

**BUSINESS PLANNING OVERVIEW – CUSTOMER SERVICE AND TRANSFORMATION AND LGSS MANAGED**

**To:** General Purposes Committee

**Meeting Date:** 1 July 2014

**From:** Corporate Director: Customer Service and Transformation

**Electoral division(s):** All

**Forward Plan ref:** Not applicable      **Key decision:** No

**Purpose:** This report provides the Committee with an overview of the business planning context for Cambridgeshire County Council.

**Recommendation:** The Committee is asked to:

- a) Note the Council-wide financial overview set out in section 2;
- b) Note the overview and financial context for Customer Services and Transformation;
- c) Comment on the proposed approach to achieving the savings for Customer Services and Transformation set out in the 2013/14 Business Plan; and
- d) Endorse the proposal that officers work with Group Leaders and members of the General Purposes Committee to develop more detailed proposals to be presented to the 9th September meeting.

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## **1. VISION AND PRIORITIES**

- 1.1 To ensure that the Council is clear to its residents, partners, and employees about what it wants to achieve within available resources, a vision and set of strategic priorities are set out at the beginning of the Business Plan.
- 1.2 Each year the Council adopts a five year Business Plan, committing to a clear indication of what will happen in years one and two, and indicative proposals for years three to five.
- 1.3 The vision for the Council is: *making Cambridgeshire a great place to call home*, and the three strategic priorities are:
  - Developing the local economy for the benefit of all
  - Helping people live healthy and independent lives
  - Supporting and protecting vulnerable people
- 1.4 The Council's Strategic Framework then translates these priorities into more specific objectives and targets for specific service areas. The business planning process is a continual cycle, with services in a constant process of developing and implementing the budget proposals in line with this strategic direction.
- 1.5 It is expected that during this year's business planning process service committees will consider and refresh the sections of the Strategic Framework which apply to them.

## **2. FINANCIAL OVERVIEW**

### **Business Plan Issues**

- 2.1 One of the key reasons for this report is to update Members on the current issues that could affect the Business Plan as agreed by Council in February. No recommendation is required on these issues at this point as it is not proposed to change the cash limits for the current financial year and future years limits will not be altered until the annual review of demography, inflation and service pressures has been undertaken. This will be reported to General Purposes Committee in September for approval by Council on 14<sup>th</sup> October. Council have always approved the Service Block cash limits, but the process is being brought forward this year in order to facilitate more certainty for services in the budget building process.
- 2.2 It is difficult to project the level of demand for services and resources that will be available over the timeframe of the Business Plan but it is important to take a medium term planning view in order to make considered judgements over service resource allocations. Transformation and alternative service delivery models often have a long lead in period which also requires a longer term perspective to ensure that these processes are managed effectively.

- 2.3 The gross budgets for each Service Block identified in the Business Plan are as follows:

<b>Service Block</b>	<b>2014-15 £'000</b>	<b>2015-16 £'000</b>	<b>2016-17 £'000</b>	<b>2017-18 £'000</b>	<b>2018-19 £'000</b>
Children, Families and Adults	352,472	347,724	339,106	336,710	336,158
Economy, Transport and Environment	86,962	86,025	83,849	82,368	82,106
Public Health	14,482	14,774	15,074	15,312	14,856
Corporate and Managed Services	21,085	20,546	20,242	19,959	20,178
LGSS Operational	24,069	24,013	23,705	23,113	22,628

- 2.4 The focus for the 2014/15 Business Planning process was to ensure that the Council approved a balanced budget for years one and two of the plan. Focus on the latter years was deemed important for planning purposes, but it is more difficult to prepare detailed proposals for the latter years of the Plan. Therefore there are still some significant savings to be achieved without any additional service/funding pressures that have yet to materialise.

