

Part A

Report to: Cabinet

Date of meeting: 4 June 2018

Report of: Head of Service Transformation

Title: Watford 2020 Programme

1.0 Summary

- 1.1. Watford 2020 is a transformational programme which was initiated to review the internal workings and processes of the entire organisation to develop and implement a new operating model¹ for Watford Borough Council. On 9 October 2017, Cabinet approved the vision and design principles that describe the proposed future operating model of the council in 2020, specifically that:

“Watford in 2020 will be a customer-focussed, digitally-enabled, commercially-minded council.”
- 1.2. Following this approval, Service Innovations were carried out across the organisation in collaboration with both staff and Leadership Team to identify opportunities and inform the future operating model.
- 1.3. The outline business case (see Appendix 1) identifies the benefits of making the proposed changes and the resources required for their delivery. This outline business case has been produced in collaboration with all services and represents a key gateway in the life of the programme. Approval of the business case, which includes the future operating model and implementation plan will allow the Watford 2020 programme to progress to tranche 2, the detailed design and implementation of the future operating model. The intended methodology to complete this work is included in the business case document.

2.0 Risks

- 2.1. As a significant transformation programme, robust risk and issue management is a fundamental process to ensure successful delivery of the programme and its constituent projects. This will continue to be completed in accordance with the

¹ An operating model is a model of the future organisation - its working practices and processes, its structure and organisation, the information it requires and the infrastructure and technology that supports its operations to deliver the vision statement.

council's risk management strategy and approach.

- 2.2. In preparation for the transition of the programme to the tranche 2 detailed design and implementation phase, a rigorous risk analysis has been conducted and the key risks are outlined below. The key mitigation to the most significant risks is the approach that has been designed for the programme where, through the detailed design work, the identified benefits will be continually checked and the business case supporting the programme justified.

Potential risk	Mitigation	L.hood	Impact	Score
Costs have been underestimated / benefits have been overestimated. The investment appraisal completed to initiate the detailed delivery phase of the programme may not be valid, therefore more budget may be required to realise the identified level of benefits, or actual benefits will be reduced for the same level of spend.	All projects to include a detailed design phase to validate costs and produce a detailed benefits profile to be agreed before any major change and cost is committed to ensure that the spend against expected benefits remains valid.	2	4	8
£300K of the £1.21m annual baseline reduction is income, which may not be delivered year on year. The baseline reduction may not be fully delivered.	Further analysis on key commercial propositions to be completed before significant further cost/spend is committed to their development.	3	4	12
Customers may not transfer to digital channels when they are developed resulting in a reduction in the level of benefit delivery.	Benefits realisation activity included in project plans. Budget included within business case for marketing /communications. Programme level benefits monitored by W2020 Board	2	4	8

3.0 Recommendations

- 3.1. That Cabinet approve the Watford 2020 business case, future operating model and implementation plan.
- 3.2. That the above approval allows the Watford 2020 programme to progress to tranche 2, the detailed design and implementation as outlined in the implementation plan.
- 3.3. That the financial resource necessary to deliver the programme as set out in section 8 below is presented to full council for approval on 10 July 2018.

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4.0 Introduction to Watford 2020

- 4.1. The focus of the programme is transforming the organisation to ensure that it can truly deliver the programme vision agreed by Cabinet in 2017. Work to date has included a review of the internal workings and processes of the entire organisation through a series of “Service Innovations” in order to create a council which is ready for the challenges of the future. The programme is a key component in delivering the council’s ambition to be “bold and progressive”. It will enable delivery of all of the corporate priorities and is at the heart of delivering the priorities to:
 - Deliver a digital Watford to empower our community
 - Secure our own financial future

5.0 Introduction to the Watford 2020 Future Operating Model

- 5.1. Watford 2020 was initiated to develop and implement a new operating model for Watford Borough Council. An operating model is a model of the future organisation - its working practices and processes, its structure and organisation, the information it requires and the infrastructure and technology that supports its operations to deliver the vision statement.

- 5.2. The proposed operating model for Watford Borough Council identified how different layers of the organisation work together as efficiently as possible to provide the best possible service to customers. It is not an organisational structure but focuses on simplifying the operations of the organisation, breaking down silos between service areas and ensuring that cross-organisational working can be successfully implemented.

