



EXTRAORDINARY CABINET: 28 February 2018

COUNCIL: 28 February 2018

Report of: Chief Executive

Relevant Portfolio Holder: Councillor Ian Moran

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SUBJECT: SUSTAINABLE ORGANISATION REVIEW

Wards affected: Borough wide

1.0 PURPOSE OF THE REPORT

1.1 To seek agreement for a review of the Council's operating model, and to identify opportunities for further income generation and efficiencies, with the aim of ensuring that the Council can deliver its vision, key priorities, maintain service provision, and is financially sustainable beyond 2020/21.

2.0 RECOMMENDATIONS TO CABINET

2.1 That the Council's financial position be noted, and either:-

2.2 That a Sustainable Organisation Review be undertaken adopting Option 3 at paragraph 6.1 of the report as the preferred approach;

2.3 That a Sustainable Organisation Review Cabinet Working Group be established, with the membership and functions set out at Appendix 1, and the respective Leaders provide to the Borough Solicitor details of named Councillors to fill the positions agreed;

2.4 That the Chief Executive be given delegated authority in consultation with the Sustainable Organisation Review Cabinet Working Group, to take all necessary steps to procure a suitable contractor or contractors to support the Sustainable Organisation Review, in accordance with paragraphs 5.1-5.3, 9.1 and 9.3 of the report;

2.5 That the Governance Arrangements set out at paragraphs 7.1-7.2 be noted, and that the Chief Executive report on the Sustainable Organisation Review as set out at paragraph 7.1;

or

2.6 That Members identify, and agree, an alternative approach to enable a balanced General Revenue Account position to be reached by 2020/21.

3.0 RECOMMENDATIONS TO COUNCIL

3.1 That the Council's financial position be noted, and either:-

3.2 That a Sustainable Organisation Review be undertaken adopting Option 3 at paragraph 6.1 of the report as the preferred approach;

3.3 That funding from the Policy Options/Sustainable Organisation Review Reserve and projected HRA favourable budget variance be used to enable a Sustainable Organisation Review to be commenced as set out at paragraphs 9.1 to 9.2;

3.4 That the Chief Executive be given delegated authority in consultation with the Sustainable Organisation Review Cabinet Working Group, to take all necessary steps to procure a suitable contractor or contractors to support the Sustainable Organisation Review, in accordance with paragraphs 5.1-5.3, 9.1 and 9.3 of the report;

3.5 That the Governance Arrangements set out at paragraphs 7.1-7.2 be noted, and that the Chief Executive report on the Sustainable Organisation Review as set out at paragraph 7.1;

or

3.6 That Members identify, and agree, an alternative approach to enable a balanced General Revenue Account position to be reached by 2020/21.

4.0 BACKGROUND AND CURRENT POSITION

4.1 Council at its meetings on 18 October 2017 and 13 December 2017 agreed Policy Options totalling £533,000. This follows decisions at Council on 19 July 2017, to agree reductions in expenditure totalling £557,000, and an increase in the projected income budget for garden waste charging of £140,000. Taken together these measures will deliver savings and additional income of £1.23m by 2020-21.

4.2 The Policy Options report presented to Council on 19 July 2017 set out a forecast budget gap of £1.925m for 2018/19, £0.590m for 2019/20, and £0.21m for 2020/21; a total of £2.725m by 2020/21. This budget gap represents the forecast difference between the spending required to maintain approved service levels and the resources that are expected to be available. This budget gap has been caused primarily as a result of ongoing reductions in government grant funding and loss of income from Lancashire County Council for the Waste Partnership Cost Share Agreement. Detailed work on updating the medium term financial

forecast is currently underway taking into account the policy options that have been agreed, the draft Local Government finance settlement for 2018-19, the current pay offer to NJC staff for 2018 and 2019 and other budget factors, for example budget issues and Council Tax assumptions, that will be considered at this meeting. It is expected that this updated forecast will show a remaining budget gap in the region of £1.5m to £2.0m by 2020/21.

