

Medium Term Financial Plan - Strategic Framework of priorities for re-shaping the role of the Council and re-designing service delivery.

Responsible Officer Kim Ryley

Email: kim.ryley@shropshire.gov.uk

Telephone: 01743 252702

1. Purpose of the Report

- 1.1 This report sets out a framework and rationale for later detailed decisions by Members on the remainder of the overall spending reductions required of the Council over the next three years, in response to major cuts in Government funding. It builds on, and is consistent with, the earlier report on our Medium Term Financial Plan for 2011-14, which was considered by Cabinet on 9 November 2010.
- 1.2 Members' agreement is sought to this proposed approach to the delivery of the final stage of our MTFP, covering the period of 2012/13 and 2013/14. Details of the resource changes and allocations necessary to support this are set out in a separate Budget paper for Members.

2 Recommendations

It is recommended that:-

- 2.1 Council managers and staff work up detailed action plans for the implementation of the changes in service delivery set in this report, subject to appropriate scrutiny and consultation, where necessary, in order to deliver our Medium Term Financial Plan; and
- 2.2 Appropriate actions be taken to communicate these decisions to local residents and businesses, to our partner organisations, and to our staff.

3 Catching the Next Wave of Change Early

- 3.1 At its meeting held on 30 June 2010, the Cabinet agreed an ambitious and comprehensive change programme to transform the way in which the still new unitary council for Shropshire would operate in the future. This approach was, subsequently, endorsed by full Council, as a three year plan of action.

- 3.2 The objectives of the programme are to both improve the accessibility and effectiveness of those services valued most by local people (as essential to improving their quality of life), and to provide greater value-for-money by significantly reducing our costs. The programme has six main strands or themes of activity.
- 3.3 Subsequently, at a meeting of the Transformation Programme Board, Cabinet Members agreed to give priority initially to the development of three of these themes, namely:-
- Creating the conditions for success;
 - Locality working; and
 - Customer care

Work was then undertaken to put each of these into place. However, by last autumn, progress on these initiatives had slowed, because of the need to respond more urgently to the Government's agenda for cutting the spending of the public sector. In particular, the unexpected front-loading of funding cuts for local government set out in the Comprehensive Spending Review set particularly challenging targets for spending reductions in 2011/12, which needed to be given absolute priority by the Council.

- 3.4 The speed at which these major cuts in funding needed to be implemented meant that, as the Transformation process would be too slow to contribute to them in the short-term, other solutions needed to be identified. However, now that the Council has agreed savings to meet the 2011/12 target, it is essential to return to putting in place the Council's agreed Transformation Programme. This will provide the spending reductions required later in our Medium Term Financial Plan, as well as in future years when other pressures on our resources are predicted.
- 3.5 The period of our MTFP, 2011-14, can be characterised by three consecutive waves of rapid change, each with a different focus. These are set out in the attached appendix. Understandably, the immediate focus of the Council's activities, and of course the associated public discourse, is on the size and nature of the funding cuts, as well as their likely implications for local people. However, we need to be planning now for how the Council will operate after the bulk of the funding reductions have been implemented.
- 3.6 Indeed, as the attached appendix shows, given the long lead-in time required to redesign and recommission our services, (at least 18 months in most cases), the full benefits of the changes we start to plan and make now will not be felt until 2013 at the earliest. Equally important is the fact that these transformational changes will be the key to unlocking our future costs and meeting new pressures on our resources, (not least, for example, those arising from demographic change, and the need to care for a growing elderly population).
- 3.7 This move to restore priority to delivering our Transformation Programme, as the main way in which future spending cuts will be achieved, has the advantage of clarifying (for our staff, our partners, and for local people), how the Council will operate, and how it will look and feel different in three years

time. For example, as set out in more detail below, our workforce will need to change. The number of staff employed directly by the Council is likely to decline, and our remaining staff will need new training and modern tools to help them work in very different ways, as we reshape our services to better meet the needs and preferences of local people. We will, therefore, as we predicted earlier, need to manage and motivate our workforce to increase productivity and transform local public services. This is not easy at the moment, given uncertainties over job security, which need to be removed as soon as possible. (See section 5 below).

