

Report to: **Executive**  
Date: **23<sup>rd</sup> July 2015**  
Title: **T18 Budget Monitoring report – Quarter 4  
2014/2015**  
Executive Lead: **Councillor J 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:

1. The Executive notes the progress to date on the T18 Transformation Programme.
2. The waste round review originally scheduled to take place in September 2015 is delayed to take place during 2016.

## **1. Executive summary**

- 1.1 In December 2014 the Council agreed to a revised business plan for the T18 Programme. It aims to deliver a new operating model in partnership with West Devon Borough Council which will ensure that both Councils can continue to deliver quality services for its customers and communities. An investment budget of £4.61 million has been approved, to deliver annual recurring revenue savings of £3.37 million. The payback period for the Programme is 2.5 years.
- 1.2 The Transformation Programme has received the backing of Central Government and the Council was awarded £434,000 of Government funding towards the upfront investment costs.
- 1.3 The table in 3.15 shows the actual T18 expenditure up until 31 March 2015 of £2.68 million, compared against the total T18 budget of £4.6 million. All of the main categories of spend are on target when compared against the budget and there are no areas of concern to report to Members. The overspend on the implementation and design of the future operating model line will be met by the underspend on the training and accommodation line. The table also shows how the expenditure has been financed.
- 1.4 The budgeted salary savings to be delivered by the project were £290,000 in 2014/15, rising to £1,375,000 in 2015/16 and £2,464,000 by 2016/17. The Council is on track to make these savings in addition to the accommodation savings from letting space to tenants within Follaton House. These accommodation savings are budgeted to be £53,000 in 2015/16, rising to £215,000 by 2018/19.
- 1.5 In addition to these savings, there was budgeted to be £305,000 of savings from the Delivery Unit per annum from 2015/16 onwards. Included in this amount was £125,000 for recycling and waste to be gained from the rationalisation of current waste and recycling rounds and a further £50,000 to be saved through data management. It is recommended that this initiative is delayed to be delivered during 2016 as set out in Section 5.

## **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 over £7.7 million in savings across the two Councils since 2007, with each Council generating ongoing savings of over £700,000 every year.

- 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 will develop the financial resilience of the Councils and reduce the reliance on making annual budget reductions that inevitably impact on front line services.
- 2.4 The Councils are pioneering a new model for local government which is 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 The Council will provide its services in an entirely new way by becoming more flexible and customer focused using the latest technology. Services will be redesigned around our customers and communities and as a consequence all departmental silos will be removed. This will involve re-engineering over 500 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 has gone live in June 2015, with a smaller phase later in 2015/16.
- 2.6 At its heart, the transformation programme is one of cultural change. Peoples' lives are constantly changing and we must change with them. The radical transformation will be the most significant change in the way that the Councils work for more than 40 years. The Councils' non-manual workforce will be 30% smaller, with all staff roles changing to be flexible and responsive to the needs of the customer. Officers from different areas of the Councils will work within communities to improve the service for the customer and reduce the need for office accommodation.
- 2.7 The Transformation Programme is structured with a number of workstreams and progress on these is set out in Section 3.

### **3. Outcomes/outputs**

#### **HR Workstream**

- 3.1 The new Senior Leadership Team is now in place, with the Business Development Group Manager starting on 11 May 2015. External recruitment is currently taking place to fill the remaining Level 3 roles.

- 3.2 The Phase 1b assessment process was completed in April, with a total of over 140 assessments carried out over a 6 week period across both South Hams and West Devon. The outcomes were very positive, with over 60 employees across both Councils receiving a pay rise and only 5 employees declining to accept the offer a role within the new operating model and less than 1% being unsuccessful in the assessment process.
- 3.3 The outcome of the assessments also gives the Council a wealth of information about its collective strengths as well as providing the basis for individual personal development.
- 3.4 After consultation with the affected staff, the assessments for the roles within Phase 2 (Housing Advice, Benefits and Elections) are being brought forward. The assessments will follow the same format used in phases 1a and 1b and will be facilitated by iESE. The assessments will take place over a three week period starting on 22 July and it is anticipated that employees will be confirmed in new roles by 1 September 2015.
- 3.5 During the Transformation Programme, just over 120 staff have left the Councils' employment through redundancy. The majority of the staff left under voluntary redundancy, with a small number, 11, leaving through compulsory redundancy. The budgeted split of redundancy and pension strain payments was 64% SHDC and 36% WDBC. The actual split of redundancy and pension strain costs to date is 66% SHDC and 34% WDBC.

