

Merton Council

Overview and Scrutiny Commission - financial monitoring task group

Task group members

Councillors:

Stephen Crowe (Chair)
Nigel Benbow
Edward Gretton
Natasha Irons
Paul Kohler
Owen Pritchard
Peter Southgate

Thursday 29 August 2019 at 7.15 pm
Committee rooms D & E - Merton Civic Centre, London Road,
Morden SM4 5DX

Agenda

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| 1 | Apologies for absence | |
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| 5 | Financial monitoring report - Quarter 1, 2019/20
To be sent separately to task group members as an exempt document until report has been cleared for public publication. | |
| 6 | Dates and agenda items for future meetings | 13 - 14 |

Contact for further information about the task group meeting:
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Agenda Item 3

All minutes are draft until agreed at the next meeting of the committee/panel. To find out the date of the next meeting please check the calendar of events at your local library or online at www.merton.gov.uk/committee.

OVERVIEW AND SCRUTINY COMMISSION - FINANCIAL MONITORING TASK GROUP

17 JULY 2019

(7.15 pm - 9.15 pm)

PRESENT: Councillor Stephen Crowe (in the Chair),
Councillor Nigel Benbow, Councillor Edward Gretton,
Councillor Natasha Irons, Councillor Paul Kohler,
Councillor Owen Pritchard and Councillor Peter Southgate

ALSO PRESENT: Caroline Holland (Director of Corporate Services), Roger Kershaw (Assistant Director of Resources), Bindi Lakhani (Head of Accountancy), Zoe Church (Head of Business Planning), David Keppler (Head of Revenues and Benefits) and Julia Regan (Head of Democracy Services)

1 ELECTION OF CHAIR (Agenda Item 1)

Councillor Stephen Crowe was unanimously elected as Chair. As Councillor Natasha Irons had joined the task group subsequent to the publication of the agenda, the Chair welcomed her to the meeting.

The task group AGREED to record its thanks to former task group members Councillors Aidan Mundy, Eleanor Stringer and David Williams for their contribution last year.

2 APOLOGIES FOR ABSENCE (Agenda Item 2)

There were no apologies for absence.

3 DECLARATIONS OF PECUNIARY INTEREST (Agenda Item 3)

There were no declarations of pecuniary interest.

4 MINUTES OF LAST MEETING - 4 APRIL 2019 (Agenda Item 4)

The minutes were AGREED as an accurate record of the meeting, subject to the following amendments:

Item 7 – penultimate sentence of the second paragraph should read “Research into the private rented market found that the long term modelling is comparable to that used by Merantun”.

Item 7 third paragraph final sentence to be replaced by “Although Merantun was not set up to build affordable housing, the intention is to deliver as close to 40% as would be expected from any other developer.”

ACTION: Head of Democracy Services to amend and re-publish minutes.

5 BUDGET OUTTURN REPORT 2018/19 (Agenda Item 5)

The Director of Corporate Services, Caroline Holland, introduced the report and summarised the content.

Revenue budgets

In response to a question about the extent to which overly cautious forecasts by some budget managers are cancelled out by others who put forward unachievable savings, Caroline Holland said that finance officers work closely with budget managers to provide assistance and challenge to improve forecasting and delivery of savings. The Head of Accountancy, Bindi Lakhani, added that there were no significant budget areas in which large budget variances occurred continually and that finance officers question underspends as well as overspends.

Caroline Holland provided additional information in response to questions about service budgets:

Environment and Regeneration

The underspend on waste services was partly due to the council's unexpected involvement in the testing phase of the ERF (energy from waste) facility which led to one-off savings of £1.1k.

Work is underway to improve the IT system for residents to report environmental and other issues and this will be integrated with Veolia's IT systems.

The transport services overspend and associated recruitment issues will be examined as part of the officer review of this service.

Children Schools and Families

Merton is not alone in experiencing a volatility of demand in placement and SEN transport budgets. Officers are examining the offer being made to young adults as a result of the Care Act requirement for responsibilities to continue until the age of 25. Consideration is also being given to the best way to meet the growing demand for special needs school places.

Officers are looking closely at the children's social care budget to assess whether these pressures can be met within budget or whether there is a case for action similar to that taken for the adult social care budget. The Director reminded members of the requirement for the council to set a balanced budget overall.

The negative balance on the dedicated schools grant (DSG) reserve is likely to increase. A number of councils, including Merton, have jointly written to ask the government for additional funding to meet the DSG budget pressures. If this is not successful, the council may be forced to use the General Fund reserves.

