

The Highland Council

Resources Committee – 23 November 2016

Agenda Item	12(a)
Report No	RES/78/16

Transformational Savings Programme

Report by Depute Chief Executive/Director Corporate Development

Summary

This report on the Transformational Savings Programme (TSP) provides an update on the current status of the TSP with an overview of business improvement work which is changing how we operate as a Council, along with a summary of the TSP financial position.

1 Introduction

1.1 The TSP comprises a range of projects designed to bring about the scale of change and efficiencies required in meeting the Council's objectives. All projects have specific objectives and targets, and broadly fall into the following themes in terms of nature of activity and the approach being applied:

- **Business Improvement** (e.g. increasing use of technology to improve service delivery and customer experience)
- **Commercialisation & Income Generation** (e.g. charges and fees)
- **Localism** (e.g. supporting community organisations to provide public services)
- **Procurement** (e.g. revised buying strategies)
- **Shared Services** (e.g. benefits from joint procurement)
- **Resource Management** (e.g. improved attendance management)
- **Property** (e.g. improved use of accommodation)
- **Other Efficiency Initiatives** (e.g. renewables)

1.2 This report includes an overview of specific TSP business improvement projects, providing Committee with detail of changes to business practices, and the range of benefits being delivered. Separate reports under TSP are provided to Committee in respect of Mobile Service Delivery and Commercial & Income Generation.

1.3 Whilst all TSP projects have a savings target, the projects also have a range of other benefits that are improving the quality and effectiveness of the way we deliver services. Types of benefit include:

- ✓ Increased customer satisfaction
- ✓ Improved performance
- ✓ Improved quality
- ✓ Increased staff satisfaction
- ✓ Improved quality and access to relevant management information

1.4 The report also includes an assessment of projects with a status of Red and Amber, and where applicable, alternative TSP projects will be identified to manage risk of not delivering the level of saving required. Until these alternatives are in place, there remains a risk to the overall savings target

being achieved, plus, the scale of savings for 2016/17 places a further risk on identifying such alternatives.

- 1.5** The scope of TSP is restricted to projects designed to deliver savings agreed at December 2014 Council and a complete list of all TSP Projects is shown at Appendix 1. Progress and status of savings related TSP and other Corporate savings, such as those agreed at February 2016 Council, are reported through the Corporate Revenue Monitoring report to this Committee.

2 Projects

2.1 Projects Approved at December 2014 Council

TSP Projects have been identified to enable the delivery of targeted savings, and these projects were approved at December 2014 Council. Each of these projects has a cashable target, defined remit and assigned ownership.

2.2 Deliverability, Risks and Assumptions

All projects have been established and approved on the basis of an assessment of known factors when proposed in respect of their deliverability, along with note of any risks and assumptions made in this regard. It is the case that all Projects have levels of uncertainty, so risks and issues continue to be managed through effective governance and risk management methods.

3 Progress Monitoring & Control

3.1 Governance

The scale of change required to be undertaken by the organisation to meet agreed savings targets requires consistent and robust governance and monitoring to ensure delivery. The Executive Leadership Team, are the Programme Board, chaired by the Chief Executive, and meet monthly to assess progress, and take intervening action as required.

3.2 Portfolio Management

To ensure accountability at a senior level for the delivery of projects and savings, each project is owned by a member of the Executive Leadership Team, fulfilling the role of Portfolio Holder and ultimately accountable for the progress and delivery of the Project.

3.3 Project Lead

Each project has an identified Project Lead, responsible for the day to day management of the project and reporting progress to the portfolio holder.

3.4 Reporting

The reporting format to each portfolio holder is the same, providing a consistent approach across the organisation that will ensure greater transparency and auditability.

3.5 Project Status

All Projects are assessed on their status in terms of progress against their respective targets, and the table below lists the status colours allocated and what these mean. This approach provides visibility of where specific projects are in need of attention (i.e. projects with a status of Red and Amber).

