

# Public Document Pack

## CABINET

Tuesday, 16th September, 2014  
at 4.30 pm

### **PLEASE NOTE TIME OF MEETING**

Council Chamber - Civic Centre

This meeting is open to the public

#### **Members**

Councillor Simon Letts, Leader of the Council

Councillor Stephen Barnes-Andrews, Cabinet  
Member for Resources and Leisure

Councillor Daniel Jeffery, Cabinet Member for  
Education and Change

Councillor Mark Chaloner, Cabinet Member for  
Children's Safeguarding

Councillor Satvir Kaur, Cabinet Member for  
Communities

Councillor Jacqui Rayment, Cabinet Member for  
Environment and Transport

Councillor Dave Shields, Cabinet Member for Health  
and Adult Social Care

Councillor Warwick Payne, Cabinet Member for  
Housing and Sustainability

(QUORUM – 4)

#### **Contacts**

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## **BACKGROUND AND RELEVANT INFORMATION**

### **The Role of the Executive**

The Cabinet and individual Cabinet Members make executive decisions relating to services provided by the Council, except for those matters which are reserved for decision by the full Council and planning and licensing matters which are dealt with by specialist regulatory panels.

### **The Forward Plan**

The Forward Plan is published on a monthly basis and provides details of all the key executive decisions to be made in the four month period following its publication. The Forward Plan is available on request or on the Southampton City Council website, [www.southampton.gov.uk](http://www.southampton.gov.uk)

### **Implementation of Decisions**

Any Executive Decision may be “called-in” as part of the Council’s Overview and Scrutiny function for review and scrutiny. The relevant Overview and Scrutiny Panel may ask the Executive to reconsider a decision, but does not have the power to change the decision themselves.

**Mobile Telephones** – Please switch your mobile telephones to silent whilst in the meeting.

### **Use of Social Media**

If, in the Chair’s opinion, a person filming or recording a meeting or taking photographs is interrupting proceedings or causing a disturbance, under the Council’s Standing Orders the person can be ordered to stop their activity, or to leave the meeting

### **Southampton City Council’s Priorities:**

- Jobs for local people
- Prevention and early intervention
- Protecting vulnerable people
- Affordable housing
- Services for all
- City pride
- A sustainable Council

### **Executive Functions**

The specific functions for which the Cabinet and individual Cabinet Members are responsible are contained in Part 3 of the Council’s Constitution. Copies of the Constitution are available on request or from the City Council website, [www.southampton.gov.uk](http://www.southampton.gov.uk)

### **Key Decisions**

A Key Decision is an Executive Decision that is likely to have a significant

- financial impact (£500,000 or more)
- impact on two or more wards
- impact on an identifiable community

Decisions to be discussed or taken that are key

### **Procedure / Public Representations**

Reports for decision by the Cabinet (Part A of the agenda) or by individual Cabinet Members (Part B of the agenda). Interested members of the public may, with the consent of the Cabinet Chair or the individual Cabinet Member as appropriate, make representations thereon.

**Fire Procedure** – In the event of a fire or other emergency, a continuous alarm will sound and you will be advised, by officers of the Council, of what action to take.

**Smoking policy** – The Council operates a no-smoking policy in all civic buildings.

**Access** – Access is available for disabled people. Please contact the Cabinet Administrator who will help to make any necessary arrangements.

### **Municipal Year Dates (Tuesdays)**

| <b>2014</b>  | <b>2015</b>  |
|--------------|--------------|
| 17 June      | 20 January   |
| 15 July      | 10 February* |
| 19 August    | 17 February  |
| 16 September | 17 March     |
| 21 October   | 21 April     |
| 18 November  |              |
| 16 December  | (* Budget)   |

## **CONDUCT OF MEETING**

### **TERMS OF REFERENCE**

The terms of reference of the Cabinet, and its Executive Members, are set out in Part 3 of the Council's Constitution.

### **RULES OF PROCEDURE**

The meeting is governed by the Executive Procedure Rules as set out in Part 4 of the Council's Constitution.

### **DISCLOSURE OF INTERESTS**

Members are required to disclose, in accordance with the Members' Code of Conduct, **both** the existence **and** nature of any "Disclosable Pecuniary Interest" or "Other Interest" they may have in relation to matters for consideration on this Agenda.

### **DISCLOSABLE PECUNIARY INTERESTS**

A Member must regard himself or herself as having a Disclosable Pecuniary Interest in any matter that they or their spouse, partner, a person they are living with as husband or wife, or a person with whom they are living as if they were a civil partner in relation to:

- (i) Any employment, office, trade, profession or vocation carried on for profit or gain.
- (ii) Sponsorship:

Any payment or provision of any other financial benefit (other than from Southampton City Council) made or provided within the relevant period in respect of any expense incurred by you in carrying out duties as a member, or towards your election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.

(iii) Any contract which is made between you / your spouse etc (or a body in which the you / your spouse etc has a beneficial interest) and Southampton City Council under which goods or services are to be provided or works are to be executed, and which has not been fully discharged.

(iv) Any beneficial interest in land which is within the area of Southampton.

(v) Any license (held alone or jointly with others) to occupy land in the area of Southampton for a month or longer.

(vi) Any tenancy where (to your knowledge) the landlord is Southampton City Council and the tenant is a body in which you / your spouse etc has a beneficial interests.

(vii) Any beneficial interest in securities of a body where that body (to your knowledge) has a place of business or land in the area of Southampton, and either:

- a) the total nominal value for the securities exceeds £25,000 or one hundredth of the total issued share capital of that body, or
- b) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which you / your spouse etc has a beneficial interest that exceeds one hundredth of the total issued share capital of that class.

### **BUSINESS TO BE DISCUSSED**

Only those items listed on the attached agenda may be considered at this meeting.

### **QUORUM**

The minimum number of appointed Members required to be in attendance to hold the meeting is 3.

## **Other Interests**

A Member must regard himself or herself as having an, 'Other Interest' in any membership of, or occupation of a position of general control or management in:

Any body to which they have been appointed or nominated by Southampton City Council

Any public authority or body exercising functions of a public nature

Any body directed to charitable purposes

Any body whose principal purpose includes the influence of public opinion or policy

## **Principles of Decision Making**

All decisions of the Council will be made in accordance with the following principles:-

- proportionality (i.e. the action must be proportionate to the desired outcome);
- due consultation and the taking of professional advice from officers;
- respect for human rights;
- a presumption in favour of openness, accountability and transparency;
- setting out what options have been considered;
- setting out reasons for the decision; and
- clarity of aims and desired outcomes.

In exercising discretion, the decision maker must:

- understand the law that regulates the decision making power and gives effect to it. The decision-maker must direct itself properly in law;
- take into account all relevant matters (those matters which the law requires the authority as a matter of legal obligation to take into account);
- leave out of account irrelevant considerations;
- act for a proper purpose, exercising its powers for the public good;
- not reach a decision which no authority acting reasonably could reach, (also known as the "rationality" or "taking leave of your senses" principle);
- comply with the rule that local government finance is to be conducted on an annual basis. Save to the extent authorised by Parliament, 'live now, pay later' and forward funding are unlawful; and
- act with procedural propriety in accordance with the rules of fairness.

## **AGENDA**

### **1 APOLOGIES**

To receive any apologies.

### **2 DISCLOSURE OF PERSONAL AND PECUNIARY INTERESTS**

In accordance with the Localism Act 2011, and the Council's Code of Conduct, Members to disclose any personal or pecuniary interests in any matter included on the agenda for this meeting.

NOTE: Members are reminded that, where applicable, they must complete the appropriate form recording details of any such interests and hand it to the Democratic Support Officer.

## **EXECUTIVE BUSINESS**

### **3 STATEMENT FROM THE LEADER**

### **4 RECORD OF THE PREVIOUS DECISION MAKING**

Record of the decision making held on 19 August 2014, attached.

### **5 MATTERS REFERRED BY THE COUNCIL OR BY THE OVERVIEW AND SCRUTINY MANAGEMENT COMMITTEE FOR RECONSIDERATION (IF ANY)**

There are no matters referred for reconsideration.

### **6 REPORTS FROM OVERVIEW AND SCRUTINY COMMITTEES (IF ANY)**

There are no items for consideration

### **7 EXECUTIVE APPOINTMENTS**

To deal with any executive appointments, as required.

### **8 QUESTIONS FROM MEMBERS TO CABINET MEMBERS**

To consider any questions to the Executive from Members of the Council submitted on notice.

