

ANGUS COUNCIL

POLICY AND RESOURCES COMMITTEE – 1 SEPTEMBER 2020

SCRUTINY AND AUDIT COMMITTEE – 24 SEPTEMBER 2020

CHANGE PROGRAMME UPDATE

REPORT BY DIRECTOR OF FINANCE

ABSTRACT

This report provides a progress update in relation to the Council's Change Programme, including the implications for the Change Programme emerging from the COVID-19 pandemic over the 3-year planning period (2020/21 to 2022/23).

1. RECOMMENDATIONS

1.1 It is recommended that the Policy and Resources Committee:

- (i) consider the progress update in relation to the Council's Change Programme (2020/21 to 2022/23);
- (ii) agree the updated savings to be delivered by the Change Programme (2020/21 to 2022/23) noting the risks which still remain to the delivery of those savings due to the pandemic; and
- (iii) note that the updated savings will be utilised in re-casting the Council's budgets when considered by the Council at its meeting on 10 September 2020.

1.2 It is recommended that the Scrutiny and Audit Committee:

- (i) scrutinise the progress update in relation to the Council's Change Programme (2020/21 to 2022/23); and
- (ii) note the updated savings to be delivered by the Change Programme (2020/21 to 2022/23) and the associated risks due to the pandemic.

2. ALIGNMENT TO THE COMMUNITY PLAN/COUNCIL PLAN

2.1 This report contributes to the local outcomes contained within the Community Plan, Locality Plans and Council Plan, which focus on Economy, People, Place and Our Business.

3. BACKGROUND

3.1 Reference is made to Report 397/19, considered by the Policy and Resources Committee at its meeting on 29 January and the Scrutiny and Audit Committee at its meeting on 21 January 2020. That report provided the previous quarterly update in relation to the Council's Change Programme (based on Change Programme Summary Version 11a – 22/10/19).

3.2 Report 74/20 (incorporated within the Finance & Change Plan in Appendix 2), considered by the Special Council at its meeting on 27 February 2020, provided detail in relation to the Council's Change Programme for budget setting purposes (based on Change Programme Summary Version 18 – 26/2/20).

3.3 It is highlighted that the quarterly reporting of the Change Programme has been delayed due to the Council's response to the COVID-19 pandemic taking priority - normally this would have been taken to the Policy & Resources Committee meeting on 28 April and Scrutiny & Audit Committee meeting on 16 June. In the interim, an update on the Change Programme was included as part of a broader update on financial matters which was considered by the Special Arrangements Committee at its meeting on 23 June 2020 (Report 174/20 refers).

3.4 Report 174/20 provided an initial assessment of the impact of COVID-19 on progress with the Change Programme in terms of slippage in delivery timescales and highlighted that the original level of savings in some areas would no longer be achievable. The movement in savings over the 3-year period from

the Finance & Change Plan agreed in February was identified at that time as being a reduction of £1,583,000 over the 3-year timeframe.

- 3.5 That report also included a specific section on the 'update on impacts for key partners' relating to Angus Health & Social Care Partnership, ANGUSalive and Tayside Contracts with those organisations contributing towards around 48% of the agreed savings for 2020/21 at February budget setting time.

4. PROGRESS UPDATE

- 4.1 COVID-19 has had a significant impact on the Change Programme that we planned to deliver in February. This is mainly because officer time has had to be prioritised and diverted to respond to the pandemic. The Programme is also impacted by the changing economic and social environment which the Council and partners are now operating within. Current advice suggests this is likely to continue for some time and in some areas potentially for the longer term.