COLOUR	When applicable
RED	Project is delayed, over budget or outside quality criteria. Immediate action required, including action by Executive Leadership Team – recovery will take extra ordinary effort
AMBER	Project may be at risk if issues are not addressed, however, situation is recoverable with specific management action
GREEN	Everything is as it should be

3.6 Scrutiny

Officers from the Corporate Improvement Team meet with each project lead and their respective portfolio holders on a monthly basis to assess progress against plan. These meetings provide the opportunity to discuss any risks or issues and recommended mitigating actions. The output of these meetings is presented in a monthly report to the Executive Leadership Team, highlighting exceptions, risk and issues, and recommending remedial action as required.

4 Support – Corporate Improvement Team (CIT)

4.1 As well as being responsible for the delivery of a number of key projects (see section 5 and separate reports in respect of Mobile Service Delivery and Commercial & Income Generation), the CIT provides support and advice across all services where required, including project management, business change, and business analysis.

4.2 The CIT take a lead, and work with managers and staff alike to improve services to the public across the Highland region. Specifically the CIT way of working includes:

- ✓ Working alongside staff, at their place of work, encouraging participation and securing staff buy in
- ✓ Applying business improvement, tailored project management and business change expertise
- ✓ Identifying and delivering solutions for improved service delivery
- ✓ Providing and supporting momentum, helping empower staff and their teams to make improvements a reality

4.3 In support of Service Redesign, the CIT are in contact with Service Redesign Review Leads to provide information and insight to current and historic business improvement work, and to offer support in progressing the review work.

4.4 Additional to this support, the CIT have facilitated two pilots of the Lean process improvement methodology, reporting back on findings and potential opportunity from this approach to the 20th September 2016 Service Redesign Board. The CIT will be taking a lead role in process improvement work coming from service redesign as part of the overall agenda to design and deliver affordable services.

5 Business Improvement Projects

5.1 The following is an overview of specific TSP business improvement projects being led by the CIT, providing Committee with detail of changes to business practices, and the range of benefits being delivered.

5.2 Managing Information

5.2.1 Managing Information is actively delivering a range of benefits including making it quicker and easier to retrieve documents and reducing the storage requirements associated with physical and electronic requirements. The project team continues to make significant progress improving the knowledge and behaviours around information management, rationalising holdings and developing sustainable storage solutions.

5.2.2 Alongside the direct benefits that MI is realising, it also enables other council projects and programmes to achieve their objectives. The project team has worked to reduce the volume of documents held as part of office rationalisation work in locations including Inverness, Fort William, Wick and Dingwall. Alongside this, the move to SharePoint reduces physical storage requirements in the new ICT contract, enabling the council to embrace the potential of the cloud.

5.2.3 Stores for physical records are being established in Dingwall, Drummuie, Fort William, Inverness, Kingussie, Portree and Wick. It is expected that these, along with a management structure for the archiving and retrieval of documents, will be operational by December 2016. These stores will be secure and accessed only by authorised individuals enabling the council to adopt more compliant practices. Electronic information being held by teams on shared drives is also being rationalised, with this being moved into SharePoint 2010.

5.3 Digital First

5.3.1 The Digital First Programme aims to see 40% of transactions with customers carried out online by April 2017. This includes making payments, reporting faults, making applications and requesting services. Currently, around 35% of transactions are carried out online, which is well on the way to achieving the target.

5.3.2 The programme continues to provide high quality online services for customers. The recently launched Apply Once form now offers customers the opportunity to apply for a wide range of council benefits and entitlements in one single form. And a newly recruited Digital Customer Services Assistant in Inverness Service Point will support and encourage customers to use our digital services. Feedback from the Citizens' Panel 2016 Performance and Attitudes Survey demonstrated customer's attitude to digital services, with 75.1% of respondents saying they were very or fairly satisfied with our online services.

5.4 Procurement

5.4.1 The Highland Council agreed to implement a shared procurement service with Aberdeen City and Shire councils on 24th August 2016. The new service will have more capacity and resilience, whilst also providing the ability to drive efficiencies through a significantly higher buying leverage on common

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commodities. The CIT are providing Project Management and Business Change management to support the implementation of this significant transformational programme.

