

Vale of Glamorgan Council Reshaping Services Programme

Voluntary Sector Joint Liaison Committee
23 September 2014



Reshaping Services

- A Corporate Change Programme to respond to medium term financial pressures
- £32m over the next 3 years at a time of increasing demand
- Business as usual not an option

Reshaping Council Services: The Financial Context

Where we are

Significant Savings Delivered £21.4m

2010/11	£4.892m
2011/12	£8.140m
2012/13	£3.964m
2013/14	£4.408m

2014/15 £7.391m



The Medium Term

- ✓ Settlement reduction of up to 4.5% in cash terms
- ✓ Projected savings over 3 years = £32.4m
- ✓ **Additional £14.2m savings to be identified**

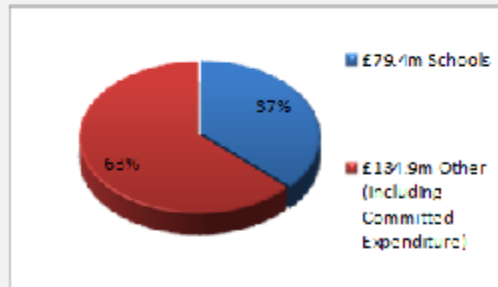
	Savings Req'd	Savings Id	Shortfall
15/16	£10.151m	£8.857m	£1.294m
16/17	£14.115m	£8.706m	£5.409m
17/18	£8.112m	£0.645m	£ 7.467m



£61m

saving required over 8 years
(excluding schools)

