

BUSINESS STRATEGY 2020/21 – 2022/23

4th November 2019

1.0 INTRODUCTION

1.1 The purpose of the report is to provide an update on the development of a 3 year Business Strategy.

1.2 The requirement to develop a Business Strategy stems from,

- A projected year end budget over spend for the financial year 2019/20.
- An identified projected funding gap for coming years
- The ongoing expectation that a level of longer term financial sustainability should be established
- The need to meet the demands of legislative changes on service delivery

1.3 The funding gap has resulted from the requirement to fund annual pay awards, annual increments, and other unavoidable inflationary pressures set against an anticipated flat-cash budget settlement.

1.4 One of the key outcomes of the Business Strategy is the creation of a 3 year budget forecast that shall illuminate potential funding shortfalls allowing mitigation options to be considered by the Board.

2.0 BACKGROUND

2.1 The organisation commenced a Transformation Programme during 2017/18. One of its outcomes was the introduction of a revised organisational structure resulting in an annual reduction of £271k (4.4%) and a reduced budget of £5.847m.

2.2 In addition a programme of modernisation, digitalisation, process and cultural review was commenced and remains ongoing.

2.3 This ongoing activity, known as Transformation Programme Phase 2, is the vehicle that provides the opportunity to reconsider resource requirements, in the short and medium

term, identifying opportunities to mitigate against the projected funding gap while at the same time identifying the necessary process changes and modernisation required to meet the demands of ongoing service delivery and the introduction of legislative changes.

3.0 LVJB BUSINESS STRATEGY 2020/21 TO 2022/23

3.1 The Business Strategy is a key element of the Transformation Programme Phase 2 and represents an overarching framework that encapsulates the principle challenges that are faced during 2020 to 2023. See attached appendix.

3.2 It shall indicate the high level project based approach that is being taken, and provide clarity and detail on how each challenge is being dealt with and the required outcomes.

3.3 The Strategy is comprised of 5 key challenges,

- Responding to the ongoing fiscal constraint by identifying efficiencies and savings
- Ensuring the organisation is able to deliver the changes required under the NDR Reform agenda
- Ensuring the organisation is able to deliver changes to the electoral registration annual household canvass process
- Ensuring the organisation can continue to deliver all business as usual services throughout this period of challenge and change
- To continue and accelerate the process of Transformation involving modernisation, process review and cultural change

3.4 While these challenges are quite distinct in nature they are very much inter-related and co-dependant, with the outcome on one supporting the outcome of others.

3.5 For each of these challenges a separate project enabled approach is under construction with an associated timetable.

3.6 For a number of the challenges work, through the ongoing Transformation Programme and specific projects aimed to deliver on NDR and ER Canvass Reform, is currently under way. This shall be incorporated into and reflected in the overarching Business Strategy.

3.7 The Business Strategy and the required progress shall come under control and scrutiny from the Governance Group assisted by the existing Project Board monitoring and review process.

4.0 BUDGET 2020/2023

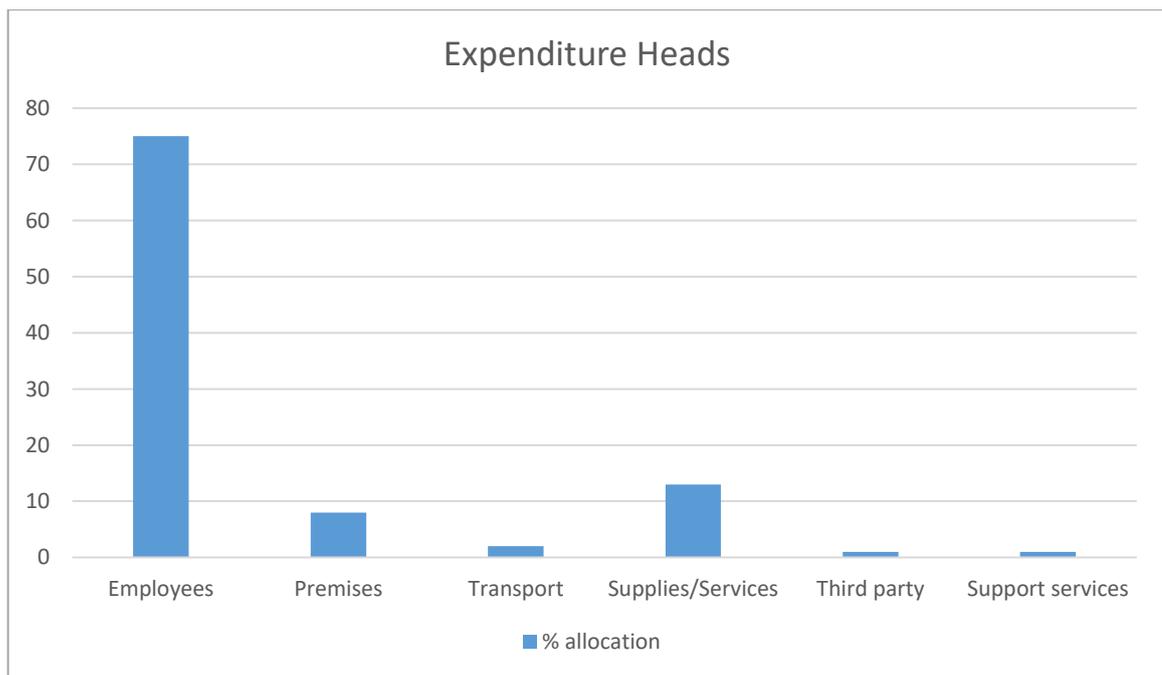
4.1 It is anticipated that the Board shall receive a flat cash settlement from constituent councils over the period of the Business Strategy.

