

Pecyn Dogfen Gyhoeddus



Swyddog Cyswllt:
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At: Cyng Dave Mackie (Cadeirydd)

Y Cynghorwyr: Janet Axworthy, Marion Bateman, Sean Bibby, Geoff Collett, Ian Dunbar, Mared Eastwood, Veronica Gay, Dennis Hutchinson, Tudor Jones, Brian Lloyd, Mike Reece, Paul Shotton and David Wisinger

Dydd Mawrth, 3 Hydref 2017

Annwyl Gynghorydd,

Fe'ch gwahoddir i fynychu cyfarfod Pwyllgor Trosolwg a Chraffu Newid Sefydliadol y Fflint a fydd yn cael ei gynnal am 2.00 pm Dydd Llun, 9fed Hydref, 2017 yn Ystafell Bwyllgor Delyn, Neuadd y Sir, Yr Wyddgrug CH7 6NA i ystyried yr eitemau canlynol

R H A G L E N

1 YMDDIHEURIADAU

Pwrpas: I dderbyn unrhyw ymddiheuriadau.

2 DATGAN CYSYLLTIAD (GAN GYNNWYS DATGANIADAU CHWIPIO)

Pwrpas: I dderbyn unrhyw ddatganiad o gysylltiad a chynghori'r Aelodau yn unol a hynny.

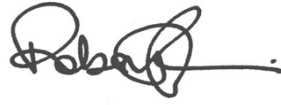
3 RHAGOLWG ARIANNOL A CHAM CYNTAF CYLLIDEB 2018/19

(Tudalennau 3 - 22)

Adroddiad Rheolwr Cyllid Corfforaethol, Prif Weithredwr, Prif Swyddog (Newid Sefydliadol 1) ac Prif Swyddog (Newid Sefydliadol 2) – Arweinydd y Cyngor Aelod o'r Cabinet dros Gyllid, Aelod Cabinet dros Reolaeth Gorfforaethol ac Asedau ac Aelod Cabinet Addysg

Pwrpas: Darparu'r rhagolwg ariannol i'r Pwyllgor ac ymgynghori ynghylch cynigion Cam 1 Cyllideb Refeniw Cronfa'r Cyngor ar gyfer 2018/19.

Yn gywir

A handwritten signature in black ink, appearing to read 'Robins', with a long horizontal line extending to the right.

Robert Robins
Rheolwr Gwasanaethau Democrataidd

Eitem ar gyfer y Rhaglen 3



ORGANISATIONAL CHANGE OVERVIEW & SCRUTINY COMMITTEE

Date of Meeting	Monday, 9 th October 2017
Report Subject	Financial Forecast and Stage One of the Budget 2018/19
Cabinet Member	Leader of the Council and Cabinet Member for Finance, Cabinet Member for Corporate Management and Assets and Cabinet Member for Education
Report Author	Corporate Finance Manager, Chief Executive, Chief Officer (Organisational Change 1), Chief Officer (Organisational Change 2)
Type of Report	Strategic

EXECUTIVE SUMMARY

This report sets out the current financial forecast for 2018/19. The forecast position shows a projected “gap” of £11.7m prior to any modelling for an increase in Council Tax.

The Council favours a staged approach to planning and approving the annual Council Fund budget.

In a series of member workshops over the summer, details of the forecast were shared and a range of solutions to how the annual budget could be balanced were shared, based on the well-established strategy set out within the Medium Term Financial Strategy. Latterly the budget options within each of the service portfolios were shared.

The emergent options for the Organisational Change portfolio are set out within this report. The financial pressures facing the portfolio are also set out.

The timeline for the budget setting process is also set out within the report.

