

Communities Committee

Date: **Wednesday 9th July 2014**

Time: **10am**

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

SUPPLEMENTARY A g e n d a

- 2. Minutes** (Page 2)
To agree the minutes from the meeting held on 18th June 2014
- 8. Budget Planning 2015-15 – developing our approach** (Page 5)
Report by the Interim Head of Finance

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

Date Supplementary Agenda Published: 3 July 2014



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Communities Committee

**Minutes of the Meeting Held on Wednesday 18 June 2014
10:00am Edwards Room, County Hall, Norwich**

Present:

Mr P Smyth (Chair)

Mrs M Wilkinson (Vice-Chair)

Mr J Childs

Ms E Corlett

Mr A Dearnley

Mrs M Dewsbury

Mr N Dixon

Mr T Garrod

Mr A Grey

Mr H Humphrey

Mr J Law

Mr W Northam

Mr D Roper

Mr M Sands

Mr N Shaw

Mr D Thomas

Mr J Ward

Also in attendance:

Dr M Strong

1. Apologies and substitutions

- 1.1 Apologies were received from Mrs Cox (Mr Garrod substituting), and Mr Aldred (Mr Grey substituting).

2. Declarations of Interest

- 2.1 No declarations made.

3. To receive any items of business which the Chairman decides should be considered as a matter of urgency

- 3.1 The Chief Fire Officer updated members on the recent strike action and said that there were no significant incidents to report.

4. Local Member Issues / Member Questions

- 4.1 No member questions had been received prior to the meeting.

5. Committee Plan

- 5.1 The Committee received the report by the Head of Business Intelligence and

Performance Service and Corporate Planning and Partnerships Service (item 5) which brought together core information to help inform Members decision making in relation to the services within the Communities Committee.

5.2 The Committee **RESOLVED** that:-

- The additional information identified by the Committee in the course of their consideration of this item would be added to the plan.
- At the end of the financial year, the Chairman, on behalf of the Committee, would provide an overview of the Committee's progress in achieving key priorities for Communities in Norfolk. This information would assist the Policy and Resources Committee to monitor overall progress against the Council's key priorities and targets for Communities in Norfolk.

6. **Appointments to Internal and External Bodies**

6.1 The Committee received the report by the Acting Managing Director (item 6) which proposed some changes to particular existing internal and external body appointments. It was noted that most existing arrangements would be maintained until September 2014 when a full review would take place.

6.2 The following changes to internal and external bodies were noted:

- Emma Corlett and Mike Sands were appointed to Norfolk Community Health and care NHS Trust Shadow Council of Governors representing Children and Adults respectively.
- Jonathan Childs was appointed to Governors Council of James Paget University Hospital NHS Foundation Trust.
- Paul Smyth replaced Daniel Roper as representative on East of England Trading Standards Association Member Group (EETSA).
- Mike Sands, Daniel Roper, Harry Humphrey, Nigel Dixon, Wyndham Northam, Nigel Shaw and Jonathan Childs were appointed to Fire Joint Consultative Forum.
- Mike Sands, Harry Humphrey and Colin Aldred were appointment to Norfolk Community Safety Partnership Sub Panel (CSP).

6.3 The Committee **RESOLVED** that:-

- Unless otherwise specified above or in Appendix A of the report, existing appointments to external and internal bodies would continue pending a review to the September Committee cycle and that Member Champion appointments would remain in force until the November review.
- Appointments to those particular external and internal bodies where there was a need to review appointments before the September meeting of the

Committee be agreed, as set out in Appendix A of the report.

- Where there was a scrutiny working group whose work was not considered by Members to have been complete, the Chief Officer would bring a report to allow Members to consider how/if they wish to progress these pieces of work.
- Authority to make appointments to internal and external bodies be delegated to the Acting Managing Director, following consultation with the Chairman or Vice Chairman (and Group Spokespersons where appropriate) where there was an urgent need.

7. Presentation from Director of Public Health

7.1 The Committee received a presentation by the Interim Director of Public Health (item 7) which updated Members on the Public Health Outcomes for Norfolk 2014.

7.2 The Committee **NOTED** the presentation.

The meeting closed at 12:05pm.

