Agenda Item 4	ES/021/11
Committee:	**Executive Scrutiny Committee**
Date:	**26 April 2011**
Transformation Programme Scrutiny Review: Governance and Risk Management	
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Introduction

This paper has been prepared using the questions set out in the scoping document agreed by the Committee on 30 November. Mr Keir Lynch, Executive Director for Transformation, and Mr Ian Hollingworth, Head of Commercials and Reporting, will be in attendance.

<u>Governance</u>

1. **What are the terms of reference and meeting cycles for Boards governing the Transformation Programme? What is the Membership?**

The Transformation Programme is governed by three boards.

The Political Leadership Team - Corporate Leadership Team (PLT - CLT) (a.k.a **Directions Board**) carries a regular agenda item that primarily focuses on the progress towards the ECC Target Operating Model (TOM).

There are frequent presentations from the Transformation Support Unit (TSU) Design team relating to the TOM.

These meetings inform the various directorates and TSU on the type of projects that must be undertaken in order to deliver the TOM and the transformation savings.

The **Outcomes Board** meets monthly to approve Business Cases for projects that align with the delivery of the TOM and contribute to the transformation savings target.

The board receives a pack of information that maintains a full audit trail of Business Cases, information on any Variances that need to be approved, a Forward Plan of activity and commentary from Finance on the current position on Cost and Benefits.

The Board can also choose to "call in " projects to scrutinise delivery versus plans.

The Outcomes Board is the only board where funding for projects can be approved.

The **Delivery Board** meets fortnightly to monitor and ensure delivery of individual projects approved by Outcomes Board. The boards roles and responsibilities are to:

- Monitors and track all Transformation Projects
- Drives the delivery through its review of progress
- Overcome any issues that may be preventing projects from progressing

PLT – CLT Directions Board Membership
Political Leadership Team Corporate Leadership Team
Outcomes Board Membership
Councillor David Finch, Deputy Leader and Cabinet Member for Finance and the Transformation Programme (Chairman) Councillor Peter Martin, Leader of the Council Councillor Derrick Louis, Cabinet Member for Major Projects and Commercial Services Cllr Norman Hume, Cabinet Member for Highways and Transportation Joanna Killian, Chief Executive Margaret Lee, Executive Director for Finance Jenny Owen, Deputy Chief Executive and Commissioning Director for Adults, Health and Community Wellbeing Robert Overall, Executive Director for Environment, Sustainability and Highways Keir Lynch, Executive Director for Transformation Ian Hollingworth, Head of Commercials and Reporting
Delivery Board Membership
Anthony Doyle, Chief Procurement Officer Dan Gascoyne, Assistant Director for Partnership Delivery

Ian Hollingworth, Head of Commercials and Reporting

Jo Smith, Director, Essex Property and Facilities

Gill Furlong, Interim Chief Information Officer

Julie Ellis, Change Director

Liz Chidgey, Deputy Executive Director, Adults, Health and Community Wellbeing

Margaret Lee, Executive Director for Finance

Maxine Taylor, Head of Corporate HR Services

Peter Lewis, Interim Assistant Director, Financial Strategy

Vicky Branchett, Head of Transformation Design

Wendi Ogle-Welbourn, Director for Commissioning, Schools, Children and Families

2. **What has been the cost of the governance support arrangements? Has this proved to be value for money?**

Internal costs of meetings have not been taken into account when addressing this question.

The Corporate Programme Office (CPO) within the TSU is the single focal point of governance support.

Currently the team consists of 5 FTE and they will operate from a budget of £279,000 in 2011/12.

The CPO key responsibilities are:

- Manage a weekly review of project delivery progress
- Provide Weekly Management Information on a exception basis
- Ensure Project and Programme risks are entered into JCAD and updated in a timely manner
- Creation of reporting and analysis on the transformation programme both current and future, including demand management for TSU resources.
- Successful Management of Directions, Outcomes and Delivery Boards.
- Central source of information for communications.

The CPO also maintains a strong link to Finance in their role on reporting on costs and benefits.

