



To: Leadership board

On: 19 June 2019

Report by: The Chief Executive and Director of Finance & Resources

Heading: Transformation & Change Programme 2020/21 – 2022/23

1. Overview and Key Messages

- 1.1 Since the beginning of the current decade the Council has been progressing a long term change and transformation agenda in response to: -
- the continued impact of growing demand and cost pressures across major areas of service provision,
 - increasing public expectations, in relation to how individuals, groups, businesses and communities wish to engage with the Council and for what; and
 - delivering on the long term objective to continue to modernise the Council, improve service outcomes and ensure the Council is best placed to deliver against its core priorities across Renfrewshire's communities.
 - the onset of the austerity squeeze on public sector expenditure which has reduced the overall level of resources available to the Council during this period
- 1.2 The current phase of this long term transformation and change programme has allowed the Council to continue to reform, modernise and improve services whilst at the same time contributing to the delivery of the financial strategy covering the period up to 2019/20. This current phase of the programme is nearing its natural end and as previously reported to members, there is a need for the Council to continue to maintain a focus on progressing over the medium term the delivery of further change, transformation and improvement across services.

- 1.3 This is particularly important to ensure the Council responds pro-actively to new and emerging opportunities that continue to develop to modernise and change how the Council delivers services to best meet the needs of Renfrewshire's communities, particularly in the context of: -
- the accelerating development in the digital technology landscape and the potential it has to influence and change how the Council operates and delivers services in the future,
 - the maturing relationships the Council has with key organisational partners across all sectors, and
 - the changing and developing relationship with communities, especially as the Community Empowerment agenda develops and matures across our communities.
- 1.4 In addition, responding pro-actively to the ongoing financial challenges the Council will face over the medium term remains an important backdrop to the Council's plans for transformation and change to ensure the Council continues to remain both financially stable in the short term but also financially sustainable in the medium to longer term. It is recognised that maintaining financial stability and sustainability are key organisational objectives that provide firm foundations to support the Council to deliver on its strategic priorities.
- 1.5 Members will be aware that despite the uncertainties surrounding the scale of the future financial challenge, the Council remains committed to the values and strategic objectives already agreed in its own Council Plan and in the Community Plan with our key partners. These not only remain the guiding principles and priorities of the Council in dealing with the financial challenge ahead, but their significance and role will become increasingly important in the Council's decision making, balancing the delivery of core priorities with available resources.
- 1.6 From a financial perspective, the Council's current position remains stable and within the financial planning parameters established when the Council set its budget for 2019/20.
- 1.7 Moving forward it is forecast that the Council will continue to face new budget pressures in each of the following three years, with uncertainty in respect to the overall scale. Similar to the strategy adopted in previous years, it is recommended by the Director of Finance & Resources that despite the ongoing uncertainty, the Council progresses current financial planning on the basis of a central scenario with an estimated forecast budget gap of approximately £45 million over the three year period 2020/21 – 2022/23. This position will continue to be carefully monitored and will be regularly updated as improved information becomes available and greater certainty emerges, in particular in relation to Government Grant in the context of the Scottish Government's commitment to provide a three year financial settlement for local government covering the period 2020/21 – 2022/23.
- 1.8 As detailed in the main body of the report, there is a requirement for this next phase of the transformation and change programme to deliver more fundamental change and a greater scale of financial savings than has been delivered over recent years. In recognition of this, the next phase of the programme currently being designed by senior officers is based upon a new approach and expected to constitute a series of structured service redesign processes across a range of areas of the Council's existing service arrangements – these reviews will be framed around functional service groupings and will therefore cut across existing service structures.

- 1.9 The redesign processes will also look at more clearly defining and focusing service delivery on those priority outcomes that the Council has committed to delivering, how we can work more effectively with communities and partners in this regard.
- 1.10 A future report to the Board will outline in detail the schedule of proposed service redesign exercises and specifics in relation to the change that will emerge from each, and it is anticipated that they will individually bring forward proposals which will generate positive change and transformation for the organisation, the workforce, partners and our communities as well as savings. Consequently, there is expected to be workforce implications which will require careful management in their implementation.
- 1.11 As this new phase of transformation and change is designed and moves forward, there is a need to ensure the Council's HR policies and support environment is fit for purpose and that the appropriate capacity and skills are available to adequately support the organisation and its workforce. In this context it proposed that over the summer period, a full review is completed of the Council's suite of policies that are key to supporting future organisational change, as well as the capacity and capabilities within the HR and OD service. This will include reviewing the Council's existing voluntary severance and redeployments arrangements and in addition, developing a key set of workforce planning and organisational development arrangements that will support the Council to progress the necessary change in the shape and size of the workforce as well as supporting the delivery of a key skills and organisational development programme that will be required to be deployed across the organisation.