## **ITEMS FOR DECISION BY CABINET**

### **9 EXCLUSION OF THE PRESS AND PUBLIC - CONFIDENTIAL PAPERS INCLUDED IN THE FOLLOWING ITEM**

To move that in accordance with the Council's Constitution, specifically the Access to Information Procedure Rules contained within the Constitution, the press and public be excluded from the meeting in respect of any consideration of the confidential appendices to the following Item

Appendices 2 and 3 contains commercially sensitive and confidential information in the form of financial performance and trading data. Appendix 1 contains confidential legal advice that is subject to Legal Professional Privilege. Pursuant to the Council's Access to Information Procedure Rules paragraphs 1, 3, 4 and 5 such information should be treated as exempt. To place such information in the public domain at this stage would be of unfair commercial advantage to trading competitors if disclosed and would result in the release of confidential legal advice contrary to the principles of natural justice and maintaining the integrity of the solicitor / client relationship inherent in the administration of justice.

### **10 FUTURE CONSIDERATION FOR CITY CATERING BUSINESS MODEL**

Report of the Cabinet Member for Education and Change, seeking approval for an alternative business model for City Catering service, attached.

### **11 CHANGES TO EXISTING REVENUE AND CAPITAL BUDGETS □**

Report of the Cabinet Member for Resources and Leisure in consultation with the Chief Financial Officer setting out changes to existing Revenue and Capital budgets, attached.

Monday, 8 September 2014

Head of Legal and Democratic Services

# Agenda Item 4

## SOUTHAMPTON CITY COUNCIL EXECUTIVE DECISION MAKING

### RECORD OF THE DECISION MAKING HELD ON 19 AUGUST 2014

#### Present:

|                     |   |
|---------------------|---|
| Councillor Letts    | Leader of the Council                           |
| Councillor Jeffery  | Cabinet Member for Education and Change         |
| Councillor Chaloner | Cabinet Member for Children's Safeguarding      |
| Councillor Kaur     | Cabinet Member for Communities                  |
| Councillor Rayment  | Cabinet Member for Environment and Transport    |
| Councillor Shields  | Cabinet Member for Health and Adult Social Care |
| Councillor Payne    | Cabinet Member for Housing and Sustainability   |

Apologies: Councillor Barnes-Andrews

#### 23. CORPORATE REVENUE FINANCIAL MONITORING FOR THE PERIOD TO THE END OF JUNE 2014

On consideration of the report of the Cabinet Member for Resources Cabinet agreed to:

- (i) Note the current General Fund revenue position for 2014/15 as at Month 3 (June), which is a forecast over spend at year end of £0.7M against the budget approved by Council on 12 February 2014, as outlined in paragraph 4.
- (ii) Note that the baseline forecast over spend for portfolios is just under £4.4M.
- (iii) Note that portfolios plan to take remedial action to manage a number of the corporate and key issues highlighted in this report and that the financial impact is reflected in the forecast position.
- (iv) Note that the Risk Fund includes £3.1M to cover service related risks, (following the allocation of £1.3M to portfolios), and that the estimated draw at Month 3 is £2.1M to cover expenditure which is included within the baseline forecast portfolio over spend of £4.4M. The portfolio position after the draw from the Risk Fund is an over spend of £2.3M.
- (v) Note that it has been assumed that the contingency, which stands at £250,000, will be fully utilised by the end of 2014/15.
- (vi) Note the performance to date with regard to the delivery of the agreed savings proposals approved for 2014/15 as detailed in Appendix 9.
- (vii) Note the performance against the financial health indicators detailed in Appendix 10.
- (viii) Note the performance outlined in the Quarterly Treasury Management Report attached as Appendix 11.
- (ix) Note the current HRA budget monitoring position for 2014/15, as at Month 3 (June). There is a forecast over spend at year end of £86,500 against the budget approved by Council on 12 February 2014, as outlined in paragraph 31.

#### 24. SOLENT DISTURBANCE MITIGATION

DECISION MADE: (Ref: CAB 14/15 13230 )

On consideration of the report of the Cabinet Member for Environment and Transport, Cabinet agreed the following:

- (i) To note the context of this report;
- (ii) To approve the adoption of the Solent Disturbance Mitigation project so that all new residential development is required to mitigate against the harm caused, in line with policy CS22 of the Core Strategy (2010), by either the submission of site specific schemes of work or payment of a £172 contribution per residential unit, prior to implementation of the development; and
- (iii) To delegate the detailed mechanism for securing the planning obligations to the Head of Culture and Planning, as it evolves.

25. PROPERTY SEARCH LITIGATION

DECISION MADE: (Ref: CAB 14/15 13353)

On consideration of the report of the Cabinet Member for Resources and Leisure, Cabinet approved recommendations as set out in the confidential report.



# Agenda Item 10

|  |   |  |                                 |
|--|---|--|---------------------------------|
| <b>DECISION-MAKER:</b>   | CABINET                                     |  |                                 |
| <b>SUBJECT:</b>  | CITY CATERING BUSINESS DEVELOPMENT PROPOSAL |  |                                 |
| <b>DATE OF DECISION:</b>   | 16 SEPTEMBER 2014                           |  |                                 |
| <b>REPORT OF:</b>  | CABINET MEMBER FOR EDUCATION AND CHANGE     |  |                                 |
| <b><u>CONTACT DETAILS</u></b>  |   |  |                                 |
| <b>AUTHOR:</b>   | <b>Name:</b>                                | <b>Stephen Price</b>                     | <b>Tel:</b> <b>023 80833087</b> |
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| <b>STATEMENT OF CONFIDENTIALITY</b>  |   |  |                                 |
| <p>Appendices 1, 2 and 3 contains commercially sensitive and confidential information in the form of financial performance and trading data. Appendix 1 contains confidential legal advice that is subject to Legal Professional Privilege. Pursuant to the Council's Access to Information Procedure Rules paragraphs 1, 3, 4 and 5 such information should be treated as exempt. To place such information in the public domain at this stage would be of unfair commercial advantage to trading competitors if disclosed and would result in the release of confidential legal advice contrary to the principles of natural justice and maintaining the integrity of the solicitor / client relationship inherent in the administration of justice.</p> |   |  |                                 |

## **BRIEF SUMMARY**

Cabinet approval is sought to agree in principle to the preferred option of the development of City Catering to a Charitable Mutual Company (Limited by Guarantee), subject to further consultation as required and clarification of the risks and costs around pensions, and to delegate authority to the Director of People after consultation with the Cabinet Member for Education and Change to take all such ancillary action to deliver the aspiration.

## **RECOMMENDATIONS:**

- (i) That, subject to further consultation as required and clarification of the risks and costs around pensions, Cabinet approve in principle the transfer of the City Catering service to a Charitable Mutual Company (Limited by Guarantee) with effect from 1<sup>st</sup> April 2015
- (ii) To delegate authority to the Director, People to carry out such consultation, due diligence and other ancillary actions as may be necessary in relation to (i) above.

- (iii) To delegate authority to the Director, People to consider and determine the outcome of any necessary consultation referred to at (ii) above and, in light of all material considerations, to determine whether or not to proceed with the establishment of City Catering as a Charitable Mutual Company (Limited By Guarantee) following consultation with the Cabinet Member for Education and Change, the Cabinet Member for Adult Social Care, the Cabinet Member for Resources and Leisure and the Chief Financial Officer.
- (iv) To agree that, subject to the satisfactory conclusion of discussions with the Hampshire Pension Fund, the new Mutual Company becomes an admitted body member of the Hampshire Pension Fund; and to agree that this will be on the basis of a closed scheme (i.e. closed to new entrants)
- (v) To agree that the Council will act as guarantor for any future potential cessation deficit which could arise on the Mutual company's admitted body pension, as set out in paragraphs 24-30.
- (iv) To delegate authority to the Chief Financial Officer to approve the final arrangements with regard to the new Mutual Company gaining admitted body status.

#### **REASONS FOR REPORT RECOMMENDATIONS**

1. The evolving market place that City Catering operates in has changed and will continue to do so. Individual schools and academy groups are demanding bespoke service solutions that meet their individual needs, both in terms of service delivery and administrative support. City Catering's ability to offer flexible service solutions to this evolving market is significantly compromised by its current business structure.
2. If City Catering is to retain its market share and continue to support the education process in schools, and academic achievement of their pupils, in an economical and effective manner the service needs to evolve to meet the current and future needs of its customer base.
3. City Catering proposes a "spin-out" of the service to form a Charitable Mutual Company, funded and owned by the schools that it services and governed by a board of Trustees. This business model will allow the service to develop to meet its customer's future needs and retain market share. Further consultation on this option with key stakeholders may be considered should this be necessary to inform future direction and/or the final design of this service delivery option.

#### **ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

4. Retain the service in-house and reduce the SLA charges to schools to lower the cost of service and retain levels of SLA buy back. Schools showed little interest in this option as it did not give them any greater control over future service provision / style and they questioned the sustainability of this offer. Five schools have recently withdrawn from the service and this is indicative of potential future trends.
5. Form a Local Authority Trading Company to deliver the school meal service. The formation of a LATCo does not deliver any greater control or influence

for schools, and therefore has little positive influence on the level of SLA buyback. This option is also the costliest for the council to implement.

