

	<h2>Environment Committee</h2> <h3>12 June 2014</h3>
<p style="text-align: right;"><b>Title</b></p>	<p><b>Business planning – Corporate Plan and Medium Term Financial Strategy 2015/16 to 2019/20</b></p>
<p style="text-align: right;"><b>Report of</b></p>	<p>Pam Wharfe, Strategic Director of Growth and Environment</p>
<p style="text-align: right;"><b>Wards</b></p>	<p>All</p>
<p style="text-align: right;"><b>Status</b></p>	<p>Public</p>
<p style="text-align: right;"><b>Enclosures</b></p>	<p>Appendix A: Priorities &amp; Spending Review 2014 Appendix B: Service Information Pack</p>
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## Summary

A report is to be considered by Policy and Resources Committee on the 10<sup>th</sup> June 2014 outlining the future financial challenge facing the Council, and the process whereby Council Committees will consider the response to this challenge, including the setting of savings targets for each committee. The extracts of this report relevant to Environment Committee are set out in the main body of this report.

Subject to Policy and Resources Committee agreeing the report on the 10<sup>th</sup> June the Environment Committee is recommended to:

- Note the financial target of £5.9 million set by Policy and Resources Committee.
- Note the timetable of activity to develop priorities and savings proposals to report back to Policy and Resources Committee on 2 December 2014.
- Agree nominations for membership of working group[s] to develop savings proposals.
- Provide a report making recommendations on commissioning priorities and savings proposals to Policy and Resources Committee for consideration in the draft budget and business plan.

## **Recommendations**

- 1.1 That Environment Committee note the Policy and Resources Committee report as set out in Appendix A;**
- 1.2 That Environment Committee note the savings target of £5.9 million, and the allocation of the remaining budget gap of £2.5m;**
- 1.3 That Environment Committee agree membership of working group(s) to develop savings proposals;**
- 1.4 That Environment Committee agree to report back in the autumn with an agreed commissioning plan and savings proposals for inclusion in the Policy and Resources Committee meeting on 2 December 2014.**
- 1.5 That Environment Committee note the service information packs included in Appendix B which provide some contextual information on budgets, past spend and performance data, contracts, customer and staffing data.**

