

Flintshire County Council

**Medium Term
Financial Plan**

(Council Fund)

2014/15 - 2018/19

**Revision as at
30th September 2013**

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1. Context

Setting the Medium Term Financial Plan

This is the second of two revisions of the published Medium Term Financial Plan (MTFP) within 2013-14.

The first revision was reported to Cabinet in June and Corporate Resources Overview & Scrutiny in July, where it was positively supported.

At that stage, the projected revenue 'gap' to be bridged by organisational change, efficiencies and choices between services was reported as £8.5m for 2014/15 rising to £28.5m over the 5 year period to 2018/19. This took into account the most accurate forecasts possible as at 31st May 2013 on the national fiscal position, inflationary trends and investment needed to support the priorities of the Council.

This second revision sets out the position as at 30th September with:

- Updated forecasts on funding over the five years taking account of the latest national intelligence but noting that the draft Welsh Government (WG) Budget and the provisional local government settlement are not due to be announced until 10th and 16th October respectively
- Updated forecasts on inflationary impacts and the investment needed to support council priorities.
- A projected revenue "gap" over the five year period to 2018/19 of £47.6m with £16.5m of this in 2014/15.
- Details of the Council's Organisational Change and Re-Design Plan to further modernise the organisation and secure major efficiencies in costs and overheads through four Strategic Change Programmes:
 - **Corporate Efficiency**
 - **Functional Efficiency**
 - **Organisational Design – Structure and Operating Models:**
 - **Organisational Design – Workforce**
- The target amounts to be met from each programme over the period.
- The forecast position for 2014/15 as the budget year ahead for which a balanced budget must be set at the Council meeting in February 2014.

Further revisions to the forecasts within the MTFP and for 2014/15 specifically will be reported on an ongoing basis over the coming months through to February as part of the budget process and ongoing, thereafter, as an essential part of integrated organisational and financial planning.

The Council Fund Budget

The 2013/14 total budget for delivering council fund services is £293m. The money to finance this spending (as for all councils) comes from two main sources. The majority of funding (80%) comes from Welsh Government through the revenue support grant/non domestic rates pool and numerous specific grants (many of which fund core services), with the remainder (20%) being raised locally from Council Tax. This means that Council services are heavily reliant on external funding. In a period of national fiscal constraint where such funding is under extreme pressure, the national funding position sets the context for us.

The National (UK & Wales) Funding Context

A recap on what we said in May

The 2013/14 Council Fund budget report in March this year set the scene of significant annual reductions in public sector financing at a national UK and a Welsh level. It was forecast that this would be the scenario for the remainder of the decade as a consequence of UK Government Fiscal Policy and an economy in recovery but with limited signs of growth.

This position was amplified in the MTFP revision in May. We were fully aware that the indicative allocations we had for 2014/15 could no longer be relied upon for financial planning. The Minister for Local Government and Government Business had set this out in a letter on 23rd May stating that those figures had been overtaken by events and that Authorities needed to engage immediately in decisive and short term financial and service planning so as to align public services quickly to the lower levels of resources available in the future.

The May update was based on "Scenario 3" as set out by the WLGA. Scenario 1 had assumed that WG maintained the regional 'top slicing' of grant to support collaborative working and took £10.2m from the settlement. Scenario 2 had included the first, and assumed that local government took an 'equal share' of the £81m reduction in total funding which was to be cut from the Welsh budget as a consequence of the Chancellors budget statement in March. Scenario 3 included the first and further assumed that local government and all non-NHS programme budgets took the full 'brunt' of the reductions.

We were aware that a fourth scenario could be a greater reduction in funding available to Wales combined with a transfer away from local government and other sectors to support the National Health Service.

In addition, we highlighted that discussion was turning to the possibility of reductions on the scale of those experienced in England over the previous Comprehensive Spending Review (CSR) period which had been an average reduction of 4% per annum.

Worsening Prospects

Since the May update, the prospects for the levels of funding to be available to local government in 2014/15 and 2015/16 have worsened considerably.

