

REPORT FOR DECISION



DECISION OF:	Cabinet
DATE:	20th February 2019
SUBJECT:	Operations Directorate Budget 2019/20
REPORT FROM:	Councillor Alan Quinn, Portfolio Holder for Environment
CONTACT OFFICER:	Dave Brown, Interim Director of Operations
TYPE OF DECISION:	CABINET
FREEDOM OF INFORMATION/STATUS:	This paper is within the public domain.
SUMMARY:	<p>This report forms part of a suite of reports to support the Council in setting a budget for 2019/20.</p> <p>The report explains the progress made by the Operations Directorate in deliver its budget savings for 2017/18 and 2018/19 – the first 2 years of the Council’s current 3 year budget.</p> <p>The report also sets out the proposals for savings for 2019/20 – the final year of the 3 year budget.</p> <p>These changes are included in the overall budget report which appears elsewhere on this agenda.</p>
OPTIONS & RECOMMENDED OPTION	That the proposals for changes to the Operations Directorate budget for 2019/20 be approved and recommended to Council as part of the overall Corporate Budget.
IMPLICATIONS:	
Corporate Aims/Policy Framework:	Do the proposals accord with the Policy Framework? Yes
Statement by the S151 Officer: Financial Implications and Risk Considerations:	<p>The proposed savings represent the final year (2019/20) of the 3 year budget programme.</p> <p>Delivery is essential to ensure a balanced budget position for the Council</p>

Health and Safety	Proposals will be implemented in line with Health & Safety guidance
Statement by Executive Director of Resources:	Proposals with staffing implications will be implemented in accordance with the relevant consultation / HR policies.
Equality/Diversity implications:	In respect of the Council's equalities duties, these apply to consideration of the allocation of budget and service planning. In respect of individual decisions, the overall budget is only at a formative stage. Once full and final decisions are taken, the Council will comply with its full duties via the completion and consideration of the appropriate analyses, including consideration of mitigating steps and alternatives.
Considered by Monitoring Officer:	<p>In summary, the Council is required to set a council tax and balanced budget on recommendations from Cabinet. The Cabinet have full authority to implement the budget within the budget framework set by Council and have wide discretion in doing so. Whilst the overall budget sets individual budgets and plans for service areas, these are formative at this stage. Any full and final decisions will be made by the Cabinet or officers under delegated powers during the forthcoming year, at which point full and separate consideration to the Council's duties, including but not limited to, equalities and public consultation, will be considered and finalised.</p> <p>In setting the proposed budget and considering proposals for savings, due regard has to be given to relevant considerations including equality, human rights, proportionality, reasonableness, the need to deliver statutory obligations, legitimate expectation and the Council's priorities.</p> <p>The Cabinet will also have to have due regard to the potential for any cumulative impact on some groups from separate work streams arising from the budget. Sufficient flexibility and delegation will be built into each programme that arises from this budget, to ensure that any consultation exercise and detailed equality impact that identifies a need to make adjustments can</p>

	be implemented
Wards Affected:	All
Scrutiny Interest:	Overview & Scrutiny

TRACKING/PROCESS

DIRECTOR: Dave Brown

Chief Executive/ Strategic Leadership Team	Cabinet Member/Chair	Ward Members	Partners
	20/2/19		
Scrutiny Committee	Committee	Council	

1.0 BACKGROUND

- 1.1 The Council's budget for 2017-20 includes proposals for budget reduction for the Operations Directorate. When the budget was set the services that now form the Operations Directorate were part of other Directorates. Highways, street lighting, waste, grounds maintenance and transport were part of Communities and Wellbeing Directorate. Engineering services (which includes parking) was part of Resources and Regulation Directorate.
- 1.2 This report explains progress in delivering those savings and sets out proposals for the final year of the 3 year budget.
- 1.3 The budget changes are designed to support or have the least negative impact on the Directorate delivering the Council's objectives.
- 1.4 This report should be read alongside the other four Directorate report and the overall corporate budget report.