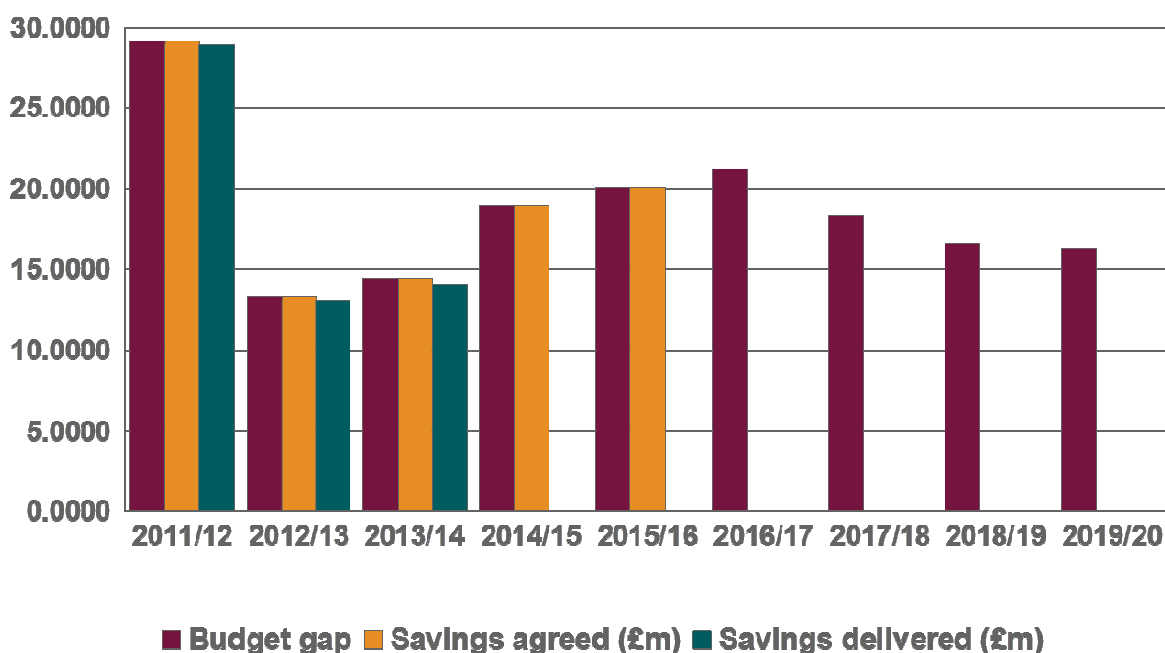
### **1. WHY THIS REPORT IS NEEDED**

#### **1.2 Strategic Context**

- 1.2.1 The financial position of Local Government is extremely challenging, despite recent improvements in the UK economy. Growth has been slower than originally projected at the 2010 Spending Review. When the Coalition Government first sets its spending plans and deficit recovery programme, it was projected that the annual budget deficit would be eradicated by 2015. This target has been missed, and it is now expected to be in balance by 2018. Public sector debt as a % of GDP is not currently expected to start falling until 2016/17.
- 1.2.2 The government is committed to addressing the budget deficit primarily by cutting expenditure (80%) compared to increasing taxation (20%). Of the total £700bn annual government expenditure, approximately half of this is “non-departmental” spend, primarily welfare and pensions, which is driven by demand. Welfare expenditure has already been subject to significant cuts. Of the remaining “departmental” expenditure, over 50% of this is protected as it relates to the NHS, schools, defence equipment and overseas aid. Local Government, along with transport, police, skills, universities and defence, sits in the remaining non-protected expenditure group. For this reason, a disproportionate level of cuts will continue to fall on Local Government until the end of the decade.
- 1.2.3 In spite of the on-going financial challenges, the Council continues to provide high quality services to residents. Resident satisfaction with the council has increased by 21% since 2010. Compared to 2010, residents think the council is doing a better job, offering better Value for Money, is working to improve the local area, listening to concerns of local residents and responding quickly when asked for help. In addition, 91% of primary schools and 86% of secondary schools in Barnet are rated as ‘good’ or ‘excellent’ by Ofsted – among the best in the country - and

Adults and Children’s services are recognised as ‘excellent’ by external inspectors. The Borough remains an attractive and successful place to live, with 87% of residents satisfied with their local area.

1.2.4 Over the period 2011-15, the Council has worked hard to reduce costs, cut waste, and improve efficiency. Over that period, a total of £75m of annual savings have been found in Council budgets. Tough decisions have been made, including outsourcing support services, setting up joint ventures and shared service arrangements to reduce costs and/or increase income, and better managing demand for social care. Importantly however, the Council is only half way through a decade of austerity, and therefore further work needs to be done to balance the budget to 2020.



1.2.5 The Council’s future regeneration programme will see £6bn of private sector investment over the next 25 years to ensure that the Borough remains an attractive place to live and do business. This will create around 20,000 new homes and up to 30,000 new jobs across the Borough and generate £5.6m of recurrent income for the Council by 2020 and one off income of £50m to be reinvested in infrastructure.

1.2.6 Residents from across the Borough will continue to share in the benefits of growth, with increasing housing development leading to an increase in the tax base and, subsequently, lower Council tax bills for residents. During these challenging times, the Council does not want to increase financial the burden on families and individuals. This is why the Council has frozen Council Tax from 2010-11 and 2013/14, and reduced Council Tax by 1% in 2014/15.

**1.3 The Barnet Priorities and Spending Review**

1.3.1 The scale of the challenge is huge. Saving another £72m from the Council’s annual budget will require a fundamental shift in the way public services are delivered. Such a scale of change will take time to deliver, and for this reason it is

vitaly important that the Council has a plan for the future, and this plan stretches not just a couple of years in advance, but for the next 5 years to 2020. As agreed in the budget report to Cabinet in July 2013, Council officers have undertaken a review of budgets, spending and potential opportunities to make further savings over the period 2016-20. This report was considered by Policy and Resources Committee on 10 June 2014 and is included in **Appendix A**.