- 4.3 Members will recall that over the last eight years, the Council has made savings and generated additional income totalling more than £10m. This includes a package of measures totalling around £1.2m that is being implemented in the current financial year.
- 4.4 The Council's financial position has been assisted by several large scale income and efficiency initiatives over recent years. In particular, since 2011/12 the Council's shared service arrangement with Lancashire County Council/British Telecommunications Services Lancashire has generated an ongoing saving/income of £0.5m, rising to £0.82m in 2017/18. Garden waste charging has generated a net income figure of £0.64m, and £0.28m of savings have been delivered for the General Revenue Account through management/staff restructuring savings since February 2016.
- 4.5 Initiatives, including considering the establishment of a Development Company, operating on a more commercial basis, and seeking further efficiencies, will it is anticipated generate further income/savings for the Council over the next few years. However it is not anticipated at this stage that these will be sufficient to bridge the residual gap identified above in the timescales required. Members therefore will need to consider other measures to do so.
- 4.6 In recent years the Policy Options approach has delivered sufficient expenditure reductions and increases in income to enable balanced budgets to be set. However, it is becoming increasingly difficult to identify options that Members would wish to take, and which would bring the Council into a sustainable financial position, whilst providing sufficient capacity and focus on delivering the Council's priorities. In order to generate the scale of savings and additional income required, it is suggested therefore that a new approach is needed.
- 4.7 Members will recall that at its meeting on 21 October 2015, the Council put in place a Council Plan for 2015-18, with a vision of being a Council which is ambitious for West Lancashire – our Economy, our Environment, and for Health and Wellbeing. The current Council Plan is subject to annual refresh, and runs until March 2018. The current Council Plan is therefore under review for the next plan period, with the intention of a new Council Plan being presented to Members for decision in March/April 2018 to cover the years 2018/19-2020/21. The Council Plan for 2018/19-2020/21 will set out the Council's vision and priorities, in the context of past achievements, performance and the financial context as described above. A new approach, as outlined in section 5.0 will assist the Council in putting in place the staffing structure and culture required to deliver these priorities going forward, in the current difficult financial context.
- 4.8 Members will be aware of an indication that Government intend to undertake a 'fair funding' review of Local Authority finance, to be implemented by 2020/21. Furthermore, proposals to introduce greater business rates retention have been mooted, and these two factors create ongoing uncertainty in relation to the

Council's financial position. However, the legal requirement to set a balanced budget each year remains.

- 4.9 Any future approaches to balancing the budget will need to be undertaken in the context of 4.8 above, and whilst it is not clear what impact, if any, there would be on the Council's financial position, in the light of national pressures on health, adult social care and children's services in particular, it is suggested that it would be prudent to take, at best, a neutral view in relation to the likely impact of these initiatives on the Council's finances. This means that going forward the Council will need to be more self-sufficient in terms of generating the income that it requires to provide services and less reliance will have to be placed on government grant funding.

5.0 A SUSTAINABLE ORGANISATION REVIEW

- 5.1 In order to put in place organisational arrangements to deliver the Council's key priorities, maintain service provision and secure a balanced budget position for the medium term, there would be merit in undertaking a whole organisation review; a 'Sustainable Organisation Review' (the Review), which would involve a study or studies and associated work e.g. lean process mapping, and which would consider:

- (i) How the Council's activities are currently organised and configured, its fitness for future purpose, and whether there is scope for further efficiencies and savings, that minimise the impact on front line service delivery;
- (ii) The scope to generate additional income to be able to continue to fund existing services or to develop new services;
- (iii) Good practice examples from other public sector organisations;

and provide:

- (iv) Recommendations in relation to income generation and efficiency including the future officer/staffing structure, and opportunities for a flatter structure and different organisational models. This could include different ways of organising work e.g. by separating operational management from people management, using a casework approach where multi-disciplinary and multi-skilled staff are complemented by professional specialists, improving efficiency and productivity.

- 5.2 Considerations in the course of the Review would include:

- How best to deliver the Council's vision and priorities going forward;
- Opportunities for innovation and income generation, not currently being utilised;
- The application of lean processes/techniques;
- The Council's ICT investment strategy and route map, and any opportunities that the better use of ICT going forward could afford;

- The impact of the partnership agreements/timescales in relation to Leisure Services and ICT/Revenues and Benefits services;
- Any opportunities for consolidation/maximising the use/income from Council accommodation, and agile working;
- The conclusions from the Corporate and Environmental Overview and Scrutiny Review on Community Involvement in Service Delivery;
- Any immediately obvious opportunities for further shared service delivery.

