KPMG

Review of Local Government Reorganisation and Business Management Programme Implementation

Wiltshire County Council
2008/09 Audit
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AUDIT

Content

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Purpose of this report

The councils in Wiltshire will merge into a new unitary council due to local government reorganisation (LGR) next year. Managing this reorganisation is a significant challenge for the organisations concerned.

A key message from previous reorganisations, both in local government in the mid 1990s and more recently in the NHS, was to start preparatory work early to avoid an adverse impact on the quality of the implementation process. The county council and district councils in Wiltshire are well underway in their preparations for reorganisation, with the authorities working closely together. The aim is to ensure the necessary transitional measures can be quickly effected, protecting the interests of service users and residents and providing both staff and stakeholders with the reassurance and certainty they need.

The operational performance of organisations can suffer during the reorganisation process and immediately post-reorganisation. The potential risks and threats to the maintenance of services and financial management are significant. Wiltshire County Council ("the Council") is also implementing a new Business Management Programme (BMP) as part of the transition programme which involves a new SAP system and related business process, which increases the risks.

We agreed with the Council in June 2008 to review its arrangements for managing the reorganisation process and BMP as part of our 2008/09 audit plan.
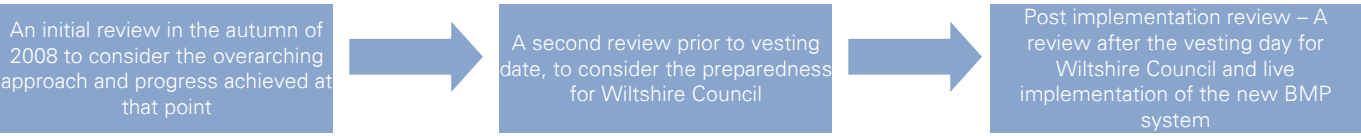
Objectives of the review

We have a responsibility under the Code of Audit Practice to issue a conclusion on the County Council's arrangements to achieve value for money in its use of resources. Our work on LGR and BMP will contribute to this assessment.

Our audit initially assesses the risks associated with the Council's implementation arrangements, particularly in relation to:

• transition planning;

• finance and governance;

• information management and technology; and

• staffing issues.

We agreed with the Council that our work would be completed in three phases, these being:

| An initial review in the autumn of 2008 to consider the overarching approach and progress achieved at that point | → | A second review prior to vesting date, to consider the preparedness for Wiltshire Council | → | Post implementation review – A review after the vesting day for Wiltshire Council and live implementation of the new BMP system |

The first two phases form part of our 2008/09 audit plan and it is proposed that the third phase is included in our 2009/10 audit plan. This report summarises our findings from the first phase of the review.

Our approach

During the months of September and October we met with work stream leads and a number of newly appointed service directors to understand their responsibilities and the arrangements that impact on LGR and BMP. These included a mix of county and district staff and consist of the following:

- Community Leadership & Governance;
- Resources;
- Customer Access;
- Finance;
- Legal;
- Shared Services.

- Frontline Services;
- BMP;
- Human Resources;
- ICT;
- Property; and

We have reviewed a number of your policies and documentation that has been available from your "Wiltshire Council" website. In addition, work stream leads have provided documentation and progress reports on their areas. This report sets out progress that has been made towards Wiltshire Council at a point in time, and does not reflect any progress that has subsequently occurred.

Headline messages

The Council is handling the transition to Wiltshire Council well. There is a significant amount of work that needs to be done for a transition into a unitary and the Council also face the challenges of implementing a new SAP system and a shared service function.

The starting point of the project was set up well with committees being formed and the implementation of Project Initiation Documents which had responsible individuals assigned to them at each stage of the transition. This has now moved on, with the appointment of Service Directors who ultimately are taking responsibility for their service area. The transition process is now operating under the Council's new senior management structure rather than the previous project work streams, and this will support future decision making and change.

The staff regulations were issued in June 2008 and the Council appointed all their Service Directors apart from two of them by the end of July 2008. The Council has started to make progress on setting up detailed department structures and job descriptions. There remains a significant amount of work still to be performed in this area but we are pleased to report that progress is being made.

