

CABINET

OPTIONS FOR SERVICE REDUCTION IN A RANGE OF DISCRETIONARY AREAS

21st January 2014

Report of Chief Officer (Regeneration and Planning)

PURPOSE OF REPORT			
To provide Cabinet with options for service reductions in discretionary areas to address the potential budget deficits for 2015/16. To enable Cabinet to give direction in advance of the need to remove posts and budgets and to enable any operational closure of service areas to take place before year end 2014/15 in preparation for the challenges of budget setting for 2015/16.			
Key Decision	X	Non-Key Decision	Referral from Cabinet Member
Date of notice of forthcoming key decision		18 th December 2013	
This report is public			

RECOMMENDATIONS OF COUNCILLORS EILEEN BLAMIRE, JANICE HANSON AND RON SANDS

- 1) That Cabinet considers the options available for reducing services and instructs officers to work up detailed proposals for any reduction/withdrawal to be implemented by year end 2014/15.
- 2) That the Chief Officer (Resources) be authorised to update the General Fund Revenue Budget to reflect the management changes set out in Appendix A, and should Members opt to implement some or all of the short term savings options identified within the report.

1.0 Introduction

1.1 On 5th November 2013, Cabinet agreed that the areas to be considered for reduction in the Regeneration and Planning Service are :-

- Strategic management of the visitor economy
- Commissioned activity supporting the visitor economy
- Provision of events
- Visitor Information Centres

- Council operated venues
 - Communications and marketing
- 1.2 A number of organisational changes are taking place which have enabled the re-alignment of visitor economy, arts and delivery of culture under an economic development banner, which will also source external regeneration funding for the authority. This follows the instructions in minute 55(2) from Cabinet on 5 November 2013 which instructed officers to position resources to maximise external investment opportunities through economic and housing regeneration. A description of how this is being effected is contained in **Appendix A**.
- 1.3 For the purposes of clarity, commissioned activity largely relates to financial contributions to arts organisations within the district.
- 1.4 Members should familiarise themselves with **Appendix B** to this report which sets out the full context of the business environment which has led to this report. All of the areas to be considered for reduction play a valuable role in the local economy and after relocation into the Regeneration and Planning Service are being fine tuned to the clear economic needs of the district. The Council, in the severe budgetary environment which has been created, has the option, however, to reduce or cease providing all or some of these discretionary activities and this report outlines options available to Members.

3.0 Options for Consideration

- 3.1 Strategic Management of the Visitor Economy - this could involve retreating to taking an economic development role. Making sure that economic and planning policy maintains the importance of the visitor economy in key documents and steers the delivery of direct marketing by others to deliver a consistent message. This is most likely to involve commissioning Visit Lancashire to provide a reduced level of marketing at district level. Staffing numbers could be reduced. There would be no production by the City Council of an annual tourism brochure. (**Appendix C**)
- 3.2 Commissioned Activity - the Council could reduce or discontinue making significant annual grants to arts organisations which subsidise their operations and enable them to make further bids to organisations such as the Arts Council. Based on 2014/15 draft estimates these grants total £191K, split as follows:-
- Ludus £22,500 (including £9,500 in lieu of rent)
 - Litfest £9,700
 - Morecambe Music Residency £10,800
 - Dukes £148,000 (including £12,500 in lieu of rent).

Members would have to take into account the probability that removing or even reducing funding would have other effects such as prejudicing Arts Council funding and could, in a number of cases, result in the close down of some of those arts organisations, but the Council might have to balance such

potential consequences against cuts to other services. It should also be noted that the County Council intends to reduce grants to arts organisations in the short/medium term, although it is not known by how much at this stage.

