

One Council

Follow-Up

Review

London Borough of Brent

Audit 2010/11

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Introduction

1 Brent Council is carrying out an ambitious and forward-looking transformation programme which aims to deliver service improvements, cost savings and to create a more efficient streamlined Council.

2 The risks attached to a large change programme of this nature were highlighted in the Council Audit and Inspection Plan for 2009/10. A high-level review of the project management arrangements in place to March 2010 was undertaken. The second stage of this work aims to review the progress of the programme over the last 12 months highlighting any relevant risks.

Background

3 The One Council Programme covers the four year period 2010/2014. The main objective is to achieve budget savings of up to £94 million by 2014/15 while:

- raising performance;
- maximising efficiency;
- creating a council that looks and feels like one cohesive organisation;
- creating new flexible ways of working;
- stopping lower priority activities;
- generating increased income;
- improving procurement and property management; and
- creating a council fit to deliver the members' corporate strategy.

4 The One Council Programme is coming to the end of the first year (2010/11). Some projects have reached completion, for example the finance modernisation and staffing and structure review wave 1. Other projects are progressing and new projects are being agreed by the Programme Board.

5 Any large complex project of this nature will have inherent risks and its implementation will have a long-term impact on the Council's ability to deliver its core business.

Audit approach

6 A review of progress with the One Council Programme over the last 12 months has been completed to address the requirements under the Value for Money Conclusion.

7 Our conclusions are based on a review of project documentation and interviews with key staff. The Staffing and Structure Review (Wave 1) is complete and was used as a tracer for our work.

8 The aim of the work is to provide assurance that inherent risks from a programme of this size are being managed effectively and that projects are delivering the benefits as planned at this stage. We focused on three key areas:

- capacity;
- financial monitoring of costs and financial benefits; and
- achievement and monitoring of non-financial benefits.

Main conclusions

Summary

9 Overall the Council has made positive progress implementing the One Council Programme over the last 12 months. It is a fast-moving Programme with changes and improvements made continually to project monitoring and reporting. Governance arrangements are working effectively with good, regular project monitoring allowing risks to be identified as the Programme moves forward. Projects are now being implemented with gross savings of £11.8 million being achieved in 2010/11 with programme costs in this year of £4.3 million. This report highlights some of the risk areas around capacity, achievement of financial benefits and monitoring financial and non-financial benefits.

10 Capacity remains a risk to the success of individual projects and therefore to the overall programme. The Council recognise this risk and are addressing it through internal appointments to help with programme and project delivery. The Council are working to reduce their dependency on external consultants and are aiming to be smarter where they do use them.

11 Costs and financial benefits associated with the One Council Programme are regularly monitored at a corporate and individual project level. There has been some delay in delivering the projects originally planned in 2010/11. The Council's Improvement and Efficiency Plan issued in October 2009, included planned cumulative savings of £14.1 million in 2010/11, £27.2 million in 2011/12, £40.2 million in 2012/13 and £53.7 million in 2013/14. Gross savings fell short of the target in 2010/11 - £11.8 million against a target of £14.1 million but are forecast to exceed target in 2011/12 to 2013/14. Many projects to be delivered in 2011/12 are now in the implementation phase. Accurately monitoring the financial benefits achieved from these projects will be important if budget savings are to be achieved as planned.

12 In year changes to projected costs and financial benefits are not reported in a transparent way at programme or project level. This is being addressed by the Council for example through changes to the format of the project status reports which are completed for each project. The new format is planned to be in place from May 2011. Also redundancy and early retirement costs are not reported at a corporate level. For example redundancy and early retirement costs associated with the Staffing Structure Review Wave 1 are included in the project close-down report but not in the financial summary to the One Council Programme Board on 13 April 2011. The Council needs to be clear how these will be shown in financial summaries.

13 One of the key objectives for the One Council programme is to raise performance, however non-financial benefits are not captured in a systematic way at project level. Non-financial benefits are not always clearly defined at the start of a project, therefore cannot be measured and monitored. Some tools are used for example benefit profiles but these can be difficult to follow. The changes to the format of the project status reports includes a section on non-financial benefits. It is not clear at this stage what information this will include for individual projects, as this is still being developed.

