



COUNCIL: 19 July 2017

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**Report of: Chief Executive**

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**SUBJECT: POLICY OPTIONS 2018-21**

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Wards affected: Borough wide

## **1.0 PURPOSE OF THE REPORT**

- 1.1 To consider a range of measures to address the challenging financial position facing the Council over the next 3 years.

## **2.0 RECOMMENDATIONS**

- 2.1 That the favourable budget variance of £391,000 that has been achieved for the 2016-17 financial year be noted and that the budget allocations set out in Appendix 1 be approved.
- 2.2 That the £1.182m package of efficiencies, additional income and savings included in Appendix 2 that has been agreed for the 2017-18 financial year be noted, and that monitoring reports are produced on progress with delivering these measures.
- 2.3 That the Medium Term Financial Forecast for 2018-21 included in Appendix 3 setting out the challenging financial position facing the Council over the next 3 years be noted, and that further work is undertaken to identify measures to address this situation.
- 2.4 That the set of Policy Options to deliver improved efficiency included in Appendix 4 be approved for implementation, including the Housing and Inclusion restructuring which will involve the voluntary redundancy of the Borough Transformation Manager and Deputy Director of Housing and Inclusion, the transfer of management responsibility for the Home Care Link service from the Director of Leisure and Wellbeing to the Director of Housing and Inclusion, with the Borough Solicitor being authorised to make all consequent changes to the Council's Constitution, including the changes to the Proper Officer Provisions and Scheme of Delegation to Chief Officers as set out in Appendix 5.

- 2.5 That the set of Policy Options included in Appendix 6 be approved for consultation and further consideration at the next Council meeting in October 2017.
  - 2.6 That the proposals for consultation set out in section 8 be agreed, and that the Chief Executive reports the results of this consultation, and any amendments recommended as a result, together with any new policy options to Council at its October meeting.
  - 2.7 That any initial Trade Union comments on this report, which form part of the formal consultation process, be noted and considered, and that the Trade Unions be advised of the Council's resolutions, and that further consultations take place with all staff affected and their representatives.
  - 2.8 That the Chief Executive and Heads of Service be given authority to take all action in connection with the implementation of the above, and to effect the Council's redundancy and redeployment policies and other Human Resources procedures as required, and matters related to this, including the use of reserves to fund exit costs.
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### **3.0 BACKGROUND**

- 3.1 The Council has been going through an extended period of reducing resources primarily as a result of significant reductions in its government grant funding. This period began in 2009 and in response an Organisational Downsizing Initiative was implemented in that year to deliver ongoing annual savings of £1.753m. Over the four year period 2011-15, the Council then delivered a series of large scale saving programmes that have delivered further ongoing annual savings of around £5m. Similarly the GRA faced a budget gap of £1.3m in 2015-16, and then agreed a further package of efficiencies, additional income and savings of £1.7m for the 2016-17 financial year. Consequently this has been a period of unprecedented change for the GRA and given this position there is now little remaining scope to make further significant savings without it having an impact on the level or nature of services provided.

### **4.0 FINANCIAL PERFORMANCE IN 2016-17**

- 4.1 Regular monitoring reports on budget performance have been produced during the course of the 2016-17 financial year, and the last report projected that a favourable budget variance of £310,000 should be achieved. When this position was considered during the last budget round it was identified that this funding should be used to help support the revenue budget position for 2018-19.
- 4.2 The final outturn position is set out in Appendix 1 and shows that each Service achieved its budget targets, and that an overall favourable variance of £391,000 was achieved, which is equivalent to 3.0% of the total budget. This continues the trend of strong financial management that has been demonstrated in previous years, and means that the GRA currently has a healthy financial standing. The outturn position has been analysed to identify any further opportunities for budget streamlining or base budget review savings, and the results of this work have been built into the proposed efficiency savings that are set out in Appendix 4.