The staff we spoke to are not only working on the Wiltshire Council project but also performing their "day jobs" as well. This presents certain challenges, but staff were very motivated and open to KPMG on the status of their service areas. It was evident that the "buy in" from the staff at the county and district councils is now strong.

Now that the Council is moving into the final stage of the programme, it has already started to identify critical paths and items. Inevitably, as the deadline approaches, some elements of a large programme like this will not run to plan. The Council will need to monitor progress against critical items closely and take prompt action to overcome or work around problems areas.

We have set out our detailed findings in section three, but our key findings are summarised below.

Summary of key findings and conclusions

What we reviewed	Findings and conclusions
Transition	Areas where you have made good progress: ✓ Set up of LGR project board and the detailed structure on different work streams and identifying responsible individuals. Structure of the Joint Implementation Team, Implementation Executive Committee and Scrutiny Committee is established and process for reviewing progress reports and other proposals is working well. ✓ Critical Path Analysis has been set up which sets out critical detailed points that must be in place for 1 April 2009. This is being monitored regularly by a team of staff and actions are being cleared off the list. ✓ Customer access has progressed well with phone numbers being set up, the election line in place, and training of customer service staff has taken place on the different areas of services within Wiltshire Council. Areas where further action is required: ● Wiltshire Council needs to consider its service delivery options and identify its strategic approach to delivering certain services where it may inherit variations in the nature and scale of provisions e.g. waste, planning, leisure facilities. However, these are medium term decisions, so in the short term what is important is that the council starts the process of considering its options. ● The accommodation policy needs to be agreed as Wiltshire Council will have over 1,000 buildings in its portfolio. External consultants have been working with the Council in reviewing the various property options available and the outcome of their report will form key decisions for Wiltshire Council.

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Executive summary *(continued)*

What we reviewed	Findings and conclusions
Finance & Governance	Areas where you have made good progress: ✓ Detailed reviews have been taking place on revenue and capital spending for 2008/09 for the districts and County Council. Capital spending is being challenged by project teams to ensure that projects are viable and that funds are available to develop and maintain them. ✓ The budget for 2009/10 for Wiltshire Council has started to progress and information has been built up from the districts and county council to start the budgeting process. Regular meetings with finance leads from all the authorities and workshops have been held to pick up any issues/concerns from the demising councils. ✓ Consideration has been given to accounting policy differences, for example the varying capitalisation thresholds and how to harmonise these into one approach for 2009/10. ✓ Internal audit at the County have been managing themselves as a virtual team with the district internal auditors. Staff have been flexible in their working arrangements in order to help other councils deliver their Audit Plans for 2008/09. ✓ A new election service has been set up and is in place for the elections in June 2009. Areas where further action is required: ● Since our fieldwork an approach to monitoring the annual savings and efficiencies that will be gained from Wiltshire Council has been agreed. Transitional costs are being reported by exception to the Implementation Executive Committee. We suggest that as the transition approaches and passes it becomes more important to report comprehensively on the financial aspects of savings and costs and not just by exception. ● Due to the change in the boundaries, a number of Area Boards need to be set up. Decisions need to be made on how they will operate as this also affects the setting up of the new Constitution for Wiltshire Council. ● Decisions on training existing council members on planning and licensing regulations so that they can attend and fulfil their responsibilities at meetings.
Information Management & Technology	Areas where you have made good progress: ✓ The Information Management and Technology part of the project is being appropriately project managed and is making good progress. ✓ There is good evidence of appropriate oversight of the programme by Directors and Members. ✓ Clarity over staffing of posts in Wiltshire Council is now improving. Areas where further action is required: ● A flexible approach to tracking critical issues and timely decisions will be needed by LGR committees to overcome inevitable problems and shortfalls. ● Wiltshire Council will need to plan for resource pressures after Day One (e.g. first six months) by anticipating problems, monitoring performance and responding appropriately.

