

REPORT OF THE LEADER OF THE COUNCIL**SAVINGS PROPOSALS 2014/15 - 2016/17****Purpose of the Report**

1. To highlight the magnitude of the financial challenges facing the Council
2. To seek approval to implement category A proposals as defined in the report
3. To seek approval to consult on category B and C proposals as defined in the report
4. To seek approval to consult on the proposed level of Council Tax for 2014/15
5. To seek approval for the establishment of a Transformation Fund and short term contract extensions in relation to Project Management staff

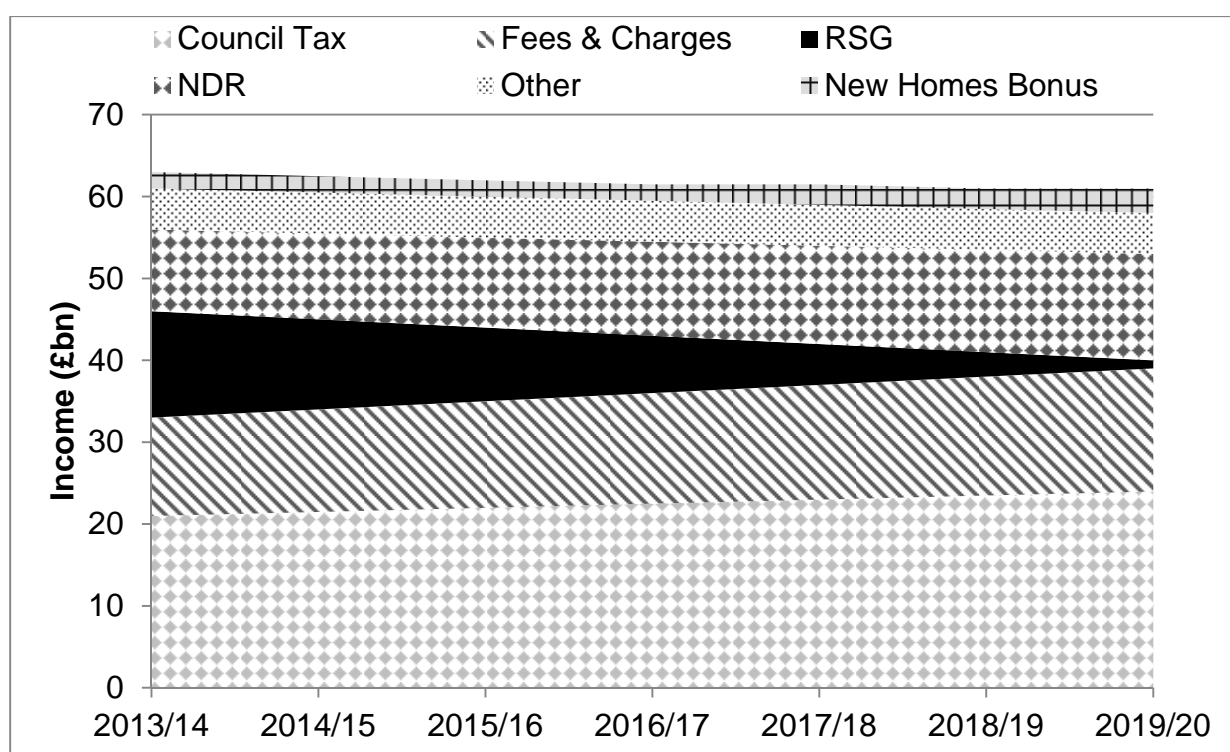
Process

6. On 2 September 2013, the Council formally launched a consultation exercise called the Budget Challenge to help inform and guide the budget setting process. This differs from previous budget consultations in that the Council will undertake the exercise in three distinct stages. The first stage of the budget challenge was designed to provide the context and raise awareness of the financial constraints facing the Council and to seek public opinion on how these challenges should be met. This initial stage will run until 17 January 2014.
7. The second stage of the budget challenge was launched on 18 September 2013 and ran until 25 October 2013. This stage was designed to seek people's views on the values and strategic priorities detailed in the Council's draft strategic plan.
8. The third stage of the consultation will be launched on 13 November 2013 and will seek public opinion on category B and C budget proposals. This will run until 17 January 2014. The consultation findings will be reported to Finance and Property Committee to inform the final budget recommendation to Council.
9. On conclusion of the consultation process in January 2014, the Council will develop its detailed budget proposals. The formal approval of the budget and the setting of the Council Tax will be agreed at the Council budget meeting on 27 February 2014. The Council has a statutory responsibility to issue its precept for 2014/15 by 28 February 2014.

Financial Context

10. This report sets out a three-year financial forecast, as opposed to a four-year plan that the Council normally adopts. The primary reason for this is that the situation regarding local government funding is particularly uncertain at this time. There is no clarity regarding Government funding beyond 2015/16, and although the direction of travel indicates further constraints, it is unlikely that there will be any detailed announcements before the General Election. However, the chart below (Figure 1) shows the Government's own projections for local government funding. The Revenue Support Grant (RSG), the main Government funding for local authorities, is forecast to reduce significantly by the end of the decade. The forecast also assumes an increase in non-domestic rates (NDR). New Homes Bonus may now form part of the Local Enterprise Partnership single growth fund.

Figure 1 – Local Government Income Forecast