This revision to the MTFP is based on a year on year cash reduction of 4% in both 2014/15 and 2015/16 and an assumed "cash flat" position for the following years of the plan. This is in line with advice from WLGA on the best intelligence available. **However, it is important to be clear that this is not a known position and it could change in either direction.**

It is anticipated that the provisional local government settlement will be announced on 16th October, following the WG draft budget being announced on 8th October.

Until we receive the provisional settlement, we will not know what our funding for 2014/15 will be. It is also hoped that this will also include an indication for 2015/16.

However, even then, it is highly unlikely that we will have all of the details of specific grants which provide £35m of revenue funding to support council services each year.

Notification has already been received of an in year cut to the Sustainable Waste Management Grant of £0.150m with indications that the reduction in 2014/15 and beyond could be double this figure.

Supporting People grant is also similarly under pressure with potential reductions of up to 10% anticipated from April 2014 which would equate to a reduction of £0.680m.

A further significant funding pressure is the funding of the Council Tax Reduction Scheme (CTRS) where WG may not be able to sustain funding of the scheme in full and may look to local government to share in the cost (potentially £15m) of the "top up" provided last year for the scheme to be set at 100% for eligible claimants.

What has happened since the last update?

The Chancellors 2013 Spending Review was announced on 26 June. For 2014/15 there were no new announcements, however, it was confirmed that the previously announced cuts to the WG budget made in the 2013 budget and the 2012 Autumn Statement would continue. For 2015/16, the UK government is continuing with the planned spending reductions of £11.5bn. The implications are that the Wales budget for 2015/16 is set at just over £15bn (£13.6bn revenue and £1.4bn capital). The Wales budget will reduce by 2% in real terms, being £280m lower in real terms than previous plans for 2014/15 and £1.7bn lower than in 2010/11.

Welsh Government is therefore considering its budget and the allocation to departments and to WG priorities within the context of reducing resources being made available to it from UK Treasury.

Ongoing dialogue – over the summer, WLGA met with the Finance Minister for a briefing on the WG budget. Correspondence has been exchanged between the Minister and the 22 Leaders of Welsh Councils. The letter from Leaders in July set out the need for a reassessment of what is affordable, deliverable and sustainable in the harsh financial environment at both national and local levels and suggested key areas for working together through; dehypothecation of grants, joined up approaches around health and social services budgets, flexibility on education funding and early indications of settlements for 2014/15 and 2015/16.

The newly established **Finance Sub Group** of the Partnership Council for Wales comprising of Ministers and WG Officials and WLGA Members and Officials met on 8 July. The WLGA presented a Funding Outlook Position Paper which had been prepared with input from LG finance representatives setting out, through the example of an average sized Welsh Council “Council Cymru,” the implications for services and budgets of the financial situation being faced. Whilst a mythical council, “Council Cymru’s” budget and the impacts are very close to those of Flintshire as a medium sized council. The paper then went on to set out how WG and Welsh Local Government need to work together to protect local services.

Mid September position - having acknowledged that we will not have a clear position until mid October, speculation continues as discussion takes place within Welsh Government. There has been discussion that the WLGA’s most pessimistic exemplification of cuts (at 4%) could potentially be the most optimistic outcome and that reductions to funding could be greater. On school improvement there has been some consideration of alternative methods of funding the service at a regional level.

Institute of Fiscal Studies Research – Future Pressures on Welsh Public Services

Some recent research undertaken by the Institute of Fiscal Studies (IFS), funded by Wales Public Services 2025, was announced in late September which looked into the prospects for the Welsh Government budget under various scenarios as far as 2025/26.

The research advised that the UK Government's deficit reduction plan means the Welsh Government faces at least four more years of budget cuts on top of those already delivered over the three years since 2010/11 which would mean up to and including 2017/18.

The research went on to advise that:-

- the level of cuts to be implemented by the Welsh Government over the next four years is likely to remain uncertain until after the next UK general election.
- these newer cuts come on top of cuts of just over 9% (£1.5 billion, when measured on a like for like basis) already delivered since 2010/11.
- overall the Welsh Government is likely to have between 14% to 17% less to spend in 2017/18 than it had in 2010/11, which would revert spending back to that seen around 2004/05.

