

**Overview and Scrutiny Committee****On 28 November 2006**

**Report title:** Budget scrutiny - Pre business plan review documents for the Organisation Development & Performance Portfolio

**Report of:** The ACE OD, ACE Access, Head of Legal Services and Acting Director of Finance

**Wards affected:** All

**1. Purpose**

**1.1** To update Members on the financial planning process and to consider the pre business plan reviews for the following business units:

- Organisational Development (Performance & Improvement; OD&L; Human Resources)
- Corporate IT
- Legal Services

**2. Recommendations**

**2.1** To note the latest financial planning position as set out in the report.

To consider and make recommendations to the Executive on the pre-business plan review documents, in particular the new savings and investment proposals. The recommendations of the Overview and Scrutiny Committee will be considered by the Executive in agreeing the Council's final budget for 2007/08.

**Report authorised by:** **Stuart Young**  
Head of Personnel

**Davina Fiore**  
Head of Legal Services

**Justin Holliday**  
ACE Access



**Gerald Almeroth**  
Acting Director of Finance

<b>Report authorised by:</b>	<b>Stuart Young</b> Head of Personnel	<b>Davina Fiore</b> Head of Legal Services	<b>Gerald Almeroth</b> Acting Director of Finance
	<b>Justin Holliday</b> ACE Access		
<b>Contact officer:</b>	<b>Stuart Young/Alan Crouch/ Justin Holliday</b>	<b>Kevin Bartle</b>	
<b>Telephone:</b>	<b>020 8489 3174/3841/ 3129</b>	<b>020 8489 3743</b>	
<b>3. Executive summary</b>			
3.1 The report provides an update on the financial planning process and pre-business planning documentation for scrutiny.			
<b>4. Reasons for any change in policy or for new policy development</b>			
4.1 None			
<b>5. Access to information: Local Government (Access to Information) Act 1985</b>			
5.1 The following background papers were used in the preparation of this report:			
<ul style="list-style-type: none"> <li>• Report of the Acting Director of Finance to the Executive 4 July 2006 – Financial planning 2007/8 to 2010/11</li> <li>• Report of the Acting Director of Finance to the Overview &amp; Scrutiny Committee 24 July 2005 – Budget Scrutiny</li> <li>• Report of the Acting Director of Finance to the Executive 31 October – Financial planning 2007/8 to 2010/11 (including the detailed PBPR documents)</li> </ul>			
For access to the background papers or any further information please contact Kevin Bartle on 020 8489 3743.			

## **6 Background**

- 6.1 The Executive on 4 July 2006 considered a comprehensive report on financial strategy for the period 2007/08 to 2010/11 and agreed a business planning and budget-setting process. At that time the budget showed a significant gap for the years 2007/08 and 2010/11, with an overall gap of £13.6m over the full four year planning period. This assumes the achievement of pre-agreed savings proposals of £8.2m. The assumed council tax in the projection is an increase of 2.5% in each of the four years and a known grant settlement figure of 2.7% in 2007/08. Attached at appendix 1 is the budget trail as reported to Executive in July which sets out the overall position.
- 6.2 A further report was considered by the Executive on 31 October 2006 to release the pre-business plan reviews for scrutiny and a number of national and local updates were considered.
- 6.3 As part of the pre-business planning review process, targets were set for individual business units to identify potential savings opportunities. The targets took account of the level of savings already identified in current financial plans and previous years. These savings targets were aligned to the governments Gershon efficiency targets of 2.5% per annum. Ring-fenced funded services were separately identified within this process. The savings proposals will be required to fund the budget gap identified above and any additional investments that are agreed as part of this budget setting process. The final budget proposals will depend on the level of formula grant received from government, which will be announced in early December.

