

**REPORT TO CABINET 19 SEPTEMBER 2000**

**FROM THE DIRECTORS TEAM**

**TOWARDS A 3 YEAR BUDGET STRATEGY AND POSITIVE PROGRAMME FOR  
CHANGE**

**1. Purpose of this report**

- 1.1 On the 24<sup>th</sup> August 2000 Cabinet received and considered a discussion paper concerning the financial position of the City Council and future prospects for service delivery and requested a further paper to develop the approach.
- 1.2 The aim of this paper is to further develop and stimulate discussion on the future direction of the City Council. The paper sets out an approach :
  - to tackle our immediate financial position,
  - to bring our budget in line with expected resources over the next 3 years,
  - to ensure the Council continues to direct it's resources to it's priorities, and
  - to manage the process through a positive programme for change.

**2. The position facing the City Council**

- 2.1 Recapping briefly on the previous paper, the City Council, like most local authorities, is at a crossroads and faces a combination of difficult issues and challenges now, and over the next few years:
  - The initial forecast for the 2001/2002 budget is indicating that spending requirements could be between £5m - £10m over the expected resources of £241.1m.
  - Over future years, we can only expect the budget to increase at the rate of inflation at best. Demographic changes, particularly population loss, has already reduced our SSA settlement in real terms and is likely to continue unless the trend can be stabilised. We already have one of the highest Council Tax levels in the Country which constrains our ability to increase local taxation.
  - Future budget resources from Government are likely to be heavily constrained both in the amounts and the flexibility of usage due to:

- ring-fencing of budgets to specific services (eg. Education) or bodies (eg, directly to schools),
  - regulation and inspection where future funding will be reliant on the achievement of performance targets (eg the new Public Performance Agreements and Best Value Performance Plans),
  - the requirement to pool our resources with other partners (egs, SRB, New Deal for Communities, joint commissioning between Health and Social Services).
- The City is facing a period of fundamental social change. Despite a period of economic growth which has seen levels of unemployment in the City at an all time low, there remain significant social inequalities and issues to overcome - Salford is still the 28<sup>th</sup> most deprived District in England; parts of the City graphically illustrate the cycle of decline through their physical and social conditions; we are increasing our elderly and dependent population, and poor health, family breakdown, crime and anti-social behaviour are applying increasing pressures on local services.
  - There is a constant need to re-invest in the maintenance, infrastructure and services of our City. We will need significant investment levels in future years across all services if we are to bring them up to the modern standards which people now expect. This cannot be achieved from our existing resources and our ability to reinvest from asset sales is getting more constrained. New opportunities for investment will need to be developed.
- 2.2 The resulting impact of all these issues is that both the City and the City Council will change. It is inevitable. However, it is up to us to grasp this change and shape it to benefit the people of Salford. We need to be seen as a strong, positive Council which can take advantage of new opportunities and tackle the needs of our City

### **3. Four principles to guide the City's future development**

#### **(1) Budget Fundamentals**

- 3.1 In order for us to tackle many of the issues facing the City we need first to get the City's budget on a stable footing and have a clear view of the parameters for future years. Ideally in the future we should aim for a position where:
- We are living within our means - ie., with a stable Council Tax,
  - We have some money in the bank - ie., appropriate balances,
  - We are investing in our priorities,
    - in the budget issues report these have been identified as:-
      - reducing crime and fear of crime
      - improving the environment
      - developing facilities for young people
      - promoting economic development and improving job prospects.
  - We are ensuring the provision of quality services in the best way possible at a price we can afford.
- 3.2 As we are well aware, this cannot be achieved overnight, but it would seem reasonable to suggest, with the right effort, this could be achieved over a 3 year period provided measures

can be identified to soften the immediate budget position. This is developed in more detail in section 4.

**(2) A comprehensive approach to Regeneration**

- 3.3 We need to ensure that we retain a series of stable, sustainable communities across the City, where people want to live, work and enjoy life. Salford also needs to be viewed as an attractive place to encourage new people, employment and investment.
- 3.4 A number of our communities are experiencing particular conditions of depopulation and multiple deprivation. These areas require substantial investment, have particular needs and exert significant pressure on our services. It is important, both for the future of those communities and to moderate the long term effect on budgets, that steps are taken to permanently stabilise and regenerate these areas by building on opportunity and tackling need. Some thirty years ago our regeneration work provided significant developments such as Salford Shopping City and the Swinton Shopping Parade – these have proved to be substantial financial assets to the Council which have now been realised. Through our planning and regeneration policies, we need to lay the foundation for the creation of new assets which will in future contribute to the revenues of the Council.
- 3.5 The regeneration of our City has been a central theme for many years and will continue to be at the heart of our approach. This is about much more than physical regeneration but about handling the interplay between a range of economic, social and environmental conditions and the actions to tackle them. Increasingly we need to be aware of the impact of one service on another. Examples include, the quality of our education provision on the demand for housing; the impact of family breakdown on anti-social behaviour and the knock on effect on the local community; and low incomes constraining the demand for services. Increasingly we will need to change our approach to tackle those difficult cross-cutting issues such as community safety, health, sustainability, social exclusion, youth, etc. This will be a particular challenge for joint working with our partners as such issues cannot be dealt with by the Council alone.

**(3) Ensuring the best quality services at a price we can afford**

- 3.6 The people of Salford deserve the best quality of services they can afford. It is up to the City Council to ensure they are provided to meet the needs and aspirations of our local communities. This sits well with the recently enhanced role for Members as the champions of their local communities.
- 3.7 This no longer means that the Council will directly deliver them all themselves. In many cases it is now more appropriate to deliver services with our partners or to commission services from other bodies with the Council playing a regulatory role. With budget constraints, it is becoming increasingly difficult to maintain investment levels and high standards across all our services. There is a case for us to focus direct delivery on what we do the best and on those essential services which no-one else can provide.
- 3.8 We are already in the position of having to review all our services over the next 5 years. The new duty of best value requires Councils to deliver services to clear standards of cost and quality by the most economic, efficient and effective means available. It will be necessary to

significantly speed up and streamline our reviews of services if we are to reduce their impact on the budget over the next 3 years.