Beyond 2017/18 there is even greater uncertainty and the research also considers a number of plausible scenarios and sets out the possible national 'trade-offs' between spending choices for different public services.

Distribution - alongside the speculation about the amount of funding to be available, there is ongoing discussion between WG and Local Government through the Distribution Sub Group (DSG) on the distribution of the quantum, taking account of data changes principally around census statistics and council tax support. This discussion is continuing and will include consideration of "funding floors" to seek to protect councils who would be at risk of significant shifts in distribution.

It is also unclear at this stage whether funding allocations will be provided for 2014/15 only or whether any indicative amounts will be shared to assist with financial planning for future years.

Achieving Local Priorities

The 2013/14 Improvement Plan sets out four shared priorities with our partners at a County level, and the eight priorities for the Council itself. All of our priorities remain important, but in any one year a number of them will stand out for special attention. Setting priorities helps us the Council concentrate attention and resources on the things that matter most. We call these our Improvement Priorities. Our eight Flintshire County Council priorities are:

- Housing
- Environment
- Living Well
- Poverty
- Economy and Enterprise
- Skills and Learning
- Safe Communities
- Modern and Efficient Council

Not all priorities necessarily need extra resources; some inevitably do. The priorities should guide investment choices as the Council balances the resources it has at its disposal with the 'competing' demands of its services and the communities they support.

Resources are in place to deliver the priorities for 2013/14. Some of these resources are met from within the base budget but there was specific and positive investment in the 2013/14 budget as detailed in the budget report in March.

Over the five year life of the Council, the full set of priorities will adapt and the annual set of priorities selected for special attention will change according to need and circumstances. Priorities will need to be constantly reviewed in conjunction with the overall financial position and investment decisions made with consideration given to the revenue and capital resources available. The financial impacts of additional investment in specific new priorities from 2014/15 will be included in future revisions to the MTFP as policy decisions are taken over the coming months. For planning purposes, the forecast also includes an annual amount of £1.6m for investment in change and new priorities which would provide resource for one-off or time limited investment required to bring about the change, against which around £0.534m is committed to support invest-to-save in organisational reform (Flintshire Futures) for 2014/15 and 2015/16.

The Improvement Priority *Modern and Efficient Council* illustrates on-going programmes to modernise the organisation, making best use of our existing resources, seeking to bring in additional funding and generating efficiencies. This supports the protection of investment in local services.

2. Medium Term Financial Strategy, Medium Term Financial Plan and the Annual Budget Process

The role of the MTFS and MTFP

The Medium Term Financial Strategy (MTFS) and the Medium Term Financial Plan (MTFP) are critical aspects to the Council's overall governance arrangements.

The Medium Term Financial Strategy provides a framework for the financial principles through which revenue and capital resources will be forecast, organised and managed to deliver the Council's vision and strategic objectives.

The Medium Term Financial Plan forecasts funding levels and resource requirements over the medium term, identifies the gap between the two and enable specific actions to be identified to balance the budget and manage resources.

The MTFP and the Annual Budget Process

The MTFP looks at the position over five years, currently 2014/15 to 2018/19. Whilst developing plans for the medium term, there is also a need to plan in detail to set a balanced budget for the forthcoming financial year 2014/15.

At this stage in the planning cycle, the Council is engaged in the two interrelated strands:

- Development of the MTFP – setting out the best available forecasts and plans to meet the budget gap over the medium term
- Planning to set the budget for 2014/15

Continuous Development

The MTFP is an ever evolving forecast of the Council's financial position, which is continually updated to take in and / or refine latest forecasts of funding, investment needs and the opportunities to be gained from efficiency or saving measures.

Revisions to the forecasts within the MTFP and for 2014/15 will be reported on an ongoing basis over the coming months through to February as part of the budget process and ongoing thereafter as an essential tool of integrated organisational and financial planning.

Integrating the MTFP into the Medium Term Financial Strategy

The revised MTFP will be one of the elements to be incorporated into a refresh of the Medium Term Financial Strategy for publication alongside the budget for 2014/15.

