

Board Paper

3 April 2014

Paper Title	“Creating the Foundation” – End of Year 1 Report on Change Programme and Benefits
Paper Reference:	NRW B O 28.14
Paper Sponsored By: Paper Authored By:	Niall Reynolds Niall Reynolds and Richard Ninnes

Purpose of Paper:	To brief the Board on the deliverables to date in relation to creating the foundation for a successful and high performing organisation.
Recommendation:	The Board is asked to: Note the work and benefits delivered to date.
Decision Required:	No decision

Impact: To note – all headings might not be applicable to the topic	Impact on the Environment / Impact on the Economy / Impact on Community / Impact on Knowledge. Creation of a standalone organisation is essential to the delivery of the Business Case, achieving better outcomes for the environment, economy and communities, underpinned by good knowledge.
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1. Context to Paper

In April 2013 we presented a paper to the Board on the out turn position from the Living Wales Programme and the challenges faced by the Natural Resources Wales Change Programme to build the foundations of our organisation. This Change Programme will establish our new and standalone capabilities across a wide range of business processes and systems, infrastructure and organisation development. All the targets for the first year of the programme were laid out in the 2013/14 business plan. The Transition Team was charged with developing the benefits realisation plan, coordinating the Change Programme and tracking progress.

The Change Programme is a wide and complex portfolio with significant dependencies on the Environment Agency and Forestry Commission as well as between its work streams. Now, at the end of the first year it is appropriate to take stock of what has been delivered and what is left to deliver.

This paper presents;

- A summary of deliverables: new capabilities and ways of working
- Realisation of benefits identified in the business case – The Benefits Scorecard
- Case studies of how we have delivered benefits.

2. Statement of Deliverables

To create the foundation from which to move on from, it was important that we put in place our own set of policies, process and conditions and to develop a “one organisation” culture. At the same time have established our own services and systems to allow us to operate as a standalone organisation. This is a significant piece of work that has proved challenging to deliver, but great progress has been made.

Organisation Development

We have set the foundations for a busy second year of organisational development. We started 13/14 with a successful TUPE transfer and establishing the Leadership Team. The Social Partnership with the Trade Unions is working well and been successful in developing principles for the unified Total Reward Package that we will implement in 14/15. We are in the process of completing the single approach to Job Evaluation and recruiting the next tier of managers. This ‘Management Tier’ will provide a key resource for driving the development of a single organisation culture. We have worked with staff, including two organisation-wide conversations, to develop our vision and promote a common culture and ability to speak with one voice. We ran a voluntary exit scheme that helped reduce our head count by approx.100. We hope to run another one next year.

All this work will unlock the potential for more cross team working, integration and flexibility of employment which contrasts with the position up till now, where legacy systems and processes have created inefficiencies and complexity for managers.

Processes and systems

Across the board we have created new and improved systems and capabilities, including a new Enforcement capability, a new intranet, solution design for the new HR and Finance system and establishing our own fully functioning analytical laboratory. In all we have removed the dependency on the legacy organisations for 14 services.

There is still a lot to do, especially to migrate all the data we need from the Environment Agency and Forestry Commission and put in place the IT applications that we need. This will put us in control of our capability and create the basis for more cost effective delivery.

We are building in a much stronger customer focus, for example in our planning advice and permitting functions. The Customer Care Centre been very successful in establishing a one-stop shop approach within Wales.

Infrastructure

Our ICT Strategy sets out an innovative and flexible approach that uses the Cloud. This aims to better serve our needs in a much more cost effective way than the models we inherited. We resolved outstanding Day 1 issues to make Microsoft 365 work on the legacy systems, but for ex FC staff this took much longer than anticipated. Work is underway to migrate all the staff off legacy ICT infrastructure by the end of December 2014. Delays in delivery of the connectivity solution between the EA and NRW impacted this, but we are managing it by rescheduling the migration to bring forward the ex CCW and ex FC offices. The delay in exiting the EA service may impact our benefits profile.

We have an Accommodation Strategy and have progressed short term opportunities, disposing of 8 properties in 2013/14 that will reduce running costs and bring staff together. We are also reviewing the fleet to maximise utilisation and reduce costs.

The programme

The Change Programme was set up under 4 broad portfolios:

- Building our standalone capability.
- Developing one organisation.
- Adopting new approaches.
- Benefits Realisation planning and reporting and management of the programme.

Annex 1 sets out a more detailed progress report, highlighting the significant capabilities established, projects and products that underpin them and benefits created.

3. Benefits

We have established benefits realisation planning and reporting as part of the Corporate and Business planning process.

