

NOT FOR PUBLICATION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 Appendices A and B

AGENDA
ITEM

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SOUTH HAMS DISTRICT COUNCIL

AGENDA
ITEM

7

NAME OF COMMITTEE	EXECUTIVE
DATE	24 JULY 2014
REPORT TITLE	TRANSFORMATION PROGRAMME 2018
REPORT OF	HEAD OF FINANCE AND AUDIT
WARDS AFFECTED	ALL

Summary of report: To provide a budget monitoring update report, which includes a request for the release of the funding (£2,272,800) for key programme expenditure milestones two and three.

Financial implications:

Members are requested to release the remainder of the funding for the Transformation Programme 2018. This equates to £2,272,800 as detailed in Appendix A. This is £1,050,400 for Key Milestone 2 and £1,222,400 for Key Milestone 3.

The investment costs required for the T18 programme are £2.95 million (SHDC's share of the overall budget of £4.85 million), generating annual recurring revenue savings of £2.5 million (SHDC's share of the 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 2 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:

To recommend:

- 1 To note progress to date on the Transformation Programme 2018
- 2 To authorise the release of the funding for key programme expenditure milestones two and three totalling £2,272,800 as shown in Appendix A.

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1. BACKGROUND

- 1.1 On 31 October 2013 the Council agreed to adopt 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.
- 1.2 As part of this decision, Members agreed to authorise the release of the funding for key programme expenditure milestone one (Appendix A) consisting of business process redesign, ICT procurement and accommodation up to £682,800 (SHDC's share of £1.275 million) within the total budget of £4.85 million (Appendix A).
- 1.3 It was also agreed (CM 34/13) that authority be delegated to the Executive to release the funding for key programme expenditure milestones two and three.
- 1.4 Since this time considerable work has taken place to develop the Programme in detail and to ensure its successful delivery.
- 1.5 The Programme is structured with a number of workstreams and progress on these is set out below.

2. WORKSTREAM PROGRESS

2.1 *Human Resources*

- 2.1.1 The detail of our current position is set out in the Council report of 19 June 2014. This workstream is on target to deliver the Phase 1a (Support Services) restructure on the 29 September 2014.
- 2.1.2 Work has been undertaken to ensure an appropriate selection process is in place and there has been significant engagement with Unison and staff during the past few months.

2.2 *ICT*

- 2.2.1 A five year contract was agreed with Civica which includes the following benefits:
 - The software, implementation and support costs have been successfully secured at a figure of £200,000 under the budget allocated in the business case.
 - The ongoing support and maintenance costs have been fixed for 5 years with no CPI or RPI increase.
 - A reward model has been agreed whereby we will receive a fee for any additional partners that procure Civica software through our procurement framework. The value of the reward will vary dependent upon the size of the partner but is likely to be between £35,000 to £80,000 per new partner.
 - A clause was added, which allows for us to benefit from Intellectual Property Rights at the end of the programme where we have developed the existing software.

- We will receive a reduction of £2,500 per year on our existing support and maintenance agreement for the Financials software we already use.

2.2.2 Project initiation meetings were held in May and a team of both Civica and internal resources are now fully engaged in the initial stages of software installation and development planning.

2.2.3 Workshops have started with staff across the organisation looking at how the new software will enable the new model; early feedback from staff has been very positive with regard to the functionality of this software. Wider demonstrations will be available for staff and Members in the near future which will show how customer requests will flow through the software.

2.2.4 A new version of the website will be launched this month for those using mobile devices such as Smartphones and Tablets (30% of our users). This introduces an 'app' feel to touch screen devices and provides users with a user friendly way of interacting on small screens.

2.3 ***Business Processes***

2.3.1 In order to reduce the number of staff required to deliver our services we need to review and reengineer a large number of our existing processes. By doing this we can maximise the technology that is being procured by the ICT workstream. This Business Processes workstream is responsible for delivering over 35% of the total programme savings.

2.3.2 Preparations for Phase 1a began in April with the secondment of four additional staff into the Business Development Team. A survey of service representatives from across the two councils guided the team towards the key areas of focus. A four week period of process mapping was completed in May and the results were fed into the HR workstream in order to produce an Organisational Design and the staff resource recommendations for the Support Services Delivery Unit.

2.3.3 The next steps for Phase 1a will include developing a plan to ensure a smooth transition into the new way of working and the new team structure.

2.3.4 For Phase 1b which is due to go live in June 2015 the Business Development team will need to work closely with the ICT workstream to create the end-to-end processes, online portal and call operator scripts required to operate the New Model. The outcome of process development work will be fed into the HR workstream to inform the Organisational Design for the Customer Contact Teams.

2.4 ***Accommodation***

2.4.1 Desking and layout plans are being developed apace for Follaton House (2nd floor). We anticipate drawing up a specification and trialling furniture over the next 2 months.

2.4.2 Heads of terms have been agreed with public sector partner (PHE) on a significant proportion of the identified surplus accommodation in Follaton House post 2015. Subject to PHE progressing, the lease start is anticipated in November 2014 and occupation, following tenant fit-out, January/February 2015. This early tenant take-up in advance of profiled model does impact on decanting staff but this is being managed to enable tenant occupation to maximise income opportunities but also to enable phase 1a of T18 to be accommodated in advance of 1b and 2.

