

# Taunton Deane Borough Council

## Full Council – 11 December 2018

### Approval of Funding Request for the Transformation Programme

This matter is the responsibility of the Leader of the Council, Councillor John Williams and Councillor Andy Sully, Portfolio Holder for Resources.

Report Author: Penny James, Chief Executive

#### 1 Executive Summary

- 1.1 This report requests additional funding for the Transformation programme. The revised Business Case increases the savings from £3,100,000 to £3,500,000 with a revised investment of circa £9,500,000 delivering an attractive return of investment whilst protecting front line services and improving the customer experience.
- 1.2 This means that overall costs for transformation are now estimated to exceed the original High Level Business Case estimates by £2,387,000, for which Taunton Deane's share is £1,880,000. It is proposed that the annual savings target is increased by £348,000. The updated Business Case provides a payback period, at 2.7 years, which is below the three year good practice benchmark the Council has used for this programme.
- 1.3 To maintain capacity, resilience and service standards there are some one-off transitional costs for both this year and the start of next year totalling £685,000, for which the Council's share is £564,000.

#### 2 Recommendations

- 2.1 Note an increase to the Transformation Programme Budget of £2,387,000. Approve funding of £1,277,000 for Taunton Deane's General Fund and £603,000 for Taunton Deane's Housing Revenue Account. (Note £507,000 to be funded by West Somerset Council's General Fund);
- 2.2 Note an increase to service budgets for transitional costs totalling £685,000. Approve funding of £386,000 for Taunton Deane's General Fund and £178,000 for Taunton Deane's Housing Revenue Account. (Note £121,000 to be funded by West Somerset Council's General Fund);
- 2.3 To support the proposed increase of the annual savings target by £348,000 to £3,500,000.
- 2.4 Note the Shadow Executive to consider basis for allocating increased savings target within the new Council's Budget and Medium Term Financial Plan.

### **3 Risk Assessment**

- 3.1 The report (Appendix A) presented to Shadow Scrutiny on 26 November 2018 highlights the Top Programme risks. These are extracted from the detailed Programme Risk Register.

### **4 Background Information**

- 4.1 Our Transformation plans aim to deliver a Council that is digitally enabled, customer focussed and commercially minded.
- 4.2 The High Level Business Case was approved in 2016. The option chosen, the creation of a new Council with Transformation, promised £3,100,000 savings with one – off costs of £7,100,000.
- 4.3 The original Business Case required a saving of 23% of staff costs. From recruitment to date (phase 1) and staff expressions of interest (phase 2) we are broadly on track to deliver this through the voluntary redundancy (VR) route. We estimate 23/4% of staff will have taken VR by the end of the process. This is counter to any narrative that we have an excessive number of staff leaving the organisation.
- 4.4 The additional costs mostly come from the average cost of redundancy not from higher numbers of redundancy. In 2016 we predicted the former to be £25,000 when in reality it has proven to be £34,000. This can be for a range of reasons the most likely being the age profile and length of service of the people involved. The profile of actual leavers is hard to predict. On reflection we should have included a range for the redundancy estimate stress testing the Business Case to the pay back of three years which of course we remain comfortably within.
- 4.5 We recognised the radical nature of the changes we are making to our ways of working. We are effectively building a brand new organisation. We have been clear on the skills, knowledge, experience and behaviours we need to make our new organisational model a success.
- 4.6 We have built brand new functionality i.e. around digital, data, information management, business intelligence, governance, commerciality, and locality working. This has required new skills. Our ways of working have shifted the behaviours needed. We are working hard to support staff understanding, engagement and development in these areas. We also understand that our new ways of working are not for everybody and we respect that as well.
- 4.7 Whilst any redundancy is regrettable VR is always preferable to Compulsory Redundancy. The cost to the Council is exactly the same. We have therefore worked with staff to give them the opportunity to explore the new model and apply upfront for up to three roles and / or for VR. We cannot control or predict

people's choices or chances of success. We are managing the consequences from a transition and 'Business as Usual' (BAU) perspective.

- 4.8 Approximately £800,000 of the additional cost arises from the inclusion of the Deane DLO workforce into the Transformation Programme. They were not part of the original High Level Business Case. It became quickly apparent that this was not right. This was discussed at JPAG and the DLO were included in the original consultation document that went to all Members and staff colleagues.
- 4.9 Including the workforce has enabled us to grow and develop the Localities offer. It is also more inclusive as all staff have the opportunity to apply for any role and to benefit from the development on offer. The DLO also have one of the biggest interfaces with the public so embracing the Carol Carpenter customer work was important. Members were also keen to have a strong locality function to mitigate the risk of Somerset West and Taunton becoming remote from its communities.
- 4.10 We are recommending that the costs associated with this change be recovered along the same lines as planned in the original Business Case.
- 4.11 Prudent financial stewardship at both Councils has allowed us to be able to safely make this additional investment.