The high level Benefits Scorecard (Annex 2) has extracted from the Business case the key Business Case investment aims and related these to our Corporate Plan's 5 Good programmes. The Scorecard has 25 measures that will help drive and demonstrate our delivery of the Business Case benefits. It shares indicators with the Corporate Plan and the other targets are embedded in the Business Plan and Directorate Delivery Plans. These are designed to reflect the range of improvements required, some already delivered and others tracking progress towards delivering better long term outcomes.

We are monitoring the cash and non-cash realisable position against the Business Case objective of delivering £158M extra value for money in the first 10 years. We estimate that by the end of 2013/14 we will have created savings (including increased productivity) worth £5.5M per year. That will accumulate to approx. £47M by Year 10. We estimate that other changes in the pipeline will increase the annual savings to approx. £21M per year by

2018/19. These additional predicted annual savings will accumulate to £123M by Year 10. Thus, we have identified an estimated total cash and non-cash realisable benefit of approx. £170M (47M+123M). This is a working forecast that will refine as we progress business improvements and get firmer estimates of when we can release money from the Environment Agency and Forestry Commission services.

The 'Benefit on a Page' examples in Annexes 3 are the first of a suite of such case studies from the Benefits Register that will illustrate the range of benefits and ways of creating them. The Analytical Services example shows that having our own capability allows us to control costs, how we have secured jobs for Wales and the intensity of work required to deliver change. The Sample Collection example shows how business process improvement techniques deliver more efficient processes and rewarding jobs.

4. Ways of Working

The establishment of Natural Resources Wales has allowed us to re-think the way we do things and to adopt best practice to create efficient and customer focussed processes.

We have used a series of business improvement techniques, such as LEAN, systems thinking and Six Sigma, and new ways of developing outputs such as using "agile" project delivery. There has been good business engagement in most cases but competing priorities of day job have been hard to manage. We plan to develop the organisation's capability in these techniques, to ensure the right skills and culture to constantly improve.

We have sought to use best practice business change techniques and learned from others such as Driver Vehicle Licensing Agency, the Royal Mint, Natural England, Scottish Environment Protection Agency, The National Trust and Ordnance Survey.

5. Risks and Opportunities

The scale and complexity of the change programme means that risk management is key to ensure we stay on track. We commissioned an external Gateway 0 review of our programme and were pleased with the Amber rating. We implemented useful recommendations from the review.

The current risk register will be carried forward to reflect the next year's programme. The change programme and its delivery are also reflected within the Corporate Risk Register.

We need to establish a process for capturing the reinvestment of the cash benefits into better outcomes and to describe how NRW has allowed us to be more resilient and successfully manage the challenges that floods, larch disease and incidents have presented to us this year.

6. Communications

Through the year considerable effort has been made to ensure that staff are well informed, for example using the monthly change bulletins, the intranet and posters. It was recognised early on that communication was also about face to face contact and engagement and leadership by line managers. We have virtual briefings on change by Emyr Roberts to the Leadership Team. Face to face engagement with staff included briefings on the Total Reward Package, the Conversations and the hundreds of staff working with the Transition team from across the business.

Forward Look For 2014/2015

Stand-alone Capability:

- NRW ICT infrastructure established in all offices and depots
- Establish our own full suite of operational ICT applications
- Complete migration of data
- Complete GIS
- Implementation of the Finance and HR system
- Migrate telemetry onto NRW network
- Complete development of the website
- Exit most of the remaining regulatory services provided by EA.

One Organisation:

- Implement total reward package
- Complete organisational restructuring
- complete disposal of surplus accommodation phase 1 of the strategy
- implement new H&S system
- progress brand roll out
- Fleet review and rationalisation
- Procurement strategy and new framework and contract arrangements.

New Approaches:

- Internal drainage boards incorporated
- New approach to Hydropower permitting
- Ecosystem Approach embedded
- Prepare for proposed new duty for Natural Resource Management Plans.

Benefits realisation and programme management:

- Complete planned exit of all EA and FCGB transition services
- Continue to deliver in line with benefits scorecard
- Benefits planning and tracking and recognising achievement
- Business Change Management and maintaining good communications.

7. Summary and Recommendation

This paper reports on significant achievement of the transition objectives set out in the 13/14 Business Plan and translated into the Change Programme. There is substantial work left to do, but indications at this stage, point to us being on course to deliver the Business Case benefits. The biggest challenge is moving away from the ways that the legacy bodies worked to create a joined up organisation that can deliver better outcomes for Wales.

We can become a truly highly performing organisation, if we exploit the opportunity to make us more customer focussed and more efficient. The 2014/1015 programme of work will continue to develop the organisational capability whilst starting work to “unlock the potential” that the creation of NRW has provided.