- 4.2 A further review of all the projects and their associated savings in the Change Programme has recently been undertaken. This has confirmed the updated position which is summarised in the following table:

	2020/21	2021/22	2022/23	3 Year Total
Report 74/20 (February 2020)	10,244,214	£8,405,000	£8,281,000	£26,930,214
Updated Position	£9,033,214	£7,745,500	£8,568,500	£25,347,214
Variance	-£1,211,000	-£659,500	£287,500	-£1,583,000

- 4.3 This mirrors the estimated position set out in Report 174/20. The updated position for the 3-year period will require to be factored into the overall re-casting of the Council's 2020/21 revenue and capital budgets which are to be considered by Council at its meeting on 10 September 2020. A full reconciliation with the reasons for the amendments to the Change programme between Report 74/20 (budget setting in February 2020) and the updated position is provided in section 5 below.

- 4.4 The updated position also highlights that while the majority of the COVID-19 impact is borne in 2020/21 and 2021/22 (-£1,870,500 over the 2 years) this is reduced through increased savings (due to slippage) being available in 2022/23 (+£287,500), resulting in a net reduction of £1,583,000 over the 3-year planning period.

- 4.5 The latest overall summary of the Change Programme (Version 24 – 24/08/20) is included in Appendix 1 and reflects the updated position of total savings of £9,033,214 for 2020/21. The various cells highlighted in blue in Appendix 1 represent the projects that are considered at this stage to be complete. A summary breakdown of the position for 2020/21 reflecting the key components is summarised in the table below. The table also includes a column reflecting the current risk evaluation, which is based on the likelihood of failing to achieve this as a final position.

	2020/21 Current Position	% of Total	Risk Evaluation
Completed Projects	£2,989,214	33%	No risk – fully secure
AHSCP and ANGUS Alive Projects	£4,702,000	52%	High
Projects in Progress	£1,342,000	15%	Medium
Updated 2020/21 Total	£9,033,214	100%	Blank

- 4.6 At this stage, the value of Completed Projects amounts to £2,989,214, which equates to 33% of the updated 2020/21 total. Adjustments to base budgets have been made to reflect this position and savings are fully secured.

- 4.7 For the Projects in Progress (£1,342,000), equating to 15% of the overall updated 2020/21 total, best endeavours are being made to focus efforts on securing the savings from these as part of our recovery work. However, there will continue to be a medium risk of slippage on these over the next few months, and this risk will be actively managed as part of the Change Programme governance arrangements which are also now coming back into full operation.

- 4.8 The approach to the savings attributed to Angus Health and Social Care Partnership and ANGUS Alive for 2020/21 (£4,702,000 in total) will continue at this stage to reflect the budget positions agreed with these organisations in February. This position is being adopted for Change Programme accounting purposes, and until such times as further information is available so that a full year assessment can be concluded for these partners. It is fully acknowledged however, that both these organisations have been dealing with significant financial pressures as a result of the pandemic and these original targets are an area of high risk for achieving savings to the full extent budgeted and may still require adjustment in the coming months.
- 4.9 In the case of the Angus Health and Social Care Partnership, achieving the savings identified in the Council's Change Programme, means that AHSCP must deliver change projects within their service areas in order to live within their overall budget settlement. The planned projects/ interventions have all slipped as a result of the pandemic, and that factor, combined with the cost pressures emerging from the response to the pandemic, along with uncertainty over the extent of Scottish Government support, means that the AHSCP position is still not clear. The solution could also include that AHSCP having to rely on its reserves on a 'one-off' basis as part of the final response to balance end-of-year spend.
- 4.10 ANGUSalive is also dealing with significant cost pressures which may impact its ability to live within the overall budget settlement agreed with the Council in February. Its current response combines making the optimal use of the Government's Coronavirus Job Retention Scheme (CJRS) and managed use of reserves over the forthcoming months, while recovery plans start to evolve. Members may be aware that the business model established by the Council in 2015, when it established ANGUSalive as an Arms-Length External Organisation (ALEO), is based on part funding from a Council management fee and part funding through income generation. The organisation's ability to generate income as a result of the lock-down has been removed in its entirety and will almost certainly be reduced during recovery; a phase we are likely to be in for a number of months. This is a major challenge for ANGUSalive and the whole ALEO sector and, at this stage, it is uncertain if the Scottish Government will provide any assistance through an income support scheme.

