Somerset West and Taunton

SWT 71/20

SWAP INTERNAL AUDIT SERVICES
Assuring – Improving – Protecting

Transformation – Lessons Learned

Final Report

Issue Date: 24th January 2020

Executive Summary

Audit Conclusion

Both Taunton Deane Borough Council (TDBC) and West Somerset Council (WSC) Members approved the Business Case in July 2016 to have a single council with a Transformation Programme. The Transformation Programme focused on whole organisational change with a completely 'New Operating Model' where the way services are delivered would be changed through greater customer self-serve, reduced failure demand, and increased efficiencies through new technology and processes. It was anticipated that the New Operating Model would allow a reduction in staff costs of 22% leading to on-going annual revenue savings of £2.9 million (Original Business Case). In addition to the 'New Operating Model', the Authority had a number of other high-profile projects on the go, which included the creation of a New Authority (Somerset West and Taunton) and the accommodation refurbishment/remodelling.

The expected benefits from the Transformation Programme have not been realised as expected at the 1st of April 2019 and the programme has gone significantly over budget. Redundancy costs exceeded original expectations and are running at approximately £6.35 million compared to the original estimate of £3.7 million (revised original budget with the DLO)

With a Transformation Programme as ambitious and complex as this, it is imperative that it is adequately planned and resourced, especially where it is being driven by a date for completion. The decision to allow voluntary redundancy for all staff ultimately undermined the Transformation Programme as it gave the Authority little control over resource retention and more importantly cost control over redundancies. There was also a high degree of uncertainty in the level of savings that could be delivered through the efficiencies; and together with a lack of clarity on job roles within the New Operating Model created uncertainty that undermined the ability for staff to be 'on-board' with the transformation programme. Due to these uncertainties and the extreme tight timescale this programme was working within, redundancies should have been staggered as the new services were 'stood-up' and efficiencies realised to inform redundancy decisions. This could have helped reduce the cost and impact on service delivery and knowledge loss.

Background

The backdrop to local government since 2010 has been one of Austerity with significant budget cuts. In 2013 TDBC and WSC took the decision to work more closely to provide better efficiencies in delivery. In July 2013 both Councils took the decision to appoint a single Chief Executive and then in November 2013 both TDBC and WSC approved the adoption and implementation of the Business Case for JMASS (Joint Management and Shared Services). The Business Case described the JMASS ambitions being progressed in a couple of phases.

The initial phase, of delivering the "ONE Team" of Officers to support both democratic bodies, was set out in detail in the original business case. The predicted savings totalled £1.8m per annum and required up-front investment of £2.7m. The implementation resulted in all staff being employed by Taunton Deane and a cost-sharing mechanism being put in place to ensure staffing costs are shared based on job roles. The business case was delivered, organisationally and financially ahead of time by February 2015, within the approved budget. Phase two was initially titled 'transformation' although no details were originally drafted.

Throughout 2015 and 2016 details were worked on for the second phase. A series of Members workshops was held over the summer of 2015 to articulate the vision, priorities and design principles upon which transformation would be based. These were turned into a high-level business case in 2016 that provided 3 options for Members to consider. These were:

Option 1 – One Team supporting two Councils with a transformation programme
Option 2 – One Team supporting a merged Council with a transformation programme
Option 3 – Two Councils supporting their own transformation programme.

Option 2 was approved by Members in July 2016. From the 1 April 2019 one new Council was created, called Somerset West and Taunton, operating out of two locations. The high-level business case anticipated that the new Authority would operate with a significantly reduced workforce from the 1st of April 2019. The New Operating Model would deliver efficiencies through the use of technology and process redesign to reduce failure demand, encompass channel shift with customers self-serving and operating a 'case management' approach to customer enquiries. The high-level business case also referenced using transformation as an opportunity to recruit people with the competencies/behaviours it needed so those that don't match the competencies/behaviours required for new roles in the New Operating Model, or, who don't want a role in the New Operating Model, would leave the organisation. This would have an impact on redundancies costs. The overall cost of transformation within the high-level business case was placed at £6.8 million in one off cumulative costs (TDBC £5.7 million and WSC £1.1 million), although it recognised that broad assumptions were used for modelling purposes and would need to be updated and changed during the implementation phase of this transformation programme.