Detail findings

Capacity

14 Capacity remains a risk to the success of individual projects and therefore to the overall programme. The Council recognise this risk and are addressing it through internal appointments to help with programme and project delivery. The Programme Board continues to meet regularly and includes senior officer representatives. A standard item is the Programme Board Reporting Pack. This pack covers overall progress highlighting individual projects and assigning a red, amber, green rating. Issues around capacity are picked up as part of this meeting. For example the January Programme Board meeting identified the following issues:

- Procurement project - 'the procurement capability and capacity are inadequate to support the Council's aims.'
- Review of employee benefits - 'there are not enough resources in HR / People Centre to deliver the project alongside as the Staffing and Structure Wave 2 project.'
- Adult Social Care Customer Journey - 'overall the project time-frame is tight and minor delays are occurring because of staff absence.'

Regular monitoring at Programme Board level provides a way for staff working on projects to highlight capacity issues and ensures the Board are aware of these and can address problems as they arise. To address issues at programme level a Head of One Council Programme has been recruited from outside the Council. Generic project managers and officers have also been recruited within the Council to provide support to individual projects. However it is too early to assess the impact of this approach.

15 The Council are working to lessen their dependency on external consultants and are aiming to be smarter where they do use them. Within the Programme Management Office (PMO), the Head of One Council Programme is supported by a PMO Manager and two programme delivery officers appointed from existing Council staff. In addition, 14 staff has been appointed to an internal project management pool from which they can be seconded to individual projects. The Council use external consultants on projects where specialist skills are needed that the Council cannot provide internally. Governance arrangements require project teams to justify the external help they require and provide challenge to this. For example, on the customer services project the balance between the use of external and internal capacity was changed with the requirement for external help being reduced by 60 per cent compared with business case assumptions. Where consultants are appointed, the tender specification and evaluation criteria require consultants to show how they would support and achieve a skills transfer to Council staff. The aim is to limit the time consultants are appointed to enable the Council to take full responsibility for the project as early as possible.

Recommendation

R1 Continue to monitor capacity at project level given the need to deliver a significant number of projects in 2011/12 to achieve the savings targets.

Achievement and monitoring of financial benefits

16 Costs and financial benefits associated with the One Council Programme are regularly monitored at a corporate and individual project level. For example the Programme Board meet regularly and include senior officer representatives as permanent members for example the Director of Finance and Corporate Resources. One of the standing items on the agenda of this Board covers overall programme progress highlighting risks with individual projects. It also includes a financial summary which sets out the savings and associated costs of each of the projects included in the transformation programme. Through the governance arrangements clear mechanisms are in place to highlight and address financial issues at an early stage.

17 There has been some delay in delivering projects originally planned for the financial year 2010/11. Table 1 shows the profile of savings over the period 2010/11 to 2013/14. It compares the original profile of savings included in the Improvement and Efficiency Action Plan 2010/2014 with the most recent financial projection.

Table 1: **One Council Programme - Comparison of Proposed Gross Savings 2010/11 to 2013/14**

		2010/11 £m	2011/12 £m	2012/13 £m	2013/14 £m
Original Improvement and Efficiency Action Plan	Annual	14.1	13.1	13.0	13.5
	Cumulative	14.1	27.2	40.2	53.7
Gross savings reported to 13 April 2011 Programme Board	Annual	11.8	29.3	10.7	7.0
	Cumulative	11.8	41.1	51.8	58.8

Source: Various reports

Brent's Improvement and Efficiency Action Plan 2010/2014

Brent One Council Programme - Programme Board Reporting Pack Wednesday 13 April 2011

Savings delivered in 2010/11 are estimated at around half of those originally projected with most of savings now forecast to be delivered in 2011/12. Currently 2011/12 savings are estimated at £29.3 million more than double those originally planned and equivalent to almost half of the total One Council savings. A number of projects are now in the implementation phase therefore monitoring and management of financial benefits will be crucial if budget savings are to be achieved as planned. Also it is possible there will be a knock on impact on capacity in 2011/12 given the high number of projects to be delivered.

