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| Agenda Item | 12 |
| Report No | HC/16/23 |

THE HIGHLAND COUNCIL

Committee: The Highland Council

Date: 11 May 2023

Report Title: Public Sector Reform

Report By: Interim Chief Executive

1. Purpose/Executive Summary

1.1 This report presents the Council's submission to the Scottish Parliament's Finance and Public Administration Committee's Inquiry into Public Sector Reform. Related to this, there is a brief overview of the key elements from the Scottish Government's Public Service Reform Programme.

2. Recommendations

2.1 Members are asked to: -

- i) note the update
- ii) homologate the Council's submission to the Scottish Parliament's Finance and Public Administration Committee's inquiry into Public Sector Reform; and
- iii) agree that further work on the Scottish Government's Public Service Reform Programme is progressed through the Redesign Board.

3. Implications

3.1 Resource: The response to the Parliamentary Enquiry provides factual information in relation to the Council's workforce and also reflects the approved position of the Council in relation to a series of financial reports that have been agreed at Council, including the Budget approved in March 2023 and the Redesign Board Programme. The Scottish Government's Public Service Reform Programme is likely to have resource implications for the Council, but these will not become clear until the workstream is more developed.

3.2 Climate Change / Carbon Clever: The submission to the Parliamentary Enquiry responds to questions about the Council's approach to net zero and climate change. The Scottish Government's Public Service Reform Programme may have implications for the

Council's approach to climate change, but these will not become clear until the workstream is more developed.

- 3.3 Legal; Community (Equality, Poverty, Rural and Island); Risk and Gaelic: The Scottish Government's Public Service Reform Programme may have implications but these will not become clear until the workstream is more developed.

4. Background

5. Scottish Government's Public Service Reform Programme

- 5.1 The Scottish Government's Resource Spending Review published in May 2022 set out its high-level spending plans up until 2026-27 to deliver its ambitions. The Review said that *"the more efficient and effective we can become in the delivery of public services, the more able we will be to achieve key priorities and direct support towards those who need it most"*. As well as investment levels, the Resource Spending Review laid out Scottish Government's plans for public service reform and efficiency, and invited Local Government to take a "complementary approach"

- 5.2 The Review identified five key areas of focus for reform over the lifetime of this Parliament:

- digitalisation,
- maximising revenue through public sector innovation,
- reform of the public sector estate,
- reform of the public body landscape, and
- improving public procurement.

- 5.3 The aim is to "return the public sector workforce broadly to pre-Covid-19 levels". It plans to do this *"while supporting expansion in key areas of service delivery, helping to hold total pay bill costs – as opposed to pay levels – at 2022-23 levels"*.

- 5.4 The Scottish Government wrote to and received data from public bodies earlier this year, and those bodies are expected to produce reform plans in time for the setting of the 2024/25 budget. Local Government has not been within the scope of this work and councils are not subject to the requirement to submit such plans.

- 5.5 The Resource Spending Review also proposed a 'new deal' for Local Government, that would see a strengthening of the partnership between Scottish and Local Government, in the form of a Partnership Agreement, as well as a Fiscal Framework. The new COSLA Plan also recognised the importance of establishing positive relationships between the Scottish Government and local government for the benefit of communities. Within the plan, a firm commitment is made to "re-establish an open, honest and functioning, trusted local and central government relationship". Initial discussions between COSLA and Scottish Government officials are underway.

- 5.6 Given the focus on review, reform and transformation, and to inform the Council's responses to COSLA and the Scottish Government, it is proposed that further work is progressed through the Council's Redesign Board and reported to Council as it develops.

6. The Scottish Parliament's Finance and Public Administration Committee

- 6.1 The Scottish Parliament's Finance and Public Administration Committee has agreed to look in more detail at the Scottish Government's public service reform programme, including its plans to keep pay bill costs at 2022-23 levels. As part of this work, the committee will examine how public bodies are working to achieve these plans in 2023-24 and beyond. The Inquiry call for views is in the form of a series of questions, seeking information about each responding organisation; its resources (staff and assets); priority areas for reform; and addressing the Scottish Government's Strategic priorities.
- 6.2 The remit for this inquiry is to:
- develop a greater understanding of the Scottish Government's public service reform programme
 - bring greater transparency to the aims of the programme and measures put in place by the Scottish Government to support public bodies to achieve these aims
 - track progress in delivering public service reform by the Scottish Government and public bodies over the remainder of this parliamentary session until 2026
 - examine the outcomes of the public service reform programme, including effectiveness, efficiency, and impact on public service delivery. This element will be explored towards the end of the parliamentary session.
- 6.3 A copy of the Council's submission is attached at appendix 1 and sets out The Highland Council's approach to redesign and reform, as reflected in the Redesign Programme and financial reports that have been taken through Council.