2. Recommendations

- 2.1 It is recommended that the Board:
- i. Notes that to support the next phase of the transformation and change programme, work is underway to develop a structured series of service redesign reviews, greater detail of which will be reported back to members after the summer recess period and which will build upon the existing programme of transformation and change that has been pursued and delivered by the Council over recent years.
 - ii. Notes the wide range in the projected budget gap for the Council over the three year period 2020/21 – 2022/23 and the recommendation that a £45 million three year budget gap is adopted as the financial planning assumption for budget strategy and service planning purposes.
 - iii. Notes the uncertainty that exists in respect to this forecast, in particular in relation to the potential level and speed of reduction in the Council's government grant allocation and that greater clarity in this respect is expected to emerge over the coming months after the Chancellor of the Exchequer's planned UK Comprehensive Spending Review later in the year, the subsequent Scottish Government budget and expected three year financial settlement for local government.
 - iv. Delegates authority to the Chief Executive to make the required arrangements to support the design and delivery of the service redesign programme, including appointing, where appropriate and required, any external capacity and skills in consultation with the Director of Finance and Resources, subject to appropriate funding being available from existing resources.

- v. Notes the work that will be progressed over the summer period to review the Council's suite of HR policies, as well as the capacity and capabilities within the HR and OD service.
- vi. Notes that an update on the detailed development and design of the next phase of the transformation and change programme will be reported back after the summer recess and thereafter update reports will be provided to the Board at appropriate key stages in the delivery of the transformation programme.

3. Financial Outlook

- 3.1 The Council's current financial position remains stable and within the financial planning parameters established when the Council set its budget for 2019/20. In setting the 2019/20 budget, the Council committed to approximately £7.7m of non-recurring spending, reflecting the temporary spending capacity that was available at that time, which was predominantly due to the more positive outcome on government grant confirmed as part of the Scottish Government's budget for 2019/20.
- 3.2 Notwithstanding this positive outcome for 2019/20, it is anticipated that it represents only temporary respite and it is forecast that the Council will face significant medium term financial challenges to maintain its financial stability, sustainability and capacity to redirect a reducing resource base to invest in key priorities. It is forecast that the Council will continue to face new budget pressures in each of the following three years, with uncertainty in respect to the overall scale. In the context of this uncertainty, it is currently estimated that gross budget pressures over the three years will fall within a relatively wide range of £33 million - £74 million.
- 3.3 The level of future government grant funding for the Council presents the greatest single area of uncertainty at this time. The Scottish Government has recently published its second Medium Term Financial Plan, which has provided limited additional insight into the medium term grant prospects for local government. In this context the financial planning assumptions at this time forecast that a flat cash position over the next three years represents a best - case scenario for the Council's future grant prospects with the downside negative case scenario being a cumulative 7.7% (circa £23 million) cash cut in grant (equivalent to a cut of circa 2.5% per annum).
- 3.4 At the same time, the Council's expenditure budget will continue to be placed under increasing cost and demand pressures arising from pay growth, demographic and cost pressures across social care in particular, contractual and inflationary pressures across key supply budgets as well as the full financial impact of economic regeneration investment commitments arising from City Deal and Heritage led regeneration interventions coming on stream as the associated capital projects are delivered.
- 3.5 After taking account of the of the non-recurring spending in 2019/20, a net budget gap of between £26 million - £67 million over the three year period 2020 – 23 is currently forecast. Similar to the strategy adopted in previous years, it is recommended by the Director of Finance & Resources that the Council progresses current financial planning on the basis of a central scenario with an estimated forecast budget gap of approximately £45 million over the three year period. This position will continue to be carefully monitored and will be regularly updated as improved information becomes available and greater certainty emerges. In particular, the strategy is expected to be further informed by updated information towards the end of 2019 in respect to future Government Grant prospects. This expectation reflects the Scottish Government commitment to provide three year financial settlement figures for local government for 2020/21 – 2022/23, which they have indicated is contingent upon the UK Government delivering a Comprehensive Spending Review in Autumn 2019.

4. New Phase of Change and Transformation Programme

- 4.1 The potential scale of the medium term budget gap, although challenging is within the parameters addressed by the Council in previous years. Notwithstanding this context, it is recognised that there are two key issues which will influence this next medium term phase of the programme:-
- Firstly, the debt smoothing strategy has been a key element of the Council's medium term financial planning arrangements for a number of years and has, in particular in more recent years, provided significant annual cost savings to support annual budget setting cycles. The current year budget covering 2019/20, represents the final year of savings at scale emerging from this strategy in its current form. Consequently, there will be a greater reliance and expectation placed on the Council's transformation and change programme to support the medium term financial strategy.
 - Secondly, for a prolonged period of almost a decade, the Council has been delivering a programme of transformation, change and modernisation. Albeit over the past three years the pace and scale has been less significant than that delivered in the first half of the decade. In this context, identifying and delivering further change and modernisation at scale becomes an incrementally more challenging objective for the organisation to deliver. In order for the programme to be scaled back up in terms of financial savings and recognising the scale of change that has already been delivered since 2010, the next phase will necessarily involve more fundamental challenge, change and modernisation in how services are delivered by the Council and delivering potentially wider and deeper levels of change and modernisation than the Council has delivered to date.
- 4.2 In this context, the next phase of the programme will employ a refreshed framework and approach. The programme currently being designed by senior officers will constitute a series of structured service redesign processes across a range of areas of the Council's existing service arrangements. These reviews will be framed around functional service groupings and will therefore cut across existing service structures.
- 4.3 The structured redesign process will look to identify and deliver a range of service as well as financial benefits including:-
- improved alignment and economies of scale across specific service functions that existing service structures do not fully support,
 - greater standardisation of business processes where applicable,
 - greater flexibility in the deployment of staff resources,
 - clearer staff roles and better devolvement of operational decision making through staff structures and across the organisation to support more flexible and responsive services; and
 - greater corporately driven deployment of specific capabilities – such as digital and use of data analytics - to deliver quicker, more efficient services and better outcomes.

