NOT FOR PUBLICATION
Exempt information – Paragraph 3 – Information relating to the financial or business affairs of any particular person (including the authority holding that information) – applies to Appendix B.

AGENDA ITEM 4	SOUTH HAMS DISTRICT COUNCIL	AGENDA ITEM 4

NAME OF COMMITTEE	**SPECIAL COUNCIL**
DATE	**31 October 2013**
REPORT TITLE	**TRANSFORMATION PROGRAMME 2018**
REPORT OF	**Senior Management Team**
WARDS AFFECTED	**ALL**

Summary of report: This report details the financial challenge faced by the council over the next four financial years. It proposes the adoption of the T18 programme which 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.

Financial implications: The investment costs required for the T18 programme are £4.85 million, generating annual recurring revenue savings of £3.8 million. The Programme will be self-financing from the end of year 2 (2015/16) onwards. The payback period for the Programme is two years. The business case demonstrates that T18 can deliver a major contribution to the budget gap faced by South Hams District Council to 2018.

RECOMMENDATIONS:

That the Council agrees to:

(i) Adopt, in partnership with West Devon Borough Council (WDBC), the T18 model comprising the commissioning/delivery model, transformed shared business process and ICT (APPENDIX A).

(ii) Approve an investment budget of £2.95 million for the T18 Programme (SHDC's share of the overall budget of £4.85 million), to be released at three key milestones (APPENDIX B) to deliver annual recurring revenue savings of £2.5 million (SHDC's share of the savings of £3.8 million).

(iii) Authorise the release of the funding for key programme expenditure milestone one (APPENDIX B) consisting of business process redesign, ICT procurement and accommodation up to £682,800 (SHDC's share of £1.275m), within the total budget of £4.85 million (APPENDIX B).

(iv) Delegate authority to the Executive to release funding for key programme expenditure milestones two and three at key points over the 30 month period to April 2016, as detailed in the Financial APPENDIX B.

(v) Finance the investment costs of £1.01 million in accordance with the Investment and Financing Strategy as shown in section 1.3 of APPENDIX C

(vi) Transfer £700,000 from the General Fund Balance (Unearmarked Reserve) and £310,000 from the Strategic Issues Reserve into an Earmarked Reserve for T18, as shown in section 1.4 of APPENDIX C.

(vii) Delegate authority to the Head of Finance and Audit to determine the appropriate allocation of investment costs against revenue and capital funds.

(viii) Agree the sharing of investment costs and savings as set out in sections 1.6 to 1.7 of APPENDIX C.

(ix) Proceed with an accommodation strategy (option 2 in 4.5) that promotes agile working and creates the greatest financial saving. Retaining access to services at Kilworthy Park along with a Civic Hub, Member Services and staff touchdown facilities, and co-locate support staff for both Councils at Follaton House (as shown in 4.5)

(x) Adopt the programme governance arrangements as set out in this report (APPENDIX E) and note that further discussion will take place on the longer term member structures.

(xi) Consult with staff and unions on the creation, in partnership with WDBC, of a new 'host organisation' able to give a whole organisation response to service demands rather than a traditional departmental response. Issue new contracts of employment with new terms and conditions for all staff who will still be employed by both Councils.

(xii) **Move to a commissioning/locality model and to continue to work with officers over the next twelve months to develop these aspects of the model so that the needs of individual members and their local communities can best be served.**

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1 BACKGROUND

1.1 South Hams District Council has an excellent reputation for pioneering new ways of working. Sharing our services since 2007 has broken new ground in the way that our Members and staff have worked together for the benefit of our residents and communities. Our shared approach with West Devon Borough Council has delivered almost £6 million in savings between the two councils.

1.2 However, since our shared services journey began the financial situations of the councils have changed dramatically and our customers' needs have changed fundamentally.

1.3 With new technology there is a greater expectation from our customers 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. People's lives are constantly changing – and we must change with them.

1.4 Our stated purpose is to enhance the lives of our residents and communities across South Hams and West Devon. To achieve this in a changing environment we have designed a new model which will deliver our services in a new way making us more flexible and customer focused and giving the customer a better experience of what we do allowing them to be more in control of what they want from us.

1.5 As the councils face a further challenge of meeting a combined budget gap of £4.7 million over the next four financial years, the new model is pivotal to what we want to achieve – substantial savings by introducing the new model and a new way of working which will bring benefits to our residents and communities.