Designation: Interim Chief Executive

Date: 27 April 2023

Author: Gordon Morrison, Policy Manager

Background Papers: N/A

Appendices:

Copy of Submission to the Scottish Parliament's Finance and Public Administration Committee

Finance and Public Administration Committee - Inquiry into Public Service Reform
Call for views, Spring 2023
Response from the Highland Council

Introduction

1. The Highland Council welcomes the opportunity to provide a submission to the Finance and Public Administration Committee's call for views as part of its inquiry into the Scottish Government's Public Service Reform programme.
2. The Council is actively undertaking redesign and reform of Council services to ensure it is able to sustain the delivery of services to communities across the Highlands. It has developed a number of different workstreams with the aim of delivering the strategic foundation for change and these are detailed below in the Council's submission.
3. The Council supports COSLA's position that to deliver further sustainable and genuine efficiencies, local government requires multi year budget settlements, increased flexibility and fiscal autonomy, and a whole system approach with a focus on investing in prevention. Without this, current and future real-time budget reductions will necessarily impact negatively on service delivery and jobs rather than deliver reform and service improvement. However, it is also recognised that the direction of travel appears to be positive, given the Scottish Government's stated commitment to work in partnership with local government to develop a "New Deal" and this is welcome.

About our organisation

Question 1 - Please tell us about your organisation type and sector.

4. The Highland Council serves a third of the land area of Scotland, including the most remote and sparsely populated parts of the United Kingdom. The Highlands has the 7th highest population of the 32 authorities in Scotland (235,540) while having the lowest population density at 8 persons per square kilometre.
5. The total land area including all islands at low water is 26,484 square kilometres. This is 33 per cent the land area of Scotland and 11.4 per cent of Great Britain. It is 10 times larger than Luxembourg, 20 per cent larger than Wales, and nearly the size of Belgium.
6. The length of coastline including islands at low water is 4,905 kilometres, 21 per cent of the Scottish total, and excluding islands is 1,900 kilometres (49 per cent of Scotland). The Highland Council Harbours Authority is responsible for 10 major harbours and many other small harbours, piers and jettys.
7. The geography of the Highlands is also diverse ranging from fertile farmland around the Black Isle and Cromarty Firth; dramatic seascapes on the west and north coasts; some of the tallest mountains in the British Isles and the largest blanket bog in Europe.
8. We maintain 6,770.9km of road network, 1,700km of footways, 2,180 bridges and culverts and 100 car parks.

9. We have over 200 schools of which there are 82 primary schools with fewer than 50 pupils and 4 secondary schools with fewer than 100 pupils.

Local Government Workforce

Question 2 - How many FTE (full time equivalent staff) does your organisation have?

Question 4 - What is your organisation's total pay bill for 2023-24 (in £ millions), compared to 2022-23 levels?

Question 8 - Given the Government ambitions to reduce the public sector head count and total pay bill costs to 2022-23 levels, what level of reduction in FTE does this mean for your organisation, and how do you plan to achieve it and by when?

10. At the end of financial year 2022/23 the council employed 10,680 members of staff which equates to 8,304 full time equivalents.
11. The Council's total pay bill for 2023/24 is £398.4m which compares with £388.5m in 2022/23.
12. Last year the Council approved a refreshed People Strategy which outlined the direction and framework for the organisation over a five-year period relating to our workforce. Managing staffing levels to meet changing service delivery models and to address the projected budget pressures are critical and it is essential that the Council achieves a sustainable workforce for the future.
13. Other strands of the People Strategy underpin the approach to supporting staff development, job redesign, agility and flexibility of staff to meet the Council's Corporate Plan commitments while continuing with a no redundancy commitment where possible. Any service activity which is due to be reduced or redesigned will be managed through mobilising and deployment of affected staff and working in close collaboration with trade union colleagues.

