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|  EXECUTIVE 14 September 2011 | | Agenda Item No. 8 |
| Title | Update on the Fit for the Future Change Programme | |
| For further information about this report please contact | Steve Webb, Improvement and Performance Team | |
| Wards of the District directly affected | All | |
| Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006? | No | |
| Date and meeting when issue was last considered and relevant minute number | 9 February 2011. Minute 135 | |
| Background Papers | | |

| | |
|--|---------------|
| Contrary to the policy framework: | No |
| Contrary to the budgetary framework: | No |
| Key Decision? | Yes/No |
| Included within the Forward Plan? (If yes include reference number) | Yes. Ref. 346 |
| Equality & Sustainability Impact Assessment Undertaken | No. |
| These will be undertaken at project level rather than programme level. | |

| Officer/Councillor Approval | | |
|---|-------------------------|--|
| Officer Approval | Date | Name |
| Chief Executive/Deputy Chief Executive | 30 August 2011 | Chris Elliott, Andrew Jones |
| Head of Service | 15 August 2011 | Susie Drummond |
| CMT | 30 August 2011 | Chris Elliott, Bill Hunt, Andrew Jones |
| Section 151 Officer | 17 August 2011 | Mike Snow |
| Monitoring Officer | 17 August 2011 | Andrew Jones |
| Finance | | |
| Portfolio Holder(s) | 30 August / 1 September | Michael Doody, Les Caborn |
| Consultation & Community Engagement | | |
| Insert details of any consultation undertaken or proposed to be undertaken with regard to this report. Proposed content discussed with Fit for the Future Oversight Group. | | |
| Final Decision? | | No |
| Suggested next steps (if not final decision please set out below) | | |
| The Programme will continue until 2015/16, so it has been agreed that update reports to the Executive will be produced every six months. | | |

1 SUMMARY

To update the Executive on progress in achieving benefits from the Fit for the Future Change Programme (as requested by the Executive in February 2011).

2 Recommendation

- i) That the current position regarding Programme's benefits is noted.
- ii) That the Programme's end date is extended to the financial year 2016/17 and remains aligned with the end date of the Medium Term Financial Strategy (MTFS).

3 Reasons for the Recommendation

3.1 Overview

At the Executive meeting of 9th February 2011, Members agreed to manage the activities and projects designed to improve the organisation and the Council's services as a Change Programme. The Executive agreed that it would have strategic responsibility for the programme making key decisions on scope, benefits and significant programme changes but delegating the day-to-day responsibility for the programme to the Council's Senior Management Team (SMT). This report does not recommend any changes to the programme but in accordance with the agreed approach, provides a half-year update on progress.

3.1.1 The Programme has been designed to produce three types of benefits:

- i) Leadership and Organisational– ensuring that the organisation continuously improves by changing the organisation and the way that people in the organisation think about their work.
- ii) Customer – ensuring service quality is maintained and, if possible, improved
- iii) Financial – ensuring that a balanced budget is achieved each year until 2015/16

3.1.2 Sections 3.2 to 3.5 of this report show that whilst the Programme has already begun to accrue benefits, there are risks and challenges to address. However, the composition of the Programme is appropriate to the current situation.

3.1.3 The Programme scope currently covers the period up to 2015/16. The MTFS currently extends to 2016/17 and will extend its end date each year. The MTFS forecasts that an additional £245,000 of savings will be needed in 2016/17 taking the overall savings required to £2.6million. The Programme needs to remain aligned with MTFS. This is mainly about ensuring that projects or other initiatives are put in place to achieve the savings highlighted by the MTFS. It is also about ensuring the organisation is consistent when stating what savings are needed and by when.

3.2 Leadership and Organisational Benefits

3.2.1 A number of Service Reviews have now been initiated. These make up a significant tranche of the current projects. Each of these projects involves applying the System Thinking method, the Council's agreed approach to changing its services.

3.2.2 A number of key organisational changes have been introduced to ensure Systems Thinking is applied consistently:

- i) Throughout 2010 all members of SMT were involved in the initial set of Systems Thinking Projects. This enabled them to use new skills when leading their own team's projects.
 - ii) The Improvement and Performance Team provide skills and knowledge to support Systems Thinking projects.
 - iii) The target driven Performance Management regime has been dismantled and replaced with a series of Systems Measures (at Corporate, Service Area and Team level).
 - iv) A set of Systems Thinking principles have been developed and promoted.
- 3.2.3 The staffing establishment is being managed more effectively. Service Head reviews of vacant establishment posts have led to a number of posts being removed. Some decisions to alter the establishment have been made as a result of FFF projects. Work has also been undertaken with Service Heads to ensure that the establishment is as accurate as possible.
- 3.2.4 As a result of all this the number of established posts reduced from 659 to 614 during 2010/11. This figure provides an accurate baseline from which to assess the impact of the Programme.

