

Report to: **Executive**
Date: **14 June 2018**
Title: **Transformation Programme (T18) Closedown report**
Portfolio Area: **Cllr R Tucker**
Wards Affected: **All**
Relevant Scrutiny Committee: Overview and Scrutiny Panel

Urgent Decision: **N** Approval and clearance obtained: **Y**

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Recommendations:

It is RECOMMENDED that the Executive:

- 1. Consider the recommendations of the Overview and Scrutiny Panel meeting of 3 May 2018 (Minute O&S.112/17) as set out in Section 2.9; and**
- 2. Endorse the contents of the T18 Transformation Programme Closedown report and the benefits realised, as set out in Section 8.**

1. Executive summary

- 1.1 In 2013, South Hams District Council and West Devon Borough Council recognised that they would be facing a predicted funding gap of £4.7 million (across both South Hams and West Devon together) over the five year period up to 2018. The Councils were adamant that they did not want to cut front line services, so both authorities agreed to embark on an ambitious and challenging Transformation Programme (T18) to remodel how the Councils worked.

- 1.2 The Transformation Programme has been total and radical and has left no service untouched. Change has never been seen as a token gesture but a total transformation of everything that the Councils do, how they do it and the culture which surrounds it.
- 1.3 The original Business Plan was approved in 2013 and in December 2014, the Council approved an updated business plan for the T18 Transformation Programme. Its aims were to deliver a new operating model for the Council (in partnership with West Devon Borough Council), to ensure that both Councils could continue to deliver quality services for their customers and communities. For South Hams District Council, an investment budget of £4.61 million was approved, to deliver annual recurring revenue savings of £3.3 million.
- 1.4 The Transformation Programme received the backing of Central Government and the Council was awarded £434,000 of Government funding towards the upfront investment costs (this was SHDC's share of the funding). The Government funding recognised the scale of ambition within the Councils' model.
- 1.5 The table in Appendix A shows that the predicted final spend (£4.556million) is £58,000 less than the budget of £4.614 million. Appendix A details the individual budget lines and highlights the areas which were underspent and overspent.
- 1.6 The total annual savings realised from the T18 Transformation Programme were £2.93 million as shown in Appendix A. The majority of these savings were staffing savings. Between 2014 and 2015, the majority of employees at both Councils went through a rigorous recruitment process and the workforce was reduced by 30%. The overall savings represented a saving of over 25% on the Councils' net revenue budgets.
- 1.7 The original estimated payback period for the T18 Transformation Programme was 2 years and 6 months. The items set out in Section 6 had an adverse impact on the payback period of the Transformation Programme and increased the actual payback period to 2 years and 11 months.
- 1.8 The lessons learnt from the project are set out in the report under each of the T18 Workstreams. Members' attention is drawn to 6.5 and 6.6 of the report.

2. Background

- 2.1 South Hams District Council and West Devon Borough Council have been shared service partners since 2007. As two of the very first Councils to share a Chief Executive, the Councils have been bold in challenging the traditional local government model and have always been at the forefront of radical change and innovation.

Shared services (through sharing staff) has now yielded the Councils £6.1 million annually in savings.

- 2.2 Having a successful track record of reducing costs through shared services whilst improving services, the two Councils approved a Joint Transformation Change Programme in December 2013.
- 2.3 The Councils continue to face significant reductions in Central Government funding and the Transformation Programme developed some financial resilience for the Councils and for a few years reduced the reliance on making annual budget reductions that inevitably impacted on front line services. However, the Council has continued to see a reduction in the level of Government funding and currently has a predicted budget gap of £0.6 million by 2020.
- 2.4 The Councils pioneered a new model for local government which was transferrable to other local authorities irrespective of the scale, acting as a catalyst for extending shared services, without undermining each participating Councils' democratic sovereignty.
- 2.5 South Hams and West Devon Councils were the first in the country to adopt a new operating model for local government across two Councils in a fully shared services partnership. Having presented at a number of national conferences and Councils, the T18 model is proving to be an exemplar in local government and the Councils continue to share our experiences.
- 2.6 The Council is now providing its services in an entirely new way - by becoming more flexible and customer focused using the latest technology. Services were redesigned around our customers and communities and as a consequence all departmental silos were removed. This involved re-engineering over 400 business processes and sharing all of our corporate services and information technology systems. The first phase of the programme (Support Services) went live in September 2014. The main phase of the programme went live in June 2015, with the last phase going live in April 2016.
- 2.7 At its heart, the Transformation Programme (T18) was one of cultural change. Peoples' lives are constantly changing and we must change with them. The radical transformation was the most significant change in the way that the Councils worked for more than 40 years. The Councils' non-manual workforce was reduced by 30%, with all staff roles changing to be flexible and responsive to the needs of the customer. Officers from different areas of the Councils now work together to improve the service for the customer and reduce the need for office accommodation.
- 2.8 The Transformation Programme was structured with a number of workstreams and each are reported on below.