- 3.3 Provision of events - this proposal could reduce or phase out funding, organising and delivering events throughout the year (**Appendix D**). This would have to be phased through 2014/15 as there are important commitments to assist with the delivery of the Vintage by the Sea festival next summer and the second funded Light Up Lancaster event in November. Similarly, it is recommended that funding for the Bands in the Park series and More Music's Catch the Wind festival continue to be made available for 2014 but discussion be held with both bodies regarding funding thereafter. Full operational delivery could cease by December 2014. These latter events are mainly delivered by private sector organisations and the opportunity could still exist for the private sector to take over this area of activity. An alternative would be for the Council to continue, but not necessarily leading these activities. A reduced role within events safety co-ordination could maintain two major partnership events per year, but if the whole function were removed, the overall savings would be in the region of £90,100 based on 2014/15 draft estimates, accounting for direct staff costs and the core events budget; a reduced role would generate savings, but not to this level. A role in events safety co-ordination might still need to be identified somewhere in the organisation to facilitate private sector events. It should be noted that other staff outside of the core events team regularly support the creative and strategic development, resilience, planning and training for events as well as delivery for the bigger events, e.g. Fireworks. In 2013 the cost of this has been estimated at around £56,100 (including the equivalent of £9,500 for time off in lieu for delivery 'on the day'). Although not a direct saving to the council due to the percentage of time undertaken by any one individual being less than 50%, resources could be redirected to support other council priorities or further savings potentially achieved as part of other service reviews.
- 3.4 Visitor Information Centres - a two phased approach is possible. In 2014/15, the aim could be to make efficiency savings of around £24,000 by reducing opening hours for both Lancaster and Morecambe VIC's. In addition, in the interim it might be possible to rationalise space used by Lancaster VIC (LVIC), subject to being financially viable in terms of whether fits with the longer term options still to be explored and noting there is still a potential budget risk for the Council, which would have to be managed, i.e. re-letting space to an alternative tenant, albeit within a different service area. Beyond that, a wider range of options could be considered, with the potential to generate much further savings. The detailed options are included in **Appendix E** to this report. A more radical option, to discontinue the provision of Visitor Information Centres and leave this to the private sector, would save the Council £168,900 per annum based on 2014/15 draft estimates increasing to £216,600 once respective lettable space within the Storey and the Platform can be relet, noting that the Council is tied into a lease at the Platform until 30th November 2022 costing £25,700 per annum and should at least be considered.
- 3.5 The Platform - The Platform costs the Council money to run and is significantly under used as a building. Tied with the opportunity to withdraw

from Morecambe Town Hall as the demand for office accommodation reduces in line with reduced staffing numbers, The Platform, as a Council run premises, could potentially become more efficiently used by filling vacant office space and amalgamating the VIC and Customer Service facilities. Whilst the programme of performances generates valuable income for the Council, the operational costs of staging them, including staffing costs, means that a running loss of around £91,600 per annum (£173,100 including internal recharges and notional capital charges) is expected based on 2014/15 draft estimates. The Council may need to carefully examine the affordability of providing this service in the future.

3.6 Communications and Marketing - the option is to reduce the level of activity to the minimum the Council needs to operate following the sort of reduction in services outlined above and to work with others on the Morecambe Bay and Historic Lancaster brands. The Council will continue to need an effective interface with the press and to undertake some level of marketing its own sports and leisure activities although, until reviews are completed, the actual level of activity is unclear. The removal of events and a lesser role in marketing the visitor economy, reduces the need to maintain capacity in this area throughout the year. Where one off specific activities emerge requiring marketing by the Council, the use of external marketing would need to be considered, costed and funded from savings arising above. A phased approach is suggested allowing for immediate savings in the region of £33,800 per annum from 1st April 2014 (**Appendix F**) and allows time for a base line level of marketing support to be determined and understood along with an appreciation of developing business areas, such as wedding venues.

3.7 There is no assessment in this report of staff post savings for the areas identified above including the Visitor Information Centres or The Platform at this time, as Cabinet's decision will direct this work taking place.

2.0 Details of Consultation

2.1 The trade union has been consulted on the proposals. Affected staff have also been advised that these service areas are being considered for reduction.

3.0 Options and Options Analysis (including risk assessment)

	Option 1: Make none of the service reductions suggested in the report.	Option 2: Make all of the reductions suggested in the report	Option 3: Make only some of the reductions suggested in the report
Advantages	Such an option would be popular with the public, visitor and arts community	Provides an opportunity to make significant year on year savings	Enables some functions to remain or partial service provision
Disadvantages	The opportunity to make major savings from discretionary areas would be lost	Removes areas of service provision which are popular, add to the quality of life of citizens and	The level of savings may not reach those needed to balance the budget and cuts have to be made to

		employers, attracts visitors and loses the ability for making improvements in the arts at this time	other service areas.
Risks	The need to make compensatory savings from other budget areas may affect statutory areas.	That the opportunity to support economic change in the district will be impeded by removing this area of activity	In areas poorly supported, there would be disappointment about capacity and resources which questions the rationale of continuing to engage in activity, unless properly communicated and accepted by stakeholders

4.0 Officer Preferred Option (and comments)

- 4.1 The officer preferred option is Option 3. If a balance can be gained between making savings elsewhere within the Council's operations and this sector there will remain the ability to support a more limited intervention in the visitor economy and the districts cultural offer. .

