

ANGUS COUNCIL

15 NOVEMBER 2016

TRANSFORMING ANGUS: NEXT STEPS

**JOINT REPORT BY THE STRATEGIC DIRECTOR – RESOURCES AND THE HEAD OF
CORPORATE IMPROVEMENT & FINANCE**

ABSTRACT

This report sets out proposals to increase the pace and scale of change to the Council's Transforming Angus (TA) change programme, and seeks authority to procure additional services from the Council's strategic partner (EY).

1. RECOMMENDATIONS

It is recommended that the Council:

- (i) agree the need to increase the pace and scale of change to the Council's Transforming Angus (TA) change programme which must to be acted upon immediately, while also being a top strategic priority for the Council which will be included in the new Council Plan in due course;
- (ii) agree that delivering the savings of the magnitude required will also require fundamental changes to the way in which the Council operates (political and operational), reflecting a need for strong leadership at all levels of the organisation, including making challenging decisions by Members, and a high risk that 'business as usual' activity will be impacted (i.e. re-designing, reducing and stopping services) as staff commit the required time and effort to develop the comprehensive 'pipeline' of projects and then deliver them;
- (iii) authorise the procurement of additional services from the Council's strategic partner (EY); and
- (iv) agree the proposed governance arrangements, which will support increasing the pace and scale of change, and remit the Head of Legal & Democratic Services to make the necessary formal arrangements,

with the above recommendations being subject to the agreement of the recommendations in Report 408/16, also to be considered at this meeting of the Council.

2. ALIGNMENT TO THE ANGUS COMMUNITY PLAN/ SINGLE OUTCOME AGREEMENT/ CORPORATE PLAN

- 2.1 This report contributes as a whole to the local outcome(s) contained within the Angus Community Plan and Single Outcome Agreement 2013-2016.

3. BACKGROUND

- 3.1 Reference is made to Report 371/16, which sets out the updated medium term financial strategy for Angus Council's General Fund Services. The strategy update concludes that Angus Council faces enormous service and financial challenges over the next few years reflecting a projected shortfall over the 4 year period from 2017/18 to 2020/21, ranging from £29.8m (optimistic view) to £51.5m (pessimistic view). These further savings required in budgets come on top of the £21.8m already saved in the last 3 years alone. The scale of these challenges must not be under estimated and together they call for direct and sustained action.

- 3.2 Reference is also made to the [Best Value Audit Report](#) recently published by the Accounts Commission. The report highlights as one of its main findings that:

"The current challenge for the council to identify savings – £26.5 million over the next three years – is a substantial one. The Transforming Angus initiative and the establishment of a programme office and leadership forum demonstrate a continued commitment to change and

have helped achieve positive momentum in the improvement culture in the council. But the pace in some key aspects of the initiative has been slow and it has yet to fully yield planned savings. The council needs to raise the level of its ambition and increase the pace and depth of improvement; it is only now implementing initiatives which many councils have already done.”¹

- 3.3 The financial challenges now facing the Council are unprecedented in their scale. The recent ‘Hard Times’ briefing to members highlighted that unpopular and difficult decisions are now unavoidable, public expectations will not be met, and there will be service changes and reductions in staff across all areas of the Council.
- 3.4 The Council’s Executive Management Team (EMT) are collectively and equally committed to meeting this challenge and the fundamental need to lead a universal ‘One Council’ response across all service areas.
- 3.5 In anticipation of formulating this response, the Transforming Angus Board agreed to commission EY (referred to in the last [TA Update Report](#)) to assist the Council in addressing the emerging issues, including reviewing the existing TA programme.

4. CURRENT POSITION: TRANSFORMING ANGUS – PROGRESS REVIEW

- 4.1 The review of the existing TA programme has highlighted that the existing scope is insufficient to meet the emerging financial challenge, nor is it progressing at a quick enough pace. This is not a failure on the part of the present programme to address the right issues or identify areas for development but rather the product of an overall change in circumstances and the demands of business as usual activity.
- 4.2 The findings from this review, together with the conclusions from the Best Value Report, compounded with the worsening financial position referenced in the updated medium term financial strategy, underscore the unambiguous need for the Council to increase the pace and scale of transformational change activity throughout the organisation. The Council will be financially unsustainable if the necessary change and savings aren’t delivered.