3. The Medium Term Financial Plan revision as at 30th September 2013

Headline Overview

At this stage, there is an estimated shortfall in funding of £16.5m for 2014/15 rising to £47.8m over the 5 year period 2014/15 to 2018/19. In reporting these figures it is important that the following are fully recognised:

- The forecast is based on the most recent information available and the key assumptions which are detailed in the paragraphs below.
- Welsh Government Funding is assumed to be at a cash reduction of 4% in both 2014/15 and 2015/16 and then 'cash flat'.
- Confirmation of funding available will not be known until the WG budget is set and the provisional settlement received in October.

How does this compare to the last published MTFP?

The first part of the update as at the end of May showed a projected budget gap of £8.5m in 2014/15 and £28.5m over 5 years. The difference in 2014/15 to the figures as at 30th September is mainly due to a reduction in the estimated level of funding from WG (£6.9m), a reduction in the level of inflation required (£1.1m) and the net effect of costs in relation to services due to demand and external influences (£2.2m).

What will change the headline overview?

- Ongoing revision to the forecasts and key assumptions
- Clarity about the level of Welsh Government Funding.
- Clarity from Welsh Government on future expectations around the protection of Schools, Social Care or other budget areas.
- Local policy decisions on areas where there will be an element of choice as to future investment and / or the level of investment. The two most significant are:-

Single Status and Equal Pay

The May revision of the Plan did not take account of the additional funding requirement for the implementation of Single Status. An Agreement is now reaching its final stages with a Council meeting to consider a preferred pay and grading model scheduled for the end of October.

A base budget allocation of £4.3m has previously been set aside for recurring costs together with a reserve to fund the initial and time-limited costs.

The estimated financial impact and timing of the preferred pay and grading model has now been included in the plan with an additional base budget requirement of £5.8m from 2016/17, rising to £7.3m by 2018/19 being incorporated.

It is also assumed that all one-off and time-limited costs associated with the proposed single status agreement are met from the Single Status/Equal Pay Reserve.

The implications of settling any liability for equal pay are also being assessed with a plan to meet these costs at least in part from the specific reserve. Welsh Government have been notified of the intention to seek a capitalisation direction should it be required to meet a proportion of these 'one off' costs.

School Funding Formula Review

A progress update on the Formula Funding Review was reported to members in September where approval was given to commence consultation on principles that underpin a proposed school funding formula for the 2014/15 financial year.

Options for any additional investment will need to be considered as part of the 2014/15 budget process.

Current Forecast – detailed information

A summary of the 'headline' figures with regard to the updated MTFP are attached as Appendix 1.

The table is presented in such a way as to detail the position at various stages, for example, an inflationary increase on the existing budget results in a projected budget gap of £8.732m, adding on the indicative amounts of previous year decisions increases the gap to £11.540m and so on.

Funding

National Funding

Aggregate External Finance (AEF)

Approximately 80% of the Council's revenue funding is derived from Revenue Support Grant (RSG) and the Council's distribution of the National Non Domestic Rates Pool (NNDR).

As detailed earlier in the report the outlook for the level of funding to be available to local government has worsened considerably in recent months and latest intelligence suggests that funding forecasts should be revised to assume a cash reduction of 4% in both 2014/15 and 2015/16 and an assumed 'cash flat' position for following years.

The impact of this for Flintshire is a reduction in estimated funding of £6.966m in 2014/15 and £14.661m in 2015/16 and beyond to that assumed in the May update.

Local Taxation (Council Tax)

The MTFP currently assumes a 3% increase in Band D Council Tax (for planning purposes only) and a 98.5% Collection Rate (plus 0.25% increase in Council Tax Base) which would derive income of £60.304m for 2014/15. The amount of council tax collected in the year to date provides additional assurance that the collection rate can be increased to this level. A policy decision on actual levels of council tax increase and the assumed collection rate will need to be considered as part of each year's budget setting process.

Specific Grants

The MTFP currently assumes grant levels remain the same as 2013/14 (£34.764m). The Council's current policy, set out in the MTFP, is that where a specific grant reduces the service area needs to reduce costs accordingly. It is recognised however, that increasingly, specific grants do fund some core services which require careful consideration if they are to be reduced or brought to an end. In addition, there are often costs to which the Council is committed and which take time to reduce or stop.

