

Report to Task and Finish Panel

Date of meeting: 11 September 2017

Subject: Transformation Programme Costs and Benefits



Officer contact for further information: David Bailey, Head of Transformation

Committee Secretary: Adrian Hendry, Senior Democratic Services Officer

Recommendations/Decisions Required:

- (1) That the Panel considers the structure and costs of the Council's Transformation Team and transformation projects.**
- (2) That the Panel considers the structure and benefits of the Council's Transformation Programme and transformation projects.**

Report:

Background

1. The terms of reference for the Panel include making recommendations to the Overview and Scrutiny Committee on the scrutiny of two aspects of the Transformation Programme:
 - ▶ The management of the Transformation Programme itself; and
 - ▶ The constituent projects that make up the Transformation Programme.

Further, there are two dimensions to each aspect:

- ▶ Costs; and
- ▶ Performance – also known as benefits. Please note that benefits can be both financial and non-financial.

2. Table 1 below summaries these different dimensions.

	Cost dimension	Performance dimension
The Transformation Programme	❶	❷
Individual projects and activities within the programme	❸	❹

Table 1: Scrutiny dimensions

3. This report seeks to cover each area in turn.

❶ Transformation Team Structure and Cost Estimate

4. The Council's corporate Transformation Team (also known as the Programme Management Office) consists of the posts listed in Table 2 below. This current establishment reflects the merger of the previous transformation team with the Council's Performance Improvement Unit. This has united efforts to manage the improvement of performance across both Business As Usual (BAU) and Business Transformation.

<i>Post holder</i>	<i>Job title</i>	<i>Contract</i>
David Bailey	Head of Transformation	1 FTE, 3 year fixed-term contract to 31 Oct 2018
Gareth Nicholas	Senior Project Improvement Officer	1 FTE, permanent post
Susan Lewis	Senior Project Improvement Officer	1 FTE, 18 month fixed-term contract to 02 Nov 2018
Monika Chwiedz	Performance Improvement Officer	1 FTE, permanent post

Table 2: Transformation Team. Note: FTE – Full Time Equivalent

5. The total salary cost for the team is £206,500 for 2017/2018, including on-costs. This excludes the costs of any apprentices or internships within the team, both of which are funded from central Human Resource budgets. As with other officers that undertake specific project work in support of their operational areas, the work of the Head of Customer Service is not included in the costs of the corporate Transformation Team.
6. The corporate Transformation Team also undertake a range of non-transformational duties, i.e. Business As Usual (BAU) activities, including:
- ▶ Corporate Public Sector Equality Duty (as defined by the Equality Act 2010) and promotion of the equal opportunities;
 - ▶ Corporate and business planning activities; and
 - ▶ Corporate performance monitoring and reporting.
7. Overall, it's estimated that these Business As Usual functions currently occupy around 1.5 FTE, leaving the remaining 2.5 FTE attributable to transformation activities. This reduces the proportion of the team's wage bill attributable to transformation activities to around £130,000 for 2017/2018.
8. A £100,000 prototype fund for the Transformation Programme was established in 2016/2017. To date around £30,000 has been spent undertaking activities in support of the programme.
9. There are currently 55 High (43) and Medium (12) complexity projects and programmes across the Transformation Programme, supported by the corporate Transformation Team.

② Benefits from Management of the Transformation Programme

10. The purpose of the establishment of effective Project and Programme Management is to maintain consistently good project management across the Council, through implementing a standard approach to managing change. A project to implement this approach was chartered on 23 March 2016, led by the Head of Transformation (Project P003).
11. An assessment of the authority's current capability in project, programme and portfolio management has been undertaken, using the Portfolio, Programme and Project Management Maturity Model (P3M3). The P3M3 model describes five levels of capability, across seven process perspectives through three maturity models: Project, programme and portfolio. The seven perspectives are:
- ▶ Management control;
 - ▶ Benefits management;
 - ▶ Financial management;
 - ▶ Stakeholder management;
 - ▶ Risk management;
 - ▶ Organisational governance; and
 - ▶ Resource management.
12. An assessment of the baseline position was completed in December 2015 by the Head of Transformation. The target capability for the Council was also assessed and shared with Management Board. Please note that very few organisations need to reach P3M3 Level 5 maturity, and it is advisable to adopt a fit-for-purpose approach. Management Board agreed that level 3 was appropriate across the three models: Project, Programme and Portfolio.
13. Table 3 below gives the P3M3 headline assessments for December 2015, August 2017 and the organisations target maturity levels. This shows that the Council has increased its capacity to successfully manage projects and programmes. Plans are in place to reach the target levels alongside the establishment of the new Corporate Plan.

