The Highland Council	**Agenda Item** 22(a)
Resources Committee 24th August 2016	**Report No** RES/ 60/16

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 a brief overview of specific TSP business improvement projects, providing Committee with detail of changes to business practices, and the range of benefits being delivered. A separate report under TSP is provided to Committee regarding the Digital First Programme.

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	Because....
RED	Project is delayed, over budget or out with quality criteria. Immediate action including up to executive leadership action required - recovery will take extra ordinary effort .
AMBER	Project may be at risk if issues are not addressed, however situation is recoverable with specific management actions.
YELLOW	Project has some issues that need watching but no immediate action is required to remain on track in terms of delivering savings.
GREEN	Everything is, as 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.

3.7 Support

As well as being responsible for the delivery of a number of key projects (see section 4), the Corporate Improvement Team will provide support and advice across all services where required (e.g. project management, business change, and business analysis). In addition to this support, where certain TSP projects are in need of attention, the Chief Executive will call on officers to act as "Trouble shooters", working alongside project leads and portfolio holders to objectively assess issues and problems, and identify solutions where practical to do so. The team are currently supporting the council redesign project and are facilitating a pilot of the Lean process improvement methodology.

4 Business Improvement Projects

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

4.2 Managing Information

4.2.1 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 way physical and electronic information is managed throughout the Highlands.

4.2.2 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.

4.2.3   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 information management practices. Electronic information being held by teams on shared drives is also being rationalised, with this being moved into SharePoint 2010.

4.3   Digital First

4.3.1   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 31.5% of transactions are carried out online, which is well on the way to achieving the target.

4.3.2   As well as generating efficiencies through process redesign, the programme is providing online services that customers are looking for, allowing customers to complete end to end processes at a time, place and on a device that suits them, and is increasing the automatic inputting of customer data into back office systems.   A full report on the Digital First programme, and the benefits it is delivering, is also provided on this agenda.

4.4   Mobile Service Delivery

4.4.1   The Mobile Service Delivery Programme is designed to empower and mobilise field based teams to increase the efficiency of processes, maximise the time dedicated to front line services, improve the quality of existing services and reduce costs, leading to long term cashable savings.

4.4.2   Benefits of the mobile solution include the redesign of processes to improve the customer experience, the automation and streamlining of back office processes and the ability for frontline staff to carry out their jobs without having to make return trips to council offices.

4.4.3   To date, the programme has successfully delivered a mobile technology solution to the Council's Housing Repairs Service and has proved the ability of mobile service delivery to realise benefits in the Highlands.

4.4.4   Work is ongoing to implement a mobile solution within Building Standards, Planning, Welfare, Community Works and Maintenance Officer teams with other potential applications of this solution in development across all services within the council.

4.4.5   A more detailed report on Mobile Service Delivery will be provided to the November Resources Committee.

4.5 **Income Generation**

4.5.1 The aim of the Income Generation programme is to maximise opportunities to generate income into the council. Four main areas of responsibility fall under the Commercial Manager's remit namely advertising and sponsorship, charges & fees Income, renewables income and the commercialisation of the Council.

4.5.2 To date, the programme has delivered a number of initiatives. These include:

- The use of existing assets (lampposts, car park advertising, roundabouts) for commercial advertising. An outline agreement to expand this to trunk road roundabouts and 5 additional sites will double our asset base and treble income.
- Collation, ratification and benchmarking of all council fees and charges is underway
- Opportunities to generate renewables income are being identified and developed, with Longman Biogas scheduled to come on stream in Autumn 2016.
- Services are nominating commercial champions to support the identification and promotion of income generation opportunities within services.
- Over 5000 staff have registered with the council's salary sacrifice partner Wider Wallet and successful salary sacrifice schemes have been run for cycle to work, home tech, annual leave, car leasing and smartphones. An annual plan for further schemes is being developed.

5 **Programme Progress & Status**

5.1 The status for all remaining projects has been assessed, and is detailed in Appendix 1 of this report. For the remaining 3 years of the TSP, the overall savings target is £15.621m, and from this £7.433m is on target. The following table summarises the year on year financial impact of savings on target (Green/Yellow), savings in exception (Red/Amber), and savings proposed to be to be removed:

Year	Overall Savings £m	Savings On Target £m	Savings in Exception £m	Savings proposed to be removed £m
16/17	4.777	2.921	1.676	0.180
17/18	3.489	1.393	2.096	
18/19	7.355	3.119	1.436	2.800
Total	**15.621**	**7.433**	**5.208**	**2.980**

6 **Project Exceptions (Reds and Ambers)**

6.1 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.

6.2 **Red Projects**

Project	Year	Saving £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	Project Plan produced and for 16/17, based on the current plan, £77k saving would be delivered with a shortfall of £157k.
	17/18	0.116	
	18/19	0.136	
Employability Social Impact Bonds	16/17	0.150	Alternative saving from D&I required, with immediate focus to be on covering the 16/17 £150k saving
	17/18	0.150	
	18/19	0.250	
Offshore wind farms community benefit Secure community benefit income from the development of offshore wind farms	18/19	1.000	The Beatrice Windfarm is in the process of agreeing a community benefits package, though this will be for the local community and not the Council. It may be possible for the Council to benefit from the seabed rental or business rates, though at present this is unlikely
Waste Disposal Energy from Waste Replace the current disposal regime with one based on Energy from Waste	18/19	2.800	The £2.8m saving is not deliverable by end 18/19 and is recommended for removal from TSP. A Report will be presented to Community Services Committee 18/08/16 updating members on the strategy, and proposals and revised timescale for delivering savings
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	16/17 will achieve £354k savings with an estimated £81k shortfall; The Digital First Programme Board is in the process of assessing alternative activity to minimise the projected shortfall
Develop ICT architecture & related efficiencies Reduce ICT charges by £650k pa through rationalising and reducing applications	16/17	0.200	Saving for 16/17 estimated at £64k (shortfall of £136k), with limited opportunities of further reductions in charges prior to start of new ICT contract; For subsequent years, the new contract will see a review

