

**REPORT TO: POLICY & RESOURCES COMMITTEE - 23 AUGUST 2010**

**REPORT ON: CHANGING FOR THE FUTURE**

**REPORT BY: CHIEF EXECUTIVE**

**REPORT NO: 441-2010**

## **1. PURPOSE OF REPORT**

- 1.1 This report advises members of the current projection of the Revenue Budget position for the three financial years 2011/12 to 2013/14 and seeks approval of a strategy entitled Changing for the Future, which sets out how the City Council plans to achieve the level of savings required to deliver a balanced budget in each of these financial years.

## **2. RECOMMENDATIONS**

The Policy & Resources Committee are asked to:

- 2.1 note the projection of the 2011/12 to 2013/14 Revenue Budgets and the level of savings required to deliver a balanced budget in each of those financial years as detailed in Section 4 of the report.
- 2.2 approve the proposed Changing for the Future work programme as set out in Section 5 of the report.
- 2.3 approve the establishment of a Changing for the Future Board with the membership as set out in paragraph 6.1.
- 2.4 note that regular reports will be brought back to the Policy & Resources Committee outlining progress with the Changing for the Future programme and to the appropriate Committees as decisions are required.

## **3. FINANCIAL IMPLICATIONS**

- 3.1 There are no direct financial implications as a result of this report.
- 3.2 The Changing for the Future programme of work will generate reports and actions that will have direct financial implications for the Council, and when required, reports will be considered by the appropriate Committee. These reports will identify the individual savings proposals that are planned to deliver a balanced budget for the financial years 2011/12 to 2013/14.

## **4. UPDATED FINANCIAL PROJECTION 2011/12 TO 2013/14**

- 4.1 At the meeting of the Policy & Resources Committee on 26 October 2009, Members were advised of the Revenue Budget projections for the financial years 2011-2014. These projections were based on the Chancellor's Pre-Budget Report for 2010/11 and a report prepared by the Centre for Public Policy for Regions (CPPR) looking at possible scenarios for the Scottish Government Budget over the period 2011-2014. The assumptions made in the report of 26 October 2009 reflected a cumulative real terms funding reduction of 12% in the period up to 2014.

At that time it was projected that the Council would require to find the following savings over the 3 financial years 2011-2014 to achieve a Council Tax freeze:

	£m
2011/12	12.553
2012/13	6.500
2013/14	5.161

4.2 The Council subsequently set its Revenue Budget and Council Tax for 2010/11 on 11 February 2010. Total savings of £5.344m were made in order to achieve a council tax freeze for the fourth consecutive financial year.

4.3 Following the Westminster elections in May 2010, the Chancellor of the Exchequer announced that there would be an Emergency Budget on 22 June 2010 to implement £6bn of UK budget cuts in 2010/11. The Scottish Government's consequential share of these cuts has been confirmed as £332m and the Cabinet Secretary for Finance and Sustainable Growth has agreed with the Chancellor that he will defer taking these cuts until 2011/12.

4.4 The CPPR has subsequently prepared updated projections based on the impact of the UK Government's various budget measures (i.e. the Emergency Budget cuts plus the reductions announced in May for 2010/11). These show that the Scottish Government's discretionary budget (i.e. Departmental Expenditure Limits or DEL) could be 14% lower in real terms by 2014/15. This includes the impact of the deferred cut for 2010/11 referred to in 4.3 above. The impact of this 14% real terms reduction over the next 3 financial years 2011-14 is weighted towards the early years and in cash terms the reduction is estimated as follows:

2011/12	4%
2012/13	1.7%
2013/14	1.7%

4.5 The above assumptions are for the aggregate Scottish DEL and make no judgement on how the total may be allocated at either departmental or budget line. A key issue is the extent to which the NHS budget (or health spending in general) in Scotland will be protected by the Scottish Government when allocating resources for 2011-2014. The actual impact on local government as a whole will not be known until the Scottish Budget is announced in October 2010 and on the City Council in particular until December 2010. In the meantime the Director of Finance has projected the impact for the City Council based on the aggregate estimated reductions.

4.6 The projected Revenue Budgets for 2011-2014 have also been adjusted to reflect current and future spending pressures in Social Work and Education, which have been identified after the Final Revenue Budget for 2010/11 was approved in February 2010. Taken together with the assumptions on Government Grant reductions, the estimated savings requirements for 2011-2014 are now projected as follows:

	£m
2011/12	20.240
2012/13	9.910
2013/14	9.175

A summary of the Revenue Budget projections for the financial years 2011/12 to 2013/14 are shown in Appendix A

- 4.7 It should be noted that these projections are not based on the worst case scenario. Should the Scottish Government decide to protect the Health budget, then the impact on other Departments, including local government is likely to be more severe, and the level of savings required by the City Council could be greater

## **5. CHANGING FOR THE FUTURE**

- 5.1 During the past four months the Council's Management Team has been developing a long term strategy to address the difficult financial environment that the City Council and all other public sector service providers will be operating in for the foreseeable future.