2.0 THE OPERATIONS DIRECTORATE

- 2.1 The Operations Directorate delivers some of the Council's most visible services including maintenance of 625km of highway, waste collection from over 80,000 properties, street cleaning and grass cutting.
- 2.2 These service are vital to the economic, social and environmental well-being of Bury. They ensure access to employment, education and essential services, as well as contributing to Bury's local character and our resident's quality of life.
- 2.3 The current budget for the Directorate is outlined below:

Operations	2018/19 Budget £'000
Staffing	8,556
Other	15,595
Gross Expenditure	24,151
Income	(13,684)
Net Expenditure	10,467

- 2.4 The Directorate employs 284 full time equivalent (FTE) staff. The majority of service are provided in-house. External contractors are used to deliver large or specialist projects, structural surveys, parking enforcement and drainage work. Contracts are also used to cover peak workloads in any service where it would be uneconomical to directly employ staff.

3.0 CONTRIBUTION TO COUNCIL PRIORITIES

- 3.1 Health and wellbeing is enhanced through the maintenance of an attractive public realm, which encourage active travel and physical activity.
- 3.2 A modern economy would be unable to function without highway and transport infrastructure. Maintaining a clean, safe and accessible public realm is vital to attracting investment, new jobs and retaining Bury's position as a retail, leisure and tourism destination.
- 3.3 Housing development is required to support growth in the Bury and Greater Manchester economy. The identification and delivery of appropriate measures to mitigate the impact of additional traffic will help to ensure that this growth is sustainable.

4.0 THREE YEAR BUDGET 2017-20

- 4.1 The 3 year budget includes £3,635k of savings for the services which are now in the Operations Directorate. These saving were originally split between the Communities and Wellbeing Directorate (£2,785k) and the Resources and Regulations Directorate (£850k), as summarised below.

Description	Target (£'000)
Highways (1)	1,145
Parks and countryside	310
Waste management	1,030
Transport	300
Car parks	300
Highways (2)	300
Depot functions	200
Staff parking	50
TOTAL	3,635

- 4.2 The majority of these saving (£2,305k) will be delivered by the end of the 3 year budget period. £1,705k was saved in 2017/18 and 18/19. A further £600k of savings relating to highways will be delivered in 2019/20.

- 4.3 The Highways service has 2 savings targets (£1,145k and £300k), which total £1,445k. These related to the same proposal, but reflected that the service was previously spilt across 2 Directorates as described in section 1.1. The description of this proposal was as follows:
- Obtain best value through a balance of internal delivery and external contractors.
 - Investment in low energy lighting.
 - New equipment for highway repairs to reduce the maintenance backlog and reduce highway insurance and claim costs.
 - Maximise the use of £10m capital in line with the highway asset management plan.
- 4.4 Implementation of these measures has saved £845k to date. The remaining £600k will be saved in 2019/20 by maximising the using of capital to fund all allowable highway maintenance activity, some of which has previously be funded from revenue budgets.
- 4.5 In addition to the Department for Transport's (DfT's) annual capital maintenance grant of £1.2M the Council approved an additional capital programme of £10M over the 3 year period. Around half of this additional investment has been delivered to date with around 11km of carriageway reconstructed. The programme is expected to be completed by April 2019. A further DfT grant of £0.9M was received in December 2018 for pothole repairs.
- 4.6 The Parks and Countryside service has a savings target of £310k. This has been achieved through differential mowing regimes, allowing selected sites to return to nature, reducing tree maintenance and maximising the use of Section 106 funding to maintain play equipment and other parks facilities.
- 4.7 The Waste and Street Cleaning Service has a savings target of £1,030k, which was originally planned for delivery in 2017/18 (£330k) and 2018/19 (£700k). The description of this savings proposal was as follows:
- Develop a commercially focussed operational service, including benchmarking to assess value for money in respect of in house delivery.
 - Options appraisal to be undertaken to assess future service delivery model, including assessment of external provider delivery.
- 4.8 The scope of the work required to deliver these savings was not achievable within the original timescale. The work required to develop and assess the alternative delivery models and implement the preferred option will be completed during 2019/20 with savings delivered in 2020/21.
- 4.9 The £300k savings target for the Transport service has been delivered by extending the life of vehicles in the Council's fleet rather than replacing them.
- 4.10 The parking service has a savings target of £300k. The plan was to bring the enforcement contract back in house, and create generic inspector roles. Analysis shows that the additional staff costs of bringing the service in-house would be around 30% and the potential savings from generic inspector roles are limited. An alternative approach to this saving is described in section 5.11.
- 4.11 £200k of savings have been made by reducing staff number through the alignment of depot and engineering functions.