## **7 Pre business plan reviews**

- 7.1 Members will recall that the purpose of the pre-business review process is to:
- ensure that the financial planning process is clearly linked with, and reflects, the full strategic agenda of the Council;
  - ensure that all budget options support the achievement of community strategy objectives;
  - ensure that proposals are considered in conjunction with the impact on service performance;
  - ensure that budget options enhance the achievement of value for money;
  - review the impact of previous years investment proposals;
  - identify efficiency savings, both cashable and 'non-cashable', and investment opportunities both within and between business units;
  - support consultation activity with key stakeholders;
  - support the budget scrutiny process;
  - gather information to support a number of planning processes.
- 7.2 The reviews have been prepared in conjunction with Executive Members and are released for scrutiny.

7.3 To assist members in the scrutiny process we have attached to this report in appendix 2 extracts of the PBPRs relevant to this portfolio by business unit in respect of new proposals:

- Pre agreed cashable efficiency savings (PBPR section 5.3)
- New proposed cashable efficiency savings (PBPR section 13)
- New revenue investment proposals (PBPR section 12);
- New capital investment proposals (PBPR section 11);
- Non General Fund proposals (if appropriate).

Members have also been provided with a list of the investments agreed in previous years' budgets for information (PBPR Section 5.5). Although these investments have been agreed and accounted for, it may be that, given the challenging forecast financial position, members would like to revisit them.

7.4 Members are asked to consider these proposals in relation to 7.1 above.

7.5 Appendix 3 provides an overview of the 2006/07 budget by business unit across the Council and summarises the proposals over the four year planning period to give members a view of the overall scale of the proposals.

7.6 The following section in the report summarises the key service issues and objectives by business unit over the planning period.

## 8 Departmental Services Issues

### Legal Services

8.1 Key strategic issues / objectives

Legal Services is comprised of three Business Units:

- Corporate Legal Services
- Registrars
- Local Land Charges

### Corporate Legal Services

Legal Services supports all business units in the Council and charges for time spent providing advice and action using a scale of hourly rates. Any fees or disbursements such as barrister's fees are paid by Legal and then recharged to clients. Legal Services operate a trading account with hourly rates set at level to cover the costs of running the business. Any surplus at year end is refunded to clients. Business units are recharged monthly and detailed costs summaries are sent to give clients the opportunity to review the charges.

### Key Issues for 2006/2007

**Environment Services (Enforcement) Budget:** The total Legal budget for enforcement is £155K. However, spend for 06/07 to date is £146K, which leads to a projected overspend on the legal budget of £185K for the year. The over spend is attributable to increased activity in areas of licensing, planning enforcement notices / appeals, under age sale of alcohol, environmental crime and non payment of fixed penalty notices. Consideration is being given by Environmental Services to costs saving

measures, including reducing the type and number of enforcement cases Legal Services are instructed take action on or taking alternative action such as fixed penalty notices.

**The Children's Service Legal Budget:** is under similar pressure and a suggestion has been made by the client for the hourly rates charging structure to be set aside and for the cost of lawyers salaries to be paid directly by The Children's Service. This proposal is unrealistic as it does not cover the full cost of providing the service as it does not take into account overhead recharges and other running costs such as training, legal practising certificates, law library and recruitment. It would also lead to an increase in charges for other clients as the hourly rates would need to be increased to cover the cost of overhead recharges and other charges not covered by The Children's Service.

**Homes for Haringey:** are to carry out a VFM review in December 06-March 07. If they were to terminate using Haringey Legal Services there may be significant implications as they are one of our largest clients. Existing budgetary provision has not been made for redundancy costs. However, staff affected maybe protected by Transfer of Undertaking Regulations (TUPE) and so transfer to the new provider.

**Corporate Overhead recharges:** are applied to each business unit to pay for the cost of office accommodation, IT, Personnel and finance. being paid by Legal Services have increased by 24% from 2005/06 rates. The hourly rates for 06/07 were set prior to notification of this on the basis of an increase in corporate overheads of 5%. The impact maybe that Legal Services will not achieve it's cash limit in 2006/07. This will be kept under review and if necessary a mid year increase could be implemented.

**Potential Savings for 2006/07:**

The legal case management system has just gone live and when it is fully rolled out it will be possible to quantify efficiency savings in terms of work being done more quickly therefore clients charged less for work. We are happy to work with clients to seek to identify how they can reduce their spend on legal services, either by them doing some work themselves or by stopping certain areas of work. In addition we are investigating income generating proposals and ensuring we recover costs wherever possible.