3.3 Customer Benefits

- 3.3.1 One of the key objectives of each of the Projects in the Programme is to improve the service provided to customers.
- 3.3.2 All Service Areas have produced a series of Customer Measures to measure progress and adjust priorities. These Measures have replaced Performance Indicators. As well as improving understanding of how our systems meet the needs of customers, these measures also enable us to identify the impact of projects.
- 3.3.3 Members receive other reports of progress against Service Area Plans and Portfolio Holder Statements. Therefore, it is not proposed to go into detail in this report.
- 3.3.4 In general terms the Programme is still at an early stage and a summary of the status of the project which make up the programme can be seen at Table 1 below:

Table 1: Summary of project status

| Project Status | No. |
|-----------------------|------------|
| Completed | 3 |
| Current | 20 |
| Future | 6 |
| On-hold | 3 |
| Total | 32 |

- 3.3.5 Appendix 1 contains a schedule of projects and shows their current status.
- 3.3.6 Several projects, whilst still underway, have already produced customer benefits. This is mainly where larger projects have been broken down into different strands which then progress at different speeds.
- 3.3.7 One such project, the Review of Support Services, has led support teams to achieve greater clarity of purpose with the outcome that customer demands are being met more effectively. The opportunity has also been taken to merge teams with a common purpose, enabling a broader set of skills to be available and a more integrated service to be provided.

3.3.8 All three on-hold Projects are awaiting the outcome of the Accommodation Review Project.

3.4 Financial Benefits

3.4.1 Savings from the Programme have begun to accrue. These are summarised in Table 2.

Table 2: General Fund Savings to date

| Financial year | Savings made |
|-------------------|--------------|
| 2010/11 | £300,000 |
| 2011/12 (to date) | £140,000 |
| Total | £440,000 |

3.4.2 There is always a risk that projects will not achieve their estimated forecast savings. Internal risks can be mitigated or eliminated easier than external risks. Recognising these risks, financial forecasts for two scenarios have been prepared:

Scenario 1: Assumes that all projects deliver their estimated forecast savings in full

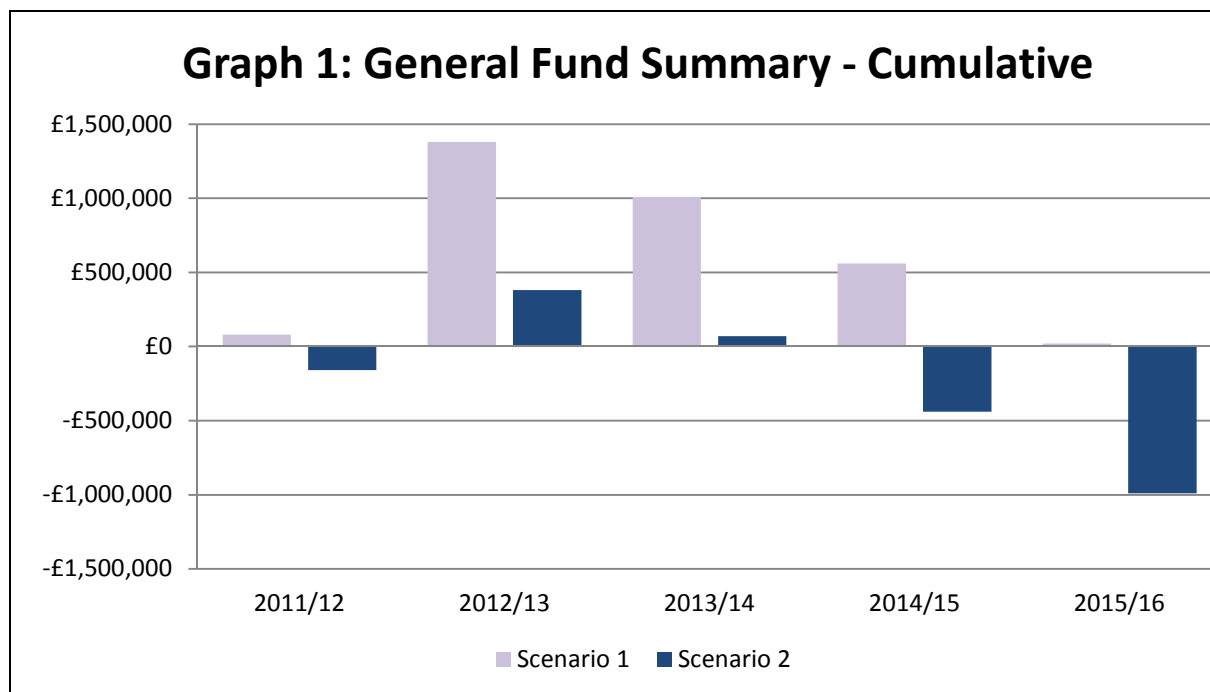
Scenario 2: Takes account of the risk that individual projects may not deliver the estimated savings in full.