(4) **Supporting our employees**

- 3.9 Throughout the process, it is vital that our employees know what we are doing, why we are doing it and how we wish to work with them. To achieve this will require a substantial personal commitment from lead members, directors and the Personnel Directorate.

4. **A 3 year Programme for positive change**

- 4.1 To face the future, we need to apply the above principles to develop a 3 year programme for positive change. There are three key stages.

**Stage 1 - Immediate – Develop Options - September 2000 to February 2001**

- 4.2 We have an immediate financial position to overcome. We must not wait for the RSG announcement and then announce we have £x million cuts to make – that is crisis management. It is essential that we take control of the situation. If we have a clear plan for the future, what can we realistically get away with in the immediate short-term to take the sting out of the situation. To achieve this we need to have options developed and available to produce savings of at least £10m. The table below, whilst not providing a complete solution, shows how we could begin to solve this problem:-

	£m
• maintain current rate of contribution to balances	0.5
• defer decapitalisation	say 3.0
• across the board housekeeping savings	1.0
• increases in income	0.250
• agreed targeted service efficiency improvements	
(i) in house	1.0} this will be
(ii) partnership/trust/other providers	2.0} influenced by
	<u>£7.75m</u> consideration
	of the Appendix

Other items to consider could be:-

- cease provision of selected services
- deferral of parts of G.Fund capital programme
- change in pay date
- use partners (HAZ/EAZ/Health Authority) to support programmes
- falling school rolls
- office accommodation

- 4.3 This analysis means that we need to start or speed up early key service reviews in order for some savings to start coming on stream in the later part of the 2001/2002 budget.

- 4.4 At the same time we need to prepare our case to the Government. We will need to set out the special circumstances facing Salford such as the increase in looked after children, depopulation and our increased concentrations of need. Our message should be that we are embracing change and the Governments agenda, that we have a clear strategy for the future, but require help to overcome the transitional period. We should work with the 3 MP's to get this message heard.

**Stage 2. Prepare and commence our programme of positive change - September 2000 to February 2002**

- 4.5 We need to prepare and commence our programme of positive change. If this is to be effective, it will mean reviewing all our key major services over the next 18 months. These will need to be set against new overall budget requirement targets for the next three years. This will be a major task for the authority but it is critical that it is achieved. It will require dedicated staff resources. However, last years review of Social Services illustrates what can be achieved with a focused approach.
- 4.6 It will be essential to ensure a corporate managed approach and to initially focus on major service groupings with the biggest potential for efficiency savings and / or investment. A first indication of potential areas from Directors for examination is set out in the attached appendix.
- 4.7 Each review will need to address :
- Is the service required in the first place?,
  - What standard of service is required having regard to the views of our citizens and the requirements of government, regulation, etc.?,
  - How do we deliver it now and is there scope to deliver them better and at a reduced ?,
  - How else can we achieve the standards of service at a reduced cost?. What scope is there for :
    - partnership with other public sector delivers?,
    - partnership with the private sector?,
    - further development of the "Trust" approach?.
  - How can levels of investment be increased?
- 4.8 We will need help to develop and effect our programme. It is proposed to ask the IDEA to check out our approach and assist us where required. Specialist assistance with procurement, tendering, and research may also be required. A small corporate budget will be needed for these purposes.
- 4.9 A critical element of the Programme for Positive Change will be to develop a supportive human resource strategy. The early involvement of staff in the process together with appropriate incentives to facilitate change will be essential.

**Stage 3. Implemenetation of the Programme - September 2001 - March 2004**

- 4.10 Realistically, the impact of savings arising from the programme are unlikely to commence before the middle of 2001 / 2002, with the bulk taking effect over 2002 /2003 and 2003/2004.

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## APPENDIX - INITIAL KEY AREAS FOR REVIEW BY DIRECTORATES

### COMMUNITY & SOCIAL SERVICES DIRECTORATE

#### FUTURE STRATEGY 2001 - 2004

In setting the future role and strategic direction of the Community & Social Services Directorate, the City Council agreed in February 2000 a change programme to:

- ensure a greater focus on meeting the individual needs of users and carers, and particularly those who are most vulnerable
- enable greater attention to be paid to the quality and standards of services provided
- ensure that the services provided are cost-effective and will stand the test of best value

The effect of the change programme has been:

- to further develop the role of the Community & Social Services Directorate from that of service provider, to service commissioner
- to significantly reduce the numbers of staff employed by the City Council
- to necessitate a review of the future size and focus of support services, such as personnel, finance and training
- to alter the balance of resource allocation between adults and children

The change programme is on target with much having already been achieved so far this year. Negotiations to complete the move of the City's Homes for Older People to a not-for-profit Trust and developments in Day Care for People with Severe Learning Difficulties are still on-going.

The implementation of the change programme has continued against a background of further increased demand on the Directorate, in both adults and children's services. The high level of needs in the City's population means that there is a continuing growth in demand for community care services for older people and

particularly, for residential and nursing home placements. The numbers of children looked after have exceeded the projections made during 1999/2000 and two recent independent reports have commented on the very pressurised situation being experienced within the Directorate, leading to a deterioration of standards of care for some children and unsafe, high thresholds for the admission of children to care.

Future planning for the Community & Social Services Directorate, therefore, needs to take account of progress already made in the change programme, continuing rising needs of the City's population, and national policy developments.

