

ANGUS COUNCIL

POLICY AND RESOURCES COMMITTEE – 26 NOVEMBER 2019

SCRUTINY AND AUDIT COMMITTEE – 21 JANUARY 2020

CHANGE PROGRAMME UPDATE

REPORT BY DIRECTOR OF FINANCE

ABSTRACT

This report provides a progress update in relation to the Council's current Change Programme and presents a new version of the Change Programme relating to the updated 3-year strategic planning period from 2020/21 to 2022/23. This aligns with latest Medium Term Budget Strategy (MTBS) approved by full Council in September 2019.

1. RECOMMENDATIONS

1.1 It is recommended that the Policy and Resources Committee:

- (i) note the progress update in relation to the Council's current Change Programme (2019/20 to 2021/22);
- (ii) approves the final list of Organisational Design/ Zero Based Budgeting Review savings as set out in Appendix 1 including the saving of £51,000 from stopping the Angus Council Community Grants Scheme, which has largely been superseded by other initiatives such as Crowdfund Angus and Participatory Budgeting;
- (iii) approves the new version of the Change Programme (2020/21 to 2022/23); and
- (iv) note the next steps of developing our Change Programme to support the 2020/21 budget setting process in February 2020 and beyond.

1.2 It is recommended that the Scrutiny and Audit Committee:

- (i) scrutinise the progress update in relation to the Council's current Change Programme (2019/20 to 2021/22);
- (ii) scrutinise the new version of the Change Programme (2020/21 to 2022/23); and
- (iii) scrutinise the next steps of developing our Change Programme to support the 2020/21 budget setting process in February 2020 and beyond.

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 Reports 278/19 and 310/19, considered by the Policy and Resources Committee at its meeting on 27 August 2019 and the Scrutiny and Audit Committee at its meeting on 24 September 2019. Both reports have principally the same content, providing the previous quarterly update in relation to the Council's Change Programme, tailored to suit the order of reference for each respective committee (both reports were based on Change Programme Summary Version 17 – 23/7/19).

3.2 For ease of reading this report, any further references hereunder to Report 278/19 shall also be deemed to include reference to Report 310/19. It is also noted that this report and future Change Programme

update reports will be presented to the Policy and Resources and Scrutiny and Audit Committees in a combined format with single report reference.

4. PROGRESS OVERVIEW

4.1 Since the previous report, significant effort has been made to complete, as far as possible, all of the £10,219,711 savings proposals for 2019/20. The Change Board has been actively involved in this process, providing scrutiny, challenge and support to achieve the best possible position.

4.2 At this point in the Financial Year there requires to be a 'lock-down' on the financial benefits aspect of projects, so that the requirement for any 'one-off' measures to balance the in-year budget may be understood, and plans for the forthcoming 3-year strategic planning period may start to be developed in detail.

4.3 The final position achieved for financial year 2019/20 is that £9,974,711 of savings have been delivered and removed from base budgets. This equates to meeting 97.6% of our target which is an excellent achievement. The balance of £245,000 can be met from one-off funding measures using the Council's uncommitted General Fund balances. It is also possible that the projects which have slipped may still deliver some benefits before the end of the current financial year. This will be factored into next years' savings targets as we work towards a final position for budget setting in February 2020.

4.4 While all savings that have contributed towards the overall target are of equal importance to the Council, it is worth highlighting some of the high value savings which feature as part of our successful delivery. For example:

- Business support: this function, which consolidated business support staff from across the majority of Council service areas, is on track to achieve its target savings of £340,000;
- Angus Health & Social Care Partnership (AHSCP): through targeted interventions delivered by AHSCP's change initiatives, £4,368,000 savings are expected to be achieved;
- Angus Alive: the Council's Culture & Leisure Trust is in process of delivering an organisation-wide review which will deliver £300,000 of savings this financial year, representing a position that exceeds a flat cash settlement, while also absorbing all non-employee inflationary pressures;
- Workforce Change: through delivering the final stage of the managers' review, examining teachers numbers and approaches, and re-shaping our shift patterns in waste management, the Council has saved £831,711;
- Place based initiatives: our ongoing programme to support Agile working while reducing our property portfolio, the re-introduction of parking charges and investment in energy efficiency/ carbon reduction measures has contributed a total of £888,000 savings; and
- Organisational Design/ Zero Based Budgeting (OD/ZBB): Our innovative approach and forensic analysis across all areas of Council service delivery has achieved savings of £2,400,000, and identified a number of new change options for further consideration.

