

Internal Audit report – Transformation Programme

Audit Committee

Date: 4th April 2017

Author: Head of Internal Audit

Wards: None

Locality Affected: None

Parishes Affected: None

1. Purpose and Reasons

- 1.1 The Council's Audit Committee has a strategic role to ensure that the Council's assurance framework is operating effectively. To this end it should seek assurance that key areas that contribute to this framework are operating effectively.
- 1.2 Members requested that at least one individual audit report be presented to each meeting of the Committee. Audit Committee selected the Internal Audit report on the Council's Transformation that identified an 'of concern' level of risk to be presented to their April meeting.

2. Recommendations

- 2.1 It is recommended that the contents of the report be noted.

3. Detail

Background

- 3.1 By 2020, the Council has plans to deliver £66m of savings across three areas: Going Local, Building Resilience and Growing the Economy.
 - 3.2 The transformation work had been co-ordinated by the Head of Transformation and Corporate Programmes, reporting to the Head of Finance and Change. A number of enabling functions (Finance, ICT, HR and Change) support service areas in the delivery of the Council's transformation. Separate plans and savings targets are being developed for this work.
 - 3.3 The Head of Transformation and Corporate Programmes left the Council in May 2016. At the time of the audit, recruitment was underway for this post and a new post, Corporate Transformation Manager. Plans are being defined and it is intended to use an "agile" approach to deliver change initiatives.
 - 3.4 This audit was undertaken to provide assurance to the Chief Executive and Board Director: Resources that the risks involved with the Council's change programmes are being managed effectively and efficiently.
 - 3.5 Since the completion of the audit a Head of Transformation has been appointed.
-

Internal Audit report – Transformation Programme

Audit Committee

Date: 4th April 2017

Key findings

3.6 The key findings of the Internal Audit review were:

- The Council's maturity in change and transformation has increased significantly over the last 18 months. A new Vision has been published alongside four Council priorities that align well to the Council's strategic context (i.e. increasing demand for services and significantly reducing central government funding and changing funding model). The Council Plan 2016 to 2020 identifies high-level actions required to deliver the vision and 30 pledges or outputs that will be delivered as part of this. There has been significant investment in change over the last 18 months and the Council's capability and capacity to change has been greatly enhanced as a result.
- The Change Programmes for 2015/16 delivered significant outcomes and savings. A balanced budget position has been consistently achieved, as a result of significant savings delivered each year.
- There has been an unprecedented level of change in the Council, including the transfer of Leisure services and insourcing of ICT services from Capita, insourcing of Learning Disability services from SEQOL and the transfer of the majority of Swindon Commercial Services back to the Council from its status as an arms-length commercial organisation.
- The Council is currently reviewing what has been achieved from the 2015/16 change programmes and is re-defining change activity from 2016 to 2020. It has analysed and has defined the financial challenges it needs to meet. Associated savings targets have been allocated across three themes, to deliver through Going Local, Building Resilience and Economy. An additional plan and savings targets is also being prepared for the Enabling function.
- The Council is going to need to fundamentally change the way in which it works and the services it provides to meet budget challenges to 2020. There are a number of areas identified in this report that the Council will need to address if the Vision is to be delivered and savings achieved.

Key recommendations

3.7 Key recommendations made as a result of the review are as follows:

- The Council's senior leadership cohort needs to agree on a clear direction for change and unite behind this direction to ensure the organisation works effectively and collaboratively towards shared goals. This will require an approach that balances conflicting needs, for example delivering savings in line with required timescales, balancing delivery of both financial and non-financial benefits and ensuring an appropriate approach to engagement is taken in relation to issues being addressed.
- The Council should design and deliver a leadership development programme to help support achievement of wider organisational change.

Internal Audit report – Transformation Programme

Audit Committee

Date: 4th April 2017

As part of this programme, it should define the leadership behaviours, qualities and capabilities that are required to deliver the various elements of the Council Plan and carry out analysis to determine where further recruitment or staff development is necessary. The Council should ensure that collaborative, distributed leadership principles are included in the design of the leadership programme, to help promote innovation, collaboration/systems-thinking and to increase organisational capability and capacity.

- Work to produce the organisational blueprint should be prioritised to ensure the foundations to inform the new phase of change programme definition and design are in place. As part of re-invigorating and rebuilding momentum behind change, the Council should revisit governance arrangements for programmes to ensure that they are fit for purpose. The Council will need to review progress against existing change programmes and determine next steps to define, design and deliver the next phase of change programme delivery. To support this, the Council should seek to re-establish agile, proportionate governance arrangements for programmes based on the level of risk, including:
 - Re-introduction of an effective sponsoring body to direct, monitor and control change programmes, throughout programme lifecycles.
 - An effective process of benefits realisation management that ensures both financial and non-financial benefits are reported and reviewed.
 - Finalising, publishing and cascading a change methodology, to ensure a consistent, minimum standard of governance and process across programmes.
- Alongside the leadership development programme in the Council, a cultural development programme should be introduced, to ensure the Council's culture is aligned to and supports delivery of the Vision and Plan. The programme would need to be wide ranging, but areas of initial significant focus would include:
 - Moving from silo based planning and delivery and introducing a more "system-thinking" based approaches
 - Addressing issues with staff compliance with organisational requirements
 - Developing leadership and management cultures that work in a proactive and collaborative way.
- The Council should produce a resourcing plan for the next 12 months for change, identifying internal and external resources required to deliver programmes and projects and securing resources accordingly. This should include enabling functions, for example ICT support. Different types of change are likely to require different types of support at different times (e.g. specialists vs. more generic change/programme/ project support). Agile

Internal Audit report – Transformation Programme

Audit Committee

Date: 4th April 2017

resource management principles will need to be used to allocate available resources over a number of programmes projects occurring at the same time. This will require central oversight, so that activities can be prioritised and resources allocated appropriately, especially if competing requests for resources are made. This should form part of the role of the sponsoring group recommended in the report.

- 3.8 The report was finalised in November 2016 and is attached as Appendix 1. An update on the implementation of recommendations has been provided by the Head of Transformation. Additional audit testing has not been carried out since the original review.
- 3.9 The Head of Transformation will be at Audit Committee to answer any questions that Members may have.

4. Alternative Options

- 4.1 Not Applicable

5. Implications, Diversity Impact Assessment and Risk Management

Financial and Procurement Implications

- 5.1 There are no direct financial implications arising from this report however the detailed audit report addresses the suitability of internal controls within the systems examined

Legal and Human Rights Implications

- 5.2 Internal Audit is a statutory requirement of the Accounts and Audit Regulations 2015. The Internal Audit service also provides assurance to the Director of Finance regarding the requirements of Section 151 of the Local Government Act 1972.

All Other Implications (including Staff, Sustainability, Health, Rural, Crime and Disorder)

- 5.3 None

Links to One Swindon, Strategic Objectives, Plans and Policies

- 5.4 Effective systems of internal control within the Council will help to ensure that the Council's corporate objectives and those set out in One Swindon are achieved.

Diversity Impact Assessment

- 5.5 Not Applicable

Internal Audit report – Transformation Programme

Audit Committee

Date: 4th April 2017

Risk Management

5.6 Not applicable

6. Consultees

6.1 The Director of Finance (Section 151 Officer) and Director of Law and Democratic Services (Monitoring Officer) are consulted in respect of all reports.

7. Background Papers

7.1 None

8. Appendices

8.1 Appendix 1 – Internal Audit report: *Transformation Programme* (November 2016)

8.2 Appendix 2 – Management update provided regarding implementation of recommendations (March 2017)