RECOMMENDATIONS

1	That the Committee reviews and comments on the portfolio budget options.
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REPORT DETAILS

1.00	MEDIUM TERM FINANCIAL STRATEGY FORECAST 2018/19												
1.01	<p>The Council has set a cycle of reviewing its Medium Term Financial Strategy (MTFS) on an annual basis.</p> <p>The report to Cabinet in July gave the first detailed overview of the financial forecast for 2018/19.</p>												
1.02	<p>The Financial Forecast</p> <p>The financial forecast has been revised to take into account decisions made as part of the 2017/18 budget, and updated with the latest information on pressures from service portfolios. The key variable within the forecast will be the eventual local government financial settlement for 2018/19. A settlement at or similar to the 2017/18 financial baseline is used as the basis for calculating the forecast. No modelling has been included for raised Council Tax levels at this stage. The Provisional Local Government Settlement for Wales is due to be announced on 10 October.</p>												
1.03	The revised forecast for 2018/19 is shown in Table 1 below.												
1.04	<p>Table 1: Financial Forecast 2016/17-2018/19</p> <table> <tr> <th><u>Expenditure</u></th><th>2018/19 £m</th></tr> <tr> <td>National Pressures</td><td>1.0</td></tr> <tr> <td>Local Pressures</td><td>6.5</td></tr> <tr> <td>Inflation</td><td>2.9</td></tr> <tr> <td>Workforce Pressures</td><td><u>1.3</u></td></tr> <tr> <td>Projected Gap</td><td>11.7</td></tr> </table> <p>This table groups the pressures into National, Local, Inflation and Workforce pressures and further details which are specific to the Social Services portfolio are included in section 1.06.</p>	<u>Expenditure</u>	2018/19 £m	National Pressures	1.0	Local Pressures	6.5	Inflation	2.9	Workforce Pressures	<u>1.3</u>	Projected Gap	11.7
<u>Expenditure</u>	2018/19 £m												
National Pressures	1.0												
Local Pressures	6.5												
Inflation	2.9												
Workforce Pressures	<u>1.3</u>												
Projected Gap	11.7												
1.05	<p>Emerging Pressures</p> <p>The previous Cabinet report also set out a number of emerging pressures and positive budget variations, which will impact on the 2018/19 budget.</p> <p>None of these relate to the Organisational Change Portfolio.</p>												
1.06	<p>Specific Portfolio Pressures</p> <p>There are no specific pressures included in the forecast relating to the Organisational Change Portfolio.</p>												
1.07	<p>Inflation</p> <p>The current forecast includes projections for increases in inflation:</p>												

	<ul style="list-style-type: none"> • Pay – includes an increase of 1% on current budgets. Any increase above the 1% which might be negotiated at a national level would have a significant impact on the forecast funding “gap”; • Price inflation – included on a critical service need only basis with £0.170m set aside for specific pressures; • Food –includes an increase of 5% on current budgets due to latest indications from our suppliers; • Fuel –includes an increase of 5% on current budgets to reflect recent increases and current forecasts; and • Energy – includes increases in energy which range from 2% for fuel oil, to 11% for electricity, to 16% for street lighting. Gas is forecast to increase by 30%. <p>Inflation provision is held centrally initially and allocated out according to need. The position on inflation remains unpredictable in the current economic and political climate, and is therefore kept under review.</p>
1.08	<p>Operating Model Efficiencies – Organisational Change</p> <p>The portfolio options for savings and efficiencies which are risk assessed as either ‘green’ or ‘amber’ are set out below.</p> <p>Details of these options are included in Appendix 1 for Organisational Change 1 & 2. These appendices should be read alongside the assessment of service resilience which is included as Appendix 2.</p> <p>These options total £0.702m:-</p> <p>Organisational Change 1</p> <ul style="list-style-type: none"> • Leisure, Libraries and Heritage – Continuation of previous year’s business plan to develop and employee owned company will provide an efficiency of £0.416m. <p>Organisational Change 2</p> <ul style="list-style-type: none"> • Valuation Services – Property rationalisation, Increase in farm income, Community Asset Transfer (CAT) efficiencies, Restructure of Service, Removal of Caretaking/Security services will provide a service efficiency of £0.116m. • Corporate Property Maintenance Services – Restructure of service as part of a move to a commissioning client will provide an efficiency of £0.080m. • Design and Project Management Services - Restructure of service as part of a move to a commissioning client will provide an efficiency of £0.040m. • NEWydd Catering and Cleaning Services – Continuation of previous year’s business plan to develop a Local Authority Trading Company with Teckal will provide an efficiency of £0.050m.