Within the CPO is the role of Commercial Management of any 3rd party organisation assisting with Transformation e.g IBM, Delloite, PWC

This role

- Provides commercial leadership for all aspects of the ECC transformation
- Maximises the value from third party transformation partners and suppliers ensure that commercial risks to the Authority are minimised.

In dealing with various 3rd parties this role has resulted in significant reductions in the cost of consultancy fees running into many millions of pounds.

Given the team size, the reporting output, governance control and the savings from 3rd party contracts the team provide excellent value for money.

An external audit awarded the team with a rating of "substantial assurance" in the governance arrangements.

3. How do the decisions made by the Boards feed into the officers that manage the delivery of the projects?

The Head of Transformation Commercials and Reporting and a member of the CPO attends the Outcomes Board and will cascade decisions into the relevant officers immediately the meeting has finished.

4. Have there been any changes made to the Board structure since their implementation in 2009?

No material changes have been made – the Directions Board is now more commonly referred to as PLT/CLT but the structure remains the same.

5. How are third parties contributing to the Programme?

Wherever possible the programme is being delivered using ECC resources, but where capacity and capability need to be increased then ECC has the option to look towards 3rd Parties.

ECC has a Partnership Agreement with IBM and has worked with them on a number of projects to date notably:

- Data Centre Migration following in sourcing from BT
- Procurement

IBM can propose projects or Business Cases to be delivered under this agreement but it remains with ECC to decide if the projects provide value for money. There is no obligation to use IBM.

IBM has worked well with ECC procurement teams and has contributed to the achievement savings for 09/10 and 10/11

Recently ECC has procured 3rd party support for a number of NWOW projects. This support will be provided by PWC.

6. How much are the actual and forecast revenue costs for delivery of the Programme between 2009 and 2013? Have extra costs been incurred that were not anticipated?

09/10- £6.3M (£3M in the statement of accounts as drawn from Transformation reserve, however an additional £3.3M was drawn from was reserve)

10/11- £11.5M Forecast

11/12- £19.2M Approved

12/13- 5M Approved

There have been no costs incurred that have not been approved. Delivery of the project on cost is closely managed and monitored by the portfolio manager and finance teams to report senior management. As unexpected costs are a deviation from the business case's approved cost and benefit schedule the project will have to request a change control from Outcomes Board, at which point the project is reassessed for ongoing viability.

7. **How are the savings figures being verified by the Boards?**

Outcomes Board (Chaired by Councillor David Finch) perform the scrutiny and challenge role with respect to the formation of the business case and the benefits contained within. Delivery Board (chaired by Margaret Lee) monitor the project's benefit delivery on a fortnightly basis to ensure the projects are delivering the approved benefits to the agreed timeline. Once again, should any issues be highlighted in Delivery Board, they will be referred back to Outcomes Board to go through the change control process.

8. **How are outcomes of individual projects including those in TS1 and TS2 verified by the Boards?**

Project Deliverables are agreed with the Project Sponsors and reported (as part of the CPO Reporting process) to the Delivery Board and Outcomes Board.

The Reports provide info on project Highlights and Lowlights. In addition Financial reporting is provided on delivery against Cost and Benefit.

Risk Management

1. **What are the risks associated with moving to a new Target Operating Model and how are these being managed?**

Programme Risks are entered into JCAD and reported to the CLT on a regular basis. Mitigating actions are in place against all the risks;the key identified risks are:

- Reduction in sense of direction and cohesion – managed by regular updates to boards and ongoing communication to stakeholders

- Gaps in capability and capacity to deliver the change – managed by greater management of resources and SME's within directorates, running recruitment campaigns or using 3rd parties when required.

