

ANGUS COUNCIL

POLICY AND RESOURCES COMMITTEE – 27 AUGUST 2019

CHANGE PROGRAMME UPDATE

REPORT BY DIRECTOR OF FINANCE

ABSTRACT

This report provides a progress update in relation to the Council's Change Programme.

1. RECOMMENDATIONS

It is recommended that the Committee:

- (i) note the progress update in relation to the Council's Change programme;
- (ii) approve in principle a cost sharing arrangement on staff severance costs with Angus Alive, subject to the detailed costs being finalised and a further report with final costs and proposed share being brought back to this Committee for agreement;
- (iii) agree to delegate authority for the determination of any funding allocation from the Change Fund to the Director of Finance in lieu of the Director of Strategic Policy, Transformation & Public Sector Reform; and
- (iv) agree that the use of the Tay Cities Deal Fund follows the same principles as the terms of reference already established for the use of the Change Fund (Report 254/18 refers), and to delegate authority for the determination of any funding allocation from the Tay Cities Deal Fund to the Director of Strategic Policy, Transformation & Public Sector Reform.

2. ALIGNMENT TO THE ANGUS LOCAL OUTCOMES IMPROVEMENT PLAN/CORPORATE PLAN

- 2.1 This report contributes to the local outcomes contained within the Angus Local Outcomes Improvement Plan, Locality Plans and Council Plan, which focus on Economy, People, Place and Our Council.

3. BACKGROUND

- 3.1 Reference is made to Report 131/19, considered by the Policy and Resources Committee at its meeting on 30 April. That report provided the previous quarterly update in relation to the Council's Change Programme (based on Change Programme Summary Version 11 – 23/4/19).

4. PROGRESS OVERVIEW

- 4.1 Strategic leadership of the Change Programme has recently shifted to the Director of Finance, with the Director of Strategic Policy, Transformation & Public Sector Reform providing strategic leadership in relation to the Tay Cities Deal.
- 4.2 In the main, excellent progress with the various projects in the Change Programme has continued in order to meet the £10.22m target savings used in setting the 2019/20 balanced budget position.
- 4.3 The latest summary of the Change Programme (Version 17 – 23/7/19) is included in Appendix 1. The various cells highlighted in blue represent the number of projects that are fully complete. Only £265,000 of the original £10,219,711 budget setting target remains at risk.
- 4.4 The Change Board are continuing to scrutinise progress on a month-to-month basis to assure that the necessary pace is being applied, projects are being given the necessary strategic leadership, priority and direction, and staff are being supported to deliver on commitments.

- 4.5 It is highlighted that significant efforts have been made by staff across all service areas to achieve this position. A number of staff are (or recently have been) the subject of the service review process themselves, and it is commendable that such commitment and professionalism exists in the organisation to maintain the scale and pace of such change.
- 4.6 The remaining areas of risk outstanding are in relation to:
- Procurement & Commissioning: Tayside Collaborative (£175,000 savings target in 2019/20): The Programme Lead and Commercial Lead are both now appointed and started work on 1 June 2019. Scotland Excel have supported the project meantime. It is expected that significant progress to be made from here with 2 full time resources working on delivery.
 - One Council Approach to Applications (£50,000 savings target in 2019/20): the specialist supplier is now engaged and the first coaching session on data gathering has been undertaken in preparation for contract renegotiations to commence in the near future.
 - Terms and Conditions Review (£30,000 savings target in 2019/20): Proposals are currently being finalised to progress formal consultation with Trade Unions. A communications plan has also been developed for use when this is progressed.
 - There is also a £10,000 reduction in 2019/20 savings in comparison to the total at budget setting time due to the 'One Public Estate' savings being re-aligned into 2020/21. This will also require to be addressed.
- 4.7 While best endeavours will continue to be applied to secure all these savings during 2019/20, in the event there remains an element of slippage into future years, then the current amount of £265,000 could be met for 2019/20 through the use of one-off funding measures.
- 4.8 This will be finalised and aligned with the new Medium Term Budget Strategy, while preparing for the new three year planning period.
- 4.9 It should be noted that in the Final Budget Volume for 2019/20, which was considered at the full Council meeting on 20 June 2019, the outstanding amount was identified as £538,000 (i.e. not £265,000). This is due only to the timing of the various reports being prepared. Virements for the £273,000 difference are already in process through the financial monitoring system.
- 4.10 As members will be aware as part of the Council's Change Programme and in light of the severe financial challenges facing the Council our partner organisation Angus Alive was asked to achieve savings of £900,000 over the three year period 2018/19 to 2020/21 (i.e. resulting in approximately 22% cumulative reduction of the Management Fee paid by the Council compared to earlier budgets, phased in over that three year period). The delivery of these savings is well in hand. The Angus Alive Board have agreed to undertake an Organisational Review as part of their strategy to meet this savings challenge. The Organisational Review involves a redesign of the staffing structures and layers of management across Angus Alive and has been a significant undertaking. The Review is expected to be concluded by the end of this financial year.