5. PROPOSALS

5.1 ‘Closing the Gap’

- 5.1.1 To bring pace, innovation and a higher level of certainty to the delivery of savings, it is fundamental that an integrated ‘portfolio’ approach to transformation is implemented across the entire organisation. Effectively ensuring that responding appropriately to changing the business, is the business.
- 5.1.2 Delivering the savings of the magnitude required will also demand fundamental changes to the way in which the Council operates, at policy level: decisions required of Members; and at operational level: the implementation of these decisions by officers. To be clear, this includes urgency in re-designing, reducing and stopping services. This will include significant reductions in the numbers of staff employed by the Council, for example, those undertaking business processes that can be automated through the digital redesign of services.
- 5.1.3 Harnessing the drive, support and crucially the expertise of the Council’s strategic partner (EY) to support the identification and implementation of such significant transformation, provides the Council with the best possible opportunity to increase the pace and scale of the TA programme to deliver the value of savings required.
- 5.1.4 The Council will also have to release members of staff from their normal duties to support the transformation of services, and this will mean that some ‘business as usual’ activity will have to be stopped. It is acknowledged that a failure to do this to date, has been a contributory factor in relation to the relatively slow pace of change highlighted by the Accounts Commission.

¹ The £26.5m referred to in the BV Audit Report was the information current at the time the field work was carried out by Audit Scotland. This has now been revised in the updated Medium Term Financial Strategy.

5.2 Driving Value from the Strategic Partnership with EY

5.2.1 The Council has been working in a strategic partnership with EY since August 2014. Members may recall the [Procurement Authority Report](#), which led to the selection and appointment of EY, and the approved fixed fee element of the service identified as being up to £900k over the initial three year life of the contract. The last [TA Update Report](#) highlighted an approved balance of £433k remaining to support new opportunities over the next 12 month period. Key examples where EY have 'added value' to specific projects and programmes were also referenced in that TA Update Report.

5.2.2 These examples, together with examples from other public sector organisations demonstrating that EY have made successful contributions to major transformational change programmes on a "no-win/no-fee" basis, focused officers to explore opportunities with EY on how the Council could drive more value from the strategic partnership. In relation to the programmes for which the fees of £467k have been paid or committed to EY, budget savings of £1,669k have been removed from the revenue budget in 2016/17 and a further £2,214k for these programmes is projected to be removed (or costs avoided) from 2017/18 onwards. This results in a ratio of fees paid to savings achieved of 1:8.3.

5.2.3 Discussions have since taken place with EY to identify a potential commercial proposal that would be most appropriate to meet the Council's requirements. Those requirements have been defined as follows:

- Provision of staff resources (extra capacity) with skills, knowledge and expertise, including specific subject matter resource (extra capability) to undertake (alongside Council staff) a number of transformation projects/service re-designs which will deliver budget savings;
- Achievement of skills transfer to Council staff;
- Delivery of change at pace and rapid results which start achieving year-on-year savings in the Council budget from 2017/18 onwards;
- Commercial incentivisation to deliver a significant amount of savings (as much as possible) within a 3 (financial) year period; a partnership approach – shared responsibility and ownership of ideas right through to implementation of approved proposals;
- Deliver a savings profile within that portfolio which:
 - (i) achieves at least £15m of gross savings from work delivered within this arrangement;
 - (ii) offers a range of between £25m and £35m savings in total (i.e. develops a 'pipeline' of potential projects of between £10m and £20m beyond the £15m savings);
- Achieves value for money for the Council, having regard to benchmarked costs for comparable services and the overall worth of the offer to the Council; and
- A deal which is in the Council's interests and supports its strategic aims.