4.5 Regarding the details of savings emerging from the ODZBB programme, Schedule 3 of Report 56/19, which was approved by the Council at its special budget setting meeting on 21 February 2019, included details of the specific budget savings being delivered in the service areas that had been reviewed at that time. Since then, the remaining reviews have been completed and a full breakdown of the final list of savings is provided in **Appendix 1** for approval.

4.6 While the ODZBB savings mainly relate to making the most efficient use of operational resources, it is highlighted that the Strategic Policy & Economy review also includes a saving of £51,000 by stopping the 'Angus Council Community Grants Scheme'. That scheme has largely been superseded by other initiatives such as Crowdfund Angus and Participatory Budgeting, and members' approval is sought to confirm this saving.

4.7 The small number of projects that have slipped relate to the Procurement & Commissioning: Tayside Collaborative; One Council Approach to Applications; the Terms and Conditions Review; and One Public Estate project. Further details are provided in section 5 below.

4.8 A comprehensive review of the Change Programme has recently been undertaken by the Corporate Leadership Team. This review was aimed at updating and securing the target position for financial years 2020/21 and 2021/22, while introducing new plans for financial year 2022/23 reflecting the new 3-year strategic planning period.

4.9 As a result of this work, the Change Programme has been refreshed (**Appendix 2** refers). Some of the key points to highlight in terms of the transition to this new version of the Change Programme

include:

- (i) Information relating to financial year 2019/20 has been removed and financial year 2022/23 introduced, reflecting the new 3-year planning period in line with our latest Medium Term Budget Strategy.
- (ii) The new version of the Change Programme has been updated to include reference to our Council Plan priorities and all projects have been cross-referenced to the priorities according to their primary objectives. It has also been shaped around the major thematic programme areas of strategic change linked to our Council Plan, with projects aligned with the most appropriate programme theme. Non-financial benefits emerging from projects, along with financial benefits, will be more readily identifiable through this approach.
- (iii) Projects included in the new version of the Change Programme have emerged from a number of different sources, including current 'live' projects that will continue into future years; new projects that have emerged from the change options appraisals that were identified during the Organisational Design/ Zero Based Budgeting workshops; and other new projects that have been identified through changing circumstances and external factors which are providing opportunities to deliver services differently.

4.10 The new version of the Change Programme is still subject to further development work leading up to consideration and approval by elected members as part of the 2020/21 budget setting process in February 2020. This is considered further in section 7 below.

5. BENEFITS MANAGEMENT

5.1 To close out the current Change Programme (2019/20 to 2021/22), the movement in target savings in comparison to the previous quarterly update reported to the Policy and Resources Committee at its meeting on 27 August 2019 (Report 278/19 refers), is summarised as follows:

	2019/20	2020/21	2021/22	3 Year Total
Report 278/19	£10,209,711	£8,490,214	£6,001,000	£24,700,925
Current Position	£9,974,711	£8,490,214	£6,001,000	£24,465,925
Variance	-£235,000	Nil	Nil	-£235,000

5.2 It should be noted that the 2019/20 figure of £10,209,711 in the above table is £10,000 lower than the £10,219,711 which was the target budget setting position for 2019/20 (Report 56/19 refers). This is because the savings of £10,000 for One Public Estate in 2019/20 were deferred into 2020/21 during April 2019 (Report 131/19, Schedule 1 refers), and the point of reference used for reporting purposes since that time has been £10,209,711. This is why the figure used earlier identifies £245,000 of one-off measures required, while the above table only shows a variance of £235,000.