During the implementation phase the Direct Labour Organisation (DLO), which was originally out of scope was brought within scope which increased the expected redundancy costs, but also the level of on-going savings. In the Transformation Programme Highlight Report dated 14th November 2018 which was presented to the Shadow Scrutiny Committee on 26/11/18 the Chief Executive stated:

> *'The original Business Case did not include the DLO workforce. However, it became quickly clear that to leave them wholly outside of transformation was wrong. Including them, and, redesigning the role as Localities Champions, gave us both an opportunity to drive the localities agenda further and to also ensure all colleagues embraced the Behaviour Framework and design principles especially around customer. The added benefits we're exploiting by taking this decision are:*
>
> • *Applying trade and practical knowledge and expertise in the direct delivery of tasks to maintain/repair property, the environment and support people.*
> • *Supporting customers with wider council enquiries and being a wider champion for the areas and people they are looking after.*
> • *Enabling and encouraging customers to shift channels and self-serve.'*

A breakdown of the costs can be summarised below as at July 2019 in Table 1.

Table 1 – as at July 2019

Work Stream	Original Budget	Revised Budget	Spend up to 31 March 2019	Variance to Budget	Estimated Spend 2019-20	Total Estimated Spend	Variance to revised budget
Programme Management	1,244,000	1,185,000	936,034	(248,966)	407,000	1,343,034	158,034
People and Change	631,250	716,250	675,302	(40,948)	0	675,302	(40,948)
Customer Focus and Process Redesign	645,000	569,000	359,487	(209,513)	0	359,487	(209,513)
Technology	1,291,850	1,396,850	1,120,080	(276,770)	12,000	1,132,080	(264,770)
Redundancy	3,000,000	4,482,000	5,704,855	1,222,855	0	5,704,855	1,222,855
Redundancy – DLO workforce		798,000	650,538	(147,462)	0	650,538	(147,462)
Transformation Sub-Total	**6,812,100**	**9,147,100**	**9,446,295**	**299,195**	**419,000**	**9,865,295**	**718,195**
New Council	329,000	381,000	355,387	(25,613)	0	355,387	(25,613)
Total (inc. New Council)	**7,141,100**	**9,528,100**	**9,801,683**	**273,583**	**419,000**	**10,220,683**	**692,583**

Scope

This review only examined arrangements in place since the approval of the High-Level Business case in July 2016 for the New Operating Model. Specifically, this included the overall Programme Office arrangements and those within each work stream area which were made up of: Programme Management, People and Change, Customer Focus and Process Redesign, Technology and Redundancy. It did not include the arrangements for the New Council and Accommodation Refurbishment.

The purpose of the report is to provide a high-level overview of areas where lessons can be learned for any future change programmes or project.

Limitations

It is worth noting that a number of key individuals who were involved throughout the process were no longer available to share their views and provide insight on some of the information that we have seen. Further, reference has been made within our findings to certain documents that we have been unable to locate.

1. Organisation Capacity and Time

1.1 Lesson to learn	Implication if not done
To be more realistic about what can be achieved with the available resource and within the time available.	Programmes and projects are not delivered as intended as there is reduced time to adequately plan and devote sufficient resource to ensure desired benefits are realised.

Findings

Local Authorities have to be radical in thinking about how they can deliver services due to the scale of reduction in finances and the uncertainty regarding the future levels of funding. This does lead to ambitious programmes of change but there still needs to be an element of realism in what can be achieved with the available resources and within the available time.

Since the High-level Business case was approved in July 2016 there have been a number of significant programmes and projects on the go. These include the Transformational Change Programme (scope of this review), Refurbishment of the Accommodation and the formation of the New Council. We haven't looked at the sequence of events that lead to TDBC and WSC undertaking a number of high-profile programmes and projects of change, but with so many on the go at once this put additional pressure on resources. Everything was also timetabled for a 1st of April 2019 completion, with the work planned 'backwards' to fit. Without adequate planning and monitoring taking this approach can increase the risk of projects costing more.