In particular, the National Health Service Plan published in July 2000 and the Health Act 1999 which came into force in April 2000, give the City the potential to re-shape services for the most vulnerable people, jointly with the NHS. The introduction of the National Care Standards Commission which takes the registration and inspection function for adults and children out of local authorities will bring a new rigour to standard setting and inspection for all provider services, whether in the local authority or independent sector. A Quality Strategy for Social Care, published in August 2000 outlined:

- a positive and radical vision of what social services will look like in the future, concentrating on higher standards, better responsiveness and convenience of services
- services tailored to individual users needs with respect for culture and life-style
- services that build on people's abilities and enable them to participate fully in society
- services that are coherent, integrated and can respond to a range of health and social care needs in a holistic way

Whilst the very significant change programme agreed this year continues in the Community & Social Services Directorate, this will not be sufficient to produce the quality, improvements and investment in services that is required, nor will it meet the wishes of individuals to have more "joined up" services and a whole systems approach across health and social care.

It is therefore, proposed, that a Phase 2 of the future role and strategic direction of the Community & Social Services Directorate is developed, with the aim of:

- further refining the role of the Community & Social Services Directorate to one of commissioning services, rather than



providing them

- moving speedily towards the establishment of a Care Trust with the NHS by putting on a proper footing existing joint services and moving forward on joint services for people with learning disabilities, people with mental health problems and services for older people
- further examining the effectiveness of advisory services in Salford, including those services provided in the Voluntary Sector and in-house
- developing a strategy for community use of buildings and further reducing the number of community centres

Such a strategy will mean

- the development of more partnerships with the Health Service and the independent sector
- more services developed through contracts
- the externalisation of some existing services or part services

The following are examples of areas which could be considered: for partnerships, or externalisation

<u>Service</u>	<u>Partner</u>
Children with challenging behaviour -	Local Authority/NHS/voluntary sector partner
Childhood Disability Service -	Local Authority/Health Authority and Barnardos
Commissioning Care Management and Assessment Service for People with Severe Learning Disabilities -	Local Authority/NHS
Drug and Alcohol Services -	Local Authority/NHS
Mental Health Services -	Local Authority/NHS
Older People's Integrated Care -	Local Authority/NHS
The Occupational Therapy, Equipment and Wheelchair Service -	Local Authority/ NHS

Advisory Services, including Welfare Rights -	Voluntary Sector
Carers' Centre and Carers' Assessment -	Voluntary Sector
Children's Residential Care -	Voluntary Sector
Complaints Service -	Voluntary Sector
Day Care -	Voluntary/Private Sector
Domiciliary Care -	Voluntary/Private Sector
Dispersed Housing for People with Severe Learning Disabilities -	Voluntary/Private Sector
Family Support -	Voluntary/Private Sector
Parts of Fostering and Adoption Service -	Voluntary/Private Sector
Transport -	Private Sector
User development and advocacy -	Voluntary/Private Sector

Work is in train and could be further developed in most of these areas between 2000 and 2004. This would be a further very significant change programme for the Community & Social Services Directorate and will require the use of external consultancy in several areas. All the work would be under-pinned by the principle that any change in services is designed to improve the standards for the people of Salford and increase cost-effectiveness.

The change programme implemented during 2000/2001 has produced savings for the City Council to offset to some extent, the additional resources required in 2000/2001 to cope with increased demand. The programme outlined above, however, will not achieve savings within such a short timescale. The complexity of the agenda, issues of transfers and TUPE, and the need to raise standards in several areas, means that it is likely to be at least two years in most situations, before savings would become available.

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## **EDUCATION AND LEISURE SERVICES**

### **ADDRESSING THE VISION – AN EDUCATION AND LEISURE PERSPECTIVE**

It is essential that we proceed on a Corporate basis down the road of changing the City. Our strategy, however, must be broad enough to encompass the variety and differences between our Directorates and within our Directorates. We are not all starting from the same place.

In Education and Leisure, the following are the key contextual issues which need to be incorporated in any overall Corporate Strategy:

- In Education, front line service delivery has already been, in effect, externalised by LMS. Schools have front line service delivery responsibility and we have a complex way of influencing accountability which conditions how we may behave and perform. As an LEA, our role is to provide professional leadership, support services, quality assurance and development, challenge, advocacy, strategic planning and management information;
- The Fair Funding regime means that we already have a very high level of delegation of funding directly to schools;
- We are a major consumer of outstationed services especially Finance, ICT , Personnel and Development Services and a major customer for grounds maintenance both in schools and parks;
- Nationally it is now clear that anything is possible as far as LEAs are concerned. The externalisation of all the services provided by Islington LEA and Leeds have demonstrated that in theory anything can be externalised. There is, however, at this stage very little evidence to suggest that the quality of service through externalisation is any better (except where the LEA services were previously diabolical) or any cheaper (indeed in Islington they are about 9% more expensive!);
- The service increasingly lives in a world of statutory specification and external evaluation. The DfEE is the most “hands on” of all government departments and is supported by an infrastructure of supervisors, advisers and scrutiny regimes. Schools and LEAs are externally inspected, and non-school elements of work will be increasingly directed through the Learning and Skills Council and the Connexions Strategy. There are the first steps being taken now on leisure issues through the DCMS in particular via the publication of the National Library Standards;
- We have made a very successful, if quiet, start to the development of Strategic Partnerships, especially with the voluntary sector (Inscape) with the development of our PFI scheme and the move towards a Leisure Trust;

- Looking at the overall budget position, given the protection of Education, it is inevitable that resources to supporting leisure will be strongly squeezed over the next few years. Many of our facilities are reaching the end of their serviceable life, but on the other hand, the availability of decent quality leisure facilities is an important community issue, in particular where young people are concerned.