2.4.3 Additional capital and repair and maintenance works on Follaton House, outside T18 programmed work, will be progressed in tandem with the refurbishment within scope of T18. The combined programme of work provide a co-ordinated approach to the provision of suitable accommodation; avoids disruptions to staff, whilst enhancing the surplus accommodation offer to other third parties looking to lease accommodation.

2.5 **Customer**

2.5.1 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.

2.5.2 This workstream is in its early planning and development phase as the current emphasis is on the internally focussed elements of the Programme.

2.6 **Finance**

2.6.1 Appendix B attached shows the predicted expenditure profile for the £4.85 million budget for the Transformation Programme 2018 between now and March 2016.

2.6.2 As of the 31st March 2014 (the year end), £129,536 of the £4.85 million budget has been spent (Appendix B). This was £28,265 for ICT workstation costs, £18,736 on accommodation costs and £82,535 on blueprinting work with iESE.

2.6.3 To date (June), £338,642 of the £4.85 million budget has been spent as shown in the Appendix. The profiled budget for Quarter 1 (April – June 2014) was £569,225 – therefore the spend of £338,642 is £230,583 lower than the profiled budget. This is merely due to the timing of payments. By the end of next quarter (Sept 2014), it is anticipated that the spend will be £1,574,850 as shown.

2.6.4 We are currently re-profiling both expenditure and savings as the decision to create an earlier Phase (Phase 1a for Support Services) was taken after the initial Business Plan was agreed. Although the earlier Phase now brings forward the timing of some staff exit costs, the financial benefit of the earlier saving being achieved will benefit the overall payback period of the Programme in a positive way.

- 2.6.5 The Phase 1a selection process has started and the costs associated with staff exits cannot be finalised until the completion of the recruitment process.
- 2.6.6 The overall Programme is currently on target.
- 2.6.7 In addition, both Councils have made a further joint bid to the Transformation Funding being made available. The Government are committed to transformation and if we are successful with our expression of interest, there will be somebody made available to work with us on shaping our bid for funding.

3. LEGAL IMPLICATIONS AND STATUTORY POWERS

- 3.1 It was agreed (CM 34/13) that authority be delegated to the Executive to release the funding for key programme expenditure milestones two and three.
- 3.2 Since there is commercially sensitive information in this report, there are grounds for Appendices A and 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 Appendices A and B. Accordingly this report (Appendices A and B) contain exempt information as defined in Paragraph 3 of Schedule 12A to the Local Government Act 1972.

4. FINANCIAL IMPLICATIONS

- 4.1 Members are requested to release the remainder of the funding for the Transformation Programme 2018. This equates to £2,272,800 as detailed in Appendix A. This is £1,050,400 for Key Milestone 2 and £1,222,400 for Key Milestone 3 (see second page of Appendix A).
- 4.2 The investment costs required for the T18 programme are £2.95 million (SHDC's share of the overall budget of £4.85 million), generating annual recurring revenue savings of £2.5 million (SHDC's share of the 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 2 years. The business case demonstrates that T18 delivers a major contribution to the budget gap faced by South Hams District Council to 2018.
- 4.3 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.

5. RISK MANAGEMENT

- 5.1 A Programme of this size and complexity clearly brings a significant number of risks which have to be carefully managed. The Risk Management implications are shown at the end of this report in the Strategic Risks Template and the comprehensive Programme risks are reviewed every four weeks by the Transformation Programme Board.

6. 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.

STRATEGIC RISKS TEMPLATE

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	↓	<ul style="list-style-type: none"> Profile investment and the availability of resources in the context of a business plan Explore external funding opportunities 	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	↔	<ul style="list-style-type: none"> 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 	Directors and Head of Finance and Audit
3.	Financial risk	Unexpected events leading to a delay in delivery which could include delays in recruitment or external cost pressures which divert funding from the Programme.	3	3	9	↔	<ul style="list-style-type: none"> 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.	Management risk	Management capacity to deliver the Programme	4	2	8	↔	<ul style="list-style-type: none"> • Programme identified as the key corporate priority • Commission external support as required to ensure the Programme is delivered in line with the timetable 	SMT
5.	Management risk	Maintaining the shared vision for the Programme during a period of significant changes	4	3	12	↔	<ul style="list-style-type: none"> • Effective communication strategy to engage with Members, staff and other stakeholders embedded within the Programme 	Directors
6.	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	↔	<ul style="list-style-type: none"> • Create sufficient organisational capacity to achieve programme timeframes • Managing ongoing individual service performance 	Directors Heads of Service
7.	Management risk	Loss of key staff during implementation of the Programme	4	4	16	↑	<ul style="list-style-type: none"> • Ensure effective transition plan in place 	Directors and Head of Corporate Services
8.	Political risk	Early interest from potential partner organisations to join Programme	3	3	9	↔	<ul style="list-style-type: none"> • 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 	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			
9.	Staffing risk	Officer capacity and retention of staff morale during significant corporate change	4	3	12	↔	<ul style="list-style-type: none"> • Effective communication strategy embedded as part of the Programme • Maintain the pace of the change to ensure that key staff are not lost to the organisation 	Directors and Head of Corporate Services
10.	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	↔	<ul style="list-style-type: none"> • 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 	Directors and Head of Corporate Services Directors and Head of ICT and Customer 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.	Staffing risk	Potential Union/staff response to elements of the Programme	4	2	8	↔	<ul style="list-style-type: none"> • 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 	Directors and Head of Corporate Services

Direction of travel symbols ↓ ↑ ↔