CHAIRMAN



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Communities Committee

Item No. 8

Report title:	Budget 2015-18 – developing our approach
Date of meetings:	July 2014
Responsible Chief Officer:	Head of Finance
Strategic impact To help deliver the 2015-16 Revenue and Capital Budget, and the forward plan for 2016-18, which will constitute the Medium Term Financial Strategy for 2015-18.	

Executive summary

To set out the proposed framework and timetable for the work between now and February to deliver the County Council's Revenue and Capital budgets, as set out above.

There is an immediate task to ensure the County Council is in a position to set its budget for 2015/16 in February 2015. This will involve addressing the current predicted gap of £3.8m and assuring the previously identified savings of £40m which were agreed by full Council in February 2014.

There is then a broader task to develop the forward plan for 2016/18. Given the predicted continuing financial challenge beyond that timescale, this will require a more fundamental assessment of future demand and alternative strategies for meeting that demand (in conjunction with residents, partners and stakeholders) alongside a continued strong drive on efficiency.

The total savings required for 2014-18, are £145.5m, of which, £71.8m was identified in the Medium Term Financial Strategy (and Budget book page 6), requiring new savings of £73.7m. During the process, we will also revisit the risks to the savings already identified.

Recommendations:

1. **Committees comment on, and suggest other approaches to assembling the budget for 2015/16;**
2. **Committees comment on the timetable for budget production;**
3. **Committees consider the scope of consultation required with residents in respect of 15/16 proposals;**
4. **Committees consider in more detail what further work they wish to undertake to inform their thinking for the 2016/18 Forward Plan.**

1. Proposal (or options)

1.0 So that no stone is left unturned, three ways of looking at the budget have been identified. As we work through the process, these approaches will help deliver the detailed proposals to help build the budget.

1.1 The **first** approach is that set out in the presentation to the June 23rd P&R

Committee – attached at [Annex 1](#). It said:

- We have to have **bolder solutions**. The past devices cannot deliver the level of reductions we face, over the longer timescale than previously envisaged. For example, service and commissioning provision across the County with the NHS.
- We have to have a **strategic approach** to choice. It has to manage demand across the County, rather than accept unsustainable costs.

1.2 The **second** approach is found in the ongoing work on change and service planning – in detail at [Annex 2](#). This was part of the report to the November 4th 2013 Cabinet on implementing an accelerated programme of organisation change. It looks at three types of transformation:

- Strategic Innovation;
- Directorate Transformation;
- Changing the Way We Work.

1.3 The **third** approach is look at **savings and demand** by type. This approach was used in assembling the 2014-15 budget and will be familiar to Members. The detail is set out at [Annexes 3 and 4](#).

The **Savings framework** is designed to increase the savings not affecting residents, and minimise the level of cuts. Briefly the savings are:

- Savings affecting residents less

Organisation	Arrange People Better
Lean	Better Processes
Procurement	Buy at a Lower Price
Shared Services	Spread Costs to Others
Capital	Reduce Revenue Costs
Terms & Conditions	Terms and Conditions of Employees
Sweat the assets	Improve Income
Change Assumptions	Revisions to Future Predictions

- Savings that affect residents directly

Change Standards	Usually reduce Service Standards
Stop Doing Things	Cease Services

The **Demand framework** is designed to ensure we capture all the risks arising from demand change:

- Economic – loss of income and jobs: inflation;
- Demographic – increase in the population with ‘high costs’;
- Policy – budget correction, Government Legislation, grant settlement;
- Technology - change in work practises and service possibilities;
- Climate - change in standards, availability of resources and adaptive consequences, such as disease.

1.4 It is suggested that Committees first review identified savings for 2015/16 within their remit – see [Annex 5](#) - in order to assure themselves of the deliverability of those savings and to understand the implications of those savings in the longer term. For example, the Better Care Fund, at a £15m saving, is now regarded as a risk, as

the discussions between the Government departments (CLG and Health) have recently unfolded.

- 1.5 In addition, Committees are asked to consider potential areas of further savings for 2015/16 in order to contribute to the remaining funding gap of £3.8m.