1.3.2 The Barnet Priorities and Spending Review has been a process led by officers. It has been informed by public consultation, and officers have engaged with all three main political parties over the last 10 months. The report sets out options for committees to support in developing their responses to future budget challenges. It is important to note that no decisions on future budget savings are being made in this report, it merely provides information to Theme Committees to enable members to respond to the challenge.

1.3.3 The elements of the PSR report relevant to the Environment Committee are as follows:

**Environment Committee – savings and income of £5.9 million**

The PSR has identified options to increase the financial benefit to the council by approximately £5.9 million in the Environment Committee’s area of responsibility, through the following means:

<b>Improving organisational efficiency, including:</b>	<b>Approximately £2.4 million</b>
<ul style="list-style-type: none"> <li>Implementing a programme of operational change to optimise resources and deliver improvements in productivity across each of the four internally delivered services of refuse and recycling, grounds maintenance, street cleansing and vehicle maintenance.</li> </ul>	
<ul style="list-style-type: none"> <li>Re-procuring key contracts and improving contract management to drive down contract and supplier costs.</li> </ul>	
<ul style="list-style-type: none"> <li>Examining how alternative delivery models may deliver improved outcomes for waste, parks and cleansing.</li> </ul>	
<ul style="list-style-type: none"> <li>Affecting changes in the management and costs of disposing of waste.</li> </ul>	
<b>Reducing demand and promoting independence, including:</b>	<b>Approximately £2.7 million</b>
<ul style="list-style-type: none"> <li>Working with residents and community groups to achieve a reduction in the amount of waste generated and considering the frequency of waste collection to help achieve this.</li> </ul>	
<b>Promoting growth and raising income, including:</b>	<b>Approximately £0.8 million</b>

<ul style="list-style-type: none"> <li>• Exploiting commercial opportunities to sell services to businesses and private land owners.</li> <li>• Increasing income from better utilisation across the parks and open spaces asset portfolio.</li> </ul>	
<b>TOTAL</b>	<b>Approximately £5.9 million</b>

The PSR has identified a substantial package of **efficiency measures totalling £2.4 million** within the Streetscene Delivery Unit which seek to improve the productivity and effectiveness of four key internally delivered services - refuse and recycling, grounds maintenance, street cleansing and vehicle maintenance. The changes include root and branch reviews of service need, route and round structures, operational hours, staff productivity and Employment Terms and Conditions.

As an example, in street cleansing, there will be greater mechanisation, a review of Town Centre teams and a review of all routes to ensure resources are precisely targeted. In refuse and recycling, a similar approach is being taken with respect to rounds, use of vehicles, routing and the on-going development of a range of new recycling services. These efficiency and productivity changes will be implemented in each of these services as part of a data led transformation project which seeks to maximise effectiveness, whilst reducing cost.

The PSR has also identified the potential for efficiencies and driving down on contract costs with current suppliers, for example in street lighting and in the re-procurement of the parking operations contract, the on-going internalisation of fleet operations and an open exploration of what else the market or community organisations could bring in efficiency savings to street scene services or elements of the service such as the household waste recycling centre or the community management of bowling greens.

In terms of demand, the biggest area of spend is on **waste disposal and waste collection**, with annual budgets of £15.5 million and £6 million respectively. Barnet currently ranks 29th out of 33 London boroughs in the league table of tonnes of waste produced per household, and pays a fifth of the entire levy to the North London Waste Authority (NLWA), despite being only 1 of 7 boroughs to contribute because of the complex nature of the financial rules governing how disposal costs are apportioned. Whilst the borough is geographically large and has a large number of households, there is still much pro-active work that can be done to tackle the amount of waste generated and therefore reduce cost, so this is an area of substantial focus and has the potential to delivery approximately £2.7 million in savings. This will be achieved through establishing good data about future waste forecasts; the development of a commissioning policy; active client management of the NLWA relationship to get the best deal for Barnet; continuing to expand the recycling offer and getting a better price for the recycled materials collected. It will also be achieved by working creatively with residents to affect behavioural change so that they can take control of their waste by making more

informed choices through good quality information on packaging, recycling and disposal costs - to reduce the amount of waste produced by each household.