5.3 Therefore, while noting that £245,000 is the actual figure requiring to be addressed via one-off funding measures, the key reasons for the remaining £235,000 variance since Report 278/19 are as follows:

- Procurement & Commissioning: Tayside Collaborative (£Nil savings delivered against £175,000 savings target in 2019/20) – this project has taken longer to start-up than anticipated, partly due to the multi-partner input, the requirement to source a project team with necessary skills, and the complex nature of the project scope. The £175,000 savings target for 2019/20 has now been re-profiled into the new 3-year planning period;
- One Council Approach to Applications (£20,000 savings delivered against £50,000 savings target in 2019/20) - the work to review our software applications has progressed and specialist training has been provided to staff to support the work required to deliver savings through re-negotiation of relevant agreements with vendors. Entering into the detail of those negotiations has taken longer than anticipated and therefore an element of the project savings have been delayed into 2020/21; and
- Terms and Conditions Review (£Nil savings delivered against £30,000 savings target in 2019/20) – the informal staff consultation process and engagement with Trade Unions has taken longer than expected. Providing assurance on the alignment of pay related terms & conditions with Angus Alive has also extended the period to enable the start of formal consultation. The formal consultation is however now in progress but too late to deliver the £30k this Financial Year. This project will however continue to feature in our plans for 2020/21.

- 5.4 Looking forward, and based on the new version of the Change Programme included in Appendix 2, now reflecting the new 3 year planning period by removing 2019/20, the movement from the final position (old version – in table above) to the new version, is summarised as follows:

	2020/21	2021/22	2022/23	3 Year Total
Current Position (from above)	£8,490,214	£6,001,000	Nil	£14,491,214
New Version	£8,874,214	£6,783,000	£4,903,000	£20,560,214
Variance	+£384,000	+£782,000	+£4,903,000	+£6,069,000

- 5.5 The development of our Change Programme is directly linked and informed by the Council's Medium Term Budget Strategy (MTBS). The latest version of the MTBS was approved by Council at its meeting on 5 September 2019 (Report 288/19 refers).

- 5.6 Using the baseline position in the MTBS, the scale of the budget challenge for the Council over the forthcoming 3-year planning period of 2020/21 to 2022/23 is estimated to be in the region of £35,000,000 (£14,300,000 in 2020/21; £11,200,000 in 2021/22; and £9,500,000 in 2022/23).

- 5.7 The MTBS is based on the assumption that the full value of savings for 2019/20 will have been achieved. Based on the shortfall position described above it is known that £245,000 has to be met through one-off funding measures, this amount needs to be factored into the funding gap. Accordingly, the MTBS baseline position needs to be adjusted to £35,245,000, with the savings target for 2020/21 also adjusted to £14,545,000.

- 5.8 A comparison of the MTBS position against the new version of the Change Programme is summarised in the following table:

Medium Term Budget Strategy (baseline)/ Change Programme	2020/21	2021/22	2022/23	Totals
Estimated MTBS Baseline Position	£14,300,000	£11,200,000	£9,500,000	£35,000,000
2019/20 Shortfall of savings compared to target, met from one-off funding measures	£245,000	£0	£0	£245,000
Sub-total	£14,545,000	£11,200,000	£9,500,000	£35,245,000
Estimated Savings from new version of Change Programme	£8,874,214	£6,783,000	£4,903,000	£20,560,214
Estimated Further Savings to be identified through Developing Our Change Programme	£5,670,786	£4,417,000	£4,597,000	£14,684,786

