

Agenda Item No: 9
Report To: Executive
Date: 4 February 2010
Report Title: A 5 Year Business Plan for Ashford Borough Council
Report Author: John Bunnett, Chief Executive



Summary:	That a 5 Year Business Plan for Ashford Borough Council be developed to address a funding gap from an inevitable reduction in central government funding, re-orientate Ashford Borough Council around a new set of priorities and test delivery model for each Ashford Borough Council Service.
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Key Decision: YES

Affected Wards: ALL

Recommendations: **The Executive is asked to :**

1. Task the Chief Executive, Management Team and staff with producing a 5 year business plan in accordance with the approach and timetable set out herein.

Policy Overview: Adopt recommended approach

Financial Implications: No direct implications currently

Risk Assessment N/A

Equalities Impact Assessment N/A

Other Material Implications: None

Exemption Clauses:

Background Papers: None

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Introduction

1. Ashford Borough Council is a 'Good Council' which, since its CPA assessment in 2004 has maintained a solid rate of progress and achievement for an authority of its size and capacity. Ashford Borough Council is well-regarded for its innovation, its project achievements and value for money services. Ashford is also an efficient Council, ranked 12th highest of district councils in England for accumulated efficiency savings. Ashford Borough Council is a strong partnership player with many examples of collaborative working in place to deliver a large range of corporate and service objectives.
 - Residents of Ashford continue to benefit from the lowest Council Tax in Kent, and one of the lowest in the Country.
 - Within the past 2 years we have secured over £300million of external funding for infrastructure and facilities to benefit the whole community.
 - Our services, as measured by national Government performance indicators have been assessed as showing year on year improvement.
 - We have delivered the most efficiency savings of all districts in Kent.
 - We have achieved two 'Beacon' awards and many other national awards and commendations for services we provide to the community.
2. Ashford is geographically the largest Borough in Kent yet we have the smallest management team and a flat structure. Ashford has a management team comprising a Chief Executive and seven Senior Managers. Across Kent Management teams have as many as nineteen senior managers and an average of twelve. Moreover, Ashford has one less tier of management than the vast majority of District Councils. I therefore do not consider that we have a top heavy structure especially when compared to other District's, which in many cases do not have a housing stock to manage, nor the additional complexity and pressures of being a growth area.
3. It is also clear from our work on shared services that our staffing levels are generally below those of our neighbours. We spend less on housing management than any East Kent district yet have a higher performing service. Our shared services work with the Mid Kent Councils has, across the seven services reviewed so far, consistently shown that Ashford's unit costs are lower. Productivity levels also compare favourably across most services. For example, our planning service handles one of the highest caseloads per member of staff, as does our legal service (both services dealing with relatively more complex issues as a consequence the growth focus), and our IT service is one of the smallest in Kent, but is also well-regarded and innovative.

4. This tells me that we have a lean management team, high performing staff and a very efficient organisation. It is no surprise then that Ashford Borough Council is one of the most efficient District councils in the country. I am therefore not proposing any radical restructure or change to the Council's senior management structure as part of this paper at this time. I may however revisit structures once the process recommended further on in this paper has been concluded should it be necessary at that time.

What is the Outlook for Ashford?

5. Having said all this, we cannot escape the looming public spending cuts. They will impact upon us whether we like it or not. It is beyond doubt that the public sector is facing a period of restraint that will last for several years – possibly as long as a decade. The government's own figures show that from 2011 onwards we will face one of the tightest squeezes on public spending in the post-war era.
6. Ashford Borough Council must take action now, to plan and implement the measures that are required to achieve a sound financial position, to reduce costs and improve productivity while maintaining as far as possible service quality. This will require us to face up to tough choices and to make difficult decisions. If we do not, the consequences in the medium term will be even more severe, involving deep and arbitrary cuts in essential services.
7. The Institute of Fiscal Studies has undertaken a thorough analysis of the 2009 budget and has concluded that Government Departmental Expenditure Limits are likely to fall, on average, by 2.3% a year in real terms between 2011 and 2014. It is unlikely that the cuts will be spread evenly: health and education will probably be shielded to some degree. It is therefore reasonable to assume that other areas – including local government - could face year-on-year cuts of 5% or more. These will be cumulative reductions, so the decrease over the three years of the 2010 Spending Review period could be in the order of 15% in real terms. Even that may prove to be an optimistic assessment, if the economy takes longer to recover than the Treasury has forecast.
8. There is considerable uncertainty about what will happen after 2014, but it would be prudent to assume that public expenditure will be flat, or grow very little in real terms, in the period 2014 to 2018. It seems most unlikely that we will see a rapid return to the substantial year-on-year increases that the public sector has enjoyed in the last decade.
9. Moreover, many members of the public are being hit hard by the recession, and there is an increasing expectation that public expenditure will be brought under control, both to restore equity between public and private sector employees and to avoid tax increases that would slow the economic recovery and hit ordinary people and their families.
10. Another element of the challenge facing the public sector is that any new government, of whatever political complexion, will come to power with a commitment to implement new policies. Investment will be needed in the NHS and perhaps in education. New initiatives in areas such as these will increase the strain on the public purse and have a knock on effect for our funding.