P3M3	Maturity Level (1-3, 3 is highest)		
Model	December 2015	August 2017	Target
Project Level	1	3	3
Programme Level	1	2	3
Portfolio Level	2	2	3

Table 3: P3M3 assessments

Non-financial Benefits

14. The detailed benefits of reaching maturity level 3 across the management of projects and programmes are detailed in the Project Initiation Document (PID) for this project (P003).

Financial Benefits

15. At inception, the Transformation Programme was set a savings target for 2016/2017 of £100,000. These savings have been identified and delivered.

③ Individual Project Costs

16. As mentioned above, work is currently ongoing to identify the financial costs and benefits – both financial and non-financial – across all transformation projects. The costs being tracked are the costs of direct delivery. It should be noted that there are challenges accounting for project management costs like the apportionment of officer time or costs that are described as ‘within existing resources’. Further, it is reasonable to question the value of undertaking such cost estimates.

17. Project delivery costs can be met by a variety of funds:

- ▶ Directorate or service budgets – Continuing Services Budget, District Development Fund and Housing Revenue Account;
- ▶ Transformation funds; and
- ▶ Invest to save.

④ Individual Project Benefits: Financial and Non-financial

18. The benefits from the projects which constitute the Transformation Programme are expected to contribute to the four key benefits previously agreed by the Cabinet (C-073-2015/16):

- ▶ Improved customer value – recognising what customers’ value about our services and placing them at the heart of everything we do;
- ▶ Reduced waste – Focussing on getting things right first time through joined up services;
- ▶ Increasing agility – Reducing red tape to simplify how we work; and
- ▶ Increased savings and income – Delivery of resource savings and income generation, to keep Council Tax low.

19. The mapping, tracking and realisation of benefits from the programme are currently in the mapping stage. This involves the specification of measurable benefits for all projects across the Transformation Programme. This work has only recently become practicable with the introduction of the Covalent project management system. This work is also being progressed through the development of a new Corporate Plan and business planning processes. The Transformation Programme Board has asked for this work to be completed and presented alongside work to finalise the Corporate Plan 2018-2023.

20. Therefore it is not currently possible to present a picture of the benefits expected from or to be realised by the Transformation Programme, either financial or non-financial.

21. However, indications from a small number of major projects and programmes illustrate the potential financial benefits identified. See Tables 4, 5 and 6 below. Please note that other projects and programmes which pre-date the Transformation Programme, like the Council House Building Programme (P120) or the Epping Forest Shopping Park (P113) have not be included here.

<i>Project title</i>	<i>Whole life investment</i>	<i>Whole life benefits</i>	<i>Return On Investment</i>
P106 People Strategy	£2m revenue	£7.5m revenue	275% £5.5m over 5 years
P160 Service Accommodation Programme	£5.17m capital £150k revenue	£4.58m capital £3.2m borrowing £2.88m revenue	100% £5.3m over 5 years

Table 4: Indicative Transformation Programme Return on Investment (ROI).

Note: ROI = (savings – costs) ÷ costs

22. The effort required to successfully manage projects and programmes across different industry sectors varies enormously, but research suggests the cost of managing should represent between 12-18% of the total project cost (Casper Jones, 2007). As an illustration of how the Council compares with this research finding, for the two programmes mentioned above (P106 and P160), project management effort represents an estimated 6.0% of the total costs.
23. It is clear therefore that the current level of investment in project and programme management represents very good value for money for the Council. However, it is conceivable that this level of investment may not be adequate to support the realisation of benefits. Further study would be required to confirm this hypothesis.