2.9 The T18 Closedown report was considered by the Overview and Scrutiny Panel at its meeting on 3 May 2018. The recommendations from the Overview and Scrutiny Panel are detailed below (Minute O&S.112/17(c) refers):

“A report was considered that sought endorsement of the contents of the T18 Transformation Programme Closedown report and the benefits realised from this project.

In discussion, reference was made to:-

- (i) the financial performance of the project being a success, with the final spend being £58,000 less than the Budget of £4.614 million and total annual savings of £2.93 million being realised. It was noted that the IT technology spend was over budgeted by £40,000 (which represented 6.5% of the Budget of £615,000) and Members were of the view that this element had been disappointing. However, when considering the size and scale of the Programme, Members endorsed the fact that it had been a financial success and commended officers for achieving this outcome;*
- (ii) some of the lessons learned from the project. In citing the example of allowing the Councils’ IT staffing resources to be reduced at the start of the Programme (prior to the IT systems being in place), a Member felt that this should have received greater prominence and reference in the presented agenda report. As a consequence, the Panel requested that this be highlighted in the report that was to be presented to the Executive at its meeting on 12 June 2018 alongside the other consequent lessons that had been learned;*
- (iii) the ability for staff to work from anywhere. A Member particularly wished to highlight the success of the agile working aspect of the Programme and felt that the performance and resilience of the Council during the recent inclement weather was testament to this provision;*
- (iv) the anticipated IT software cost savings of £47,000 not being realised. Officers confirmed that this additional cost pressure had been built into the 2018/19 Budget setting proposals.*

It was then:

RESOLVED

- 1. That the Panel endorse the contents of the T18 Transformation Programme Closedown report and the benefits realised (as set out in Section 8 of the presented agenda report);*
- 2. That the Panel endorse the fact that the T18 project had been a financial success; and*

3. That, as part of its deliberations at its meeting on 14 June 2018, the Executive give particular consideration to the impact during the transition period and the project lessons to be learned.”

3. Outcomes/outputs – HR Workstream

- 3.1 Working with our employees, the Councils developed a new competency framework that identified a set of behaviours that underpin how we work and deliver services to our customers and communities. The new framework, called IMPACT, identified 6 key behaviours and it now forms an integral part of our workplace culture and how we manage people, including forming a critical component of the staff appraisal system. Between 2014 and 2015, the majority of employees at both Councils went through a rigorous recruitment process and the workforce was reduced by 30%. The overall savings represented a saving of over 25% on the Councils’ net revenue budgets.
- 3.2 An assessment centre was successfully designed and delivered, working in partnership with iESE, to make sure the right people were appointed to the right roles in the new operating model. Each member of staff was assessed by independent assessors and the outcomes informed the role they were offered.
- 3.3 All roles in the new structure were subject to the assessment process, including the senior leadership team. We still successfully use behavioural assessments when recruiting new people to the Council and when making internal appointments and promotions.
- 3.4 A voluntary redundancy programme was put in place to reduce the need to make compulsory redundancies. In total, 137 employees left the Councils’ employment. This compared to 110 anticipated at the start of the Transformation Programme. The Councils experienced some resourcing challenges as rationalisation meant that some key skills were no longer available or limited during implementation.
- 3.5 The T18 Programme also provided an opportunity to implement a revised pay and grading structure and job evaluation tool. This has led to greater fairness and consistency in how we reward staff and has given the Councils greater control over their pay bill.
- 3.6 The new operating model is based on Communities of Practice rather than a traditional departmental structure. This provides greater flexibility in how we deliver our services and makes sure our people are doing the work they are qualified for and have the skills and experience to do. The Councils categorised the work into administrative (case management) and specialist tasks, took a cross-function approach and demonstrated that 80% of the Councils’ work is best carried out by case managers, leaving specialists to concentrate on providing professional expertise.