11. On the other hand, the public sector has the advantage of advance warning. Whereas the recession took most business by surprise, we have time to plan and prepare for a crisis we know is coming. The full force of the recession will not hit the public sector for at least another 12 months. It is vital that the available time is used well, to draw up and to start implementing a comprehensive programme of activity.
12. It is already clear that the savings that will be required, and the changes that will be needed, cannot be delivered through efficiency measures of the kind advocated by the Gershon Review or the Operational Efficiency Programme which reported in April 2009. There is a need for much more radical and far-reaching action.
13. Our medium term financial plan is based upon assumptions, similar to those being adopted across the public sector, that we face a real terms funding deficit of around £3m over the next three years.
14. We must face up to this now and put in place a plan to deliver long term financial stability. We can no longer continue with the annual round of budget cuts to get us through another year and spend the subsequent twelve months trying to address the potential overspend that opens up every month having set the budget. I am therefore proposing a 3 stage approach to address this gap but more than that to align Council spending with its priorities and to determine the most effective way to deliver those priority services.
15. The idea is to produce a five year business plan that brings together our priorities and spending in a way of which we have not done before and provides stability for a sustained period. This stability would, I'm sure, be welcomed by Members, staff and local people alike.

A 5 Year Business Plan

I propose that we develop a 5 Year Business Plan to be implemented in 3 stages as set out below:

16. **Stage 1** is a determined programme of cost-cutting and is summarised and set out below. The aim is to identify costs that do not contribute to the delivery of front-line services and to create the headroom that is needed for the implementation of stages 2 and 3, which will take longer to deliver results. The same headroom will support funding the policy initiatives to which a new government will be committed after the next general election and our revised set of priorities once these have been developed. The target should be to reduce the cost base by 15% within a period of 12 months.
17. **Stage 2** is an exercise in determining the relative priority of different policies and programmes with a view to scaling back or eliminating altogether those activities that are judged to be unaffordable and/or of low priority. This should run in parallel with stage 1, but I have assumed that it will take 12-18 months before substantial benefits are obtained.
18. **Stage 3** is a detailed appraisal to establish the best way to deliver each of our services. Again, this should run in parallel with other stages, but fundamental changes of the kind I envisage take time to design and implement, and it would be unrealistic to assume that the benefits can be realised in less than 2 years.

Stage 1: A Determined Programme of Cost Cutting

19. The current approach to improve efficiency in the public sector is too narrow and insufficiently far reaching to deliver the savings that will be required over the next Spending Review period. Efficiency programmes typically rely on changes such as better procurement of goods and services, consolidation of back-office functions into shared service centres and the transfer of resources from the back office to the front line. At best they deliver relatively modest savings in the short term.
20. The proposed approach is based not on recent local government efficiency programmes but on a private sector downsizing approach. No area of expenditure is off limits. The objective is to take the radical steps that are necessary to buy time, so that we can make the further changes that are required to return the organisation to long-term stability.
21. Every area of council business will therefore be tasked with identifying how it can reduce its costs by 15%.
22. In addition to this we will develop a range of corporate policies and initiatives to drive efficiency. Greater home working, the use of hot desking to reduce the cost of accommodating staff. Review Council-wide the provision of admin support, smarter use of technology and the capability we already have. More part-time posts, matching demand for Council services with levels of delivery and other such initiatives. We will also consider charging for services in addition to those covered by Council tax, as a means by which to generate additional revenue streams – but crucially - only in areas where there is real demand.
23. Other target areas will include the sale of assets whose value is not being properly exploited and the renegotiation of contracts with suppliers of goods and services. Commercial management and asset management within the public sector is still relatively weak, compared with the private sector.
24. I am very keen that this is not just a management imposed approach. I will personally encourage all staff across the council to help with this work and will ensure that managers consider proposals from staff fully and properly. This will need everyone's help and is not just a problem for managers. Staff in my experience know the most about their service and often have the best ideas to improve the service or to make it more efficient.