2014/15 Revenue Budget £214.31m

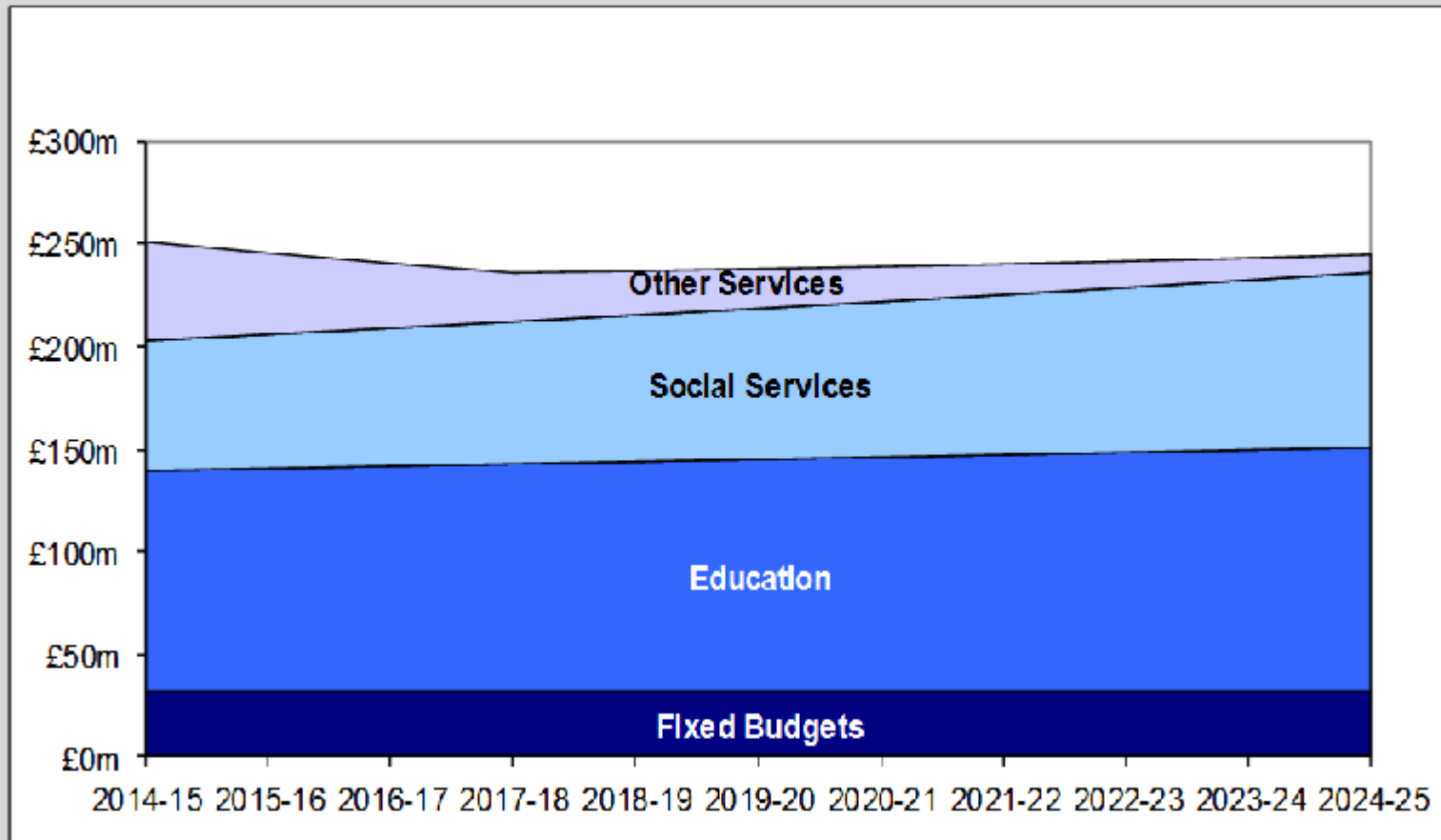


- ✓ Funding per head of population 20th out of 22 Welsh authorities in 2014/15
- ✓ Below Welsh average Council Tax (£1029.42 Band D)
- ✓ Increasing budgetary pressures due to rising demand e.g. Social Services

The Future

- ✓ Position likely to continue beyond 2017/18
- ✓ Current projections could be understated due to unknown cost pressures and future funding reductions
- ✓ Each 1% reduction leading to £1.5m less funding

Future Funding and Spending – for the average local authority in Wales (WLGA)



“Conventional” Options for Savings

- Efficiencies
- Effectiveness
- Income Generation
- Targeted Cuts and Decommissioning
- Changes in Policy

Alternative Delivery Models

- Consideration of more radical solutions:
 - Joint provision with other public sector bodies
 - Delivery by external partners
 - Council owned companies
 - Joint ventures
 - Trading companies
 - Employee/community owned companies
 - Co-production

Setting up Council-owned companies

- Splitting off a Council service from its parent and making it a separate, stand-alone company. In all cases staff to transfer to the new company.
- The main variants:
 - Joint Ventures
 - Local authority-owned companies
 - Employee/community owned companies
 - Privately-owned companies

Joint Ventures

The Council and a private sector company form a new jointly-owned company to sell and deliver the service. Used as a means of injecting significant funding to support rapid growth in the business – in return for an ownership stake.

Local Authority-Owned

Local Authority Trading Company (LATCO) – a company set up by a local authority with the express purpose of entering into contracts with the public or private sectors. Acts as an “incubator” – the business is run on commercial lines but under the protection of a local authority.

Employee/Community-Owned

Two types –

- Mutuals are legal entities owned by employees, and the profits are reinvested or distributed to employees
- Co-operatives are similar but are owned by the service's customers as well as the employees

These work best with clearly defined services that do not need additional capital. They can be profit-seeking or not for profit.

Privately Owned

Stand alone companies. Profits returned to the owners/shareholders.

Council Owned Companies

Pros

- Cost savings by introducing commercial discipline
- Able to invest
- Flexibility and adaptability
- Ability to trade commercially
- Council remains involved strategically (but not operationally)

For Mutuals/Co-operatives

- Greater employee motivation and satisfaction due to self-determination
- Lower absentee levels
- Greater community satisfaction
- Able to focus on citizen priorities
- Council on the board

Council Owned Companies

Cons

- Council loses operational control
- Possible lack of entrepreneurial enthusiasm in local authorities, as well as the skills needed to set up a business
- Impact on the pay, terms and conditions and pensions of staff
- Service fragmentation
- The lack of clear legislation, particularly for co-operatives and mutuals

Co-Production

“Seeing people and communities as assets and equals in the design and delivery of services. Services are built around the person and the community, creating opportunities to engage more actively in the community in which they live.

Co-production unlocks the potential resources of time, money and expertise to combine with and add to state funding so that state resources are used to enable and maximise citizen and community action, social capital and care”.

WCVA paper on 3rd sector organisation and public service delivery, July 2014