As detailed earlier the Council has had confirmation that its Sustainable Waste Management Grant will be reduced by £0.150m for 2013/14 with an additional £0.150m anticipated for 2014/15. Funding for this shortfall is included in the projections at this stage.

Latest intelligence on the Supporting People Grant suggest that there could be a potential reduction of £0.680m (10%) from April 2014 and consideration is currently being given as to how this can be addressed.

Outcome Agreement Grant

Within the grants figure is £1.4m which is linked to the achievement of outcomes under the Outcome Agreement which the Council has with Welsh Government.

A report to Cabinet in September provided an update on the new arrangements for the Outcome Agreement Grant from 2013/14 – 2015/16 and also endorsed the five strategic themes and outcomes to be used.

The arrangements and guidance for the new Outcome Agreement have not yet been finalised by Welsh Government although it is likely that 70% of the grant will be paid upon achievement of our selection of five strategic themes and outcomes within the Welsh Government's Programme for Government.

The detail regarding the remaining 30% is unclear but is likely to include some aspects of governance and performance (such as any intervention or statutory recommendations made by the Wales Audit Office).

The MTFP assumes that all outcomes are achieved and that the Council receives the full grant entitlement.

Investment in Services, Priorities and Improvements

Base Budget 2013/14

The approved total budget of £293.3m for 2013/14 is rolled forward and the starting point for the MTFP covering 2014/15 to 2018/19.

Inflation

Each year an assessment needs to be made on the inflationary increase required for service areas. The May update included an amount of £4m covering the effect of a 1% pay award for all workforce groups, standard price inflation at 2%, above standard inflation and income at 3%.

A detailed exercise has been carried out since May to target price inflationary increases to where there is a business need only, rather than a flat increase across all service areas. The effect of this is to reduce the inflation provision requirement for 2014/15 to £2.909m, a reduction of £1.118m. No adjustment has been made at this stage for future years.

The table below details the assumptions currently made and their basis:-

Inflation	Current %	Based on
Pay	1%	Latest public sector pay expectations
Price	2%	Targeted areas only
NSI Energy	8%	Energy Unit advice
NSI Fuel	11.2%	UK Fuel price tax escalator
NSI Food	5.8%	National reports
Fees and charges	3%	Based on historical increases

Inflation assumptions will be under continual review during the budget process and refined as appropriate.

The Projected Shortfall in 2014/15 taking account of inflation is £8.732m

Previous Year Decisions

Each year as the budget is set; some decisions (which are clearly set out) have implications for future years' budgets. The full year effect of previous year budget decisions is required to be adjusted to the base budget in order to 'follow through' the decisions made in budgetary terms. For 2014/15 the impact for all Service Areas is an increase in the budget requirement of £2.808m rising by a further £2.743m in 2015/16.

Included in the 2013/14 budget report was an indicative additional amount of £1.6m p.a. to support investment in organisational change programmes and priorities. This was reduced from the £2m included in the draft 2013/14 budget proposals due to the base budget changes made at the County Council budget meeting. Any changes subsequently deemed one-off would increase the allocation by the relevant amount.

Also included in the 2013/14 budget report was an indicative additional amount of £0.017m for 2014/15, rising to £0.916m in 2015/16 to support prudential borrowing expectations, primarily to support the School Modernisation Programme.

The Projected Shortfall in 2014/15 taking into account previous year service decisions is £11.540m

Demand / Externally Influenced Costs and Efficiencies

The first MTFP update included details of net additional budget requirement of £1.288m to either meet client demand or to take account of external factors such as potential reductions in grant funding.

The first update was completed prior to the finalisation of the final outturn for 2012/13 and the variances occurring have been reviewed and where appropriate included in the MTFP. Consideration of the in-year position at the first quarter has also been given and where relevant the MTFP has been adjusted.