- 3.8 Refocusing our attention on “life after the cuts” has the additional advantage of being better able to define the likely benefits of our transformation for local people, in terms of offering them greater “public value”, ie good quality, responsive essential services, at a lower cost, with a reduced tax burden. It is the achievement of this goal, therefore, that must drive our decisions about how our more limited resources are allocated in future.
- 3.9 Also, because our future funding levels, beyond 2012/13, remain uncertain we must take a cautious approach and provide a “cushion”, to ensure that we are not knocked off course by further cuts and pressures in future. This approach provides certainty for everyone about our direction and speed of travel, as well as about what the end game is meant to look like. It should then be enough to review our progress each year and simply adjust our financial plan, if necessary, rather than recast it completely. In that sense, the MTFP should be seen as an annual rolling plan, with less detail or certainty over its third year compared to years 1 and 2.

4 Localism and the “Big Society” – Sustaining Flourishing Local Communities

- 4.1 The Government has signalled, through its recent Localism Bill, a radical approach to decentralising power and resources to local councils and to local communities. Taking advantage of the new opportunities this will create for Shropshire residents will require a cultural shift in the Council. Working to build our own version of the “Big Society” in Shropshire will, over the next few years, become a core part of what the Council does. We will help local residents take charge of their neighbourhoods and villages, and enable local people to take greater control of their own lives. We will focus our resources more in future on helping people to come together, in their local towns and villages, to take more responsibility for improving life for themselves, their families and their neighbours, so that they are less dependent on public services.
- 4.2 One of the key ways in which public services will be transformed is through the development of more locally based services and local “Community Budgets”, (which are currently being prototyped in 16 areas across the country, but will be available to all local authorities from 2013). We see these developments making significant savings possible, by getting rid of organisational silos, so that services can be designed, commissioned and provided locally, in a joined-up way, based more on how local people want them to be delivered for their particular community.

- 4.3 Such an approach is an integral part of the Council's new operational model. Under the direction and co-ordination of the new Area Directors, we will see a visible move to integrated local public services over the next few years, to better solve local problems and meet local needs. Under these arrangements, local people will have a greater say over the totality of public spending in their area, and the role of local councillors will change to become commissioners of local public services, which deliver social as well as financial benefits.
- 4.4 An important aspect of this is that the Council will need to strengthen its accountability to local people, by making readily available accessible and easy to understand financial and performance information. We will need to resolve any difficulties over meeting data protection requirements, so that we can exchange information across different parts of the public sector, in a way that is easy to use and understand.
- 4.5 We will need also to give greater support to frontline councillors, to ensure that they play a full and effective community leadership role. This will include them helping local people to build a stronger civil society, as well as increasing social capacity, community cohesion and resilience, by establishing and fostering active social networks that connect people, so as to provide mutual support and collective action around shared interests.
- 4.6 These changes will be further strengthened by the new powers of local communities to create Neighbourhood Development Plans, drive local planning policy, and to grant certain types of planning permission. Local groups will also have opportunities to challenge the Council over whether the services we provide, or commission from others, represent value-for-money. They can, in addition, bid to take over the operation of community facilities and run local services directly themselves.
- 4.7 Our planned development of the role of Local Joint Committees, together with our recent moves to deeper and more strategic partnership working with the Voluntary and Community Sector in Shropshire, as well as with our town and parish councils, is being built in to our new approach to greater locality working. This will radically reshape our thinking about how we work more closely with our local communities, and test our willingness to "let go" and take calculated risks, without weakening accountability for the use of public money and resources.
- 4.8 This new approach is not simply about delivering better or cheaper public services. Rather, it is about the Council's more fundamental "place shaping" role. Our inputs and focus on prevention can alleviate longer term pressures on services, and can help our local communities tackle and overcome difficult social problems, such as social inequality, economic dependency on the state, and entrenched poverty.
- 4.9 In other words, a key aspect of our Transformation Programme is to recognise our obligation to create the conditions for success in sustaining flourishing local communities across the whole of Shropshire. How we choose to

manage this transition over the next few years will have long-term, and irreversible, consequences for Shropshire.