As with many of the reviews the Council has undertaken in its own service areas to deliver savings there are one-off severance costs which arise in terms of redundancy costs and in some cases pension fund strain costs. It is considered reasonable for the Council to support Angus Alive to meet part of this severance cost since these arise in part from the Council's need for Angus Alive to make savings. It is however also considered reasonable for Angus Alive to bear a share of these costs since the detailed means by which the savings are to be delivered (through an Organisational Review) was a decision made by the Board.

Discussion are ongoing between Council and Angus Alive officers in this regard and different options for sharing severance costs are being looked at. Members are asked to approve in principle a cost sharing arrangement on severance costs with Angus Alive subject to the detailed costs being finalised and a further report with final costs and proposed share being brought back to this Committee later this financial year. For information a 50:50 split is expected to result in a cost to the Council of between £300,000 and £400,000, depending on the final phases of the Organisational Review. This cost would be met from the Council's severance provision held in General Fund balances. Providing financial support for severance costs incurred by Angus Alive is consistent with similar support the Council has offered the Angus Health & Social Care Partnership from decisions they have made to live within the funding provided by the Council.

5. BENEFITS MANAGEMENT

5.1 The movement in comparison to the previous update report (Report 131/19 refers) is as follows:

	2019/20	2020/21	2021/22	3 Year Total
Report 131/19	£10,209,711	£8,590,214	£6,001,000	£24,800,925
Current Position	£10,209,711	£8,490,214	£6,001,000	£24,700,925
Variance	NIL	-£100,000	NIL	-£100,000

5.2 The key reasons for the variance since Report 131/19 are:

- Children Services - Tayside Collaborative: it has been identified that due to the complexity of this programme, which is predominantly enabling in its nature, the target savings included for 2020/21 have been removed.

5.3 As noted in Report 131/19, the projected 2019/20 savings are currently £10,000 lower than the amount identified in the budget setting Report 56/19. This is being addressed as part of the £265,000 outstanding risk as detailed in section 4.6 above.

6. CHANGE FUND UPDATE

6.1 A full review of the Change Fund spend to date, along with future commitment has recently been undertaken. The updated position with the Change Fund budget is as follows:

Change Fund Summary	£m
General Fund Reserves as at 1/4/2019	1.015
2019/20 Budget Allocations	0.500
Total	1.515
2019/20 (Committed Bids)	0.727
2020/21 (Projected Bids)	0.288
2021/22 (Projected Bids)	<u>0.015</u>
	1.030
Change Fund Balance	0.485

6.2 The change fund balance reported to the Policy and Resources Committee at its meeting on 30 April identified a surplus in the fund of £0.501m. This has been updated to £0.485m, reflecting a full review of actual spend to date, along with future commitments as shown in the above table. The surplus established, along with new bids recently approved and contained within the £0.485m budget are as follows:

- Provision of Communications officer support for the change programme over a 2-year period, amounting to £84,000;
- Extension to Digital officers posts until outcome of IT service review completed in December 2019, amounting to £16,000; and
- Staffing to support the Children, Families & Justice Service archive records to meet legislation and support the benefits realised from the Eclipse project, amounting to £52,000.

6.3 The terms of reference for the Change Fund were approved by the Policy and Resources Committee at its meeting on 28 August 2018 (Report 254/18 refers). In view of the strategic leadership of the Change Programme shifting to the Director of Finance, delegated authority for the determination of any funding allocation from the Change Fund is sought to transfer to the Director of Finance in lieu of the Director of Strategic Policy, Transformation & Public Sector Reform.