5.3 The outcomes sought from the Review would include:

- (i) A financially sustainable operating model, which delivers the Council's priorities and offers value for money;
- (ii) Embedding a driving, innovative and empowered staff culture, making best use of the capacity and capability in the organisation;
- (iii) The scope to secure further improvement in our Borough's economy; environment and health and wellbeing, whilst meeting statutory requirements;
- (iv) Ensuring a quality customer experience by providing effective, efficient, accessible services, right first time;
- (v) Sufficient ongoing strategic capacity to provide leadership and innovation, for both the Council as an organisation and West Lancashire as a place.

6.0 OPTIONS

6.1 There are a number of options as to how this Review could be undertaken. Some options, and the advantages and disadvantages of each are outlined below.

Option 1: Internal Consultancy Model

An 'internal' temporary consultancy could be established to undertake the Review outlined in 5.1-5.3 above. This would necessitate the creation of a new fixed term Director-level post, with the seniority to drive change, a background in organisational change and transformation, and the creation of a dedicated transformation team. To create the additional capacity to undertake this work, whilst continuing to deliver on existing priorities, it is envisaged that a number of other new posts would be required on a fixed term basis, covering lean processes, HR, Finance, Legal, ICT and communications specialisms together with administrative support.

The advantage of this approach is that it may be potentially less expensive than the other options. The disadvantages are that an internal team has the potential to be less independent, knowledgeable and flexible than Options 2 and 3 outlined below. There would also be a significant lead in time to recruit at Chief Officer level, and establish the team.

In addition it is unclear whether the skills/experience that would be needed could be attracted via external recruitment.

Option 2: Peer Consultancy Support Model

A partnership with another local authority with consultancy expertise could be sought, to support the review outlined in 5.1-5.3 above. This could involve developing a shared service arrangement for the provision of services and an appropriate procurement process.

Resources would be required to finance the shared service arrangement, and for additional internal staff resources to project manage and deliver the overall Review.

The advantage of this approach is that it may provide consultants with local authority experience. The disadvantages are that it is likely that the Peer Team would come from an upper tier authority and they may not understand the role and context of a District Council, and be less independent, knowledgeable and flexible than Option 3 below. There would also be a significant lead in time to procure and develop a shared service solution, which can be complex. In addition it is unclear whether the skills/experience and capacity needed would be forthcoming from this approach.

Option 3: External Consultancy Support Model

A (public or private sector) contractor or contractors could be sought with the relevant skills and experience through an appropriate procurement process, to support the Review outlined in 5.1-5.3 above.

Resources would be required to finance a consultancy study, or series of studies to inform the review. It is envisaged that the project management would be done in-house, and it is likely that additional resource would be required for this, and also for additional internal HR, Finance, Legal and ICT support to help deliver the overall Review at appropriate points. Some lean process re-engineering capacity may be available in-house, but further resource is likely to be needed, and it is suggested that this facility could be built into a contract on a 'draw down' basis.

The advantages of this option is that it can bring additional independent and flexible skills, knowledge of alternative/new approaches and capacity to complement in-house capability in a short time frame. This option is most likely to provide robust feedback, and it is anticipated that there are a number of potential providers, with a variety of approaches, that could be attracted to tender, and who would hit the ground running.

The disadvantage is that it may be difficult to appoint consultants with relevant local authority experience and knowledge.

It is envisaged that Members may wish to take a staged approach to the Review with appropriate reporting to Members at the end of each stage. To ensure value for money, the balance of work undertaken by in-house staff and consultants will be kept under review during the course of the process.

6.2 Of the options identified above, it is recommended that Option 3 represents the best fit with the Council's needs at this time, in terms of being able to successfully deliver a large scale savings/income programme within a reasonable timescale. Experience from other authorities who have undertaken large scale organisational review projects suggests that it can be of the order of 3 years, from the decision to commence a review, to completion of full delivery.