While pre-the-pandemic, ANGUSalive were making good progress to deliver their organisational review savings (£300,000 in 2020/21), the changes required to deliver the additional Change Programme savings (£158,000 in 2020/21, £250,000 in 2021/22 and £210,000 in 2022/23) were still to be progressed and have since been delayed due to the pandemic. The changes required to support those additional levels of savings, along with a high likelihood of long-term reduced income generation to the business model as one of the outcomes of the pandemic have coincided, meaning that transformational change will be required to establish a sustainable business model going forward. In its role as being the commissioning body (also sole owner of ANGUSalive), the Council has already held a Rapid Improvement Event with key officers from both organisations to establish a framework for progressing this work with pace and urgency over the coming months. A specific report on this matter, with further detail, is being prepared for the Council meeting on 10 September 2020.

5. BENEFITS MANAGEMENT: RECONCILIATION OF CHANGES

- 5.1 The financial movement in several projects since the budget setting report (Report 74/20 refers) is set out in the variances table below:

Variiances (since Report 74/20)	2020/21 £000	2021/22 £000	2022/23 £000	Total £000
Brechin Rural schools	(150)	0	0	(150)
Tayside Contracts - Contractual Arrangements	(200)	150	0	(50)
Third Sector	(29)	0	29	0
Solar Farm	(10)	10	0	0
New Energy Initiatives	(45)	0	0	(45)
Procurement & Commissioning	(150)	(225)	(300)	(675)
One Public Estate	(20)	20	0	0
Application Expenditure Review	(30)	0	0	(30)
Terms & Conditions Review	(21)	(63)	84	0
Income Stream Review	(25)	(50)	0	(75)
Charging for Non-Core Services	(10)	10	0	0

Income Generated from Property	(52)	0	(106)	(158)
Review of Kerbside Recycling	0	(40)	40	0
Strategic Policy and Economy Review	(42)	0	0	(42)
Agile	(257)	(182)	440	2
CASH 2	(15)	15	0	0
P2P	(25)	(50)	75	0
Capital Programme Efficiency	(20)	(50)	0	(70)
Business Efficiency - LEAN	(10)	10	0	0
Service Reviews	0	(190)	0	(190)
Line by Line - Ph 2 ODZBB	(100)	0	0	(100)
Totals	-1,211	-635	262	-1,583

5.2 The above table highlights that COVID 19 has had a major effect on the Change Programme that we had planned to deliver in February 2020. The change in the overall position has been determined through liaison with the lead officers for each of these projects, and the key reasons for the financial variances are detailed below:

- **Brechin rural schools** – considered that COVID-19 may impact on the savings to be achieved and therefore prudent to remove any further savings from the programme at this stage.
- **Tayside Contracts contractual arrangements** – savings re-profiled to financial year 2021/22 due to COVID-19 and overall reduction of £50,000 which is considered to represent a more realistic target.
- **Third sector** – this project was re-profiled in the early part of 2020/21 in order to establish a realistic savings target for this year (£54,000 to £29,000). £25,000 has been retained in 2020/21 and the £29,000 has been moved out a further year to be achievable.
- **Solar farm** – this saving has been slipped back to 2021/22 as no progress has been made on this during the pandemic due to all staff in this service being involved in operational issues.
- **New energy initiatives** – substantial savings on LED, office lighting and PV panels have already been made in previous years which have already been accounted for when setting the revised energy budget.
- **Procurement & Commissioning** - Savings targets have been reduced by 50% at this stage. It is anticipated that significant rises in cost for some goods and services may arise and the Tayside Collaborative project may deliver benefit as much in cost increase avoidance rather than in cash savings on current budgets. At the present time, the medium-term impact on our supply chain is unknown, but social distancing measures will reduce productivity and drive up costs in some areas. Wage inflation is also a concern in care services post the pandemic. Our best estimate currently is that procurement costs will rise not fall despite greater collaboration. Savings delivery is also dependent on adopting common specifications and work towards that has been disrupted by the pandemic.
- **One Public Estate** - no progress at this time, therefore project delayed for one year.
- **Application Expenditure Review** – consider that this is unlikely to be achieved in a post COVID-19 environment where we will rely more heavily on technology than ever before. Costs likely to rise not fall. Savings will instead be made in areas like building costs and staff travel which are being looked at separately.
- **Terms & Conditions Review** – The Corporate Leadership Team (CLT) have agreed that this review should not be progressed during 2020/21 and 2021/22 due to the complexity of other staffing matters that are emerging through COVID-19. The potential for savings in 2022/23 will have to be reviewed as the organisation works on the recovery process.
- **Income Stream Review** - 2020/21 savings proposals included considering charging for services to partner organisations based on reviewing and agreeing service levels, which is no longer deliverable at this time. Progress on commercial work has been impacted by COVID 19