4.12 £50k of savings have been made through changes to the staff parking scheme.

4.13 The current position in respect of delivery is as follows:

Operations	£'000
Original Target	3,635
Delivered – Years 1 & 2	(1,505)
To be delivered – Year 3	(800)
Slippage - Years 1 & 2	1,130
Slippage – Year 3	200
Pressures	506
Support required through 19/20 Budget	1,836

5.0 BUDGET PROPOSALS 2019/20

5.1 Of the £3,635k savings identified in the 3 year budget, £2,305k are forecast to be delivered, with £1,330k delayed until 2020/21. Of the £800k savings to be delivered in 2019/20, £600k related to highways and £200k relates to parking (shown as slippage in the table above). In addition, income targets need to be reduced by £506k, in line with realistic projections based on historic demand.

5.2 Waste and Cleansing

5.3 Alternative methods of delivering the waste and cleansing service will be evaluated. A project initiation document with a detailed delivery programme has been developed and a project board has been established to oversee the process. The following options will be evaluated:

- An optimised in-house operation
- Shared service/joint venture
- Outsourcing

5.4 The option of a local authority trading company has already been considered and dismissed. It would offer few advantages compared to the other delivery models and would involve significant expense to fully develop as an option.

5.5 In addition to cost, the evaluation will take account of quality issues such as health and safety, environment and sustainability, customer service, innovation and social impact. Staff workshops will be used to develop the in-house option. These will be facilitated by a third party and will take place early in 2019.