**Registrars**

Registrars generate income from ceremonies which covers the costs of running the unit

**Key Issues for 2006/2007**

There has been a drop in the number of marriage and citizenship ceremonies with the resulting drop in income but additional services such as civil partnerships and a checking service for citizenship applications are now provided and the income balances out. Further additional services such as renewal of vows and naming ceremonies are planned for 2007/08. These are non-statutory ceremonies and indicators from

other councils which offer them are that initial take up is low. However, this will be an additional income stream which we will market and hope will grow

### **Local Land Charges**

Local Land Charges is set an income target which is in excess of the cost of running the unit. During 2005/06 expenditure was about £140K and income about £800K. The target has been reduced in previous years as competition from the private sector and the declining property market has affected revenues.

### **Key Issues for 2006/2007**

National legislation requires from 2007/08 that the land charges search fee will only reflect the cost of providing the service. The fee may be set nationally but this is not decided yet. Local Land Charges currently contribute approximately £600K to the council's budget. This will cease.

### **IT Services**

#### 8.2 Key strategic issues / objectives

Considering t-government agenda, IT infrastructure Insource and subsequent ITS' restructure service key strategic issues/objectives for the future are as follows:

- Successful launch of the new service in 2007/08
- New service charging strategy
- Maintenance of staff professional/technical skills reflecting current and future technologies
- Customer focus – service perception improvement programme
- Introduction of new SLA's and OLA's
- Business application rationalisation
- Retention of skilled workforce
- Support of ICT Scrutiny
- Flexible working strategy
- Review of mobile communication facilities
- T-Government opportunities in the context of Haringey business objectives
- Implementation of IP Telephony (replacement of aging voice network)
- Development and implementation of application MSP (Application Managed Service) strategy to achieve best VFM and improve quality of services
- Design and implementation of Demand Mgt framework supporting evolving projects
- Investment in Partnership opportunities
- Continuation of successful project delivery
- Consultations/benchmarking to demonstrate VFM and service quality improvements
- Achieving ISO27001
- On going budget efficiencies

#### 8.3 Links to Savings and Investment Proposals

This challenging agenda requires regular capital investment which is reflected in the ITS' PBPR. It is anticipated that Insource and review of MSP contract portfolio will lead to revenue savings also identified in this year's PRPR submission

## **Organisational Development**

### 8.4 Key strategic issues / objectives and links to Savings & Investment Proposals

The new cashable savings proposed for 2007/8 are:

- Review the way we use the Improvers budget. It is currently used for project mgt, change mgt as well as Improvers = £70K saving
- Bring Personnel and OD&L together into a single structure. They are currently sister services = £50K
- Review current vacancies (and management structure of OD) after the Council Reshaping = £160K
- Reduce training administration having rationalised social services training contracts = £10K

The new cashable savings proposed for 2008-2011 are:

- Reduce staff events from 2 to 1 per year = £25K
- Reduce frequency of staff survey from 18months to 2 years = £16K
- Review how we deliver HR process services. Look to work with others, for regional/national shared contracts, etc = £70K (to be scoped)
- Review HR advisory services as above look to work with others or develop regional contracts = £70K (to be scoped)

The Revenue investments that we seek in the period to 2011 are:

- 1 post to strengthen the corporate Project Management Office as this function grows = £50K
- Investment in proactive staff health & wellbeing to drive absence down from 10.4 days = £135K (a reduction of just 0.5 day = £275K saving)
- Investment in career coaching to widen redeployment opportunities. Last year we redeployed 16 people & avoided £140K of redundancy/pension cost = £12K
- Funding for the Staff Achievement award & lunch. Publicity used throughout year to motivate & recognise good performance. Also very useful for inspections = £20K

## **9 Consultation**

9.1 This is part of the consultation of the business and financial planning process.

## **10 Summary and conclusions**

10.1 The conclusions will be for the committee to decide before agreeing a report back to Executive as part of the budget process.