The effect of the above, in conjunction with information received from departments has resulted in the inclusion of estimated pressures and investment costs of £4.784m on a recurring basis and £0.232m on a one-off basis. The most significant changes since May are detailed below:-

Costs

Leisure Services

A progress update on the Council's Leisure Strategy was reported to Cabinet in September. The report referred to the in-year projected overspend of £0.960m and approval was given for an allocation of £0.505m from the contingency reserve to address the in-year budget implications of the revised Leisure Centres business plan.

At this stage the full projected overspend has been included in the MTFP pending a further review of leisure services delivery as part of the Council's programme of organisational change.

Family Placement

An in-year pressure has been identified and reported in respect of the Family Placement service within Children's Services. This increase in cost has been influenced by the reductions in expenditure achieved within Out of County placements budgets for Children's Services and Inclusion within Lifelong Learning as more children are placed with families in County. The increased cost of £0.250m has been included in the MTFP on an ongoing basis.

Schools Demography

An early review of estimated pupil numbers in May indicated a potential efficiency of £0.255m in 2014/15 and £0.278m in 2015/16. However, latest estimates are higher than anticipated so the efficiency has now been removed.

Child Protection

An in-year pressure has been identified and reported in respect of the Professional Support service within Children's Services. This has arisen as a result of a marked increase in the demand for statutory child care support in Flintshire which has been mirrored across Wales and the wider UK.

A budget allocation approved by Cabinet of £0.250m has been transferred to this area in 2013/14 to deal with the additional demand and also built into the MTFP on an ongoing basis.

Local Government Pension Scheme Reform

The implications of changes being made to the LGPS from April 2014 are being assessed and an early potential pressure has been identified in relation to overtime.

From April 2014 all overtime payments will be a pensionable cost and subject to employer's contributions. Based on expenditure incurred in 2012/13 this would lead to an increase in costs of £0.516m.

At this stage, the full amount has been built into the MTFP although it is anticipated that this will be reduced when further modelling is undertaken in conjunction with planned changes in this area through the single status project and wider organisational change.

Council Tax Reduction Scheme (CTRS)

An initial assessment of additional costs of £0.300m was included in May to take account of caseload and the increased cost of support linked to the assumed council tax rise.

Since then, Welsh Government (WG) has announced that the additional funding that was made available to manage the shortfall in 2013/14 cannot be repeated in 2014/15 due to budgetary constraints and that it expects the shortfall to be shared between WG and Local Authorities.

This, together with the latest assessment of the current cost of the scheme, is now projected to mean an additional cost of £0.981m in 2014/15. It should be noted however that the position has yet to be agreed so this may be subject to further changes.

Further Investment/Growth

In the interest of prudence an additional amount of £1.5m was included in the May update, based on the fact that historically service pressures were likely to be identified as requiring further investment and/or growth. Now that a more detailed assessment of these pressures has been undertaken and where relevant included in the MTFP, the additional £1.5m has been removed.

The Projected Shortfall in 2014/15 taking into account the above adjustments is £16.556m

Section 4 details the Council's approach to dealing with the projected shortfall through its Organisational Change Strategy.

4. Organisational Change Strategy 2013-17 to Meet the Efficiency and Savings Targets

Building on our Current Position

As an organisation we have been running a progressive and incremental year on year programme for changing and modernising the Council to improve governance, improve services and become more efficient in a worsening financial climate. This programme, which has combined reducing corporate costs through *Flintshire Futures* and service operational costs through service review and efficiency programmes, has largely been successful. Despite the dramatic change in the financial climate the Council can be confident that it has a strong base on which to build. The Council should be guided in expanding and accelerating its efficiency and savings plans by the working principles of:-

- Planning for the long-term as a whole organisation
- Making decisions for local public services which can be sustained
- Being ambitious and positive about change to better the organisation
- Having a clear philosophy underpinned by social values
- Managing the transition from the current to the future with care

The Council must use the opportunity to inject pace into our existing change programmes such as channel shift, agile working and procurement, and raise our sights and ambitions for modernising and changing the organisation. We need to continue to work to the twin objectives of:-

- Maximising the financial efficiency of the organisation and prioritising our resources; and
- Modernising the organisation to be lean, productive, efficient, resilient and high performing.