11. In addition, it is unclear at present as to the potential impact of the Integrated Health Transformation Fund and the possible support via the NHS for adult social care from 2015/16. The Council already receives a grant of £12.6m from the NHS (nationally this amounts to £1bn) to provide additional support for meeting the costs of adult care services. The Government has confirmed its intention to earmark a further £2.8bn from the Department of Health to meet the costs of new demands on local authorities such as the Care Bill, which also comes into effect in 2015/16. An announcement on how much of this funding will be available for the Council is expected in December, and as such the full four-year Medium Term Financial Strategy will be outlined in the budget reports in February 2014.

Budget Savings

12. In the report to Council in February 2013, the forecast for the following three years was a budget gap of £133m. The announcement in July of further reductions in central government funding for local authorities, added an additional £21m to this gap, hence the Council has planned for the need to make savings of £154m. The breakdown of this gap is shown in Table 1 below:

Table 1 – Three Year Financial Gap

	2014/15 £000	2015/16 £000	2016/17 £000	Total £000
Cost pressures	13,154	11,707	11,784	36,645
Pay and non-pay inflation	5,063	8,992	9,108	23,163
Reductions in Government funding	29,520	30,810	18,819	79,149
Impact of previous use of reserves*	15,137	0	0	15,137
Total	62,874	51,509	39,711	154,094

* This relates to the need to identify permanent savings where one off reserves have been used

13. The Council has identified a large number of potential savings proposals, which currently total £83m over the next 3 years. In addition to these savings, work is continuing on identifying other savings proposals, including other transformational opportunities. As and when further proposals are developed, they will be brought to the relevant Committee for approval as appropriate.
14. It is also intended to consult on a variety of options on an increase in Council Tax. Revisions to financial planning assumptions (such as challenging the level of cost pressures and inflation) and the use of reserves and balances are also under consideration. The impact of these potential measures will be incorporated into the budget report in February 2014, which will also consider the responses to the public consultation on the savings proposals.
15. The savings proposals are contained in the appendices of this report. Table 2 provides a summary of the savings by Committee.

Table 2 – Summary of Committee Savings Proposals

Committee	2014/15 £000	2015/16 £000	2016/17 £000	Total £000
Children & Young People	8,664	7,592	7,697	23,953
Adult Social Care & Health	14,409	13,916	4,947	33,272
Transport & Highways	4,853	3,276	1,399	9,528
Environment & Sustainability	1,278	905	0	2,183
Community Safety	986	195	0	1,181
Culture	810	795	705	2,310
Economic Development	100	250	0	350
Policy	2,649	1,232	359	4,240
Finance & Property	1,892	700	1,419	4,011
Personnel	1,670	0	47	1,717
Total	37,311	28,861	16,573	82,745

16. The proposals have been categorised as follows:

Category A

These are proposals which can be implemented immediately after normal internal consultation processes have been completed in accordance with HR policies and legal requirements.