## **11 Comments of the Head of Legal Services**

- 11.1 These budget options are being considered as part of the consultation process that will lead to the statutory budget setting decision by the Council.

## **12 Equalities implications**

- 12.1 This is considered as part of the individual pre-business plan review documents.

## **13 Use of appendices**

- 13.1 Appendix 1 – The budget trail as reported to the Executive in July 2006 which sets out the overall position.

- 13.2 Appendix 2 – extracts from the pre-business plan review documents showing:

Pre agreed cashable efficiency savings (PBPR section 5.3)  
New proposed cashable efficiency savings (PBPR section 13)  
New revenue investment proposals (PBPR section 12);  
New capital investment proposals (PBPR section 11).  
Pre agreed investments (memorandum item PBPR section 5.5);  
Non General Fund proposals (if appropriate).

- 13.3 Appendix 3 – summary budget analysis document (2006/07 to 2009/10)

- 13.4 Pre-business plan review documents (circulated separately).



Executive Member For Organisational Development And Performance

Form Number	Portfolio	Directorate	Business Unit	Capital Project Title	Corporate Resources Funding Bid 2007/08 - 2010/11	Total Capital cost					Revenue Growth PBPR Table 12 2007/08 - 2010/11	Corporate Resources as a Contribution of Capital Cost %
						2007-08 £:000	2008-09 £:000	2009-10 £:000	2010-11 £:000	Total £:000		
044	Exec Member: Org Dev & Perf	Chief Executive's	Corporate IT	IT Capital Programme (eGovernment and Transformational Government Implementation of IP Telephony (IPT))	11,250	2,750	2,500	3,000	3,000	11,250		100%
045	Exec Member: Org Dev & Perf	Chief Executive's	Corporate IT		1,650	250	1,400	0	0	1,650		100%
			<b>Corporate IT Total</b>		12,900	3,000	3,900	3,000	3,000	12,900		
			<b>Grand Total £000</b>		12,900	3,000	3,900	3,000	3,000	12,900		0