What we reviewed	Findings and conclusions
Staffing issues	Areas where you have made good progress:
	✓ A clear approach has been agreed and is in place for the appointment of the new Chief Executive for Wiltshire Council.
	✓ There has been good communication and regular meetings held between the demising councils and trade unions on staffing issues.
	Areas where further action is required:
	● We recognise that Wiltshire Council has set out the overarching departmental structures for Wiltshire Council. Wiltshire Council needs to set up detailed department structures and job descriptions for all staff, we understand that the Legal department has started this already. There remains a significant amount of work still to be performed in this area.
	● As a result of the above, Wiltshire Council is still unsure on the number of redundancies and severance payments that may be required and how these compare against the budget set out in the original bid.
	● The appointments process has been developed and at the time of our review was close to being finalised. An appointments procedure needs to be approved so that job descriptions, pay and terms and conditions can be agreed.
	● A process for pay harmonisation needs to be agreed and in place as there are currently five different systems in place across the demising councils.

Approach for January 2008

We presented our detailed findings in our feedback meeting with Ian Cook the Corporate Programme Office Manager for the LGR. Following this, we have worked with you to identify and agree an action plan for areas that we intend to take forward to our January 2009 review. The key areas relate to:

● Reviewing the progress against critical path analysis for the LGR and BMP project.

● Review of the Benefits Realisation Plan.

● Review of arrangements to ensure Value for Money for the provision of services under the new council structure.

● Review of planning analysis for post 1 April actions and monitoring for unexpected problems.

In the next section of this report we set out details of the progress Wiltshire Council has made to date. We have also identified some of the next steps Wiltshire Council need to address. We have not made any specific recommendations on these general points, as Wiltshire Council will already be aware of many of these and actively managing them. However, it is important that the Council considers whether there are any specific actions it should now take in light of our report.

The following table sets out the progress you have made to date and also identifies the areas which require further action.

Transition	Progress to date	Areas requiring further action
	✓ We have reviewed the LGR governance arrangements for the County and in particular the Implementation Executive and JIT minutes, to ensure that regular meetings take place and progress reports are being issued. ✓ We have reviewed a number of Project Initiation Documents that were set up on the old work stream method. These demonstrate good arrangements for each of the specific areas that needed to be considered and a number of key deadlines and objectives for teams to meet. The specific details and issues have now been handed over to the relevant Service Directors.	• The original bid set out the requirement for a Gateway review to be performed prior to transition. This has not been performed. Consideration needs to be given as to when this is going to take place and to ensure that there is adequate time to implement any recommendations coming out of the review.
	✓ We have reviewed the Critical Path and Day One Plan. This was introduced in July 2008 and is being monitored by Mark Stone the One Program Manager on the key areas that need to be in place on 1 April 2009. Regular meetings are taking place to monitor and action these key risks and ensure that the list is reducing.	• Continue to hold regular meetings to address and update the Critical Path for implementation on 1 April 2009.
	✓ Management has identified that an accommodation strategy needs to be put in place for the next 10 years as Wiltshire Council will have approximately 1,000 buildings in its portfolio. In addition, the new Council will have to make some key decisions in rationalising its portfolio and reviewing the financial impact of this in order to achieve the savings which were set out in the original bid.	• An accommodation policy needs to be in place. External consultants have been advising the County on its property portfolio and the Implementation Executive Committee are waiting for their findings. Planning requests are being received from the districts and all requests are currently on hold until the policy has been approved. This will need to be considered by Wiltshire Council on how to implement the new strategy.
	✓ Salisbury District Council has an accommodation issue as the current offices are not "fit for purpose". A shop unit has come up for sale which is opposite the current Council office which, after some planning and design work, has been judged suitable for a new reception and meeting areas for the public.	• Wiltshire Council will need to purchase the shop opposite Salisbury District Council as soon as possible. Planning consent and modification work will need to be carried out by April 2009 in order meet the Council's deadline.