Category B

Proposals in this category are to be approved in principle, subject to consultation with stakeholders and partners before implementation. It is anticipated that approval to proceed will be sought within the 2014/15 budget report unless an earlier decision making process is approved.

Category C

Proposals in this category will require statutory consultation before implementation. Approval to proceed will be sought within the 2014/15 budget report, or later as appropriate. Proposals in this category are particularly susceptible to change as a result of consultation and subsequent refinement.

Costs of implementation and transformation

17. Additional resources will be required to deliver the saving proposals contained within this report. An assessment of the resource requirements is currently underway. This includes:

- Investment in technology
- External specialist support
- Specialist project delivery, process change and analytical skills currently provided by the Improvement Programme team

Following the resource review, it is proposed to create a Transformation Fund to support the delivery of the savings proposals.

18. The Improvement Programme team are employed on fixed-term contracts, all of which expire on 31 March 2014. It is intended that, with the exception of management posts, these contracts be temporarily extended to 31 July 2014. This will secure continuity of support for all projects existing and new, pending the review of resource requirements. It is however expected that there will be reductions in this team and the Section 188 notice reflects this.

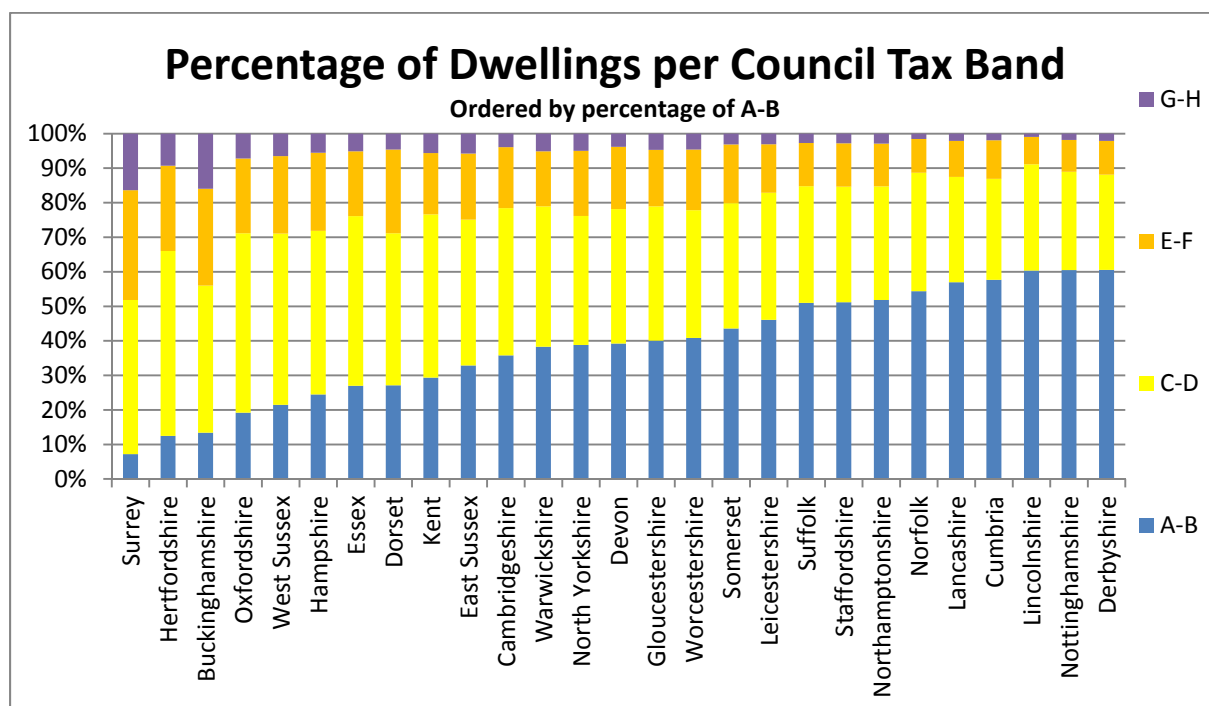
Council Tax

19. Council Tax has been frozen since 2009/10. The Government has placed a limit on local authorities that means that any increase above 2%, has to be subject to a local referendum. The maximum increase that could be proposed, without a referendum is therefore 1.99%.

20. Whilst Nottinghamshire does have the highest Band D Council Tax of all County Councils, further analysis demonstrates that this is a factor of the Council's ability to generate Council Tax from its tax-base i.e. the mix of properties and the subsequent council tax yield. The graph below shows that Nottinghamshire has the second highest percentage (60.52%) of properties of any County Council in Bands A-B (the lowest bands) and only 1.81% of properties in Bands G-H (the highest bands). This is in stark comparison to Surrey, which has the

lowest percentage of properties in Bands A-B at only 7.21%, and 16.35% in Bands G-H.

21. The implications of this are that whilst the Band D Council Tax is the highest, the actual average Council Tax paid by Nottinghamshire residents is £1,004.38 i.e. the vast majority of Nottinghamshire residents actually pay significantly less than the Band D tax. This would place Nottinghamshire 11th out of the 27 County Councils in terms of average Council Tax paid.