### **IT Workstream**

- 3.6 There is a significant amount of work to do in this workstream over the next few months and timescales are tight, however we are currently behind schedule by approximately 6 weeks against current forecasted timescales. Highlights are detailed below.
- 3.7 Housing, Waste, Environmental Health and Licencing back office applications have been migrated onto the new back office systems. The Planning and Land Charges data is currently being tested.
- 3.8 The first processes are due to go live in W2 in the week commencing 6<sup>th</sup> July. The migration of documents from the old document management systems into the new W2 system is about to commence.
- 3.9 The Council has taken delivery of the software which allows the integration of the new Web Portal functionality into the existing web site. This is currently being tested and will enable us to deliver many more services on line.

- 3.10 Mobile Locality officers have taken delivery of devices to allow them to access corporate IT resources while out and about. The Council will be taking delivery of the Civica mobile application soon, which allows staff to receive and update job tasks whilst out of the office.
- 3.11 Council Members have piloted new technology and their feedback will shape a new solution to be rolled out by September that will enable access to emails and in the future, minutes and agendas. The rollout of laptops to staff is well underway, in order to support our Agile working practices.

### **Accommodation Workstream**

- 3.12 The accommodation project, is largely finished, with the last outstanding element being the 1<sup>st</sup> floor toilets. Practical completion is hoped to be issued in early July, at which time the year defects period will commence. The project has delivered approx. 150 agile work spaces on the second floor, 3 new meetings rooms, improved kitchen facilities and a completely transformed working environment.

It has freed up a significant amount of space in the rest of the building, which will become available for tenants as staff transition up to the 2<sup>nd</sup> floor. There has been interest in the 1<sup>st</sup> floor space by a prospective tenant and heads of terms are being negotiated with a start date of January 2016, all of which helps to reduce the running costs of the Follaton House building.

### **Finance Workstream**

- 3.13 In December 2014, the Council agreed the updated business case for the Transformation Programme. An investment budget of £4.61 million has been approved, to deliver annual recurring revenue savings of £3.37 million. The payback period for the Programme is 2.5 years.
- 3.14 The Transformation Programme has received the backing of Central Government and the Council was awarded £434,000 of Government funding towards the upfront investment costs.
- 3.15 The table below shows the actual T18 expenditure up until 31 March 2015 of £2.68 million, compared against the total T18 budget of £4.6 million. All of the main categories of spend are on target when compared against the budget and there are no areas of concern to report to Members. The overspend on the implementation and design of the future operating model line will be met by the underspend on the training and accommodation line.

The table also shows how the expenditure has been financed.

<b>Expenditure Category</b>	<b>2014-2015 T18 Actual Expenditure (£)</b>	<b>Total T18 Budget (One-off Investment costs)(£)</b>
<b>Revenue Expenditure</b>		
ICT technology, implementation and workstream development	298,585	615,750
ICT workstation costs and infrastructure	185,960	276,000
Training and Accommodation	93,961	128,000
Implementation and design of the future operating model	186,794	175,000
Redundancy and Pension Strain costs*	1,481,957*	2,702,000
Contingency	0	175,000
<b>Capital Expenditure</b>		
Accommodation (Follaton)	338,310	450,000
ICT Software	92,250	92,250
<b>TOTAL</b>	<b>2,677,817</b>	<b>4,614,000</b>

\* There is a future commitment of a further £1.1 million for capitalised pension strain costs which will arise and be paid in later financial years, i.e. from 2015-2016 onwards and which will be financed by the T18 Budget. The actual capitalised pension strain costs as shown in the 2014-15 Accounts are £1.625 million, but an element of this is being financed from existing revenue base budgets.