Use of Land, Estates and Offices

Questions 3 - To what extent is your organisation fully using its land/estates/offices and what scope is there for efficiencies in these areas?

14. The Council has an established Asset Management Project which seeks to deliver improvements in the Council's estate by reviewing the use and reducing the number of our property assets, thereby reducing associated maintenance costs, energy use and carbon emissions and therefore contributing to delivering revenue savings to the General Fund across all our properties in 2023/24 and beyond. It should be noted that the school estate and Housing Revenue Account properties are not currently included in the scope of the project.
15. This project has largely focused on identifying office locations that the Council can vacate and those that can be better utilised in terms of maximising capacity. It also involves a review of all Council depots which is looking at how they are currently being used, the condition and suitability of buildings, potential opportunities for co-location and partnership working with other public sector bodies.

16. The Council has also been awarded a grant of up to £800,000 from the Scottish Government's Place Based Investment Programme (PBIP). This is supporting the Highland Council and key partners to develop an existing site in Portree to become a public services co-working facility. The PBIP aims to link and align place-based funding initiatives and ensure that all place-based investments are shaped by the needs and aspirations of local communities. A project team has been assembled to take forward this project.
17. The sheer size of the Council's estate and asset base is unsustainable, particularly in relation to the journey to net zero. For example, the Council's School estate has 58 primary schools and 11 secondary schools which have been given a poor condition rating. It would therefore be helpful if the Scottish Government could provide further guidance and assistance that takes a whole estate approach including the school and council housing estate.

Scottish Government's priority areas for reform

Question 5 - What opportunities for further efficiencies has your organisation identified in these five priority areas for reform? [*digitalisation, maximising revenue through public sector innovation, reform of the public sector estate, reform of the public body landscape, and improving public procurement.*]

Digitalisation

18. The Council approved both an ICT and a Digital Strategy in September 2022 which is closely aligned to the national Digital Strategy for Scotland. It sets out a vision where:
 - Digital transformation is seen as an integral part of the Council's organisational development;
 - It is enabled by an engaged, valued and committed staff with a transformative digital culture;
 - With digital tools and solutions integrated throughout the organisation;
 - And
 - where digital transformation is led and owned by Service teams, supported by a core Digital Hub.
19. This means that digital thinking and potential technology solutions are now seen as core to all service redesign initiatives. The key corporate project delivering the Digital Strategy is the My Council Project, as referred to in paragraph 21. Digital technology has also been a fundamental enabler of New Ways of Working and will continue to develop as hybrid working becomes embedded across the Council. There are numerous recent examples of services being provided online, such as the Short Term Lets application process, and work is underway to provide online public access to housing, council tax and non-domestic rates accounts.
20. Highland has also initiated the "My Council" Project which seeks to review and create an improved joined-up customer contact experience at the Highland Council, including the opportunities to further utilise digital approaches to support improved outcomes for our citizens, our staff, and the Council. It recognises that the way in which some customers wish to contact us has

changed and by developing self-service digital options for those who can use it, resources are released to better support customers who need it the most.

21. This project aims to put the citizen at the centre of customer engagement at the Council, to improve the Council's process and approach for all contact methods (digital, telephony, face to face) and to provide a seamless customer experience throughout the organisation.

Maximising revenue through public sector innovation

22. The Council programme for Administration commits the Council to broaden the Council's income base through taxation and delivering more commercial value for money services. The Council is undertaking a review of fees and charges as well as looking at where there are opportunities for additional or new income, fees and charges. The Council welcomes the Scottish Government's consultation on Council tax on second and empty homes/non-domestic rates.
23. The Council is also committed to implementing the tourism levy as an enabler to a vibrant attractive visitor experience.
24. The Council recognises that the Highland region, which has an abundance of natural resources with its existing and potentially enormous opportunities for green energy schemes, low carbon initiatives and renewables, needs to get a fairer share of the income and capital gains derived from the development of its natural resources. This would include more job creation, skills development and long-term career progression situated within the Highland Region as well as increased financial and community benefit.
25. Much of the profit from energy companies operating within Highland flow out from the region and community benefits, which are not underpinned by legislation, are voluntary and can be stopped or reduced at any given time. These benefits, extracted from Highland's natural resources, should be re-invested into Highland communities and infrastructure for the benefit of all within the region. Wealth generated in the area should, wherever possible, stay in the area.
26. Work is in progress to look at options around this and how Highland can benefit. It is anticipated that one of the benefits will be the development of a Highlands Renewable Fund which would, in turn, be re-invested to benefit the communities and the overall environment of the Highlands. It would also form part of a sustainable income source for the area and exist as a legacy project.
27. While increasing income is an important approach for the Council, especially in the context of reducing public sector funding, it does come with risks, in that an increasing reliance on income is affected by the market, and wider social/economic factors.