1.6 As 65% of revenue expenditure is spent on staff related costs for non manual activities, this cannot be met without reducing our staff numbers. Having already reduced these through sharing services, any further reductions will inevitably reduce front line service delivery at both councils unless we can find a very different approach.

1.7 Since December 2012 the Senior Management Team has been engaged in assessing alternative ways to address this problem, including options to generate additional income, seeking a third shared service partner and creating alternative service delivery models (ASDEMs) such as forming a limited company, a mutual enterprise and so on. Whilst they may assist, none of these options can be relied upon to deliver a sustainable service delivery model for the future.

1.8 Therefore we need to fundamentally change our service delivery model which will enable the council to reduce costs whilst meeting the demands of customers and communities. It will ensure that the council delivers a value for money solution to the taxpayer, delivering quality services at the lowest possible cost.

1.9 In creating our proposed new operating model, we have 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 not only delivers reduced operating costs but creates a number of benefits for our customers, communities, staff and members. The operating model is summarised in **APPENDIX A** and will deliver the following benefits:

- A combined annual revenue saving of £3.8 million
- Increased capacity to answer telephone calls
- Customers' details held in one place
- 24/7 access to those who choose to use our easy on-line services
- Increased access options for our customers
- Locality workers – Customer services out and about
- A flexible workforce with empowered roles
- Improved work/life balance for our staff
- Commissioning options for each council
- Flexible options for sharing with any potential partners

2. THE BUSINESS CASE

2.1 In the period 2014 to 2018, South Hams District Council and West Devon Borough Council have a combined total budget gap of £4.7 million in the context of a combined net revenue spend of £17.1 million.

2.2 In summary the financial gap to 2018 is as follows:

	SHDC	WDBC
Cumulative four year budget gap from 2014/15 to 2017/18	£2.350m	£2.374m
% reduction on current net spend by 2018	25%	30%
Income generated by a 1% increase in Council Tax (based on 2013/14 figures)	£51,000	£37,000

2.3 The business case demonstrates that T18 can deliver a major contribution to the budget gap faced by the Council to 2018. Making reasonable assumptions based on current knowledge the table below models the cumulative position by 2018:-

	Cumulative budget gap 2014/15 to 2017/18	Savings from T18 towards Budget Gap (a)	Income from Increasing council tax by 1.9% (say) over 4 years (b)	Potential Business Rates growth and pooling gains (c)	Potential Cumulative savings & income 2014/15 to 2017/18 (a+b+c)
SHDC	£2.35m*	£2.5m	£0.18m*	£0.45m	£3.13m

*A 1% increase in council tax was already modelled in arriving at the budget gap figure

2.4 During the development of the programme, the business case has been refined and our medium term financial context has also become clearer. Based on current information, the potential cumulative savings and income (when factoring in T18 savings) will exceed the current estimated budget gap for 2014/15 to 2017/18, giving Members scope to make spending decisions to support their priorities.

2.5 However, it should be noted that with a programme of this size and length many of the costs and savings are based on a series of assumptions, some of which are variable and could be subject to change. For example, it is difficult to predict staff exit costs at this point in the programme. The business case will be regularly monitored under the proposed governance arrangements.

2.6 The savings from the T18 model will mean that the Council will have less reliance on New Homes Bonus to fund its revenue budget. This would release funding for capital investment and investment in the Council's priorities. The Council currently has a lack of available capital resources to meet its predicted future capital programme requirements over the next four years.

2.7 The alternative option to the implementation of the T18 model would see the Council having to make choices about cuts in service provision as early as 2014/15 in order to balance the 2015/16 budget. There is a £0.5m shortfall in 2015/16, as there is not sufficient New Homes Bonus in this year to fund the budget gap.

2.8 The table below shows the annual position for each year to 2017/18 and the extent of the problem which is also exacerbated by the volatility of the localised business rates income.

	2014/15	2015/16	2016/17	2017/18	Total
Budget Gap (as per Executive report on 18 July)	£0.771m	£0.446m	£0.588m	£0.545m	£2.350m
Further Reduction in Government Grant from July 2013 figures		£0.233m	£0.085m	£0.041m	£0.359m
Revised Budget gap	**£0.771m**	**£0.679m**	**£0.673m**	**£0.586m**	**£2.709m**
Additional income from increasing council tax (see 2.3)	£(0.045)m	£(0.045)m	£(0.045)m	£(0.045)m	£(0.18)m
Additional income from business rates growth and pooling gains	£(0.10)m	£(0.10)m	£(0.10)m	£(0.15)m	£(0.45)m
Other savings identified and other cost pressures	£(0.299)m	£(0.007)m	£(0.11)m	£(0.12)m	£(0.536)m
Sub-total	£0.327m	£0.527m	£0.418m	£0.271m	£1.543m
Position if the whole of the Budget Gap is funded from New Homes Bonus (NHB)					
NHB availability	£0.327m	NIL	£0.202m	NIL	£0.529m
Shortfall in funding	**Nil**	**£0.527m**	**£0.216m**	**£0.271m**	**£1.014m**