5.2.4 It is highlighted that the savings/benefits which would be derived from these requirements are additional to the programmes/projects that are either already in progress (e.g. Agile Working/Estates Review and Help to Live at Home) or already completed (e.g. the new Culture & Leisure Trust).

5.2.5 EY have developed a proposal which meets all those requirements and is based on a fixed fee element of £400k (making best use of the remaining balance from the original approved £900k), and also includes a new "no-win/no-fee" element capped at a value of £1.1m which correlates to the £15m of savings. EY have indicated they have capacity to inject significant pace in delivery from a November 2016 start-up date.

5.2.6 EY's commercial proposal also includes requirements for the Council, stating:

"this will be a challenging programme to deliver this level of savings in timelines. To ensure greater certainty of delivery we require Angus to:

- *Provide dedicated Organisational Development team to support organisation redesign, staff redeployment or removed from organisation, engagement with unions and staff and job re-design*
- *Angus staff will be made available as required*
- *Clear governance for faster decision making*
- *Regular engagement with politicians to ensure there are no surprises*
- *Visible leadership of programme*
- *Leadership will take corporate view and drive change".*

- 5.2.7 While it is imperative, and possible, for the Council to meet these requirements to maximise value from the partnership with EY, it should be emphasised that this will undoubtedly mean that some challenging decisions will require to be made by Members.
- 5.2.8 After evaluation, including due scrutiny and consideration, which involved detailed analysis by a panel of 3 senior/experienced officers with wide professional input to produce conclusions on EY's proposal and approval by the full Executive Management Team, it is recommended that this commercial proposal is progressed, and Members are requested to authorise the procurement of these additional services from the Council's strategic partner (EY), subject to the agreement of the recommendations in Report 409/16.

5.3 Procurement Authority

- 5.3.1 Members have already approved the procurement of a fixed fee element of services totalling £900k from EY. The existing contract concluded with EY envisages that a shared risk model (a "contingent fee" arrangement with 27% fixed payment towards costs incurred but with 73% payable only from savings achieved) as set out in this report can be entered into in terms of the existing contract. However, additional procurement authority is required to implement this approach reflecting the potential additional £1.1m spend. As this is a further draw down of services under the existing contract with EY, further analysis of the supply market is not applicable at this time and there is no local supply opportunity arising from this procurement exercise. There would not be a local supply opportunity in any event given the specialism/limited availability of the kind of support services the Council requires. Members will recall that the original contract was awarded by mini competition under the UK Crown Commercial Service "ConsultancyONE" framework agreement. This is a collaborative arrangement. Procurement risks are dealt with in Section 7 below.

5.4 Council Governance Arrangements

- 5.4.1 The current governance arrangements in relation to the existing TA programme will also require to be updated to ensure there are suitable arrangements in place to maximise the benefits from these proposals and fully support the increased pace of change – this was also specified in EY's requirements of the Council. For example, it is important for new projects to be approved within a much shorter time-frame than is possible within current governance arrangements (i.e. within one to two weeks of developing a proposal in most cases).
- 5.4.2 To facilitate this it is proposed that a Special Sub Committee of the Policy and Resources Committee is established with full delegated powers and with a specific remit: to approve new projects and to make any necessary ancillary decisions - this would replace the existing Transforming Angus Board. It is suggested that the membership be made up of 6 Members (3 from the Administration (1 being Cllr Murray as Chair and 2 from the non administration (1 being Cllr Myles)). The inclusion of Cllrs Murray and Myles is recommended to achieve continuity of knowledge and insight from their membership of the current Transforming Angus Board. Meetings of the Sub Committee would be subject to the Standing Orders of the Council and also the requirement of the Local Government (Access to Information Act) 1985 with agendas published and meetings open to the public.
- 5.4.3 The Special Sub Committee would specifically be referred to under the Order of Reference of Committees as the "Transforming Angus Sub Committee". The Council is asked to approve these proposed governance arrangements; to appoint 4 new Members to the Sub Committee and to delegate authority to the Head of Legal & Democratic Services to make the consequential changes to make the necessary formal arrangements.