- 5.2 The strategy has been developed on the basis of 4 discrete workstreams being:

Voluntary Early Retirement/Voluntary Redundancy Scheme

Departmental savings submissions of 5%

Corporate Improvement Programme (approved by the Policy and Resources Committee on 26 April 2010)

Tayside Collaborative Opportunities programme with the other Tayside Councils

- 5.3 The Management Team has been working on a plan to consolidate the 4 workstreams into a single programme and has also identified that the previous methods of identifying budget savings that have worked successfully for the Council in the past will not be sufficient to meet the financial challenges now facing the Council.

- 5.4 The outcome of the Management Team's work on the aforementioned four workstreams enabled the creation of a single programme entitled Changing for the Future, which in itself has the following four main sub-programmes:

Service Prioritisation

Reshaping the Service Delivery Model

Assets

Enabling the Change

A schedule detailing the individual projects that make up the Changing for the Future programme is enclosed at Appendix B

### **5.4.1 Service Prioritisation**

This sub-programme is critical to the delivery of the entire programme, and is scheduled to be completed by the end of August 2010. Chief Officers are compiling comprehensive lists of their departmental services, assessing each service to determine to what degree it is core or non-core to the priorities of the Council, and forming an initial view of the level of service that needs to be provided over the medium term.

#### 5.4.2. Reshaping the Service Delivery Model

Following on from the Service Prioritisation sub-programme and the identification of core and non core services, it is then important that the service delivery model for the Council and each of the services therein, is redesigned to provide our services in the most productive and effective way. There are three key projects within this sub-programme namely:

Agreeing the best core operating mode for each service and sub-service, including the reform and redesign of support services and the pooling of corporate functions.

Consideration and development of alternative service delivery options, including shared services, arms length companies, commissioning and outsourcing.

Review of the Council's overall management and organisational structure.

This sub-programme is scheduled to be mainly delivered during the remainder of the calendar year 2010, however there will be some elements of this programme that may not be fully developed in time for savings to be included in the 2011/12 Revenue Budget.

#### 5.4.3 Assets

This sub-programme is the development of a corporate wide asset and infrastructure strategy, and includes the optimum organisation of all Council staff whose focus is on assets of any type. Assets include property, fleet, land and open space, etc and will be now be considered as corporate assets, moving away from the current departmental management of assets. This sub-programme will be developed between June 2010 and March 2011, with potential savings and efficiencies identified and included in the 2011/12 and 2012/13 Revenue Budgets.

#### 5.4.4 Enabling the Change

This sub-programme will look at the corporate wide changes that will support the new service delivery models identified through the Reshaping the Service Delivery Model sub-programme (Para 5.4.2). This sub-programme includes projects such as workforce planning, mobile and flexible working, electronic document management, voluntary early retirement/voluntary redundancy scheme and a review of staff terms and conditions. This sub-programme will be developed between June 2010 and March 2011, with potential savings and efficiencies identified and included in the 2011/12 and 2012/13 Revenue Budgets.

5.5 The only element of the original 4 workstreams not included within the Changing for the Future programme is the 5% savings proposals submitted by each Department, which is planned, will be actively considered during the Autumn of 2010. However, due to the inevitable interrelationship between these two programmes it is essential they are governed and managed in a co-ordinated manner. Any savings identified by Departments and requiring a change in policy will be considered by the appropriate Committee, and if possible will be introduced during 2010/11, thus assisting with meeting any spending pressures in the current financial year along with assisting towards the significant savings requirements in 2011/12 and later years.

## **6. GOVERNANCE AND RESOURCES**

- 6.1 The overall governance and management of the Changing for the Future programme and the Revenue Budget savings exercise is critical, if the Council is going to deliver balanced budgets in the financial years 2011/12 to 2013/14 inclusive.

Historically, budgetary exercises within the Council have generally been within the remit of the Administration Group with budget savings being exchanged between the respective Party groupings one week before to the Budget Setting meeting in mid February. Although substantial savings have been made in almost every year since the Council's formation in 1996, the level of savings required in the current and projected financial environment are unprecedented and requires a new approach to budgetary decision making that will involve consensus, cooperation and openness between all elected members and the senior officers of the Council.