### **The Next Steps**

In many respects it is a question of continuing down the road already embarked on rather than any form of radical change of direction. We need to focus on doing what we are good at, commissioning services and our critical advocacy role, which is becoming increasingly important as the power of schools continues to increase. The key aspects over the next few years will be:

- The further delegation of resources to schools for Special Educational Needs together with strengthened accountability frameworks;
- The exploration of further applications of Trusts and other forms of non-profit making organisations to other areas – museums, libraries, Lledr Hall, Music Service etc;
- Recognising the centrality of educational quality, particularly in secondary schools to our vision for attracting people to the City, we need to continue to work ever more rigorously on the education standards agenda;
- As the City changes shape we will continue to need to review our school provision and our other services to ensure that we are providing the services people want and where they want;
- Recognising the difficulties that we have with school buildings, we also need to continue to pursue the proposed large PFI scheme to cover most or all school maintenance placements and facilities management services;
- We need to proactively engage in the work of the outsourcing of support services with Corporate colleagues;
- We need to explore the possibilities of partnership working with other Local Authorities, especially those in the City Pride area, where this makes sense. Inspection and Advisory Services and the provision of transport are two obvious examples;
- We need to rationalise our provision in leisure to what we can realistically afford. It is unlikely that in the medium term the City can afford ten leisure centres and two museums. The review of the Library Service, relative to the library standards, and in the context of our Community Strategy, needs to be completed as soon as possible;

- Ultimately in leisure in particular, we need to consider whether we wish to move beyond commissioning, to withdrawing from provision but to fund subsidies directly to target groups such as the less well off, young people, and older people through other mechanisms, e.g. the use of leisure cards enabling them to access existing private facilities. To give just one example, prior to its closure, the average subsidy level for a visit to the Lancashire Mining Museum was £4.50 per person per visit. Given a similar amount in cash, the recipient could choose to visit a number of very high quality leisure and heritage attractions across the sub-region. This may be a better way forward than seeking to run facilities ourselves, especially if the quality or relevance of the facility is limited.

## **DEVELOPMENT SERVICES**

The Directorate's view of the modernisation of its services involve :

### **Regulatory Services**

These are the statutory planning, highway and development services which the Council must provide. Here we must :

- Maintain probity standards,
- recast services to meet public expectations,
- recast procedures to achieve economies and improve performance,
- restructure to save costs,
- exploit call centre and IT,
- outsource aspects of the service where quality and efficiencies can be achieved ( e.g. specialist services).

### **Forward Planning Services**

These include our statutory obligations as planning and highway authority to prepare forward plans and asset management plans. It also encompasses our strategic use of statutory powers and land and property holdings to implement a comprehensive approach to regeneration. Here we propose to :

- use professional consultants to maintain quality and flexibility,
- look to extend this into a partnering approach with key planning, property and engineering consultancies,

### **Design and Construction Services**

These are fee-earning services which are directly in competition with a well established private sector. Here we propose to :

- partner with outside consultants for expertise and flexibility in staffing,
- partner with contractors in order to provide additional investment and cost effectiveness in capital projects.

## **Maintenance Services**

Highways maintenance needs major investment. Major partnerships are needed if this investment is to be secured. Here we propose to :

- examine possible partnerships for highways maintenance,
- examine the use of PFI for street lighting and highways,
- examine the option for partnerships in property management and maintenance and the use of PFI.

Property management and maintenance involves both strategic property management and day to day maintenance. He we propose to:

- strengthen strategic property management in-house and, where appropriate, use professional consultants to provide strategic advice.

## **Business Services**

Careful consideration will need to be given to provide cost effective support services. Here we proposed to:

- strengthen our business management to secure continuous improvement, performance management and best value.
- retain technical support functions with front-line services.
- use outstationed corporate and personnel support services.

## **ENVIRONMENTAL SERVICES**

The starting point for the task is to secure quality services for our communities at a cost which represents value for money and which the authority and the community can afford and are willing to pay. There is a move from the authority's role being seen as an employer to a procurer of services. Initially we must question what is our core business and thereafter consider all options be they in house retention, partnership, externalisation or a mixed approach.

In terms of the Directorates services, the following details preliminary views on future service delivery together with some comment on status of ongoing reviews.

As with most Local Authority Services there is virtually none of our services for which alternative provision cannot be considered or secured.

The traditional statutory services, mainly in Environmental Health, e.g. food inspections, and Trading Standards functions can be commissioned externally. However, I must point out that these services have been recognised as providing quality services to the public through accreditation under ISO 9002 and the issue of the Government's Charter Mark and CIPFA comparisons indicate a high performing authority in operational terms. The issue of cost comparability will need to be considered, as the other criterion of service provision, and the availability of consultants, in relation to particularly Trading Standards work, has been found to be limited in Best Value reviews at other Local Authorities.

It could be argued that the management and maintenance of the Council's vehicle fleet, and the provision of transport services for Education and Social Services, is not our core business. There is presently an inter-Directorate transport review being undertaken and an external consultant is undertaking a "mini" Best Value review of the VMS Service, whose contract expires this year. Further reports will be provided where consideration will be given to the alternatives of a contractor or "super client" role.

As regards Bereavement Services there is no doubt that there is a market, and private sector interest, for cremation and memorialisation services, i.e. the profitable elements. However, an holistic package containing cemetery services and infrastructure is not very attractive to the commercial market. In fact our investment in cemeteries, which is under resourced, is supported at a level of circa £280K by cremation and memorialisation. We may need to review the sustainability of two crematoria at Peel Green and Agecroft. There will also be the need to consider investment requirements and the possibility of market testing packaged services when the crematories are due for renewal in some five years time.

Important, but smaller, fringe services, such as the Dog Warden Service, which is subject to a Best Value review, could possibly be better provided in partnership, or wholly, by the private sector.