Miscellaneous debt update

The Head of Revenues and benefits, David Keppler, introduced this part of the report and drew members attention to the new table at paragraph 3.24 that shows the value of housing benefit overpayments created and collected by year. David Keppler said that the higher amount collected in 2018/19 was partly due to the provision of improved and more timely data from the Department of Work and Pensions so that adjustments can be made to payments and, where applicable, attachments applied to earnings.

Members were pleased to note that the overall collection rate of sundry debt in 2018/19 now stands at 92%.

Reserves

Caroline Holland and Roger Kershaw, Assistant Director of Finance, provided information and explanation in response to members questions.

The approach taken to each reserve will depend upon its purpose and use. Also, the availability of funds for investment or other use, such as creating revenue streams, will depend on provenance and purpose – for example, government grants are generally given for a specific purpose and remain in the reserves budget until spent.

The draft accounts show that the council has £60m investments and sets out the strategy for use. The council considers options to maximise investment income whilst protecting its capital – the housing property council is one way of doing this. The council also uses cash to reduce debt charges on the capital programme. The financing of the capital programme is set out on page 66 of the 2019/23 Business Plan – copies of which were given to task group members:

<https://www.merton.gov.uk/assets/Documents/Business%20Plan%202019-23%20%28Web%20Version%29.pdf>

The council's approach is reviewed quarterly as part of the treasury management strategy and capital programme.

Caroline Holland undertook to include detailed information on funding as part of the task group's deep dive into the capital programme. ACTION: Director of Corporate Services

Narrative Statement

Task group members praised the clear and helpful language used in the Narrative Statement (Appendix 6) and suggested that the text could be used in wider communication to staff and residents on budget issues.

Establishment control and vacancy reporting

Members noted the stability of the data.

In response to a question about recruitment and the offer made to attract staff to the authority, Caroline Holland said that the offer is set out on the council's website and includes local government pension, flexible working and the employee assistance programme as well as information about the council's ambition and reputation.

6 WORK PROGRAMME (Agenda Item 6)

The task group considered the list of suggestions and AGREED to include the following items in its work programme on dates to be advised by the Director of Corporate Services:

- Deep dive review of the future capital programme
- Report on lessons learned from the customer contact contract (report to be circulated in advance of agenda publication so a decision can be taken on whether there would be space for an additional agenda item at that meeting)
- Allocation of grants through the voluntary sector strategic partners programme

ACTION: Director of Corporate Services and Head of Democracy Services

The task group also AGREED to hold the following items in reserve in the order of preference set out below:

- Social care charging – Merton Centre for Independent Living to be invited to attend the meeting
- Review of borough's school PFI contracts

The task group noted that the passenger transport service, Clarion, Veolia and idVerde items would be reviewed by other scrutiny bodies during 2019/20 and that Merantun had been scrutinised in April. These were therefore not prioritised for inclusion in the task group's work programme.

Committee: Financial Monitoring Task Group

Date: 29 August 2019

Wards: All

Subject: Customer Contact Programme (2015-2018) Lessons Learned

Lead officer: Sophie Ellis (Assistant Director Customers, Policy & Improvement)

Lead member: Cllr Mark Allison

Contact officer: Susan Grounds (Corporate Programme Officer)

Recommendations:

A. Discuss and comment on the report

1 PURPOSE OF REPORT

1.1. This report provides the Financial Monitoring Task Group with the Lessons Learned report for the Customer Contact Programme (2015-2018).

2 DETAILS

2.1. As part of the council's methodology for project management, projects are required to undertake a lessons-learned review as part of closing the project down.

2.2. On 20 March 2019 the Overview and Scrutiny Commission received a report following the conclusion of the Customer Contact contract. The Commission requested that officers present to the Financial Monitoring Task Group the lessons-learned report for this programme.

2.3. The report considered by the Commission in March sets out in detail the work of officers in monitoring and bringing the contract to a close and therefore this report does not revisit this but focuses solely on the lessons taken from the review of the programme.

2.4. The review was undertaken by the council's Corporate Programmes Officer who interviewed 16 stakeholders and reviewed project documentation to draw conclusions on what lessons could be learned.

2.5. The resulting report was considered by the Customer Contact Programme Board and the Merton Improvement Board. To ensure that lessons from the programme are learned, a log is maintained by the Continuous Improvement team and disseminated through DMT's and on the Council's internal Project Management site. The Merton Improvement Board has also asked that these lessons are flagged to managers of new projects.