2.9 Even if the Council took the decision to fund the total budget gap over the next four years from New Homes Bonus funding (NHB), there would still be a shortfall of £1 million over the next four years. These NHB figures exclude any potential Sherford development which would not materialise until 2016/17 at the earliest, making the assumption that building commenced on site next year. To rely on NHB money from the Sherford development within this timescale would be a high risk strategy.

2.10 This would only leave £0.5 million of NHB unallocated from 13/14 and 14/15 (combined) for financing future Capital Projects (in addition to the £460K annually used specifically for Housing Capital projects). Current estimates show that the bids to the Capital Programme over the next four years would require at least £3 million of capital financing.

2.11 In addition, if the Council progressed Invest to Save projects through the Strategic Asset Review, based on a business case, this would also require initial investment funding. The Council must seek to deliver a budget which is sustainable in the long term for both its revenue and capital finances.

2.12 Other alternatives include:-

- Generate significant increase in income/maximise other savings opportunities.
- Another shared service partner.
- Delegate delivery of our services to another Council.
- Outsourcing/separate company arrangements.
- Stop delivering discretionary activities.
- Reduce services and statutory activities.

2.13 Options for income generation are being investigated and a report will be brought to Members in the next quarter. Nevertheless, there is no evidence to suggest that these potential income streams would be substantial enough to bridge the financial gap.

3. WORK UNDERTAKEN TO DATE

3.1 The work undertaken to develop the model was summarised in the Executive report of 19th September 2013. This report detailed the high level business case which is available on the following link:

http://www.southhams.gov.uk/CHttpHandler.ashx?id=6519&p=0

In summary, it is anticipated that the introduction of the model will achieve savings of approximately 27% of the council's net revenue budget without undermining the provision of key elements of front line services. It will give an annual recurring revenue saving of £2.5 million with an investment of £2.95 million and a payback period of two years.

3.2 The savings are primarily generated by a reduction in staff numbers. Over the 30 month period, we estimate 24% reduction from normal turnover and potential redundancies. A reduction of staff is inevitable under any scenario given that 65% of revenue expenditure is spent on staff related costs for non manual activities. In order to maximise these savings there will be a requirement to further rationalise the current use of office accommodation through the agile working element of the proposed programme and the outcome of the work undertaken on the accommodation options is detailed in section 4.

3.3 There is ongoing dialogue with members, staff and with UNISON concerning the implementation and likely impacts of the programme. This consultation will become more detailed as the new organisational design is developed and will include other stakeholders as and when appropriate to do so.

4. ISSUES FOR CONSIDERATION

Agile Working and Accommodation

4.1 The savings created by implementing the programme are primarily generated by a reduction in staff numbers, in order to maximise these savings along with additional accommodation savings there is a requirement to implement working in an agile way and to rationalise office space.

4.2 Agile working means empowering employees. Giving them a degree of choice as to where, how and when they work to maximise their productivity and deliver the greatest value to the council and customers. It embraces the concept that work is an activity, not a place, but also ensures that the councils:

- have officers and members who are able to meet any time/any place/anywhere using technology enabled devices;
- can provide customers and Members with face to face officer contact, from existing sites and on location, maintaining a civic presence and providing high visibility in local areas;
- locality workers and agile staff will ensure Members have contact with the appropriate officers at the right time in the right place.

4.3 Having reviewed a wide range of accommodation options, the move of support staff to Follaton at the same time as implementing an agile working environment for all staff achieves the most benefit not only financially but for our effectiveness. It allows support services to be further aligned between the two councils whilst retaining the ability to offer front line services across a large geographic area.

4.4 Members from both Councils will see a phased reduction in office based staff over the 30 month period. With the appropriate ICT in place and locality working, the ability of Members to contact staff will be maintained. Staff will be equipped to work more often and more effectively in localities closer to Members who will also be equipped to contact staff readily by using a range of ICT options.

