

Somerset Council

Scrutiny Committee - Corporate and Resources

7 March 2024



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Corporate and Resources Scrutiny Committee – Approach to Transformation

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Executive Lead Member: Cllr Theo Butt Philip – Lead Member for Transformation and Human Resources

## 1. Summary

- 1.1. An overarching transformation approach is an essential component to creating long-term financial stability for Somerset Council. On the 7 February, Executive considered the approach to transformation and approved the launch of a Voluntary Redundancy scheme as part of a wider programme of activity to reduce the size of the workforce.
- 1.2. The purpose of this report was to establish the approach and principles associated with transformation and change activities across Somerset Council. The report was clear that as elements of the programme are developed these will be brought to the relevant scrutiny committees for consideration and review prior to any formal decision making.
- 1.3. As part of the development of the Transformation Programme, Scrutiny's views are sought on the approach and, the risks and issues that have been identified. In addition, Scrutiny's views are sought on how they can be best engaged in the development and implementation of the programme and its component parts.

## 2. Recommendations

- 2.1. That the Corporate and Resources Scrutiny Committee consider the report presented to Executive 7<sup>th</sup> February and specifically focus on the following –
  - the vision and strategy for the Council wide transformation programme, explaining the rationale, objectives, and expected outcomes of the programme.

- the outline scope of the programme, including the key services and operations that will be transformed, the timeline and milestones for delivery, and the roles and responsibilities of the executive, senior management, and staff involved.
- the risk assessment and mitigation plan for the programme, covering the strategic risks that may arise during the transformation process.
- provide views to officers on the development of a consistent framework for the scrutiny of the programme, specifying the frequency, format, and focus of the scrutiny meetings, the information and evidence required, and the criteria and methods for evaluation and recommendation.
- consider whether there is a need for collaboration and coordination mechanism with other Scrutiny Committees, to ensure that the cross-cutting and service-specific aspects of the transformation are adequately considered and aligned.

### **3. Background**

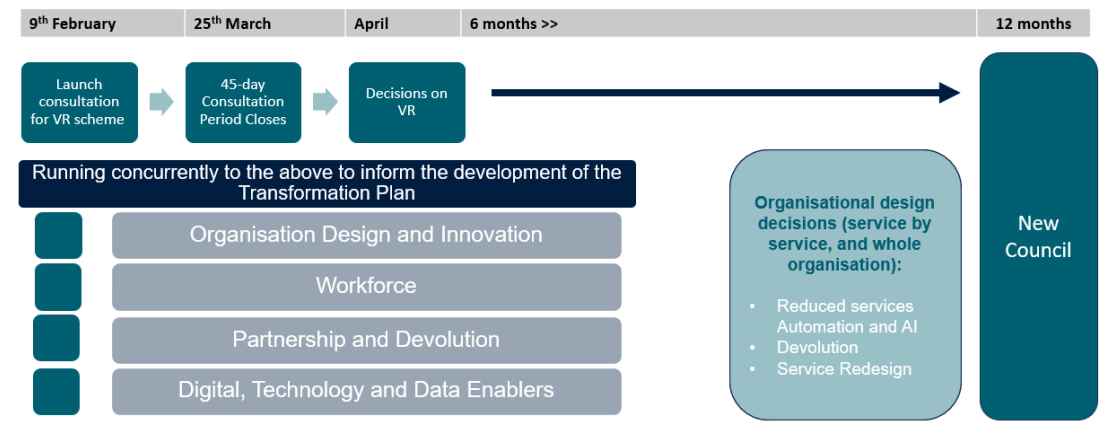
- 3.1.** Somerset Council is a new unitary council, created less than one year ago and faces a very stark and challenging financial position. The scale of the financial challenge is significant and based upon the latest estimates of costs and income, there is a forecast budget gap of £137.3m over the next three financial years. Despite making substantial savings, disposing of assets, using available reserves, and increasing council tax, the council is unable to close the budget gap for 2025/26 without an organisation wide programme of work.
- 3.2.** This report follows those considered by Executive in December 2023 and January 2024. The report explains the need to adopt an approach to transformation to deliver a radically different way of working as a Council, operating with fewer staff, whilst increasing our influence and impact. The Executive has endorsed a new vision for the Council, emphasising a leaner and more productive organisation. There were two aims to the Executive report, firstly to reset the approach to transformation recognising the difference in the scale of the challenge and secondly, to seek support to open a voluntary redundancy (VR) scheme as one the actions we can take to reduce the pay-bill (other interventions are also considered).
- 3.3.** The report set out an approach to whole Council transformation bringing together transformation and change across the organisation to ensure oversight and prioritisation of resources and investment. The Executive report has been included in appendix 1.
- 3.4.** The initial New Council phase of transformation and its component programmes will run concurrently to support delivery of the new Councils vision. The New