Reform of the public sector estate

28. Please see response to question three.

Reform of the public body landscape

29. Highland Health and Social Care Partnership has adopted a lead agency model with NHS Highland having responsibility for adult health and social care services and Highland Council having responsibility for children's health and social care services.
30. The Council has agreed an approach on how it and key public, private and third sector partners would work together in partnership to understand the shared impact of the current financial crisis and the action that can be taken to maximise our combined resources to deliver core services across Highland, through collective budget strategies, redesign and co-production. This partnership work is underpinned by several approved principles:
- Partnership - We value our partnerships and recognise how important they are for the delivery of public services in Highland;
 - Equity - Whilst motivation, impacts and mitigation may vary between us, we will be consistent and equitable in our approach to addressing our shared budget challenges;
 - Sharing Best Practice - We strive to learn and grow together so that we deliver high quality services;
 - Outcomes - Resource allocation will be informed by an understanding of need and impact;
 - Value for Money – Decisions will be informed by benchmarking and performance measurement;
 - Informed Decision Making - An inclusive approach will be taken to engagement, to enable everyone to be heard and information transparent; and
 - Respectful Relationships - Will be promoted and expected and be an embedded element of all engagement and communication.

Improving public procurement

31. Procurement is a key strategic driver to enable the business community and the communities we serve to adapt, diversify, and flourish despite economic pressures. The present local economic landscape has created unique but not insurmountable challenges for the region with the impetus to explore alternative delivery models, collaborations that exploit efficiencies and commercial expertise.
32. The Highland Council recognises the value of existing relationships with suppliers and contractors and seeks to actively build and strengthen these relationships. Local businesses and third sector contractors play a valuable role in supporting the work of the local authority and the Council and its Procurement Strategy aims to remove the barriers often faced by smaller organisations with limited resources for bidding for work tendered by the Council.
33. The Highland's future competitiveness is contingent on improving connectivity (transport and digital), boosting innovation, developing a better functioning housing market and expanding coastal harbours. Infrastructure is therefore critical to the development of Highland Council, securing long term economic wellbeing and an internationally competitive business environment.

34. Procurement supports the Council in achieving its commercial performance targets and will contribute to securing sustainable financial savings and contribute to the local and national agenda, whilst developing and strengthening strategic partnerships.
35. Procurement supports the Council to ensure it procures the goods, services and works it needs in the most economically advantageous manner. This recognises the importance of a procurement strategy towards meeting all the Council's statutory duty of best value. However, this is also balanced with the importance of supporting local business and the Highland Council performs in this regard and is in the top quartile of the LGBF.
36. Community benefit is also an important element and the importance of maximising these opportunities for communities. There is currently a new approach to community benefit being developed with a focus on linking community need to community benefit opportunities from contracts. Working in partnership with contractors, communities and partner organisations is key to deliver outcomes for communities.

Highland Council's Reform Plans

Question 6 - The Scottish Government has asked public bodies to produce their plans for delivering public sector reform by later this year, in order to inform the 2024-25 budget. How realistic is this timescale?

37. The Highland Council has adopted a number of different pillars to the redesign and reform of the Council. The drive to deliver efficiencies and in particular to focus on back office rather than front line is not new to the Council. The Council has had a range of efficiency, innovation and improvement programmes over the years, the most current and enduring of which is the Redesign Board which comprises elected members, trade unions and senior officers. All these workstreams have sought to maximise value for money and protect the delivery of core Council services under the impact of budget pressures and real-term funding reductions through a range of approaches.
38. A key challenge for the Council is undertaking long term planning to deliver sustainable service provision when operating with the uncertainty of one-year budgets settlements.
39. The Council's priorities and plans for redesign and reform are set out in the Council's Programme for Administration, the Council's Corporate Plan and Service Plans, the delivery of which are reported and underpinned by the Council's corporate performance reporting framework.
40. The Council is also about to review measures introduced by an internal Governance Review which were implemented in 2019 with a view to making recommendations for change, subject to the Review's findings.

