

Report to: **Executive**  
Date: **10 December 2015**  
Title: **T18 Budget Monitoring report – Quarter 2  
2015/2016**  
Portfolio Area: **Cllr R Tucker**  
Wards Affected: **All**  
Relevant Scrutiny Committee: Overview and Scrutiny Panel

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

Author: **Steve Mullineaux** Role: **Support Services Group  
Manager**  
**Lisa Buckle** **Finance Community of  
Practice Lead (S151 Officer)**  
Contact: [steve.mullineaux@swdevon.gov.uk](mailto:steve.mullineaux@swdevon.gov.uk), (01803) 861412  
[lisa.buckle@swdevon.gov.uk](mailto:lisa.buckle@swdevon.gov.uk), (01803) 861413

---

**Recommendations:**

It is recommended that the Executive:

1. Notes the progress to date on the T18 Transformation Programme
2. Recommends to Council to fund the postponement (to 2016) of the round reviews and the waste review changes by using £100,000 of the Business Rates Earmarked Reserve and £75,000 of the Strategic Issues Earmarked Reserve.

## 1. Executive summary

- 1.1 In December 2014, the Council agreed to a revised business plan for the T18 Programme. Its aims are 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 was approved, to deliver annual recurring revenue savings of £3.3 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 Appendix A shows that the predicted final spend (£4.584million) is £30,000 less than the budget of £4.614 million.*** In the 2014/15 year, £2.68 million was spent of one-off investment costs. A further £0.399 million has been spent in the period 1 April 2015 to 31<sup>st</sup> October 2015 as shown in Appendix A. *(Note - the last reported position to the Executive was on 23 July 2015, where a £42,000 underspend against the budget was reported for the T18 Programme).*
- 1.4 Appendix A details the individual budget lines and highlights the areas which are underspent and overspent. The Transformation Programme is within budget in totality and there are no areas of concern to report to Members.
- 1.5 The budgeted salary savings to be delivered by the project were £290,000 in 2014/15, rising to £1,375,000 in 2015/16. The savings were achieved in 2014/15 and the Council is on track to make the projected salary savings in 2015/16, with the exception of some short term transition costs. The Revenue Budget Monitoring report for 2015/16 is also an item on this agenda and this shows that there have been short term temporary transition (staffing and agency) costs within Environmental Services, Customer First and Support Services, totalling £125,000. This is further explained in the associated report.
- 1.6 By 2016/17, the salary savings realised will total £2.6 million. These are annual savings being delivered by the project. In addition there are predicted to be £305,000 annual savings from the Delivery Unit and £280,000 savings from Accommodation (which are predicted to rise to over £400,000 by 2018/19).

## 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 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 a smaller phase due 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 Phase 2 of the assessment process was completed in early August. In line with Phase 1b, the outcomes were very positive and a role in the new structure has been found for everyone that went through the process. 10 employees will be leaving the Councils on voluntary redundancy, with the majority leaving after the start of the new financial year in April 2016.
- 3.2 The employees currently working in Elections, Facilities Management and on the Sherford Development will be assessed in December 2015.
- 3.3 Revised contracts of employment have been issued to all employees who underwent the assessment process. The new contracts reflect the revised Travel and Subsistence Policy that was agreed after consultation with UNISON and the new agile working arrangements and terms and conditions of employment are now harmonised across the two Councils.
- 3.4 Managers have been trained in the Assessment Process so we are able to consistently assess new employees against the IMPACT Behaviour Framework.

#### **IT Workstream**

- 3.5 There is a significant amount of work to do in this work stream over the next few months and timescales are tight.
- 3.6 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 undergoing a third round of testing. The focus over the coming weeks will be the migration and testing of the live planning and land charges data into the new planning system, with the associated documents, presenting this data to W2 and ensuring robust integration with the new GIS system and web components.
- 3.7 The migration of all documents from the old document management systems into the new W2 system is about to commence. This is a significant piece of work as there are in excess of 3 million documents.
- 3.8 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 implemented and will enable us to deliver many more services on line.

- 3.9 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 this week, which will allow us to create processes which enable staff to receive and update job tasks whilst out of the office.
- 3.10 Over 100 laptops have been provisioned for agile workers with remaining devices to be configured before end of December 2015.