7.0 GOVERNANCE ARRANGEMENTS

7.1 It is proposed that the Review would be assisted by the following governance arrangements:

- Full Council – agree the initiating report (this report), with the prior assistance of Cabinet; the funding required; receive reports and make decisions in relation to the appointment of a contractor or contractors and the results of the Review;
- Cabinet – agree the initiating report (this report), for further consideration by Council; receive recommendations from the Sustainable Organisation Review Cabinet Working Group; receive reports and make decisions in relation to the appointment of a contractor or contractors and the results of the Review;
- Sustainable Organisation Review Cabinet Working Group – with the proposed terms of reference and membership as set out at Appendix 1. The named Councillors to fulfil the membership to be advised by the respective Leaders.

7.2 The above arrangements would be supported by an officer board, comprising senior officers and chaired by the Chief Executive, with the assistance of a dedicated Project Manager and input from other officers as required. In due course, it is envisaged that additional officer input would be needed, including dedicated HR, Finance, Legal and ICT resources, and that business analyst/lean process support would also be required. Where possible this would be found from existing resources, but additional resources are likely to be required. The board would provide oversight of the consultants engaged to undertake the study or studies and associated work, and internal staff communication, reporting to Members as appropriate. It would oversee the implementation of the recommendations of the Review, once agreed by Cabinet and Council. Overview and Scrutiny Committees will be engaged in regard to process as appropriate.

8.0 SUSTAINABILITY IMPLICATIONS

8.1 Undertaking a Review as proposed in this report will assist the Council in maintaining service provision and in ensuring it can deliver its priorities effectively and secure a sustainable budget position in the medium term. There are no direct effects on crime and disorder arising from this report.

8.2 Every effort will be made through this process to maximise positive impacts and minimise any other impacts.

9.0 FINANCIAL AND RESOURCE IMPLICATIONS

- 9.1 To proceed with the proposals in the report, drawing on the experience of authorities who have undertaken large scale organisational review projects, it is anticipated that senior staff will need to devote a significant amount of time to the process during the Review period, as indicated at 7.2 above. This will require re-prioritisation of workloads. In addition, in order to support the Review, funding of £64,000 is required to enable the creation of a fixed term (initially for 2 years) 0.5fte Project Manager post. Further funding requirements will be identified through the Sustainable Organisation Review Cabinet Working Group and tender process, and as the project progresses, and sought via reports to Members as appropriate.
- 9.2 Undertaking such a Review is likely to require a significant investment but it is expected that the level of income, savings and efficiencies that could be generated would be at a level that would justify this expenditure. The cost will be split 80%/20% between the GRA and the HRA in line with staffing numbers/budgets, with the GRA element of the costs funded from the Policy Options/Sustainable Organisation Review Reserve, which is proposed in the Budget Requirement report elsewhere on the agenda, and the HRA costs funded from the current year projected favourable budget variance. The time and resources required to undertake the Review may also limit the amount of new activity that can be developed, and the amount of focus that can be given to non-priority areas. Any early wins in terms of savings, efficiency and income will be taken as they arise.
- 9.3 To afford sufficient flexibility to the project, and given the possible cost of the consultancy study or studies and associated work, a procurement process may be required to conform with the Public Contracts Regulations 2015 and the contract or contracts must be awarded to the tenderer or tenderers who have offered the most economically advantageous tender or tenders. Appraisal of contractors' tenders will be undertaken in line with agreed tender evaluation criteria and an agreed scoring methodology. In this regard it is proposed that the Chief Executive be given delegated authority in consultation with the Sustainable Organisation Review Cabinet Working Group. The Council's Contracts Procedure Rules require that price must account for a minimum of 60% of the overall tender score. However, given the importance of this study or studies the Chief Executive may authorise a reduction in the price weighting below 60% in order to give greater weight to the quality of suppliers' proposals. A recommendation as to any preferred contractor or contractors to be appointed would be made to Members, together with any recommendations as to the resources required to engage the recommended contractor or contractors, with decisions being made in accordance with the Council's usual arrangements, taking account of any delegations in place. If required, the selection of any contractors for tenders in excess of £50,000 will be reported to Council for approval. Any further resource implications will be addressed as necessary, subject to the business case, in further reports to Members. In particular there is likely to be a need for significant investment in ICT to enable more efficient and more customer-focused service delivery.
- 9.4 It is intended that the specification for the Review will concentrate on outcomes rather than processes, and this should help to promote innovative and creative approaches from prospective contractors. In addition where appropriate a tender or tenders will be subject to a formal OJEU process, which will be widely advertised and should help to attract the best quality consultants.