- 3.7 A new agile way of working was introduced, with the removal of all cellular offices and the creation of a hot desk environment in both the main offices. The new agile way of working also includes the flexibility for staff to work where and when it is convenient for them and our customers. The recent staff survey suggests that a majority of people think that agile working has made them more effective in what they do. We also know that the flexible way of working attracts new people to work for us and is a factor in retaining key people.
- 3.8 The Councils were nominated as finalists in the Municipal Journal Local Government Awards in the Transforming Through People category in recognition of work done to change organisational culture by assessing people against the IMPACT behaviours.
- 3.9 The Councils' HR Community of Practice have been very successful in selling the Councils' services (i.e. knowledge and expertise on the HR Workstream) to other Councils who are looking to implement a Transformation Programme and are on track to generate income of over £100,000 (shared between both Councils) in this respect from confirmed work. We are also talking to other Councils which could lead to further income generation.

4. Outcomes/outputs – Accommodation Workstream

- 4.1 Having reviewed a wide range of accommodation options, moving the main staff base to Totnes, at the same time as implementing an agile working environment for all staff, has achieved the most benefit not only financially but for our effectiveness. It has allowed services to be further aligned between the two Councils, whilst retaining the ability to offer front line services across a large geographic area across both Councils.
- 4.2 Fresh, newly designed open plan offices have supported the Councils' new agile policy and inspired cultural change. A hot-desk approach has helped embed the behavioural and cultural change; this no fixed desk approach has helped breakdown old departmental silos with staff from all levels and different disciplines sitting and working together. The ratio of workspaces is 6 desks to 10 members of staff has encouraged home working; only two functional areas have dedicated space due to the specialist software required.
- 4.3 The new ways of working and the rationalisation of assets across both Councils have enabled additional new rental income from releasing surplus accommodation (£143,000) and reduced running costs (£93,000). Appendix A shows the savings achieved against budgeted savings for the Accommodation workstream. The percentage of the running costs of the building offset by tenants is now up to 60%. Desktop telephones have been removed, all telephone contact is through laptops using Business Skype, which is also used for meetings, video conferencing, live sharing of documents, training and instant messaging to reduce internal email traffic.

4.4 The accommodation project was largely finished in 2015 and practical completion was issued in Summer 2015. The project delivered approx. 150 agile work spaces on the second floor in Follaton, 3 new meetings rooms, improved kitchen facilities and a completely transformed working environment.

5. Outcomes/outputs – ICT Workstream

5.1 The ICT element of the T18 Programme was considerable and comprised of 10 distinct elements. Each project in its own right was a significant piece of work. The purpose was to provide a single technology platform on new infrastructure that supported the new ways of working and facilitated customer self-serve. The Technology solution comprised of Hardware and Infrastructure upgrades, the software solution and services provided by Civica, a complete telephony refresh and provision of new ICT facilities for Members. Below is a description of each of the elements and a summary of the benefits that were delivered. A separate report is to be produced looking at the Civica implementation and the lessons learnt as a result.

5.2 T1-Core Infrastructure - The provision of a new high availability infrastructure (servers, software) and configuration to support the Civica W2 application suite and platform to run processes started within W2 or the Web Portal. Since the beginning of the programme cloud services have become more affordable and some services are now running on cloud infrastructure. The existing infrastructure has, where possible, been used to support back-up and resilience to the current infrastructure.

5.3 T2-Mobile - To deliver a solution for mobile and agile locality officers. To support the new culture, the majority of officers were issued with a new mobile computer set up which allowed staff to work from anywhere. This has been a radical change for many officers, who have had to adapt to new working practices such as not having a fixed desk. The mobile product was still undeveloped at the start of the T18 Programme. Despite assurances the Civica mobile product does not meet all the Councils' requirements and although we continue to work with Civica to develop their solution, an alternative solution is being deployed i.e. where the Civica solution does not meet the business need. The cost of this solution is £3,000 per annum funded from the core ICT budget.