In order to achieve this new approach, it is proposed that a Changing for the Future Board is established to oversee and guide the Changing for the Future programme and the Revenue Budget process with membership as follows:

Chief Executive (Chair)  
Director of Finance  
Leader of Administration  
Depute Leader of Administration  
Administration Finance Spokesperson  
Leader of Labour Group  
Leader of Conservative Group  
Leader of Liberal Democrat Group  
Lord Provost John Letford  
Depute Lord Provost Ian Borthwick

- 6.2 The Board would meet on a private and confidential basis in order to allow discussion and analysis of information and formulate strategic proposals. Meetings would be held monthly and would ensure that the Changing for the Future programme and Revenue Budget savings are delivered. The establishment of the Group does not take away the role or powers of the Council and Committees and all policy reports emanating from the programme and Revenue Budget savings will be taken to the appropriate Committee for their consideration and determination.
- 6.3 The members of the City Council's Strategic Management Team will each be assigned sponsorship roles for programmes, sub-programmes and projects and the Team will collectively assist with the management of the programme.
- 6.4 The Policy & Resources Committee of 26 April 2010 approved Report 182-2010 which included the creation of a Corporate Improvement Team, headed up by the Corporate Improvement Manager. The Strategic Management Team will be the driving forces in taking forward the Changing for the Future programme, supported by the Corporate Improvement Team, the entire staffing resources of which will be devoted to the delivery of the Changing for the Future programme.

## **7.0 POLICY IMPLICATIONS**

- 7.1 This report has been screened for any policy implications in respect of sustainability, strategic environmental assessment, anti-poverty, equality impact assessment and risk management. There are no major issues.

An equality impact assessment has been carried out and will be made available on the Council website <http://www.dundee.gov.uk/equanddiv/equimpact/>.

## **8.0 CONSULTATIONS**

- 8.1 The Depute Chief Executive, Director of Finance and Assistant Chief Executive have been consulted in the preparation of this report.

## **9.0 BACKGROUND PAPERS**

Equality impact assessment

**DAVID K. DORWARD**  
**CHIEF EXECUTIVE**

**13 August 2010**

**APPENDIX A**

**DUNDEE CITY COUNCIL**

**REVENUE BUDGET PROJECTION 2011-2014**

	<u>2011/12</u> <u>£000</u>	<u>2012/13</u> <u>£000</u>	<u>2013/14</u> <u>£000</u>
Revised Provisional Revenue Budget	367,362	371,054	375,394
<u>Less:</u> General Revenue Funding	(289,300)	(284,382)	(279,547)
Use of Balances	<u>(1,300)</u>	<u>0</u>	<u>0</u>
Amount to be Met From Council Tax	76,762	86,672	95,847
Amount to be Met from Council Tax for Balanced Budget	<u>56,522</u>	<u>56,522</u>	<u>56,522</u>
<b>Savings and Efficiencies Required to Achieve Balanced Budget</b>	<b>20,240</b>	<b>30,150</b>	<b>39,325</b>
<u>Less:</u> Previous Years Savings and Efficiencies	<u>0</u>	<u>(20,240)</u>	<u>(30,150)</u>
<b>Revised Savings and Efficiencies Required to Achieve Balanced Budget</b>	<b><u>20,240</u></b>	<b><u>9,910</u></b>	<b><u>9,175</u></b>

## APPENDIX B

Project NO	Programme	Project Name	Project Description	Project Sponsor	Start Date	End Date
1	<b>Service Prioritisation</b>	<b>Service Prioritisation</b>	Compiling the comprehensive list of services, by department and assessing each service to determine whether it is core to the priorities of the Council or not.	Chris Ward	Jun-10	30/08/10
2	<b>Reshaping Service Delivery Models</b>	<b>Organisational Restructure</b>	Re-design the departmental organisational structure to improve both the effectiveness and efficiency of service delivery	David Dorward	Jun-10	31/10/10
3		<b>Operating Model Re-design</b>	Determine the most appropriate operating models for the Council, particularly focusing on common functions that are currently provided by a number of Departments	Patricia McIlquham	Jul-10	30/09/10
4		<b>Alternative Service Delivery Models</b>	To determine for services/activities whether an alternative delivery model would achieve better VFM	Patricia McIlquham	Jun-10	30/09/10
5		<b>Review of Social Work Service Delivery Model</b>	Review and consider all opportunities to improve service delivery model	Alan Baird	Jun-10	30/10/10
6		<b>Review of Education Service Delivery Model</b>	Review and consider all opportunities to improve service delivery model	Jim Collins	Jun-10	31/10/10
7		<b>Review of Leisure &amp; Communities Service Delivery Model</b>	Review and consider all opportunities to improve service delivery model	Stewart Murdoch	Jun-10	31/10/10
8		<b>Review of Dundee Contract Services Service Delivery Model</b>	Review and consider all opportunities to improve service delivery models	Ken Laing	Aug-10	31/10/10
9		<b>Review of Housing Services - a) Sheltered Wardens and b) Out Of Hours Demand</b>	Review service provision in these 2 particular areas to ensure it meets current needs and is VFM	Elaine Zwirlein	a) 01/06/10 b) 01/06/10	a) 31/12/10 b) 31/03/11
10		<b>Review Welfare Rights</b>	Consider how a city wide provision of this service is best achieved	Chris Ward	Aug-10	30/11/10
11		<b>Review of Car Parking Services</b>	Review and consider all opportunities to improve service delivery model	Mike Galloway	Jun-10	31/03/11
12		<b>Review of Corporate Maintenance of Land</b>	Consider how to move from departmental servicing of land to corporate maintenance based on geographical area e.g. cut grass, litter pick, remove graffiti, serve fixed penalty notices for dog fouling, smoking etc.	Patricia McIlquham	Aug-10	31/12/10
13		<b>Review of Ground Maintenance</b>	Review and consider all opportunities to improve service delivery models	Stewart Murdoch	Aug-10	31/10/10
14		<b>Review of Procurement</b>	Ensure all depts roll out the corporate procurement strategy and review how the Council procures goods & services to realise further efficiencies. Consider a more centralised function.	Marjory Stewart	2009	31/03/11
15		<b>Review of Architect &amp; Engineer Fees</b>	Review to ensure simplification of charges and their administration	Marjory Stewart	Jul-10	31/10/10

