

Medium-Term Financial Strategy (MTFS) Savings – Change Programme

REPORT TO THE EXECUTIVE



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PORTFOLIO	Resources
REPORT AUTHOR	Helen Seechurn
TEL NO	4777171
EMAIL	hseechurn@burnley.gov.uk

PURPOSE

1. To outline a rationale for the change the Council will face over the next 12-18 months in response to financial challenges. This report provides a high level overview of potential benefits arising from strategic organisational change and describes the process for delivery.

RECOMMENDATION

2. Executive are asked to:
 - a. Note the approach and direction of travel as set out in the report;
 - b. Approve the mobilisation of a transformation programme of work for completion during 2015/16;
 - c. Note the procurement of an external adviser is subject of a separate private report elsewhere on the agenda on grounds of commercial in confidence.

REASONS FOR RECOMMENDATION

3. The Medium-Term Financial Strategy approved at February Council 2014 reported a significant gap of £3m (or 19%) by 2016/17. The level of savings the Council will be required to achieve is unprecedented. The Council is faced with difficult choices affecting core Council services. At the heart of the Council though is a commitment to deliver against our strategic objectives, particularly focussing on our place shaping role. The Council is as ambitious as ever to serve the people and businesses of Burnley. However, the financial challenge requires innovative ways of providing services. Consequently, a longer term service delivery model requires savings to be found through service transformation, continuous improvement and strategic prioritisation through a partnership approach.

SUMMARY OF KEY POINTS

4. Background

Between financial years 2010/11 and 2014/15, the Council has seen a reduction in Government funding on a like for like comparison of £7m, equivalent to over 40%. The Council, each year, has proactively prepared a cost reduction programme to ensure that the budget remains annually in balance. Largely, this has been through annual incremental reductions in budget allocations managed at service or directorate level. Measures in previous years have included a review of priorities; service restructuring; an annual round of redundancies; and shared service arrangements with neighbouring authorities for some services. Whilst this approach minimised impact on frontline services and delivered annual savings plans, it cannot be continued as the scale of the challenge will have implications for longer term capacity of the Council to deliver adequate standards of service levels and for the continuity of services.

However, financial downsizing resulting in service change and potential redundancies are expected to continue for the foreseeable future. The current Medium-Term Financial Strategy identifies a further gap of £3m (or 19%) by 2016/17, based on current planning assumptions.

5. The Vision

Given this context, however, the Council remains committed to its strategic priorities and delivery of its objectives as stated in the Strategic Plan, approved at February Council. The Council is ambitious to act as place shaper to enable the Borough to develop as a strong vibrant and prosperous community, where people have access to affordable quality homes; access to training skills and employment opportunities and good quality services. The Council is committed to supporting local businesses', the wealth creators of the town, Burnley is increasingly seen as a town that is attractive to business a place where businesses can locate, expand and invest. The achievements of the Council as the most "enterprising council" of the year 2013 is testimony of our success in delivering our strategic priorities. In essence, Burnley is a place focussing on growth and opportunity for growth.

6. The Change

To do this requires a strong Council, one that has capacity to deliver its ambitions. To respond to both the financial challenges and deliver our vision, a transformation of the way in which Council services are delivered is vital. We cannot do this on our own but by working with partners who share our vision for the Borough and enable us to deliver cost improvements to enable the Council to remain financially viable. By working with a few strategic partners who provide capacity, bring inward investment and specialist skills, we can bring about service efficiency, cost reductions whilst contributing to our growth agenda. This will also improve motivation of the workforce, offering opportunities for personal development and growth, giving greater personal job security with an appropriate pay and rewards package to staff recognising their significant effort and contribution they play in the success of the town.

The continuing challenge provides an opportunity for the Council to re-shape itself for the future, retaining those services that are vital in its role as place shaper, yet looking for ways in which the achievement of savings can also lever in added strategic benefits. An integrated approach that fundamentally reviews core service provision and re-designs Council service provision is needed, if we are to ensure the Council is strong and resilient to meet future demands.

Timescales however are tight for delivery. Financial pressures would require any change programme to commence 2014/15 and to be implemented during 2015/16 in order for the Council to deliver a balanced Medium-Term Financial Strategy by 2016/17.

7. Journey So Far

A change programme is nothing new to the Council. We have already started to change and transform some services. The Leisure Trust, which commenced April 2014, is an example of the innovative ways that the Council is adopting to meet the challenges we face. The renewed Waste Management Contract is testimony to the way in which the Council works with partners to provide quality services at the best possible price. The next stage is to take this programme forward Council-wide.