5 A High Productivity and High Performing Workforce

- 5.1 Given the scale of the spending reductions we are required to make, and the fact that most of our costs are in staff wages and salaries, it is inevitable that the size of the Council's workforce will reduce over the next few years. Yet, at the same time, public demand for many of our services is growing, as are local people's expectations of better responsiveness, accessibility of services, and high quality customer care.
- 5.2 Our Transformation Programme foresaw the need, therefore, to streamline the organisation, changing the way that our staff work and giving them the modern tools necessary for them to be more productive. It also seeks to invest in developing the skills and talents of our staff, and in managing them in a way which releases their creativity, so that they are consistently good at what they do.
- 5.3 Our Management Review not only seeks to significantly reduce such overheads, to protect resources for essential frontlines services, it also actively breaks down out-of-date professional "silos". By bringing our services, and those of our local partners, together in ways that are logical to our customers, we are creating flexible, integrated, multi-tasking, multi-disciplinary teams, and locating these more at the frontline.
- 5.4 These will be better able to respond quickly to changing local needs and preferences, not least because they will have the delegated authority and resources to make quick decisions close to the ground. Increasingly, our staff also will operate from single, locally-based, multi-purpose centres. These will provide "one stop shop" customer care, whilst reducing our premises overheads. Greater use of home working, mobile working, and "hot desking" will further reduce the need for us to own and maintain such a large number and wide range of premises. So, we will need a more coherent and robust approach to asset management and disposal (across all local public services in Shropshire), both to sustain our Capital Programme investment and to identify opportunities for communities to run such local facilities instead, if they wish. Our savings proposals rely on our ability to put this new approach in place quickly, not least by reducing the costs of Prudential Borrowing.
- 5.5 In effect, as part of a wider trend, we are decentralising power to our frontline staff, and trusting them to find effective ways to increase customer satisfaction, within a clear framework of service standards and agreed outcomes, which improve the quality of life of local people. The main goal of such changes is for all our staff to work to visibly create greater "public value", demonstrating that we are using more limited public resources to provide real value-for-money for local people, compared to other councils and other providers.
- 5.6 To do this, and to provide assurance to local people about the effectiveness of local public services, we will need to monitor and assess our performance,

and that of our partners, against that of other service providers. Such benchmarking will help to drive down unit costs and identify our main productivity gains. Our performance data will need to be made more readily available to local people, so that they are better able to judge these things for themselves, and to challenge us to do better where necessary over unacceptable local variations in cost or quality, compared to others elsewhere.

- 5.7 Tough decisions about local services are best taken locally, by people who are accountable to residents and know their areas best. That is why we will relocate key staff to the frontline, basing them in “community service hubs” in our market towns, and supporting and guiding them through a slimmed down strategic “core” in the Council and efficient “back office” services, which have removed unnecessary barriers, bureaucracy, and overheads.
- 5.8 The key to our future success is to create a transformed local public sector workforce, changing the way that we employ, deploy, reward, and develop our staff in future. We will also need to recruit high calibre graduates and apprentices to replace our ageing workforce as they retire, if we are to have the necessary skills for the longer term. The “creating the conditions for success” strand in our Transformation Programme is well advanced in laying the foundations for this new approach, and we have overtly offered our staff a “new deal” as an employer, which will give them greater job security in future, in return for flexibility and acceptance of new ways of working, which reduce our costs whilst improving our performance.
- 5.9 The proposed changes in staff terms and conditions of employment, which form a key part of our Medium Term Financial Plan, will make a major contribution to creating a more flexible workforce in future. For example, by moving all staff to annualised hours, and removing their current defined working week, we can deploy staff to provide access by the public on extended opening hours, (7.00am to 7.00pm, Monday to Friday and 8.00am to 1.00pm on Saturdays), without additional costs. This approach has the merit also of giving our staff greater flexibility and choice over their working hours, enabling them to achieve a better work/life balance. It is also fairer in simplifying and making more consistent the way in which staff are paid for the hours they work.
- 5.10 As our opportunities to drive out further top down efficiencies are narrowing, increased productivity and lower employee costs will only be achieved by doing things differently, by design. This is why our new structure includes a revamped Business Improvement team.

6 **Service Redesign, Recommissioning and Procurement**

- 6.1 To lead the wider transformation of local public services in Shropshire, the Council will need also to go beyond simply working more closely with our partners across the public, private, and voluntary sectors. This means pooling resources in new ways, (not least through “Community Budgets”), redesigning integrated local services, and reinventing the notion of activity by the local “state” through the development of a greater range and diversity of service

providers, not least in the voluntary sector and through local community groups, as well as through the greater use of local businesses in our supply chains.