The PSR has identified opportunities to maximise the use of parks and open spaces to generate income, by looking at park based assets such as cafes and buildings in parks; sports pitches and the potential to develop these and other sporting facilities; and to take a commercial approach to a number of services, for example trade waste sales, sales of the cleansing, and grounds maintenance by selling services to the commercial sector.

## **1.4 Commissioning Plans and the Corporate Plan**

1.4.1 The Corporate Plan is the overarching strategic document for the Council, setting out its commissioning priorities and objectives. The latest Corporate Plan which covers the period 2014-15 to 2015-16 was published in April and has been revised to reflect the new freedoms offered by the Localism Act.

1.4.2 Following the local elections in May, the Corporate Plan needs to be updated. Following the creation of the new committee system, there is an opportunity for these committees to set the future direction of the Council. It is therefore proposed that Theme Committees agree commissioning plans for the period 2015-20, which will be reported back to Policy and Resources Committee in December 2014 as part of a refreshed Corporate Plan.

1.4.3 The tone of the Corporate Plan will be guided by an overall narrative of Barnet being a place:

1. Of **opportunity**, where people can expect a **good quality of life**
2. Where **responsibility is shared, fairly**
3. Where **services will be transformed** by a smaller, smarter public sector
4. Where people are **helped to help themselves**

## **1.5 Capital Programme**

1.5.1 The medium term financial strategy includes provision for future capital expenditure on Council priorities through to 2020. It is important to note that some priorities, such as school places, are funded in full to the end of the decade. Other priorities, such as housing, investment in roads and pavements, and rolling/cyclical programmes of maintenance, will need to be considered for 2016-20.. Theme committees should consider their capital requirements as part of their budget proposals and agree these by November for inclusion in the draft budget report to Policy and Resources committee in December 2014.

## **1.6 Timetable**

1.6.1 Theme committees will be supported by officers throughout the summer and autumn to develop their response to these targets, agree a package of proposals by November, to enable a draft medium term financial strategy for the Council to be set by Policy and Resources Committee in December 2014.

**June:** Budget and business planning process commences. Each theme committee receives a report on the budget and business planning process, the budget envelope to 2020, and a summary of potential savings opportunity. Each Committee is asked to develop commissioning priorities and proposals to inform a new Corporate Plan, commissioning strategy for the Committee, and savings proposals.

- **July – September:** Each theme committee initiates working group(s) to work with Officers to identify commissioning priorities and budget savings.
- **October – November:** Each theme committee to agree draft commissioning priorities and savings proposals, for submission to Policy and Resources Committee in December.
- **December:** Policy and Resources Committee (2 December)

## **1.7 Consultation**

17.1 Consultation has already commenced to enable the Council to plan for the future, and will continue as options set out in this report are considered further. Consultation follows three broad phases:

- a) Phase 1 – Citizens’ panels and focus groups have targeted service users, businesses and some protected characteristic groups to gauge residents’ views about local services and priorities.
- b) Phase 2 – the “call for evidence” is on-going. This has involved online channels, asking local and national commentators and stakeholders for views on how we meet future challenges, and ensures this thinking is informed by best practice. It was suspended in purdah, and re-opened on 27<sup>th</sup> May. The findings of phases 1 and 2 will be shared through theme committees in July to inform decision making.
- c) Phase 3 – consultation on specific savings proposals will commence as they are formulated. Theme committees will run consultation on groups of ideas over the summer/autumn to inform proposal development. Individual consultation on specific proposals will take place following agreement of a draft medium term financial strategy and corporate plan at Policy and Resources committee in December.