Transition *(continued)*	Progress to date	Areas requiring further action
	✓ From 1 April 2009 Wiltshire Council will have a number of services inherited from the district councils not previously county functions for example, planning, housing, leisure and waste. The Council needs to consider its service delivery options and identify its strategic approach to delivering these services, in order to address current differences in the nature and scale of provision. Work is progressing in these areas.	● Consideration should be given to these different service areas as early as possible, whilst recognising short term factors that may delay any decisions (e.g. contractual issues, the need for policy clarity from the newly elected Wiltshire Council etc). A long term strategy on these arrangements also needs to be considered. This will ensure that the public are aware of any new arrangements that affect their area.
	✓ Good progress has been made in setting up new telephone numbers for Wiltshire Council and new election lines. In addition, work is progressing well in relation to access and navigation around Wiltshire Council website which will soon come into force. ✓ Workshops are being held to train customer service staff who will be the public's first point of contact at Wiltshire Council offices. A number of workshops have already been held and the rest are due in Jan-March 2009.	● There remains a lot of training and many workshops that need to be delivered by March 2009. Staff providing the training and preparing the scripts still have to do their day jobs as well as fitting in Wiltshire Council responsibilities. The Implementation Executive Committee needs to ensure that there is adequate time for these areas to be delivered within the agreed deadlines.

Finance & Governance	Progress to date	Areas requiring further action
	✓ The finance team at the County are currently reviewing the capital and revenue spend of each district council to ensure they are aware of all committed funds. A policy is due to be set up on the process the districts will need to go through in order to commit to projects in their areas.	• A policy needs to be adopted as soon as possible which will allow any necessary projects to proceed on a timely basis.
	✓ Internal Audit will be performing some audit work around safeguarding of assets which is part of their 2008/09 audit plan. They have also been working with the district internal audit teams to ensure they perform some work regarding verification of assets up to 31 March 2009.	• Internal Audit are to produce their findings report on asset verification as part the delivery of their internal audit plan. They also need to obtain an update from the district councils on their progress.
	✓ The implementation of the SAP project is currently underway and includes setting up the chart of accounts and cost centre codes.	-
	✓ Internal Audit at the County has been working well with the district councils and have provided some resource to Kennet District Council in order to help the delivery of its agreed audit plan for the year. This was due to Kennet seconding a number of internal audit staff to the BMP project. ✓ Internal audit has started to provide training to county and district internal auditors in relation to audit areas that will be new to either set of staff (e.g. schools, council tax, benefits, etc).	-
	✓ Close down procedures for the year end are being considered for both the County and district councils.	• Close down planning arrangements need to be developed to reflect the fact that there are multiple organisation involved.
	✓ Work has been progressing in consolidating a Wiltshire Council budget for 2009/10. Currently, base line budgets for 2008/09 from the districts and County have been gathered and reviewed. Regular discussion groups are being held with a range of key management from both the districts and County on any issues/concerns over the budget process and setting up of the new budgets.	• The budget for 2009/10 needs to be compiled before March 2009 in order for Wiltshire Council Board to review and make decisions accordingly. Once the budget has been agreed this will form the basis of the Medium Term Financial Strategy which will need to be set up by Wiltshire Council.

Finance & Governance *(continued)*	Progress to date	Areas requiring further action
	✓ The Original bid stated annual savings of £18.1m would be achieved over the first three years of Wiltshire Council. Processes for capturing the savings are being developed. ✓ The SAP application is an enabler for the efficiencies that are intended to be generated from the setting up of shared services (HR, Purchasing and Finance). Logica, the SAP system integrators, have developed a savings plan for the BMP project which has a mix of LGR and BMP costs.	● We suggest that as the transition approaches and passes it becomes more important to report comprehensively on the financial aspects of savings and costs and not just by exception
	✓ From the original bid, transition costs of £17.3m have been estimated during the first three years of Wiltshire Council. We are aware that Wiltshire Council has recently received a progress report of the actual costs.	● We are aware that actual transition costs are reported by exception to the Implementation Executive Committee. As the go live date grows nearer actual costs should be reported to the Committee on a more regular basis. Focus will then need to be given on the transition costs incurred after the go live date.
	✓ We understand that the new constitution is in the process of being drafted. The County Council's existing constitution will form the basis of Wiltshire Council constitution although where appropriate this is being supplemented by aspects of the district councils' constitution as well. ✓ Due to the changes in boundaries within Wiltshire the Area Boards framework will need to be fed into the constitution.	● The constitution needs to be fit for purpose for Wiltshire Council, which includes a scheme of delegation, standing orders and financial regulations. ● The Area Board framework has not yet been drafted and there is still a lot of work that needs to be done in order for the new constitution to be ready for 2009.
	✓ Internal Audit is currently working on developing their terms of reference, internal audit plan for 2009/10 and structure of the department. ✓ Internal Audit has set up a core working group which involves internal audit staff from the district and County Councils on reviewing their methodologies. ✓ Consideration is also being given to the structure of the Audit Committee and whether two Committees (Finance Committee and Audit Committee) should be set up for Wiltshire Council.	● Internal Audit needs to finalise an audit methodology and detailed audit plan as currently there are five different ways of managing internal audit assignments. Harmonisation is required for internal audit reports, audit opinion given and documentation standards. ● These Committees will need to be set up in accordance with the CIPFA guidelines and the right membership needs to be in place for both committees.