- 5.9 While the new version of the Change Programme is currently targeting savings in the region of £20,560,214 over the next 3-year planning period, the above table highlights that the scale of the budget challenge and resultant funding gap still remaining over the same period is estimated to be in the region of £14,684,786, with £5,670,786 of that being in 2020/21.
- 5.10 Council Tax increases could also be used to narrow the funding gap. If increases to the Council Tax rate, along with increase to the Council Tax base (from new build housing), were the same in the next 3 years as they were for 2019/20 budget setting, this would narrow the funding gap to £8,939,786 over the 3-year period, with £3,755,786 of that being in 2020/21.
- 5.11 It is also highlighted that target savings relating to the Angus Health & Social Care Partnership (AHSCP) and Angus Alive assume a continuation of the flat cash position over the 3-year term. In addition, to keep this aligned with anticipated Council budget reductions, the AHSCP and AA targets also include adjustments from the Scottish Government's Medium Term Budget Strategy (and related CIPFA briefing) of -1% (2020/21), -1.5% (2021/22) and -0.5%

(2022/23) for these forthcoming years. These target savings assumptions have still to be discussed with AHSCP and Angus Alive officers.

- 5.12 A similar approach is being adopted with our partners Tayside Contracts, albeit financial arrangements are currently approached in a different manner. Angus Council currently has an annual spend of circa £18,000,000 through Tayside Contracts. As with all areas of council spend this must be subject to close scrutiny and robust challenge to ensure best value and maximum efficiency. This matter is presently the subject to discussion with Tayside Contracts officers and significant overall net savings for Angus Council are expected from these discussions.
- 5.13 From the above overview, it is clear that the new version of our Change Programme, as presented in this report, will require significant development over the next 2-3 months in order to achieve a sustainable budget position for 2020/21 and beyond. This is discussed in more detail in section 7 below.

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 1/4/2019	1.015
2019/20 Budget Allocations	0.500
Total	1.515
2019/20 (Committed Bids)	0.665
2020/21 (Projected Bids)	0.445
2021/22 (Projected Bids)	<u>0.015</u>
	1.125
Change Fund Balance	0.390

6.2 The change fund balance reported to the Policy and Resources Committee at its meeting on 27 August 2019 identified a surplus in the fund at that time of £0.485m (Report 278/19 refers). This has reduced to £0.390m through agreeing a number of commitments to support change projects as detailed in the following table:

Change Project Commitments	2019/20 £m	2020/21 £m	Variance £m
Re-alignment of Digital Development support funding	-0.106	0.106	
Consultancy and licenses for Integra development as part of P2P project (approved by Change Board on 6/8/ 2019)	0.044		
Customer Service Project Lead (approved by Change Board on 13/8/19)		0.020	
Extension of Agile Lead (approved by Change Board on 24/9/2019)		0.031	
	-0.062	0.157	0.095

6.3 Governance arrangements in relation to the management of the Tay Cities Deal Fund were agreed by the Policy and Resources Committee at its meeting on 27 August 2019 (Report 278/19 refers). 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

Tay Cities Deal Fund Summary	£m
Total	0.500
2019/20 (Committed Bids)	0.035
2020/21 (Projected Bids)	0.029
2021/22 (Projected Bids)	<u>0.073</u>
	0.137
Tay Cities Deal Fund Balance	0.363

6.4 The opening balance of £0.500m has reduced to £0.363m through agreeing to support the Tay Cities Deal initiatives as detailed in the following table:

Change Project Commitments	2019/20 £m	2020/21 £m	2021/22 £m	Variance £m
IT Support for Digital Programme (approved by Change Board on 27/8/2019)		0.029	0.073	0.102
External Consultancy for Mercury Programme (approved by Change Board on 22 October 2019)	0.035			0.035
	0.035	0.029	0.073	0.137