22. A series of government consultation documents were released in July which indicated that funding for a further council tax freeze in 2014/15 and 2015/16 would be made available. It is expected that this will be provided at 1% and would equate to £3.1m for Nottinghamshire. However, it is still unclear as to whether this would be added to base funding for future years, and may therefore only be a one off grant. This increases the level of uncertainty the Council is facing, and as such increasing Council Tax:

- provides additional funding for the Council over and above the amount it would receive via the freeze grant,
- provides a much greater degree of certainty to aid future service and financial planning

23. The impact of a 1.99% increase in Council Tax is set out in the table below. This would equate to an average increase of 38 pence per week and would contribute £5.5m towards the Council's funding gap.

Table 3 – Impact of 1.99% increase in Council Tax

Band	2013/14 Council Tax (£)	2014/15 1.99 % impact (£)	Equivalent weekly increase (£)	No of Dwellings
A	795.45	811.28	0.30	140,730
B	928.03	946.50	0.36	72,580
C	1,060.60	1,081.71	0.41	60,340
D	1,193.18	1,216.92	0.46	39,900
E	1,458.33	1,487.35	0.56	21,990
F	1,723.48	1,757.78	0.66	10,540
G	1,988.63	2,028.20	0.76	5,910
H	2,386.36	2,433.85	0.91	460

Note, the number of dwellings is the total listed on the Valuation Office website (http://www.voa.gov.uk/corporate/statisticalReleases/130919_CTValuationListSummary.html)
It is not possible to use this raw data to calculate the precept as this is based on a Band D equivalent which takes into account non collection, Single Person Discount and other benefits.

24. The Council will be consulting on a range of options in terms of a potential increase in Council Tax. For each of these options, the average increase in the weekly Council Tax that Nottinghamshire residents would pay, is as follows:

Table 4 – Average increase in weekly Council Tax options

% increase	Average increase per week (£)
1.99	0.38
3.00	0.58
4.00	0.77
5.00	0.97

Staffing implications

25. The precise staffing implications of the various proposals included in this report are significant and will require careful management. A Section 188 notice has been issued which begins the statutory consultation involving employees and the recognised trades unions.
26. Post reductions will be managed through agreed HR processes which include:
- strict vacancy control over the coming months
 - deletion of vacant posts
 - turnover
 - redeployment
 - retraining and re-skilling where appropriate
 - job seeker support
 - voluntary redundancies including consideration of bumping opportunities where possible

- compulsory redundancies – all reasonable measures will be applied to keep the number to a minimum
27. The following table provides an indication of the potential reduction in posts in 2014/15.