4.2 Due to inescapable budget pressures in the form of annual pay awards, annual increments, and other annual unavoidable inflationary pressures, a funding gap shall result

4.3 The figures below provide an estimate of the projected funding gap,

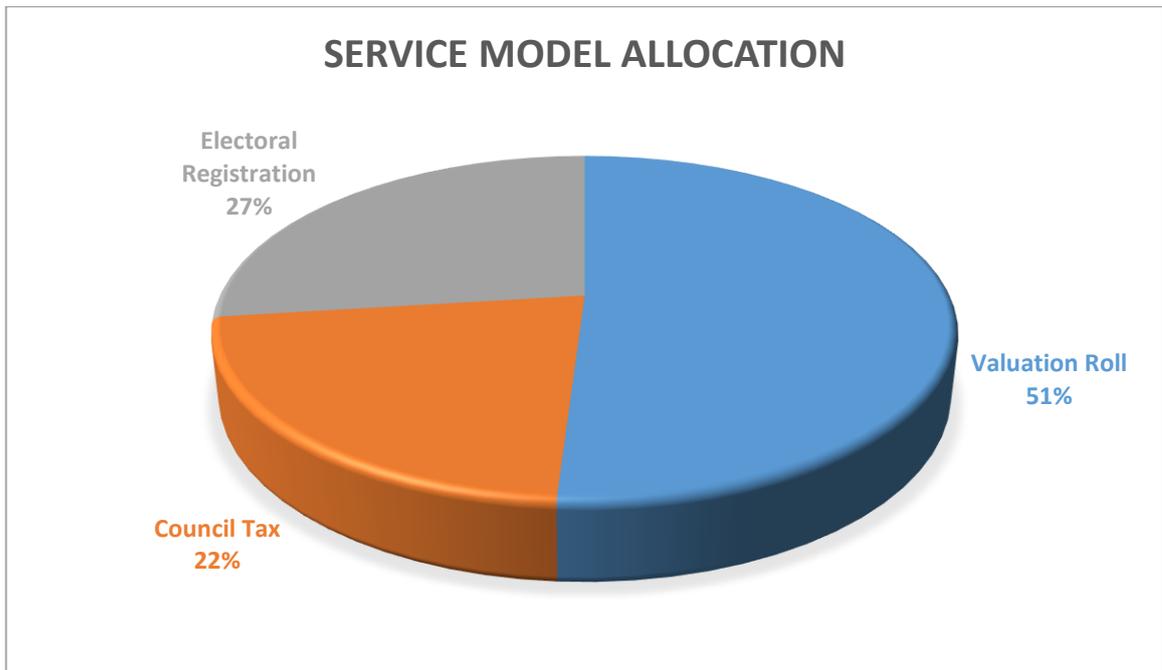
2020/2021 Budget shortfall	£371,931
2021/2022 Budget Shortfall	£609,131
2022/2023 Budget Shortfall	£827,064

4.4 The table below provides an indication of current annual budget allocation to the main heads of expenditure.



4.5 Employee costs currently constitute 75% of annual budget expenditure with all other individual heads of expenditure each accounting for 12% or less of the total annual budget.

4.6 The following chart provides an indication of the allocation of annual budget expenditure to each of the three service delivery functions.



4.7 It is clear that to achieve budget savings of the magnitude required efficiencies are required from current employee cost levels.

5.0 PROGRESS UPDATE

5.1 Due to the timescales within which the Business Strategy is required to operate, the need to forecast the Year 1 impact as soon as possible, and enable consideration to be given to the budget process for 2020/2021 a numbers of actions have commenced.

5.2 The Trade Union have been provided with Business Strategy Terms of Reference and a specific schedule of consultative meetings has been agreed.

5.3 Communication sessions have been provided to all staff where all the challenges facing the Board, including the fiscal challenges, have been discussed.

5.4 All staff have been invited to consider the Board's Policy on Voluntary Early Retiral and this process remains ongoing.

6.0 RECOMMENDATION

6.1 The Board is asked to note the contents of this report.

6.2 The Board should note that an update report outlining Business Strategy progress shall be provided as a standing agenda item for future Board meetings.

Graeme Strachan
ASSESSOR & ERO

LVJB 2020-23 Strategic Framework - Meeting Financial & Reform Challenge