4.5 The table below outlines the three options looked at in detail and illustrates the financial benefit of option 2.

Option	2018 Estimated Combined Annual Running cost Saving midpoint	2018 Estimated Combined Annual New Income from released Surplus Office *	Estimated Workstation Cost at each HQ for incoming council staff	Estimated Loss of Programmed Efficiency Savings (Agile and Remodelling)	TOTAL Ranking 2018
1 : Two Office Bases	£225,500	£350,000	0	**Between -£400,000 & -£500,000 p.a.	3
2: Follaton Back Office Base	£300,000	£275,000	£3,300 p.a. /workstation	0	1
3: Kilworthy Back Office Base	£164,000	£247,000	£3,750 p.a. /workstation	0	2

* Additional income from surplus accommodation excludes combined existing lettings of circa £210,000 p.a. which is maintained in all options.

**Agile Saving reduced by circa 20% for 2 bases, remodelling saving reduced by circa 33.3% for 2 bases

4.6 In option 2 around 30 desks will be retained at Kilworthy Park for officers who will either be working in a fixed location such as Customer Service Advisors seeing customers face to face, Member Services Officers, or for staff engaged on geographically based work to touch down, such as Development Management Officers.

Employment Model

4.7 A considerable amount of work has been undertaken to determine the advantages of different employment models including looking at Alternative Service Delivery Models (ASDEMs) these include setting up a mutual, a social enterprise or a limited company for example. Despite this work, it is still unclear as to what benefits any ASDEMs would deliver and all would require legal, TUPE and procurement considerations.

4.8 However, the T18 programme is, at its heart, a cultural change programme. By creating a ‘host organisation’ with its own identity, we can create a catalyst to enable the cultural shift required to work in a very different way. This will not require the creation of a separate legal entity and staff will continue to be employed by the two councils but they will have new terms and conditions (still within the national agreement) aligned with new ICT and a new working environment.

4.9 This proposal also ensures that both SHDC and WDBC will still retain full control of their workforce but creates a model that could be attractive to new potential partners. It will then be possible to take the next step of creating an ASDEM should further examination prove the business case for doing so. **APPENDIX D** shows this planned approach with ‘host organisation’ being the suggested goal within the 30 month period.

Commissioning and the Locality Model

4.10 An integral part of the proposed new model is the separation of the commissioning core of each council from the delivery of its services. The principles of commissioning ensure that the focus of the council is on the outcomes it seeks to deliver and the impact these are making in the community.

4.11 Work is currently being undertaken which will, more fully inform the number of staff required to assist Members in the development of strategy, approaches for commissioning services, and the effective governance of these activities. Together with Member Services officers, between the two councils, early indicative numbers are in the region of around 20 officers in total.

4.12 When designing its services, the commissioning council uses evidence to understand what its communities need and can use locality working to help build that evidence base. There are many different locality models used by councils across the country and the intention is to learn from these over the next few months whilst building our own model(s) that are fit for our localities.

4.13 Longer term there may also be an opportunity for further ‘economies of scale’ savings from partnership working with other locality based work being carried out by other agencies. This could also provide greater ability to provide a more joined up service delivery for our customers; these options will also be further explored in creating a detailed proposal for the locality model.

4.14 Meanwhile at its very basic level it is intended that day to day operational requests such as reporting missed bins and fly tips, putting up planning notices, empty property visits and so on should, in the new model be carried out by generic officers based in localities.

Governance

4.15 It is proposed that the Governance should use existing structures. The South Hams Executive and West Devon Chairs and Vice Chairs have been meeting twice a year and it is proposed that this becomes the steering group for the programme, meeting more frequently if required. This joint Member group has no decision making powers and the Executive and Resources Committee will make formal decisions when necessary. The steering group’s role will in summary be to:

- monitor the overall direction of the programme
- provide a high-level strategic steer
- champion the Programme to internal/external stakeholders
- create an environment in which the Programme can thrive

4.16 The Senior Management Team will act as the programme board and their role will, in summary be to:

- Create and monitor the delivery plan for the programme
- Ensure that the required resources are available
- Resolve any conflicts escalated by the programme/project delivery teams
- Monitor the risks associated with the programme
- Measure the delivery against the benefits and
- Oversee the transition from current state through new ways of working to business as usual

4.17 Following the next phase of development of the programme, Members will be consulted on any changes required to the future governance structure of the new model to be introduced post May 2015. Details of the governance structure of the programme are contained within **APPENDIX E.**

Programme Implementation

4.18 The proposed programme will be delivered in two phases with Phase 1 being centred on the property based services e.g. planning, environmental health etc and Phase 2 being people based services e.g. housing and benefits. The indicative work programme for Phase 1 can be seen at **APPENDIX F.** It envisages five key work streams and ICT procurement drives the timetable. Business processes need to be reviewed before IT suppliers can be invited to tender, hence the work we are currently engaged in is to analyse our activities. This will lead to services starting to be redesigned by the end of December and a new organisational design being developed in the first quarter of next year.