5.4 T3-GIS (Geographical Information Systems) – To replace the existing GIS and enable improved self-serve using spatial data (maps). The FastGaz product was not fit for purpose and has since been retired by Civica. The Councils purchased an alternative solution from an alternative supplier.

5.5 T4-Web/Portal – To develop a solution that promoted 'digital by choice', and enabled 2 way communication with our residents. It enabled citizens to 'apply for it', 'pay for it', 'report it', 'book it' and view and track any of those requests. The scope of this project was expanded during implementation to include the website. Early iterations of the Civica portal

were not customer friendly, however the team continue to make significant progress across all service areas and online transactions have across both Councils increased by 140% in the past 12 months.

- 5.6 T5-Telephony – A corporate unified communications solution to aid agile working. It provided an integrated, modern and flexible new telephony system for the Customer First contact centre. Whilst the new phone system took longer to achieve than anticipated, it was a success.
- 5.7 T6-Back office systems migration – To migrate the Waste, Planning, Land Charges, Environmental Health, Licensing, Housing back office systems to Civica APP. Data migration proved to be a resource intensive and lengthy process. After implementation Civica were unable to develop a working solution for Land Charges and an alternative solution was put into place.
- 5.8 T7-Back office system integration – To enable integration of Civica W2 with remaining back office systems e.g. Revenues and Benefits. Completed for the major systems.
- 5.9 T8-Infrastructure – The replacement of the corporate IT infrastructure to support agile working and provide a fast, reliable, cost effective and resilient scalable platform. Completed. The most recent evidence of this was during the recent severe weather when it enabled 210 officers to work from home to continue to deliver many Council services. The ability to work in an agile way is a key attraction to the recruitment of new staff and retention of existing staff.
- 5.10 T9-Members ICT – To equip Members with technology that enabled them to work and communicate effectively. All Members were issued with iPads, enabling Members to operate in a paperless way. This removed the need for paper based agendas at Committee meetings, creating savings in printing and paper. The workstream provided a way in which Members could meet with staff electronically over Business Skype, rather than by face to face meetings. It provided a modern flexible tool for Members to carry out their duties efficiently and conveniently. Members have up to date information and email available during meetings and elsewhere. An important requirement is the ability to share calendars but this is not possible as yet on the iPads.
- 5.11 T10-Document / Image migration – To move historic documents, files and images associated with a customer or property record to the new Civica W2 system. This enabled efficient records management and the decommissioning of the old document management systems. Over the last two years, the Councils have been extracting and importing documents into the new system and this process is almost now complete. Not enough time and resources were allocated to this workstream for the identification, extraction, importing and testing.

- 5.12 As stated in 5.1, there will be a separate report produced looking at the Civica implementation and the lessons learnt as a result.

6. Outcomes/outputs – Finance Workstream

- 6.1 In December 2014, the Council agreed an investment budget of £4.61 million for the Transformation Programme (T18), in order to deliver annual recurring revenue savings of £3.3 million.
- 6.2 The table in Appendix A shows that the predicted final spend (£4.556 million) was £58,000 less than the budget of £4.614 million. Appendix A details the individual budget lines and highlights the areas which were underspent and overspent.
- 6.3 In 2014/15 the Council achieved £290,000 of T18 salary savings. In 2015/16 the salary savings achieved were £1.2 million. By 2016/17, the T18 salary savings realised totalled £2.54 million. The £2.54 million is an annual salary saving from 16/17 onwards. In addition there were annual savings from the Delivery Unit (£155,000) and from the Accommodation workstream totalling a further £236,000. Therefore the total annual savings for South Hams District Council realised from the T18 Transformation Programme were £2.93 million. This is shown in further detail in Appendix A. The overall savings represented a saving of over 25% on the Councils' net revenue budgets.