Addressing the Scottish Government's Strategic Priorities

Question 7 - Please tell us if, and how your organisation's plans seek to deliver on the Scottish Government's three strategic priorities, set out below? Please also briefly outline any barriers to delivering these priorities.

- a) Tackling child poverty
- b) Transforming the economy to achieve a just transition to net zero
- c) Ensuring sustainable services

41. The Council is a key partner in addressing the Scottish Government's strategic priorities of tackling child poverty, delivering a just transition to net zero and providing sustainable public services to its communities.

Tackling Child Poverty

42. Tackling child poverty is an integral part of the priorities of the Council. It is a key strategic priority, as articulated in the Council's Programme and Corporate Plan, and actions which relate to this priority are reflected throughout our service and partnership priorities. The priorities for addressing child poverty are articulated in the partnership Integrated Children's Services Plan which mirror those set out in the Highland Child Poverty Action Report. Aligning these approaches ensures concentration of effort and focus on the key areas for action.

43. The priorities for the Partnership are:

- Work to reduce the poverty related attainment gap
- Improve opportunities for training and apprenticeships for parents and young people as part of the Council's Economic Prosperity Fund
- Address food insecurity by increasing equity of access to good quality food
- Reduce the financial barriers on families
- Increase access to and uptake of affordable and flexible childcare
- Maximise uptake of child related social security benefits

44. The partnership recognises the interconnectedness that the experience of poverty has on other aspects of the lives of children and families, and that elements across all partnership priorities seek to address poverty amongst children and families. The current plan in Highland outlines the priorities for improving outcomes for Highland's Children which are set around the following themes:

- Health and wellbeing including mental health
- Child poverty
- Children's rights and participation
- Child protection
- Corporate parenting
- Alcohol and drugs

45. The partnership is in the final stages of completing the new Integrated Children's Services Plan for 2023-2026. The Strategic Needs Assessment undertaken to support this has identified a number of additional areas for action for the coming years and emerging priorities include:

- Reducing the financial barriers on families in order to increase participation, raise aspirations and address poverty of experience

- Utilising the Whole Family Approach to mitigate the impacts of poverty and prevent families falling into poverty
- Mitigating the impacts of the cost-of-living crisis.

Transforming the economy to achieve a just transition to net zero

46. The Council has agreed that a cross service collaborative approach is essential if progress is to be made to move the Council forward in terms of net zero and has established a Net Zero Strategy Group working across council Services to lead on the development of a net zero strategy and action plan for the Council.
47. Thematic groups are taking forward workstreams, with each thematic team developing the evidence base within their respective domain. These thematic groups cover: -
 - Built Estate & Energy
 - Procurement & Community Wealth Building
 - Social Housing/HRA
 - Planning, Land Use & Environment
 - Waste & Circular Economy
 - Fleet & Staff Travel
 - Net Zero Funding Strategy and Capital Programme
48. Transforming the economy to achieve a just transition to net zero is not something that can be done at a local level but needs to be led at a national level with full and proactive engagement with local government.
49. Highland has unique opportunities in terms of renewables but also due to its geography unique challenges. For example, despite the significant energy production across the region. Significant long-term planning for projects must be aligned with increased capacity within the local grid if net zero and just transition ambitions are to be achieved.
50. A just transition should ensure equality of treatment across Scotland as there is a move towards more sustainable forms of transport such as public transport (bus/rail) and active travel, many remote and rural communities, cannot access adequate and timely public transport options.
51. In Highland, car use is essential for many. Support in the transition from fossil fuel requires significant Infrastructure investment. Supporting the continued development of an EV charging network faces increased challenges from energy constraint and a consistent availability to charging across large parts of the country where geography and sparsity of population will impact on the level of use in the Highlands.