Table 5 – Potential Reduction in posts by Department

Department	Potential decrease
Children, Families & Cultural Services	236.80
Adult Social Care, Health & Public Protection	241.45
Environment & Resources	208.81
Policy, Planning & Corporate Services	60.10
Performance Teams*	10.85
Total	758.01

*This is to reflect the cross cutting approach to Performance as shown in the Section 188 notice.

Cross-cutting activity

28. In addition to the development of service-based savings proposals, the potential for achieving savings through common approaches that can be applied on a cross-cutting basis has also been reviewed. In order to avoid the risk of double-counting potential savings, specific targets have not been allocated to these activities, but they will significantly increase the likelihood of departments being able to achieve their target reductions, whilst minimising the impact on front-line service delivery.
29. **Process improvement:** As reported to Policy Committee in July 2013, good progress has been made on implementing a corporate approach to process improvement. Approximately 120 people across the organisation have now been trained in the use of LEAN+ and two full-scale pilot projects have been completed. These identified substantial scope for achieving savings, whilst improving customers' experience of the service. This approach will be used to deliver a significant number of the savings proposals appended to this report.
30. **Channel shift:** Work is under way to put the tools in place to enable more customer transactions to take place electronically, thus reducing administrative costs as well as enabling customers to access services at a time and place to suit them. Support will also be provided to services to enable them to maximise the benefits of this approach.
31. **Business support review:** All services recognise the need to ensure that administrative support is provided in the most efficient way possible and there are a number of savings proposals that relate to the provision of business support services. In order to reduce the potential for duplication of effort, a corporate approach is being taken to process improvement across business support functions. In addition, there will be more integration of management arrangements for business support activities, where this is appropriate.
32. **Strategic management framework:** Similarly, there are a range of proposals that relate to performance management arrangements, both corporately and

within service departments. Implementation of these will be managed as part of the development of the strategic management framework that will improve efficiency and consistency across the organisation. This will include centralisation of relevant teams.

33. **Shared services and alternative delivery models:** A number of the savings proposals relate to the development of shared services with other public sector bodies or the implementation of alternative structural models for the delivery of services, for example the use of Mutuals. There is a significant risk of duplication of effort, if services undertake research and development activity on the various options on an individual basis, so a central information and support hub will be maintained to minimise this risk and ensure that learning is shared.

Budget Consultation

34. As stated in paragraph 6 of the report, the consultation process has been undertaken in three stages. As at 1 November, 2,736 individual responses have been received (1,158 stage one and 1,578 stage two). The feedback from stage one can be summarised as:-

- Having read the information about the Budget Challenge on the Council's website, 77% of respondents feel more informed.
- Given that the Council has to reduce its budget, the majority of respondents would reduce (*respondents were allowed to give more than one answer*):
 - Subsidies for local bus and community transport services (51%)
 - Providing street lighting (45%)
 - Trading standards and consumer protection/advice (41%)
 - Protecting the environment - air quality and recycling (39%)
 - Tackling drug and alcohol misuse (38%)
 - Providing library services (34%)
 - Improving road safety and reducing traffic congestion (33%)
 - Providing country parks and open spaces (32%)

The services which the majority of respondents least want to reduce are 'Maintaining roads and pavements' and 'Support for older people (including adults with physical or learning disabilities/mental health needs)'

- Given the inevitable impact on services, most respondents would be prepared to (*respondents were allowed to give more than one answer*):
 - **Accept a reduced level of service** eg reduced opening hours/days (65% agree: 25% disagree: 10% neither agree nor disagree)
 - **Accept reduced eligibility** to access services (53% agree: 31% disagree : 16% neither agree nor disagree)
 - **Travel further** to access services (44% agree: 38% disagree: 18% neither agree nor disagree)
 - **Pay more** for services (44% agree: 41% disagree: 15% neither agree nor disagree)
 - **Become part of a community group** that takes over the running of some services (32% agree: 42% disagree: 26% neither agree nor disagree).

