3 years. It will also reduce carbon emissions, printing costs (both in terms of paper consumption and the cost of the managed print service) and the cost of storage of physical paper records.
15. The information hub will allow controlled, audited and managed access to data that can be automated if required, saving time and effort but also supplying staff such as social workers and commissioners with evidence and information in almost real time. Ultimately, DNA will enhance safeguarding of vulnerable people, improve education and create sustainable jobs while achieving substantial cost savings.

#### Organisation Development & Behavioural Change

16. In 2010 the Council introduced new standards for organisational structure design, to provide economic spans of control, reduce management tiers and enable decision-making at the lowest tier appropriate. A 'Design Authority' was introduced to drive peer challenge and scrutiny and has proven effective. The Design Authority is supported by specialist advice and support to managers. All services have undergone change since 2010, so there has been an opportunity to apply these norms across the Council.
17. Given the diversity of services, customers, funding streams and operational delivery models, no one organisational model would fit across all Council services, but the scrutiny and challenge provided has helped ensure that structures and jobs are designed which will deliver organisational objectives of the service in question.

18. Overall, the Council's workforce (Schools and Non-Schools) has reduced by 28% over the past 5 years. This trend continued during 2013/14 with a reduction of 9%. This has resulted from transfers of schools to academy status, transfers of adult social care staff to Independence Matters (the social enterprise) and from budget cuts and redundancies.
19. The Council keeps a firm grip on agency working. It manages most agency staff through tightly procured provider contracts and often they are funded from project budgets or vacancies. Agency staff are only used to fulfil specialist roles for defined periods, for instance during organisational uncertainty when it is difficult to recruit permanently, for example, Head of Finance, Director of Children's Services, Director of EDT etc. Agency staff are also used as a flexible resource to meet short term peaks of need, for example social workers to bring workloads down to recommended levels. In addition, the Council sometimes uses agency staff to cover frontline services when there are shortfalls through extended sickness/maternity cover etc. The Council always seeks to negotiate the best rates possible through procurement and keep this under review.
20. Elsewhere on this agenda, there is the Workforce Profile report, which gives more detail. This refers to the growth of the flexible wider workforce (temps and agency staff) and reduction in core staff. It also gives P&R Committee an opportunity to ensure these issues are not considered in isolation to service delivery.
21. Sickness absence has gone down by 1.7 days per FTE over the last 5 years. 9,528 fewer days' sickness absence were taken by Council staff during 2013/14 compared to 2012/13 - equating to approximately £605k

#### Customer Services Strategy

22. The Customer Service strategy will exploit new technologies delivered through DNA to ensure a coherent approach to customer access through a flexible service design model which responds to different customer needs. Through this work the Council will continue to accelerate improvement of customer journeys and the customer experience, providing the opportunity to deliver partnership arrangements with other public sector organisations and gain efficiencies which will contribute to the £1m shared services saving target for 2015/16.

#### **Income generation and trading**

23. Large scale commercially viable services are already with Norse and other NCC wholly-owned companies with a total turnover over £239.5m in 2012/13. The council also has a strong track record in attracting external funding, for example to support museums, libraries, environment, economic development.
24. The Council's two main income sources in 2014/15 are Government and Other Grants at £877m, and Council Tax at £308m.
25. Income generated through Sales, Fees and Charges currently represents £104m, but the majority of this relates to statutory based charges that are means tested and contribute towards social care costs.
26. With some exceptions, the remaining amount can be largely viewed as traded in that charges are determined by the County Council. This totals **£37.6m of income** received across approximately 38 different services/operations.

27. Income sources that have already been implemented and included in the previous three year financial plans include:
- Traded Services – These include NPLaw, IT services and services to schools.
  - Development of further traded income from the Norse group.
  - Additional income from services.
  - Property Development including Housing and income from the Coltishall site
  - Renewables – using the Carbon and Energy Reduction Fund (CERF) to deliver initiatives on the Council estate. Examples include Photo Voltaic (PV) cells on buildings to earn Feed in Tariffs and installation of biomass boilers to earn Renewable Heat Incentive. This work is ongoing and approved on a scheme by scheme basis. This funding is due to run until 2015.
  - Advertising & Sponsorship
  - One-off initiatives eg the France/Channel Programme – the management fee is expected to be in the region of £14m over 7 years.
28. Current income initiatives being explored include a re-organised trading service for schools, and the introduction of a trading framework, training and governance arrangements to release the latent entrepreneurialism of the Council.



# Policy and Resources Committee

Item No. 12

<b>Report title:</b>	<b>DNA Update</b>
<b>Date of meeting:</b>	<b>29 September 2014</b>
<b>Responsible Chief Officer:</b>	<b>Tom McCabe</b>
<b>Strategic impact</b> This report provides a further update on the Digital Norfolk Ambition (DNA) Programme. This programme is seeking to update the County Council's technology provision and to put in place the tools, technologies and procedures to allow the organisation to progress with its transformation agenda.	

## Executive summary

The DNA programme will address a number of technology issues. The most visible to staff will be the provision of new laptop devices.

The roll out of these new laptop computers has started; users on the 8<sup>th</sup> floor have begun to receive their new devices. Any issues are being logged for resolution and the lessons are being fed back into the planning around the wider device roll out.