PBPR Table	Saving / Growth	Portfolio	Directorate	Business Unit	Details of Efficiency/Proposed Investment/Proposed Efficiency Saving/ Investments	2007/08 over and above 2006/07 £'000	2008/09 over and above 2007/08 £'000	2009/10 over and above 2008/09 £'000	2010/11 over and above 2009/10 £'000	Cumulative	Dependencies/Impact
5.3	S	Exec Member: Org Dev & Perf	Chief Executive's (Access)	Corporate IT	Council wide change request reduction post refresh	50				50	Council wide target based on the benefits of the new corporate infrastructure. Achieved.
5.3	S	Exec Member: Org Dev & Perf	Chief Executive's (Access)	Corporate IT	Council wide Home computing initiative	15				15	Council wide saving. This scheme was abandoned due to changes by the Chancellor in the April '06 budget statement. Hence achieved Council wide through other efficiency savings.
13	S	Exec Member: Org Dev & Perf	Chief Executive's (Access)	Corporate IT	Review of support and development arrangements for core applications					250	Availability of IT resources and infrastructure capacity
13	S	Exec Member: Org Dev & Perf	Chief Executive's (Access)	Corporate IT	General efficiencies		166			166	
13	S	Exec Member: Org Dev & Perf	Chief Executive's (Access)	Corporate IT	Staff reduction post self service introduction		0	50		50	
13	S	Exec Member: Org Dev & Perf	Chief Executive's (Access)	Corporate IT	Application rationalisation		50			100	
				<b>Corporate IT Total</b>		<b>65</b>	<b>216</b>	<b>200</b>	<b>150</b>	<b>631</b>	
5.3	S	Exec Member: Org Dev & Perf	Chief Executive's (OD)	OD	In-house delivery of leadership programme by OD&L and planned completion of programme					17	Planned savings for 07/08 will need to be re-phased to 09/10 because of corporate decision to redesign programme and introduce project element. The funding for the programme will need to be re-profiled over a three year period.
13	S	Exec Member: Org Dev & Perf	Chief Executive's (OD)	OD	Reduce Change and Project Management budget or transfer retained staff to directorates	70				70	Service budget picks up post & assimilates into structure
13	S	Exec Member: Org Dev & Perf	Chief Executive's (OD)	OD	Restructure Personnel & OD&L	50				50	more posts are affected as reorg will deliver efficiency by changing service delivery model
13	S	Exec Member: Org Dev & Perf	Chief Executive's (OD)	OD	Do not fill vacancies in equalities, OD, & Personnel	160				160	dependent upon corporate reorg
13	S	Exec Member: Org Dev & Perf	Chief Executive's (OD)	OD	Deletion of 50% of a support post from rationalisation of contracts for social services training	10				10	Re allocation of work within the team
13	S	Exec Member: Org Dev & Perf	Chief Executive's (OD)	OD	Reduce staff events to 1 per year			25		25	Fewer opportunities for council leadership to speak directly to large groups of staff; risk to lip / CPA rating etc.
13	S	Exec Member: Org Dev & Perf	Chief Executive's (OD)	OD	Reduce staff survey frequency to once every 2 years			16		16	Poorer picture / understanding of staff attitudes and use of management tools & frameworks
13	S	Exec Member: Org Dev & Perf	Chief Executive's (OD)	OD	Review model of service delivery for all transactional HR services				70	70	Work to be scoped. Estimate 10/11 saving will deliver minimum £70K
13	S	Exec Member: Org Dev & Perf	Chief Executive's (OD)	OD	Review service model for advisory & developmental delivery – work in partnership with others				70	70	Work to be scoped. Estimate 10/11 saving will deliver minimum £70K
				<b>OD Total</b>		<b>290</b>	<b>17</b>	<b>41</b>	<b>140</b>	<b>488</b>	
13	S	Exec Member: Org Dev & Perf	Legal	Legal	Registrars – potential new income stream from naming and renewal of vows ceremonies	3	3	3	3	12	
				<b>Legal Total</b>		<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>12</b>	
				<b>S Total</b>		<b>358</b>	<b>236</b>	<b>244</b>	<b>293</b>	<b>1,131</b>	

Key:  
 5.3 - Pre-Agreed Savings  
 13 - New Proposed Savings  
 12 - New Proposed Growth

PBPR Table	Saving / Growth	Portfolio	Directorate	Business Unit	Details of Efficiency/Proposed Investment/Proposed Efficiency Saving/ Investments	2007/08 over and above 2006/07 £'000	2008/09 over and above 2007/08 £'000	2009/10 over and above 2008/09 £'000	2010/11 over and above 2009/10 £'000	Cumulative	Dependencies/Impact
12	G	Exec Member: Org Dev & Perf	Chief Executive's (OD)	OD	1 x additional programme support officer	50				50	This additional post is essential to strengthen the corporate programme office and to ensure that the Council fully implements the Audit Commission Action Plan recommendations in relation to project management
12	G	Exec Member: Org Dev & Perf	Chief Executive's (OD)	OD	staff wellbeing.	135				135	Plan to support staff wellbeing project with increased ophu time for proactive health promotion. Options = bring doctor in house to secure current improvements, add nurse time for more proactive activities.
12	G	Exec Member: Org Dev & Perf	Chief Executive's (OD)	OD	Career coaching for redeployment and development	12				12	Redeployment is more effective due to investment in redeployment liaison officer. It remains limited to search against current role. Career coaching would broaden the potential = greater numbers redeployed. In 05/06 26% of redeployment pool successfully redeployed. In 05/06 26% of redeployment pool successfully redeployed. Also could be used for development. Costs = investment in our staff as coaches.
12	G	Exec Member: Org Dev & Perf	Chief Executive's (OD)	OD	Achievement Lunch and Xtra mile scheme	20				20	Scheme is currently unfunded and costs are met from under spends in the OD and L budget which will be unsustainable in future years.. Plus to cover the cost of inland revenue regulations
<b>G Total</b>						<b>217</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>217</b>	
<b>OD Total</b>						<b>217</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>217</b>	