2.00	BUDGET PROCESS AND TIMELINE 2018-19
2.01	Stage One service portfolio proposals are being presented throughout October for review.

2.02	The Provisional Settlement for Local Government in Wales is due to be announced on 10 October 2017. The Final Settlement is expected later in the calendar year and will follow the Chancellor of the Exchequer's budget statement which is due to be made on 22 November.
2.03	Stage Two (secondary options) will be considered between December and February, with Stage Three (budget finalisation and approval) taking place in February and March 2018.
2.04	Council meetings have been diarised in December, January, February and March.

3.00	RESOURCE IMPLICATIONS
3.01	The resource implications of setting the annual budget are significant. The Medium Term Financial Strategy will continue to carry many risks. Careful risk assessment in planning and decision-making will continue to be a central feature of planning.

4.00	CONSULTATIONS REQUIRED / CARRIED OUT
4.01	Consultation with Group Leaders, Overview and Scrutiny Committees, external partners, external advisors and representative bodies, and eventually the communities of Flintshire will follow. The strategic approach advocated for the MTFS builds on the current approach which had majority member and public support in planning the previous two annual budgets.

5.00	RISK MANAGEMENT
5.01	All parts of the financial forecast and all budget solutions, are risk assessed stage by stage. An overall risk assessment and risk management statement will be produced both for the revised MTFS and the draft annual budget for 2018/19.

6.00	APPENDICES
6.01	Appendix 1 – Organisational Change 1 Operating Models Appendix 2 – Organisational Change 2 Operating Models Appendix 3 – Organisational Change 1 Resilience Statements Appendix 4 – Organisational Change 2 Resilience Statements

7.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
7.01	None. Contact Officers: Colin Everett and Gary Ferguson Telephone: 01352 702101 E-mail: gary.ferguson@flintshire.gov.uk

8.00	GLOSSARY OF TERMS
8.01	<p>Medium Term Financial Strategy (MTFS): a written strategy which gives a forecast of the financial resources which will be available to a Council for a given period, and sets out plans for how best to deploy those resources to meet its priorities, duties and obligations.</p> <p>Revenue Support Grant: the annual amount of money the Council receives from Welsh Government to fund what it does alongside the Council Tax and other income the Council raises locally. Councils can decide how to use this grant across services although their freedom to allocate according to local choice can be limited by guidelines set by Government.</p> <p>Specific Grants: An award of funding from a grant provider (e.g. Welsh Government) which must be used for a pre-defined purpose.</p> <p>Office of Budget Responsibility: created in 2010 to provide independent and authoritative analysis of the UK public finances.</p> <p>Institute of Fiscal Studies: formed in 1969 and established as an independent research institute with the principal aim of informing public debate on economics in order to promote the development of effective fiscal policy.</p> <p>Independent Commission on Local Government Finance in Wales: established to examine how local government funding can be made more sustainable with a view to providing specific recommendations for improvement and reform.</p> <p>Welsh Local Government Association: the representative body for unitary councils, fire and rescue authorities and national parks authorities in Wales.</p>

Mae'r dudalen hon yn wag yn bwrpasol



Future Operating Models and Projected Efficiencies 2018/19 and onwards

Organisational Change 1 Summary

2018-19 Projected Efficiencies – Ranked by Risk

Risk	Efficiencies
Green - Moderate	£0
Amber - Medium	£416,000
TOTAL POTENTIAL SAVINGS	£416,000



Future Operating Models and Projected Efficiencies 2018/19 and onwards

PORTFOLIO	ORGANISATIONAL CHANGE 1								
Service Area / Function	Statutory Status	Operating Model:	Level of Service	Commercial Opportunities	Savings potential / Income generation - description	Range of Efficiencies 2018/19 and Organisational Change support (if required)	Estimated Efficiency 2018/19	Financial Confidence Grading	Risk Rating
	* Mandatory * Council Discretion * Historical	* Council * Collaborative * Commissioned * Cease	* Reduce *Protect *Develop *National Resolution		2018-19	Minimum £ Maximum £	£	Low (L) Medium (M) High (H)	Confidence in delivery
Libraries and Heritage	Council discretion, libraries part mandatory	Commissioned (Employee Owned Company)	Reduce	Yes	Continuation of previous years' Business Plan	£300,000 - £416,000	£416,000	M	
Archives and Records Office	Part mandatory, part discretionary	Collaborative	Protect	None	None				
Arts Development	Discretionary	Council / Collaborative	Protect	None	None				
Theatr Clwyd	Discretionary	Commissioned (Employee Owned Company)	Reduce Council financial contribution	None	The current Council contribution is £750k. Work is taking place to maximise income and other contributions.				