5.0 Conclusion

- 5.1 Cabinet is asked to give officers a clear indication of the service areas which they have the option to reduce in the service areas outlined in paragraph 1.1 above. This will then enable steps to be taken to work up the detail of those reductions, consult with Trade Unions and the staff affected, and prepare a report for Personnel Committee to implement the changes.

RELATIONSHIP TO POLICY FRAMEWORK

The functions referred to in the report relate closely to the economic growth priority in the Corporate Plan. The Local Development Framework Core strategy and the Cultural Heritage Strategy are also relevant policy documents.

CONCLUSION OF IMPACT ASSESSMENT

(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, HR, Sustainability and Rural Proofing)

Maintaining a vibrant visitor economy and developing the arts is deemed important to ensure a thriving local economy which is attractive to visitors and a diverse working population alike. Halting improvements in this part of the local economy may have an impact on the districts ability to sustain economic growth for a time.

LEGAL IMPLICATIONS

The options may have employment and contractual implications

FINANCIAL IMPLICATIONS

The areas to be considered relate to the General Fund Revenue Budget in the main, although there may be some impact on the Capital Programme (relating to a proportion of capital salaries, ineligible for grant funding) as a result of potential future capacity requirements for the Coastal Protection Team.

Regarding Appendix A, the net saving from the overall reduction in management costs is estimated at approximately £15K per year. This is after making provision for engineering capacity for implementing a 5-year flood and coastal erosion risk management capital works programme, subject to the confirmation of Environment Agency funding, which is expected around February 2014.

Regarding Commissioned Activity, specific budgetary provisions are set out in section 3.2 for consideration.

To summarise all other areas, latest 2014/15 draft estimates include the following amounts for the areas identified in the report and appendices:

Area	Appendix C	Appendix D	Appendix E	Appendix F
	Destination Marketing	Festivals & Events	VIC's	Marketing & Coms
	£	£	£	£
Expenditure				
Staffing	91,100	44,600	162,000	173,000
Core delivery	87,400	49,300	113,600	93,600
Total expenditure (excl notional charges)	178,500	93,900	275,600	266,600
Income	(15,000)	(3,800)	(59,000)	(100)
Net (Surplus)/Deficit	163,500	90,100	216,600	266,500

The preferred options identified in the Appendices would result in numerous operational and financial changes arising over the coming 12 months, to be implemented prior to year end 2014/15, therefore further reports will be required for Cabinet and/or Personnel Committee and budgets updated as appropriate.

If, in the interim Members opt to implement some or all of the short term savings identified in Appendices D, E and F there is the potential for immediate savings of up to £62,600 to be made from 1st April 2014.

Potential longer term savings to be investigated may also relate to grants and subsidies provided to other bodies for the provision of services and activities in the district and as such may consequently affect the viability of those organisations (as referred to in section 3.2).

OTHER RESOURCE IMPLICATIONS

Human Resources:

The options will have an impact on a number of posts within the service which may have to be deleted from the establishment or redeployed.

Information Services:

The options may have significant implications for this service area especially if relocation of VIC's and Customer Contact Centres is involved.

Property:

The options could have property implications especially in relation to the Storey Institute and the Platform

Open Spaces:

None

SECTION 151 OFFICER'S COMMENTS

There are many options presented for Cabinet's consideration and Cabinet is advised to consider carefully the information contained within the Appendices, as well as section 3.2, to ensure that it understands fully the options available in making any decisions.

Should Cabinet approve any of the short term savings measures, at present the wording of the recommendation would result in their immediate implementation where possible, subject to call-in, rather than them being subject to approval at Budget Council. Clearly, however, some would be subject to further operational considerations (such as the relocation of VICs, as an example).

To ensure that in the medium term, the Council has a balanced sustainable budget (without reliance on using revenue balances), it should be expected that substantial savings will need to be made in due course from these and other discretionary service areas, with the actual allocation of such savings being informed by Members' prioritisation. At this stage, the s151 Officer would advise to keep options for making savings as wide as possible. Whilst this may create more work and uncertainty, it would mean that in due course, Cabinet would have a wider set of options with which to prioritise services and activities, for determining the subsequent allocation of resources through budget setting.

MONITORING OFFICER'S COMMENTS

The monitoring officer has been consulted and her comments included in the report.

BACKGROUND PAPERS

none

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