There was reduced time for planning due to this overriding target date and these time constraints meant that those involved in the individual projects did not feel there was sufficient time to plan and assess the risk properly. Most other Local Authorities that have implemented Firmstep look at re-engineering and integrating three processes over a three-month period. TDBC & WSC were looking to re-engineering 250 processes by the 1st April 2019 deadline. With Workstream briefs only being signed off at the end of 2017 summarising the high-level projects it only left 15 months to start planning in detail and implementing the changes.

The pressure was also compounded by the voluntary redundancy policy that meant available resources were also depleting during the period of change. We were not aware of a high-level resource management plan (part of the Programme Office Function), but that is not to say one did not exist. Competing pressures on resources meant a number of key officers were often being pulled in different directions and with competing priorities.

A lack of resource (and the right resource) is one of the most common reasons why organisational change fails. Whole organisational change is a longer-term investment. To implement change, which is then tested, refined, and reinforced, takes time. Often it is more expensive and takes longer than people realise. If you do not plan and resource adequately (see points 2, 3 & 5) then there is a risk the full benefits will not be achieved.

2. Voluntary Redundancy Policy

2.1 Lesson to learn	Implication if not done
The voluntary redundancy option for all staff within the organisation was not in the best interests of the organisation.	The Organisation has little or no control over redundancy costs or the ability to retain and keep certain individuals with specialist Knowledge and skills.

Findings

The high-level business case advocated a move away from the 'slot-in and ring-fencing mechanisms' that usually have the benefit of minimising disruptions and service continuity and also tends to be less expensive as there are fewer redundancies. The main reason for the move away from this approach was the overriding desire to use transformation as an opportunity to only take staff into the new structure that have the right 'attitudes and behaviours'. This makes sense from a purely theoretical view but does not consider the demographic make-up of the Council or allow any flexibility to ensure a sufficient and adequately experienced resource is retained in key service areas. A number of staff will have worked in local government for most of their careers and often being over 55 would be entitled to have their pension topped up as part of their redundancy. With large pay-outs available to these officers they were more likely to choose to take the redundancy package and go than to stay and go through the recruitment process and new structure, particularly with uncertainty with what exactly the new roles would actually entail (see report point 9). This increases the risk of knowledge drain. As part of assessing the Business Case it would have been reasonable to have included a range of redundancy estimates to 'stress-test' the Business Case which would have provided Members and officers with more information on whether to approve the Business Case with a voluntary redundancy option. The additional redundancy costs were the single biggest area of overspend in the anticipated costs for transformation.

Whilst any organisation needs to ensure it has the right culture as it can define how people view the organisation both internally and externally, there still needs to be a balance between knowledge retention and experience when defining your workforce. The approach taken ultimately meant all employees within TDBC could have opted for redundancy. The consequence of this decision meant there was little or no control over redundancy costs and little or no control over the ability to retain certain individuals with specialist knowledge and skills.

3.	Staggered Redundancies
3.1 Lesson to learn	Implication if not done
Ensure redundancies are delayed/staggered sufficiently until new processes are in place when actual efficiencies have been realised.	If staff leave during the transformation process and before efficiencies are realised, then the retained workforce will be insufficient to deliver services. There is also a reduction in the available resource to assist with transformation. This also leads to additional costs for bringing in agency/additional staff to support service delivery/and or transformation.
Findings	
The financial savings were based on an Operating Model that would be in place from the 1st April 2019 where the structure in place would be sufficient to deliver services at a greatly reduced headcount. This New Operating Model predicated that efficiencies in process redesign, new technology and a channel shift through self-serve would allow services to be effectively delivered. There was also no allowance for retaining staff beyond the 31st March to deal with the transition period while new processes continued to be created and introduced. By removing the staff before new processes were in place additional pressure has been put on the remaining staff to deliver services to customers following the old processes but with less resource. There was no discussion about delaying the redundancies until the processes were in place. The risk the Council faced was that if efficiencies did not materialise then additional people would need to be brought in at an additional cost, as was the case post 1st April 2019. This risk was managed to a small extent through requests for certain key officers to stay on. However, if the redundancy process was staggered with a leaving process where officers left as new processes and ways of working were put in place it would have allowed the budget to be set with a more realised expectation of costs for the year with full savings to be seen from the year after.	