- 1.6 The development of the Forward Plan for 2016/18 will require a more fundamental

task now is for each Committee to consider in more detail the strategic implications of those and to decide what further work they wish to undertake to inform their thinking. This will also inform work that is planned during the Autumn to engage with strategic partners via round table discussions, to begin during August /September.

- 1.7 **The timetable** for this work in relation to the 2015/16 budget is tight – Committees will need to consider initial proposals in September, and then prepare for public consultation, if required.

The following represents the timetable to get us to an agreed budget for 2015-16 and a forward plan for 2016/18

Month	Activity	
End of July	First list of savings proposals for 2015/16 and future years ideas and issues	Member Engagement
August/September onwards	Strategic partner engagement	
Sept - Nov	Consultation period for 2015-16 proposals	
Sept – Nov	Ongoing discussions and further development of proposals for Forward Plan 2016/18	
December	Funding information – Member reporting	
January	Reporting to Committees (inc. P&R)	
February	County Council agree budget plans	

2. Evidence

- 2.1 The overall budget reduction, which includes the savings already agreed for 2015-17, amounts to just over £145.5m. This is made up of grant reductions and demographic change.

2014-15	£m	2015-16	2016-17	2017-18
-	Annual Gap	3.8	18.2	51.7
69.3	Annual Savings already agreed	40.0	31.8	
69.3	Total savings reqd	43.8	50.0	51.7
69.3	Cumulative 15-18	43.8	93.8	145.5

3. Financial Implications

- 3.1 The level of revenue challenge is set out at 2 above. At this stage of the process, there are several risks. The assumptions on the Government grant will change. The £15m risk on the Better Care Fund will be clearer. All the existing estimates will be refreshed. The strategic choices and boldness required will help mitigate these risks.

4. Issues, risks and innovation

4.1 The whole report is about risk and innovation.

5. Background

5.1 The Annexes provide the necessary detail to inform Members so that they can begin to shape the budget process.

Officer Contact

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

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

Officer Name: Peter Timmins Tel No: 222400

Email address peter.timmins@norfolk.gov.uk



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- Annex 1 Presentation to June 23 P&R Committee
- Annex 2 Service planning
- Annex 3 Ten Savings categories
- Annex 4 The Demand Framework
- Annex 5 The 2015-16 savings, already agreed – to follow

Forward Guidance - financial prospects 2015-20

Policy & Resources Committee
Monday June 23, 2014

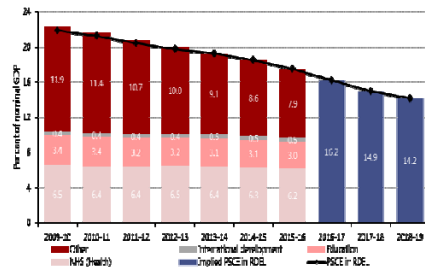
A permanent state of austerity

If '*efficiency*' has been the main headline of the last four years, it looks like '*priorities*' will take-over between now and 2020.

Local authorities will have to reassess what they are there to deliver.

The new Parliament's savings, for 2016-18, will be twice as deep

More needs to be done as fiscal consolidation enters the next very challenging phase



Plans for RDEL, excluding depreciation up to 2015-16. Beyond 2015-16 based on implied PSCE in RDEL calculated from the Government assumption for TME. Other includes unclassified amounts.
Source: OBR Economic and Fiscal Outlook, March 2014; HM Treasury Budget 2014; HM Treasury Public Expenditure Statistical Analyses, July 2013.

Level of savings from Current Year 2014-15 to 2017-18 (£m)

The overall budget reduction, which includes the savings already agreed for 2015-17, amounts to just over **£145.5m**. This is made up of grant reductions and demographic change.

	2015-16	2016-17	2017-18
Annual Gap.	3.8	18.2	51.7
Annual Savings	40.0	31.8	
Total savings reqd	43.8	50.0	51.7
Cumulative	43.8	93.8	145.5

And it goes on - savings required for 2018-20

The Office for Budget Responsibility reports a lower level of public sector savings for the later years, compared to 2016-18. Officers project a savings requirement of just over **£61m**.

	2018-19	2019-20
Annual Gap.	30.4	31.1
Annual Savings		
Total savings reqd	30.4	31.1
Cumulative	30.4	61.5

5

What's it all mean?