5.4.2 The implementation of the shared service will embed a renewed focus to procurement across the council which will provide a more commercial and strategic approach to:

- ✓ Data management, performance, analytics and insight
- ✓ Procurement strategy, legislation, policy and advice
- ✓ Category management (for all strategic categories of spend)
- ✓ Strategic commercial management

The 2016/17 TSP saving for procurement is £700k, and this is included in the overall TSP target being reported to Committee. For future years, the Programme will set in place an agreed method for the realisation of additional savings that will be formally brought under TSP governance once defined.

5.4.3 It has been agreed that all current Highland Council Procurement staff will transfer to Aberdeen City and that all employees of the new Shared Service will have the same terms and conditions of service. This TUPE transfer is progressing well with the targeted date for transfer of 16th January.

5.4.4 Work is also ongoing to review and capitalise on potential opportunities to optimise use of national contracts through Scotland Excel in various areas, an example being children's residential care.

5.5 Transport Programme

5.5.1 Current school transport and public bus service contracts are due to terminate across the Highlands (except Sutherland) on 31 December 2016. A tendering process has been undertaken to secure provision for five years commencing 1 January 2017.

5.5.2 Tenders have been invited to replace all existing contracts. The overall result, evaluated on a like-for-like basis (and allowing for normal fluctuations in need) gives a total cost of £12.345m. Additionally, there are 37 remaining routes for which no bids or no valid bids have been received. The cost of these is in the order of £0.8m. Activity is underway to procure bids for these routes.

5.5.3 The interim overall result (Sutherland and rest of Highland) therefore indicates a saving of £1.743m (10.9%). The remaining savings gap is £0.653m. The transport team will be exploring other options to help reduce the savings gap.

5.5.4 There may be some impact on public bus transport costs following discussions to come on accommodating 4.5 day weeks at secondary schools in summer 2017, at all schools where this has not yet been implemented.

5.5.5 There will be a special Community Services Committee meeting on 7th December to consider the recommendations for public transport provision.

5.6 Depots & Stores Review / Rationalisation Programme

- 5.6.1** This programme of work commenced early October 2016, with the aim of increasing efficiency and reducing costs in delivering a stores function, including property costs (stores and depots), procurement/stock holding, management costs, and an improvement to business practices in line with Council objectives and related initiatives. This programme will identify and deliver savings that are additional to those already being delivered through TSP (“Centralise Stores” delivering £90k by end 17/18), with increased targets to be reported to future Committees.
- 5.6.2** The programme approach will balance speedy delivery of improvements to pick up opportunities for efficiency without delay, with a strategic approach to delivering an effective and efficient stores function. The Programme is working in conjunction with the Service Redesign project, ensuring alignment with service redesign values and the need to challenge current ways of working.
- 5.6.3** The requirement to complete a review of the operations of depots and stores by March 2018 (as part of the wider property rationalisation programme) is included in the Corporate Risk Register. This Project accounts for the requirements from the Corporate risk management actions.

5.7 Mobile Service Delivery

- 5.7.1** A detailed separate report on successes and progress to date is provided on this agenda.

5.8 Commercial & Income Generation

- 5.8.1** A detailed separate report on successes and progress to date is provided on this agenda.

6 Programme Progress & Status

- 6.1** The overall savings target for TSP projects/savings remaining to be delivered is £13.473m, and from this £9.416m is on target. The following table summarises the year on year financial impact of savings on target (Green), savings in exception (Red/Amber), and savings proposed to be removed:

Year	Overall Savings £m	Savings On Target £m	Savings in Exception* £m	Savings proposed to be removed £m
16/17	5.429	3.403	2.026	
17/18	3.489	2.985	0.504	
18/19	4.555	3.028	1.527	0.050
Total	13.473	9.416	4.057	0.050

*Includes £0.532m of savings previously approved by Committee as requiring alternative action (see and of Appendix 1 for detail)

7 Project Exceptions (Reds and Ambers)

7.1 The following lists those projects not on target (Red or Amber status), along with note of the actions being taken to deliver the level of saving required.