Ensuring sustainable services

52. In the Council budget report approved in March 2023, it was the view of the Chief Financial Officer that the Council, in its current form and model of service delivery, was not financially sustainable over the medium term. Many challenges lie ahead, from changing demographics and increasing demands for services, balancing the need for capital investment in council assets within

affordability parameters, challenges posed by ring-fencing of budgets, to uncertainties over the ongoing impact of inflation on employee and contractual costs. The Highland Council is not alone in facing this level of unprecedented challenge, similar issues are facing councils across Scotland.

53. In this current financial year, the Council had to use £23M from its reserves in order to deliver a balanced budget and such an approach is not sustainable on an ongoing basis. Having large rural and remote areas inevitably means costs of delivering services are higher. A review of existing funding quantum and funding distribution arrangements; ring fencing and policy directives would help to recognise and assist with managing the complexity and associated costs of service provision for communities in remote and rural areas.
54. The Council has acknowledged that there is a need to review the overall funding envelope for capital investment given the significant inflationary cost increases being seen in projects across the programme and the increases in interest rates which impact on the cost of financing loan debt. The Council agreed in December 2022 that a complete review of the Capital Programme would be needed, but that this would need to wait for the outcome of Scottish Government decisions in relation to the Learning Estate Investment Programme (LEIP). Consequently, it has only been possible to agree a one-year capital programme for 2023/24, with the wider review coming forward for Council decision.
55. The Council is supportive of these priority areas and is focused on delivering the outcomes, however it would be helpful if there was greater flexibility over how these priorities could be delivered that recognised the unique circumstances and costs of delivering public services in the Highlands. Having a one size fits all approach can hamper the ability to deliver these shared goals and priorities.
56. There are also a number of other strategic issues which have an impact on the Council which can only be tackled at a national level. These include the National Care Home Contract Rate and sustainability of Adult Residential Care Home Services, rates of pay for caring and other staff, including Early Learning and Childcare, and the significant risks and issues around staff recruitment and retention in the face of comparable or even more attractive rates of pay being offered by supermarkets, fast food outlets and other private businesses.
57. The Council would also be supportive of the removal of the ringfencing of funds and greater flexibility over teacher numbers, delivery of early learning and childcare and the school estate.

Collaboration

Question 9 - How, if at all, is your organisation working collaboratively with other public sector organisations to produce joint service reform plans for the public body landscape and use of resources (for submission to the Scottish Government later this year)?

58. The Council has a number of partnering forums through which it collaborates on policy development and service delivery. These include the Highland Economic forum, Focus North, The Scottish Cities Alliance, Hitrans, Sustrans,

Community Planning Partnerships and engagement with the Third Sector and Communities across the Highlands.

59. The Council also participates in the Convention of the Highlands and Islands and some of the collaborative workstreams include, key working housing, talent attraction and economic development.
60. The Council has established a Place Based Framework which has also been adopted by the Community Planning Partnership Board. The Framework sets out a new way of working for the Council and the wider partnership. There are key drivers which underpin this Framework, including the Scottish Government's Place Principle which requests that all those responsible for providing services and looking after assets in a place need to work and plan together, and with local communities, to improve the lives of people, support inclusive and sustainable economic growth and create more successful places. It aligns with Christie Commission recommendations, community empowerment legislation, new planning legislation and the Council's commitments to support greater local decision making and community involvement.
61. The Council also has strong informal collaborative engagement between the key public sector partners in the Highlands, however we are not formally engaged on joint service reform plans.

Support and Guidance from Scottish Government

Question 10 - What level of support and guidance has your organisation been given by the Scottish Government to deliver the efficiencies and plans necessary for your organisation, and how adequate has this been?

62. The Council would welcome a collaborative approach with the Scottish Government on redesigning and reforming public services to ensure they are sustainable for the benefit of our communities.

Impact and Monitoring of Highland Council's plans for reform

Question 11 - Can you describe the impact of your plans for reform on how your services will be delivered, in both the short and long term?

Question 12 - How do you propose to monitor and assess the impact of any reforms on the quality and delivery of your organisation's services?

63. The Council's plans for redesign and reform are monitored through the Corporate Performance framework which identifies measures to monitor delivery, and these are reported to the relevant committees. In addition, major projects have reviews build into the process.