8. Objectives

The intended outcome of the strategic change programme therefore, is to ensure the Council remains financially strong and resilient and is able to deliver substantial savings in running costs. Recognising those services that are no longer vital to its core priorities and stopping or reducing them. Through partnership, the Council will wish to secure organisational capacity and specialist skills that it can no longer retain due to downsizing yet are vital for delivery. An ability to transform service provision through investment, particularly using technology to do things differently, will lead to service improvements. Finally, the added benefit that partnership brings supports the economic growth “prosperity” agenda and a shared strategic plan and includes supporting employment and development opportunities for our current staff without any diminution of working terms and conditions.

9. Scope

The scope of the change programme for implementation would be determined through a process to essentially draw up a new business model with a roadmap of integrated service provision by fundamentally challenging for each function of the Council whether the service should:

- Stop altogether, ie, it is no longer a core strategic priority;
- Continue having responsibility for the service, albeit in a reduced capacity.

For those services that the Council wishes to continue to have responsibility, further consideration will be given as to whether the service should either be directly provided or delivered through an alternative vehicle, such as a local shared service arrangement or through a procured strategic partner.

Criteria for assessment of the roadmap would include:

- Assessment of need;
- Strategic fit or risk to the corporate body;
- Adequacy and availability of market provision;
- Ability to maintain or improve performance from an agreed baseline;
- Efficiency opportunity for transactional processing;
- Deliver cost savings.

10. **Headline Programme**

Key stages for the change programme would consist of:

- **Mobilisation**
A detailed review of the business readiness and expected benefits including a detailed cost appraisal; stakeholder engagement and market testing. At this stage, a detailed appraisal would be undertaken to confirm the viability to proceed. This would include an assessment of delivering against key priorities contained within the strategic plan.
- **Procurement Phase**
A planned programme of procurement of strategic partners through a competitive dialogue process.
- **Transformation**
Re-design of retained services, including the development of an intelligent client role.

11. **Delivering the Change Programme**

To deliver an ambitious change programme, appropriate governance arrangements will be required to ensure successful delivery. These will include:

- a. **Establishment of a Change Board**
Under the chair and leadership of the Chief Executive, the remit of the Board will be to oversee the project management of service design and prepare the roadmap of service delivery; undertake strategic procurement; and reconfigure retained Council services through business process reengineering.
- b. **Cultural Change Programme**
Transformational change is not limited to structural organisational change and changing the way we work, it also requires a commitment from stakeholders to fully embed the new philosophy of approach throughout the organisation. It is about building a sustainable community of people to encourage collaboration to take forward the organisation for change to be embraced by all stakeholders. To this end, communication and engagement plan will be prepared aligned to the organisational development strategy.

- c. **Appointment of External Adviser**
An external adviser to assist us in the re-design of services and to provide an independent evaluation of the future design of services will bring a wealth of practical experience and knowledge to assist us in implementation. The adviser will provide an evaluation of how functions can be packaged together to create synergy in service delivery; gather market intelligence; undertake financial evaluation and assist us with effective project management for an external procurement. The role of the external adviser will be critical in ensuring that we are able to realise the strategic benefits of the change within the timescale set. The appointment will be commissioned through a mini competition under a consultancy framework and is the subject of a separate private report.

12. Risks

The Change Programme will fundamentally re-shape all services throughout the Council. There will be risks attached to the Programme and these have been documented within a strategic risk register. The key risks and their mitigation include:

- a. **Changes in Political Leadership within the Council**
Regular reports will be provided on progress to ensure Councillors are kept informed of developments.
- b. **Changes to the Medium-Term Financial Strategy**
These may arise as a result of changes to local government funding allocations or changes to formula, particularly in the event of a change of Government. The MTFs financial model will be kept under review and significant variations will be reported. Indications are that austerity measures will continue to 2018/19.
- c. **Failure to Deliver Required Savings**
A business case will be prepared to assess savings that could be achieved through the change and this will be formally approved before proceeding with any external procurement.
- d. **Sufficient Private Sector/Commercial Interest**
Soft market testing will be undertaken to ensure sufficient interest to pursue a competitive route.
- e. **Skills and Capacity In-House**
The programme provides an opportunity for personal development of staff. An external adviser will assist the programme and will undertake skills knowledge transfer to the wider project team.
- f. **Workforce Consultation**
A programme of staff engagement will be undertaken as part of the cultural change programme.
- g. **Overrunning and Delays**
Any delay to delivery of the project will limit the ability to deliver savings, the appointment of an external adviser will mitigate this.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION
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13. The Change Programme is intended to deliver sustainable long term savings that will contribute significantly to the current gap reported in the Medium-Term Financial Strategy of £3m (19%) by 2016/17.

POLICY IMPLICATIONS

14. Radical change in response to financial challenges but will ensure the Council is best placed to deliver its future strategic priorities.

DETAILS OF CONSULTATION

15. A planned programme of communications and engagement will be undertaken.

BACKGROUND PAPERS

16. Medium-Term Financial Strategy.

FURTHER INFORMATION PLEASE CONTACT: ALSO:
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