4.19 Recruitment to the new structure is predicted to start in early autumn next year. Decisions on and recruitment to the future Senior Management structure will be taken in line with those of the wider structure.

5 LEGAL IMPLICATIONS AND STATUTORY POWERS

5.1 This report sets out a proposal to adopt a new operating model 'T18'. This will be a completely new way of delivering services to the public and requires approval of the Full Council. The procurement process will be undertaken in line with the Council's Contract Procedure Rules and in line with EU requirements.

5.2 Council is responsible for approving the policy framework and for approving the overall budget. It is also responsible for approving and monitoring compliance with the Council's overall framework of accountability and control, which includes the Council's Financial Procedure Rules. Only Council can approve the Invest to Save budget for T18 of £2.95 million, as budgetary provision for the T18 Programme has not already previously been made as part of the Council's annual budget setting process.

5.3 Similarly only Council can approve the use of the Council's General Fund Balance (Unearmarked Reserves) and Earmarked Reserves.

5.4 Since there is commercially sensitive information in this report, there are grounds for Appendix B of the report's publication to be restricted and considered in exempt session. Having applied the public interest test, it is felt that the public interest lies in non-disclosure due to the commercial sensitivity of Appendix B. Accordingly this report (Appendix B) contains exempt information as defined in Paragraph 3 of Schedule 12A to the Local Government Act 1972.

6 FINANCIAL IMPLICATIONS

6.1 The investment costs required for the T18 Programme are £2.95 million (SHDC share) as detailed in Appendix B. The Programme will generate annual recurring revenue savings of £2.5 million (SHDC share) as detailed in Appendix C.

6.2 This is an Invest to Save project and the T18 Programme will be self-financing from the end of year 2 (2015/16) onwards, when staff savings are realised. A Net Present Value calculation of the project using the Treasury's Green Book principles (using a discount rate of 3.5%) demonstrates that the payback period for the Programme is 2 years.

6.3 The business case demonstrates that T18 can deliver a major contribution to the budget gap faced by the Council to 2018.

6.4 It is proposed to finance the investment costs of £1.01 million from General Fund Balance (Unearmarked) Reserves and the Strategic Issues Reserve as detailed in 1.3 of Appendix C. This would leave a balance of £1.8 million in the General Fund Balance (Unearmarked) Reserves which is above the £1.5 million minimum level set, to ensure audit requirements are met.

6.5 The ratios for the sharing of investment costs and savings between South Hams District Council and West Devon Borough Council are set out in sections 1.6 to 1.7 of Appendix C. However in summary the main ICT costs are proposed to be shared in the ratio 50%:50% and the staff related costs and savings are proposed to be shared in the ratio 64% SHDC:36% WDBC.

6.6 It is recognised that with a project of this size a contingency is required. This will be addressed through building on the current vacancy control savings (current budget at South Hams for vacancies is £100,000), with the aim of reducing the amount that will be needed to be funded by the programme for staff redundancy costs. Annual service budgets for ICT equipment, maintenance and repairs will also be available, providing a further level of contingency on programme costs.

6.7 The Head of Finance and Audit will be responsible for providing budget monitoring reports on T18 to the Executive on a quarterly basis. This will detail the expenditure and the level of savings generated to date.

7. RISK MANAGEMENT

7.1 The Transformation Programme addresses many of the strategic risks which are regularly reported to the Audit Committees of both Councils. However, a large scale change programme also generates significant risks. To address the scale of the financial challenge that the two councils face, it is not possible to be risk adverse or develop an approach that will eliminate risk. The critical issue is to identify and manage the risks, establishing mitigating actions early in the programme's development.

7.2 When assessing risks associated with the programme, it is also important to bear in mind that there are significant risks of not implementing strategic change of a scale which responds to the financial challenge, or alternatively relying on other strategies where there is a significant risk of not generating either sufficient savings or income which meet the anticipated budget shortfall.

7.3 The risks and proposed actions are set out in the strategic risk template attached to this report. The risks can be summarised as follows:

<u>Finance and Asset Risks</u>
Funding availability for initial investment to implement the programme; higher than anticipated costs and/or lower than anticipated savings arising from the programme; unexpected external cost pressures which diverts funding from T18; and an integrated ICT solution proves less successful than anticipated.