Recycling, for which there is no provision or adequate internal budget, is presently delivered through partnership with the private sector. This approach is to be enhanced



through closer working relationships with the Waste Disposal Authority, Save Waste and Prosper, an offshoot from Leeds City Council, and the Tidy Britain Group. The present funding for delivery of services, via partnership, is through the use of recycling credits.

The whole of the Directorate's Central Support Services, and delivery of services via Service Level Agreement, will no doubt be considered holistically within Head of Profession Directorates liaising with Heads of Services.

The transfer of Parks and Countryside to the Directorate has not yet been completed so it is difficult to consider service options in detail. A preliminary view is that there could be a consideration of how the parks are managed to secure maximisation of use and investment.

With regard to our front line DSO operations of Street Cleansing, Refuse Collection and Outdoor Services. Traditionally these services have been open to market testing and have been provided more economically and effectively by the private sector in certain areas. External providers have not been utilised at Salford during the Compulsory Competitive Tendering regime and we must now consider whether we should enter into competition as part of the process of Best Value or whether it should be part of an improvement action plan, if it is held that we are not able to provide the best service at the price we can afford.

The last two years has seen the services in question subjected to ongoing review and, in relation to street cleansing, the enhancement of street cleansing frequencies, through mechanisation, and a proposal to further mechanise to deliver greater improvements. This approach, on street cleansing, has resulted in cost increase, through investment, but this has been and could be regarded as, a small price to pay for expected improvements. A recent change in policy to enter into partnership for the provision of mechanical sweepers and to support human resource needs for street cleansing and refuse collection is an indication of consideration of a more diverse approach to service delivery.

As regards refuse collection, a radical review is nearing completion, with a report to Cabinet in October, which will consider a holistic delivery of service, via a zoned approach, on the basis of a four day week thereby addressing the Bank Holiday Monday problem from April 2001. There will be an initial investment requirement but from derived savings, within the existing budget, with the second year savings being available to support the Directorate and authority investment opportunities.

In relation to Outdoor Services the development of a green budget and the disestablishment of contract and non-contract demarcation to enable a "green directory" approach to service delivery can result in service improvement within existing costs from April 2001. Particular emphasis will be placed on horticultural maintenance through a multi-skilled service provision and zoning.

Externalisation of these services could be considered now but we could miss the real opportunity of realising the benefits of in-depth service reviews which are about to come to fruition in the next six months.

We could implement the changes and then assess and review the outcome of the cleansing reviews as part of the second year of the Best Value Streetcare Review, and similarly drive the Year 3 grounds maintenance review by implementing the proposed changes. This will enable us to consider competition as an option whilst embarking on detailed comparison whilst securing service improvements. As part of this could be the consideration of extending the partnership approach into areas of work such as trade, skip, and bulk refuse, and arboricultural work. This implementation approach may be necessitated if the budget position demands all services to secure shorter term savings.

## **CHIEF EXECUTIVE DIRECTORATE**

The Chief Executive Directorate is basically a small, strategic and policy orientated department and particularly plays a key co-ordination role on regeneration, the performance agenda and corporate policy.

It already commissions or partners key aspects of work in the economic development and regeneration fields. Examples include :

- Contract with MANCAT to deliver a network of Jobshops,
- The MIDAS partnership between Salford, Manchester, Trafford, and Tameside authorities and the TEC plus private sector to deliver an inward investment service,
- Partnerships with Manchester Enterprise and the Manchester Chamber of Commerce to deliver the Small Business Service and other business services,
- Partnerships with both Bolton and Manchester Councils to deliver area regeneration programmes,
- A range of contracts and partnerships with the public, voluntary, and private sectors to deliver SRB, Sure Start, etc. programmes and projects,
- The use of consultants to supplement in house work to cover workloads and specialist activity.

The work needs to continue in order to attract the substantial levels of investment it has attracted in the past. It has demonstrated the need to have a strong policy and commissioning core of staff if external partnerships are to be maximised.

## **PERSONNEL SERVICES**

- The nature and level of the personnel services provided to the City Council reflects the fact that we are a “people-centred” organisation.
- The Personnel Services Directorate aims to provide a support service which assists the Authority to achieve its corporate aims and objectives.
- Clearly, there are a range of options which can be considered for the most appropriate means of delivering this support service.
- The preferred choice of model for delivering personnel services is very much dependent upon a number of factors including:-
  - A view of the Authority’s own core and non-core front line services and functions.
  - The mix of organisational arrangements for delivering these front-line services e.g. direct provision; partnership arrangements; outsourcing.
  - The need to ensure that whatever arrangements are adopted, there is a clear and coherent capacity to establish and maintain good personnel practice in order to meet the legal obligations placed on the Authority to the extent that we are an employer.
  - The need to reflect the Authority’s set of values and culture in the way it wishes to operate its core functions and how it wishes to relate to its employees.
  - The needs and expectations of our customers.

As a support service, we aim to ensure that the personnel function is “fit for its purpose” within the overall context of the Authority as a whole.

With this in mind, we must be clear that, although there are many different customers of the Personnel function, these tend broadly to fall into two categories i.e. the corporate customer; and the service customer. This means that:

- The Personnel Service provided to the City Council comprises Strategic advice and Operational advice.
- Strategic advice is provided on a corporate basis, i.e. Authority-wide and relates to defined core functions.
- Operational services are provided directly to Service Directorates in supporting day to day activity.
- Examples of the type of functions currently covered by both Strategic and Operational services are as follows:-

## **STRATEGIC SERVICES/ADVICE**

- **Service Aims and Objectives**

- Policy Development across the whole range of the personnel function.

- **Organisational Vision and Values**

- Support for formulating a view of where we are going and how we get there.
- Internal communications

- **Organisational Development**

- Quality and Performance Management processes for Members and employees

- **Training and Development**

- Strategic plans and programmes for Members and employees.