18 In-year changes to projected costs and financial benefits are not transparent in the way they are currently reported. For example the financial summary reported to the Programme Board does not include a summary of the changes to projections from the previous report. Between November 2010 and March 2011 the projected cumulative net savings position by the end of 2011/12 increased by £5 million from £27.8 million to £32.8 million. It is not clear why this change has happened. This could be because:

- more projects have been included;
- projected financial benefits from existing projects have increased; and/or
- projected costs for existing projects have reduced.

Similarly at project level project status reports record costs and financial benefits. However the current format only includes costs and benefits in the financial year not over the life of the project and does not highlight any changes to projections. The format of the project status reports is being changed to reflect costs and benefits over the life of the project. This will then tie back to the overall programme financial summary which is reported to the Programme Board. The new format for project status reports is planned to be in place from May 2011.

Without this transparency it is difficult to track changes and managers and members may not have complete information to help with decision making.

19 It is not clear that all costs associated with projects are captured at a corporate level. For example costs associated with the Staffing Structure Review Wave 1 costs are included in the project closure report but not in the financial summary to the 2 March 2011.

Table 2: **Staffing and Structure Review Wave 1 - Costs associated with the Project**

	2010/11 £m	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m	Total £m
Early Retirement Costs	2.037					2.037
Pension Costs		0.303	0.303	0.303		0.909
Project Support Costs	0.094					0.094
Total Cost	2.131	0.303	0.303	0.303	-	3.040

Source: Brent Council Project Closure Report Structure and Staffing Review: Wave 1 - 10 February 2011

The April 2011 financial summary to the Board overstates the net savings position by £3 million by excluding redundancy and early retirement costs associated with the project. Most of these costs (£2 million) are one-off redundancy costs. The Council needs to be clear how these will be shown in financial summaries.

20 The Council are implementing lessons learned from earlier projects to improve budget management within services. For example the Staffing and Structure Review identified the need to take savings out of budgets when they are identified rather than waiting until the end of the project. The aim of allocating savings at the start of projects is to provide budget certainty at a corporate level, incentivise speedy implementation of change and help budget management in services. Forecast savings for 2011/12 have been allocated to budgets across service areas. As a result any non-achievement of savings through for example delays in delivering projects will contribute to overspending against the budgets. The Council recognise budgets and achievement of savings will need to be closely managed.

Recommendation

- R2** Review how project costs and financial benefits are reported at a corporate and project level. For example:-
- summarise the changes to costs and financial benefits in the Programme Financial Summary;
 - ensure that all costs are included in the Programme Financial Summary including being clear on how redundancy costs will be shown; and
 - implement the new format for the project status reports and monitor how this works in practice.

This will help to ensure that forecasts for costs and financial benefits are transparent and remain accurate over the life of the project.

Achievement and monitoring of non-financial benefits

21 Non-financial benefits are not captured in a systematic way. The Finance Modernisation project was delivered on time and to budget. The project formed the basis for an improved service in the future by, for example:-

- reducing duplication by centralising finance staff;
- a standard consistent approach to paying invoices;
- increased visibility on spending; and
- better strategic support for directorates.

However, following implementation of the project, performance issues have arisen and need to be addressed for example the scanning process and payment systems are taking longer than anticipated. This has delayed the production of a closure report for this project while performance issues are addressed.

22 Some tools to identify both financial and non-financial benefits are used but these are detailed and can be difficult to follow. For example benefit profiles exist for some projects. These aim to:

- identify the benefit owner;
- the value and delivery date of each benefit; and
- provide information on risks to the delivery of benefits and work done to mitigate these risks.

It is not clear that tools to identify non-financial benefits are used consistently for each project or how they are updated and used throughout the life of the project. So far, project status reports have included information on project costs and financial benefits but do not include information or monitor non-financial benefits in a systematic or consistent way. The proposed revised format for project status reports includes a section on non-financial benefits but it is not clear at this stage what information this will include.