<u>Management Risks</u>
Management capacity to deliver the programme in tandem with other key corporate projects; maintaining a shared vision for T18 during a period of significant change; managing organisational transition to the new operating model; and establishing an effective and robust programme management arrangement given the complexity of T18.

Political Risks
Ongoing political commitment to ensure that the programme is delivered despite the inevitable challenges that will emerge during such a major organisational change; potential change in corporate direction arising from national/local elections in 2015; and securing joint agreement for the most cost effective accommodation strategy.

Staffing Risks
Ensuring sufficient officer capacity and retaining morale during significant corporate change; and securing successful implementation of major cultural change in relation to new skills and work styles within the new operating model.

7.4 Key actions to manage risks in developing the programme include:

- Considering options open to both councils to respond to the financial challenge and reviewing the success of similar transformation approaches being followed by other authorities;
- Testing initial assumptions through the proof of concept work undertaken during the summer;
- Ongoing engagement with both members and staff in developing the programme to improve our understanding of risks;
- Undertaking quality assurance testing of the programme. This has involved an assessment of the programme by a former chief executive of two councils in a shared service arrangement and a transformation manager working in an unitary authority; with representatives of Grant Thornton, both councils' external auditors, reviewing the business case/financial arrangements including our approach to risk management.

7.5 If the recommendations are approved, this report will initiate the new programme. Members will note that the direction of travel symbols in the strategic risk table attached are predominantly set at neutral status. Risk levels will inevitably change as the two Councils proceed through the programme. A key risk which is reducing as a consequence of the detailed financial modelling that has taken place over the last few months and is set out in this report is the availability of funding for initial investment to implement the programme.

7.6 A risk associated with this particular report is the consequences of the two Councils making a different decision, as this will impact on both the business case and implementation timescales

8. OTHER CONSIDERATIONS

Corporate priorities engaged:	This report relates to the future delivery of the council's four corporate priorities during a period of increasing financial constraint.
Considerations of equality and human rights:	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.

Biodiversity considerations:	None.
Sustainability considerations:	The emerging model is designed to ensure that both councils are sustainable in the medium term. Greater agile working linked to better use of technology should reduce the councils' carbon footprints.
Crime and disorder implications:	None.
Background papers:	1. DCLG Transformation Challenge Award – Breaking the Mould – Delivering services in a rapidly changing world. 2. iESE/Ignite high level business case 3. Report to Executive 19th September 2013 – Transformation Programme – Progress to Date and Next Steps
Appendices attached:	Appendix A – Operating Model Appendix B – Investment Costs (EXEMPT) Appendix C – Savings generated and Investment and Financing Strategy Appendix D – Employment Model Appendix E – Programme governance Appendix F – Indicative timeline

STRATEGIC RISKS TEMPLATE

The direction of travel of each risk is based on an initial assessment at the time the Programme/Business Plan was initially considered by Resources Committee (17.9.13) and Executive (19.9.13). Since the two initial reports, the risks and mitigating actions have been further refined and will be regularly monitored and updated during the Programme.

No	Risk Title	Risk/Opportunity Description	Inherent risk status				Mitigating & Management actions	Ownership
			Impact of negative outcome	Chance of negative outcome	Risk score and direction of travel			
1.	Financial risk	Funding availability for initial investment to implement the Programme	5	2	10	⇩	• Profile investment and the availability of resources in the context of a business plan • Explore external funding opportunities	Corporate Directors and Head of Finance and Audit
2.	Financial risk	Higher than anticipated costs and/or lower than anticipated savings arising from the Programme. Key variable risk is the cost of staff redundancies.	4	3	12	⬄	• Proof of concept work has demonstrated high level business case • Detailed business case in place before committing to implementation of the Programme • Sensitivity analysis undertaken • Ongoing monitoring of costs and savings within the Programme • In recognition of uncertainty of some costs, introduce contingency sum into detailed business plan	Corporate Directors and Head of Finance and Audit
3.	Financial risk	Unexpected events leading to a delay in delivery which could include delays in procurement or recruitment or external cost pressures which divert funding from the Programme.	3	3	9	⬄	• Use of unearmarked reserves to fund a delay in delivery of the programme. Each month of delay could cost between £50,000 at the start of the programme to £250,000 at the end (combined figure). • Review the level of corporate priority of the Programme against any new cost pressure	SMT