7. DEVELOPING OUR CHANGE PROGRAMME: NEXT STEPS

- 7.1 As highlighted earlier in this report, the Change Programme will require to be developed significantly over the next 2-3 months (and beyond) in order to address the funding gap that must be bridged. Identifying new ways of working and transforming our current approaches to service delivery will therefore continue to be critical and feature strongly in all our operational activity going forward.
- 7.2 Members may recall from the previous update report provided in August (report 278/19 refers) that the context for the next phase of the Change Programme is truly daunting, and members should be in no doubt as to the challenges we face. This advice is given in the context of the scale of savings already achieved over last seven years (£55m), the reducing amount of new options available, and the largely “untouchable” areas of service areas to consider. In addition, there remains a real risk of the Council being unable to achieve both a balanced budget in the next three years and continuing to meet all its statutory duties.
- 7.3 Research and development work has however been undertaken over the past few months in relation to ‘Developing our Change Programme’ which may provide members with a level of assurance that we are applying our best endeavors to address this situation. This has identified four categories of activity that offers a pathway to transformation that could help us shift towards a more sustainable position, albeit this will take time. Progressing this work will also require significant investment and strong leadership. The categories of activity that this work will focus on are as follows:

(i) Demand Management

We have started to develop an approach to demand management. Demand management is about ensuring the right service reaches the right resident when and where they need it, for the best cost. By doing this we help the citizen and improve their experience, while reducing duplication and wastage, saving on unnecessary costs. The aim of demand management is to eradicate anything that does not constitute “real” or value demand.

Once “real” demand is identified, we can explore alternative ways of meeting demand with those who create it. By engaging those who create “real” demand and understanding their drivers, we can devise alternative more efficient and effective ways of servicing that demand.

Our approach will address different types of demand. It will also: build a better understanding of the root-cause of demand; map potential new approaches to current ways of working to understand the risks/opportunities; make the links to our ‘Performance-Led Council’ improvement programme; and develop insight into how this would likely impact on people, communities, partnership/ locality work, along with Participatory Budgeting.

This work will also build on the learning and experience from the other demand management related projects already included in the Change Programme. For example, the Glenclova and Child Poverty projects.

It will also align with the current project to develop our Customer Services Strategy/ Digital Business, which is aimed at refining the ways that we currently engage with our citizens so that we may utilise our finite resources in the most efficient manner. This will aim to maximise the use of the evolving technology that is at our disposal, to better meet the changing shape of customer behaviors/ needs, while also acknowledging this will require careful planning and practical transitional arrangements to support our equalities commitments and a range of citizens' needs.

(ii) Innovation, including adopting a more commercial approach to service provision

We have also started to develop an innovation/ commercialisation strategy. The commercialisation of public services is not a new concept, but recent years have seen the public sector becoming more entrepreneurial and inventive in the ways in which it delivers and funds services.

Commercialisation in its loosest sense is about additional income generation activity but in reality it means much more. Commercialisation involves the deployment of internal resources in different ways – a more flexible approach to the way finances, assets and people are used. The act of transformation and the design of activities involves a commercial outlook.

The introduction of a more commercial approach to delivering our services will ultimately help the Council to safeguard essential public services. Our commercial vision will seek to build on, and complement, the work already being done by services to reduce costs and re-design services.

The overarching aim of the strategy is to deliver a financial return which contributes to the councils spending plans and delivery of key strategic outcomes.

This will entail developing a programme of work that includes a process for identifying potential opportunities, applies methodologies to develop those opportunities, has a structure in place to ensure that these fledging opportunities are nurtured and supported, and has the resources to deliver the aims of the strategy.

Our overall objectives will be set out to help shape the commercial programme. Commercialisation should not be seen as the delivery of small independent projects to generate income which allows us to deliver “core services” in much the same way as we have always done. Commercialisation should be seen as integrating commercial activities, and a commercial mindset, into the core of how the Council operates.

(iii) Partnership/ Collaboration (Strategic Commissioning)

Work to drive value from our strategic partnerships has been ongoing for some time. As highlighted earlier in this report, the Angus Health & Social Care Partnership and Angus Alive have both been involved in contributing significant savings for the Council by delivering transformational change initiatives in their respective service areas. That will continue for the foreseeable future, including further transformative changes. Assumed savings for each of these key partners has already been factored into the forthcoming 3-year planning period.