6.0 Introduction to the Watford 2020 programme outline business case

- 6.1. The notification from Central Government that the revenue support grant would be withdrawn entirely by 2020, leaving the organisation with a potential financial shortfall of £3m, made Watford 2020 not just an ambition, but absolutely necessary. The Watford 2020 programme was subsequently tasked with raising revenue or finding savings of at least £1m by 2020.
- 6.2. The business case successfully identifies where these savings can be made or revenue raised and the resource required to deliver them. All savings identified in the outline business case can be achieved without any reduction of existing services to residents, businesses and customers of the council.
- 6.3. The business case identifies that to deliver the council's transformational objectives and an on-going annual baseline budget reduction of £1.21m requires a total investment of £1.92m, which is anticipated to give a return on investment (i.e. net benefit) in 2020/21 (during year 3 post initiation of the transformational change which will be initiated following approval of this business case).
- 6.4. Of the £1.92m implementation costs an additional £879k of funding is required across the two year implementation period.
- 6.5. The analysis and review work undertaken to date confirms there is a clear business case to proceed with the next stage of Watford 2020. The outline business case, however, simultaneously demonstrates the council's commitment to service transformation, rather than a programme driven purely by the need for on-going financial sustainability. Alongside this requirement to make financial savings has been the acknowledgement that the council needs to improve its digital offer for customers (residents and businesses), both of whom often expect to access services and communicate with the organisation outside of the usual office hours. The corporate drive to further develop the council's use of digital solutions, both customer-facing and back-office, is demonstrated by the inclusion of a digital agenda in the council's corporate priorities. The organisation is subsequently in a position where it needs to offer additional channels and digital integration without increasing the level of continuous resource or annual operating expenditure. However, the two are not mutually exclusive and Watford 2020 seeks to apply the council's 'bold and progressive' approach to the programme acknowledging that both commitments are an opportunity to improve services to customers whilst introducing significant efficiency. Many of the opportunities identified within the business case rely upon

the investment in digital infrastructure and solutions not only to improve efficiency and therefore financial sustainability but also to significantly enhance the service for customers.

- 6.6. In addition to the Watford 2020 programme there will be some other complementary projects which may wish to be undertaken, which complement the vision and delivery of the programme. It is proposed that an additional budget of £150k is created for these projects, which is managed by the Programme Management Board (PMB).

7.0 Introduction to the Watford 2020 implementation plan

- 7.1. As referenced in the Introduction, the programme is transformational and intended to create a council which is ready for the challenges of the future. This is not a simple exercise and there are a number of gateways that are essential throughout the life of the programme to ensure that the programme's business case remains valid and delivery remains aligned to the realisation of the vision and objectives of the programme.
- 7.2. To provide this control and scrutiny the programme has been organised into Tranches, which group activity (projects) of a similar nature and will conclude at defined points when a formal review and authorisation to proceed will be required.
- 7.3. Tranche 1 included the Service Innovations - High-Level Design work which commenced in July 2017 and was tasked with delivering the three documents contained within Appendix A of this report:
- Design of the future operating model in accordance with the design principles (covering processes, people, commercial opportunities and technology / infrastructure) for the council across all services identifying required changes, the benefits of these changes and the technology / infrastructure required to enable the changes
 - Outline Business Case demonstrating the benefits that can be delivered through implementation of the future operating model, the cost of implementation and the assumptions made
 - Implementation Plan to identify when and how changes can be made and therefore when benefits can be realised

As outlined above, these three deliverables require sign-off by Cabinet prior to the initiation of Tranche 2.

- 7.4. Tranche 2 will be the detailed design and implementation of the changes identified in the Watford 2020 outlined business case. This is the truly transformational part of the programme and will see the high-level design being developed into detailed designs and implemented for all areas of the organisation. It is this tranche in which the benefits of the programme will be realised as commercial ideas are progressed,

digital infrastructure is utilised and efficiencies are made. Through the detailed design work, detailed cost and data analysis will enable the Outline Business Case to be developed into a Full Business Case describing the benefits that should/will be delivered.

- 7.5. The indicative implementation plan is included in Appendix A and outlines how each service will undergo a process of detailed design, build and then implementation. The plan spans the 2018/19 and 2019/20 financial years and provides a high level view of when the transformation will impact different parts of the organisation. The plan has been specifically formulated to group closely related services together so that maximum benefit can be derived from similar services impacted by corporate changes. This means that where changes impact more than one service, replication of work can be avoided and benefit can be taken as soon as possible.