- 2.5 The current level of savings yet to be identified is as follows:

<b>Service Block</b>	<b>2014-15 £'000</b>	<b>2015-16 £'000</b>	<b>2016-17 £'000</b>	<b>2017-18 £'000</b>	<b>2018-19 £'000</b>
Children, Families and Adults	-	-	7,807	8,352	16,661
Economy, Transport and Environment	-	-	3,800	3,037	2,667
Public Health	-	-	-	-	-
Corporate and Managed Services	-	371	283	43	-
LGSS Operational	-	78	27	458	817

- 2.6 Delivering the savings proposals that are already built into the Plan will be challenging and the impact of the savings should not be underestimated. It is likely that this challenge will only increase as additional service pressures, potential interest rate increases, or potential increases in demography over and above those projected are identified.
- 2.7 Although we are only two months into the new financial year there are a few issues to update Members on that have an impact on the Business Plan bottom line:

#### **2013/14 Service Pressure**

- 2.8 Members will recall that during the last financial year a significant pressure was identified within the Older People's service and using the best information available at the time it was identified that an additional increase in the base funding of the service of £6.5m was required for 2014/15 and beyond.
- 2.9 Actual activity in Older People's services for 2013/14 did not reach the levels that had been anticipated, therefore resulting in an over allocation of base funding for 14/15 in the sum of £2.5m. The provision was made in good faith and on the basis of information available at the time, but the inclusion of this

pressure increased the level of savings required across all services in order to maintain the Council's over-arching cash limit.

- 2.10 Members of the General Purposes Committee will have the opportunity to make recommendations to Full Council on whether this additional resource is retained within the service for 2015/16, to mitigate the challenging savings targets within the Older People's budget, or to allocate this sum through the cash limit formula. It is recommended, however, that no change is made to the in-year cash limit in order to maintain stability within the service.
- 2.11 The Committee is asked to note the following information (on Highways, Basic Need Funding, Dedicated Schools Grant and Business Plan impact) as these are issues that affect the Council's overall financial position.

### **Highways Maintenance**

- 2.12 The Business Plan includes a programme of funding for Highways Maintenance in the total sum of £90m with the remaining funds being expended over the next three financial years in the total sum of £64m. The Directorate will be bringing forward a paper in the near future to the Service Committee that will recommend a re-phasing of that programme. This will reduce the pressure on the Business Plan for a number of years, albeit the overall funding for the programme remains unchanged.

### **Basic Need Funding**

- 2.13 The Government provide funding support for the delivery of new school places based on a formula. This formula changed for 2014/15 and has significantly reduced the level of funding that is made available to the Council. Representations have been made at a national level in order to address this issue but so far there has been no notification that additional funding will be forthcoming. Although the service continues to press for a solution the Council will need to consider the alternative options in the near future.
- 2.14 This does not affect the 2014/15 programme but the Business Plan has currently identified a shortfall in funding of £16.156m and £13.899m for 2015/16 and 2016/17 respectively. If no additional funding is forthcoming the Council will have to consider whether it wishes to retain the capital programme to its current funding level, by reducing the schools programme or other elements of the programme. Alternatively the Council could meet the shortfall through additional borrowing which would increase the level of revenue savings required in order to fund the capital financing costs.

### **Dedicated Schools Grant**

- 2.15 The Council currently recovers a contribution from the DSG towards corporate overheads. Having reviewed the legislation it appears that a significant element of what is currently being allocated to this activity needs to be removed. A detailed review of the legislation is in hand but this will create an additional pressure on the overall cash limits of the Council that will be included within detailed Business Plan proposals that will be considered in the Autumn as part of the Business Planning process.

## Business Plan Impact

- 2.16 The financial impact of the above issues is set out in the table below, alongside known changes to funding since the publication of the 2014 to 2019 Business Plan. By application of reserves we have currently been able to smooth the impact of these issues and balance the budget to that set out in the 2014 to 2019 Business Plan, with the obvious exception what is now year 5. Note that the figures show the change on the previous year (i.e., their impact is recurring) and increased income is shown as negative figures.

Issue	2015-16 £'000	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000
<b>2014-19 Plan budget gap</b>	-	-	-	-	-
Changes to expenditure, fees, charges & ring-fenced grants	-3,265	+459	-425	+564	+19,992
Changes to corporate funding & transfers to/from reserves	+3,265	-459	+425	-564	-10,504
<b>Current budget gap</b>	-	-	-	-	<b>+9,488</b>

### Breakdown of changes to expenditure, fees, charges & ring-fenced grants:

New year 5 inflation & demography estimate	-	-	-	-	+19,439
Pressure – Correction to 2014-15 Older People pressure	-2,500	-	-	-	-
Pressure – 2 <sup>nd</sup> State Pension	-	+1,963	-	-	-
Debt charges – Highways	-765	-1,504	-425	564	+553
<b>Total change</b>	<b>-3,265</b>	<b>+459</b>	<b>-425</b>	<b>+564</b>	<b>+19,992</b>