- 4.4 The redesign processes will also look at more clearly defining and focusing service delivery on those priority outcomes that the Council has committed to delivering, how we can work more effectively with communities and partners in this regard and reconsider those areas of service that do not strongly contribute to the delivery of these outcomes.
- 4.5 Whilst it is not possible at this early stage to outline the schedule of proposed service redesign processes and specifics in relation to the change that will emerge from each, it is nevertheless anticipated that they will individually bring forward proposals which will generate positive change and transformation as well as savings at scale, and consequently there is expected to be workforce implications that will be more substantial than those experienced by the Council over more recent years and which will require careful management in their implementation.
- 4.6 As this new phase of transformation and change is designed and moves forward, there is a requirement to ensure the Council's HR policies and support environment is fit for purpose and that the appropriate capacity and skills are available to adequately support the organisation and its workforce. In this context it is proposed that over the summer period, a review is completed of the Council's suite of HR policies that are key to supporting future organisational change, as well as the capacity and capabilities within the HR and OD service. This will include reviewing the Council's existing voluntary severance and redeployments policies and in addition, developing a key set of workforce planning and organisational development arrangements that will support the Council to progress both consequential change in the shape and size of the workforce that will emerge as well as supporting the delivery of a key skills and organisational development programme that will be required to be deployed across the organisation.
- 4.7 Recognising the pace at which the Council will be required to drive forward the design and subsequent delivery of the next phase of transformation and reform this report is seeking delegated authority for the Chief Executive to enter into appropriate arrangements to support the design and delivery of the service redesign programme, including appointing, where appropriate and required, any external engagements in consultation with the Director of Finance and Resources, subject to appropriate funding being available from existing resources. This will be a temporary resource, specifically to access specific skills and short term capacity to supplement in-house management capacity over a defined period when the service redesign exercises are being conducted and subsequently progressed.
- 4.8 Notwithstanding the fact that the Council has operated with a formal change and transformation programme in one form or another for around a decade, it is recognised strong communication and engagement will be a key ingredient to support success in this next phase. In this context, an integral element of the reshaped transformation programme moving forward will be a structured, positive and pro-actively managed engagement and communication workstream led by the Head of Marketing and Communications. Early work to engage the workforce on the development of organisational values has already commenced in this regard and the overall objective will be to ensure the workforce, partners and stakeholders are active and informed participants in the transformation and change journey.
- 4.9 It is proposed that an update on the detailed development and design of the next phase of the transformation and change programme will be reported back to the Board after the summer recess and thereafter regular update reports will be provided to the Board at appropriate key stages in the delivery of specific service redesign exercises

Implications of this Report

Financial – The report provides a brief update on the Council's financial outlook over the medium term and the key role the next phase of the transformation and change programme will play in addressing this in a sustainable fashion. The report also references an expectation of the Council being required to access additional skills and capacity to progress the programme and that the financial implications of this will be contained within existing approved resources.

HR & Organisational Development - as outlined in the report. Specific implications on the size and shape of the Council's future workforce will emerge as detailed service redesign exercises are progressed and will be reported to the board at appropriate milestones in the programme.

Community/Council Planning – any implications will emerge as part of future changes agreed as part of the programme. Members should however keep in mind that over the medium term the Council is anticipated to have less resources in both cash and real terms and as such there will be a requirement to increasingly make key choices to direct reducing resources to support the delivery of those outcomes of greatest priority as defined in the Council Plan.

Legal – any implications will emerge as part of future changes agreed as part of the programme.

Property/Assets – any implications will emerge as part of future changes agreed as part of the programme

Information Technology - implications will be subject to any future changes agreed as part of the programme.

Equality & Human Rights – n/a at this stage but will be fully considered as specific aspects of the programme are progressed.

Health & Safety - any implications will emerge as part of future changes agreed as part of the programme.

Procurement – any implications will emerge as part of future changes agreed as part of the programme.

Risk – as has been outlined to members previously, addressing the medium term financial challenge represents a key corporate risk for the Council and progressing reform, transformation and modernisation of council services will remain a key part of mitigating this risk and ensuring the Council and its services remain modern and sustainable moving into the future and critically support the delivery of those outcomes agreed as being of greatest priority to the Council and its partners.

Privacy Impact - n/a at this stage but will be fully considered as specific aspects of the programme are progressed.

Cosla Policy Position – n/a

List of Background Papers

(a) Background Papers - none

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