8.0 Implications

8.1. Financial

- 8.1.1. The delivery of Watford 2020 will initially incur a substantial additional one-off cost of £1.40m to enable the transformation to take place. These costs are summarized in the table below:

Transformation costs (£,000)	2018/19	2019/20	Total
Resource - 2020	785	669	1,454
Resource - backfill	32	8	40
IT software	164	46	210
HR - redundancy / pension strain	101	101	203
Communications & marketing	2	3	5
Legal	2	1	3
Training	3	3	6
Total	1,088	832	1,920
Existing budgets	-520	0	-520
Additional one-off budget needed	568	832	1,400

- 8.1.2. These one-off costs will enable changes that will also lead to improvements in the Councils recurring financial position. These will mainly occur through cost savings and extra income, and achievement of these will also incur new recurring costs needed to fund the different ways of working and service delivery. These financial changes and their anticipated incidence until 2022/23 are summarized in the table below:

Budget implications (£000)	2018/19	2019/20	2020/21	2021/22	2022/23
Total cost savings	-134	-673	-1,030	-1,105	-1,140
Extra income	-28	-163	-391	-462	-462
Recurring new costs	144	334	392	393	393
Net transformation change to 2018/19 base budget	-19	-502	-1,030	-1,174	-1,209
Transformation and one-off costs	1,088	832	0	0	0
Less existing transformation budgets and carry forward	-520	0	0	0	0
Net cost/income in year	550	330	-1,030	-1,174	-1,209
Cumulative financial impact	550	879	-150	-1,324	-2,533
Cumulative savings target	0	0	-1,000	-2,000	-3,000

- 8.1.3. The table shows that the programme is forecast to breakeven towards the end of 2020/21, by which time it should also have generated recurring savings of over £1m p.a.
- 8.1.4. The initial costs in 2018/19 and 2019/20 will need to be funded as these are not contained within existing budgets. However, the current estimates of the savings generate more than the £1m recurring savings included in the 2020/21 and future budgets.
- 8.1.5. As outlined earlier in the report there are risks contained in the programme in relation to both the costs of the programme and the level of savings/income which will be generated. To help mitigate these there will be a detailed business case developed for each of the ideas which will be reviewed and managed by the Watford 2020 Board. If the costs or savings change significantly from those contained in this report these will be considered by the Board.
- 8.1.6. It is proposed that the additional funding of £879k which is required to fund the programme is found from the Invest to Save (£550k) and Economic Impact (£329k) Reserves.
- 8.1.7. The funding for the additional PMB budgets (£150k 2018/19) will be funded from the Invest to Save Reserve.
- 8.1.8. There are some projects e.g. Unified Communications will be funded from existing budgets and are therefore not included as an additional cost to the business case.

8.2. Legal Issues (Monitoring Officer)

- 8.2.1. The Head of Democracy and Governance comments that whilst there are no legal implications in this report any legal implications will be identified during the development of detailed business cases going forward. It is the intention that some of our commercial ambitions will be delivered via Watford Commercial Services Limited. As not all of the funding required was identified when the budget was set in January the additional funding required will need to be approved by Council.

8.3. Equalities / Human Rights

- 8.3.1. Given the transformational nature of the Watford 2020 programme and, having regard to the council's obligations under s149, an Equalities Impact Assessment has been carried out and is attached to this report as Appendix B.
- 8.3.2. A full Equalities Impact Assessment of all proposed service delivery changes will be presented for each individual service change in advance of implementation.

8.4. Staffing

- 8.4.1. The specific staffing implications of the Watford 2020 programme are not yet known. It is anticipated there will be an impact on staffing once the detailed design of the future organisation has been established with a reduction of approximately 10 posts (which rises to 13 if new posts created purely to generate new income are not taken into account). Any changes to staffing will be conducted in accordance with the organisations approved change management policy and processes.

8.5. Accommodation

- 8.5.1. As outlined in Appendix A, the roll out of appropriate devices for staff enables greater opportunities for flexible working. This in turn is anticipated to allow a compression of working space, releasing capacity in the Town Hall Annexe building and providing an opportunity for the council to drive further income through the lease of another floor in the building, in addition to the ground floor, to the BBC, and the first floor, to the NHS.

8.6. Sustainability

- 8.6.1. As outlined in Appendix A, the Watford 2020 programme contributes significantly to the council's on-going financial sustainability by reducing the annual baseline budget of the organisation by £1.21m by the 2022/23 financial year.

Appendices

Appendix A – Watford 2020 Business Case (including future operating model and implementation plan)

Appendix B – Equalities Impact Assessment

Background Papers

The following background papers were used in the preparation of this report. If you wish to inspect or take copies of the background papers, please contact the officer named on the front page of the report.

- Watford 2020 Cabinet Report of 9 October 2017