Project NO	Programme	Project Name	Project Description	Project Sponsor	Start Date	End Date
16		<b>Charging Review</b>	Corporate review of charges, benchmarked against the charging strategy across other local authorities	Marjory Stewart	Jul-10	30/11/10
17		<b>Review of Internal Charging Systems</b>	Review of procedures for charging of internal services to ensure efficient and effective processes	Marjory Stewart	Jul-10	31/10/10
18		<b>Discretionary Expenditure Review</b>	Corporate review of discretionary expenditure - mobile phone bills, conferences, training, etc	Marjory Stewart	Jul-10	30/10/10
19		<b>Review of Payroll</b>	Ensure all depts utilise the payroll system efficiently and effectively. Review how depts administer payroll functions and consider whether centralisation would be better VFM	Marjory Stewart	Jul-10	31/03/11
20		<b>Enhancement of Web Based Client Services</b>	Enable the public to do more on-line and reduce staffing costs	Patricia Mcllquham	2009	31/03/12
21		<b>IP Telephony</b>	Transfer of phones to internet to reduce costs	Patricia Mcllquham	Aug-10	31/03/11
22		<b>Implementation of CeRDMS</b>	Corporate scanning and workflow mgt system	Mike Galloway	2009	31/03/12
23		<b>Support of Lean Service Reviews</b>	Support departments in continuing Lean Service reviews	Chris Ward	2009	31/03/12
24		<b>Review of Shared Services - Perth &amp; Angus</b>	Consider collaborative working with other Councils as opportunities arise	David Dorward	Mar-10	31/12/10
25	<b>Assets</b>	<b>Corporate Asset Strategy</b>	Develop a detailed plan for the assets owned by the Council and how they will be managed	Mike Galloway	Jul-10	30/11/10
26		<b>Fleet Strategy &amp; Integration of Fleet Mgt</b>	a) Develop a detailed plan for the fleet owned by the Council b) Look at cost saving opportunities when considering the entirety of the council's transport requirements and removal duplication of activities spread across departments	Ken Laing	01/07/10 01/08/10	30/11/10 31/03/11
27		<b>Review &amp; Integration of Property Mgt</b>	Similar to the Fleet Mgt (project 26) - look at all property related matters as an entirety and remove duplication of activities.	Mike Galloway	Jul-10	31/03/11
28		<b>Review of Footpaths and Carriageways</b>	Review how best to provide this service into the future	Mike Galloway	Nov-10	31/03/11
29	<b>Enabling The Change</b>	<b>Voluntary Early Retirement / Redundancy</b>	To address the planning & delivery of changes to the workforce to support wider programme changes & cost reduction targets	Marjory Stewart	May-10	31/10/10
30		<b>Review of Terms and Conditions</b>	Standardise and simplify Council employees Terms & Conditions	Alan Baird	Jul-10	31/12/10
31		<b>Mobile / Flexible / Home Working</b>	Equipping staff to work from home or away from a fixed office e.g. any DCC location	Alan Baird	Jul-10	17/12/10
32		<b>Review Workforce Management</b>	Review of workforce plan due to early retirement scheme, vacancy management, new service delivery models, etc	Alan Baird	Jul-10	31/12/10
33		<b>Review of Staff Travel</b>	Review arrangements in relation lease car / car pool to ensure VFM	Mike Galloway	Nov-10	31/03/11