<b>To be financed by:-</b>	<b>£</b>	<b>Relevant Report/ Minute</b>
T18 Earmarked Reserve	1,195,860	CM53/14 Council 18 December 2014 and E.71/14 Executive 5 March 2015
Capital Programme Earmarked Reserve	1,047,957	
Transformation Challenge Award (Government Grant funding)	434,000	
<b>TOTAL</b>	<b>2,677,817</b>	

Executive Minute E71/14– Delegated authority was given to the S151 Officer, in consultation with the Executive Director of Strategy and Commissioning (Head of Paid Service) and the Leader of the Council, to determine the appropriate financing requirement from the Council's Earmarked Reserves in 2014/15, to fund the year end accounting provision for the Transformation Programme.

3.16 The T18 expenditure has been shown in the Council's Accounts for 2014/15 as a Material item. The net revenue expenditure charged to the Council's Comprehensive Income and Expenditure Account in 2014/15 was £3.439 million. This is the expenditure shown in 3.15 above of £2.67 million, less the government funding of £434,000, less the capital expenditure of £430,560, plus the capitalised pension strain costs of £1.625 million. The use of the £1.047 million from the capital programme earmarked reserve is a temporary financing requirement for one year and this amount will be repaid to the earmarked reserve in 2015/16 from the salary savings achieved.

3.17 The budgeted salary savings to be delivered by the project were £290,000 in 2014/15, rising to £1,375,000 in 2015/16 and £2,464,000 by 2016/17. The Council is on track to make these savings in addition to the accommodation savings from letting space to tenants within Follaton House. These accommodation savings are budgeted to be £53,000 in 2015/16, rising to £215,000 by 2018/19.

### **Customer Workstream**

3.18 The Customer Workstream relates to the engagement required with our customers to maximise the benefits of the future operating model. These benefits are both for the customer, in terms of improved customer service and greater access to on-line services and for the Authority through reduced costs.

3.19 Software to deliver Customer insight information has now been purchased to help us structure our customer access methodology and training in how to use this software has been undertaken.

3.20 The plan for how the Council interacts with its customers (the channel shift plan) is under development. This plan will help us target cheaper forms of contact such as SMS and email to those people who want and can use it, rather than trying to encourage all customers to use these types of contact.

### **Business Processes and Transition Workstream**

3.21 The number of staff employed by the Council is being reduced and in order to continue to deliver high quality services to the public, we need to review and re-design over 400 of our existing processes.

3.22 This process is broken down into a number of 'sprints' when each type of activity is mapped and analysed in detail. Where possible the new processes are built into the universal case management system "W2".

### 3.23 Service go-live dates

<b>Service Area</b>	<b>Target go-live date (week commencing)</b>
Housing	Completed June 1st
Community Grants	6 <sup>th</sup> – 10 <sup>th</sup> July
Car Parks	13 <sup>th</sup> – 17 <sup>th</sup> July
Street Scene	27 <sup>th</sup> – 31 <sup>st</sup> July
Waste	27 <sup>th</sup> – 31 <sup>st</sup> July
Council Tax / NNDR (Phase 1)	10 <sup>th</sup> – 14 <sup>th</sup> August
Environmental Health	24 <sup>th</sup> – 28 <sup>th</sup> August
Licensing	24 <sup>th</sup> – 28 <sup>th</sup> August
Planning & Land Charges	14 <sup>th</sup> – 28 <sup>th</sup> September

## 4. Options available and consideration of risk

- 4.1 A Transformation Programme of this size and complexity clearly brings a significant number of risks which have to be carefully managed. The comprehensive Programme risks are reviewed every four weeks by the Transformation Programme Board. A report is presented to the Audit Committee on a six monthly basis of the Council's risk register and strategic risks (including those relating to the Transformation Programme).
- 4.2 One of the key risks is a reduction in service performance as staff have left and the new processes are not live in the new case management system. Currently the risk is materialising with reduced performance in the planning service and customer services. As a result the services are experiencing increasing customer contact and customer complaints.

## 5. Delivery Unit savings (as per the T18 Revised Business Case)

- 5.1 There was budgeted to be £305,000 of savings from the Delivery Unit per annum from 2015/16 onwards. Included in this amount was £125,000 for recycling and waste to be gained from the rationalisation of current waste and recycling rounds and a further £50,000 to be saved through data management. It is recommended that this initiative is delayed, to be delivered during 2016 as set out below.