- 4.3 Some of the key features of the outturn position include that the active management of staffing levels has meant that the corporate savings target for staff efficiencies was achieved, significant savings were made on a wide variety of supplies and services budgets, and income performance has generally been good with most services achieving or exceeding their budget targets.
- 4.4 Decisions now need to be made on how the remaining outturn balance of £81,000 should be allocated (£391,000 total favourable budget variance less £310,000 intended to support the revenue budget position for 2018-19). Heads of Service have considered the policy and financial issues within their areas and produced the set of proposals included in Appendix 1, which reflect their views on how the available funding can be best utilised. Members are now invited to consider and agree these proposals.

## **5.0 AGREED SAVINGS AND ADDITIONAL INCOME FOR 2017-18**

- 5.1 The GRA faced a significant budget gap for the 2017/18 financial year in terms of the spending required to maintain agreed service levels and the resources that were expected to be available. To address this position a series of measures were agreed by the Council through the policy options framework and other processes. A full list of these measures, which in total come to £1.182m, is contained in Appendix 2. These measures include efficiency improvements, savings from contract renegotiation, generating additional income through a more commercial approach and through charging, restructuring and other staff savings, and in certain limited cases the reshaping of services.
- 5.2 This programme is now being implemented and overall good progress is being made on delivering the necessary savings and income, and in particular the number of residents paying the new garden waste charge has been higher than originally estimated. It is though inevitable with a programme of this size that there will be some variation from budget projections, and consequently it is intended that this area will be closely monitored, and revised and updated targets will be reported to the next Council meeting in October.

## **6.0 MEDIUM TERM FINANCIAL FORECAST 2018-2021**

- 6.1 Earlier this year the Government published a Finance Settlement for local authorities setting out details of future funding levels over the medium term. This Settlement has been combined with other information to produce the financial forecast set out in Appendix 3. This forecast shows the estimated budget gap over the next 3 years.
- 6.2 The forecast has been calculated at a high level taking into account government grant funding, forecasts of corporate council tax and business rate income, and service expenditure and income. The initial results show that there will be an estimated budget gap of £1.925m for 2018-19, £0.590m for 2019-20, and £0.210m for 2020-21. In total this would mean reducing the ongoing annual budget requirement by £2.725m by 2020-21.
- 6.3 The single largest ongoing factor explaining this position is the reduction in Government grant funding that has been confirmed for future years, and in particular the reduction of £0.870m in Revenue Support Grant. However there are also a number of other significant factors, including the anticipated loss of

£0.950m of income from the County Council when the current Waste Partnership agreement comes to an end in March 2018.

- 6.4 In practice there is scope for considerable variation in this type of forecast as many factors cannot be known with certainty at this time and unexpected new developments will occur. However the forecast does give a clear indication of the scale of budget reductions that will need to be found over the next 3 years, which would be around 13% of overall turnover.

## **7.0 PROPOSALS FOR EFFICIENCY IMPROVEMENTS THAT DO NOT REQUIRE PUBLIC CONSULTATION**

- 7.1 A key theme in the Policy Options process is to improve efficiency on an ongoing basis. Consequently we will continue to review the services we deliver and the way in which we deliver them. This will ensure that reducing resources are used to maximum effect, and will allow the Council to continue to deliver new and better ways of working and to invest to improve the efficiency of services provided.
- 7.2 A set of Policy Options to improve efficiency is included in Appendix 4, and in total the value of these measures come to £447,000 in 2018-19. There is no need to consult with the public on implementing these proposals as they do not have any significant service implications and do not involve any changes in policies.
- 7.3 Heads of Service have reviewed each of the Policy Options set out in Appendix 4 to ensure that they are realistic, feasible and achievable on an ongoing basis, and consequently it is now proposed that these options are approved.