so 2021/22 savings target reduced by £50,000 to reflect this position. Commercial income is likely to be harder to achieve post COVID-19.

- **Charging for Non-Core Services** - anticipated challenges by introducing additional charges in 2020/21 so have delayed saving (income generation) by one financial year.
- **Income Generated from Property** - reprofiled income generation due to delay in tenant entering property lease - estimated delay in letting of six months.
- **Review of Kerbside Recycling** - Scottish Government has announced that legislation has been delayed from 2021 to 2022.
- **Strategic Policy & Economy Review** - reduced savings by £42,000 as not all posts were removed from the service. The remaining £74,000 of the savings have now been achieved in 2020/21.
- **Agile** – the COVID-19 pandemic has multiple impacts on the Agile Programme. Firstly, the delay to construction works in relation to the Agile hubs, along with restrictions to future construction activity is estimated to delay the programme by at least 6 months. Secondly the principles of the design of the space needs to be reviewed considering COVID-19 social distancing measures. Thirdly, the sale of our excess property estate may need to be reconsidered if we need to increase the space in our offices. As a result, the savings position in 2020/21 and 2021/22 has been decreased by 50% with this being deferred for delivery in 2021/22. This new profile reflects an optimistic position and will therefore be subject to further review taking account of new information in relation to our recovery planning in response to what may emerge for COVID-19 in due course. Once fully evaluated it may be possible to deliver further savings if more of the Council's workforce become agile workers.
- **CASH 2** - it is still intended to push ahead with this work. New ways of working due to COVID-19 may indeed support a quicker move to largely being a cashless Council. Revised phasing of the savings reflects a circa 4-month delay to implementation.
- **P2P** – The total savings value has been retained but re-phased. Most savings will come from compliance and new staffing structure arrangements are well advanced but have had to be put on hold due to COVID-19 work.
- **Capital Programme Efficiency** – Target savings have been revised to take account of anticipated more difficult environment for capital projects and capital receipt generation post COVID-19. Savings targets are revenue related (i.e. borrowing costs) so are approximately related to a 10% saving in capital which would be required.
- **Business Efficiency/ Lean** - Rephased to reflect delay in work due to COVID-19 but still planning to achieve the 3-year target.
- **Service Reviews** – The year 2 savings target has been reduced as the work to deliver the service review savings in 2021/22 would need to be started now and services generally don't have the capacity to do this at present due to ongoing recovery work. Work will be progressed on the programme of reviews by service and timeline in due course.
- **Line by line/ Ph 2 ODZBB** - This saving relates to final ODZBB reviews; however, it was considered appropriate to reduce the 2020/21 element as service budgets will be fluid due to COVID-19 impacts.

5.3 The updated 2020/21 to 2022/23 savings are now projected to be £1,583,000 lower than the amount identified in the budget setting report (Report 74/20 Appendix 2 refers) over the 3-year planning period. Movements in a programme of this size are always likely, however there has been a significant impact this year caused by the COVID-19 pandemic.