No	Risk Title	Risk/Opportunity Description	Inherent risk status				Mitigating & Management actions	Ownership
			Impact of negative outcome	**Chance of negative outcome**	**Risk score and direction of travel**			
4.	Technology risk	Integrated ICT solution proves less successful than anticipated. Business continuity and connectivity in remote rural areas will be key to successful implementation	4	2	8	⇔	• Achieve 'fit for purpose' specification • Test through the procurement process • Use 'tried and tested' innovation	Corporate Directors and Head of ICT and Customer Services
5.	Management risk	Management capacity to deliver the Programme	4	2	8	⇔	• Programme identified as the key corporate priority • Commission external support as required to ensure the Programme is delivered in line with the timetable	SMT
6.	Management risk	Maintaining the shared vision for the Programme during a period of significant changes	4	3	12	⇔	• Effective communication strategy to engage with Members, staff and other stakeholders embedded within the Programme	Chief Executive and Corporate Directors
7.	Management risk	Managing organisational transition to the new operating model, in particular reduction in customer satisfaction and/or drop in service standards	4	2	8	⇔	• Once decision taken to implement Programme create sufficient organisational capacity to achieve programme timeframes • Managing ongoing individual service performance	Corporate Directors Heads of Service

No	Risk Title	Risk/Opportunity Description	Inherent risk status				Mitigating & Management actions	Ownership
			Impact of negative outcome	Chance of negative outcome	Risk score and direction of travel			
8.	Management risk	Establishing an effective and robust programme management arrangement given the complexity of the Programme	4	2	8	⇔	• Establish appropriate member and officer Programme governance arrangements • Ensure key milestones and programme interdependencies identified • SMT collectively responsible for effective implementation of the Programme	SMT
9.	Management risk	Inappropriate existing management skill sets across the organisations in relation to the new model	4	3	12	⇔	• Establish appropriate management training/development programme in tandem with recruitment, induction, appraisal and performance management framework	Corporate Directors and Head of Corporate Services
10.	Management risk	Loss of key staff during implementation of the Programme	4	2	8	⇔	• Establish effective working arrangements to facilitate knowledge transfer across team members • Consider potential staff retention/other ‘insurance’ arrangements	Corporate Directors and Head of Corporate Services

No	Risk Title	Risk/Opportunity Description	Inherent risk status				Mitigating & Management actions	Ownership
			Impact of negative outcome	Chance of negative outcome	Risk score and direction of travel			
11.	Political risk	Ongoing political commitment to ensure that the Programme is delivered in the context of major external change and the inevitable challenges that will emerge during a major programme	4	2	8	⇔	• Ongoing liaison with Members to maintain shared vision • Ensure that the new model delivers and retains separate Council identities • Raise awareness of the scale of organisational change and the impact on existing arrangements for both Members and staff • Managing interest from potential partners in terms of securing critical project timescales and taking account of organisational capacity	Chief Executive and Corporate Directors
12.	Political risk	Potential impact of national/local elections in 2015	3	2	6	⇔	• Monitor national direction of travel and focus on the flexibility of the model in relation to any local government changes affecting both governance and funding availability • Ongoing engagement with Members focusing on the benefits of the Programme, particularly improved customer interaction, rather than solely a response to budget reductions	Chief Executive and Corporate Directors

No	Risk Title	Risk/Opportunity Description	Inherent risk status				Mitigating & Management actions	Ownership
			Impact of negative outcome	Chance of negative outcome	Risk score and direction of travel			
13.	Political risk	Securing joint agreement to the future accommodation strategy	4	4	16	⇔	• Engagement with Members to develop an agreed accommodation strategy in the context of financial pressures, the introduction of agile working and the opportunities for improved locality arrangements offered within the model • Communicate cost of two centre HQs to enable Members to make a decision based on an understanding of the business case • Management of stakeholder and media messages/responses to changes	Chief Executive, Corporate Directors and Head of Assets
14.	Political risk	Early interest from potential partner organisations to join Programme	3	3	9	⇔	• New partners able to join Programme but based on SH/WD model and timelines, following assessment of risk to the Programme • Create flexible model that enables new partners to join at different 'levels' of the model, provided there is no adverse impact on service delivery within SH/WD	Chief Executive and Corporate Directors
15.	Staffing risk	Officer capacity and retention of staff morale during significant corporate change	4	3	12	⇔	• Effective communication strategy embedded as part of the Programme • Once agreement to the Programme is in place maintain the pace of the change to ensure that key staff are not lost to the organisation	Corporate Directors and Head of Corporate Services