3.4.3 Table 3 shows the savings forecast for each year up to 2015/16. Savings are a combination of reduced operational costs and increased income.

Table 3: General Fund (GF) Savings Forecasts (surplus/-deficit)

| Description | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 | Total |
|--------------------------|-----------|------------|------------|-----------|-----------|------------|
| Savings needed each year | £220,000 | £240,000 | £730,000 | £650,000 | £550,000 | £2,390,000 |
| Scenario 1 | | | | | | |
| Forecast savings | £300,000 | £1,540,000 | £360,000 | £210,000 | -£10,000 | £2,400,000 |
| GF balance | £80,000 | £1,380,000 | £1,010,000 | £570,000 | £10,000 | £10,000 |
| Scenario 2 | | | | | | |
| Forecast savings | £60,000 | £780,000 | £420,000 | £140,000 | £0 | £1,400,000 |
| GF balance | -£160,000 | £380,000 | £70,000 | -£440,000 | -£990,000 | -£990,000 |

3.4.4 Graph 1 shows the forecast deficit/ surplus over the next five years. There would be a modest surplus of £10,000 by 2015/16 should the Council achieve the Scenario 1 forecast. However, the deficit could be as high as £990,000 if projects do not deliver the forecast savings in full (Scenario 2).



3.4.5 In both scenarios the surpluses generated in the earlier years help to mitigate the shortfall in the later years.

3.4.6 Inevitably, the financial modelling contains many assumptions. In general terms, the level of confidence in the forecasts for the later years is less than for the earlier ones. The ongoing management of the Programme will track the changes to the forecasts and make adjustments to the Programme's composition accordingly. For example, it is inevitable that measures to produce savings in 2015/16 will be introduced to the programme.

3.4.7 The forecast financial benefit of each project within the Programme is set out in Appendix 1.

3.5 On-going Challenges

3.5.1 Successful Systems Thinking projects are dependant on applying the method appropriately and adopting a new mindset. Our experience to date is also that no two projects are the same. Project teams and leaders need support from the Human Resources and Improvement and Performance Teams to help them achieve their project's objectives. They also need time to adapt to the new approach to Service Reviews. This means that some of the projects will take a considerable time to complete. The Programme Board continues to monitor progress, provide guidance and take correct action to ensure projects are being managed effectively.

3.5.2 The transition from traditional performance management to using system measures is in progress. It is anticipated that as Systems Thinking projects proceed new system measures will be identified. These may replace or be in addition to existing measures included Service Plans. This evolution is consistent with the desired ethos of continual improvement.

3.5.3 The financial situation has already changed since the inception of FFF. The economy continues to create difficulties – for example reducing some areas of income. A number of Central Government Policy initiatives are being consulted on. These may provide the Council with opportunities which mean the Council's finances are less pressured. For example the development of the Localism agenda and the Local Government Resources Review could lead to reduced

dependence on the Revenue Support Grant. The Council has no control over the timetable for these initiatives. Whilst able to undertake some planning and impact analysis, the council can only formally respond once schemes have been finalised and published.

4 Policy Framework

The Fit for the Future (FFF) policy framework was approved by Council in October 2010. It was produced to enable the council to meet the challenges of decreasing finances, increasing expectations and increasing/ changing demand. In February 2011 Council approved that a FFF Change Programme be established to manage the organisational and service improvements.