Future Operating Models and Projected Efficiencies 2018/19 and onwards

Organisational Change 2 Summary

2018-19 Projected Efficiencies – Ranked by Risk

Risk	Efficiencies
Green - Moderate	£271,000
Amber - Medium	£15,000
TOTAL POTENTIAL SAVINGS	£286,000



Future Operating Models and Projected Efficiencies 2018/19 and onwards

PORTFOLIO	ORGANISATIONAL CHANGE 2								
Service Area / Function	Statutory Status	Operating Model:	Level of Service	Commercial Opportunities	Savings potential / Income generation - description 2018-19	Range of Efficiencies 2018/19 and Organisational Change support (if required) Minimum £ Maximum £	Estimated Efficiency 2018/19 £	Financial Confidence Grading Low (L) Medium (M) High (H)	Risk Rating Confidence in delivery
Valuation Services Sudalen 12	Council Discretion	Develop commissioning client function	Reduce	Potential to offer, in the future valuation services to other LAs	Property rationalisation through the closure and amalgamation of services into other more efficient assets	£50,000	£50,000	H	
					Increase farm income through renewal of grazing licences	£21,000	£21,000	H	
					CAT process, efficiencies through reduced costs	£10,000	£10,000	H	
					Restructure of service as part of move to a commissioning client	£20,000	£20,000	H	
					Remove caretaking/security services at County Offices, Flint	£15,000	£15,000	H	
Corporate Property Maintenance Services	Council Discretion	Develop commissioning client function	Reduce	None	Restructure of service as part of move to a commissioning client	£80,000	£80,000	H	
Design and Project	Council	Commissioned	Reduce	None	Restructure of service as part of move to a	£40,000	£40,000	H	



Future Operating Models and Projected Efficiencies 2018/19 and onwards

PORTFOLIO	ORGANISATIONAL CHANGE 2								
Service Area / Function	Statutory Status	Operating Model:	Level of Service	Commercial Opportunities	Savings potential / Income generation - description	Range of Efficiencies 2018/19 and Organisational Change support (if required)	Estimated Efficiency 2018/19	Financial Confidence Grading	Risk Rating
	* Mandatory * Council Discretion * Historical	* Council * Collaborative * Commissioned * Cease	* Reduce *Protect *Develop *National Resolution		2018-19	Minimum £ Maximum £	£	Low (L) Medium (M) High (H)	Confidence in delivery
Management Services	Discretion				commissioning client				
NEWydd Catering and Cleaning services	Council Discretion	Local Authority Trading Company with Teckal exemption (as is)	Develop	Yes	Continuation of previous Business and Marketing plans	£50,000	£50,000	H	

Mae'r dudalen hon yn wag yn bwrpasol



Portfolio Organisational Change 1

Summary of Portfolio Budgeted Efficiencies

PORTFOLIO / SERVICE	ORGANISATIONAL CHANGE 1	Current Value of Service 17/18 budget £5.801m	Cost Reduction over last 5 years = £2.247m Percentage of Budget = 39%
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Context – What have we achieved so far (including savings prior to 2015/16)

Establishment of Employee Owned Mutual to operate Leisure, Libraries and heritage services

Co-location of libraries, reduction in number, improvements to service

Re-location of libraries at Queensferry, Mancot and Hawarden to Deeside Leisure Centre

Community asset transfer of Mancot, Mynydd Isa and Hope Libraries

Community asset transfer of Connahs Quay Swimming Pool

Community asset transfer of Holywell Leisure Centre

Reduction in costs, increases in income and major staffing restructure at Theatr Clwyd resulting in budget reduction of 33% in the last two years