### Breakdown of changes to corporate funding & transfers to/from reserves:

New year 5 funding	-	-	-	-	-5,052
1.99% Council Tax increase	-	-	-	-	-5,395
Business Rates	+1,109	-1,216	+46	-69	+142
New Homes Bonus	-	+478	+451	+357	+357
Corporate DSG	+1,902	-	-	-	-
Other Corporate Grants	-166	-315	+482	-	-
Reserves	+420	+594	-554	-852	-556
<b>Total change</b>	<b>+3,265</b>	<b>-459</b>	<b>+425</b>	<b>-564</b>	<b>-10,504</b>

- 2.17 The above figures have made no adjustment in relation to the Basic Need funding shortfall at this point. If no additional funding is forthcoming and Members agree to leave the programme as it is included within the Business Plan there will be an additional budgetary pressure of £400k in 15/16, £1.7m in 16/17 and £2.6m in 17/18.

2.18 The forecast balance on the General Reserve over the Business Planning period is outlined below:

	31 <sup>st</sup> Mar 2014 £'000	31 <sup>st</sup> Mar 2015 £'000	31 <sup>st</sup> Mar 2016 £'000	31 <sup>st</sup> Mar 2017 £'000	31 <sup>st</sup> Mar 2018 £'000	31 <sup>st</sup> Mar 2019 £'000	31 <sup>st</sup> Mar 2020 £'000
General Reserve	12,337	15,438	14,859	14,693	14,574	14,385	14,708
% of gross budget	2.5%	3.1%	3.0%	3.0%	3.0%	3.0%	3.0%

### 3. OVERVIEW OF CUSTOMER SERVICE AND TRANSFORMATION

- 3.1 The services under the banner of Customer Service & Transformation (CS&T) are brought together by their focus on; Communities, Customers, and support for Cambridgeshire County Council.
- 3.2 The directorate provides frontline contact for communities and customers, as well as providing council-wide support to achieve service improvements and to meet savings targets. For example, the contact centre is the first point of contact for many people in need of our services, and plays a significant role in managing demand for social care by offering support, advice and information as part of this preliminary contact.
- 3.3 The directorate also play a key role in enabling organisational savings to be achieved through 'smarter business.' This is far-ranging, but includes increasing direct access to services online and more cost-effective communication through our website and social media. At a time when the Council is being required to make hard-hitting changes to the services it provides, the conversations we have with our communities are becoming more important in helping them respond positively to those changes.
- 3.4 It is also important that the changes happening to the Council are informed by skilful analysis of information and intelligence. This needs to bring together the frontline experience with a strategic overview and understanding. A variety of services within CS&T work to provide this resource across the Council to support other services in their transformation. Some of these services are also charged out to other organisations, bringing income into the Council. The range of services provided by CS&T includes:

- Emergency Planning
- Contact Centre Services
- Community Engagement
- Communications
- Service Transformation including information management
- Web and Digital Services
- County Council elections
- Research and Performance
- Policy coordination and support

3.5 Customer Service and Transformation is also responsible for services that are managed by LGSS on behalf of the Council. The full responsibility for the costs, strategy, and service levels remain with the Council but the delivery of these activities rests with LGSS. These services include:

- County Farms
- Property Management
- Building Maintenance
- Insurance
- Information Technology
- Cambridgeshire Public Sector Network

3.6 The largest element of this portfolio is supporting the effective and efficient use of the Council's estate, be that the property estate or the County Farms Estate. The County Farms Estate includes 14,000 hectares of tenanted farmland. In running the farms estate, we ensure business opportunities are maximised and environmental objectives are met.

3.7 The effective use of the Council's property portfolio will play a key role in the delivery of significant revenue savings within the period of this Business Plan. The Council intends to use technology to ensure that the workplace is an efficient environment within which to deliver services, thereby enabling a significant rationalisation of the properties used for operational service delivery.