7.2 Red Projects

Project	Year	Saving Target £m	Saving at RED £m	Action
Support for Council Renewable Projects Capital investment in wind farms, solar panels and exploitation of methane gas from Longman landfill site to generate electricity	16/17	0.234	0.134	Project Plan produced and for 16/17, based on the current plan, £100k saving will be delivered with a shortfall of £134k
Employability Social Impact Bonds	16/17	0.150	0.150	Alternative saving from Development & Infrastructure to be identified, with immediate focus to be on covering the 16/17 £150k saving
	17/18	0.150	0.150	
	18/19	0.250	0.250	
Offshore wind farms community benefit Secure community benefit income from the development of offshore wind farms	18/19	1.000	1.000	The risk to this saving continues to be managed by the Development & Infrastructure Service
Community Development/Health Improvement Joint management of Community Development/Health Improvement	18/19	0.050	0.050	Full removal of community development / health improvement budget agreed for 2016/17 budget. No additional savings can be achieved in this area in 2018/19.

7.3 Amber Projects

Project	Year	Saving £m	Saving at AMBER	Action
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			£m	
Transport Programme: Seeking contract variation opportunities for school and public bus services provision; home-to-school transport efficiencies; future services provision re-tendering	16/17	0.625	0.653	Whilst it is anticipated the project will deliver considerable savings overall, there remains a gap in the region of £653k. Work is progressing on a number of options to help close this gap. As a result there will need to be a re-profiling of the savings for 16/17 and 17/18
	17/18	1.476		
Digital First Digital First - all Highland Council Customers will have access to council services with 40% of transactions carried out on line by April 2017	16/17	0.435	0.116	16/17 will achieve £319k savings with an estimated £116k shortfall; The Digital First Programme Board is in the process of assessing alternative activity to minimise the projected shortfall
Shared Services - Care Performance & Contracting Business Support efficiencies from partnership with NHS	16/17	0.032	0.032	To be pursued further with NHS to realise saving
Procurement Shared Services Implement shared services model with Aberdeen City and Aberdeenshire Councils	16/17	0.700	0.500	£200k has been saved so far. It is expected that further savings will be delivered this year, but there is a significant risk that a proportion will be deferred until 17/18
Develop ICT architecture & related efficiencies Reduce ICT charges by £650k pa through rationalising and reducing applications	16/17	0.200	0.136	Saving for 16/17 estimated at £64k with £136k at risk
PFN-SWAN: Scottish	17/18	0.354	0.354	Continue to

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Wide Area Network to replace the Pathfinder North Network (for Highland Council)				progress as planned and manage risk to saving
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8 Alternative Savings

- 8.1 Work continues to identify alternative projects to manage the risk of not delivering the level of saving required, though it is the case that the scale of savings for 2016/17 places a further risk on identifying such alternatives for the current financial year.

9 Allocation of Savings & Governance

- 9.1 To help ensure a balanced budget is delivered through providing the greatest opportunity for savings to be delivered, TSP savings have been allocated to Services based on an assessment of where impact will be made across budgets.
- 9.2 TSP savings taken off Service budgets will be monitored in the same way as all existing Service savings (i.e. through Service Committees). Resources Committee will continue to be provided with a summary of TSP financial position and status of projects.

10 Risk Implications

- 10.1 All projects and programmes in the Transformational agenda will maintain a risk and issue management method.
- 10.2 At this stage, the overall programme will be delivered, subject to re profiling and the identification of alternative savings where the original project is felt not deliverable in part or in full. Until these alternatives are identified and developed, there is a risk to the overall target of saving for the programme.

11 Resource Implications

- 11.1 As part of the standards set out for the management of projects, resources are identified on a project by project basis, detailing requirements for support and resource for ICT, Workforce Planning, Finance, Procurement, Project and Change Management.
- 11.2 The Corporate Improvement Team are deployed to deliver specific key projects, and also provide support and advice where required to project leads across all TSP projects.
- 11.3 Service specific resource is managed by Project Leads in conjunction with relevant Portfolio Holders.