- 6.2 In other words, the Council in future will be focussed on the delivery of high quality outcomes for local people – not necessarily on delivering services. An important element of this in our Medium Term Financial Plan is to develop ambitious new prototype models for shared services between groups of public services and groups of local councils, as well as new delivery models which incentivise reduced costs and overheads.
- 6.3 As part of finding ways of joining up workforces across local authority boundaries and different parts of the public sector, we are already in discussion with a number of neighbouring councils, and with partners in Shropshire such as the Health and the Fire and Rescue Services, over moving to shared services for our “back office” functions, over the next two years. These include Legal Services, Human Resources, Finance, Facilities Management, Property Services, IT and Procurement Services. This will produce helpful savings, and the notion of each Council needing to carry out such standard activities on a stand-alone basis is now unsustainable. But changing this will not be enough by itself to meet our cost reduction targets.
- 6.4 The Government believes the best way to improve public services is to open them up. And, the planned Public Services Reform Bill will shortly set out the intention to shift power into the hands of frontline staff and service users, to enable a greater diversity of providers and increase the scope for innovation at local level.
- 6.5 Our response to this initiative needs to be a positive one, as we engage in fundamentally reconsidering our core purpose as a council. There is a rapid movement in many places to seeing the primary role of local councils as that of a strategic commissioner, identifying local needs and agreeing outcomes for local people, which add visible public value, rather than delivering service directly ourselves. Increasingly, therefore, we will be unconcerned about the sector background of our service suppliers, as we seek only the best solution in each case.
- 6.6 Consequently, It is time to form new kinds of long-term, strategic alliances with our local partners in the private and third sectors. These will help us wrestle with new approaches to service commissioning and procurement, new forms of joint venture, and new outcome focused contracts based on “payment by results”, as we seek actively to exploit a shift to more “retail” models of service delivery. These will involve the provision of a good standard of basic services being provided through direct taxation, with the offer of “extras” to be paid for by service users, if they wish, as they use them. Greater “personalisation” of budgets, for social care for example, will speed up this change. To be successful in this, both the public and the third sectors will need to embed commerciality in their approach, in areas such as finance, risk management and performance, so as to enrich their own experiences and traditions.

- 6.7 These new partnerships must be based on mutual trust, respect and the valued contribution of each of the players. They will require better understanding, and behaviour change on all sides. We need all our suppliers to demonstrate long-term commitment to the wider public interest, and to assisting us in our leadership role of shaping, and growing the capacity of, our local communities and local economy.
- 6.8 This must go well beyond the narrow confines of traditional contracts, and must enhance, not dominate, public service provision. Our suppliers must also be prepared to be publicly accountable and transparent in their operations, and expect to be required to nurture and support Shropshire's social enterprises and SMEs in their local supply chains.
- 6.9 Our Medium Term Financial Plan is based on this approach to actively developing the local market in Shropshire. This will increase public sector spend within the local economy, creating jobs and local prosperity. As part of this, we plan to investigate and promote new forms of delivery, including the greater use of local social enterprises, community "buy-outs", and workers' co-operatives, as well as Joint Venture Companies with private sector and voluntary sector partners. These new models will allow us also to trade beyond our borders, where we have services that are marketable, and to return any profit for investment in public services in Shropshire.
- 6.10 These developments will, inevitably, reshape the Council's workforce, as jobs move progressively from the public to the private sector over the next few years. This change should not concern those staff involved, providing that such employment creates job security, satisfying work, and employment practices which mirror the best of those in the public sector, in relation to terms and conditions of employment.
- 6.11 In this context, the Council's role (with the support of both local business and community leaders) is to stimulate economic growth in Shropshire, rather than to employ 30% of the local workforce directly in the public sector. Localism and devolution in this context means local councils redefining roles and (long term) relationships, as well as transforming service provision, through a wide range of local partners, acting together in their mutual interest. Joint commissioning will draw other local public services into these new frameworks, as currently separate services are merged and streamlined. At the same time, the private sector will need to change its approach, by engaging with the local public sector "upstream", at an early stage in the commissioning process.
- 6.12 As well as significant behaviour change, this "whole system" approach will require new skills and understanding on all sides, but not least on the part of local government managers and service commissioners. It will also need new forms of contracts, new vehicles for (joint) service delivery, and new governance arrangements based on greater trust between all the parties involved, as local markets for public services fragment and diversify. Our financial plan is based on these gains being obtained particularly in adult social care and children's services, which account for most of our spending,

We will, in addition review all existing contracts, including those managed by Development Services, to reduce their cost where possible in the short term.

- 6.13 These aspects of our transformation plans will require initial investment, on an invest to save basis, and this has been built into our MTFP. This is the case particularly in relation to health and social care provision, where our intention is to choose to ring-fence the Government's additional funding, and to use this to support major transformational change in this key area of local public service provision, over the next few years. This will help drive down future costs from increased public demand for these services.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Human Rights Act Appraisal

The recommendations contained in this report are compatible with the provisions of the Human Rights act 1998

Environmental Appraisal

Risk Management Appraisal

Community / Consultations Appraisal

Cabinet Member

Local Member

Appendices

Appendix 1 – Catching the Wave Early.

Catching the Wave Early