- We have to have **bolder solutions**. The past devices cannot deliver the level of reductions we face, over the longer timescale than previously envisaged. For example, service and commissioning provision across the County with the NHS.
- We have to have a **strategic approach** to choice. It has to manage demand across the County, rather than accept unsustainable costs.

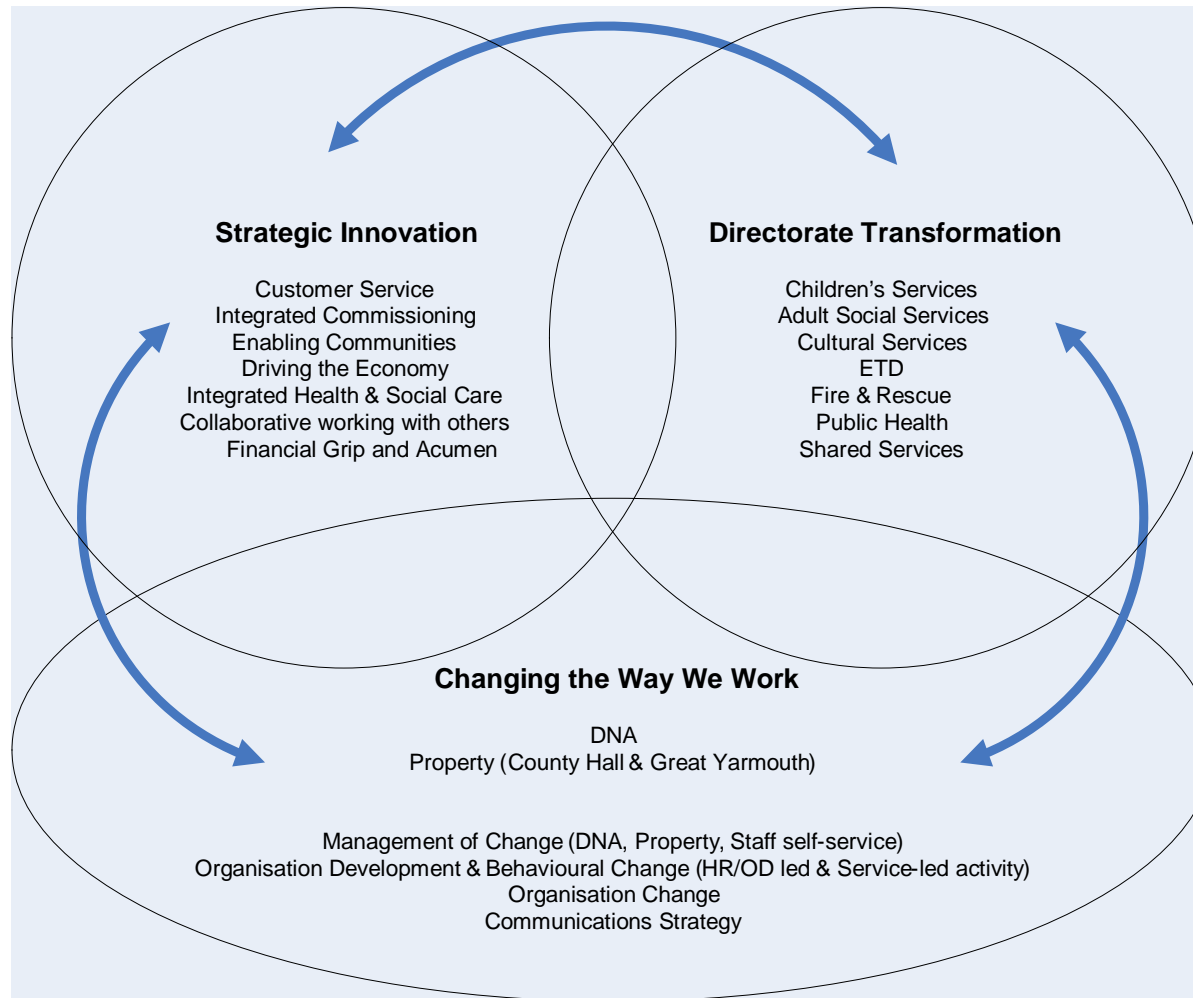
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What next?