Payback Period

- 6.4 The original estimated payback period for the T18 Transformation Programme was 2 years and 6 months. The following items have had an adverse impact on the payback period of the Transformation Programme and have increased the actual payback period to 2 years and 11 months.
- i) There was budgeted to be £125,000 of savings from 2015/16 onwards for recycling and waste. This was to be gained from the rationalisation of the current waste and recycling rounds. The waste efficiency savings were taken from IESE projections and informed by the interim IESE waste manager. This was done as a desk top exercise but detailed route testing later informed the position that these savings were not able to be achieved, as previously reported to Members.
 - ii) In June 2016, Members approved temporary transitional resources of a one-off amount of £545,000. This cost was funded through a re-investment of previous T18 savings back into the T18 Programme and through a reallocation of New Homes Bonus funding. This was to improve customer satisfaction and public perception of the Council during the implementation period of the Programme.

- iii) On 25 Feb 2016, Council approved the cost of £134,000 for additional resource to address the planning enforcement backlog.
- iv) As part of the Budget proposals for 2017/18 which were approved by Council on 9th February 2017, it was agreed to utilise £75,000 of the Budget Surplus Contingency Earmarked Reserve to fund five additional case managers within Development Management for a period of one year (2017/18).
- v) The initial business case included anticipated savings of £47,000 per annum for reduced annual IT software costs. These savings have not been realised due to the additional software that was either not anticipated, out of scope of the original programme or required to replace solutions that did not meet the Councils' requirements. It should be noted that a reduced contract cost was negotiated with Civica.

6.5 Whilst the budget reductions were achieved, the transition to the new model did result in increased call volumes, increased call waiting times and some service backlogs for an interim period, whilst the Transformation Programme was being embedded. Quarterly performance reports were presented to the Overview and Scrutiny Panel. The resourcing model and staff numbers in the new model were developed by Ignite and were based on:

- The new technology being delivered and more importantly embedded across the organisation.
- New more efficient and streamlined processes implemented and embedded.
- Customers using the new technology and process to self-serve rather than calling or visiting the Councils.

6.6 Due to a number of factors listed below the technology was delayed:

- The Councils' IT resources were reduced at the start of the Programme.
- The delivery of the technology solutions from the supplier suffered delays.
- A number of the IT solutions needed significant development to meet the requirements of the Councils.
- The availability of staff for testing and training was limited due to the need to carry on with day to day customer activity.

7. Outcomes/outputs – Customer Workstream

7.1 The Customer Workstream related to the engagement required with our customers to maximise the benefits of the future operating model. These benefits were both for the customer, in terms of improved customer

service and greater access to on-line services and for the Councils through reduced costs.

- 7.2 At the centre of the new staffing structure is a band of 'Case Managers'. They take a request or task from start to finish and the customer has one point of contact throughout their enquiry. Case Managers are helped by Specialists in different fields, who can be asked for their expertise when necessary. They have been freed up from administrative duties to focus on their specialism.
- 7.3 The focus of the new computer systems was the customer, enabling them to track service requests through a personal online account and having access to our services at a time and place that suits them.

8. Benefits Realisation and Performance figures

- 8.1 With new technology, there is a greater customer expectation to meet their needs 24/7 using a variety of channels, just as they would expect from other services such as their utilities and banks. Peoples' lives are constantly changing and the Councils recognised that we must change with them. In response, the Councils fundamentally changed their service delivery model which has enabled the Councils to reduce costs whilst meeting the demands of customers and communities. It has ensured that our Councils deliver a value for money solution to the taxpayer, delivering quality services at the lowest cost.
- 8.2 In creating the Councils' new operating model, officers talked to other 'pace setting' Councils and combined their successful approaches with our own experience to date, to design a radical new operating model which delivered the following non-monetised benefits:
- 24/7 access to those who choose to use our on-line services
 - Increased range of access options to recognise the diversity of our customers
 - Customer and site details held in one place for use by all services
 - A flexible workforce with empowered roles
 - An enhanced locality role for Members as community enablers
 - Commissioning options for each Council that participated in the model
 - Flexible options for sharing with any potential future partners
 - Locality workers – customer/community services out and about
 - Improved work/life balance for our staff.
- 8.3 The non-monetised benefits are in addition to the annual savings realised from the T18 Transformation Programme of £2.93 million. The schedule in Appendix A shows that £2.93 million of annual savings have been achieved against the original business case for annual savings of £3.3 million.