Council element will need to deliver at pace with programme activity being delivered from February 2024 and throughout 2024/2025. Given the financial pressure there is an initial focus on the workforce reduction programme as an essential early enabler of organisation redesign and change. Workforce reduction activity will be delivered between February and November 2024.

- 3.5. A Design Authority has been established to provide assurance, guidance, and leadership for the design of the new Council, making sure that decisions on the workforce, structure, and ways of working align to and deliver the strategic vision.
- 3.6. A high-level timeline is set out below -

### High Level Transformation Approach Timeline

This diagram is designed to visualise the multi layered approach that we will take to reach decision points for each service which will run concurrently to the Voluntary Redundancy (VR) process



- 3.7. High-level risks have been identified at this stage of the programme. Detailed risk logs are being developed as each component programme is defined. The high-level risks include:

Description	Cause	Consequence	RAG	Mitigation
Service instability	Unmanaged VR/ High level of CR (Compulsory Redundancies)	Inability to provide essential services to the Somerset residents	15	To have a robust and compliant CR/VR process. Agreed exempt roles and ensuring any CR is backed up by a careful service redesign.  Ensure lessons learned from other VR schemes including Somerset West and Taunton

Insufficient budget for Redundancies	Lack of sufficient funding for the programme	Cannot initiate redundancies without a budget to fund them. Without redundancies, savings associated with the programme will not be materialised	20	The Financial Strategy for the programme is being developed. The source of funding for the programme will be in the strategy
Excessive loss of talent and organisational knowledge	People leaving the organisation ahead of the process or without a proper hand over	Loss of key talent – loss of organisational memory, knowledge, and skills. Inability to deliver transformation.	15	Clear communication and engagement with staff throughout.  Have a process to capture and retain organisational knowledge. Skills audit for transformation delivery.  Phase VR exits between May and November 2024, at pace where practicable.
Damage to Trade Union relations and risk of industrial action	Failure to consult properly and failure to engage	Loss of trust, confidence in management	15	Trade Unions are being involved and engaged from outset and will be part of decision-making process
Value for Money not evidenced	Failure to forecast the costs (including all contributing factors such as pension strain)	Insufficient budget and an extended payback period.	15	Development of an accurate forecast utilising staff pay data, redundancy costs and pension strain (where appropriate).

**3.8** The New Council transformation approach as three initial programmes of work that will run concurrently in 2024/25. Other elements of the programme incorporating specific transformation activities in Adults, Children’s and Place service will be added in as they are developed in the coming weeks and months.

### **3.9 Workforce Programme**

The Workforce programme comprises of 4 workstreams to enable the Council to reduce in size and shift the organisational culture in line with new core values and behaviours. This includes:

1. Workforce reduction and restructuring – eleven key lines of enquiry, including a VR scheme and a full Council structural redesign and restructuring programme to reduce the pay bill by c £40m by 25/26
2. Workforce data, insights, and analytics – establishment control, data led workforce decision making.
3. Pay and Reward – improvements to how we manage Job Evaluation and developing a new Council Pay & Grading framework.
4. Organisational Development and Supporting People Through Change – ensuring the basics are in place to improve employee performance and engagement and ensuring we do change well.