A Single Coherent Organisational Strategy

The existing Flintshire Futures Programme with its four sub-programmes of (1) corporate change (2) service review led functional change (3) regional collaboration and (4) local collaboration has been successful to a point in changing and improving the organisation and in making sufficient and sustainable annual financial efficiencies. However, whilst the Programme has purpose and integrity, noting that it was never intended to be a sole solution to the financial challenge, the Programme is not of a scale to meet the changing financial challenge.

The organisation needs to adapt its current work, with urgency, into a single and coherent strategy for modernisation, change and prioritisation.

The recommended structure of the renewed programme is set out below. The programme is a five year one from 2013-14 to 2017-18 to include the year of transition for a newly elected Council from May, 2017.

Organisational Change Strategy

1. **Corporate Efficiency:** assets, customer, finance and procurement;
2. **Functional Efficiency:** value for money in all service and support functions;
3. **Organisational Design – Structure and Operating Models:** functional and structural design including service alignment and management structures, Council and service operating models, alternative delivery models;
4. **Organisational Design - Workforce:** workforce planning, phased workforce reduction, vacancy management, costs of employment;

The renewed strategy will need strong, positive and effective leadership and governance, programme management and investment capacity and capability.

Setting ‘Quantum’ Financial Targets to give certainty, purpose and pace

The guideline ‘quantum’ targets for the five year strategy period and the first two financial years are set out below.

Programme	5 Year	2014-15	2015-16
Corporate Efficiency	£5-10M	£2-3M	£2-3M
Functional Efficiency	£7-15M	£3-5M	£3-5M
Organisational Design: Structure and Operating Models	£3-5M	£1M	£1M
Organisational Design: Workforce	£25-30M	£5-10M	£10M
Totals	£40-60M	£11-19M	£16-19M

The Starting Positions of the Organisational Change Strategy Programmes

1. **Corporate Efficiency:** the four programmes that form the pre-existing Flintshire Futures Programme are sound, well designed and delivering programmes. The 'step change' needs to be made most clearly in procurement (greater reduction of procurement spend, internal systems and practice, and collaborative procurement) and assets (civic estate and key functions). The organisation has current efficiency targets and options for extending these programmes with more ambition set for 2014-15 onwards;
2. **Functional Efficiency:** the developing value for money model is an extension of the previous service review model. It is being applied in phases, with the first phase underway (e.g. learning disability, children's services, core corporate services, planning, public protection) and will 'import' all current activity into one model under one coherent change programme, accepting that the past experience of a large programme of many service reviews has been difficult to manage and has had mixed success;
3. **Organisational Design - Structure and Operating Models:** this is a new and challenging programme with no recent pre-history other than the organisational changes through service reviews, and 'design principles' applied in part, such as spans and layers of control. The scope of this programme is the operating model for the Council, the positioning and grouping of service functions, and the review of the senior management structure and future management capability required for a leaner and modernised organisation; and
4. **Organisational Design - Workforce:** this is similarly a new and challenging programme with no recent pre-history other than the organisational changes through service reviews, and 'design principles' applied in part such as spans and layers of control. This will be a major planned programme of phased workforce reduction to an affordable and sustainable workforce which has to dovetail with both 2 above and service prioritisation from 4 below.

The Council's Operating Model as a form of 'Social Business'

The Council should build its renewed organisational change programme around an operating model which is underpinned by guiding values and philosophy to guide us. It should be a model which is true to the organisation's beliefs and presents values-based plans in a way everyone can understand.

The operating model should be one which applies 'business' principles and methods to the Council as a public sector organisation, built around the following characteristics:

- having service ownership and direct delivery, collaboration or commissioning as a first preference, new alternative models as a second preference and private sector partnering or transfer as a third choice
- being clear over how we govern and hold services and people to account under this range of preferences
- protecting and developing the most important public services in communities
- being as modern and high performing as we can in customer services
- being as lean, efficient and cost effective as possible
- localism and local choice in priorities, outcomes and how we design services
- sharing ownership and responsibility with communities e.g. community assets
- planning in a sustainable way and being consistent in our planning
- being a value based and caring employer in partnership with the Trade Unions e.g. terms and conditions, our employment policy framework

Developing and agreeing the operating model or social business model is an adopted Improvement Priority. Structural options for total organisational design and senior management roles and capability will be derived from this.