4.	Revisiting Assumptions
4.1 Lesson to learn	Implication if not done
Where a business case is based on high-level subjective assumptions ensure these are regularly reviewed during the implementation stage to ensure they are realistic and achievable.	Projected savings could be unachievable as expected efficiencies through customer self-serve, reduced failure demand, technology and process re-engineering have been over estimated.

Findings

Ignite spent time within TDBC and WSC and with staff from some services to gauge the potential for change. This included hosting a series of workshops involving staff from high-volume customer contact service areas. This information was used to gauge the 'maturity level' (i.e. readiness for change) through 20 key questions, and together with experience from similar transformation programmes identified the potential for savings. It was anticipated in the original High-Level Business Case that through new technology, increased customer self-serve, reduced failure demand and process re-engineering that the new organisation could operate with a reduction of 22% staff. The technology changes included a comprehensive suite of software to provide Customer Relationship Management (CRM), Electronic Document Management (EDM), case management, workflow and mobile working technology as well as a Portal to integrate these systems with the websites.

A high-level breakdown of savings in the original business case (without the DLO that were included within scope later in 2018) were:

Area	Total Saving
Customer Enabling	£309,276
Customer Self-Serve	£804,871
Internal Remodelling	£1,153,223
Technology/Process Improvement	£661,690
Total	**£2,929,060**

The original business case itself stated that the assumptions were high-level and there would be a need to revisit assumptions during the implementation stage. We found no evidence that assumptions were revisited to ensure the ultimate end saving target was achievable through the anticipated increase in efficiencies. The financial savings were always achievable through a reduction of 22% of staff (as per High-Level Business Case), but if the efficiencies are not realised then the resource within the New Operating Model would be insufficient to deliver the vast range of services local authorities are responsible for. There would be no choice but to employ additional staff and use agency staff that would then offset the anticipated on-going revenue savings predicted by that 22% reduction.

5. Programme Office Function

5.1 Lesson to learn	Implication if not done
Ensure a fully functioning Programme Office is in place with appropriate skills and experience to lead complex transformation programmes.	If the Programme Office does not fulfil all the best practice requirements to manage a programme of change, with sufficient skills and knowledge, then it increases the risk that the programme will fail to deliver the intended benefits.

Findings

A number of the key officers in this area are no longer available for comment or to provide additional information. Given the information available to us and talking to those that remain, who were involved in the transformation programme, it appears the Programme Office role could have been strengthened. We recognised that even the most carefully planned programmes and projects can run into trouble. No matter how well you plan, a project can always encounter unexpected problems.

The Programme Office exists to coordinate, direct and oversee implementation of a set of interrelated projects to deliver outcomes and their benefits. It is a fundamental part of good programme and project management and to give the programme the best possible chance of success.

The Programme Office main responsibilities are (ALEXOS best practice framework):

- Governance – defining the programme roles and responsibilities as well as the processes and metrics to assess progress
- Management – planning the projects and the overall programme and ensuring that regular reviews are undertaken and that stakeholders are engaged and clear on what needs to be achieved.
- Financial management – arrangements in place to ensure the costs of managing the programme and tracked and monitored.
- Infrastructure – creating the right work environment to support the programme planning – developing a programme plan based on the specific projects, resources, timescales and controls for the overall programme.