2.6. In considering the lessons put forward, it has been noted that projects and programmes of this scale and with this level of ambition are likely to encounter challenges. IT projects in particular involve a significant degree of uncertainty and therefore improvisation and flexibility over the term of the project is likely to be required.

- 2.7. It may not be possible to completely eliminate these risks as the council continues on its improvement journey, and so it is important that our learning focuses on how to mitigate against these when they almost inevitably arise.

3 ALTERNATIVE OPTIONS

- 3.1. Not applicable.

4 CONSULTATION UNDERTAKEN OR PROPOSED

- 4.1. Sixteen stakeholders of the programme were involved in the development of the lessons-learned report.
- 4.2. The Customer Contact Programme Board and Merton Improvement Board were involved in the development of the lessons-learned report and discussion on how the lessons arising could be disseminated to the organisation.

5 TIMETABLE

- 5.1. Not applicable.

6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 6.1. Contained within the appended report.

7 LEGAL AND STATUTORY IMPLICATIONS

- 7.1. Not applicable.

8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

- 8.1. Not applicable.

9 CRIME AND DISORDER IMPLICATIONS

- 9.1. Not applicable.

10 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

- 10.1. Not applicable.

11 APPENDICES – THE FOLLOWING DOCUMENTS ARE TO BE PUBLISHED WITH THIS REPORT AND FORM PART OF THE REPORT

- Customer Contact Programme (2015-2018) Lessons Learned Report

12 BACKGROUND PAPERS

- 12.1. Report to Overview and Scrutiny Commission 20 March 2019

Customer Contact Programme (2015-18) Lessons Learned Report

1. Outline and aims of the programme

- 1.1 The Customer Contact programme was initiated to deliver the technology and re-designed processes to support the council's Customer Contact strategy, aimed at meeting the changing needs of our customers for access to services, in particular to services accessed via the internet.
- 1.2 The focus was on two key outcomes: to improve service users' experience of accessing council services, and to reduce the cost of those services by encouraging users to self-serve. Responding to enquiries the first time they are raised reduces unnecessary effort for residents together with preventing avoidable work for staff.
- 1.3 In March 2015, the council awarded a contract to General Dynamics IT Ltd (henceforth GDIT) to deliver this technology and support the associated changes in business process design.
- 1.4 The programme was split up into two distinct elements: the Customer Contact projects was to deliver the website and process changes and the Electronic Document Records Management System (EDRMS) project was to deliver an enhanced intranet and file storage solution.
- 1.5 The initial programme budget was £2.8m (for both Customer Contact and EDRMS elements) plus an annual revenue budget of approx £344,000.

2. Project performance: what was achieved?

- 2.1 A new, transactional website was delivered in 2017. This included sections for online reporting and service requests for Waste services, Highways, Property, Leisure, Libraries and Mayor's events. A section for the Complaints department was also included and went live for an initial period, although the council and the provider subsequently agreed a few weeks later to take this off line, pending further fixes.
- 2.2 The provider delivered 55% of the outcomes that were set out in the original requirements specification. They automated, in total, 142 processes.
- 2.3 In addition, a further 78 transactions were either developed or amended for integration with new 3rd party systems as part of South London Waste Partnership (SLWP) Phase C work, separately funded. Data shows that overall an average of 60% of contact is online which continues to rise. The take-up has confirmed that there is a high demand for online services by Merton residents and offers reassurance that the design of the system is intuitive. As intended by the programme, resident feedback continues to be sought with improvements made to the automated processes as appropriate.
- 2.4 Expenditure at end of March 2019 was £3.7m, which includes staffing costs, infrastructure and licences, and payments to the provider. This expenditure is over a 7 year period.

2.5 The programme budget was £2.8m, plus additional funding of £0.2m and revenue funding for the contract of £1.8m up to 2018/19 which results in an overall budget of £4.8m. Expenditure on the project was £3.7m.

2.6

2.7 Whilst departments within the Council have made savings and improved efficiencies in the service areas, it is difficult to link these savings directly to the project. Direct savings targets were deliberately not attached to the programme because the improvements provided are translated into efficiencies by all services across the whole council. As an example, Leisure and Culture have seen savings of approx. £6,000 per annum due to moving services away from the Mango site.

