

Decision Report - Executive Decision

Forward Plan Reference: FP/24/01/20

Decision Date - 07/02/2024

Key Decision - Yes



Developing the Approach to Transformation

Executive Member(s): Lead Member for Transformation and Human Resources

Local Member(s) and Division: Applicable to all members/divisions

Lead Officer: Alyn Jones, Executive Director, Strategy, Workforce and Localities

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Summary / Background

1. Somerset Council faces a challenging financial situation, marked by increased service delivery costs outpacing income growth.
2. Somerset Council needs a clear and robust plan to support long-term financial stability. As part of this plan, the pace and scale of current Local Government Reorganisation transition and transformation will need to be rapidly accelerated to deliver a radically different model and way of working as a Council, operating with fewer staff, whilst increasing our influence and impact.
3. The Executive has endorsed a new vision for the Council, emphasising a leaner and more productive organisation. The report sets out an approach to whole Council transformation which will bring together transformation and change programmes across the organisation to ensure whole council oversight and prioritisation of resources and investment.
4. The business case then focusses specifically on the Workforce Reduction Programme, due to this being an early enabler of organisational redesign and change. The workforce reduction programme will not in itself reshape the Council. The other two programmes running in parallel to this activity; organisational design and innovation, and Partnerships and devolution, along with the original vision of the LGR strategy, will shape what a good Council looks like.

5. As part of the workforce reduction programme the council will strive to mitigate compulsory redundancies and will be in regular contact with Trade Unions throughout this programme of works. The council will actively pursue lines of enquiry including removal of budgeted vacancies, reduction of agencies interims and consultants, voluntary reduction of contract hours and review of fixed term contracts to name a few to reduce the cost of the pay-bill. Further lines of enquiry can be found below (page 5).

Recommendations

6. That the Executive
 - a. Note the new approach to whole Council transformation.
 - b. Approve the launch of the Voluntary Redundancy (VR) scheme, and the 45-day consultation period on 9 February 2024, as part of the Workforce Reduction programme.
 - c. Note that the delivery of the VR scheme will be dependent on the current financial strategy.

Reasons for recommendations

7. To ensure awareness of the approach to transformation, noting the structure of the programme and to seek support for the initial phase of workforce reduction, as an enabler for wider whole Council transformation and innovation and to support long term financial sustainability.

Options considered

8. Two alternative options were considered. These were:
 - a. '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.
 - b. Separate Directorate led transformation and change including LGR – This was rejected as again was too slow in delivering the required benefits and also would be fragmented with no organisational oversight of approach.

Links to Council Plan and Medium-Term Financial Plan

9. 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.
10. 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.

Financial and Risk Implications

11. The wider transformation programmes, within the transformation approach, will bring forward individual costed business cases.
12. Depending on the scale of the programme, the cost element relating to the workforce reduction programme (only) is projected to be between £37m to £40m. This will deliver recurring (year on year) pay-bill savings of £40m which includes £8.4m of LGR staff savings from 2025/26 onwards.
13. If DLUHC capitalisation support is not secured the VR scheme will be terminated during the consultation period.
14. Other factors that affect overall budget savings from a VR scheme include a 28% salary uplift for employer's oncosts (NI & Pension). As all staff (with the exception of schools' staff and a small number of exempt jobs) will be in scope of the VR scheme. The detailed data analysis will consider the predicted distribution of VR leavers from across all grades, based on an analysis of 'as is' and optimal spans and layers of control.
15. This is a high-level business case and is too early to accurately outline costs and investment across the whole portfolio of Council Transformation. There are number of influencing factors such as salary cost, number of years of continuous employment, and contractual redundancy terms. However, at this stage the following working assessment has been developed. This requires further review and validation taking into account the factors above.

Average annual salary saving including 28% on-costs	Allowance for redundancy cost including pension strain (where appropriate)	Payback (years)
£42,112	£65,800	1.6

16. Key risks

Description	Cause	Consequence	RAG	Mitigation
Service instability	Unmanaged VR/High level of CR	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).