Finance & Governance *(continued)*	Progress to date	Areas requiring further action
	✓ A new election service has now been set up. A number of staff were seconded to work on the project. This involved reviewing the data and once "clean", migrating this into one database.	-

	✓ There is currently a lot being delivered by staff in relation to promoting Wiltshire Council within communities. In particular, initiatives are being delivered on:
	
	  ✓ How to encourage the public to become a councillor for Wiltshire Council.
	
	  ✓ Induction programmes for political parties that wish to nominate.
	
	  ✓ Events around the areas on discussing issues/projects/community plans.
	
	  ✓ Seminars at Parish and Town Councils on briefing councillors on the changes.
	
	  ✓ Development of an "issues book", film and handbook which will be delivered to local communities on key issues and area boards.
		• Wiltshire Council has recognised that there may need to be a change in culture for councillors especially in the way they will all be required to work together. The Council has been working with a number of external parities on developing some of these initiatives. Some of the initiatives are still to be delivered and the outcomes need to be fed into the relevant committees for their consideration.

	✓ Wiltshire Council has agreed to set up area boards within Wiltshire. These areas board will be committed to ensuring that local people have the opportunity to get involved in making decisions about the areas in which they live. In order to help the council prepare for this, a number of pilot area boards will need to be set up with the help of external organisation.	• Staff are currently setting up 12 pilot area boards within communities to ensure that local people are able to have their say. • The results of their findings will need to be fed back into Wiltshire Council Committees and a framework will need to be agreed on how the areas boards will be run and how they will be structured.
	✓ On 1 April 2009 District Councillors will cease but the County Councillors will continue in post until the June 2009 elections. There are planning and licensing regulations that need to be enforced during this period and a significant number of planning committees that require attendance.	• Adequate consideration needs to be given to how this is going to be dealt with during the interim period. This includes considering the training requirements for the remaining councillors in areas that they may not be familiar with.

Detailed findings and Action Plan *(continued)*

Finance & Governance *(continued)*	Progress to date	Areas requiring further action
	✓ A draft organisational structure on the legal team has been taken to the Joint Implementation Team for consideration. This merges five different teams into one which we understand is in line with budget. ✓ The Heads of Legal at the districts and County Council meet on a regular basis to raise and discuss any emerging issues. ✓ There is also a process in place for all regulations which have been issued to the County. A record of the regulations which have come into force and departments who have been notified are kept, to ensure that all regulations are being address and dealt with promptly.	-
	✓ County Hall will remain the main seat of Governance for Councillors and their meetings for Wiltshire Council. Minor internal work needs to be performed at County Hall in order to create additional space, which has been budgeted for. This is due to be completed by March 2009.	-