### **3.10 Organisational Redesign & Innovation programme**

This programme will set the direction for the transformation and redesign of the whole organisation, its structure, services, and systems based on a clear vision statement and an agreed set of organisational design principles, to support delivery of a smaller, leaner more financially sustainable organisation. It comprises five workstreams:

1. Organisational and Service Design – development of a new organisational vision, a set of Organisational Design Principles that will inform and guide the design of the organisation and its services, a Target Operating Model that will define how the organisation will operate to deliver its vision and outcomes, and a revised organisational structure.
2. Service Re-Design - a set of service design principles, and a programme of service redesign across the Council.
3. Property Rationalisation – rationalisation of our assets to support transformation of the Council and new ways of working.
4. Governance and Decision Making – streamlined governance and decision-making arrangements across the Council.
5. Technology, data and change capabilities – identification and delivery of the services, systems, skills and capabilities to support change.

### **3.11 Partnerships, Devolution and Localities programme**

This programme comprises three inter-related workstreams aimed at reviewing and transforming how we work with our partners and communities and deliver devolution objectives.

1. Partnerships – understanding, rationalising and refocussing how the Council works with partners including Voluntary, Community, Faith and Social Enterprise Sector (VCFSE), NHS and City, Town and Parish Councils.
2. Devolution – delivering a prioritised programme of devolution activity aimed at sustaining valued local services, mitigating financial challenge and delivering savings.
3. Localities – comprehensive review of all the ways in which the Council works with and in localities, ensuring future arrangements are streamlined, effective and aligned with organisational design principles and Council priorities.

#### **4 Reasons for recommendation**

**4.1** As part of the development of the Transformation Programme, Scrutiny’s views are sought on the approach and the risks and issues that have been identified. In addition, Scrutiny’s views are sought on how they can be best engaged in the development and implementation of the transformation programme and its component parts.

**4.2** It is important that the Council learns from the lessons of the past and builds a future Council that is more sustainable and productive, whilst having to do less with less. The recommended approach to whole Council transformation is designed to be agile, fast-paced, and aligned to the Council Strategy, MTFP (Medium Term Financial Plan) and new core Values. We will be inviting both internal scrutiny and external reviews to ensure that the programme remains transparent and fit for purpose.

#### **4.3 Other options to a ‘whole Council’ transformation approach**

Two alternative options were considered. These were:

1. ‘No Change’ - No change to the organisational structure, service delivery and workforce model. Continue with the original Local Government Reorganisation (LGR) restructuring programme to save c £9.4m over 3 years. This was rejected due to being too slow to realise necessary benefits and the savings being insufficient to close the budget gap in 24/25.
2. Separate Directorate led transformation and change including LGR – This was rejected as again was too slow in delivering the required benefits and would be fragmented with no organisational oversight of approach.

## **5 Links to Council Plan and Medium-Term Financial Plan**

- 5.1** The overarching transformation approach is key to closing the budget gap for 2024/25 and to support long-term financial stability. The workforce reduction programme within the transformation portfolio delivers the single largest financial benefit in 25/26 and is therefore an essential element toward future financial stability.
- 5.2** The ambitions within our Council Plan are enabled by the resources available. Our budgetary position affects the level of impact that can be achieved for our communities. Moving towards a financially sustainable council will help safeguard our ambitions.

## **6 Financial, Risk, Legal, HR, Other, Equalities, Community Safety, Health & Safety, Health & Well-Being, Sustainability and Social Value Implications**

The Committee is asked to consider the specific implications set out in the report Developing the Approach to Transformation and supporting appendices.

## **7 Background papers and Appendix**

7.1 Developing the Approach to Transformation, report to Executive 7th February 2024.

**Note** For sight of individual background papers please contact the report author.