6. Put the service out to tender to the private sector / other Local Authority catering service. This option was rejected as schools viewed this alternative as giving them even less influence / control over future service standards / costs. This option would require the majority of schools to sign up to it for it to be remotely viable. The funds generated by the service would, in effect, leave the city in the form of profit for the contractor.

#### **DETAIL (Including consultation carried out)**

7. Following previous presentations of the City Catering business development proposals to CMT, in April and October 2013, City Catering management gained funding support from the Cabinet Office Mutuals Support Programme (MSP) to engage (via a competitive tender process) legal and business service support to progress the spin out of City Catering into a Mutual.
8. Bates, Wells & Braithwaite (BWB), legal experts in social enterprise and charity business enterprises, and Mutual Ventures (MV), business experts in supporting public service / community groups to form viable social enterprise and charitable business ventures, were appointed by the MSP to support City Catering through the transformation process.
9. Various permutations of the most appropriate social enterprise model have been considered over the last year or so. The Council has previously sought separate legal advice from Veale Wasborough Vizards as there were numerous concerns over the then business model. Subsequently a significantly revised model has developed. Accordingly BWB have scrutinised the previous legal advice received by the council, which raised a number of issues relating to the business plan, including state aid, transfer of assets, public procurement, schools companies and governance issues, and have submitted revised advice parts of which required advice from Leading Counsel. Their final report on the legal options and governance available to the significantly revised enterprise model now being proposed is attached (Appendix 1).
10. MV have conducted robust financial modelling of the existing and future City Catering business and have identified a financially viable and sustainable model for the future. The financial modelling is featured in the attached business plan (Appendix 2).
11. With the support of these partners City Catering management has consulted with schools service users to identify which of the following three options, that had been identified at CMT, were their preferred choice:
  - a. Retain as an in-house service and reduce SLA charges to schools to lower cost of service.
  - b. Form a Local Authority Trading Company.
  - c. Form a Mutual Trading Company.
12. Following discussions with all schools a presentation was made at the Primary Heads Conference and to individual Secondary Head Teachers, where all three options were proposed and as a result option c was unanimously selected as the preferred choice. Consultations on revisions to that proposal

have been undertaken and received unanimous support. Further, limited, consultation will be needed with parents as end users as whilst the service provider will be changing the core service provision will not.

13. The City Catering Mutual business plan allows for the continued delivery of the City Care Meals service and the management of the Civic Hospitality catering service at no additional cost to the council, subject to further information sharing with service users affected by these proposals. The Mutual will seek to expand provision of the City Care meal service to a wider customer base at competitive commercial rates.
14. The creation of a Mutual would initially result in a negative financial impact on SCC, with the loss of contribution currently generated by City Catering (£450,200 budgeted in 2014/15) towards the service's overheads. The introduction of Universal Infant Free School Meals is estimated to generate up to an additional £384,000 of surplus income in a full year. This could represent a lost saving to the council if the service moves out of house.
15. However, the number of schools indicating their desire for a more flexible / tailored trading relationship is increasing and several large schools have indicated their plans to pursue alternative forms of provision in this current trading year. This will mean that within 12/24 months the level of contribution generated by City Catering will diminish dramatically.
16. The introduction of Universal Infant Free School Meal initiative, from September 2014 will improve the commercial viability of meal provision in smaller schools. This in turn has created opportunities and challenges. Smaller schools, that previously had no option but to pool their resources in a central school meal contract will now be now far more attractive to private sector competitors and it is essential that the City Catering of the future is equipped to compete in this market place.
17. Consultation has taken place with all schools that use the service and they have indicated their unanimous support for this proposal. As stated above no consultation has taken place with City Care Meals on Wheels users to date. This is primarily due to the reducing levels of uptake and alternative models of service are available and preferred. Appropriate consultation with City Care users would take place should agreement in principle to proceed be given by Cabinet.
18. In the unfortunate event that City Catering Mutual fails schools would have two options available to them. Firstly, they could opt to take the service provision in-house and manage it within the school – this would be the simplest and quickest solution. Secondly, they could opt to outsource the service provision to the private sector or neighbouring local authority – this option would require a procurement process. Staff would not automatically be protected under TUPE and implications for staff would have to be considered depending on the circumstances at the time.
19. An implementation strategy for the City Catering spin out to a Charitable Mutual Company is detailed in Appendix 4.

## RESOURCE IMPLICATIONS

### Capital/Revenue

20. A financial analysis of the four options for the service is attached at Appendix 3. The table below summarises the costs of the options:

| Increase on 2014/15 base estimate (excluding Risk Fund) | 2015/16  | 2016/17  |
|---|----------|----------|
| Option 1 – In house                                     | £845,000 | £748,000 |
| Option 2 – Local Authority Trading Company              | £958,000 | £661,000 |
| Option 3 – Mutual Trading Company                       | £430,200 | £430,200 |
| Option 4 – Tender                                       | £530,800 | £530,800 |

21. The table illustrates that option 3 is the least costly option to the Council, assuming that significant numbers of schools will leave the service if it is kept in house.
22. The costs to the council of forming a Mutual are detailed in Appendix 3 and summarised in the table below:

| Increase on 2014/15 base estimate (excluding Risk Fund) | 2015/16         | 2016/17         |
|---|-----------------|-----------------|
| Loss of City Catering income (net)                      | £450,200        | £450,200        |
| Reduction in central overhead charges                   | (£20,000)       | (£20,000)       |
| Rental income for Solent Suite                          | (£20,000)       | (£20,000)       |
| Charge for Meals on Wheels service                      | £20,000         | £20,000         |
| <b>Total Option 3</b>                                   | <b>£430,200</b> | <b>£430,200</b> |

23. A amount of £336,000 is currently budgeted for in the Council's Risk Fund in 2015/16, increasing to £422,000 in 2016/17 in the event that the proposal is progressed. The increased costs will be built into the 2015/16 budget process.
24. Pension impact  
The staff assigned to the Mutual would TUPE transfer resulting in the need to obtain admitted body status to Hampshire's Local Government Pension Scheme. It is proposed that the scheme will be closed to new employees to the mutual post transfer. New staff will therefore not have access to the Local Government Pension Scheme but will be able to join a defined contribution scheme which would be put in place by the Mutual Board.
25. It is important to note that the Council is likely to be the ultimate guarantor for any deficit on the pension scheme that is not covered by a bond, should the Mutual become insolvent. There are two main risks:
26. Primary cover - this covers the cost of the additional pension liabilities from staff being made redundant above the age of 55 (benefits are paid unreduced at this age). The cost varies depending on the age profile of the membership at the date of redundancy. If, on premature termination of the Mutual (due to insolvency, winding up or liquidation), the service is transferred to another provider then the members may not be made redundant and therefore this

cost may never occur.

27. Secondary cover - The largest part of the risk relates to a potential deficit at the point of insolvency. The calculations below have been undertaken on the assumption that the deficit will equal 10% of the liabilities but clearly this could be higher or lower than this and there is a reasonable possibility that there could be a surplus at the point of insolvency. If the Mutual were to become insolvent then the Council would be at risk for this deficit, or benefit from any surplus. The likely option would be to add the deficit or surplus to the Council's own current past service pension deficit and spread it over the recovery period (currently 25 years).
28. There are two main options available to the Council for dealing with these risks, as set out below, with Option 1 being the option that will be adopted as it is the lower cost and less risky option for both the Council and the Mutual.
29. Option 1 (Subsumption funding with no bond) – Under this approach, on early insolvency, Southampton City Council is liable for any cessation deficit and the assets and liabilities of the pension fund would be subsumed by the group which contains the large councils (the Scheduled Body group). Hampshire County Council (as Administering Authority to the Fund) require a lower level of assets to back the liabilities than the orphan approach (Option 2) and the risk is estimated to be £669,000 (spread over the recovery period).
30. In addition to this risk, option 1 increases the employer's pension contribution for the Mutual to 18.4% resulting in an estimated additional annual cost of £60,000. This cost has been included in the Mutual's business plan (Appendix 2)
31. Option 2 (Orphan funding with bond) – Under this option, the Mutual would be set up as a stand alone body in the pension fund using a more prudent funding approach than that used for the Scheduled Bodies Group. Consequently they would be required to take out insurance for an indemnity bond to the value of £917,000 in order to cover the risks of the new organisation failing. This bond will need to be reviewed annually to ensure it is at the correct level. Ultimately, if the Mutual cannot cover all of its pension liabilities, the debt would fall back to the Council.
32. In addition to this risk, the Mutual's employer's pension contribution would increase to 27.6% resulting in an estimated additional annual cost of £164,000 under option 2.
33. Under option 2, it is the Pension Fund's normal policy to ensure that a new admission body starts 100% funded on the more prudent funding basis. In allowing the Mutual to start fully funded in this way, the overall level of liability for past service costs for the Council would increase by an amount of £69,700 per annum, based on a recovery period of 25 years.
34. All pension costs are based on Aon Hewitt's report dated 30th September 2013 and are based on a scheme that would be closed to future entrants. Consequently the figures quoted are subject to change.
35. Formal staff / Union consultation with City Catering staff (currently 290+) and their representatives will require HR support along with support for the TUPE process. IT support is required to achieve the transfer of systems and data.