### **Accommodation Workstream**

- 3.11 The prospective tenants referenced in the last update, Public Health England, have taken up some temporary space on the first floor, ahead of the full move in date of January 2016. Conversations with a further two potential tenants are also looking positive, with one looking to move in early in the New Year also. The % of the running costs of the building offset by tenants, once PH England move in, will be up to 60%. The works to fit out the second floor are complete, and the only works going forward will be the fire alarm system in the old house.
- 3.12 The Follaton House budget is projected to be £90,000 overspent in 15/16 due to two main factors. In the T18 Business Case it was anticipated that there would be £60,000 of reduced running costs at Follaton House due to agile working, smarter use of energy and utilities and the workforce occupying less space. These savings have not yet been realised to this extent, although work has commenced on re-procuring some of the utilities costs. In addition, it was anticipated that the letting income for Follaton House could be increased by £50,000 in 15/16. There have been delays in tenants moving in so only around £20,000 additional rent will be received in this financial year.

### **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 £3.3 million. The payback period for the Programme is 2.5 years. 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.
- 3.14 ***The table in Appendix A shows that the predicted final spend (£4.584million) is £30,000 less than the budget of £4.614 million.*** In the 2014/15 year, £2.68 million was spent of one-off investment costs. A further £0.399 million has been spent in the period 1 April 2015 to 31<sup>st</sup> October 2015 as shown in Appendix A. (Note - the last reported position to the Executive was on 23 July 2015, where a £42,000 underspend against the budget was reported for the T18 Programme).

- 3.15 Appendix A details the individual budget lines and highlights the areas which are underspent and overspent. The Transformation Programme is within budget in totality and there are no areas of concern to report to Members.
- 3.16 The budgeted salary savings to be delivered by the project were £290,000 in 2014/15, rising to £1,375,000 in 2015/16. The savings were achieved in 2014/15 and the Council is on track to make the projected salary savings in 2015/16, with the exception of some short term transition costs. The Revenue Budget Monitoring report for 2015/16 is also an item on this agenda and this shows that there have been short term temporary transition (staffing and agency) costs within Environmental Services, Customer First and Support Services, totalling £125,000. This is further explained in the associated report.
- 3.17 By 2016/17, the salary savings realised will total £2.6 million. These are annual savings being delivered by the project. In addition there are predicted to be £305,000 annual savings from the Delivery Unit and £280,000 savings from Accommodation (which are predicted to rise to over £400,000 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 new customer portal has been undergoing extensive testing and went live in November.
- 3.21 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**

- 3.22 The number of staff employed by the Council has been 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.

- 3.23 This process was 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". These processes are now being comprehensively tested and updated for Customer Services & Website use.
- 3.24 Due to delays in functionality delivered by Civica and the knock on effect of reduced capacity due to the loss of staff after June, the go-live dates have been delayed. The table below identifies services that have now gone live and staff are using both the new case management and back office systems.

<b>Service Area</b>
Housing
Refuse Collection
Car Parking
Environmental Health & Licensing
Non customer Council Tax & NNDR

- 3.25 Our initial plan was to go-live with individual services in a phased approach but this puts too much strain on the service area as it requires significant time investment. A 'Dragons Den' approach was utilised to prioritise the remaining processes to deliver the maximum return on investment and spread the officer effort across more services. The following table shows planned go-live dates for the remaining high priority processes:

<b>Service Area</b>	<b>Target go-live date (week commencing)</b>
Planning	16/11/15
Council Tax	16/11/15
Remaining Waste Processes	30/11/15
Legal & Support services	21/12/15

#### **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 resulting in individual services experiencing increasing customer contact and customer complaints.

#### **5. Delivery Unit Savings – Recycling and Waste**

- 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. At the Executive meeting on 23 July 2015, it was resolved that the round reviews and waste review changes scheduled to take place in September 2015 were postponed to take place during 2016 (Minute E.13/15 refers).
- 5.2 The financial impact of this decision is a one year delay of a saving of £175,000. This has an impact on the payback period of the T18 Transformation Programme of 3 weeks or 0.7 of a month. In 2014/15 the Council 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. In the Executive report on 23 July, it was recommended that the £175,000 was financed by the £99,428 pooling gain (thereby using £100,000 from the Business Rates Earmarked Reserve), with a further £75,000 being financed by the Strategic Issues Earmarked Reserve.
- 5.3 The funding for the £175,000 needs to be formally approved by Full Council (as it is the use of Earmarked Reserves) and therefore this is a recommendation of this report.



## 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 are being used to deliver less complex work for planning.
- 6.3 Recruitment of vacant posts is being prioritised by managers and 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.

## 7. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance		<p>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.</p> <p>Only Full Council can approve the use of Earmarked Reserves. There is a recommendation on this report for the use of £175,000 of Earmarked Reserves.</p>
Financial		<p>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.</p>
Risk		<p>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).</p>

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)

Executive 23 July 2015 – T18 Budget Monitoring report

<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>