Ultimately the Programme Office is responsible for monitoring progress of benefits realisation against the plan and should gather information for benefit reviews, produces performance reports and maintain benefits information under change controls and audit trails of change. Examining the information available to us and following discussions with officers that were involved in certain aspects of the change programme, some areas where improvements could be made include:

- There was a programme plan in place, but it lacked sufficient detail for a programme as large and complicated as this.
- There were delays in bringing in the relevant specialist programme management support when it became apparent that additional skills were required to manage a programme of this size. Programme Management is a specialist area.
- There was no risk management plan in place and whilst there was a programme risk register in place, it didn't meet industry standards and we could not see any information on how the risks were quantified for evaluation. (We have included this as a separate point at 7 below due to its importance).
- There was no benefit realisation tracking in place as you would have expected for a programme of this size and nature. (We have included this as a separate point at 6 below due to its importance).
- There was a lot of change with Officers and Consultants (three different consultants in the process design work stream alone) within key transformational roles which impacted on continuity of delivery, particularly with the tight timescales' transformation was being driven within.
- The Joint Partnership Advisory Group was disbanded in April 2018 and we could not see any clear evidence of where Members were adequately involved in the monitoring and challenging of progress of the Change Programme. Progress updates were provided before Scrutiny meetings, but a number of members were unaware of this at the time.

- There was a lack of clarity on how change would be managed. Workstream leads were left to get on with their areas with little or limited information provided from the Programme Office on what exactly was needed to be done and how. In particular there was no information on how benefits would be tracked and monitored through SMART and relevant targets.

6. Benefit Realisation Management

6.1 Lesson to learn	Implication if not done
Ensure there is a detailed benefit realisation plan in place at the commencement of the transformation programme and that it is embedded throughout the monitoring arrangements.	Without a detailed benefit realisation plan key metrics, KPIs and details on 'how' the benefits will be realised are not clearly defined and allow for clear and accurate monitoring of the programme and projects to ensure it is on track to deliver the expected benefits.

Findings

Whilst improved customer experience was one of the benefits for transformation, ultimately the decision to transform was driven by financial pressures and to realise financial savings. We have explained above (report point 4) the subjective nature around how the level of efficiencies was calculated that would lead to the financial savings and the fundamental risk this posed to the overall achievement of the on-going revenue savings. The realisation of savings could only be achieved if the efficiencies through customer self-serve, internal remodelling, reduced failure demand and technology/process improvement were achieved. There seemed to be a certain naivety that savings would be achieved simply because the Authority was introducing to a New Operating Model with a reduced headcount. We have not seen any information that tracked and monitored actual efficiencies being delivered through the changes being implemented, or how these were impacting on savings targets.

Some of the more detailed findings in this area include the following:

- Some of the data used to identify the main business processes where maximum efficiencies could be achieved was inaccurate.
- None of the workstreams had an overall measurable target they were working towards or individual targets. The approach was very much project focused rather than realisation of efficiencies that would ultimately lead to savings. An example is monitoring the number of processes that had been re-engineered yet there was no evaluation of the level of efficiency being achieved and what that would mean in terms of a reduction in staff.

A benefit realisation plan should have been in place outlining the activities necessary for achieving the planned benefits in a more detailed way than the high-level business case. The Benefit Realisation Plan should identify a timeline and the tools and resources necessary to ensure the benefits are fully realised over time. Given the aspirational nature of the High-Level Business assumptions used, it would be imperative to have a detailed Benefit Realisation Plan that covered:

- Benefits and associated assumptions, and how each benefit will be achieved.
- Metrics, including KPIs, and procedures to measure progress against benefits.
- Roles and responsibilities required to manage benefits.
- How the resulting benefits and capabilities will be transitioned into an operational state to achieve benefits.
- How the resulting capabilities will be transitioned to the individuals, groups, who are responsible for sustaining the benefits.
- Processes for determining the extent to which each project or program benefit is achieved prior to formal closure.

Whilst there was no detailed Benefit Realisation Plan, Workstream Briefs were in place that contained some of the information that you would expect within a Benefit Realisation Plan. However, none of the workstream briefs contained measurable targets that could be linked back to the original business case. This is something that the Programme Office should have provided to ensure all benefits are being adequately tracked and monitored for efficiencies to be achievable. This is particularly paramount given the way the total expected efficiencies were derived from the original high-level assumption in the business case.

7. Risk Management

7.1 Lesson to learn	Implication if not done
Ensure that there is a clear Risk Management Plan for how risk management should be undertaken throughout all programmes and projects and that it is in line with best practice and embedded.	If risks are not properly and consistently captured and quantified, then resources can't be effectively used to mitigate the likelihood and or impact of the risk materialising.