External validation / Benchmarking of the service provision

Visits to Flintshire libraries for 2015/16 were 3,963 per 1,000 population , Flintshire was ranked 10th in Wales for visits per capita

Library membership was 76,488 in 2015-16, an increase of 5% from 2014-15, whilst overall UK membership fell by 4% (CIPFA)

99% library users rated Flintshire libraries as 'good' or 'very good', the best scores obtained by surveying authorities in 2014-15

Participation in the Summer Reading Challenge 2015 was ranked 4th in Wales

Visits to sport and leisure facilities for 2015/16 was 9,739 visits per 1,000 population. Flintshire was ranked 2nd out of the six comparable larger authorities and 5th in Wales overall.

An overall increase in Hooked on Sport from 2013 to 2015 from 42% to 49%, nearly half of all children aged 7-16 in Flintshire participate in at least 3 occasions of sport per week. Flintshire was ranked 5th overall in Wales.

Current Performance level / Value for Money considerations / Unit cost

Library cost per visit is £2.82

Average leisure centre cost per visit is £1.66 (APSE UK range from £1.44-£2.23 depending on facility type)

Welsh Audit Office report 'Delivering with Less' in 2014/15 showed Flintshire to be mid range for net cost (i.e. subsidy by the Council) amongst the six comparable larger authorities with three having lower costs and two having higher costs

Tudalen 16	Service	Current Operating Model	Preferred Operating Model	Mandatory (M) or Discretionary (D)	Current VfM Assessment	2017/18 Resilience levels	2018/19 Resilience levels if Green and Amber options are taken OR/ No Change (NC)	WORKING NOTES Resilience level statement a) Service scale and quality b) Capability c) Service sustainability

Leisure, Libraries and Heritage	Employee Owned Mutual	Commissioned Employee Owned Company	M/D				<p>Service Scale and Quality - Optimal service in place with capability to sustain optimal provision that meets community needs. Any further reductions would fail against delivering this model and turn resilience level to red.</p> <p>Capability – The service already has a relatively low level of professionally qualified librarians and this is a priority to increase rather than cut further</p> <p>Service Sustainability – Performance against Welsh Public Library Standards would deteriorate and put at risk achievement of having libraries close enough to key communities</p>
Archives and Records Office	In House provision of the records Office	Currently Council move to Regional model by 2019/20	M			NC	As a relatively small service optimal service in place with capability to sustain optimal provision that meets community needs. Any further reductions would fail against delivering this model and turn resilience level to red.
Arts Development	Council	Council	D			NC	Small service that if it faces cuts will cease, value for money and resilience is aiming to be achieved through links with other services and regionally.

Theatr Clwyd	In House delivery of Theatr with an in house production company, which is unique for a Local Authority in the UK	Council with move to consider commissioning similar to leisure and libraries	D			NC	<p>Service Scale and Quality - Optimal service in place with capability to sustain optimal provision that meets community needs. Any further reductions would fail against delivering this model and turn resilience level to red.</p> <p>Capability – The Theatre has been through a major restructure of staff and terms and conditions with the revised structure much smaller and leaner with the capabilities required. Any further reductions undermine these capabilities and the capacity required to run a major production house theatre.</p> <p>Service Sustainability – Future reductions on spending are anticipated from the Arts Council for Wales and if the Council took more efficiencies out this potentially makes the theatre unsustainable.</p>
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Organisational Change 2

Summary of Portfolio Budgeted Efficiencies

Current value of service, financial year 2017/2018 budget £2.241m	Cost reduction over the last five years £1.045m Percentage of budget = 43%
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Context – What have we achieved so far (including savings prior to 2015/16)

Total cost per meal of £2.48 resulting in subsidised service ADM targeting £2.00

2014/15 marketing and promotional activity resulted in a 10% increase in income for school meals for the year

8,200 meals served each day total of 1.6m a year

Total cleaning cost per hour of £11.20 compared to national average of £12.03.