Legal Implications

17. All HR policies and procedures need to, and will be, followed to be legally compliant and reduce the risk of employment tribunals, reputational damage, and internal workforce disruption.
18. Any changes in the provision of services would be considered through the appropriate decision-making process, including consideration by Scrutiny as the programme develops.

HR Implications

19. The workforce will be significantly smaller as a result of the workforce reduction programme.
20. Somerset Council aims to minimise compulsory redundancies as much as possible, although some will be inevitable as a result of some services stopping or reducing.

21. To mitigate high numbers of compulsory redundancies, the following workforce cost reduction lines of enquiry are being worked on to reduce the cost of the pay-bill:

- Managed and controlled recruitment
- Establishment control
- Removal of budgeted vacancies where a post is not essential.
- Reduction of agency workers
- Reduction of interims and consultants
- Voluntary reduction of contract hours
- Review of Fixed Term Contracts
- Annual leave purchase scheme
- Overtime
- Expenses and allowances
- Voluntary redundancy

Equalities Implications

22. The EIA has been drafted and can be found as appendix B below and is focused on the VR Programme only. Going forward, other parts of the Programme will require individual EIAs to make sure the impact is monitored and considered at all steps of the Programme. There will also be a cumulative EIA for the Programme once all individual EIAs are completed. This will be carried out, reviewed and updated throughout the duration of the Programme.

Community Safety Implications

23. There are no community safety implications associated with this decision. However, any service specific impacts on community safety will be considered separately as the programme develops.

Climate Change and Sustainability Implications

24. Somerset Council have declared both a Climate and Ecological Emergency. Through that, the Council has committed to working towards making the whole county, including our own estate and operations, 'Carbon Neutral' by 2030 and to take positive action to reverse the damage on our natural habitats by man-made activity. We have also pledged to ensure that Somerset is resilient to, and prepared for, the effects of Climate Change. There are no climate change and sustainability implications directly arising from this decision.

Health and Safety Implications

25. There are no direct health and safety implications from this decision. However, any specific impacts and implications will be considered separately as the programme develops.

Health and Wellbeing Implications

26. We recognise that any period of change can be unsettling. Our employee wellbeing programme has a range of resources available to staff to help with their physical and mental wellbeing. As part of the Workforce programme, we will ensure that an extensive communication and engagement approach is maintained, including face to face staff 'marketplace' roadshows across the county.

Social Value

27. There are no Social Value implications directly arising from this decision. However, any specific impacts and implications will be considered separately.

Scrutiny comments / recommendations:

28. The purpose of this report is to establish the approach and principles associated with transformation and change activities across Somerset Council. As elements of the programme are developed these will be brought to the relevant scrutiny committees for consideration and review prior to formal decision making. Scrutiny will also be involved in the process of how the wider transformation is to be delivered, provide insight and challenge.

Background

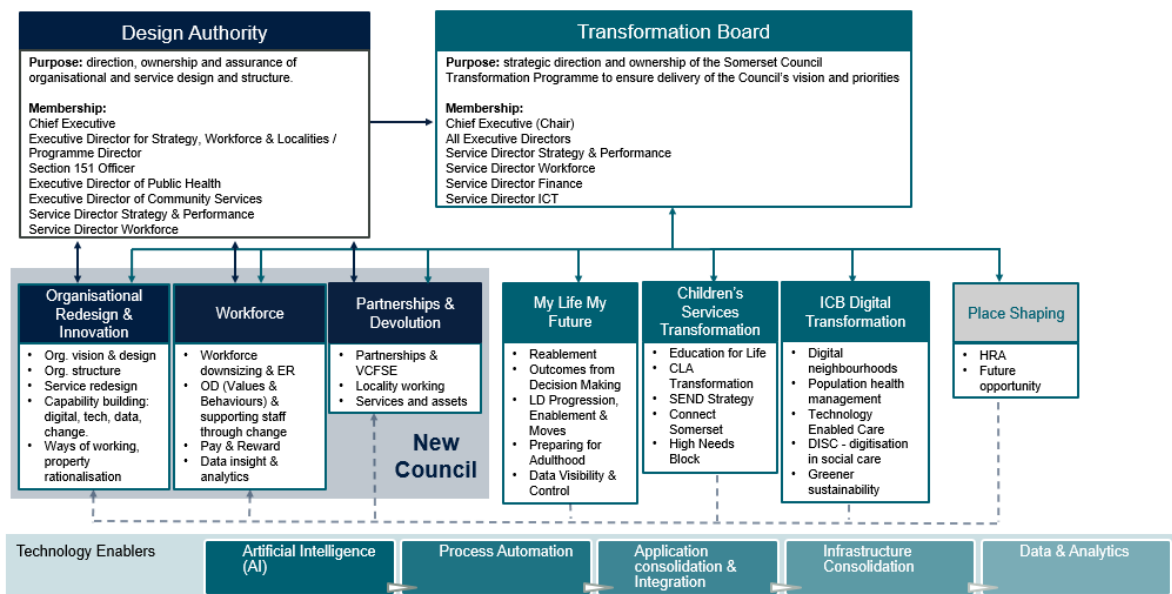
29. The financial emergency facing the council requires a change in thinking around the pace, scale, and structure of transformation to deliver a radically different way of working as a Council, operating with fewer staff, whilst increasing our influence and impact.