23 Non-financial benefits are not always clearly defined and able to be measured and monitored. At a programme level one of the key objectives with achieving budget savings is raising performance. Also at individual project level stated objectives are to improve performance for example:

- review of street cleaning contract - aim is to achieve both significant costs reductions and improvements in performance through rigorous application of KPIs;
- the Move to the Civic Centre project - the business case sets out performance benefits including productivity gains and a more motivated workforce; and
- the Libraries Transformation - the business case includes objectives to improve service outcomes for customers for example through faster access to a wider range of books and longer opening hours and improvements in performance through higher usage and customer satisfaction.

However there are no targets or measurements for improvement included in the project initiation documents or business cases, therefore it is not clear how non-financial benefits will be measured and monitored. Without SMARTⁱ measures in place it is not clear what success will look like.

Recommendations

R3 Specify and set out non-financial benefits set out at the start of projects.

R4 Monitor non-financial benefits in a meaningful and accurate way as projects progress.

ⁱ Specific, measurable, achievable, realistic and timely

Appendix 1 Staffing and Structure Wave 1

The Structure and Staffing Wave 1 project was established within the One Council Improvement and Efficiency Programme at the end of 2009. The aim was to put in place a set of changes aimed at streamlining the Council in line with the recommendations of an earlier external review and at the same time delivering savings.

Objectives for the first stage of this project included:

- net savings of at least £2.25 million in 2010/11;
- a full year saving of £4.5 million from 2011/12 onwards;
- implementation of a set of mechanisms, processes and accountabilities for the long-term management of staff resources;
- a move towards a reconfigured organisation in line with the organisational vision, values and design principles; and
- minimising compulsory redundancies.

Table 3 highlights the costs and savings associated with this project over the period 2010/11 to 2014/15. The project was delivered on time and within budget. The budget for project costs totalled £3.3 million with costs of coming to just over £3 million.

Table 3: **Staffing and Structure Wave 1 - Costs and Savings**

	2010/11 £m	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m
Savings	4.283	7.043	7.043	7.043	7.043
Costs:					
Redundancy Costs	2.037				
Early Retirement Costs		0.303	0.303	0.303	

	2010/11 £m	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m
Project Support Costs	0.094				
Total Costs	2.131	0.303	0.303	0.303	
Net Savings Over Period	2.152	6.740	6.740	6.740	7.043

Source: Source: Brent Council Project Closure Report Structure and Staffing Review: Wave 1 - 10/02/2011

24 Net savings achieved in 2010/11 were £2.15 million just slightly below the target of £2.25 million but this is due to one-off redundancy costs of £2 million. From 2011/12 onwards the full year saving is over £6.7 million above the target of £4.5 million.

25 Targets for non-financial benefits were not set at the start of the project. However as part of the closure report achievement was measured with the following benefits achieved:

- 196 post reduction with 10 resulting in compulsory redundancies;
- 86 per cent of post reductions in Wave 1 were in enabling roles and management; and
- CMT agreed staffing protocols for the use of required authorisation of external recruitment, use of agency workers, overtime and job evaluations.

Appendix 2 Action plan

Recommendations	
Recommendation 1	
Continue to monitor capacity at project level given the need to deliver a significant number of projects in 2011/12 to achieve the savings targets.	
Responsibility	Peter Stachniewski, Head of One Council Programme
Priority	High
Date	April 2012
Comments	Agreed.
Recommendation 2	
Review how project costs and financial benefits are reported at a corporate and project level. For example:	
<ul style="list-style-type: none"> ■ summarise the changes to costs and financial benefits in the Programme Financial Summary; ■ ensure that all costs are included in the Programme Financial Summary including being clear on how redundancy costs will be shown; and ■ implement the new format for the project status reports and monitor how this works in practice. 	
Responsibility	Peter Stachniewski, Head of One Council Programme
Priority	High
Date	September 2012
Comments	Agreed.
Recommendation 3	
Specify and set out non-financial benefits set out at the start of projects.	
Responsibility	Irene Bremang (PMO Manager)
Priority	High
Date	Ongoing
Comments	Agreed.
Recommendation 4	
Monitor non-financial benefits in a meaningful and accurate way as projects progress.	
Responsibility	Irene Bremang (PMO Manager)
Priority	High
Date	September 2012
Comments	Agreed.

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