12 Legal Implications

- 12.1 No issues

13 Equalities and Climate Change Implications

13.1 All projects or initiatives will undertake equalities and/ or climate change impact screening where appropriate, to date no issues have been identified.

14 Gaelic Implications

14.1 No issues

15 Rural Implications

15.1 There are no specific Rural Implications as a result of this report, though Rural Impact Screening and Assessments will be undertaken on individual projects as required.

16 Recommendations

1. The Committee are asked to note progress with the delivery of the TSP
2. The Committee are asked to note actions being taken to ensure savings are delivered
3. The £50k 18/19 Community Development / Health Improvement saving is not deliverable by end 18/19 and is recommended for removal from TSP

Designation: Depute Chief Executive/Director of Corporate Development

Date: 08/11/16

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Appendix 1: List of all remaining TSP Projects and current status

Saving	Year	Savings £m	Status
Community Development / Health Improvement Joint Management of Community Development / Health Improvement	2016/17		
	2017/18		
	2018/19	0.050	R
	Total	0.050	
Marine Fuel Commercial approach to the supply of marine fuel	2016/17		
	2017/18		
	2018/19	0.200	G
	Total	0.200	
Income Generation Opportunities to be identified through on-going work within the IG Project	2016/17	0.180	G
	2017/18		
	2018/19		
	Total	0.180	
Income Generation - Planning Introduce charge for local pre-application advice packs	2016/17	0.045	G
	2017/18		
	2018/19		
	Total	0.045	
Support for Council Renewable Projects Capital investment in wind farms, solar panels and exploitation of methane gas from Longman landfill site to generate electricity	2016/17	0.234	R
	2017/18	0.116	R
	2018/19	0.136	R
	Total	0.486	
Offshore Wind Farms Community Benefit Secure community benefit income from the development of offshore wind farms	2016/17		
	2017/18		
	2018/19	1.000	R
	Total	1.000	
P&D Services Levy a fee for accelerating the delivery of discharge of conditions for large scale projects (generally renewables) within specified timescales	2016/17	0.040	G
	2017/18		
	2018/19		
	Total	0.040	
Employability Social Impact Bonds	2016/17	0.150	R
	2017/18	0.150	R
	2018/19	0.250	R
	Total	0.550	
Fort William Office Review Savings as included in HC report 13 March 2014, based on report to 27	2016/17	0.105	G
	2017/18		
	2018/19	0.268	G

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Saving	Year	Savings £m	Status
November 2013 FHR Committee	Total	0.373	
Invergordon SW Office Relocation Relocation of SW Office, 62 High St, Invergordon to Osprey House, Alness	2016/17	0.050	G
	2017/18		
	2018/19		
	Total	0.050	
Inverness Service Point Relocation Termination of lease for 21-23 Church Street, Inverness and relocation of Service Point to Town House	2016/17	0.115	G
	2017/18		
	2018/19		
	Total	0.115	
Centralise Stores Centralise stores under one management structure and use suppliers	2016/17	0.030	G
	2017/18	0.060	G
	2018/19		
	Total	0.090	
Fuel Procurement Rationalise arrangements for fuel procurement	2016/17	0.210	G
	2017/18		
	2018/19		
	Total	0.210	
Transport Programme Seeking contract variation opportunities for school and public bus services provision; home-to-school transport efficiencies; future services provision re- tendering	2016/17	0.625	A
	2017/18	1.476	A
	2018/19		
	Total	2.101	
Reduction in Light Vehicles and Plant 3 year programme to reduce the number of items of light vehicles and plant utilised full-time by the Council	2016/17	0.150	G
	2017/18	0.150	G
	2018/19		
	Total	0.300	
Waste Disposal - Energy from Waste Replace the current disposal regime with one based on Energy from Waste	2016/17		
	2017/18		
	2018/19	2.800	R
	Total	2.800	
Supporting Community Organisations Support to community groups to run services for their community as an alternative to council provision of service	2016/17		
	2017/18	0.350	G
	2018/19	0.650	G
	Total	1.000	
Transferring Council Assets into Community Ownership Support the transfer of assets to	2016/17		
	2017/18		
	2018/19	0.500	G