## **8.0 POLICY OPTION PROPOSALS THAT WILL REQUIRE CONSULTATION**

- 8.1 While every effort has been given to maximising efficiencies, the scale of the GRA budget gap means that a number of options need to be considered that will have an impact on the public, and current service and performance levels. However the proposals contained in this report have been designed to minimise these effects given the scale of the budget gap and the scope to deliver future savings and additional income. These proposals are contained in Appendix 6 and it is intended to consult on these options over the Summer.
- 8.2 The Council has a duty to consult and involve representatives of local persons and others, where appropriate, in the exercise of its functions. In summary, this covers:
- The common law requirement for fair consultation, e.g. consultation needs to be undertaken when matters are at a formative stage and must be consistent with existing policies on consultation in particular functions;
  - Responsibilities in relation to the Equality Act, which requires the Council to demonstrate that it has paid due regard to equality issues across its services and functions;
  - The general 'Duty to Consult' (Section 3A of the Local Government Act 1999) which requires that in relation to its duty to secure best value an authority shall consult representatives of people who pay council tax and business rates, service users and others with an interest in the area where the Council carries out its functions;

- The Best Value Statutory Guidance (March 2015) sets out expectations for councils in relation to the duty to consult, including where they are considering difficult financial decisions. The guidance, which Councils must have regard to, requires Councils to give at least three months' notice of funding reductions to voluntary or community organisations or small businesses; to engage organisations and service users as early as possible before making a decision on the future of a service; and make provision for organisations, service users and the wider community to put forward options on how to reshape the service or project;
- Particular statutory duties of consultation for specific matters, e.g. in relation to disposal of open space or highway matters (which supplant the more general Duty to Consult above).

8.3 In line with the above requirements, the Council carried out consultation earlier this year to gather the views of local residents and stakeholders. The Citizen Survey was issued by post to 4,500 households and 1,277 people responded. For the Stakeholder Survey, invitations to respond were sent to groups and organisations via CVS newsletters and contact lists, and to businesses and public sector organisations by Council newsletters and e-mails, and in total 82 responses were received. The survey results provided important information about views on the services where people thought changes should, or should not be made, and these results have been considered in developing the policy options.

8.4 Given the scope of the policy options contained in this report, it is proposed that further consultation be undertaken to ascertain the views of key stakeholders including:

- Lancashire County Council
- Parish Councils
- Groups representing those with protected characteristics under equalities legislation
- Community and voluntary groups / organisations
- Residents generally
- Local businesses (including small businesses)

8.5 It is proposed that the consultation will be undertaken primarily through two online surveys – one for individual residents and one for stakeholder organisations and community groups, although paper copies of the survey will also be available upon request. The surveys will be provided on the Council website on a new policy options consultation page, which will also include background information. The surveys will be promoted in a variety of ways including:

- Press releases issued to local papers;
- On the home page of the Council website;
- Through partnership work with West Lancashire CVS, who will send out emails to all the organisations they are involved with (500+) and will promote the consultation in their newsletters;
- Offering meetings to key stakeholders where appropriate;
- Emails sent directly to parish councils and other public sector organisations
- Emails sent directly to all businesses whose details are held on the Regeneration Service's business database.

