

<b>NAME OF COMMITTEE</b>	<b>Executive</b>
<b>DATE</b>	<b>5 March 2015</b>
<b>REPORT TITLE</b>	<b>T18 Budget Monitoring report – Quarter 3 2014/2015</b>
<b>REPORT OF</b>	<b>Strategic Lead for Transformation Programme and Finance Community of Practice Lead</b>
<b>WARDS AFFECTED</b>	<b>All</b>

**Summary of report:** Progress monitoring of the T18 Transformation Programme.

**Financial implications:** There are no financial implications arising directly from this report. The report sets out the budget monitoring position of the T18 Transformation Programme for the end of Quarter 3 for the financial year 2014-15 (the period October to December 2014).

**RECOMMENDATIONS:**

It is recommended that:

- i) The Executive note progress to date on the Transformation Programme.
- ii) Delegated authority is given to the S151 Officer, in consultation with the Executive Director of Strategy & 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 as set out in Section 3.

Officer contact: Tracy Winser, Strategic Lead for Transformation Programme  
Email: [tracy.winsler@swdevon.gov.uk](mailto:tracy.winsler@swdevon.gov.uk) – Tel: 01803 861277

Lisa Buckle, Finance Community of Practice Lead  
Email: [lisa.buckle@swdevon.gov.uk](mailto:lisa.buckle@swdevon.gov.uk) – Tel: 01803 861413

**1. BACKGROUND**

- 1.1 In December 2014 the Council agreed to a revised business plan for 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 The Programme is structured with a number of workstreams and progress on these is set out below.

## 2. WORKSTREAM PROGRESS

### 2.1 *HR*

2.1.1 Recruitment for Phase 1b has taken place for the middle management and lead specialist roles and the offers have been made. As a result a small number of these posts will need to be advertised externally. The Group Managers have been appointed and the two external candidates will take up their positions at the beginning of March. The two Executive Directors are in post. The post of Strategic Finance Lead (Strategy and Commissioning) will be recruited to in March.

2.1.2 On 20 February the organisation design for Phase 1b was published. There are around 224 members of staff (between both Councils) in scope for Phase 1b of the Transformation Programme and there are approximately 182 posts within the model for Phase 1b staff. Therefore there are approximately 42 redundancies which will occur in Phase 1b. The figures are approximate at this stage and are subject to finalisation.

2.1.3 The timetable for the implementation of Phase 1b is as below:-

<b>February 20</b>	Detailed design for posts in the new model was published
<b>February 23 – March 6</b>	Inviting expressions of interest
<b>February 23 – March 6</b>	Drop-in sessions with HR
<b>Week beginning March 9</b>	Invitations for assessments
<b>March 16 – April 24</b>	Assessments
<b>Week beginning April 27</b>	Roles offered to successful candidates

2.1.4 The implementation of Phase 1b will take effect from June. This is also the date at which redundancies will take effect.

## 2.2 **ICT**

2.2.1 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 on track against the plans. Highlights include:

- The network infrastructure to support the new accommodation has been delivered.
  - Work on data migration is on track to enable the new systems to be able to deliver the appropriate customer service.
  - Some officers have seen the Civica mobile product which we will be using and it is hoped that we will be able to demonstrate the product to Members and Staff very soon.

## 2.3 **Accommodation**

2.3.1 The main focus for this workstream over the past few months has been at Follaton House where the second phase of the new office space has now been delivered.

2.3.2 The next quarter will see the emphasis move to the identification of any accommodation hubs that may be required for staff to use as drop in opportunities in and around the district.

## 2.4 **Customer**

2.4.1 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.

2.4.2 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.

2.4.3 The channel shift plan is under development and will be delivered later this month. 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.

## 2.5 **Business Processes**

2.5.1 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 a large number of our existing processes.

2.5.2 This process is broken down into a number of 'sprints' when each type of activity is mapped and analysed in detail. These sprints are well under way and will continue until June 2015.

2.5.3 Some Support Services staff have been trained as trainers in the use of the document imaging software to ensure we are ready to deliver a paperless environment for when staff in phase 1b start working the new way.