- **Remuneration and Rewards**

- Equitable pay and grading strategy
- Flexible and adaptable contracts/conditions of employment

- **Health, Safety and Welfare**

- Maintaining a safe and healthy working environment.

- **Employee relations**

- A range of employment policies/practices to deliver Best Value and maintain stable industrial relations.

- **Equality and Staff Care**

- Modern employment practices

- **Strategic personnel advice to GMPA**

## **OPERATIONAL SERVICES**

Delivery of practical support to Line Managers on day to day practice, including the following:-

- Advice to Departmental Management Teams across the range of functions
  - Recruitment and Selection
  - Employment Law and Pay & Conditions
  - Discipline and Grievances
  - Absence Monitoring/Occupational Health & Safety
  - Organisational Structures/Grading Issues
  - Resourcing Training & Development
  - Employee Relations/Consultation
- In order to see how best to deliver these two levels of service, there are a number of options available.
  - Whichever option(s) are chosen will depend, to some extent, on collective views of what are the Authority's core Personnel functions and which are non-core Personnel functions.

The options available fall into 3 broad categories:-

### **OPTION A – ALL SERVICES PROVIDED DIRECTLY BY THE CITY COUNCIL**

- Under this option, all Services would be provided as close to the point of delivery as possible i.e.

Strategic Services	-	Centrally
Operational Services	-	In Service Directorates

- Under this option there are a number of ISSUES TO CONSIDER –
  - Need to accommodate further budget savings for 2001/2002 and onwards
  - Need to revise SLAs/Delegated Budgets
- May need to modify the Organisation Structure in order to:
  - Consolidate/downsize the Centre
  - Clarify the role of Outstations via SLAs
  - Downsize/"centralise" Outstations

**OPTION B – PROVIDE FOR A SEPARATION OF STRATEGIC SERVICES FROM OPERATIONAL SERVICES AND CONSOLIDATE STRUCTURES**

- The list of Strategic and Operational Services would remain the same.
- However, under this option there are several possibilities as to how they would each be organised. This could be a mixture of in house provision e.g. Strategic Services and outsourced provision e.g. operational services.
- Again, there are a number of ISSUES TO CONSIDER:-
  - the need to consider the independence of Personnel advice;
  - the potential for other various “sub-options”, particularly for Operational Personnel Services;
  - as before, the need to accommodate further savings for 2001/2002;
  - the need to revise SLAs/delegated budgets;
  - the scope to downsize both the Strategic and the Operational functions.

**OPTION C – OUTSOURCE PERSONNEL SERVICES, WHERE POSSIBLE**

Under this option, the points to consider include:-

- The list of Strategic and Operational Services would be as before.
- However, all “Operational” Personnel Services and most strategic Services could be outsourced to another Provider.
- Judgement needs to be made re: CORE FUNCTIONS to be retained; and NON-CORE FUNCTIONS to be outsourced.
- The STRATEGIC role required would need to be carefully determined.
- Otherwise, all other services could be dealt with in this way.
- This option is highly flexible/adaptable and would fit variations of other options. In particular this option would support similar outsourcing arrangements for other Central Support Services as recently discussed in Cabinet. (See Corporate Services Section)
- Significant reductions in directly employed posts would result and would need to be quantified.
- Savings to be achieved would need to be determined over the medium/long term.

- Specific details of the proposed arrangements would only emerge in the light of more information being obtained via
  - visits to other Local Authorities with similar experience
  - detailed discussions with interested outsource providers

These points were covered in the Cabinet's discussion of outsourcing for support services on 12<sup>th</sup> September.

- In any event, Members/Cabinet would need to consider specific proposals in the light of the detailed information to be gathered.



## **HOUSING SERVICES**

The housing strategy over the last decade has concentrated on:-

- Remodelling and regenerating priority central areas of Salford by maximising external resources
- Promoting more balanced communities by diversifying tenure in favour of owner-occupation
- Providing comprehensive local housing services from a network of accessible offices
- Improving repair and maintenance
- Developing a close dialogue with tenants

This has been successful with the resources available, the proportion of council housing has reduced and physically it is in reasonable condition, however, deprivation and socio economic problems persist across all tenures, most acute in the older private housing market.

### **Housing Investment Options**

The recent approach within Housing has been set out in three recent presentations to Cabinet. The first report considered the strategic options available to the City Council and Housing's approach to Best Value. The second report outlined our response to the Housing Green Paper, whilst the third concentrated on urban renewal activity in private sector housing areas.

The Cabinet supported :-

A comprehensive and ambitious approach to Best Value. Housing will be reviewing all area office services over the next two years and will also be completing other vital elements of work over the next five years

Housing service delivery as a key service in the future provision of one stop shop services (we need a corporate, geographic, costed game plan). The lack of clarity is already undermining housing services.

The preparation of a detailed business plan as advocated by Government

Continued assessment of all realistic investment options. These include:-

### **Large Scale Voluntary Transfer**

This has previously been rejected for the following reasons:-

- It did not represent a model of democratic accountability
- It does not present the City Council with a viable and attractive financial proposition
- It is unattractive politically and was not supported by tenants
- It simply replaces one social landlord with another social landlord or a series of social landlords

- It will increase rent levels, potentially leading to social exclusion
- It is unlikely to develop more balanced, stable communities

### **Quasi Corporations**

This is an attractive proposition and we have been working with the LGA and in discussion with Government to develop this option. Unfortunately it was not specifically mentioned in the Green Paper.

### **Securitisation**

Again we have been working with the LGA and with government departments to assess this potential funding option. Consultants have assessed this as representing greatest value for money compared with other PSBR borrowing options.