- Cultural resistance to change – managed by using emerging talent in the organisation as change agents, increasing the significance in the role of the sponsor

- Poor quality of Business Cases – managed by scrutiny from TSU and Finance, ensuring full sign off by Sponsors and Member responsible as part of governance, creation of Pre Scrutiny meeting chaired by Cllr Finch and greater accountability on authors

2. **How will the future significant people change be managed? Are resources and capacity available to support the change agenda, respond to employment issues and provide a support service to enable staff into new employment?**

Appropriate resources and capacity will be secured both internally and/or externally to ensure a smooth transformation which minimises any potential service delivery disruption. Specifically this includes the following activities:

Engagement

- Engagement well understood by DLT and Directorates and action planning involves improvements as a direct result of the staff survey across all directorates –many staff (especially Talent Pools) involved
- Better communications to staff–more visible senior leaders (regular f2f briefings) and communications in general to staff –part of the item above
- Improved recognition in some areas, such as ESH 'Thumbs Up!' scheme
- Appointment of Change Managers in larger projects resulted in attention to the behaviours and culture of change –not just structure (NWOW, ESH etc)

Learning and Development

- Specific training set up for Change programmes/transformation on:
- Change for managers, Change for Teams, Interviewing Skills, Application writing and Interview skills, Managing following Change, Leavers support
- Some local improvements, such as: line management behaviour training (NLP) being tried in ESH (not yet started, but communicated widely)-done through Change managers in ESH.
- Succession management planning to reduce institutional knowledge drain, to prevent the need to re-employee laid-off staff as contractors or engage consultants on a temporary basis at an extra cost to fill gaps.
- Each DLT and CLT have prepared succession plans for key positions and a management tool has been created to provide MI each month to each DLT via business partners.
- Investment in existing staff to increase their ability and skills

Specifically BPs have:

- Strongly linked survey results/engagement/performance – driven improvements through actions plans (inc recognition e.g. 'Thumbs Up')
- Been included in making changes to support materials to managers/leaders – emphasis on what consultation is for and how to make a contribution
- Set up 'employee consultation groups', where appropriate
- Linked closely with Internal Communications team
- Ensured communications at end of consultation to 'close' including any changes that were made as a result
- Ensured leaders have been visible -in more 121 briefings for staff

Other Measures:

- A comprehensive programme of courses has been set up to compliment current business and personal development requirements.

- An MI toolkit which includes staff absence will alert each DLT to any prominent wellbeing issues.

- To monitor staff wellbeing using current tools, including stress risks assessments and to act on any areas of concern
- Effective process in place for consideration of expenditure on early retirement and severance packages and the
- impact on service delivery fully considered.
- Safer recruitment/induction policy/pay and rewards strategy to prevent the loss of key personnel and to ensure the ability to recruit staff with key skills and ability required by ECC.

- ECC is working in partnership with Capita to recruit the best staff including those areas which are difficult to recruit.
- The Corporate services team have prepared a number of papers which attempt to improve our pay and reward strategy.
- Effective internal challenge to transformation plans and workforce cuts to ensure the assessment of associated risks consideration of potential impact.
- Formation of transformation advisory board consisting of experts in their fields and chaired by Cllr Martin. This group will provide independent challenge and also consider risks across the transformation piece.
- Staff consultation and welfare issues monitored to ensure productivity is maintained and absence management
- policy is enforced.
- Outcomes based performance management to ensure tracking against deliverables.
- New performance process to deliver clearer sharper, robust and focused objectives.

A Redeployment policy which provides a framework for managing change in a fair and consistent way. ECC is committed to providing a framework for organisational change, that:

- is clear and transparent;
- is fair and equitable;
- ensures the right skills are in place
- minimised redundancy

3. **The Council is confident that the £300 million savings will be achieved. Are there risks associated with delivering these savings and what are the contingency plans?**

With any programme there are risks, these are identified through the programme at a Strategic and Operational level. Information is regularly captured as part of the reporting cycles for Delivery Board and Outcomes Board such that visibility to such risks is given as soon as it occurs. This enables an informed debate on actions to mitigate such risks should they materialise.

£150m of the savings are due to come from procurement activities, as such a Procurement Steering Group has been created to manage the delivery of this number and overcome any issues that may prevent successful delivery.

4. **How will the Council ensure that the public understands the changes to the organisation and is able to contribute to them?**

Projects within the programme may have External Communications partner as part of the delivery team in order that messages can be relayed to the public in a clear and coherent fashion. Consultation over proposals has been undertaken where appropriate.