35. The feedback to date from stage two can be summarised as:-

- Core values:
 - 91% of respondents agree with the core value '**Value for money**' (3% disagree and 6% neither agree nor disagree)
 - 88% of respondents agree with the core value '**Treating people fairly**' (3% disagree and 9% neither agree nor disagree)
 - 81% of respondents agree with the core value '**Working together**' (5% disagree and 14% neither agree nor disagree)
- Key priorities:
 - 83% of respondents agree with the priority '**Supporting safe and thriving communities**' (4% disagree and 13% neither agree nor disagree)
 - 81% of respondents agree with the priority '**Providing care and promoting health**' (7% disagree and 12% neither agree nor disagree)
 - 77% of respondents agree with the priority '**Supporting economic growth and employment**' (6% disagree and 17% neither agree nor disagree)
 - 69% of respondents agree with the priority '**Protecting the environment**' (12% disagree and 19% neither agree nor disagree)
 - 57% of respondents agree with the priority '**Helping you reach your potential**' (18% disagree and 25% neither agree nor disagree)
- All comments/suggestions received are available as a background paper.

36. As part of the consultation on the draft Strategic Plan, the 2013 Nottinghamshire Annual Residents Satisfaction Survey was used to gather residents' views. This consisted of face-to-face interviews with a representative sample of county residents throughout October 2013. Results from this element of the consultation are broadly consistent with the findings above.

37. The County Council also has a statutory duty to consult with the Business Community regarding expenditure plans for the coming financial year. This is being conducted through the Nottinghamshire Business Engagement Group (which includes the Federation of Small Businesses and the Chamber of Commerce), Business Clubs, and on-line.

Statutory and Policy Implications

38. This report has been compiled after consideration of implications in respect of crime and disorder, finance, human resources, human rights, the NHS Constitution (Public Health only), the public sector equality duty, safeguarding of children and vulnerable adults, service users, sustainability and the environment and ways of working and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

Public Sector Equality Duty implications

39. Public authorities are required by law to have due regard to the need to:

- eliminate unlawful discrimination, harassment and victimisation

- advance equality of opportunity between people who share protected characteristics and those who do not
 - foster good relations between people who share protected characteristics and those who do not
40. Decision makers must understand the effect of policies and practices on people with protected characteristics. Equality impact assessments (EqIAs) are the mechanism by which the authority considers these effects.
41. Equality implications have been considered during the development of the budget proposals and equality impact assessments have been undertaken where necessary. In addition the Human Resources (HR) policies that will be applied to any staffing reductions have been the subject of EqIAs. All EqIAs are available as background papers.
42. It is essential that Members give due regard to the implications for protected groups in the context of their equality duty in relation to their decisions.

Recommendations

- 1) That the savings proposals set out in Appendix A be approved for early implementation.
- 2) That approval is given to the commencement of consultation on the savings proposals in Appendix B and C.
- 3) That the Council Tax options set out in this report be issued for consultation.
- 4) That the establishment of a Transformation Fund and the temporary contract extensions as described in paragraphs 17 and 18 be approved.

COUNCILLOR ALAN RHODES
LEADER OF THE COUNCIL

Financial Implications (PDS 30/10/13)

The financial implications are set out in the report. The full impact of these proposals, and the consultation responses to them, as well as the implications of the Government Settlement in December, will be considered in the Budget reports in February 2014.

Constitutional Comments (JFW 31/10/2013)

Policy Committee has the authority to agree these recommendations. Approval of the Budget is reserved to Council.

Background Papers Available for Inspection

Equality Impact Assessments

Budget Consultation Feedback