## **5 Links to Corporate Aims / Priorities**

- 5.1 The aims of the Transformation Project were set out in detail in the Business Case agreed by both Taunton Deane Borough Council and West Somerset Council in 2016.

## **6 Finance / Resource Implications**

- 6.1 As identified in the report to the Shadow Scrutiny Committee on 26 November 2018 the main factor in the request for increased funding is the updated estimate of redundancy costs. This is in part due to the extension of the scope of the Transformation programme to incorporate the whole organisation, as explained earlier in paragraphs 4.9 - 4.11. However it is acknowledged that, in hindsight, the original estimate of these costs is some way below our current estimates. Despite this fact the updated overall costs remain affordable, and the proposed additional financial savings present opportunities for Members to further protect and improve services and further improve the financial health of the new Council.
- 6.2 Importantly the updated Business Case provides a payback period, at 2.7 years, which is below the three year benchmark the Council has used for this programme. From a financial perspective – notwithstanding the other benefits of Transformation – the Business Case continues to demonstrate good value for money.
- 6.3 The Section 151 Officer and Transformation Accountant have worked with the Chief Executive to put together a funding plan for the additional costs. This

includes prudent use of current year underspends, contingency balances held in general reserves, gains from Business Rates pooling, and earmarked reserves, which are shown in the tables below.

#### 6.4 Transformation Programme Variance:

|   | Variance Analysed by Fund (£'000's) |              |             |                   |
|---|-------------------------------------|--------------|-------------|-------------------|
|   | WSC<br>GF                           | TDBC<br>GF   | TDBC<br>HRA | Total<br>Variance |
| Total Transformation Programme  | 507                                 | 1,277        | 603         | 2,387             |
| Funded by:  |                                     |              |             |                   |
| BRR Smoothing Reserve (Pooling Gain)  | 0                                   | 114          | 0           | 114               |
| General Reserves  | 174                                 | 335          | 356         | 865               |
| Earmarked Reserve (SWOne exit funding provision retained for redundancy risk) | 0                                   | 176          | 0           | 176               |
| Reprioritised Earmarked Reserves  | 309                                 | 652          | 75          | 1,036             |
| Allocate in year budget underspend  | 24                                  | 0            | 172         | 196               |
| <b>Transformation Total</b>   | <b>507</b>                          | <b>1,277</b> | <b>603</b>  | <b>2,387</b>      |

#### 6.5 BAU Transitional Costs:

|   | Variance Analysed by Fund (£'000's) |            |             |                   |
|---|-------------------------------------|------------|-------------|-------------------|
|   | WSC<br>GF                           | TDBC<br>GF | TDBC<br>HRA | Total<br>Variance |
| Transition costs – post go live                           | 85                                  | 287        | 143         | 515               |
| Transition costs – service capacity and phase recruitment | 36                                  | 99         | 35          | 170               |
| <b>Total</b>  | <b>121</b>                          | <b>386</b> | <b>178</b>  | <b>685</b>        |
| Funded by:  |                                     |            |             |                   |
| Allocate in year budget underspend                        | 121                                 | 0          | 178         | 299               |
| BRR Smoothing Reserve (Pooling Gain)                      | 0                                   | 386        | 0           | 386               |
| <b>Total Funding</b>                                      | <b>121</b>                          | <b>386</b> | <b>178</b>  | <b>685</b>        |

6.6 The planned use of earmarked reserves is set out in more detail in Appendix B. The use of these reserves has been analysed by the Strategic Finance Advisor/S151 Officer and his team, who have worked with relevant managers to determine potential balances that can be reprioritised at “no risk” or “low risk”. It is therefore considered the proposed funding is robust, and leaves adequate reserve balances for other planned priorities and risks.

## 7 Legal Implications

7.1 None.

## 8 Environmental Impact Implications

8.1 None associated with this report.

**9 Safeguarding and/or Community Safety Implications**

9.1 None.

**10 Equalities and Diversity Implications**

10.1 None associated with this report.

**11 Social Value Implications**

11.1 None.

**12 Partnership Implications**

12.1 None for the purposes of this report.

**13 Health & Wellbeing Implications**

13.1 None.

**14 Asset Management Implications**

14.1 None.

**15 Data Protection Implications**

15.1 None.

**16 Consultation Implications**

16.1 None.

**Democratic Path:**

- **Corporate Scrutiny – No**
- **Executive – No**
- **Shadow Scrutiny 26 November 2018**
- **Full Council – 11 December 2018**

**Reporting Frequency:** One Off

**Contact Officers:**

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