Information Management & Technology	Progress to date	Areas requiring further action
	SAP ✓ The implementation of the new Financial Management System is progressing on time and to specification. ✓ The supplier (Logica) arranges for internal "independent" reviews of the project at the end of each stage. ✓ The Council has commissioned the National Computing Centre to provide independent reviews of the SAP project. ✓ The reports of these reviews were of good quality and indicate no "show stopping" problems.	• Arrange further independent reviews of the SAP project. • Include the exception findings of the reviews in the project issue log and ensure the issues are addressed.
	✓ There is a project management structure in place of project plans, reports, risk log and issue log.	-
	✓ The project is now in the implementation stage and this will be more challenging and require more intensive use of staff resources for configuring and testing the new system and being trained in its use. ✓ The issue log functions as a list of items to be done.	• Progress on critical tasks should be monitored and reported.
	✓ The risk log is reviewed on an exception basis when a risk has changed in some way. There is no reporting on all risks and particularly risks that are high but have not changed since the previous review.	• High risks in the risk log should be reviewed regularly.
	✓ The SAP development team are secondees and need to be available for roles after day one in order to support / develop the system.	• Consider ongoing support arrangements after the go live period.

Information Management & Technology *(continued)*	Progress to date	Areas requiring further action
	ICT cross cutting projects ✓ Reporting, meetings and governance structures are in place for the ICT general projects. ✓ Reports indicate that good progress is being made. ✓ Engaged and knowledgeable project management and project team members are following progress closely. ✓ Status of the project does not directly link to the status of component activities.	• The reporting of progress to oversight committees should based on critical success factors and the critical path as well as more detailed actions and exceptional events.
	✓ Good use of project management reporting from the level of teams implementing different aspects of the project up to a Director level oversight group.	• We noted some minor inconsistencies between documents mostly where they are not fully completed. These have been raised with the project manager.
	✓ The project manager had already recognised the need to focus on key critical success factors and critical path items.	• As the deadline approaches the oversight of the project needs to focus on these critical items. This will allow for decisions to be made about the priority of the different items, should resources become stretched as the deadline approaches.
	Shared Services project ✓ This is one of the key elements for gaining benefits for the public. ✓ A paper on the realisation of benefits has recently by presented to members and approved. ✓ The status of the project is informally assessed as "Green" which is based on a view of the progress being made towards Day One operations and with the SAP project.	-
	✓ A more formal progress assessment focused on key outcomes and their supporting activities will be useful for tracking and prioritisation.	• Identify critical success factors and their critical path. Monitor and report on these project elements.
	✓ Shared services are an important enabler for the wider organisational changes and benefits. This will impact the resources required post Day One to support the wider organisation as it restructures.	• Identify additional demands from departments in the first few months of Wiltshire Council and plan accordingly.
	✓ Internal Audit has been actively involved in the BMP element of Wiltshire Council. It has been involved in reviewing proposals for the new system and the controls that should be in place.	-

Staffing issues	Progress to date	Areas requiring further action
	✓ The County's website contains a significant amount of information in relation to Wiltshire Council, for employees and the public to view.	• Wiltshire Council needs to ensure that clear and continual communication is provided to all staff on staffing arrangements and redundancies.
	✓ A clear approach has been agreed by the Joint Implementation Team on the appointment of the new Chief Executive for Wiltshire Council. Wiltshire Council has agreed that the position will be advertised nationally and an appointment will be made by 31 March 2010.	• Wiltshire Council has commissioned external advice on the terms of appointment for the Chief Executive position. This report is due by the end of January 2009 and will need to be considered by the Implementation Executive Committee.
	✓ The staff regulations were issued in June 2008 and the Council appointed all their Service Directors apart from two of them by the end of July 2008. The Council has started to make progress on setting up detailed department structures and job descriptions.	• All the Service Directors have now been appointed. Priority should be given to agreeing and formalising structures and staffing requirements of each of the departments.
	✓ Good progress has been made in "re-sizing" of jobs and this continues to take place.	• Re-sizing of jobs and appointments procedures need to be approved so that job descriptions, pay and terms and conditions can be agreed.
	✓ Severance payments and redundancy policies have been approved. ✓ Harmonisation of pay need to be address as currently there are five different systems in place. Regular meetings with trade unions have been taking place and they have been consulted throughout the process.	• The original bid allocated £7m for severance payments and redundancies. This needs to be reviewed to ensure that the Council is aware of what the actual costs are likely to be. • A process for harmonisation of their pay needs to be agreed in order for Wiltshire Council to harmonise.
	✓ The BMP projects will require additional staff time for designing, testing, implementing and training on the new system.	-