Running cost reductions in our civic office estate through asset rationalisation £1.8m falling to £1.3m (23% reduction)

Flint Office staff utilisation through agile working 2011/12- 156 staff in building, 2015/16 increased to 280 staff. Reduced running costs per member of staff in Flint Offices since 2011 by 58%

Agile working and associated supporting policies held up as best practice

Continue to develop Property Services function into a Commissioning Client function

2017 Catering and Cleaning services transitioned to a Local Authority Trading Company (LATC) with Teckal exemption

Resilience Statements 2017 - 2019

External validation / Benchmarking of the service provision

Buildings in good or satisfactory condition 86% 2014/15, Wales 69%

Buildings in poor or bad condition 14%, 2014/15, Wales 31%

Current Performance level / Value for Money considerations / Unit cost

School meal charge of £2.05, 7th lowest in Wales (Avg £2.14, Highest £2.40).

School meals uptake figures of 41% for 2015/16 (from a base of 32% in 2014/15). Compared to national average in 2015/16 of 52%.

Reduction in accommodation space per full time equivalent, 34%

Reduction in total tonnes of carbon emitted by the civic estate 13%

Service	Current Operating Model	Preferred Operating Model	Mandatory (M) or Discretionary (D)	Current VFM Assessment	2017/18 Resilience levels	2018/19 Resilience levels if Green and Amber options are taken OR/No change (NC)	WORKING NOTES Resilience level statement a) Service scale and quality b) Capability c) Service sustainability

Resilience Statements 2017 - 2019

Valuation and Estates Services (Facilities Management) <div>Tudalen 21</div>	<p>In House delivery of services, security, campus management.</p> <p>CCTV services are already provided through external contractors and this includes camera maintenance</p>	<p>Commissioning model with thin client</p> <p>Continuation of commercial model</p>	D			<p>a) Service scale and quality Reductions in security and campus management have already been undertaken as part of previous efficiency work including evening and weekend closure of County Hall and merging the service with Valuations and Estates Service.</p> <p>CCTV service is provided through external contract. The service provides CCTV monitoring to a number of Town and Community Councils and is used extensively with North Wales Police.</p> <p>b) Capability The services provide a security and caretaking service to the Councils corporate offices and wider CCTV provision across the County.</p> <p>c) Service sustainability As noted above there remains a small in-house provision of security staff and caretakers. The service was restructured approximately two years ago, and also merged with Valuations and Estates Services in 2017. There is little scope for further staff reductions in this area.</p> <p>The CCTV Service is already an externalised contracted service and this includes maintenance. The monitoring contract has been retendered as a commercially delivered service. Any transfer out to other LAs or organisations is likely to be higher than the costs of the current service.</p>
Valuation and Estates Services	<p>In House delivery landlord functions. Responsible for the preparation and negotiations of leases, licences, property disposal and Asset Management functions for all of the Councils land and property.</p>	<p>Commissioning model with thin client</p>	D			<p>a) Service scale and quality The service has continued to reduce the staffing resource within the team and is currently developing a commissioning model of service delivery so as to create fully optimised client commissioning function</p> <p>b) Capability The services ability to deliver the efficiencies as advised within the business plans will be compromised if the service is reduced further <u>after</u> it is optimised into a commissioning client.</p> <p>c) Service sustainability The commissioning model will see further</p>

Resilience Statements 2017 - 2019

							reductions in staff numbers to create an optimised delivery function which will be sustainable, protect those jobs remaining and see work delivered more effectively and efficiently through external commissioning of discrete areas of work.
Property Maintenance and Design Service & Building Design Tudalen 22	<p>In House delivery of property maintenance and building design functions for our corporate estate, schools and industrial and commercial estates</p> <p>In House delivery of the Councils landlord function eg leases, land disposal and acquisitions, licence, asset management and property rationalisation</p>	Commissioning model with thin client	D				<p>a) Service scale and quality The service has further work to do to create fully optimised client commissioning function hence the amber Vfm assessment currently.</p> <p>b) Capability The services ability to deliver the efficiencies as advised within the business plans will be compromised if the service is reduced further <u>after</u> it is fully optimised into a commissioning client.</p> <p>c) Service sustainability The commissioning model will see further reductions in staff numbers to create an optimised delivery function which will be sustainable, protect those jobs remaining and see work delivered more effectively and efficiently through external commissioning of discrete areas of work.</p>