### **Arms Length Model**

We are seriously assessing this following the Green Paper.

We will continue to give all of these options serious consideration and are discussing with consultants the most appropriate vehicle for Salford to meet the Council's corporate objectives. These models are investment options and will not in themselves create stable communities nor will they contribute to achieve savings on the general fund. In the meantime we will:-

- Continue to dispose of surplus sub-standard stock for redevelopment (for owner-occupation) or for demolition and temporary treatment pending wider regeneration potential.
  - Advertise and market vacant properties
  - Develop the business plan for all of the housing stock
  - Apply a vigorous approach to best value
  - Be more pro-active in terms of private sector urban renewal
  - Refine our approach to service delivery (hopefully in a corporate context)
- Re-organise to make this possible

### **Housing Stock Profile**

The housing stock profile is different from many other urban areas. Despite disposals and demolitions of council accommodation there remain:-

- high numbers of flats and maisonettes
- high concentrations of multi-storey flats
- in the private sector there are major areas of pre-1919 terraced properties e.g. Broughton and Langworthy which are deteriorating rapidly
- the problems of older private sector areas is the biggest housing problem facing the city, however, in these areas, it is not primarily stock condition. It is a falling housing market for this type of accommodation in part due to the image of the area(s) and crime and vandalism etc. In the outer areas, the private market is more stable, but

there is an emerging problem of unfitness and disrepair.

When housing carried out a study of people leaving the city the main reasons for doing so was:-

- area stigma
- crime and disorder
- perceived quality of local schools

The only housing issue which would influence people to stay in the area was ongoing modernisation programmes to guarantee a lasting quality of accommodation..

## **Regeneration**

In the longer term we need to be able to provide housing for different markets and to attract new communities. This inevitably must link to the regeneration agenda.

Area Regeneration must be holistic and not tenure specific, and be focused on areas which require physical regeneration and will contribute to the Government's urban renaissance agenda and Salford's need to repopulate the urban core. The council will need to prioritise within a clear vision for the future.

Broadly speaking areas of regeneration should focus on the central areas of Salford whilst simultaneously creating areas of stability and opportunity in the outer suburbs. We need key departments to work together to develop a geographic plan for the city which is consistent with the long term UDP.

The physical plan needs to be closely integrated with mainstream social programmes concentrating on:-

- community safety
- opportunities for young people
- jobs for local people (again concentrating on vulnerable young people)
- adequately funded comprehensive environmental maintenance
- improved health
- broader economic development.

The Council's mainstream budgets are not currently matching these community priorities. We require a long term corporate plan which gradually moves resources (with clear arrangements with partners) into these priorities. This can provide an attractive and persuasive argument for communities and Government alike, but will require difficult decisions to rationalise accommodation and services.

## **CORPORATE SERVICES**

### **FUTURE OF SUPPORT SERVICES - SERVICE DELIVERY**

#### **1. Introduction**

- 1.1 In January this year reports were presented to Cabinet outlining the potential for outsourcing financial and legal services.
- 1.2 It was accepted at that time that much of the potential saving from outsourcing Financial services could be achieved over time by the re-organisations being implemented as part of the budget process. There did not appear to be major potential for savings by outsourcing legal services.
- 1.3 It was, however, agreed that
  - the Director of Corporate Services should seek exploratory discussions with outside providers; and
  - possible outsourcing options may include other services in addition to Finance i.e. ICT, legal, administration, personnel and property.
- 1.4 Discussions have taken place with several organisations and there have been developments in other authorities. This report considers the potential for outsourcing support services.

#### **2. Background**

- 2.1 Cabinet considered the influence of the City Council's financial position on the objective of improving service delivery at the meeting on 29th August 2000.
- 2.2 At that meeting there was an acceptance that changes needed to be made to the way services are delivered if we are to avoid:-
  - Council Tax increases in excess of inflation;
  - substantial cuts in service;
  - asset disposals; and
  - infrastructure decline and closure of facilities due to lack of maintenance.
- 2.3 It was accepted that if services are to be delivered more effectively, economically and efficiently than at present then there is a need to consider whether:-
  - there is scope for re-packaging current services to make them better at lower cost;
  - there is scope for partnership with other public or private sector deliverers;
  - the "Trust" route is appropriate for more services; and
  - additional resources can be attracted to maintain and re-build the City's infrastructure.

2.4 This report considers the potential for each of the above for support services.

3. **Options for more effective, economic and efficient service delivery**

3.1 **Re-packaging/Re-organising**

3.1.1 The current budget includes 3 major re-organisation proposals for support services that are intended to improve service delivery and reduce costs.

3.1.2 The first proposal is for the re-organisation of financial support services to maximise the benefits of the new financial system. It includes the centralisation of processing functions - creditors, payroll, purchasing and debtors and then reductions in accountancy staff as the more "user friendly" system is implemented. Ultimately there will be a reduction of more than 50 posts.

3.1.3 The savings included in the budget are based on achieving upper quartile performance and are as follows:-

2000/2001	£300k
2001/2002	£700k
2002/2003	£1,000k

3.1.4 The savings of £1m are equivalent to approximately 20% of current costs.

3.1.5 The 2 other re-organisations are linked and are the centralisation of benefits administration and the improvement to customer services by the introduction of call centres, customer service centres and rationalisation of "back office" processing.

3.1.6 The savings included in the budget are:-

2000/2001	£300k
2001/2002	£750k
2002	£1,300k

3.1.7 Again the savings are based on achieving upper quartile performance and will ultimately require the reduction of 60 posts. The full year saving is equivalent to 20% of current revenues and benefits costs.

3.1.8 If these savings are not achieved then the services would need to be subjected to competition as part of the Best Value process.

3.1.9 The potential for further re-packaging/re-organisation for support services does not appear to be great although further savings may be made by developing home working and hot-desking and reducing accommodation and office expenses accordingly.