- 8.4 The success of the T18 operation model was aptly demonstrated during the recent bad weather from snow. The Councils had 210 members of staff working from home using mobile technology and the majority of services were able to continue to be delivered to customers.
- 8.5 The Transformation Programme has shown results, both financially and through service delivery. The Performance figures for the Councils during the main implementation period of the T18 Programme have been regularly reported to the Overview and Scrutiny Panel. Performance figures are also reported annually in the Council's Annual Report.
- 8.6 Detailed below is a list of the things that went well with the Transformation Programme (Successes) and also a list of items that could be changed in the future (Challenges).

'Successes':

- The Councils' detailed Business Case helped them to focus on what was important and manage budgetary control
- Undertaking Accommodation changes alongside the Programme helped support the Councils' future operating model aspirations
- Our level of communication was strong (in both level of detail and frequency), throughout the duration of the Programme.

'Challenges':

- Data migration proved harder than expected (due to source data quality issues and the number of extracts required). Albeit the approach of taking all data from the source systems may have contributed.
- More detailed planning & definition of both the delivery and go live phases could well have helped manage its resourcing and duration (or inclusion of a little more project contingency in the plans)
- Losing Support Services staff in the first phase hindered progress in subsequent phases, perhaps retaining some transitional resource and/or reordering some projects would have helped.
- Managing the resource conflicts across Business as Usual and the Transformation Programme was a challenge. The Councils could have tried to ring fence project resource more (both technical and business).

9. National Awards

- 9.1 In recognition of the Councils' achievements, South Hams and West Devon Councils were awarded the prestigious title of Council of the Year, at the 'Improvement and Efficiency Social Enterprise' (iESE) awards 2016. This was a huge achievement for both Councils, the award recognised that the Councils continue to rise to the challenges facing Local Government and were not afraid to tackle them head on.

10. Current issues and key risks

10.1 The capacity of the organisation to maintain business as usual service as well as be available for training and testing in new processes and systems was a risk that materialised and was a key issue. This resulted in continued delays in the Programme roll-out of technology and processes. The transitional resources approved ensured that business as usual service was improved, whilst technology and new processes were embedded.

10.2 To minimise the risks of project slippage, the following measures were in place:

- Lessons learnt from the planning portal deployment are now in place for future deployments. These included more comprehensive testing and involvement of key stakeholders (Members etc.).
- Weekly reviews were in place with Civica at both operational and senior management level.
- The Support Services Group Manager reported progress weekly to the senior leadership team.
- The Executive Member for Support Services was briefed fortnightly.
- A weekly review took place with the project team.

11. Summary

11.1 The Transformation Programme (T18) has been extremely successful overall and has achieved the annual revenue savings required, improved performance across the board, changed the culture of the organisation and has given customers much better access to our services.

11.2 None of this could have been achieved without the goodwill and sheer hard work of all of the staff, which went beyond expectations, coupled with the support of Members.

12. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	The Council delegated to the Executive to monitor the budget monitoring position of the Transformation Programme.
Financial	N	There are no financial implications arising directly from this report. The finances of the programme are set out in Section 6.1 to 6.6.
Risk	Y	See Section 10.
Comprehensive Impact Assessment Implications		

Equality and Diversity	N	This report updates Members on the opportunity for developing improved access to a range of Council services and meeting a wide range of customer needs.
Safeguarding	N	This report updates Members on the opportunity for developing improved access to a range of Council services and meeting a wide range of customer needs.
Community Safety, Crime and Disorder	N	None
Health, Safety and Wellbeing	N	This report updates Members on the opportunity for developing improved access to a range of Council services and meeting a wide range of customer needs.
Other implications	N	None

Appendix A – Financial Summary

Supporting Information:

Executive – 11 December 2014

Executive – 10 March 2016 – T18 Budget Monitoring report to end of February 2016

Executive – 16 June 2016 – Transitional Resources report

Overview and Scrutiny Panel - 27 July 2017 – Transitional Funding arrangements

Overview and Scrutiny Panel – 3 May 2018 – Transformation Programme (T18) Closedown report