In order to progress the proposal, support will be needed from Legal, HR, Property, IT and Finance with approximately 10-20 days resource anticipated. £10,000 has been allocated to fund additional support from BWB / MV. This funding will be repaid by the Mutual in due course.

### **Property/Other**

36. City Catering will vacate its offices within the Civic Centre and relocate to external office facilities.
37. City Catering Mutual will require the Council to provide accommodation and office facilities for two Meals on Wheels coordinators who will remain located in the Civic Centre as part of the Meals on Wheels service provision.
38. City Catering will require continued use of the Solent Suite kitchen and associated offices / store areas etc. in order to continue the provision of the Civic Hospitality and Meals on Wheels services. Commercial rates will be negotiated for such use.
39. The Meals on Wheels coordinators will require continued IT support and Access to PARIS in order to maintain efficient delivery of the City Care Meals on Wheels service. An information sharing protocol will need to be developed to allow City Catering to continue to manage and operate the Civic Hospitality and Meals on Wheels services.
40. School kitchen assets (Heavy & Light kitchen equipment, food stock) will remain the property of the schools / SCC and be used for the continued delivery of the school meal service.

### **LEGAL IMPLICATIONS**

#### **Statutory power to undertake proposals in the report:**

41. Section 1, Localism Act 2011 (the 'General Power of Competence')

#### **Other Legal Implications:**

42. The new mutual company will be a separate entity from in house Council functions. As such it will require a formal and robust governance structure and support with a Chief Executive Officer, Company Secretary, Trustees, finance, HR and legal support. Due diligence will take place following cabinet's decision and all these important factors will be considered in depth. If the decision is to proceed this will be the first social enterprise that the Council has developed and therefore some operational questions such as the ability of in-house support services to assist or offer services to the company will need to be resolved during the consultation and implementation processes. Further legal implications, including matters relating to procurement and state aid are set out in confidential Appendix 1

### **POLICY FRAMEWORK IMPLICATIONS**

43. The proposals within the report are consistent with the Council's Policy framework.

KEY DECISION? Yes

|                             |     |
|-----------------------------|-----|
| WARDS/COMMUNITIES AFFECTED: | All |
|-----------------------------|-----|

**SUPPORTING DOCUMENTATION**

**Appendices**

|    |   |
|----|---|
| 1. | BWB Legal / Governance Paper V1 CONFIDENTIAL                                  |
| 2. | MV / City Catering Mutual Business Plan and financial projection CONFIDENTIAL |
| 3. | SCC Financial Analysis of Proposals CONFIDENTIAL                              |
| 4. | City Catering Governance Implementation Plan V1                               |

**Documents In Members' Rooms**

|    |     |
|----|-----|
| 1. | N/A |
|----|-----|

**quality Impact Assessment**

|  |    |
|--|----|
| Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out? | No |
|--|----|

**Other Background Documents**

**Equality Impact Assessment and Other Background documents available for inspection at:**

| Title of Background Paper(s) | Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable) |
|------------------------------|--|
|------------------------------|--|

|    |     |  |
|----|-----|--|
| 1. | N/A |  |
|----|-----|--|



# Agenda Item 10

by virtue of paragraph number 1, 3, 4, 5 of the Council's Access to information Procedure Rules

Appendix 1

Document is Confidential

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# Agenda Item 10

by virtue of paragraph number 1, 3, 4, 5 of the Council's Access to information Procedure Rules

Appendix 2

Document is Confidential

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# Agenda Item 10

by virtue of paragraph number 1, 3, 4, 5 of the Council's Access to information Procedure Rules

Appendix 3

Document is Confidential

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City Catering Governance Implementaion Plan V1

| Activity   | Sep-14 |        | Oct-14 |        |        |        | Nov-14 |        |        |        | Dec-14 |        |        |        | Jan-15 |        |        |        | Feb-15 |        |        | Mar-15 |        |        |        |        |        |        |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
|  | 22-Sep | 28-Sep | 06-Oct | 13-Oct | 20-Oct | 27-Oct | 03-Nov | 10-Nov | 17-Nov | 24-Nov | 01-Dec | 08-Dec | 15-Dec | 22-Dec | 29-Dec | 05-Jan | 12-Jan | 19-Jan | 26-Jan | 02-Feb | 09-Feb | 16-Feb | 23-Feb | 02-Mar | 09-Mar | 16-Mar | 23-Mar | 29-Mar |
| Review and advise on all documents/contracts required for the completion of business transfer from SCC to Potential PSM (Dates assume written direction of the Customer received mid November) | →      |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |
| Telcon/meeting to discuss establishment of legal entity and project plan   | █      | █      |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |
| Preparation of due diligence questionnaire   |        |        | █      |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |
| Developing and finalising necessary documentation to set up new entity   |        |        |        | █      | █      | █      | █      |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |
| Reviewing due diligence  |        |        |        | █      | █      | █      | █      |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |
| Preparation of first draft of transfer agreement   |        |        |        |        |        |        |        | █      | █      | █      | █      |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |
| Considering and advising on proposed pensions-related provisions in transfer agreement, including drafting appropriate warranties and indemnities  |        |        |        |        |        |        |        | █      | █      | █      | █      |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |
| Reviewing and advising on the admission agreement  |        |        |        |        |        |        |        | █      | █      | █      | █      |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |
| Considering and advising on proposed employment-related provisions in the transfer agreement, including drafting appropriate warranties and indemnities  |        |        |        |        |        |        |        | █      | █      | █      | █      |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |
| Reviewing and advising on leases to be granted and negotiating these   |        |        |        |        |        |        |        | █      | █      | █      | █      |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |
| Reviewing and advising on the existing agreement with schools and preparation of model contractual documentation necessary to contract with schools going forward                              |        |        |        |        |        |        |        | █      | █      | █      | █      |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |
| Advice to Potential PSM team on obligations under TUPE and assistance through consultation and development of HR policies  |        |        |        |        |        |        |        | █      | █      | █      | █      |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |
| SCC reviews legal documentation and raises any issue with BWB  |        |        |        |        |        |        |        |        |        |        |        | █      | █      |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |
| Reviewing and advising on and negotiating amendments to the transfer agreement proposed by SCC   |        |        |        |        |        |        |        |        |        |        |        |        |        | █      |        |        |        |        |        |        |        |        |        |        |        |        |        |        |
| SCC again reviews legal documentation and raises any issue with BWB  |        |        |        |        |        |        |        |        |        |        |        |        |        |        | █      | █      |        |        |        |        |        |        |        |        |        |        |        |        |
| All agreements provisionally agreed between the parties  |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        | █      |        |        |        |        |        |        |        |        |        |        |        |        |
| Final amendments to legal documents and advice on completing documents on the transfer date and ensuring all TUPE requirements have been complied with   |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        | █      | █      | █      |        |        |        |        |        |        |        |        |        |

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|                                     |  |  |                           |
|-------------------------------------|--|--|---------------------------|
| <b>DECISION-MAKER:</b>              | CABINET<br>COUNCIL                                 |  |                           |
| <b>SUBJECT:</b>                     | CHANGES TO EXISTING REVENUE AND CAPITAL<br>BUDGETS |  |                           |
| <b>DATE OF DECISION:</b>            | 16 SEPTEMBER 2014<br>17 SEPTEMBER 2014             |  |                           |
| <b>REPORT OF:</b>                   | CABINET MEMBER FOR RESOURCES AND LEISURE           |  |                           |
| <b><u>CONTACT DETAILS</u></b>       |  |  |                           |
| <b>AUTHORS:</b>                     | <b>Name:</b>                                       | <b>Stephen Fitzgerald</b>  | <b>Tel: 023 8083 4897</b> |
|                                     | <b>E-mail:</b>                                     | <a href="mailto:Stephen.Fitzgerald@southampton.gov.uk">Stephen.Fitzgerald@southampton.gov.uk</a> |                           |
| <b>Chief Financial Officer:</b>     | <b>Name:</b>                                       | <b>Andrew Lowe</b>   | <b>Tel: 023 8083 2049</b> |
|                                     | <b>E-mail:</b>                                     | <a href="mailto:Andrew.Lowe@southampton.gov.uk">Andrew.Lowe@southampton.gov.uk</a>               |                           |
| <b>STATEMENT OF CONFIDENTIALITY</b> |  |  |                           |
| NONE                                |  |  |                           |

## BRIEF SUMMARY

The purpose of this report is to set out further savings in advance of the budget setting for 2015/16 and to outline the main issues that need to be addressed in considering the Cabinet's recommendations to Council on 17 September 2014.

This follows the report to Cabinet on 15 July 2014 opening consultation on a further £1.3M of savings proposals in 2014/15 and £7.7M of savings proposals for 2015/16.