No	Risk Title	Risk/Opportunity Description	Inherent risk status: Impact of negative outcome	Chance of negative outcome	Risk score and direction of travel		Mitigating & Management actions	Ownership
16.	Staffing risk	Securing successful implementation of major cultural change in relation to the development of skills and approaches to working arrangements within the new operating model	4	2	8	⇔	• Support cultural change with a comprehensive corporate training and development programme and develop recruitment, induction, appraisal and performance management frameworks • Communication strategy embedded as a key element of the Programme • Procure external skills to respond to expertise or capacity gaps • Ensure new systems and processes are resilient and sustainable	Corporate Directors and Head of Corporate Services Corporate Directors and Head of ICT and Customer Services
17.	Staffing risk	Potential Union/staff response to elements of the Programme	4	2	8	⇔	• Ongoing engagement with key staff stakeholder groups and develop corporate understanding of those issues which are essential to successful implementation of the Programme and therefore must be subject to change • Communicate potential staff benefits within the model such as developing skills and achieving better work/life balance through agile working	Corporate Directors and Head of Corporate Services

No	Risk Title	Risk/Opportunity Description	Inherent risk status				Mitigating & Management actions	Ownership
			Impact of negative outcome	Chance of negative outcome	Risk score and direction of travel			
18	Asset risk	Anticipated costs of accommodation changes increase and rental receipts from additional letting of HQs not achieved in current economic climate	4	2	8	⇔	• Cautious rental assumptions within the business plan to reflect current lettings market • Ongoing monitoring of the business plan assumptions and adjustment of marketing strategies accordingly	Corporate Directors and Head of Assets
19.	Customer/ community risk	Although improved access to services through technology is a benefit for many, there is a risk of greater exclusion for some customers	4	2	8	⇔	• Promote digital by choice rather than digital by default • Roll out of rural broadband will reduce risk of digital exclusion • Monitor levels of use of each access channel in tandem with customer satisfaction as part of monitoring Programme success measures • Supporting vulnerable customers and those unwilling to use technology forms a key part of the operating model	Corporate Directors and Head of ICT and Customer Services
20.	Customer/ community risk	Scale of organisational change results in disruption/reduction in service levels and loss of support/confidence in the Programme	5	2	10	⇔	• Transition arrangements to form part of the Programme plan • Monitor service delivery and provide short term injections of capacity to ensure service performance maintained, particularly during transition	Corporate Directors and Heads of Service Chief Executive and Heads of Service

No	Risk Title	Risk/Opportunity Description	Inherent risk status				Mitigating & Management actions	Ownership
			Impact of negative outcome	Chance of negative outcome	Risk score and direction of travel			
21.	Customer/ community risk	Operating Model and technology not working as anticipated and creating customer/community dissatisfaction	5	2	10	⇔	• Test the approach/technology before introducing to the customer/community	SMT
22	Continue with current strategy rather than adopt T18	Decide that the proposed programme is too risky. Rely on annual incremental savings and 'lobbying' of government about the local impact of national policy	5	5	25	⇔	• Cease or significantly reduce all discretionary activities and reduce expenditure on statutory services until national policy changes • Actively campaign with other rural authorities facing similar challenges but acknowledging that there is an uncertain outcome	Members Members
23	Develop a new strategy that relies on significant new income generation within the short term	While the proposed programme includes the opportunity to develop new income streams, there is no evidence to suggest that any potential income streams would be substantial enough on their own to bridge the financial gap.	5	4	20	⇔	• Given the scale of the financial gap new significant income streams would need to be generated very quickly. This could require the councils to set up a trading organisation, significantly developing existing commercial and marketing skills and/ or recruiting new skills, against a back drop of generally reducing income from both councils' traditional revenue streams. • Cease or significantly reduce all discretionary activities and reduce expenditure on statutory services, pending the generation of significant new income streams.	SMT Members

No	Risk Title	Risk/Opportunity Description	Inherent risk status				Mitigating & Management actions	Ownership
			Impact of negative outcome	Chance of negative outcome	Risk score and direction of travel			
24	Further develop shared services with a number of new partners	Approach other councils to assess the appetite to create a larger shared service arrangement	5	4	20	⇔	• Cross authority member discussions to be arranged but acknowledging that there is an uncertain outcome • Cease or significantly reduce all discretionary activities and reduce expenditure on statutory services, pending the generation of significant savings from any new shared arrangement	SMT Members

Direction of travel symbols ⇩ ⇧ ⇔