- 5.2 The waste review savings related to the refinement of rounds currently still on a weekly schedule, mainly focused on properties in Dartmouth and Kingsbridge. There are also around 1500 properties using a weekly sack service who are suitable for the twin bin scheme. This saving was programmed to be delivered in September 2015.
- 5.3 The savings above were identified as deliverable based on an assumed staffing level. The current position with key operational management posts unfilled, as well as staff vacancies in customer first and newly recruited staff in the Communications team makes it a high risk to try to introduce these front line changes so soon after the implementation of T18 across the organisation. The interim manager was the resource identified to lead the round reorganisation project. The postholder is currently covering the Waste Operations Manager post on a part time basis and cannot cover both roles in the short term. If the scheme is not very closely managed across the organisation and with a high level of detail, the reputational risk to the Council is exceptionally high as the round reviews are likely to affect a high percentage of households and will generate a high volume of customer calls as the changes occur.
- 5.4 The original savings projections were based upon the majority of the system and workflow processes being up and running by the Summer. This is unlikely to be the case and it is not likely that the in cab technology will be linked to Civica by this point. The in cab system procurement commenced later than was initially intended, this was to ensure that a system was purchased that could be integrated with the Civica system. This was vital.
- 5.5 It is therefore recommended that the round reviews and waste review changes are postponed until Spring 2016 when the new operational manager posts will be filled and the Customer First/Communications team will be settled into post. The financial impact of this decision would be a delay of the saving of £125,000 for the recycling and waste and £50,000 for the data management.
- 5.6 Therefore there would be a one year delay of a saving of £175,000. This has an impact on the payback period of the T18 Programme of 3 weeks or 0.7 of a month. In 2014/15 the Council has received a pooling gain of £99,428 for being in the Devon Business Rates pool. This money was not budgeted for (as at the time the Pool was new) and therefore this is additional funding. The further £75,000 could be covered by the Strategic Issues Earmarked Reserve which has £133,000 remaining in the Reserve at 31 March 2015.

## 6. Proposed Way Forward

To address the issues in 4.2, the senior leadership team (SLT) have instigated the following actions:

- 6.1 Phase 2 of the programme has been brought forward to enable staff to be released into their new roles and enable the recruitment to posts that have been held for staff.
- 6.2 Other agencies, such as Plymouth City Council are being used to deliver less complex work.
- 6.3 Agency staff are being used as a short term measure to backfill unfilled vacancies.
- 6.4 Outstanding workloads and customer service measures are now being reviewed on a weekly basis by SLT.
- 6.5 The website is being updated and customer services are being given key messages to reassure customers.
- 6.6 It is recommended that the waste round review originally scheduled to take place in September 2015 is delayed to take place during 2016.

## 7. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance		The Council has delegated to the Executive to monitor the budget monitoring position of the Transformation Programme, with quarterly budget monitoring reports being presented to the Executive.
Financial		There are no financial implications arising directly from this report. The finances of the programme are set out in Section 3.13 to 3.17.
Risk		A Transformation Programme of this size and complexity clearly brings a significant number of risks which have to be carefully managed. The comprehensive Programme risks are reviewed every four weeks by the Transformation Programme Board. A report is presented to the Audit Committee on a six monthly basis of the Council's risk register and strategic risks (including those relating to the Transformation Programme).

Comprehensive Impact Assessment Implications		
Equality and Diversity		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		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		None
Health, Safety and Wellbeing		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		None

### **Supporting Information**

#### **Background Papers:**

Council 18 December 2014 (Minute CM53/14)  
Executive 5 March 2015 (Minute E.71/14)

<b>Process checklist</b>	<b>Completed</b>
Portfolio Holder briefed	<b>Yes</b>
SLT Rep briefed	<b>Yes</b>
Relevant Exec Director sign off (draft)	<b>Yes</b>
Data protection issues considered	<b>Yes</b>
If exempt information, public (part 1) report also drafted. (Committee/Scrutiny)	<b>N/A</b>