5.4 This position will be addressed during the current financial year, including re-casting of the Council's budget in September, and work will continue on the development of our Change Programme to identify where savings can still be achieved, and where potentially new opportunities can be identified.

5.5 The overall financial impact of the pandemic is likely to mean additional perhaps one-off savings having to be found in 2020/21 and options in this regard will be put forward as part of the budget recast work to be considered by Council on 10 September 2020.

6. CHANGE FUND AND TAY CITIES DEAL FUND UPDATES

6.1 The updated position with the Change Fund budget is as follows:

Change Fund Summary	£m
General Fund Reserves as at 1/4/2020	0.961
2020/21 Budget Allocations	0.200
Total	1.161
Reprofiled -	
2020/21 (Projected Bids)	0.724
2021/22 (Projected Bids)	0.143
2022/23 (Projected Bids)	<u>0.000</u>
	0.867
Change Fund Balance	0.294

6.2 The change fund balance in Report 397/19 identified a surplus in the fund of £0.390m. This has been updated to £0.294m, reflecting the new 2020/21 allocation of £0.200m, which was agreed during the budget setting process. It also includes a full review of each project that was carried out at the end of financial year 2019/20 to reflect the actual 2020/21 commitments, actual spend to date on continuing projects, and new bids approved by the Change Board to support transformation, as follows:

Change Project Commitments	2020/21 £m	2021/22 £m	2022/23 £m	Total £m
Communication tool to assist with E-Newsletter		0.028		0.028
Human Resource Support Staff		0.019		0.019

6.3 The updated position with the Tay Cities Deal Fund budget is as follows:

Tay Cities Deal Fund Summary	£m
Opening Balance from approved Carry Forward Request (Report 215/19 refers)	0.500
Total	0.500
2019/20 (Actual spend)	0.008
2020/21 (Projected Bids)	0.220
2021/22 (Projected Bids)	0.053
2022/23 (Projected bids)	<u>0.000</u>
	0.281
Tay Cities Deal Fund Balance	0.219

6.4 The Tay Cities Deal fund balance in Report 397/19 identified a surplus in the fund of £0.363m at that time. This has since reduced to £0.219m due to new bids being approved since December 2019 as follows:

Tay City Deal Project Commitments	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	Total £m
Mercury Drone Project		0.050			0.050
Cost Benefit Analysis/Masterplan Consent Area		0.015			0.015

Tay Cities LFFN Consultancy Support	0.003				0.003
MS Project Licences		0.001			0.001
TCEP Economic Appraisal Consultant	0.005	0.005			0.010
Legal Support		0.064			0.064
Integrated energy system consultant		0.001			0.001
	0.008	0.136	0.00	0.00	0.144

7. FINANCIAL IMPLICATIONS

7.1 There are no financial implications arising directly from this report which have not been explained in the main body of the report.

8. NEXT STEPS

8.1 This report provides an update in relation to the Council's Change Programme reflecting the impact on the anticipated target savings over the 3-year planning period, compared to the position which was agreed by the Council at its budget setting meeting in February. It also highlights the risks around achieving the updated position presented in this report and how this is being managed.

8.2 The updated Change Programme savings presented in this report will therefore be utilised for re-casting the Council's overall budget which will be considered by the Council at its meeting on 10 September 2020.

8.3 Work will also be progressed to further develop our Change Programme for the new 3-year planning period which will be introduced shortly through the annual update to the Council's Medium-Term Budget Strategy (MTBS). This will include investigating the potential for accelerating new opportunities which have emerged from the COVID-19 crisis, and how we may use these to shift our plans (e.g. greater emphasis on Digital and Agile working). It will also focus attention on how our plans are developing in relation to the four key areas of the next phase of transformation: demand management; innovation/commercialisation; partnership/ collaboration; and service contraction, all as set out in the Finance & Change Plan which was agreed in February 2020.

NOTE: No background papers, as detailed by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to a material extent in preparing the above report.

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List of Appendices:

Appendix 1: Change Programme Summary (Version 24 – 24/08/20)