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Saving	Year	Savings £m	Status
community organisation to run and be responsible for on-going maintenance	Total	0.500	
Digital First Simplifying & streamlining entitlements applications processes	2016/17	0.435	A
Channel shift activity - increase the number of services accessible on-line, via the Council's website, and via the Council's Service Centre	2017/18	0.240	G
	2018/19	0.350	G
	Total	1.025	
Attendance Management Reduction in sickness absence by continuing to adopt a robust and consistent approach to attendance management	2016/17	0.147	G
	2017/18	0.072	G
	2018/19	0.071	G
	Total	0.290	
Travel, Subsistence and Overtime Reduction in the costs of staff travel, subsistence and overtime through management action and greater use of technology	2016/17	0.124	G
	2017/18	0.061	G
	2018/19	0.060	G
	Total	0.245	
Licensing Creation of a single licensing team to deal with the administration of all licenses	2016/17		
	2017/18		
	2018/19	0.050	G
	Total	0.050	
Mobile Service Delivery Roll out of processes developed for Housing in support of mobile working, scheduling and appointments	2016/17	0.384	G
	2017/18	0.128	G
	2018/19		
	Total	0.512	
PFN - SWAN Scottish Wide Area Network to replace the Pathfinder North Network	2016/17		
	2017/18	0.354	A
	2018/19		
	Total	0.354	
Managing Information Generate cashable savings through the implementation of better information management processes	2016/17	0.232	G
	2017/18	0.020	G
	2018/19		
	Total	0.252	
ICT Develop ICT architecture & related efficiencies	2016/17	0.200	A
	2017/18	0.200	G
	2018/19	0.250	G
	Total	0.650	
Debt Recovery and Management Review effectiveness of existing service	2016/17		
	2017/18		

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Saving	Year	Savings £m	Status
	2018/19	0.250	G
	Total	0.250	
Treasury Management Tactical borrowing including continuation of existing practice of utilising cash balances as an alternative to new borrowing	2016/17	0.778	G
	2017/18		
	2018/19		
	Total	0.778	
Shared Services - Care Performance & Contracting Opportunity to generate efficiency savings through a Shared Service model	2016/17	0.032	A
	2017/18		
	2018/19		
	Total	0.032	
Shared Services - Finance - Procurement Implement shared services model with Aberdeen City and Aberdeenshire Councils	2016/17	0.700	A
	2017/18		
	2018/19		
	Total	0.700	
Shared Services - Finance - Computer Audit Potential to increase income by selling service to other local authorities	2016/17	0.010	G
	2017/18		
	2018/19		
	Total	0.010	
Shared Services - Revenues Shared Service opportunity through more effective working with other local authorities	2016/17	0.100	G
	2017/18		
	2018/19		
	Total	0.100	
Shared Services - Corporate Fraud Shared Service opportunity through more effective working with other local authorities	2016/17	0.025	G
	2017/18		
	2018/19		
	Total	0.025	
Money Advice Review internal and external provision	2016/17		
	2017/18		
	2018/19	0.130	G
	Total	0.130	
Savings to be identified 16/17 Catering = 0.052 16/17 Shared Services - Business Support = 0.100 16/17 Shared Services - Learning & Development = 0.025 16/17 Shared Services - Health & Safety = 0.025 16/17 Shared Services - Finance Computer Audit = 0.010	2016/17	0.305	R
	2017/18		
	2018/19	0.227	R
	Total	0.532	

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Saving	Year	Savings £m	Status
16/17 Shared Services - Trading Standards = 0.040 16/17 Shared Services - Legal & Democratic Services = 0.040 16/17 Shared Services - Building Standards = 0.040 18/19 Waste Disposal - Anaerobic Digestion: 0.200			