- 9.5 It is expected that the Review will take place in a number of stages, and that decisions will need to be made at the end of each phase on how to proceed with the Review. The Sustainable Organisation Review Cabinet Working Group will ensure that there is Member involvement with this process and to give direction to the Review.
- 9.6 The requirement to achieve a sustainable budget position will necessitate significant organisational change, including changes in staffing levels. This is likely to be assisted by a combination of the deletion of vacant posts, staff turnover, and a reduction in the usage of agency and temporary staff. Although in any large scale remodelling it will be impossible to discount compulsory redundancies at the outset, every effort will be made to seek to minimise the risk of compulsory redundancy by the use of redeployment, and by considering expressions of interest in voluntary reduced hours, voluntary redundancy, and other mechanisms as set out in the Council's HR policies. As part of this process it is anticipated that expressions of interest on voluntary reduced hours and redundancy will be sought from staff, but there will be no guarantee that these will be accepted, as this will depend on their business case. In addition there may also be staffing increases in some areas, especially where such an increase will assist in generating greater income than the costs associated with the posts. The savings generated from any redundancies will need to be sufficient to meet the associated exit costs within 3 years in line with standard Council policy.
- 9.7 The need to increase the Restructuring Fund, which is a reserve used to pay for staff exit costs arising from restructuring, as a result of the Sustainable Organisation Review will be considered as the Review progresses.

10.0 RISK ASSESSMENT

- 10.1 The difficult financial position facing the Council is a key risk that is included on the Council's Key Risk Register, and the Sustainable Organisation Review proposed within this report will assist the Council in mitigating this risk. In the alternative, the Policy Options approach could continue. The financial scenario facing all local authorities means that "doing nothing" is not an option, and that a large scale package of savings/income needs to be achieved over a medium term period.
- 10.2 In considering the budget gap to 2020/21, it is important to note that these are projections based on the best available information at the current time, using prudent assumptions. However, there is scope for considerable variation in the value/scale of the gap identified.
- 10.3 Undertaking a project of this nature will involve significant change, and has the potential to impact on staff morale, performance and capacity. These risks will be mitigated by communications throughout the process, and the project management arrangements decided at 7.2 and 9.1 of the report. A Sustainable Organisation Review Project Risk Assessment will be developed at an early stage for reporting to the Sustainable Organisation Review Cabinet Working Group.

Background Documents

There are no background documents (as defined in Section 100D(5) of the Local Government Act 1972) to this Report.

Equality Impact Assessment

This is an initiating report, and does not make any recommendations with a direct impact on members of the public, employees, elected members and / or stakeholders, therefore an Equality Impact Assessment is not required at this time. Equality matters will however be taken into account during the appropriate stages of the Review.

Appendix

Appendix 1 – Sustainable Organisation Review Cabinet Working Group Terms of Reference (Draft)

DRAFT

SUSTAINABLE ORGANISATION REVIEW
CABINET WORKING GROUP

Terms of Reference

Membership: 7 Members – 4 Labour, 3 Conservative

Labour: (Chairman) Councillor
(Vice-Chairman) Councillor
Councillor , Councillor

Conservative: Councillor , Councillor
Councillor

Functions

1. To consider examples and presentations relating to a sustainable organisation review or similar reviews undertaken by other Councils.
2. To consider the specification for a Consultant's Study, or series of studies, and associated work, and the phasing of this to inform the Sustainable Organisation Review.
3. To consider the tender criteria, scoring methodology and tenders received for a Consultant's Study, or series of studies, and associated work, to inform the Sustainable Organisation Review, and make recommendations to Cabinet and/or Council as appropriate.
4. To consider the options for achieving a sustainable operating model for the Council, focussing on opportunities for further income generation and efficiencies that will deliver the Council's priorities in the current financial context.
5. To consider the findings of the Consultant's Study, or series of studies, and associated work, and make recommendations to Cabinet and/or Council as appropriate.