## **2. REASONS FOR RECOMMENDATIONS**

2.1 As set out in the report above, local government is facing significant cuts in funding which will require a fundamental change to the way services are delivered by 2020. Such a scale of change takes time to deliver, and for this reason it is vitally important that the Council has a plan for the future, and this plan stretches not just a couple of years in advance, but for the next 5 years to 2020. As agreed in the budget report to Cabinet in July 2013, Council officers have undertaken a review of budgets, spending and potential opportunities to make further savings over the period 2016-20. Policy and Resources Committee on 10 June 2014 agreed the future business planning process and savings targets for theme committees. This report takes this process forward.

### **3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED**

- 3.1 This report in itself does not ask that members make any decisions on specific savings options; rather it sets out a process for engaging all members and theme committees in the development of budget proposals for the period up to 2020.

### **4. POST DECISION IMPLEMENTATION**

- 4.1 Following approval of these recommendations, theme committees will consider the development of commissioning plans and savings proposals to meet the targets in this report. These committees need to be in a position to recommend commissioning plans and draft budget proposals to Policy and Resources Committee on 2 December for consultation.

### **5. IMPLICATIONS OF DECISION**

#### **5.1 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)**

- 5.1.1 This report covers the Council's MTFs and annual business planning process as it relates to the Environment Committee. In March 2014, the Council set a two year MTFs covering the period 2014-15 to 2015-16. Following the local elections in May, this report sets out the process for re-defining the corporate plan and priorities, and the process for setting a budget and medium term financial strategy extending through from 2016 through to 2020.

- 5.1.2 In addition to continued austerity, demographic change and the resulting pressure on services poses a significant challenge to the Council. The organisation is facing significant budget reductions at the same time as the population is increasing, particularly in the young and very old. Given that nearly two thirds of the Council's budget is spent on Adult Social Care and Children's Services, this poses a particular challenge as these services are predominantly 'demand led'. There will also be costs related to infrastructure development. The annual allocation of New Homes Bonus funding is allocated to the infrastructure reserve as a contribution towards these costs.

#### **5.2 Legal and Constitutional References**

- 5.2.1 All proposals emerging from the business planning process will be considered in terms of the Council's legal powers and obligations (including, specifically, the public sector equality duty under the Equality Act 2010) and, where appropriate, mechanisms put into place to ensure compliance with legal obligations and duties and to mitigate any other legal risks as far as possible.
- 5.2.2 Constitution, Responsibility for Functions, Annex A, sets out the terms of reference of the Environment Committee



### **5.3 Risk Management**

- 5.3.1 The Council has taken steps to improve its risk management processes by integrating the management of financial and other risks facing the organisation. Risk management information is reported quarterly to the Board and to Committees and is reflected, as appropriate, throughout the annual business planning process.
- 5.3.2 Previous budget setting reports have referred to risks in respect of future spending cuts for Local Government. In December, the Government confirmed spending totals for Councils for 2014/15 and 2015/16. This announcement also indicated that austerity is likely to continue until the end of the decade. Current modelling suggests that this is likely to equate to further annual reductions of between £15m and £20m to the Council's budget. For this reason, it is important that the Council continues to be prudent with its use of reserves and contingency to mitigate against future cuts.
- 5.3.3 The challenges set out in this report require fundamental change in the way Council services are delivered, which impacts on the human resources of the organisation and related policies and practices. This process will be managed in conjunction with Trade Unions and staff.

### **5.4 Equalities and Diversity**

- 5.4.1 Equality and diversity issues are a mandatory consideration in the decision-making of the Council. This requires elected Members to satisfy themselves that equality considerations are integrated into day to day business and that all proposals emerging from the finance and business planning process have properly taken into consideration what impact, if any, there is on any protected group and what mitigating factors can be put in train.
- 5.4.2 The projected increase in the borough's population and changes in the demographic profile will be key factors that need to be considered when determining both the corporate strategy and service responses. Both of these need to also reflect the aspirations and contributions of current residents.
- 5.4.3 Similarly, all human resources implications will be managed in accordance with the Council's Managing Organisational Change policy that supports the Council's Human Resources Strategy and meets statutory equalities duties and current employment legislation.

### **5.5 Consultation and Engagement**

- 5.5.1 As set out above.

## **6. BACKGROUND PAPERS**

- 6.1 None