6.4 Members may recall that the Tay Cities Deal carry forward request of £0.5m was agreed by the Council at its meeting on 20 June 2019 (Report 215/19 refers). Paragraphs 4.19 to 4.23 of that report set out the background requirements for providing such a fund to support Tay Cities implementation costs.

- 6.5 The Change Programme includes Tay Cities as one of the key outcome based changes that Angus Council is supporting. It is therefore appropriate to align the use of the funding with governance arrangements already well-established for the programme.
- 6.6 Accordingly, it is proposed that the use of the Tay Cities Deal Fund follows the same principles as the terms of reference already established for the Change Fund (Report 254/18 refers). Delegated authority for the determination of any funding allocation from the Tay Cities Deal Fund is therefore sought for the Director of Strategic Policy, Transformation & Public Sector Reform, reflecting the strategic leadership role.
- 6.7 Budget monitoring and reporting arrangements for the Tay Cities Deal fund will also follow the same approach as the Change Fund. That is via the Change Board, the Policy & Budget Strategy Group (and now also the Shadow Budget Group), the Policy & Resources Committee and the Scrutiny & Audit Committee.

7. NEXT PHASE OF OUR CHANGE PROGRAMME

- 7.1 The target savings currently identified in the Change Programme for 2020/21 have been amended to c£8.5m. The remaining funding gap for 2020/21 will ultimately depend on the updated budget projections in the Medium Term Budget Strategy which is to be considered by the Council in September. Earlier projections anticipated this funding gap to be in the region of c£6m for 2020/21.
- 7.2 While increasing Council Tax and other factors may assist to address the funding gap, the need to develop the Change Programme remains unambiguous in order to ensure the Council can deliver a balanced budget for 2020/21, and provide a sustainable approach to service delivery into future years. We must also avoid looking at 2020/21 on its own and plan our financial/ budget strategy supported by our Change Programme over the next three years.
- 7.3 While there can be little doubt that the Change Programme has been successful in delivering a large amount of budget savings in the last two years, contributing to total savings made of £55m in the last seven years, the opportunities and options for further (new) savings are inevitably limited by what has already been achieved. Savings already removed from the budget can't be taken again and new options need to be identified and implemented.
- 7.4 The Summary Financial Plan approved by Council in February showed the scale of savings in the last three years by the main service areas and this highlighted the very significant reductions in staff and costs already made in lower priority services. Delivery of further savings from those service areas already hit hardest by previous budget savings will be extremely challenging, albeit delivery of statutory service functions will also require to be prioritised.
- 7.5 With that in mind, the scale of savings already made, along with constraints over where the Council is limited in its ability to save money (the "untouchable" areas), provides a context for the next phase of the Change Programme which is truly daunting, and members should be in no doubt as to the challenges we face. The position is so serious that there is increasing risk about whether the task of balancing budgets in the next three years can be done whilst still meeting all our statutory duties.
- 7.6 Work has therefore commenced on 'Developing our Change Programme' to identify the further options for change – both savings and opportunities for investment to deliver outcomes to inform the next iteration of our Change Programme.
- 7.7 Part of this work is focussed on considering the various initiatives that are emerging from the transformation opportunities arising from the Organisational Design Zero Based Budgeting workshops, along with integrating the 'What's Changing' aspects from our current Council Plan to ensure that our change programme is also focussed on investment and outcomes aligned with our strategic priorities. Identifying options for new ways of addressing our 'triple whammy' challenge of reduced funding, rising demand and increasing costs will also be carefully considered.

8. CONCLUSION

- 8.1 Delivering change throughout the organisation is continuing at pace with particular emphasis on securing all savings agreed for achieving the 2019/20 balanced budget position. Areas where delivery is at risk have been identified and are the focus of leadership attention to secure.
- 8.2 Work is also progressing on developing the next phase of change and savings delivery, against an ever more challenging back-drop.

8.3 The Change Programme is now an intrinsic part of our Strategic Planning and will continue to be progressed to deliver the future change and transformation required to ensure the Council is sustainable and delivering Best Value to the citizens and communities of Angus.

9. FINANCIAL IMPLICATIONS

9.1 There are no financial implications arising directly from this report.

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