5.5 Continuity into Future Years

- 5.5.1 The "no-win/no-fee" proposal represents a relatively short term agreement and therefore consideration has also been given to gain the maximum value from this relationship so that the Council can effectively self-deliver change in the longer term by developing a strategy that reduces reliance on the expertise of engaging a strategic partner.
- 5.5.2 This aspect will be included as part of a performance management framework to ensure that EY increase their role to provide the necessary training/knowledge transfer to Council staff. Suitable deployment of the most appropriate Council resources to shadow, support and learn from this opportunity is therefore key to deriving maximum value from the proposal.

6. FINANCIAL IMPLICATIONS

- 6.1 The £400k fixed fee element of the proposal can be fully delivered from the current budget provision contained within the TA Change fund of £900k, reflecting the original approved threshold. The total commitments to date amount to £467k, which therefore retains funding headroom of £433k to accommodate the £400k fixed fee element of this proposal, leaving £33k as a contingency.
- 6.2 The additional £1.1m “no-win/no-fee” element would be funded from either the savings generated from the initial transformational proposals, which will be progressed to deliver cashable benefits commencing in financial year 2017/18, or alternatively may be funded from general fund balances to be subsequently replenished so far as is required as savings are realised. This additional fee of up to £1.1m only becomes payable to EY if the Council has actually achieved ongoing savings in its budget so there is no need to make a specific budget provision for this fee.

7. RISKS

- 7.1 Achieving the value of savings identified in this report will inevitably also require investment costs (e.g. provision of digital technology and workforce severance costs) and have a number of associated risks and uncertainties, therefore these aspects require to be identified and carefully managed alongside the emerging £25m to £35m ‘pipeline’.
- 7.2 In terms of the approach to procuring this new agreement, and as indicated in section 5.3 above, no significant risks have been identified. The ConsultancyONE Framework Agreement coupled with the existing Contract give the Council and EY enough scope to put in place the current variation/extension contract without the need to go back out to the market.
- 7.3 To derive the best value for the Council from this agreement, there is a compelling need for staffing resources to be specifically directed towards working closely with EY and Angus Council lead officers - this was also specified in EY’s requirements of the Council. There is a high risk that business as usual activity will be impacted by this requirement as staff across all services commit the required time and effort to develop the comprehensive pipeline of projects and then deliver them. Based on the scale of change required to meet the budget challenge this disruption will be managed as part of the transition from the business Angus Council currently is to the more streamlined one it will be. This risk is unavoidable and may result in requests taking longer to be fulfilled and in some cases they may not be able to be fulfilled.
- 7.4 Due to the increased pace and scale of change that it is intended to deliver, a detailed communications plan requires to be developed that reflects and ensures that all staff are fully engaged with and understand the developing programme and have relevant opportunities to contribute. This will also require a more pro-active approach to managing workforce change, including both cultural and human resource aspects - this was also specified in EY’s requirements of the Council. These will require careful attention to ensure the workforce is supported and emerges from the transformation having greater capability and resilience to manage future change.
- 7.5 Feedback from EY in relation to projects progressed to date has highlighted that the Council’s baseline data can be challenging to establish while developing new proposals, resulting in poor planning and/or having to make assumptions. This is an area of risk for the Council while rapidly expanding the pipeline of opportunities, therefore appropriate staff resourcing will be required to mitigate this risk.
- 7.6 There is a significant risk of doing nothing and continuing with a ‘more of the same’ approach. If the pace and depth of change is not altered in the manner set out in this report Members will be largely faced with a blunt cut, close and defend agenda. The approach offered in this paper will be more strategic, forensic and inclusive in its review process and whilst not being able to offer a guarantee of saving services, it does offer the certainty that any service changes will be clearly evidenced led and members will be able to scrutinise that evidence.

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

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