3. Lessons learned: what went well?

The Contract / Procurement

- 3.1 The contract was structured in a way that was beneficial to the council, and this should be replicated for similar projects in future. It was clear, understood fully by the council's senior officers, and used to manage the project throughout its lifecycle.
- 3.2 The contract was outcomes based, with an agreed list of all council transactions included, together with well-defined quality criteria. This provided a clear basis for discussions between the council and the external provider about what was in and out of scope, and when individual products met the required standards.
- 3.3 Specifying for payment to be made in stages, upon completion of deliverables, protected the council's financial interests and ensured that the council only paid for what was actually delivered.

Staff Involvement & Engagement

- 3.4 The council reaped the benefit of its commitment to involve and include its staff in the project. Although this was resource intensive, it not only helped to ensure the products worked for the council, but it also resulted in knowledge transfer to and upskilling of our staff.
- 3.5 The council's staff assigned to the project had in-depth knowledge of the council's processes and transactions, enabling them to work with the GDIT developers to advise what the system should look like and what it needed to do. The council consistently made resources available to carry out User Acceptance testing (UAT) and to attend the playback sessions with the external development team. This extended to council staff working with the provider at their officers in Canary Wharf.
- 3.6 The council's IT staff gained greater technical knowledge and experience from their close working with an external partner.

Implementation / Delivery

- 3.7 The website, a new and improved staff intranet (Merton Hub), and CRM system were all successfully delivered, with a number of improvements made to many of the council's processes.
- 3.8 Web forms across a number of services were reviewed and re-developed, and forms that were obsolete or no longer required were removed. In total, 204 transactions were automated and residents are able to transact on the website. The total number of web pages was reduced by around 50%.
- 3.9 The involvement of experts in user experience in the website design (via a 3rd party called Prospect) meant that user behaviour was clearly understood and this contributed to the website having a very user-friendly look and feel. The new digital design guidelines can be applied to other sites, contributing to a more professional and consistent look and feel.
- 3.10 Overall, council officers brought a disciplined approach to project management, both from an internal perspective and in holding the provider to account.

4. Lessons learned: what might we do differently in future?

The Contract / Procurement

- 4.1 Prior to the procurement exercise, available evidence and previous experience suggested that the competitive dialogue process would be the best option for procuring a new system. In future, all projects and programmes should fully assess the strengths, weaknesses, risks and resource implications of each possible procurement route.
- 4.2 With hindsight, it may have been more straightforward and quicker to purchase a product rather than procuring a set of people with expertise to customise the Microsoft platforms. It should be noted, however, that the technology market has changed over the last 5 years and there are more providers and products available now than there were at the time of procurement. The council did explore 'off the shelf' products but there was nothing that met the council's need at the time and soft market testing with potential providers confirmed the approach.

However in future, when considering system implementations, modular development (delivering elements in smaller chunks of delivery) and utilising off-the-shelf functionality should be fully explored, and the provider's road map considered before a contract is awarded.
- 4.3 Separating the EDRMS element from the Customer Contact element might have led to additional providers coming forward during the procurement process. Although the professional procurement advice was to seek a single provider, and there was significant interest during the soft market testing with five providers taken into competitive dialogue, it is possible that some may have been put off by there being one Lot rather than two Lots. In future, the possibility of having contracts in place with more than one provider – in order to spread the risk of delivery – should be fully explored (although it should be noted this is likely to be more expensive)
- 4.4 The council agreed a mature project management approach with the provider, which focused on outcomes rather than demanding a detailed project plan up front. In

future, given this experience, consideration should be given to requiring suppliers to provide a more specific mobilisation plan, prior to any work being started.

Staff Involvement & Engagement

- 4.5 The planning and sequencing around UAT and quality assurance of products could have been organised more efficiently. Council staff were often required to step in and support with reviewing solutions provided by the external provider due to a lack of quality assurance. In future, consideration should be given to the potential impacts on staff in the event that a supplier does not perform as expected.
- 4.6 The project was viewed in some quarters solely as an IT project. Whilst we did hold sessions with services to inform them about the project and to drive change management across the council, there were still some areas who felt the project was an IT implementation rather than changes to ways of working. This meant that there were missed opportunities around organisational buy-in and engagement. In future, similar projects should be branded as business change projects, which will increase buy-in and provide greater opportunity to enhance the customer journey and drive efficiencies in business processes. Future projects and programmes should also plan to carry out more change management and engagement than they may think necessary, to retain staff interest and support for the programme.
- 4.7 One of the reasons the provider was selected was because they were experts in Microsoft Dynamics and SharePoint – software products that require specialist skills. The arrangement was for knowledge and skills transfer as part of the contract, but this could have taken place more quickly. When there were issues the council was reliant on the provider’s diagnosis and advice, rather than being able to make our own assessment. In the future, if there are ongoing issues with providers and the council does not have suitable in-house skill sets, consideration should be given to recruiting specialist/technical project staff to work with the provider. This may reduce the reliance on suppliers’ knowledge and experience, albeit at a significant cost.