This report recommends approval for £1.3M of savings for 2014/15 and £6.8M for 2015/16 following the consultation period.

Further proposals may be brought forward to Cabinet and Council if appropriate throughout the course of the year in order to continue to effect change at the earliest opportunity and ensure timely delivery in keeping with the principles of sound financial management.

## RECOMMENDATIONS:

Cabinet recommends Full Council to:

- (i) Note the results of the Consultation process outlined in Appendix 1.
- (ii) Note the Equality Impact Assessment process that was followed as outlined in paragraphs 6 to 8.
- (iii) Approve the efficiencies and service reductions as set out in Appendix 2.
- (iv) Note the high level forecast for the General Fund for 2014/15 to 2015/16 as detailed in paragraphs 22 to 24.
- (v) Note the position in relation to City Catering as set out in paragraph 18.

- (vi) Delegate authority to the Chief Financial Officer to action all budget changes arising from the approved efficiencies, income and service reductions and incorporate any other approved amendments into the General Fund estimates.
- (vii) Delegate authority to the Chief Financial Officer, in consultation with the Executive Director of Corporate Services, to do anything necessary to give effect to the recommendations in this report.

## **COUNCIL**

### **It is recommended that Council:**

- (i) Note the results of the Consultation process outlined in Appendix 1.
- (ii) Notes the Equality Impact Assessment process that was followed as outlined in paragraphs 6 to 8.
- (iii) Approves the efficiencies, income and service reductions as set out in Appendix 2.
- (iv) Notes the high level forecast for the General Fund for 2013/14 to 2015/16 as detailed in paragraphs 22 to 24.
- (v) Note the position in relation to City Catering as set out in paragraph 18.
- (vi) Delegates authority to the Chief Financial Officer to action all budget changes arising from the approved efficiencies, income and service reductions and incorporate any other approved amendments into the General Fund estimates.
- (vii) Delegates authority to the Chief Financial Officer, in consultation with the Executive Director of Corporate Services, to do anything necessary to give effect to the recommendations in this report.

## **REASONS FOR REPORT RECOMMENDATIONS**

1. The recommendations have been put forward to ensure that proposals are advanced as early as possible as part of the budget process for 2015/16.
2. The current medium term financial forecast highlights the challenges facing the Authority. This combined with the potential impact of reductions in future funding levels for Local Government make it imperative that proposals for 2015/16 onwards are developed and savings achieved as early as possible.

## **ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

3. The option to not consider changes to existing revenue and capital budgets is not compatible with the need to ensure effective and robust financial planning given the financial challenges facing the Authority. There are almost limitless options that can be applied to budget changes in the year most of which are driven by political priorities. In formulating the final options to present in this paper the Executive have taken into account the relevant impact of all options that were under consideration and as a result some have not been progressed.

## **CONSULTATION**

4. The draft proposals in the report presented to Cabinet on 15 July 2014 were published on 7 July 2014 in order to help facilitate widespread consultation with a range of stakeholders, councillors, residents, affected organisations, the business community, staff and Trade Unions who were all invited to submit comments on the detailed proposals. More detail is provided in Appendix 1 on the methods used to consult with staff, residents and other stakeholders.

### **STAFF CONSULTATION**

5. The draft budget proposals were published on 7 July 2014 and this signalled the start of an extensive and ongoing consultation process with staff and Trade Unions. More detail is provided in Appendix 1 on the methods used to consult with staff and Trade Unions.

### **EQUALITY IMPACT ASSESSMENT**

6. The Equality Duty is a duty on public bodies which came into force on 5 April 2011 and requires the Council to show that it has 'had regard' to the impact of its decisions on its equality duties and the need to advance equality of opportunity between people who have protected characteristics and those who do not.
7. While the Equality Duty does not impose a legal requirement to conduct an Equality Impact Assessment (EIA), it does require public bodies to show how they considered the Equality Duty and that they have been consciously thinking about the aims of the Equality Duty as part of the process of decision-making. To comply with these requirements as well as the Community Safety legislation, the Council has used its existing Impact Assessment framework so that it can ensure the use of a consistent, council wide mechanism to evidence how decision making took into account equality and safety considerations.
8. Individual EIAs have been completed by Directors and Senior Managers for those proposals contained in Appendix 2 that they identified require such an assessment, as they could have an adverse impact on a particular group or individuals. The individual EIAs have been updated by Directors following consideration of relevant consultation feedback. EIA's have been completed for the following proposals and are available on request.

### **EFFICIENCIES, INCOME AND SERVICE REDUCTIONS**

9. The scale of the financial challenge facing the Council combined with the potential impact of an ongoing difficult economic position make it imperative that proposals for 2015/16 onwards are developed and savings achieved as early as possible.
10. The report to Cabinet 15 July 2014 set out draft proposals for consultation and Appendix 2 sets out the Executive's recommendations for efficiencies, income and service reductions in detail.
11. Where possible these will be implemented as soon as practicable in the current financial year, leading to savings of £1.3M in 2014/15 which can be added to balances and utilised to make a one off contribution to reduce the gap in 2015/16.
12. For the majority of the proposals contained in Appendix 2, however, the intention

is to take steps during 2014/15 to implement the saving so that they become effective from 1 April 2015 leading to savings of £6.8M in 2015/16, £6.6M in 2016/17, and £6.7M in 2017/18.

13. There are a number of potential savings proposals (referred to in paragraph 14 and 15 below) which were included in the July budget report which are not being brought forward at this stage for approval to implement. This is because the proposals are either pending awaiting the outcome of the conclusion of statutory consultation periods or require further clarification on the legality and or/or benefit of the proposed saving.
14. The two savings proposals effecting Provider Services are not included in this report because the consultation is not due to end until 23 October 2014. The proposals are the potential closure of internal Day Provision including the potential closure of Kentish Road and possible re-provision through Shared Lives Respite, and a proposal on the potential closure of Woodside Residential Home. Following the conclusion of the consultation processes, it is anticipated that these savings proposals will be represented in the November 2014 budget position. In total this would give additional savings of £0.9m in 2015/16, £1.8m in 2016/17 and £1.85m in 2017/18.
15. Following further advice from both Legal Services and the Department of Health the proposal to increase income from charging clients who are subject to Appointeeship is not being taken forward at this stage.

#### **Business Support**

16. It should be noted that the employee consultation on Business Support has been extended and will now run until the 29<sup>th</sup> October. However, whilst ensuring that due regard will be given to the feedback from the consultation, the Executive is committed to reducing the overall cost of business support by £800k from 2015/16. On that basis, approval is being sought at this stage to proceed with implementation of the revised business support arrangements following the end of the consultation to deliver the saving of £800k.

#### **Library Service**

17. No specific proposals are brought forward in this report for the Library Service. The intention remains that formal consultation will commence with both service users and affected staff in the Autumn.

#### **City Catering**

18. Whilst there are no financial implications at this stage, and whilst no financial implications may occur, Full Council is asked to note that if Cabinet agree to City Catering becoming a Charitable Mutual Company at its meeting on the 16<sup>th</sup> September 2014, that the Council will act as Guarantor on any potential future pension liabilities which could occur should the new company cease to operate.

#### **STAFFING IMPLICATIONS**

19. It is inevitable that when the Council is faced with such a significant funding shortfall, that the savings proposals put forward by the Council will have an impact on staff cost and staff numbers.
20. Being aware of this fact, the Council has continued to have in place a carefully planned approach to recruitment, ensuring that vacant posts have only been

recruited to where absolutely necessary.

21. Based on the savings proposals contained in this budget report 80.8 FTE posts are affected of which 36.6 are currently vacant and 44.2 are in post and are at risk of redundancy.