Stage 2: A Fundamental Reassessment of Priorities

25. The public sector needs to consider seriously where it is spending its money and make difficult choices about priorities. There is widespread acceptance within the public sector and in the country at large, that we can no longer afford all the policies and programmes that have been introduced over the last 10 years. We will have to make choices between the services we value most highly and those we can no longer afford to provide.
26. Ultimately such choices are for Members to make, rather than managers, but managers can and should inform the decisions by undertaking a sound analysis of costs and benefits. Many parts of the public sector are weak in

this area, the traditional public sector approach to financial management focuses on allocating resources, ensuring costs are correctly coded and making sure that budgets are neither overspent nor under-spent. What we need is real understanding of the relationship between cost and performance.

27. In short, we are trying to do too much and trying to deliver excellent services across the board whether those services are a priority or not. This is best illustrated in our corporate plan and service plans. They suggest that we can deliver an excellent level of service across all service areas with continued year on year improvements, at the same time reducing costs and maintaining one of the lowest levels of Council tax in Kent. They suggest we will take a leading role on tackling antisocial behaviour, work closely with young people to deliver the services that they would wish to see, strengthen and support health, education and social services. At the same time of course we will improve our environment, lead in the provision of youth services Ashford, deliver 30,000 new homes and create jobs and attract new business for the area. These plans cover virtually every area of council business.
28. Moreover, when we look at what local people tell us are priorities for them, there is little correlation between local people's priorities and what the Council spends.
29. For example, activities for teenagers were rated as the one issue that needs most improvement and was considered to be the second most significant problem in the borough. Yet even taking into account a large proportion of our sports and leisure budget we are still only devoting a minute proportion of our budget to this issue. Clean streets are in the top three most important areas for local people yet we spend the lowest amount in Kent and have the lowest level of recycling of any district in Kent.
30. We must listen to what people are telling us; prioritise the services that are most important to them and spend more of the Council's money in these areas. More importantly, perhaps, we must accept lower levels of service and performance in non-priority areas and in some cases stop delivering services that we can no longer afford.
31. Finally we have little understanding of the relationship between spend and performance and spend and public satisfaction. There is no point in spending more money in some areas where people tell us they are already satisfied. We need to take the time to understand the relationship between local people's priorities, spend and performance and to re-orientate Ashford Borough Council to deliver this balance.
32. My proposal is to develop a business plan for the Council that sets out an affordable set of priorities. This will identify those areas such as health, education and community safety that will be delivered through the Ashford Partnership (which will in turn carry out a similar review) where Ashford Borough Council will play a facilitation and largely a supporting role. It will recognise the Core Strategy and how important this is in delivering and managing Ashford's growth.
33. But most importantly this single plan will bring together Ashford Borough Council priorities and spending such that we are spending council money according to our priorities.

34. It follows therefore that we must be very clear about Council priorities and non-priorities. To do this we need to be clear about the views of local people as to how they would like to see Ashford Borough Council prioritise its spending and on which services. Whilst there is a large amount of information relating to satisfaction with Ashford Borough Council and other public services in Ashford, not since 2006 has the Council comprehensively surveyed which services are the most important for local people. Even then we did not differentiate Ashford Borough Council services from other public service providers.
35. We must specifically ask Ashford Borough Council residents which services they would like us to prioritise, to inform a Member led debate about priorities and spending. The outcome of this would form the basis of the business plan and budgeting for the next five years.
36. The public consultation will initially take the form of a questionnaire in Ashford Voice but will be much wider and richer than previously. There will be an online questionnaire, a questionnaire in the Kentish Express, exhibitions in County Square, stands in supermarkets in Ashford and Tenterden. Sessions with the Parish Forum, housing tenants, youth groups, community forums, businesses and the LSP. There will be a parallel process with staff.
37. Once this information has been gathered sessions with members will be run using the information as a basis for a debate. The purpose of the debate will be to establish priorities for the next 5 years and to agree levels of spending on a service by service basis.