## 2.6 Finance

2.6.1 The profiled budget for Quarter 3 (October to December 2014) is £1,170,460 and the actual spend is £1,158,195. Therefore there is an underspend of £12,265 (1%) against the profiled budget.

2.6.2 The detailed breakdown of actual spend against the profiled budget is shown in the table below.

T18 Budget Codes	Q3 – October to December 2014		(Underspend)/ Overspend  (£) (B – A)
	Profiled (£) (A)	Budget Actual Spend (£) (B)	
ICT Software, Implementation & Workstream Development	280,238	273,498	(6,740)
ICT Workstation Costs, Infrastructure and Furniture	150,912	92,553	(58,359)
Training	26,880	27,740	860
Accommodation	110,500	261,318	150,818
Implementation of future model	160,330	140,330	(20,000)
Contribution to Strategic Change Reserve	441,600	362,756	(78,844)
<b>TOTAL</b>	<b>1,170,460</b>	<b>1,158,195</b>	<b>(12,265) underspend</b>

2.6.3 The areas which are underspent mainly relate to timing of payments, where invoices are due to be paid in the next month.

2.6.4 The accommodation budget is on target. The figures shown above are mainly due to the timing of payments made to refurbishment contractors being slightly earlier than expected.

2.6.5 Council approved a revised business plan in December 2014 which took account of both predicted increased savings and costs. The overall programme is currently on target.

- 2.6.6 The financial benefit of Phase 1a (Support Services) and the senior management restructure has equated to savings of £915,000 (shared between the two Councils) being delivered.
- 2.6.7 South Hams and West Devon have been successful in receiving Government Transformation challenge Award funding of £700,000 to assist in delivering the programme. South Hams District Council's share of this is £434,000, based on the same ratio as the initial investment costs.

### **3. YEAR – END ACCOUNTING FOR THE TRANSFORMATION PROGRAMME**

- 3.1 The recruitment process for Phase 1b mentioned in Section 2.1 above will span over two financial years 2014/15 and 2015/16. In order to satisfy local authority accounting requirements, there will be a need to recognise a provision within the Council's Accounts for 2014/15 for future events (e.g. redundancies relating to Phase 1b which will occur in 2015/16). Therefore, there are timing differences between when the Council has to recognise a provision in its annual Statement of Accounts and when actual redundancies will occur, which will be after the year end of 31 March 2015.
- 3.2 There is uncertainty of the current amount of the provision that will be required, as this is dependent on the future outcome of the recruitment process to Phase 1b.
- 3.3 It is recommended that delegated authority is given to the S151 Officer, in consultation with the Executive Director Strategy & 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 accounting provision for the transformation programme. This may involve moving finances between Earmarked Reserves for a temporary period. However, any temporary use of Earmarked Reserves in 2014/15 to fund the provision, will have a matching and reversing entry in the 2015/16 accounting year when the actual event occurs. Any movements between Earmarked Reserves will be reported to the Audit Committee in July 2015 for review, as part of the Statement of Accounts for 2014/15. The Accounts are formally approved at the September Audit Committee meeting, following the external audit of the Accounts.
- 3.4 The budgets for the Transformation Programme were considered by the Executive on 11 December 2014 and approved by Council on 18 December 2014 (Council Minute 53/14). An investment budget of £4.61 million has been approved for the T18 Programme, to deliver annual recurring revenue savings of £3.37 million. The investment costs are one-off costs, whereas the savings being delivered are annual recurring savings. The payback period for the Programme is 2 years and 6 months.
- 3.5 No additional budget provision is being requested under the delegated authority detailed in Section 3.3. The delegated authority is only to satisfy a timing difference between two financial years for the accounting provision.

#### 4. **LEGAL IMPLICATIONS AND STATUTORY POWERS**

- 4.1 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.
- 4.2 The Audit Committee has delegated authority to approve the Council's Accounts on an annual basis.