## BUDGET DEVELOPMENT FOR 2015/16 AND FUTURE YEARS

22. The report to Cabinet on 16 July highlighted the challenges facing the Authority and identified an updated roll forward gap for 2015/16 of £31M rising to £75M in 2017/18, before taking into account any further revenue developments, pressures or savings.
23. The savings proposals for 2014/15 and future years will be taken into account in the development of the budget for 2015/16 but early decision making will enable implementation to be progressed in advance of the February 2015 budget meeting.
24. The overall impact of the savings proposals, as set out in paragraphs 9 to 18 (and detailed in Appendix 2), is summarised below:

|  | <u>2015/16</u><br><u>£000's</u> | <u>2016/17</u><br><u>£000's</u> | <u>2017/18</u><br><u>£000's</u> |
|--|---------------------------------|---------------------------------|---------------------------------|
| <b>Cumulative Gap from February Budget Resolution</b>                        | <b>30,958.2</b>                 | <b>54,740.2</b>                 |                                 |
| Plus Estimated Gap 2017/18   |                                 |                                 | 75,197.5                        |
| Less Reduction in Pressure - Taxi Cab Cameras (Licensing Committee Decision) | (64.0)                          | (64.0)                          | (64.0)                          |
| <b>Required Savings - Updated Position</b>                                   | <b>30,894.2</b>                 | <b>54,676.2</b>                 | <b>75,133.5</b>                 |
| Less Savings Proposals 2014/15   | (1,322.5)                       |                                 |                                 |
| Less Savings Proposals 2015/16   | (6,750.5)                       | (6,556.5)                       | (6,656.5)                       |
| Contribution from Balances - MRP   | (4,527.0)                       |                                 |                                 |
| <b>Remaining Gap</b>   | <b>18,294.2</b>                 | <b>48,119.7</b>                 | <b>68,477.0</b>                 |

## RESOURCE IMPLICATIONS

### Capital/Revenue

25. The resource implications are set out in the report

### Property/Other

26. None

## LEGAL IMPLICATIONS

**Statutory power to undertake proposals in the report:**

27. Local Government Acts 1972, 2000 and 2003 and Local Government Finance Act 1992.

**Other Legal Implications:**

28. Not applicable.

**POLICY FRAMEWORK IMPLICATIONS**

29. This report proposes variations to the budget that was approved by Council on 15 February 2012.

|                |         |                                       |      |               |
|----------------|---------|---------------------------------------|------|---------------|
| <b>AUTHOR:</b> | Name:   | Stephen Fitzgerald                    | Tel: | 023 8083 4897 |
|                | E-mail: | Stephen.Fitzgerald@southampton.gov.uk |      |               |

**KEY DECISION?** Yes/No

**WARDS/COMMUNITIES AFFECTED:**

**SUPPORTING DOCUMENTATION**

**Appendices**

|    |  |
|----|--|
| 1. | Budget Consultation Report                     |
| 2. | Summary of Efficiencies and Service Reductions |

**Documents In Members' Rooms**

|    |      |
|----|------|
| 1. | None |
|----|------|

**Integrated Impact Assessment**

|  |        |
|--|--------|
| Do the implications/subject of the report require an Integrated Impact Assessment (IIA) to be carried out. | Yes/No |
|--|--------|

**Other Background Documents**

**Integrated Impact Assessment and Other Background documents available for inspection at:**

|                              |  |
|------------------------------|--|
| Title of Background Paper(s) | Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable) |
|------------------------------|--|

|    |  |  |
|----|--|--|
| 1. | <b>GENERAL FUND REVENUE BUDGET 2014/15 TO 2016/17 – Council 12 February 2012</b> |  |
| 2. | <b>CHANGES TO EXISTING REVENUE AND CAPITAL BUDGETS – Cabinet 15 July 2014</b>    |  |

## CHANGES TO EXISTING REVENUE AND CAPITAL BUDGETS CONSULTATION FEEDBACK AND ANALYSIS

### INTRODUCTION

1. Southampton City Council's Cabinet published their proposals for the first tranche of revenue budget savings for 2015/16 and adjustments to the revenue budget to 2014/15 for public consultation on 15 July 2014. In 2015/16 the Council will again face a significant decrease in the funding from central government. Costs are increasing and demand is rising for many of our services. The challenge faced by the Council is to achieve an overall reduction of around £75 million in the next three years.
2. The Council has difficult decisions to make which will impact on the city and has made a commitment to engage and consult before, during and after decisions are made. This appendix provides details of the consultation on the proposals. However, this report does not cover the proposals relating to adult social care – H&ASC 1-3. These are subject to a separate consultation which is due to finish on 23 October 2014. A report on these changes will be discussed by full Council in November.

### THE CABINET'S APPROACH

3. In this difficult financial climate the Cabinet want to protect front line services as much as possible, become fit for the future and deliver a balanced budget. In doing so, the Cabinet recognise that they have to take tough decisions about council services and future spending. They are determined to protect vital services and minimise the impact on residents, businesses, service users and employees by doing things differently. As in previous years the Cabinet's approach to these budget proposals was to ensure that we are:
  - Protecting frontline services, priority areas and vulnerable people
  - Increasing our income and attracting investment
  - Being as efficient as possible
  - Focusing service reductions on services which are lower priority where possible
  - Deleting vacancies and protecting jobs
  - Transforming the way we work to provide better outcomes and services at lower cost
4. The majority of proposals, with the exception of those relating to adult social care, which were subject to separate comprehensive consultation, were internally focused. In addition to the comprehensive staff consultation that is underway, there was also an on-line public consultation. As part of the council's decision making processes there was a discussion at Overview and Scrutiny Management Committee (see annexe 1).

### CONSULTATION PRINCIPLES

5. Despite having limited resources to undertake consultation, every effort was made to ensure it was:
  - **Inclusive:** so that all sections of the city's local communities had the opportunity to express their views
  - **Informative:** so that people had adequate information about the proposals, what different options mean, and a balanced and fair explanation of the potential impacts, particularly the equality and safety impacts

- **Understandable:** by ensuring that the language we used to communicate is simple and clear and that efforts are made to reach all stakeholders, for example people who are non-English speakers or disabled people
- **Appropriate:** by targeting people who are more likely to be affected and using a more tailored approach to get their feedback, complemented by a general approach to all residents and staff.
- **Meaningful:** by ensuring decision makers had the full consultation feedback information so that they can make informed decisions.
- **Reported:** by letting consultees know what we did with their feedback.

**CONSULTATION METHODOLOGY**

6. In keeping with the approach to make information on budget decisions accessible, in addition to the budget tables, covering paper and equalities impact assessments summary sheets were also produced with more detail of each of the proposals. A set of separate detailed documents were also produced for the consultation on the adult social care proposals.
7. Given that the Council cannot afford to continue to do everything that it currently does, the consultation process was designed for Cabinet and senior managers to hear views about:
  - The Council’s approach to delivering savings.
  - Suggestions for making savings and generating income that we have not yet considered.
  - Potential impacts, and action we could take to reduce impacts that we have not already identified or explored.
8. The consultation on proposals ran for 5.5 weeks from 15 July – 22 August 2014. This was undertaken to give staff, residents and stakeholders an opportunity to comment on the proposals, identify any potential impacts and provide alternative suggestions.
9. The consultation documents were available on-line and promoted in various ways including using the Council’s website, Stay Connected (the council’s email alert system) and the local media.
10. Comprehensive staff consultation was undertaken by service managers, overseen by Human Resources. Guidance for internal staff consultation on specific budget proposals was provided.
11. A full list of consultation activities is outlined in the table below:

**Table 1**

| <b>Consultees</b>              | <b>Methods</b>  |
|--------------------------------|---|
| Members                        | Various   |
| Scrutiny                       | Overview and Scrutiny Management Committee  |
| Staff and unions               | Ongoing and co-ordinated dialogue with Trade Unions the budget proposals                          |
|                                | Meetings with individual teams and members of staff to consult them on proposals that affect them |
| Residents and all stakeholders | Proposals available on the Council’s website  |



**CONSULTATION RESULTS**

12. As stated above given that the majority of these proposals were related to the internal working of the Council and most of the feedback received was via the staff consultation. Full details of the staff consultation can be found in Annexe 2.
  
13. However 5 responses were received via the general consultation. These sought confirmation of the effects of the reduction in pest control funding and provided alternative suggestions in relation to kennels, street lighting, business rates and transport.

**HOW THE CONSULTATION FEEDBACK WAS USED**

14. The Cabinet have considered the feedback provided. As a result of staff consultation changes were made to the number of staff affected by the business support proposals. The consultation process for the Business Support Project allowed for managers to submit Cases for Change to take roles out of scope where they felt they had been captured wrongly. This has led to a reduction in the number of staff potentially at risk, however the required level of savings will still be achieved. This is because although the numbers of staff in scope have been reduced, the numbers of staff in the proposed new structure have also been reduced, bringing down the cost of the new structure.

**CONCLUSION**

15. The consultation process and feedback has enabled helpful suggestions to be put forward, and the level of feeling on specific proposals to be better understood. Although due to the nature of the proposal the response from the public was limited, staff consultation has been extensive and has helped to refine the proposals in some areas.

**ANNEX 1 - FEEDBACK FROM SCRUTINY**

The Overview and Scrutiny Management Committee (OSMC) discussed the proposed changes to the General Fund Revenue and Capital Budget at their meeting on 10<sup>th</sup> July 2014. The Cabinet Member for Resources and Leisure was invited to attend the meeting. The only recommendation made by the Committee at the meeting relating to the budget proposals was as follows:

- That, where available, background papers for each budget line is circulated to the Committee - The information requested by the OSMC was subsequently circulated to the Committee on 15<sup>th</sup> July 2014.

In addition, a joint meeting of the OSMC and the Health Overview and Scrutiny Panel (HOSP) has been scheduled for 11<sup>th</sup> September 2014 to discuss the Adult Social Care proposals outlined in the 15 July 2014 Cabinet reports and the consultation process. The Cabinet Member for Health and Adult Social Care has been invited to attend the meeting to outline the proposals and to consider the views of the elected members. It is anticipated that the OSMC and HOSP will have a further joint meeting on this item, at which the Cabinet Member will be invited, prior to the recommendations going to Cabinet in November 2014.