Tayside Contracts have also made a contribution, most notably the innovative project for the Tayside Meals Centre which will sustain the position of having hot meal provision for all our young people at all schools in Angus. Plans to explore further transformational change ideas with Tayside Contracts are evolving and a target saving over the next 3-year planning period will be included in the new version of the Change Programme in due course.

Beyond those discrete service areas, work on transforming the approach to service delivery with other partners is also being progressed by a small working group led by the Director of Strategic Policy and Transformation. The work emerging from this group, along with specialist advice from colleagues in Scotland Excel who are involved in supporting the Tayside procurement collaborative work, suggests there is merit in the Council taking a more controlled approach to its strategic commissioning function which is fundamentally about linking budget spend to achieving outcomes. Essentially strengthening our focus on “Following the Public Pound” to provide greater assurance that every pound that we spend, whether it be through direct service provision, a contract with a 3rd party supplier, or a grant with a 3rd sector/ voluntary organisation, has a strong link from the outputs to the contribution this makes towards meeting our Council priorities and Community Plan outcomes. Having good performance management

arrangements in place is also a key strand of this work.

Other related aspects may also feature in this work, including scrutiny of Tayside-wide collaborative opportunities that, for a variety of reasons, have made little or no progress thus far.

(iv) Service Contraction (stop/ reduce/ change)

Significant effort has been expended over the past few years to look at projects that stop, reduce or change the way that our services are delivered. Good progress has been made and the Council has continued to deliver all its statutory functions. However, it is considered that more analysis could be undertaken in this arena. For example, are we delivering a statutory function in excess of legal requirements? Are there alternative approaches that deliver the same 'product' but in a more cost effective way? Or are we delivering a service that is not a statutory requirement and could potentially be stopped?

Our new Director of Legal & Democratic Services has previous experience of this type of initiative which will assist us taking this forward. It is therefore our intention to commence a review of all our statutory functions. This would be to ensure that:

- We are clear, as far as we can be, as to what we were obliged to do as a Council;
- To input into what was coming down the line and to be prepared for that; and
- To keep elected members informed of these matters and provide opportunity to input.

This will require a corporate approach with significant input from all service areas. The work will involve assembling a comprehensive data base of all legislative obligations that the Council is required to meet or discharge. We will look at all our statutory reporting requirements. We will also build a consultations tracker which identifies potential new legislation according to area of Council impacted. This approach will support the Council to be more prepared, including potential impacts that can feed into and support our medium term/ long term budget strategies, and help to inform the strategic direction of our workforce planning arrangements.

7.4 The work to develop these four categories will continue over the forthcoming months and all four should be regarded as medium to long term strategic change initiatives which will require investment to deliver benefits. Those benefits are unlikely to be significant early on but will become more significant as investment made yield year on year benefits. If appropriate, new projects that emerge as part of that work in the short term will be added to the new version of the Change Programme under the relevant theme, with the initial aim of achieving a balanced budget position for 2020/21. It is however more likely the majority of the benefits from this work will arise in later years due to the transformative nature of the work.

7.5 At this stage, members are only asked to note the research and development work that is currently underway and that further reports on specific items requiring approval will be brought forward to the appropriate committee for detailed consideration once they have been more fully developed.

7.6 Finally it is intended to provide a 'Change Programme Plan' for the budget setting meeting next February which will provide details of all projects and savings that are currently included in the new version of the Change Programme, along with others that may be added subsequent to this report and prior to finalising the budget setting papers.

8. FINANCIAL IMPLICATIONS

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

9. CONSULTATION

9.1 The Chief Officers of Angus Health and Social Care Partnership (AHSCP) and Angus Alive have been consulted as part of the preparation of 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.

REPORT AUTHOR: Gordon Cargill, Service Leader (Governance & Change)

EMAIL DETAILS: GovChange@angus.gov.uk

List of Appendices:

Appendix 1: Organisational Design/ Zero Based Budgeting Summary

Appendix 2: Change Programme Summary