Reason for decision:

The Task and Finish Panel requested a report on the costs and benefits of the Council's Transformation Programme.

Options considered and rejected:

An option to prescribe transformation 'on-costs' to individual activities, projects and programmes within the Council's Transformation Programme was considered and rejected. It is not meaningful to apportion the time / costs of transformation officers to projects, however, overall indicative costs and benefits for the programme can be considered.

Table 5: P160 Service Accommodation Programme

	<i>Benefit description</i>	<i>Current value</i>	<i>Target value</i>	<i>Timing</i>	<i>Cashable savings</i>	<i>Non-cashable value</i>	<i>Benefit owner</i>
B1.01	Capital receipt from sale of part of Civic Office site	-	£4.58m	Apr 2023	£4.58m capital receipt	-	Chief Executive
B1.02	Reduction in Civic Office running costs	£1.1m /yr operating costs	£600k /yr	Apr 2023	£500k /yr by 2023	-	Director of Resources
B1.04	Saving from not building a separate Housing Repairs and Maintenance Depot [P021]	£3.2m	-	Apr 2018	-	£3.2m in borrowing	Director of Neighbourhoods
B1.05	Reduction in Civic Office planned maintenance costs	-	£120k by 2023	Apr 2023	£120k by 2023	-	Director of Resources

Estimated costs: Office refurbishment £3.88m, Reception works £534k, Oakwood Hill works £755k, Fees: £150k

Table 6: P106 People Strategy Programme

	<i>Benefit description</i>	<i>Current value</i>	<i>Target value</i>	<i>Timing</i>	<i>Cashable savings</i>	<i>Non-cashable value</i>	<i>Benefit owner</i>
B1.01	Reduced workforce annual pay bill, including on-costs	£20m	£18m	Apr 2020	£2m	-	Director of Resources

Estimated costs: Revenue £2m.

Resource implications:

Within existing resources.

Legal and Governance Implications:

There are no constitutional implications of this proposal.

Safer, Cleaner Greener Implications:

There are no safer, Cleaner or Greener implications.

Consultation Undertaken:

No formal consultation was undertaken in the preparation of this report.

Background Papers:

Reports to previous meetings of the Task and Finish panel.

Impact Assessments:**Risk Management:**

There are no Risk Management implications.

Equality:

There are no Equality Impact implications.

Equality analysis report

Step 1. About the policy, service change or withdrawal

Name of the policy, service or project: <i>be specific</i>	Transformation Programme Costs and Benefits
Revised / new / withdrawal:	New
Intended aims / outcomes/ changes:	Report is for consideration
Relationship with other policies / projects:	Transformation Programme
Name of senior manager for the policy / project:	Glen Chipp, Chief Executive
Name of policy / project manager:	David Bailey, Head of Transformation

Step 2. Decide if the policy, service change or withdrawal is equality relevant

<p>Does the policy / project / service process involve, or have consequences for employees or other people? If yes, please state who will be affected. If yes, then the policy / project is equality relevant.</p> <p>If no, state your reasons for this decision. Go to step 7.</p> <p><i>The majority of Council policies and projects are equality relevant because they affect employees or our communities in some way.</i></p>	If yes, state which protected groups:
	<p>If no, state reasons for your decision:</p> <p>No. Any equalities impact assessment for individual projects or programmes will be detailed in the respective reports.</p>

Name and job title of officer completing this analysis:	David Bailey, Head of Transformation
Date of completion:	04.09.2017
Name & job title of responsible officer: (If you have any doubts about the completeness or sufficiency of this equality analysis, advice and support are available from the Performance Improvement Unit)	David Bailey, Head of Transformation
Date of authorisation:	04.09.2017
Date signed copy and electronic copy forwarded to PIU equality@eppingforestdc.gov.uk	04.09.2017