30. Executive agreed a new 'vision for a sustainable Somerset Council' and associated organisational design principles on 06 December 2023 which will seek to deliver a new, smaller, leaner, more productive Council.

31. Achieving this vision will be complex and require whole organisation transformation in order to maximise the opportunity of bringing together the five predecessor councils and meet the financial challenge.

32. The new transformation approach will bring together transformation and change programmes across the organisation, under a single approach and governance to ensure whole council oversight, and prioritisation of resources and investment. The diagram below sets out how the programmes that are currently under way (for example, My Life My Future) or under development (for example, Place Shaping) fit in to the overall transformation approach. This diagram outlines the current position:

Somerset Council Transformation Governance Structure



33. Focusing on the New Council element of the transformation approach, 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.

34. All component programmes will run concurrently and coherently to support delivery of the new Council vision. The Organisational Design and Innovation programme will design a more financially sustainable, agile and resilient council for the future to deliver the strategic vision and priorities for the people of Somerset. It will create clarity on what the design principles mean in practice for the decisions that will be made about how the Council is

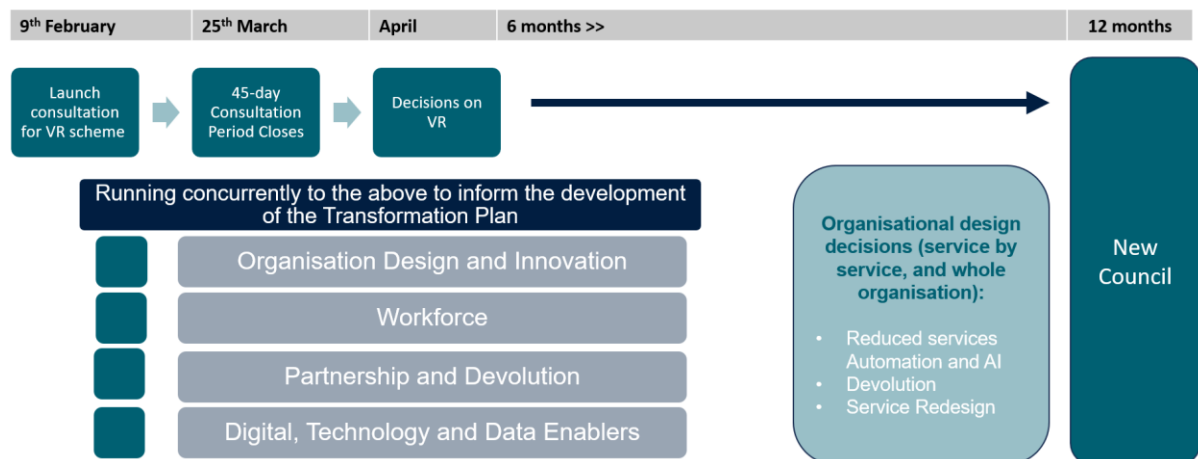
structured and how it will work. This will be captured in a target operating model which will focus on people and skills, organisation and governance, technology, data and insights, process and measures, and partnership and localities.