**ANNEX 2: DETAILS OF STAFF CONSULTATION**

16. The Council takes its obligations under section 188 of the Trade Union and Labour Relations (Consolidation) Act 1992 to provide our employees and their union representatives with information on budget proposals very seriously. In order for the Council to meet its obligations as a good employer and also in order to start the process of discharging its obligations under s.188 of the Trade Union and Labour Relations (Consolidation) Act 1992, a detailed staff and union consultation document launched the statutory consultation process for the budget proposals published 6<sup>th</sup> July 2014, for implementation in year and during 2015/16.
17. 11 individual consultation documents (which included those relating to adult social care) with an overarching s188 cover notice included a range of information relating to the budget proposals with implications for employees. Detailed guidance on consultation was issued to managers and updated regularly. It is important to the Council, that all employees and union representatives take the opportunity available in a minimum 45 days consultation period to discuss the proposals, including offering a wide range of alternative options to achieve the same budgetary reduction.
18. The Council also takes its responsibilities under the Equality Act 2010 very seriously and therefore employees were advised to speak to their manager, HR Pay or their trade union representative at the earliest opportunity if they consider themselves disabled under the Act and required any reasonable adjustments to the consultation and/or the selection process
19. Employees and union representatives were made aware that during the consultation period further information would be given or updated. This reflected the fact that, by the very nature of consultation, not all of the proposals will be fully formed at the point of consultation and it is important that every opportunity is given to contributing to shaping the final proposals.
20. Views and comments from affected employees and trade union representatives were invited throughout the consultation process through a series of team and individual meetings.
21. A detailed consultation timeline was applied thus –

| <b>Indicative date</b>     | <b>Activity</b>  | <b>Responsibility</b>                        |
|----------------------------|--|--|
| 7 <sup>th</sup> July 2014  | Collective consultation commences with trade union representatives   | Corporate consultation team and trade unions |
| 7 <sup>th</sup> July 2014  | Collective consultation commences with employees affected by proposals   | Directors, Heads of Service and managers     |
| 15 <sup>th</sup> July 2014 | Individual and service specific consultation meetings begin exploring:<br><br>voluntary solutions<br>restructure proposals | Directors, Heads of Service and managers     |

|  |   |   |
|--|---|---|
|  | <p>selection methods<br/> selection criteria<br/> All meetings to have a written record</p>   |   |
|  | <p>Employees within specific services or functions that are proposed for deletion identified as 'at risk'</p>   | <p>Directors, Heads of Service and managers</p> |
| <p>29<sup>th</sup> August<br/> 2014</p>    | <p>End of statutory 45 day minimum consultation (with the exception of business support which has been extended – see below)</p>  |   |
| <p>16<sup>th</sup> September<br/> 2014</p> | <p>Cabinet meet to recommend final budget proposals</p>   | <p>Executive</p>                                |
| <p>17<sup>th</sup> September<br/> 2014</p> | <p>Budget set and decisions communicated to workforce</p>   | <p>Cabinet/Council</p>                          |
|  | <p>Selection process commences where a reduction in post arises from a restructure or reduction in a 'pool' of similar posts. Employees are selected for redundancy will be placed on the Redeployment register for a period of 4 months.</p> | <p>Directors, Heads of Service and managers</p> |
|  | <p>Dismissal meetings. Employees given 4 months notice for CR (in line with period on redeployment register) and contractual notice for VR.</p>   | <p>Directors, Heads of Service and managers</p> |

22. Meetings with unions have occurred at a Council-wide level with trade union representatives and at a directorate and service-level with affected staff during a 45 day consultation period.

**Place Consultation**

23. Kennels: The consultation has concluded with no further changes to the original proposals.

24. Emergency Planning: The consultation has concluded with no further changes to the original proposals.

**Corporate Services Consultation**

25. Finance: The consultation has concluded with no further changes to the original proposals.

26. Legal & Customer Relations: The consultation has concluded. The management team is still in the process of responding to points made during the consultation, but it is not anticipated that there will be any further changes to the original proposals.
27. Revenue and Benefits Client: The consultation has concluded with no further changes expected to the proposals.
28. Property Services: The consultation has concluded with no further changes to the original proposals
29. Partnership Team: A consultation period of a minimum 45 days commenced September 2013 on the centralisation of the client teams and a restructure. Consultation was extended several times due to the ongoing corporate level consultation on the amended Organisational Change Policies and Procedures which were intended to apply to the implementation of this proposal. Representations made during this extended consultation period were responded to and as a result no changes were made to the proposals, which have since been implemented.

**Business Support**

30. The formal consultation period for Business Support commenced at the same time as the other proposals already outlined. However, following feedback from managers, staff and trade unions, it was agreed that more detailed information needed to be provided to those affected by the proposals. This is being addressed and a more detailed set of proposals will be communicated to staff on 15 September 2014 thereby commencing a further period of formal staff consultation which is expected to run until 29 October 2014. The project remains on target to achieve the required level of savings.

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### APPENDIX 2

#### SUMMARY OF EFFICIENCIES AND SERVICE REDUCTIONS

| <u>Portfolio</u>           | <u>2014/15</u><br><u>£000's</u> | <u>2015/16</u><br><u>£000's</u> | <u>2016/17</u><br><u>£000's</u> | <u>2017/18</u><br><u>£000's</u> |
|----------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Children's Services*       | 0.0                             | 0.0                             | 0.0                             | 0.0                             |
| Communities                | 0.0                             | 0.0                             | 0.0                             | 0.0                             |
| Environment & Transport    | 0.0                             | (2,350.0)                       | (2,150.0)                       | (1,950.0)                       |
| Health & Adult Social Care | (300.0)                         | (1,200.0)                       | (1,200.0)                       | (1,200.0)                       |
| Housing & Sustainability   | 0.0                             | (55.0)                          | (55.0)                          | (55.0)                          |
| Leader's Portfolio         | (75.5)                          | (166.5)                         | (172.5)                         | (172.5)                         |
| Resources & Leisure        | (947.0)                         | (2,179.0)                       | (2,179.0)                       | (2,479.0)                       |
| <b>Sub-Total</b>           | <b>(1,322.5)</b>                | <b>(5,950.5)</b>                | <b>(5,756.5)</b>                | <b>(5,856.5)</b>                |
| Business Support savings   | 0                               | (800.0)                         | (800.0)                         | (800.0)                         |
| <b>Total Savings</b>       | <b>(1,322.5)</b>                | <b>(6,750.5)</b>                | <b>(6,556.5)</b>                | <b>(6,656.5)</b>                |

#### IMPACT OF PROPOSALS ON STAFFING

| <u>Portfolio</u>           | <u>FTE in</u><br><u>Post</u> | <u>FTE</u><br><u>Vacant</u> | <u>FTE Total</u> |
|----------------------------|------------------------------|-----------------------------|------------------|
| Children's Services*       |                              |                             | 0.00             |
| Communities                |                              |                             | 0.00             |
| Environment & Transport    | 5.50                         | 0.20                        | 5.70             |
| Health & Adult Social Care | 0.00                         | 0.00                        | 0.00             |
| Housing & Sustainability   | 0.00                         | 0.00                        | 0.00             |
| Leader's Portfolio         | 2.00                         | 3.20                        | 5.20             |
| Resources & Leisure        | 10.50                        | 4.86                        | 15.36            |
| <b>Sub-Total</b>           | <b>18.00</b>                 | <b>8.26</b>                 | <b>26.26</b>     |
| Business Support savings   | 26.20                        | 28.30                       | 54.50            |
| <b>Total Savings</b>       | <b>44.20</b>                 | <b>36.56</b>                | <b>80.76</b>     |

*\*Children's Services now consists of Education & Change and Children's Safeguarding.*