Organisational Re-design and Transition

The organisation needs to design a new structural model which has the positive characteristics of:-

1. being lean with optimal management cost overheads
2. having optimal layers and spans of control
3. having effective collective and individual strategic and operational professional leadership and management
4. having sufficient capacity to support and lead (1) external roles such as collaboration and partnerships and national representative positions and (2) internal change programmes and projects

5. improving the capability and performance of the lower tiers of management and supervision through role clarity, maximum delegation and effective supervision and mentoring
6. senior management being less operational
7. positive cultural change in working practices both professional and organisational
8. keeping and developing our best talent
9. having the best people in the right roles
10. having competitive pay and conditions to attract and retain talent

Work is underway on options for a new organisational combination of 'business' or service unit', for early review, with a reduced senior management structure and a smaller co-located senior management team. The organisational structure will need to be built around services with agreed operating models plotted on a range from direct provision, to collaboration/integration with public sector partners, to commissioning models, to alternative ownership models e.g. trading companies and 'mutuals', to private sector partnering.

The organisational structural model will need to be flexible to allow the organisation to adjust to new service operating models i.e the Council is not over-structured based on a traditional local direct delivery model nor is so lean that it has insufficient capacity to strategically plan its changing future.

Change will not happen in one single and short movement and there will need to be a planned transition rather where we move from the current structural model to the new.

Big Picture Planning for Big Service Configuration Decisions

This strategy will provoke discussions and options on operating models and service choices early on. If 2014-15 needs to be a year of big organisational structural and workforce change then 2015-16 will need to be year of pre-planned big decisions on service scale and locality provision.

Capacity and Capability

The Council has limited capacity (resources and expertise) and capability (skill, experience and confidence) to plan and manage change and a difficult transition.

Parts of the change strategy will need expert and independent advice and capacity. The Invest to Save Funds can be used for this purpose.

Throughout this period knowledge sharing, comparison and joint working with other comparable Welsh and English authorities is to run alongside our local work.

Planning for 2014-15 and 2015-16

The planning for the next two years is being phased alongside the annual budget planning and setting timetables and further reports on the organisational change strategy will be published for consultation, agreement, planning and implementation. Detailed plans for all four programmes, noting that two (organisational design) are new with limited pre-history, will need to be in place for confident budget planning for the new financial year.

Financial Projection 2014/15 - 2018/19

	2014/15	2015/16	2016/17	2017/18	2018/19
	£m	£m	£m	£m	£m
Funding					
Aggregate External funding (AEF) RSG/NDR	192.455	184.760	184.760	184.760	184.760
Council Tax	60.304	62.269	64.297	66.391	68.555
SSA / Budget Requirement	252.759	247.029	249.057	251.151	253.315
Other Grant Funding (Specific and OAG)	34.764	34.764	34.764	34.764	34.764
Use of Contingency Reserve					
Total Funding	287.523	281.793	283.821	285.915	288.079
Expenditure					
Base Budget Rolled Forward	293.346	304.079	311.744	323.003	331.061
Inflation (Pay/Price/NSI and Income)	2.909	4.128	4.237	4.352	4.473
	- 8.732	- 26.414	- 32.160	- 41.440	- 47.455
Shortfall after roll forward budget plus inflation					
Previous Years Budget Decisions (Services)	2.808	2.743	0.252	0.029	-
Revised Shortfall	- 11.540	- 29.157	- 32.412	- 41.469	- 47.455
New Pressures Recurring	4.784	0.528	6.579	3.486	0.158
New Pressures One Off	0.232	0.266	0.191	0.191	0.191
Revised Shortfall	- 16.556	- 29.951	- 39.182	- 45.146	- 47.804
Total Expenditure	304.079	311.744	323.003	331.061	335.883
Funding Shortfall / (Available)	- 16.556	- 29.951	- 39.182	- 45.146	- 47.804