3.2 **Partnerships with Public Sector Organisations**

3.2.1 Preliminary work has been undertaken across Greater Manchester on the potential for joint working. This progressed furthest on investigating the potential for a new council tax and benefits system. Three LAs are proceeding

to tender stage but this required a commitment to funding in 2001/02 and beyond so the City Council is an "observer" at this time.

- 3.2.2 Many initiatives arise because some LAs have shortages in specific areas e.g. computer audit - but do not progress because of concerns over direction of resources.
- 3.2.3 The major problem with joint initiatives is that each LA (or PA) starts from a different position with different priorities, objectives and timescales. In some instances there is even an unwillingness to share information and there would be a need for significant investment to standardise systems and products.
- 3.2.4 Joint working with other public sector organisations only works where there is a common strategy, agreed priorities and investment available. The lead-in time would also be significant.

### 3.3 Partnerships with the Private Sector

- 3.3.1 There has been a history of outsourcing finance and/or ICT packages either voluntarily or through CCT.
- 3.3.2 The main drivers of these packages have usually been a poor performing service and/or an inability to attract and retain staff. For these reasons many of the front runners were based in London and the South East.
- 3.3.3 Recently some of the revenue and benefits contracts have run into difficulty as the private sector providers have been unable to deliver the quality of service envisaged. There are, of course, exceptions to this.
- 3.3.4 Over the last 12 months there have been new developments with LAs seeking (or being sought by) "Strategic Partners" to help them deliver the new modernising agenda. This usually involves the outsourcing of a wide range of services including:

- Finance
- Revenues and Benefits
- Customer Services
- ICT
- Legal
- Administration
- Property and
- Human Resources

- 3.3.5 Proposals such as the above have been sought by Lincolnshire, Blackburn with Darwen and Middlesbrough.
- 3.3.6 The element of "partnership" has involved the creation of a business base in the area from which it is envisaged that future contracts for other areas could be located with potential "profit shares" to the original LA.
- 3.3.7 There is no doubt that a market exists for "partnerships" with the private sector for the provision of support services and the advantages/disadvantages of this are considered in Part 4 below.

### 3.4 "Trusts"

- 3.4.1 Unlike other services (e.g. elderly residential homes), there is not a current market of "Trusts" for support services.
- 3.4.2 Some "partnerships" have considered creating Joint Venture Companies but this has yet to be developed fully.
- 3.4.3 For support services the potential for Trusts should be considered as a variation to the "Partnership" route.

### 3.5 Investment

- 3.5.1 One of the major concerns regarding the provision of support services (as with other services) is the need for investment. This is particularly acute in the need to deliver the "Modernising", "E-Government", "E-Commerce" agenda and the consequent re-organisations. This area is undergoing significant change and although the Government has announced additional investment the terms have yet to be stated.
- 3.5.2 The need for investment in hardware systems and training on an ongoing basis would have to be a prime element in any "Invitation to Partnership." Should the services remain in-house then work will need to continue to find ways of achieving the investment necessary to make the long term improvement in service delivery.

## 4. Conclusion

- 4.1 As can be seen from the issues outlined above, support services are currently being re-organised to deliver significant savings and improved services.
- 4.2 It should also be stressed that performance on benefits administration is already good and revenues collection is improving and is consistent with similar types of authority. Benchmarking within Greater Manchester shows that Accountancy services and audit services are good vfm.
- 4.3 Benchmarking for ICT legal and administration services is not as readily identifiable.
- 4.4 However, following discussions with private sector companies it is apparent that if Salford sought "Partners" then there would be strong competition. The potential "partners" see Salford as a well-performing authority that would give them an opportunity to show they can deliver services well and provide a base for further expansion.
- 4.5 It should be noted, however, that the additional savings (over those included in the budget) may not be great as those achieved by other LAs as many of the changes likely to be made by private sector organisations are already in progress.

- 4.6 The private sector believe that outsourcing can become strategic when aligned to the LA's long term strategies and can be used to re-structure and transform the organisation.
- 4.7 The major benefit of any "strategic outsourcing" is likely to be investment in re-structuring the front and back office delivery mechanisms although this requires a long term contract.
- 4.8 The benefits of outsourcing or "partnership" are potentially bringing forward the savings already identified and ensuring that the investment required in new systems is delivered although this will not be quantified until proposals from "partners" are evaluated.
- 4.9 Should members wish to consider outsourcing, it is recommended that as a minimum the services to be included should be:-
- financial processing - creditors, debtors, payroll, purchasing etc.
  - accountancy - including outstationed teams
  - internal audit
  - revenues and benefits administration
  - customer services - call centres, customer service centres
  - ICT
- 4.10 It may also be possible to include legal services - although a more local partnership agreement may be appropriate with the Council in-house team concentrating on social services, housing and crime and disorder works with the remaining work placed with a "partner" organisation.
- 4.11 It is not recommended that administration support, including support to members and meetings, is included in the first stage as most departmental administration teams do not have formal SLAs and specification would be difficult. The potential for administration to be added at a later stage could be included in any advert.
- 4.12 Members may also wish to consider whether the potential for other services to be included should form part of any advert.
- 4.13 It should be noted that the lead-in time for the tendering process is at least 12 months. If members wish to progress this to include provision in next year's budget an initial notice requesting expressions of interest will have to be placed as soon as possible.
- 4.14 Should the decision be made to proceed then it will be necessary:
- (i) to enter into consultation immediately with the Trade Union and staffside;
  - (ii) to consider the implications regarding current initiatives such as call centres etc; and
  - (iii) to consult with GMPA regarding the implications for services provided as Lead District.



Councillor D. Antrobus  
Lead Member  
Corporate Services

DIR/AW79A