The July Committee cycle is ideal to explore the shape of the budget process and the major challenges for each Committee.

7

Norfolk County Council Change Programme



Annex 3 - Ten Savings categories

The objective is to create a framework, through which to view the budget process, and ensure a complete approach. The first 8 items do not affect Residents, whilst the last two, directly affect Residents. The objective is to increase the former.

	Type of Saving	Examples	Explanation Measure/baseline/target	Range of saving £k (to be completed)
Not Affecting residents				
1	Organisation	Reduce the number of departments	Brigade like-services, having clarified what is strategic, in preparation for a smaller officer core.	
		Spans of control	Apply a model whereby there is a minimum number reporting to an officer, and there are no 'one-on-ones'. KPMG measure: 1:7 spans of control. Produce structure charts	
		De-layering	The KPMG measure is 4 layers between the CE and the Frontline – apply such a model to the whole Council. Use structure charts.	
		Centralisation/Standardisation of functions	Review common functions, to provide the service to a model, that is consistent and 'light touch' centralised / standardised across Departments exploiting improved technology and templates. Examples include: <ul style="list-style-type: none"> • Administration – KPMG measure 1:8 Admin to Frontline • Customer services, • Policy, • HR, • Finance • Secretaries. 	
		Improved competence	Deal with issues of underperformance allied with better training. Use re-application for jobs to enforce.	

	Type of Saving	Examples	Explanation Measure/baseline/target	Range of saving £k (to be completed)
2	Lean	Improved Processes/Pace (Business process re-engineering)	Do we need to do it, and if we do, can the steps in a process be reduced, or shorten the time taken.	
		Automation	Empower the end user to complete a task without officer intervention. Self help model for customers. Also, eliminate cheques - shift towards electronic	
		IT systems	Not only improve the reach of IT, for example an integrated system for personalised care, but also review existing systems to reduce ongoing running costs (eg SAP) and ensure the sizing is consistent with the smaller Council. This might mean a one off cost for future lower ongoing costs. Invest to save using IT as mechanisms	
		Better ways of working, end to end (Business process re-engineering)	Are there better ways, for example using texts and emails rather than letters. Green initiatives to reduce running costs (spend to save/Green Deal)	
3	Procurement	The way forward	<ul style="list-style-type: none"> • Project initiatives • Contract lettings • Contract performance • Category Management / Sourcing Plan • Specification rationalisation • Supplier management • Registration of existing contracts • Minimise off contract buying 	
		Revisit inflation assumptions	Not only in contracts, but in budgets (also, see 10).	
4	Shared Services	With other organisations, most obviously, neighbouring Councils	Not only the strategic functions, but also services, for example waste collection.	
		Insource	Take back services, re-package and provide cheaper,	

	Type of Saving	Examples	Explanation Measure/baseline/target	Range of saving £k (to be completed)
			maybe by re-outsourcing. Controversially, voluntary organisations!	
		Outsource	Use of trusts/mutuals etc as well as 'private sector'. Try to follow the procurement precepts of 'shaping the market'.	
5	Capital	No unsupported expenditure (USB = unsupported borrowing)	Work to eliminate unsupported borrowing, unless it has a recognised payback period. That is, distinguish between good and bad USB.	
		Become debt free	Use reserves, which get little interest to pay off debt and minimise the exposure to interest variations. Another variant is to buy out PFI schemes	
		Gating process & Project /Programme Management	Introduce to ensure closer control and, usually, lower revenue costs, through a better view of output.	
6	Terms and Conditions	Avoid costs	Eliminate overtime, shift, performance payments etc	
		Leave	Remove the local discretionary days; consider changes to national T&C's, for example, if staff want more leave than 15 days, they can 'buy it'. Look at other T&C's.	
		Sickness	Robust approach, which might include no pay on sick days (eg first 3 days).	
7	Sweat the assets	Asset sales	Timing may be important, but divesting the Council of assets, eliminating running costs and repaying debt is a virtuous circle. Controversial sales idea – parks.	
		Re-negotiation of leases	Is there a backlog on renegotiations, which results in assets that produces a poor return	