#### 5. **FINANCIAL IMPLICATIONS**

- 5.1 There are no financial implications arising directly from this report. The finances of the programme are set out in Section 2.6.
- 5.2 The Local Authority Accounting Panel (LAAP) issued a Bulletin (LAAP Bulletin 99) on Local Authority Reserves and Balances. This gives guidance on Earmarked Reserves and the requirements of the Code of Practice on Local Authority Accounting. Section 25 of the guidance refers to where developments in local authority accounting result in timing differences between the recognition of income and expenditure under proper accounting practice and under statute or regulation. In addition, section 27 recommends that Earmarked Reserves are reported on the face of the Movement in Reserves Statement. Movements on Earmarked Reserves need to be reported individually on the face of the Statement of Accounts, to ensure key messages are presented clearly to users.

#### 6. **RISK MANAGEMENT**

- 6.1 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.

#### 7. **OTHER CONSIDERATIONS**

<b>Corporate priorities engaged:</b>	This report relates to the future delivery of the council's four corporate priorities during a period of increasing financial constraint
<b>Considerations of equality and human rights:</b>	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
<b>Biodiversity considerations:</b>	None
<b>Sustainability considerations:</b>	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
<b>Crime and disorder implications:</b>	None
<b>Background Papers:</b>	Council 18 December 2014 – Transformation Programme 2018

## 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"> <li>Profile investment and the availability of resources in the context of a business plan</li> <li>Explore external funding opportunities</li> </ul>	Executive Directors
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	2	8	↓	<ul style="list-style-type: none"> <li>Proof of concept work has demonstrated high level business case</li> <li>Detailed business case in place before committing to implementation of the Programme</li> <li>Sensitivity analysis undertaken</li> <li>Ongoing monitoring of costs and savings within the Programme</li> <li>In recognition of uncertainty of some costs, introduce contingency sum into detailed business plan</li> </ul>	Executive Directors and Section 151 Officer
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"> <li>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 £320,000 at the end (combined figure).</li> <li>Review the level of corporate priority of the Programme against any new cost pressure</li> </ul>	Senior Leadership Team
4.	Management risk	Management capacity to deliver the Programme	4	3	12	↑	<ul style="list-style-type: none"> <li>Programme identified as the key corporate priority</li> <li>Commission external support as required to ensure the Programme is delivered in line with the timetable</li> </ul>	Senior Leadership Team

No	Risk Title	Risk/Opportunity Description	Inherent risk status				Mitigating & Management actions	Ownership
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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"> <li>Effective communication strategy to engage with Members, staff and other stakeholders embedded within the Programme</li> </ul>	Executive 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"> <li>Create sufficient organisational capacity to achieve programme timeframes</li> <li>Managing ongoing individual service performance</li> </ul>	Executive Directors
7.	Management risk	Loss of key staff during implementation of the Programme	4	4	16	↔	<ul style="list-style-type: none"> <li>Ensure effective transition plan in place</li> </ul>	Executive Directors
8.	Political risk	Early interest from potential partner organisations to join Programme	3	3	9	↔	<ul style="list-style-type: none"> <li>New partners able to join Programme but based on SH/WD model and timelines, following assessment of risk to the Programme</li> <li>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</li> </ul>	Executive Directors
9.	Staffing risk	Officer capacity and retention of staff morale during significant corporate change	4	3	12	↔	<ul style="list-style-type: none"> <li>Effective communication strategy embedded as part of the Programme</li> <li>Maintain the pace of the change to ensure that key staff are not lost to the organisation</li> </ul>	Executive 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			
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"> <li>• Support cultural change with a comprehensive corporate training and development programme and develop recruitment, induction, appraisal and performance management frameworks</li> <li>• Communication strategy embedded as a key element of the Programme</li> <li>• Procure external skills to respond to expertise or capacity gaps</li> <li>• Ensure new systems and processes are resilient and sustainable</li> </ul>	Executive Directors  Executive Directors
11.	Staffing risk	Potential Union/staff response to elements of the Programme	4	2	8	↔	<ul style="list-style-type: none"> <li>• 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</li> <li>• Communicate potential staff benefits within the model such as developing skills and achieving better work/life balance through agile working</li> </ul>	Executive Directors