**APPENDIX 2A SUMMARY OF EFFICIENCIES AND SERVICE REDUCTIONS**

| <u>Portfolio Ref</u>                         | <u>Service Activity</u>        | <u>Description of Item</u>  | <u>2014/15</u><br><u>£000's</u> | <u>2015/16</u><br><u>£000's</u> | <u>2016/17</u><br><u>£000's</u> | <u>2017/18</u><br><u>£000's</u> | <u>Net Reduction</u><br><u>in Posts</u> |                             |
|--|--------------------------------|---|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---|-----------------------------|
|  |                                |   |                                 |                                 |                                 |                                 | <u>FTE</u><br><u>In Post</u>            | <u>FTE</u><br><u>Vacant</u> |
| <b><u>Environment &amp; Transport</u></b>    |                                |   |                                 |                                 |                                 |                                 |   |                             |
| E&T 1  | E&T Contracts Management       | Highways: Remove revenue contribution to capital.   |                                 | (2,200.0)                       | (2,000.0)                       | (1,800.0)                       |   |                             |
| E&T 2  | Regulatory Services            | Animal Welfare & Kennels: Close kennels, retain Animal Welfare Officer to undertake statutory duties and buy private kennel space, as required. |                                 | (40.0)                          | (40.0)                          | (40.0)                          | 5.00                                    |                             |
| E&T 3  | Regulatory Services            | Emergency Planning: Restructure to include public health emergency planning function.   |                                 | (20.0)                          | (20.0)                          | (20.0)                          | 0.50                                    | 0.20                        |
| E&T 4  | Regulatory Services            | Increase income - Bereavement Services and Registration Services.   |                                 | (60.0)                          | (60.0)                          | (60.0)                          |   |                             |
| E&T 5  | Regulatory Services            | Pest Control: Increase income to cover cost.  |                                 | (30.0)                          | (30.0)                          | (30.0)                          |   |                             |
| <b>Sub-Total</b>                             |                                |   | <b>0.0</b>                      | <b>(2,350.0)</b>                | <b>(2,150.0)</b>                | <b>(1,950.0)</b>                | <b>5.50</b>                             | <b>0.20</b>                 |
| <b><u>Health &amp; Adult Social Care</u></b> |                                |   |                                 |                                 |                                 |                                 |   |                             |
| H&ASC 1                                      | Adult Disability Care Services | Integrated Commissioning Unit (ICU) savings: Reducing permanent admissions to Nursing and Residential Care.                                     | (300.0)                         | (1,200.0)                       | (1,200.0)                       | (1,200.0)                       | 0.00                                    | 0.00                        |
| <b>Sub-Total</b>                             |                                |   | <b>(300.0)</b>                  | <b>(1,200.0)</b>                | <b>(1,200.0)</b>                | <b>(1,200.0)</b>                | <b>0.00</b>                             | <b>0.00</b>                 |
| <b><u>Housing &amp; Sustainability</u></b>   |                                |   |                                 |                                 |                                 |                                 |   |                             |
| HS 1   | Sustainability                 | Increase income from Laser if Energy Group takes on bill management components of the Laser contract.   |                                 | (55.0)                          | (55.0)                          | (55.0)                          |   |                             |
| <b>Sub-Total</b>                             |                                |   | <b>0.0</b>                      | <b>(55.0)</b>                   | <b>(55.0)</b>                   | <b>(55.0)</b>                   | <b>0.00</b>                             | <b>0.00</b>                 |



**APPENDIX 2A SUMMARY OF EFFICIENCIES AND SERVICE REDUCTIONS**

| <u>Portfolio Ref</u>                  | <u>Service Activity</u>                | <u>Description of Item</u>   | <u>2014/15<br/>£000's</u> | <u>2015/16<br/>£000's</u> | <u>2016/17<br/>£000's</u> | <u>2017/18<br/>£000's</u> | <u>Net Reduction<br/>in Posts</u> |                       |
|---------------------------------------|--|--|---------------------------|---------------------------|---------------------------|---------------------------|-----------------------------------|-----------------------|
|                                       |  |  |                           |                           |                           |                           | <u>FTE<br/>In Post</u>            | <u>FTE<br/>Vacant</u> |
| <b><u>Leader's Portfolio</u></b>      |  |  |                           |                           |                           |                           |                                   |                       |
| LEAD 1                                | Democratic Representation & Management | Employers pension contributions for Members reduced due to changes to the pension provision for Members.                               | (11.0)                    | (24.0)                    | (30.0)                    | (30.0)                    |                                   |                       |
| LEAD 2                                | Democratic Representation & Management | Reduction in number of Cabinet Members from 8 full time Members to 7.  | (10.5)                    | (12.5)                    | (12.5)                    | (12.5)                    |                                   |                       |
| LEAD 3                                | Legal Services & Customer Relations    | Redirection & restructure of resources within Legal Services.  | (49.0)                    | (117.0)                   | (117.0)                   | (117.0)                   | 2.00                              | 2.50                  |
| LEAD 4                                | Legal Services & Customer Relations    | Redirection of resources within Customer Relations.  | (5.0)                     | (13.0)                    | (13.0)                    | (13.0)                    | 0.00                              | 0.70                  |
| <b>Sub-Total</b>                      |  |  | <b>(75.5)</b>             | <b>(166.5)</b>            | <b>(172.5)</b>            | <b>(172.5)</b>            | <b>2.00</b>                       | <b>3.20</b>           |
| <b><u>Resources &amp; Leisure</u></b> |  |  |                           |                           |                           |                           |                                   |                       |
| R&L 1                                 | Finance Service                        | Review of Accounting Provisions: Implementation of Accounting Policy change to Minimum Revenue Provision (MRP).                        | (600.0)                   | (600.0)                   | (600.0)                   | (600.0)                   |                                   |                       |
| R&L 2                                 | Finance Service                        | Redirection of resources and reduction in current service provision.   | (100.0)                   | (250.0)                   | (250.0)                   | (250.0)                   | 5.00                              | 0.86                  |
| R&L 3                                 | Local Taxation & Benefits Services     | Reduction in Client Team.  | (10.0)                    | (38.0)                    | (38.0)                    | (38.0)                    | 1.50                              |                       |
| R&L 4                                 | Local Taxation & Benefits Services     | Reduction in Capita Print costs.   | (11.0)                    | (11.0)                    | (11.0)                    | (11.0)                    |                                   |                       |
| R&L 5                                 | Partnership                            | Savings achieved from partnership contracts.   |                           | (1,000.0)                 | (1,000.0)                 | (1,300.0)                 |                                   |                       |
| R&L 6                                 | Partnership                            | Savings achieved from rationalisation of team following centralisation.  | (113.0)                   | (113.0)                   | (113.0)                   | (113.0)                   | 2.00                              | 1.00                  |
| R&L 7                                 | Property Services                      | Savings arising from the rationalisation of central office accommodation (Accommodation Strategy) including the vacation of buildings. | (64.0)                    | (64.0)                    | (64.0)                    | (64.0)                    |                                   |                       |
| R&L 8                                 | Property Services                      | Removal of vacancies for a Town Sergeant and a cleaner.  | (19.0)                    | (33.0)                    | (33.0)                    | (33.0)                    |                                   | 2.00                  |
| R&L 9                                 | Property Services                      | Civic Centre Security Review: Changes to arrangements made in night security service for the Civic Centre.                             | (30.0)                    | (30.0)                    | (30.0)                    | (30.0)                    | 2.00                              | 1.00                  |
| R&L 10                                | Leisure & Heritage                     | Full Cost Recovery on Education Team.  |                           | (40.0)                    | (40.0)                    | (40.0)                    |                                   |                       |

**APPENDIX 2A SUMMARY OF EFFICIENCIES AND SERVICE REDUCTIONS**

| <u>Portfolio</u><br><u>Ref</u> | <u>Service Activity</u> | <u>Description of Item</u> | <u>2014/15</u> | <u>2015/16</u> | <u>2016/17</u> | <u>2017/18</u> | <u>Net Reduction</u> |               |
|--------------------------------|-------------------------|----------------------------|----------------|----------------|----------------|----------------|----------------------|---------------|
|                                |                         |                            | <u>£000's</u>  | <u>£000's</u>  | <u>£000's</u>  | <u>£000's</u>  | <u>FTE</u>           | <u>FTE</u>    |
|                                |                         |                            |                |                |                |                | <u>In Post</u>       | <u>Vacant</u> |
|                                |                         | <b>Sub-Total</b>           | (947.0)        | (2,179.0)      | (2,179.0)      | (2,479.0)      | 10.50                | 4.86          |

**APPENDIX 2A SUMMARY OF EFFICIENCIES AND SERVICE REDUCTIONS**

| <u>Portfolio Ref</u> | <u>Service Activity</u>       | <u>Description of Item</u>  | <u>2014/15</u>   | <u>2015/16</u>   | <u>2016/17</u>   | <u>2017/18</u>   | <u>Net Reduction in Posts</u> |                   |
|----------------------|-------------------------------|---|------------------|------------------|------------------|------------------|-------------------------------|-------------------|
|                      |                               |   | <u>£000's</u>    | <u>£000's</u>    | <u>£000's</u>    | <u>£000's</u>    | <u>FTE In Post</u>            | <u>FTE Vacant</u> |
|                      | <b><u>Cross Portfolio</u></b> |   |                  |                  |                  |                  |                               |                   |
| ALL 1                |                               | Business Support: Introduction of 'hub and spoke' model across Council. |                  | (800.0)          | (800.0)          | (800.0)          | 30.70                         | 28.30             |
|                      |                               | <b>Sub-Total</b>  | <b>0.0</b>       | <b>(800.0)</b>   | <b>(800.0)</b>   | <b>(800.0)</b>   | <b>30.70</b>                  | <b>28.30</b>      |
|                      |                               | <b>Total</b>  | <b>(1,322.5)</b> | <b>(6,750.5)</b> | <b>(6,556.5)</b> | <b>(6,656.5)</b> | <b>48.70</b>                  | <b>36.56</b>      |

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