5 Budgetary Framework

- 5.1.1 The Programme is central to the Council's plans to achieve a balanced budget each year through to 2015/16. The total possible benefits are forecast to be in the range £2.1million to £3.1million. £700,000 of these savings has already been included within the Council's financial projections. This means the additional benefits from the Programme are in the range of £1.4million to £2.4million.
- 5.1.2 The figures in this report take into account budgetary decisions made by the Executive in August 2011 and subsequent revision of the Medium Term Financial Strategy.

6 Alternative Option considered

- 6.1.1 The option of not having a Programme was considered. Service Improvement projects could be delivered and co-ordinated through the Service Plan process. This option was rejected as the Programme will ensure there is a consistent approach to achieving financial, customer and organisational benefits.

Appendix A: Schedule of projects (completed, current, future and on-hold)

| Project Name | Scenario 1 - Financial Benefit 2015/16 | Scenario 2 Financial Benefit 2015/16 | Scenario 1 - Net Financial Benefit 2015/16 | Scenario 2 - Net Financial Benefit 2015/16 |
|------------------------------------|---|---|--|--|
| Completed Projects | £80,000 | £80,000 | £0 | £0 |
| Benefits | £0 | £0 | £0 | £0 |
| Noise Nuisance | £0 | £0 | £0 | £0 |
| Tourism | £80,000 | £80,000 | £0 | £0 |
| Current Project | £2,870,000 | £1,930,000 | £2,250,000 | £1,310,000 |
| Contract Services Review | £130,000 | £90,000 | £130,000 | £90,000 |
| Development Services Review | £250,000 | £200,000 | £220,000 | £170,000 |
| Environmental Services Review | £100,000 | £50,000 | £100,000 | £50,000 |
| Housing & Property Services Review | £100,000 | £50,000 | £100,000 | £50,000 |
| Locality Working | £0 | £0 | £0 | £0 |
| Major Contract Renewal | -£250,000 | -£250,000 | £0 | £0 |
| Office Accommodation Review | £170,000 | £120,000 | £170,000 | £120,000 |
| PrintRoom Review | £50,000 | £40,000 | £20,000 | £10,000 |
| Procurement | £440,000 | £440,000 | £50,000 | £40,000 |
| Recycling Income | £250,000 | £200,000 | £0 | £0 |
| Renew Catering Contract* | £10,000 | £10,000 | £50,000 | £0 |
| Review of Shared Legal Service | £0 | £0 | £0 | £0 |
| Review Training Budgets | £60,000 | £60,000 | £0 | £0 |
| Revise Planning Fees | £900,000 | £360,000 | £0 | £0 |
| Sports and Leisure Review | £100,000 | £60,000 | £900,000 | £360,000 |
| Support Services Review | £230,000 | £210,000 | £100,000 | £60,000 |
| Terms and Conditions Review | £120,000 | £120,000 | £100,000 | £80,000 |
| Utilise renewable energy sources | £170,000 | £140,000 | £120,000 | £120,000 |
| Water Efficiency | £20,000 | £20,000 | £170,000 | £140,000 |
| Parking Services Review | £20,000 | £10,000 | £20,000 | £20,000 |
| Future Project | £160,000 | £110,000 | £160,000 | £110,000 |
| Art Gallery and Museum Review | £30,000 | £20,000 | £30,000 | £20,000 |
| Bereavement Services | £10,000 | £10,000 | £10,000 | £10,000 |
| Engineering Services Review | £10,000 | £10,000 | £10,000 | £10,000 |
| Improvement & Perf. Team Review | £30,000 | £20,000 | £30,000 | £20,000 |
| Revenues & Benefits Service | £80,000 | £50,000 | £80,000 | £50,000 |
| Review of VDI | £0 | £0 | £0 | £0 |
| On-hold | £0 | £0 | £0 | £0 |
| Agile Working | £0 | £0 | £0 | £0 |
| Create Leamington One Stop Shop | £0 | £0 | £0 | £0 |
| Review of Town Hall | £0 | £0 | £0 | £0 |
| Total | £3,110,000 | £2,120,000 | £2,410,000 | £1,420,000 |

*£30,000 of additional income from the project to renew the catering contract are recorded against the Procurement Project.

The Net Financial Benefits figures arise because some savings have already been included within the Council's financial projections.

All figures take into account budgetary decisions made by the Executive in August 2011 and subsequent revision of the Medium Term Financial Strategy.