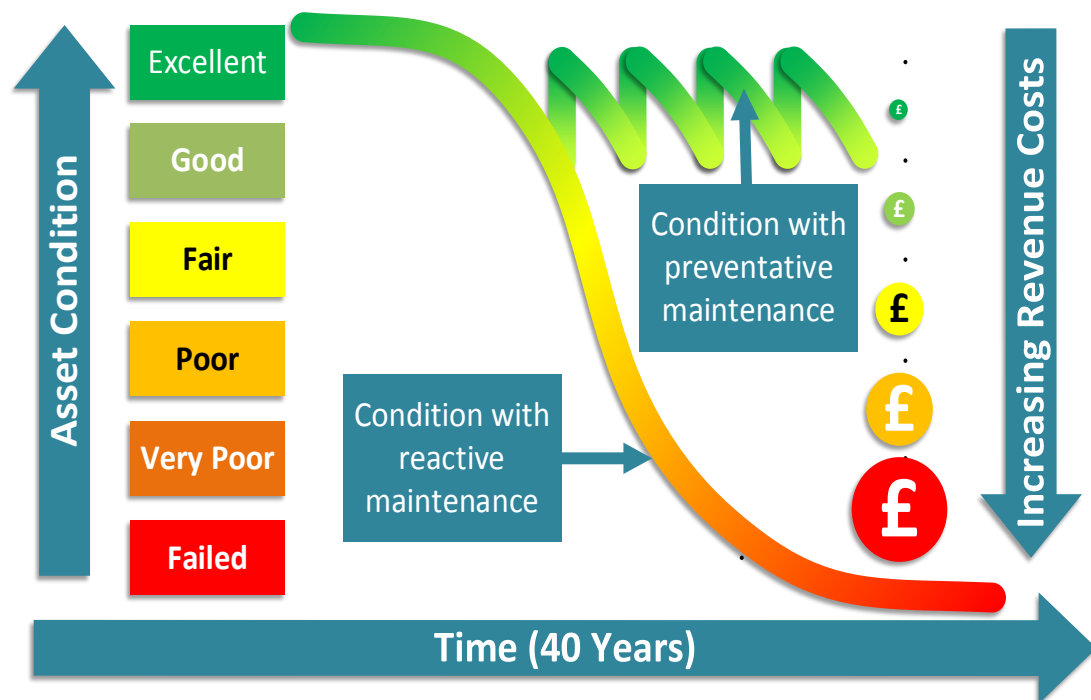
5.6 Highways

5.7 A further £600k saving will be made in 2019/20 by maximising the use of capital for highway maintenance. The Council has invested in a spray injection patching machine which is significantly increasing productivity. A performance framework has been established to monitor potholes and insurance claims and a new asset management system (Alloy) is being implemented in 2019. This will provide an online tool for residents to report potholes and other defects.

5.8 Although capital investment will allow the 2017-20 savings targets to be achieved, this has provided only a partial solution to reducing ongoing revenue

costs. The long-term solution will require the adoption of asset management principles to minimise whole life costs.

- 5.9 A plan is in place to implement asset management best practice and achieve Department for Transport (DfT) 'Band 3' status by Dec 2019. This will maximise DfT capital maintenance grants and will include a service review to provide assurance with regard to commissioning.
- 5.10 The Council's Capital Strategy outlines that capital investment is required to avoid future pressures (note that £903k of new capital grant funding was provided by DfT in December 2018). The proposed investment will be split between structural maintenance (e.g. reconstruction), preventative maintenance (e.g. surfacing dressing), reactive maintenance (e.g. pothole repairs) and street lighting. This will be key to minimising costs and making savings over the long term, as shown indicatively in the diagram below:



5.11 **Parking**

- 5.12 The parking contract will be retendered with an optimised enforcement specification which could significantly reduce costs. The specification can have options to include other services (e.g. litter enforcement). The current contract ends in autumn 2019 and the retender process has commenced. The capital investment to reduce enforcement costs (e.g. barrier to allow pay on exit) will be evaluated as part of the retender process.

5.13 **Implications for 2020/21**

- 5.14 £1,330 of delayed savings are forecast to be achieved in 2020/21. Any revisions to income targets will relate to increased charges or increased service demand. The pressures of £506k will be addressed by a new set of savings proposals that will be developed during 2019/20.

5.15 **Workforce implications**

- 5.16 Staff engagement will be required throughout the waste project. The redesign of the in-house service will be carried out in consultation with the operatives

and take account of their views with regard to the redesign of rounds and other working practices.

- 5.17 Should any staff be transferred as a result of a shared service or external contract, terms and conditions would be protected under the Transfer of Undertakings (Protection of Employment) regulations (TUPE). Consultation would be carried out with all affected unions and employees.

5.18 Investments

- 5.19 The support of suitably qualified and experienced consultancy will be required for the waste project. This is likely to cost in the region of £100k. Quotations will be obtained in line with contract procedure rules and, if approved, will be funded from the waste levy smoothing reserve.

- 5.20 Further capital investment is required to deliver the required highway savings (note that £903k of new capital grant funding was provided by DfT in December 2018). A Phase 2 capital investment business case is being developed for Cabinet consideration.

6.0 CONCLUSION

- 6.1 This budget report presents an outline of how the Operations Directorate has delivered the savings targets for 2017-20, the actions required to address the remaining savings and pressures relating to income.

- 6.2 The Council is asked to approve the approach outlined in the report. This will require an investment in service transformation and a new approach to highway asset management. If approved in principle, a further report will be prepared detailing the business case for a 2nd phase of highway capital investment.

List of Background Papers:-

Contact Details:-

Dave Brown - Interim Director (Operations)