Stage 3: An Appraisal of the Most Effective Way to Deliver our Services

38. Having developed the business plan and the priorities therein we will turn to the delivery model. As part of the work to reduce the cost of services by 15%, managers and importantly all staff will be tasked with establishing the most effective way of delivering the services in-house.
39. This will be the base case against which alternatives will be measured.
40. Having established the base we will then test each service against an outsourced private sector alternative to determine whether it could be delivered more efficiently in this way.
41. In addition, we will also consider whether the service could be managed more efficiently through a shared operation. We will examine opportunities for sharing with other councils, districts and KCC and with other public sector partners, police, PCT etc.
42. Having concluded all of this, we can then look again at the management structure of the organisation to see whether there are more efficiencies to be had by combining services in a different way. As part of this we would consider shared management with other local authorities.
43. This approach must be based upon a series of objective business cases that fairly judge the benefits of continuing to provide the service in house versus the two alternatives. The business cases will take full account of the benefits and of the options, as well as identify any potential additional savings. The

emphasis will be on what is right for local people and will not be driven by any philosophical position or dogma.

44. It is important to acknowledge that it can take time to extricate ourselves from some existing expenditure commitments. Staff will need to be redeployed, redundancies will be unavoidable, buildings and other assets may need to be re-allocated or sold. The fact that the payback may not be immediate is not a reason to avoid the tough measures that will be necessary. It does, however, reinforce the need for an initial cost-cutting phase to buy time until the benefits of any new arrangements feed through.

Planning to Produce the Business Plan

45. To produce a comprehensive 5 year business plan will take nine to twelve months. I am confident that we will come in broadly on budget in 2009/10 and have a sound budget for 2010/11 thus allowing time to prepare the plan and to be prepared to implement it from April 2011.
46. The timing of the phases for the development of the plan will be as follows:
- proposals to reduce costs by 15% - February to October 2010
 - consultation with local people, staff and Management - February – end March 2010
 - development of priorities with members - April 2010 – end June 2010
 - preparation of revised budgets and testing of models - July 2010 – October 2010
 - Take business plan through Council processes - November 2010 – February 2011
 - April 2011 implementation of the business plan begins

We will of course seek to accelerate this programme where possible. However, it is more important to get the plan right before we move to implementation.

47. During this period two significant events will occur.
48. The election of a new leader of Ashford Borough Council and a general election. Clearly these events may have a significant effect on Council's priorities and spend. The programme has therefore been designed such that information gathering only will take place before the election of a new Leader and the appointment of a new Executive. Development of priorities will not take place until the new leadership is in place and is therefore programmed for April 2010 onwards. The result of a general election will be known by June with a budget statement probably by September 2010. The programme allows for any issues arising out of the budget to be taken account of prior to November 2011.

Conclusion

49. It is clear that we now face a prolonged period of cuts in public spending. The impact on Ashford Borough Council is not yet clear but we must face up to the inevitable consequences of cuts in our funding.

50. Ashford Borough Council has the crucial advantage of time to prepare carefully and thoroughly for what lies ahead. It is essential that we take advantage of that time to plan fully for the next 5 years.
51. In this proposal I have argued for the production of a 5 year business plan based upon a three-stage programme of activity, starting with a determined and short-term review of costs, in order to buy time for the more fundamental changes that must follow. We need fundamental realignment of Council spend to a set of new and properly developed Council priorities and an acceptance of reduced levels of service in non priority service areas. To ensure that having developed those priorities and slimmed the services down to optimal efficiency we will then consider whether alternative service delivery models such as shared services or outsourcing offer any additional benefits.
52. The cost of doing the right thing will inevitably be high. It will not be possible to avoid some job losses and many of those who have benefited from the public expenditure boom (including some of our private and voluntary sector partners) will find that they must share this pain with us
53. It is clear that a planned approach is highly preferable to the alternative, which is to drift unprepared into a public sector recession that is fast approaching. Having lost the opportunity to plan ahead, we will be faced with the necessity of deep, inefficient and arbitrary cuts. That is not an option that Ashford Borough Council should be willing to contemplate.

Portfolio Holder's Views

54. The Leader of the Council fully endorses the proposed approach. "We must build on our success but recognise the need to respond to the changing position on Central Government funding. Difficult decisions will be needed but I am confident that we will rise to the challenge".

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