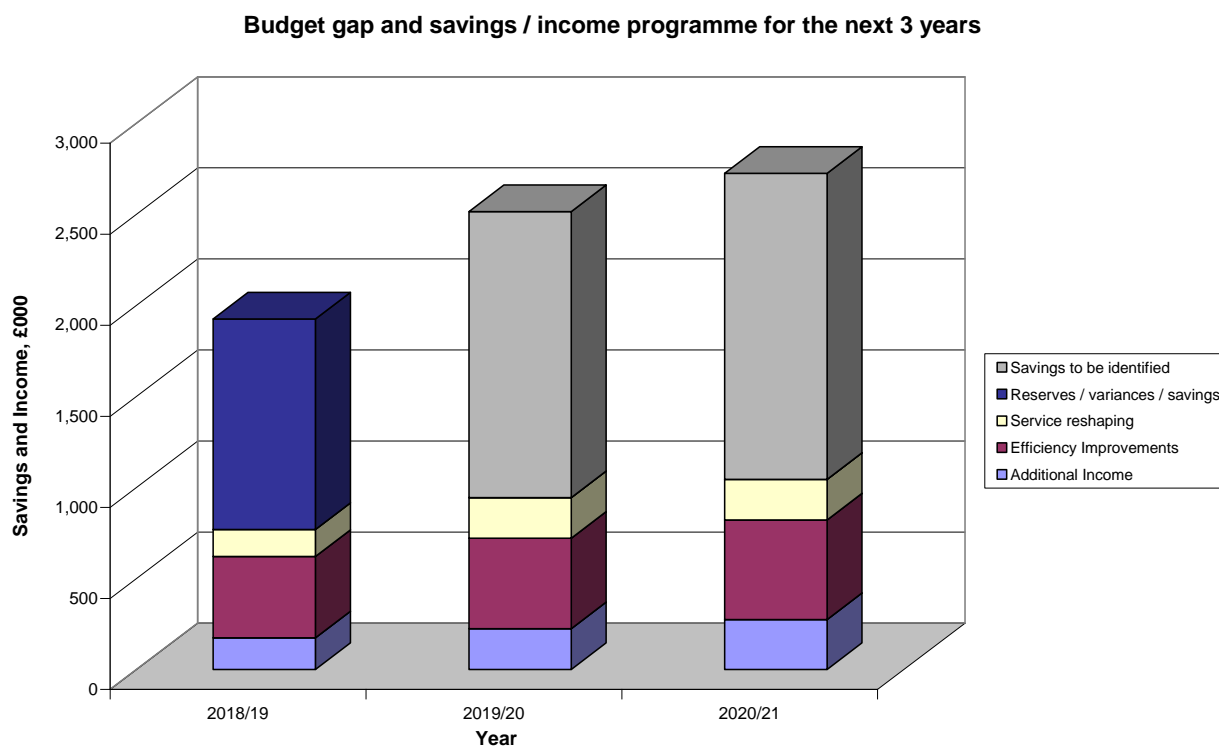
## **9.0 FINANCE AND HR IMPLICATIONS**

- 9.1 The Housing and Inclusion restructuring proposal included in Appendix 4 would have a range of staffing effects. This includes the voluntary redundancy of 2 staff, 2 staff being declared at risk but with one new post ring fenced for them, 6 staff being declared at risk but with suitable redeployment offers identified, 9 vacant posts being deleted, 6 new posts being created, and changes to job roles for a number of staff. Consultation has already taken place with the staff affected by this change and where appropriate and feasible their views will be taken into account in the way in which the restructuring is implemented. Consultation has also taken place with the Trade Unions and they have not raised any issues that they wish the Council to consider. This proposal would also involve the transfer of the Home Care Link Service from the Leisure and Wellbeing Directorate to the Housing and Inclusion Directorate from 20<sup>th</sup> July 2017, although the full restructure would not be completed until 6<sup>th</sup> November 2017.
- 9.2 The potential options included in Appendix 6 would also have a number of staffing implications (subject to consultation), including the deletion of 2 staff posts with the staff being declared at risk, and the standby payments for 2 staff coming to an end. The option for the Cross Service review of Grounds Maintenance and Street Cleansing Services could also have an impact on staff, although it is not possible to assess that impact at this time.
- 9.3 Every effort will be made to seek to minimise the risk of compulsory redundancy by the use of redeployment, and by considering expressions of interest in voluntary reduced hours, voluntary redundancy, and other mechanisms as set out in the Council's HR policies. The maximum anticipated staff exit cost at this time would be £298,000, which could be financed from the Council's Restructuring Fund and / or HRA Contingency Budget as appropriate. The payback period (time for the savings generated by the proposal to match its staff exit costs) would be within 3 years in accordance with Council policy.
- 9.4 There has been a regular dialogue with the Trades Unions over the last year and their views on this report have been sought just prior to publication. If available, their initial views will be made available to Members prior to Council. A fuller consultation exercise in line with statutory requirements will ensue following the decision of Council. Full details on all of the consultation results will be reported back to October Council.
- 9.5 The value of the budget gap for 2018-19 is £1.925m. It is recommended that at least £1m of ongoing savings and additional income are approved for next year as part of a medium term approach to addressing this position. The total value of the proposals and options in this report comes to £769,000 per year, and further consideration will be given to this position over the period up to the February 2018 Council meeting where next year's budget will be set. Any remaining budget gap could be funded on a temporary basis for one year only from the £310,000 favourable budget variance from 2016-17 (see para 4.1), any potential favourable budget variances that are achieved in the current year, and from the Budget and Efficiency Savings Reserve (which is available to support the overall budget position).