	Type of Saving	Examples	Explanation Measure/baseline/target	Range of saving £k <small>(to be completed)</small>
		Fees & Charges	Strategy for ensuring market congruence. Deloitte's have a national programme of comparison and examples.	
		Money/Cash Management	Improve collection performance (speed and total percentage), reduce debt and free up debt provisions; Improve investment performance	
8	Change Assumptions	Inflation Demographics Income (RSG/Govt/DSG) Risk	No general inflation, but specific contractual Revise, review Autumn Govt announcement incl CSR's and OBR Challenge risk appetite; reduce recurrent budget by having adequate reserves.	
		Blue sky thinking	Example: to reduce maintenance costs, convert several parks into woods/forests, which is also a green initiative.	
Affecting residents				
9	Change Standards	Reduce the standards to which a service is provided	Examples include, Social Service provision going to 'critical', free provision being means-tested, winter gritting applied to a reduced mileage of roads, removal of 'Green Flags' standards for Parks, fortnightly bin collection.	
		Price performance	Use price performance comparisons with other local authorities to discover areas of underperformance	
10	Stop doing things	Decide what to stop providing	For example, provide Adults, Children, Fire, Schools, waste collection and roads/pavements. The rest is frippery!	

Annex 4 - the Demand Framework

There are five types of change, including inflation. The failure to track these accurately over the Medium Term (MT) planning period, results in the phenomena called “pressures”, whereby the spending is greater than the budget, for inadequately explained reasons. Underlying all types of change are the twin matters of pace and range, that is, how fast is the change happening, and how far will it go in the planning period.

The five types of change are Economic, Demographic, Policy, Technological and Climate; they are considered in detail below. The consistent theme that runs through the analysis is that data on volumes and price are a requirement to undertake the modelling necessary for a proper MT Financial Strategy (MTFS):

1. Economic

The level of economic activity will affect the demand for services; for example, a rising level of unemployment would increase welfare demand (rebates). It could also cause switching behaviour, such as increased bus or cycle usage together with less parking revenue. The issue of inflation would be addressed here.

2. Demographic

Changes in population, household formation and the provision of accommodation, will bring changes in demand, as well as alterations to Government grant. The analysis of population change should differentiate over age categories, which should be broadly aligned across four ages, pre-school, learning, working and retirement.

3. Policy

External examples from Government include the requirement to move to individualised care packages, subsidy for a nil Council Tax change, and the cessation of specific grants. The Government can also signal changes via an alteration to resource arrangements; NHB or CIL are examples. A change in standards – eg, safeguarding – as opposed to new policies, can increase or reduce demand for resources. Internal examples are excluded for it is suggested they are responses to change.

4. Technology

Citizen enablement has brought about increases in demand (FOI requests) and decreases (online information gathering) as well as changing economic activity (home working). Internal improvements to processes are, again, regarded as a response to change.

5. Climate

At a mundane level, colder winters, increased rain and/or hotter summers require changed responses from the Council. At an ecological level, the carbon and waste responses are examples of world-wide requirements.

Item 8
Annex 5
The 2015-16 savings, already agreed

		2015-16	2016-17
		£m	£m
Ref	BUDGET SAVINGS		
7	One off use of the customer services development reserve	0.122	
8	Review and reduce staffing in Customer Services and Communications to reflect changes in communication practices and the business requirements of the organisation	-0.009	-0.042
15	Efficiency savings arising from public health skills and resources to remove duplication		-1.275
16	Enhanced multi-agency working on emergency planning	-0.040	
20	Museums - Gift Aid and Cultural Exemptions	-0.354	
20	Norfolk Record Office - Increased income generation	-0.020	-0.010
20	Changes to the delivery of road safety education and evaluation to make greater use of community resources		-0.200
20	Increase charges for Registration Services	-0.050	-0.050
47	Scale back Trading Standards advice to focus on the things we have to do by law	-0.250	
48	Charge for advice to business from our Trading Standards Service		-0.020
55	Purchase different, cost effective fire vehicles for some stations	-0.074	-0.227
58	Move the historical registration records to the Norfolk Record Office	-0.050	
	Reduced cost of ICT refresh		-0.100
	Fire revenue grant	-0.003	
	Total	-0.728	-1.924