Project	Year	Saving £m	Action
			of key applications as an early priority
Community Development/Health Improvement Joint management of Community Development/Health Improvement	18/19	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.
Committee are asked to note the following savings as not deliverable and that alternatives to the same value will need to be identified 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 16/17 Shared Services - Trading Standards = 0.040 16/17 Shared Services - Legal & Democratic Services = 0.040 16/17 Share Support Services - Building Standards = 0.040	16/17	0.180	These projects have been determined as no longer deliverable as a result of a number of factors including a reduction in the Council workforce as a result of VR, a lack of partners to take projects forward, and to ensure best use of our resources in focussing on finding alternative projects rather than pursuing projects officers do not now believe are achievable

6.3   **Amber Projects**

Project	Year	Saving £m	Action
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	Savings are at risk due to prices higher than anticipated coming through from the tender process. Tender Board will meet 07/08/16 to agree actions, with due consideration to affordability, with recommendations to be put a special meeting of the Community Services Committee14/09/16
	17/18	1.476	
Shared Services - Care Performance &	16/17	0.032	27/06/16 Board agreed to continue to progress with

Contracting Opportunity to generate efficiency savings through a Shared Service model			planned shared services related saving
PFN-SWAN: Scottish Wide Area Network to replace the Pathfinder North Network (for Highland Council)	17/18	0.354	Continue to progress as planned and manage risk to saving

7   Alternative Savings

7.1   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.

7.2   The following table lists the alternative savings identified to date, and whilst projects listed are unlikely to deliver new savings in 16/17, it is expected that savings can be taken from 17/18 onwards.

Project	Estimated Savings	Commentary
Timesheets – efficiencies and savings from reduced effort in processing timesheet data	£63k (minimum)	Annual savings are estimated at a minimum of £63k though could be in excess of this dependent on the extent to which self-service can be applied; Any 16/17 savings are accounted for against payroll savings
Business Travel – reduce costs incurred through business travel	£96-231k	Work to deliver changes planned to proceed from end September 2016
Stores and Depots – transformation of functions and assets to maximise efficiency and effectiveness	TBC	Initiation document produced and Programme Board being established to define, commission and progress work along with outcomes and savings expected; Any 16/17 savings are accounted for under the Property Rationalisation Programme;
Reduce Council's Water Spend - potential to reduce costs and generate savings	TBC	Feasibility and extent of potential savings from water usage being determined – report to be put to 29/08/16 Programme Board for action

8   Allocation of Savings & Governance

8.1 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.

8.2 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.

9 Risk Implications

9.1 All projects and programmes in the Transformational agenda will maintain a risk and issue management method.

9.2 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.

9.3 Those leading the Projects and initiatives within the Programme will need to be mindful of the effect that Voluntary Redundancy (VR) will have on projects and ultimately on TSP savings. The Programme Board have stressed that VR does not mean that work should stop and indeed all efforts will be made to progress projects timeously.

10 Resource Implications

10.1 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.

10.2 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.

10.3 Service specific resource is managed by Project Leads in conjunction with relevant Portfolio Holders.

11 Legal Implications

11.1 No issues

12 Equalities and Climate Change Implications

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

13 Gaelic Implications

13.1 No issues

14 Rural Implications

14.1 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.

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15 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 Waste Disposal project (total saving of £2.8m) is not deliverable by end 18/19 and is recommended for removal from TSP
4. The following Shared Services projects (total savings value of £180k) are not deliverable and are recommended for removal from TSP:
   - Learning & Development
   - Health & Safety
   - Finance Computer Audit
   - Trading Standards
   - Legal & Democratic Services
   - Building Standards

Designation: Depute Chief Executive/ Director of Corporate Development
Date: 15/08/16
Author: Matt Bailey, Principal Project Manager, Corporate Development

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	Y
	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	Y
	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	Y
	2017/18		
	2018/19	0.268	Y

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	2.201	
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

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 Channel shift activity - increase the number of services accessible on-line, via the Council's website, and via the Council's Service Centre	2016/17	0.435	**R**
	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	**R**
	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		

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**	
Procurement Approach to procurement - examine extent of contract use and cost of buying off-contract	2016/17	0.110	G
	2017/18	0.062	G
	2018/19	0.063	G
	Total	**0.250**	
Procurement Procurement product rationalisation	2016/17	0.050	G
	2017/18	0.050	G
	2018/19	0.050	G
	Total	**0.150**	
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 Shared Service opportunity through more effective working across public sector bodies within and outwith Highland	2016/17	0.040	G
	2017/18		
	2018/19		
	Total	**0.040**	
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	Y
	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

Saving	Year	Savings £m	Status
	Total	**0.130**	
Savings to be identified	2016/17	0.332	**R**
16/17 Catering = 0.052	2017/18		
16/17 Shared Services - Business Support = 0.100	2018/19	0.227	**R**
16/17 Shared Services - Learning & Development = 0.025	**Total**	**0.559**	
16/17 Shared Services - Health & Safety = 0.025			
16/17 Shared Services - Finance Computer Audit = 0.010			
16/17 Shared Services - Trading Standards = 0.040			
16/17 Shared Services - Legal & Democratic Services = 0.040			
Share Support Services - Building Standards = 0.040			
18/19 Fort William Office Review: 0.027			
18/19 Waste Disposal - Anaerobic Digestion: 0.200			