Implementation / Delivery

- 4.8 Over time, council staff needed to focus more on contractual management of, and disputes with, the provider. This was a strength in terms of ensuring the council’s position was protected; however it was difficult in these circumstances to maintain focus on the ambitions of the project in parallel. This is a lesson for future projects that find themselves in a similar situation: to ensure their vision remains at the forefront of the project team’s minds through regular review of the original business case, benefits, and Project Initiation Document with providers.
- 4.9 There were mixed views from staff who were involved about whether the scope of work was too ambitious, in terms of achievability within the timelines. This review noted, however, that all of the bidders indicated, via competitive dialogue, that they could deliver the specification of requirements so at that point in time there was no reason to doubt whether delivery was feasible. Although some members of project

team reported a measure of scepticism now about how they felt about the feasibility at the time, this may be influenced by hindsight. Ultimately, the eventual unsuccessful outcome does not invalidate the initial optimism of council staff at the time. Future projects and programmes should, however, take into account this potential 'optimism bias' when evaluating providers' promises.

- 4.10 IT moves at a fast pace; and project plans often find it difficult to keep up. Agile project management is one of the ways that projects seek to manage this challenge. In this case the provider had committed to manage development of the products via Agile, although this did not materialise. In this context some of the solutions presented by the provider needed rework as they were not of the required standard and therefore not acceptable to the council. Future projects will always need to consider carefully where more traditional 'waterfall' project plans are required to provide certainty to the council, and where an agile methodology is suitable.
- 4.11 Delays on the part of the provider meant that the integrations with Veolia and idverde systems were needed following the implementation of the new waste service as part of SLWP Phase C. Work had previously been completed on a waste management solution which was then reworked when the waste management contract with Veolia came in. The council took the decision to proceed with an interim online solution prior to the SLWP changes, so as not to delay the ability for residents to use online services. They balanced the demand for online functionality with the potential for rework. It could be argued that work (and the time and effort involved) was wasted, but conversely, had an interim solution not been in place the availability of online reporting would not have been available to residents and therefore their experience as customers diminished.
- 4.12 It is important that system implementations fully exploit the opportunity to improve and simplify business processes. Whilst this was the aim of this programme in practice, the business units involved said they found it difficult to find the time and resources to adopt this approach, even though it would bring greater benefits in the long term. Future projects and programmes should give careful consideration to building in time and resource to undertake business process reengineering ahead of any implementation (as is the case with the current Customer Contact Strategy refresh).
- 4.13 Some business leads said they had not been sufficiently engaged in early design and development; however the project team described a high level of engagement and involvement taking place. This suggests that the level of engagement required with affected business areas cannot be underestimated. Future projects should consider planning for more change than might appear necessary, in order to bring people along the 'change curve'.
- 4.14 Projects should always consider how to judge the right balance between incremental change and large 'big bang' implementation with a fixed timeline. In this case the original timeline developed by the external provider required a lot to be delivered in a relatively short space of time. Delivering smaller changes incrementally may, in some cases, lead to less re-work in the development and testing stages. The provider had said that they would adopt a more agile approach to delivery when delays became apparent – however this did not materialise. Future projects in similar

circumstances might structure delivery into manageable phases so as to reduce the risks and pressures arising from implementation.

Risk register and other observations

- 4.15 The provider found it difficult to retain and recruit staff with the required developer skill set. Future projects should consider in advance with providers how this can be planned for and mitigated.
- 4.16 Some feedback on the Project Sponsorship and Project Board highlighted the balance that needs to be struck between ensuring proper ownership and facilitating healthy internal challenge. As a Corporate Services project, it was good practice to have a Sponsor who was representative of the department, with the ability to direct resources and take strategic decisions as appropriate.

Work programme, August 2019

29 August 2019

Quarter 1 financial report

Customer contact programme – lessons learned

12 November 2019

Quarter 2 financial monitoring report

Allocation of grants through the voluntary sector strategic partners programme

24 February 2020

Quarter 3 financial monitoring report

Deep dive review of the future capital programme

Reserve items

Social care charging – Merton Centre for Independent Living to be invited to attend the meeting

Review of borough's school PFI contracts

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