The programme is making progress, although some milestones have slipped. The higher than anticipated number of software applications and the more hands-on delivery of laptops are the only critical issues identified that will impact on delivery of the programme.

This report provides a high level status update.

### Recommendations:

- 1) **To note the progress in the delivery of the DNA programme**
- 2) **To receive a further progress report in two months**

## 1. Technology Delivery

### 1.1 Desktop Delivery

The first new devices were delivered onto the 8<sup>th</sup> floor during the week of 5 September 2014.

These will allow staff to work remotely from home or in other locations around NCC. They are provided with the latest Microsoft Office software and an updated email system within the wider 'Microsoft Office 365' environment, more storage space for files and collaboration tools to allow staff to share data and information more easily.

This first deployment of devices has been treated as a user pilot to test the technology and the deployment processes. As expected, a number of issues were identified and these have helped to refine the assumptions and processes around delivery to other teams both in County Hall and the wider county.

The original plans were to roll out the devices in a six month period using our technology partner HP. Following initial lessons from the 8<sup>th</sup> floor roll out, the intention is to slow down this process and to spend more time assisting users on the first day of delivery with both hands on and self-help guidance.

In the DNA contract, HP were contracted to package and deliver the major user applications into their secure environment, for onward deployment to the user desktop. The process of packaging an application allows it to be placed into the new desktop / laptop environment and for the application to be centrally managed and deployed from central management systems based in HP's secure data centre. This allows for the best possible oversight of the use of applications, the audit of their use and adherence to upgrade and security patching cycles. It was assumed that smaller applications would be managed at a local level and installed manually.

To date, through automated and non-automated discovery methods, significantly more applications have been identified. Any issues around use or licensing have been addressed when they have been identified.

This has resulted in the following approach being adopted:

- Packaging all applications bringing them under appropriate governance and control
- Reviewing recommendations to centralise licencing and costs
- Reviewing applications and functionality used by the business with a view to rationalisation and cost reduction.

So far application packaging will allow over 2,300 users to receive a device, with applications being worked on to address another 1,500 users. After further dialogue with service areas, it is likely that there will be more applications requiring packaging. This will be in addition to the number initially assumed to be in scope, but will provide the organisation with the best possible foundation. Any additional costs can be contained within existing ICT budgets and reserves.

The intention is to deploy all devices by the end of March 2015 to meet our Public Services Network (PSN) commitments.

### 1.2 Server and Email Hosting

There was an urgent need to move ICT infrastructure out of County Hall. This work is progressing well – new links have been installed to HP data centres and our new environment is ready. The first servers to support the management of this new environment have been built.

The migration activity has focused on the email platform which was deemed to be the area of the legacy ICT estate at most risk. 6,700 email accounts have been migrated to the new environment and the remaining users will be migrated over the coming weeks.

### 1.3 Information Hub

The Information Hub has now been built and is undergoing the last of its required testing. This build involves installing the new software required to bring data together and to derive intelligence from it.

The team have spent considerable time testing extract data from County Council systems and placing this into the data warehouse within the information hub. As part of this testing process we have been able to demonstrate the linking of financial data to data from other business systems. This is providing a very greatly enhanced capability to provide insight into areas such as procurement spend, supplier performance and service delivery outcomes.

The information hub will ultimately enable:

- A more automated approach to reporting and performance management
- The ability to link information and data to allow intelligence to be derived
- The possibility of putting information and data at the heart of business cases
- The ability to model long and short term trends and drivers
- To better understand and manage supplier delivery
- To better understand our citizens and services within the context of need or service requirement

The Electronic Document Record Management System (EDRMS) has now been installed in the new HP data centre and is ready for utilisation. This will take place in a staged and managed way in conjunction with different teams from within the County Council.

## **2. Financial Implications**

The spend on the DNA project forms part of the monthly budget monitoring process. Spend against the contract is closely reviewed by Finance and the ICT Contract Manager and current spend and projections are within the detailed business case.

## **3. Issues, Risks and Innovation**

**Staff:** The ICT & IM service delivery model has been redesigned to support the delivery of new technologies and the new structure is now in place. It is anticipated that the requirements will be delivered within the agreed resources, but the ICT service is currently carrying a large number of vacancies following the restructure and interviews are currently taking place to fill these posts.

**Property:** The DNA programme will continue to support the implementation of the County Council's estate strategy.

**IT:** The DNA programme will be delivered as part of the NCC ICT Programme during 2014/15. Delivery of the project will impact all areas of ICT Shared Services as operational services will need to be maintained up to, during and after implementation.

**Technical:** Some downtime will be required by each service area when their servers are migrated later in the year. The contract will mitigate several significant risks, in particular those associated with the current data centre, ICT resilience and the existing operating system which resulted in the email outage earlier this year.

## Officer Contact

If you have any questions about matters contained in this paper please get in touch with:

**Officer Name:**

Tom Baker

**Tel No:**

222700

**Email address:**

[tom.baker@norfolk.gov.uk](mailto:tom.baker@norfolk.gov.uk)



If you need this Agenda in large print, audio, Braille, alternative format or in a different language please contact 0344 800 8020 or 0344 800 8011 (textphone) and we will do our best to help.