9.6 The value of the efficiency improvements and policy option proposals would increase over time and would be worth just over £1m by 2020-21. There are also a range of further measures that could be considered to address the budget gap in future years including:

- Reviewing Garden Waste Charging income in the light of experience in the current year and the potential cost savings from reduced activity levels
- Considering the scope to review and reshape the Refuse and Recycling Service
- The establishment of a new Development Company
- The Moor Street Gateway Project
- Potential additional business rate income from the Skelmersdale Vision
- Additional savings and income to be identified through running further policy option processes in future years

9.7 The budget gap together with the savings and income programme is summarised below:



9.8 Members will need to decide which policy options to select in October for the 2018-19 budget taking into account the consultation results, as well as any new policy options that have been drawn up by that time. The financial analysis included in the October Council report will also be updated to take into account any new information.

9.9 Looking further forward there would still be a significant budget gap to be addressed in 2019-20, even if all of the efficiency and policy option proposals set out in Appendices 4 and 6 are implemented. This highlights the challenging financial position facing the Council and work on addressing this budget gap will continue to take place in the context of a planned medium term programme.

## **10.0 SUSTAINABILITY IMPLICATIONS/COMMUNITY STRATEGY**

10.1 Every effort will be made through the Policy Option process to minimise the impact of the need to make budget savings on priority areas. Creating a sustainable budget is a priority for all organisations and this report seeks to achieve this.

## **11.0 RISK ASSESSMENT**

11.1 The difficult financial position facing the Council is a key risk that is included on the Council's Key Risk Register, and the Policy Option process is the main process for managing and controlling this risk. The financial scenario facing all local authorities means that "doing nothing" is not an option, and that a large scale package of savings and income needs to be agreed over a medium term period.

11.2 In considering the estimated budget gap for 2018-19, it is important to recognise that these are projections based on the best available information at the current time using prudent assumptions. However there is scope for considerable variation, and the value and scale of issues identified in the forecast may change and new issues may emerge. However the risk that the final budget position may be worse than the forecast, can be managed by taking funding out of the Budget and Efficiency Savings Reserve (which is available to support the overall budget position) if required.

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### **Background Documents**

There are no background documents (as defined in Section 100D(5) of the Local Government Act 1972) to this Report.

### **Equality Impact Assessment**

An Equality Impact Assessment has been prepared in relation to option OP7 Housing and Inclusion Staff Restructuring and this is contained in Appendix 7.

There is potentially a direct impact on members of the public, employees, elected members and / or stakeholders from the policy options contained in Appendix 6 and therefore an equality impact assessment is required. This assessment will be included in the report that will be brought to the October Council meeting following the consultation that will be conducted over the Summer on the potential impact of the proposals.

### **Appendix**

Appendix 1 – GRA Financial Outturn position 2016-17

Appendix 2 – Budget Measures Agreed for 2017-18

Appendix 3 – GRA Medium Term Financial Forecast 2018-21

Appendix 4 – Efficiency improvements that don't require public consultation

Appendix 5 – Changes to the Proper Officer Provisions and Scheme of Delegation to Chief Officers

Appendix 6 – Potential policy options for consultation

Appendix 7 – Equality Impact Assessment