35. The overall approach will optimise the workforce size and structure through the Workforce Reduction Programme, prioritising operational effectiveness and efficiency while maintaining sufficient capacity to fulfil legal obligations. The Organisational Design and Innovation element in particular will reshape service delivery to meet the evolving needs of the people of Somerset, linking up with the Partnership and Devolution programme to maximise collaboration and partnership working, and seek to devolve services and assets where appropriate.

36. Included below is a high-level timeline diagram which seeks to visualise the multi-layered approach that will be taken to reach decision points for each service which will run concurrently to the Voluntary Redundancy (VR) process.

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



37. Other approaches to transformation and change have been considered, and are referenced within the business case, but were rejected as being too slow to realise the necessary benefits required, reinforcing directorate led change and silo working as well as lacking cross-organisational oversight and approach.

38. Given the financial pressure there is an inevitable initial focus on the workforce cost reduction as an essential first step in the wider Council transformation approach.
39. The Council needs to deliver substantial workforce savings from staffing reductions, and from the keys line of enquiry including reducing the use of agency staff and deleted vacancies, where practicable. This includes LGR (Local Government Reorganisation) staff savings.
40. The maximum number of full-time equivalent posts that will be removed equates to c.20-26% reduction of the whole workforce, however job losses will be reduced by removal of budgeted vacant posts where practicable, and removal of other pay-bill savings from the in-year workforce savings initiatives.
41. It is proposed that a Voluntary Redundancy (VR) scheme will commence on 9 February 2024 with a 45-day consultation and concurrent VR application period, closing on 25 March 2024.
42. In addition to minimising the need for compulsory redundancies, other benefits of a VR scheme include the opportunity for the Council's Design Authority (led by the Chief Executive) to define what the future organisational model and structure will look like, and to manage and maintain employee engagement. This allows the organisation, in parallel to the VR scheme, the necessary time to delve into the complexities of organisational design principles, spans and layers of control, and the organisational model and structure. This deliberate approach, evidenced by workforce data, insight, and analytics, ensures that the transformation programme will deliver a planned and timely Council re-design.
43. If approved, VR decisions will be made in April 2024 and staff will leave the organisation between 1 May – 31 July 2024 dependant on the length of their contractual notice period (Pay in Lieu of Notice will only be approved by exception). To enable a smooth and phased transition, the latest date staff will leave the Council on VR will be 30 November 2024.
44. The funding strategy to pay for the VR scheme is contingent on permitted utilisation of Council reserves, the Capitalisation Direction, and the sale of Council assets. The cost of the scheme will be between £37m-£40m in 2024/25 to deliver reoccurring (year on year) pay-bill savings from 2025/26 onwards. If a DLUHC Capitalisation Direction is not secured to support the overall financial recovery strategy, the VR scheme will be terminated during

the consultation period with associated risks to staff morale, trust in leadership and Council reputation.

Background Papers

None

Appendices:

- Appendix A – Draft Business Case for Transformation Programme - [Draft Business Case for Council Transformation Programme v2 141223.docx](#)
- Appendix B - Equality Impact Assessment - [VR Programme Equality Impact Assessment- Jan 2024.docx](#)

Report Sign-Off

Legal and Governance Implications	David Clark	30.01.24
Communications	Peter Elliott	30.01.24
Finance & Procurement	Nicola Hix/Jason Vaughan	30.01.24
Workforce	Dawn Bettridge	29.01.24
Asset Management	Oliver Woodhams	30.01.24
Executive Director / Senior Manager	Alyn Jones	30.01.24
Strategy & Performance	Sara Cretney	24.01.24
Executive Lead Member	Cllr Theo Butt Phillip	29.01.24
Consulted:	Councillor Name	
Local Division Members	N/A	
Opposition Spokesperson	Cllr Faye Purbrick Opposition Spokesperson for Transformation and Human Resources	Sent on 28.01.24
Scrutiny Chair	Cllr Bob Filmer for Scrutiny Corporate & Resources Committee	Sent on 25.01.24