Findings

This is an area where we have only seen limited information, which again does not mean it does not exist. We are not aware of an agreed Risk Management Plan that outlined how risk management was to be applied to the programmes and projects for clear and consistent evaluation of risks. We are not even clear whether all those that were involved in the Change Programme were clear on their roles and responsibilities within a risk management framework.

Some of the specifics that we identified for improvement include:

- There was no evidence that risk assessments had been retained so there was no basis for how risks had been quantified.
- Workstream leads were not provided with any support or information on assisting with the evaluation and quantification of risks.
- Risk Registers did not meet industry best practice with key areas missing, which included the consequence of the risk occurring, contingency plan if the risk did occur and residual risk score once mitigating actions had been completed. There was a lack of evidence that mitigating actions were adequately tracked and monitored.

There was also a lack of information to demonstrate whether risks were being adequately reported and monitored at a Board level. Risks and concerns were being raised by some workstream leads but it is unclear if these were adequately reported at a Board level and acted upon.

8.	Reporting to and involvement of Members

8.1 Lesson to learn	Implication if not done
Ensure there is clear and consistent reporting to Members and sufficient stakeholder analysis is undertaken to maximise buy-in.	Without adequate stakeholder engagement analysis necessary support/and challenge is not gained from all stakeholder groups which can undermine the successful delivery of the programme and project.

Findings
Stakeholder engagement is fundamental to the successful delivery of programmes and projects. Stakeholder identification and analysis is important as their input can affect the way a project is planned and implemented. We are not clear on what Stakeholder identification and analysis was undertaken to ensure the right messages were going to the right audience. We are aware that a number of Members did not feel they were adequately kept informed on what was happening with the transformation programme. This would suggest that the engagement with Members was not as effectively managed as it could have been. The original governance structure had the Joint Partnership Advisory Group (JPAG) as the overarching body, which included Members, for monitoring the Change Programme. JPAG was disbanded in April 2018 and for a period of time we are not clear on what information Members were receiving as part of their 'oversight' role in such an important programme of change. Update briefings were later rolled out at the Shadow Scrutiny that all Members could attend if they wished. It was not until the later part of 2018 and early 2019 that the level of reporting and engagement seemed to increase, which was too late.

9.	Clarity on new Roles

9.1 Lesson to learn	Implication if not done
Ensure sufficient detailed information is provided on what any new roles entail on a 'day to day' basis for greater staff buy-in.	If job titles and descriptions are not clear staff may not fully understand what is expected of them on a day to day basis and would choose the redundancy option. The lack of clarity also creates uncertainty that can demotivate staff.

Findings
There were four main job roles within the new structure (Case Manager, Case Management Lead, Specialist and Lead Specialist), and all had generic job descriptions. Whilst staff had the opportunity before applying for their new roles to discuss with Management what they might entail, nobody was one hundred percent sure what the day-to-day job activity would actually look like. It was accepted that they were appointed for their skills, experience and behaviour and therefore would

SWAP INTERNAL AUDIT SERVICES
Assuring – Improving – Protecting

have been expected to think, particularly at a more senior level, about how else they could help the customer. However, as the requirements of their roles were not fully documented, it was difficult for staff to determine whether they were meeting expectations and if the new role was something that they wanted to do. This lack of clarity would lead to more staff opting to take voluntary redundancy.

Authors and Distribution

Please note that this report has been prepared and distributed in accordance with the agreed Audit Charter and procedures. The report has been prepared for the sole use of the Partnership. No responsibility is assumed by us to any other person or organisation.

Report Authors

This report was produced and issued by:

Alastair Woodland	Assistant Director
Adele Mitchell	Senior Auditor
Nick Hammacott	Senior Auditor

Distribution List

This report has been distributed to the following individuals:

James Hassett	Chief Executive of Somerset West and Taunton Council
Cllr Federica Smith-Roberts	Leader of Somerset West and Taunton Council
Cllr Mike Rigby	Cllr of Somerset West and Taunton Council

This report has also been discussed and shared with officers currently employed at Somerset West and Taunton who were involved in the transformation process.