#### **4 FINANCIAL OVERVIEW, APPROACH TO ACHIEVING SAVINGS AND NEXT STEPS**

4.1 Customer Service and Transformation and LGSS Managed Services have a gross revenue budget of £20.5m for 2015/16. This represents 3.7% of the Council's total gross revenue budget. This has reduced from £25.1m (a 20% reduction) in 2012/13 and has therefore represented significant reductions to the services provided by the directorate. Service reductions made in the last two years include:

- Redesign of communication and community engagement services, saving £772k, with a further £155k planned in the current financial year
- Redesign and devolvement of the business transformation team, saving £1.2m, with a further £216k planned in the current financial year

4.2 The revenue savings target for this revenue budget in the current year is £732k and this is on track to be met as set out in the existing Business Plan. The savings targets for 2015-16 to 2018-19 are:

- 2015/16 = £432k
- 2016/17 = £352k
- 2017/18 = £78k
- 2018/19 = £16k

4.3 As described earlier – this directorate also has a critical role to play in enabling the larger savings needed across the Council.

- 4.4 The capital programme covering CS&T and managed services is £81.3m across the five years of the current Business Plan, and is almost entirely made up of managed services, such as property management and IT.
- 4.5 The scale of change required from CS&T, as well as the whole Council, over the five years of this Business Planning Process is vast. Colleagues across CS&T will welcome close engagement with the Committee throughout the year, so that our approach to developing proposals is driven by the involvement of Committee members.
- 4.6 The GPC is asked to consider and provide steer on how savings should be pursued for the coming financial years. The approach currently taken is guided by the following principles:
- **Reducing central overheads and costs where possible to protect frontline services.** For example, the sale of Castle Court, which is expected to deliver £560k of revenue savings annually, and any capital or revenue receipt from the sale itself will be on top of that
  - **Devolving appropriate activities and functions to other areas of the Council.** For example, programme and project management functions from the business transformation teams have been devolved to services. Embedding this function closer to frontline delivery, and achieving savings for the directorate
  - **Making it easier for the public to do business with the Council,** For example, applications for concessionary bus passes and post-16 educational travel are now possible online for the first time
  - **Generating income wherever possible.** For example, the capacity of the Council's Research Group is maintained at much greater level than would otherwise be possible, due to the fact that c. £240k (out of c. £540k) is made up of income for 'charged' services.
- 4.7 It is suggested that time in August is used for Councillors and officers to work together to discuss business planning issues, and provide officers with a steer going into September when more detailed budget proposals for 2015/16 and beyond will need to be considered by the Committee. If the Committee would like to proceed in this way, it is suggested that the Director of Customer Service and Transformation with Group Leaders to agree an approach.
- 4.8 Officers in CS&T will also support each Group through the alternative budget process as required and appropriate. As well as finance colleagues providing objective assessment of alternative proposals in December, officers within CS&T will be available to provide service-based assessments of the impacts of savings proposals.

## **5. ALIGNMENT WITH CORPORATE PRIORITIES**

### **5.1 Developing the local economy for the benefit of all**

The services discussed in this report play a significant role in enabling the Council to achieve this priority.



## **5.2 Helping people live healthy and independent lives**

The services discussed in this report play a significant role in enabling the Council to achieve this priority.

## **5.3 Supporting and protecting vulnerable people**

The services discussed in this report play a significant role in enabling the Council to achieve this priority.

## **6. SIGNIFICANT IMPLICATIONS**

### **6.1 Resource Implications**

The Committee is asked to consider the savings requirement facing Customer Service & Transformation, as well as the role CS&T plays in deliver council-wide savings. Therefore, in this report, the Committee is asked to consider issues which could have resource implications for the organisation.

### **6.2 Statutory, Risk and Legal Implications**

As in 6.1, the Committee is asked to consider issues which could have statutory, risk and legal implications.

### **6.3 Equality and Diversity Implications**

As in 6.1, the Committee is asked to consider issues which could have equality and diversity implications.

### **6.4 Engagement and Consultation Implications**

There are no significant implications within this category.

### **6.5 Localism and Local Member Involvement**

There are no significant implications within this category.

### **6.6 Public Health Implications**

There are no significant implications within this category.

<b>Source Documents</b>	<b>Location</b>
The 2014/15 Business Plan	<a href="http://www.cambridgeshire.gov.uk/info/20043/finance_and_budget/90/business_plan_2014_to_2015">http://www.cambridgeshire.gov.uk/info/20043/finance_and_budget/90/business_plan_2014_to_2015</a>