

<b>NAME OF COMMITTEE</b>	<b>Council</b>
<b>DATE</b>	<b>7 October 2014</b>
<b>REPORT TITLE</b>	<b>Torrige and the Future Operating Model</b>
<b>REPORT OF</b>	<b>Executive Director (Resources)</b>
<b>WARDS AFFECTED</b>	<b>All</b>

**Summary of report:** This report brings the Council up to date on informal discussions that have been ongoing between West Devon Borough Council (WDBC), South Hams District Council (SHDC) and Torrige District Council (TDC) Leaders since Autumn 2013. It proposes that officers should carry out detailed work to determine the opportunities, financial benefits and risks of the three Councils forming a partnership to deliver the future operating model in a shared services relationship.

**Financial implications:** Significant further detailed analysis needs to be undertaken. However at this stage the investment costs required by WDBC and SHDC are in the region of £335,000, generating annual recurring revenue savings for the two Councils of around £1.3 million. This is in addition to the current T18 Programme and its projected costs and savings.

**RECOMMENDATIONS:**

**That the Council agrees to:**

- (i) **Instruct officers to formally consider the option of working with Torrige District Council to implement a combined future operating model in order to bring a report back to Council in December for a final decision. In so doing officers will create a:**
  - a. **refined business case;**
  - b. **detailed analysis of the benefits and risks;**
  - c. **governance arrangements; and**
  - d. **timetable for implementation.**

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## **1. BACKGROUND**

- 1.1 In November 2013 WDBC took the decision to adopt, in partnership with SHDC the T18 model comprising the commissioning/delivery model, transformed shared business process and ICT (APPENDIX A).
- 1.2 Since then officers have been working on the delivery of the new model and Phase 1a (Support Services) has now been implemented. The Programme is currently on time. Phase 1b, being the most significant part of the Programme, is due to go live in June 2015.
- 1.3 Our progress to date has attracted considerable interest from a number of Councils who are looking for new models of service delivery which will enhance the customer experience whilst reducing cost.
- 1.4 One of the earliest Councils wanting to learn more about the model is TDC who need to save £1.1 million by 2017. This is in addition to ongoing delivery of savings of £1.1 million which they will have delivered by March 2015.
- 1.5 This interest has led to a number of meetings being held between the Leaders with a meeting on the 9 September 2014 between the Chairs and Vice Chairs of WDBC, the Executive Members of SHDC and the Senior Leadership Group from TDC at which there was broad support for exploring a shared working relationship further.
- 1.6 Meanwhile TDC have been working with iESE Transformation Ltd and Ignite to develop a business case, one option being to create the model alone and the other in partnership with WDBC and SHDC. This option has been part of the blueprinting work carried out by the consultants for TDC and has been commissioned by them.

## **2. THE BUSINESS CASE**

- 2.1 The indicative savings of £1.3 million generated to WDBC and SHDC by TDC joining the partnership are largely delivered from a reduction in salary costs. The high level work undertaken so far suggests a total FTE reduction in the region of 72. The greater proportion of this reduction in posts would be made from the TDC establishment. However a smaller proportion of this reduction could potentially be spread across WDBC and SHDC but at this stage it is difficult to determine likely figures (APPENDIX B).
- 2.2 Work to date has concentrated on the feasibility of the proposition and therefore until a decision in principle is made to pursue this further it has not been possible to consult with staff or unions, although both are aware that discussions have been taking place. This would be part of next steps.
- 2.3 More detailed analysis would need to be undertaken over the next two months in order to be able to give an indication of these proportions.
- 2.4 The division of costs between TDC and the current partnership of WDBC and SHDC has been calculated at this moment in time using the relative population

figures. This approach, together with the principle of only sharing the additional costs incurred by Torridge as a result of the partnership and not the costs of implementing the future model alone has resulted in an estimated one off cost to be shared between WDBC and SHDC of £335,000.

- 2.5 This figure along with the savings estimates has been produced by the consultants. Engagement between the councils to date has largely been between Leaders and Senior Officers. Until a decision to progress further is made and the appropriate finance officers can work together to evaluate in more detail we need to treat these initial estimates with caution.

### **3. ISSUES FOR CONSIDERATION**

- 3.1 A similar report to this one will be taken to SHDC on 2 October 2014 and to TDC on 13 October 2014. However it should be noted that the report to TDC is likely to suggest that the Council also consider a further option known as “Plan B” which Torridge officers have been working on at the same time as the future operating model work. This plan would involve a reduction in posts at TDC but would not involve them working with other Councils to achieve this and would not include the implementation of the future operating model.
- 3.2 The figures contained within this report are indicative at this stage.
- 3.3 Should the Council approve the recommendation above, officers will need to invest time to develop a detailed business case, a comprehensive analysis of the benefits and risks, a timetable for implementation and an appropriate rationale for the sharing of costs and benefits.
- 3.4 In addition a suitable governance structure and a collaboration agreement will need to be developed in order to ensure that each council is able to retain its own sovereignty whilst creating an effective working partnership.
- 3.5 As there is no current Council position on the way forward there has been no consultation with staff or unions. If all three Councils agree that a shared approach is appropriate then appropriate discussions will be initiated.
- 3.6 The importance of maintaining the timetable for delivery of the T18 savings is of paramount importance. This is likely to mean that if all three Councils agree to create a new partnership TDC will need to act quickly to roll in to our current plans for recruitment into the new model. Alternatively they could wait until WDBC and SHDC have implemented Phase 1b by June 2015. The latter option may not deliver the required savings for TDC by April 2017 and so further discussions need to take place to look at other possible options.
- 3.7 Clearly there are potentially other benefits to the three Council partnership over and above the financial savings and at the Member meeting held on 9 September 2014 the benefits in APPENDIX C were identified.
- 3.8 However there are also significant risks, not least the capacity to deliver a future operating model to include TDC, at a point of significant change in personnel at all

three Councils. Detailed plans will need to be developed to ensure that there are sufficient appropriate resources in place and the issue of capacity will be an important consideration in relation to whether the proposal should proceed.

#### **4 LEGAL IMPLICATIONS AND STATUTORY POWERS**

4.1 This report sets out a proposal to examine in more detail the possibility of creating a shared partnership arrangement to pursue a new operating model. This will be a completely new way of working and requires approval of the Full Council.

#### **5. FINANCIAL IMPLICATIONS**

5.1 There are no direct financial consequences arising from this report and the work undertaken to date has been funded by Torridge District Council. However future agreement to a partnership to implement the future operating model with TDC will involve significant costs and significant savings. These will be quantified in the report to both Councils in December 2014.

5.2 At this stage the indicative costs to be shared between WDBC and SHDC are £335,000 with an annual recurring saving, again to be shared between the two Councils, of approximately £1.3 million. The sharing rationale of both these costs and savings will need to be agreed and an officer recommendation on this will form part of the future report.

#### **6. RISK MANAGEMENT**

6.1 A change of this size involves significant risk and whilst these have been captured at a high level at this stage if Members approve the recommendation within this report further detailed analysis will be required.

6.2 The risks identified at this stage and the proposed mitigating actions are set out in the strategic risk template attached to this report.

#### **7. OTHER CONSIDERATIONS**

<b>Corporate priorities engaged:</b>	This report relates to the future delivery of the Council's four corporate priorities during a period of increasing financial constraint.
<b>Considerations of equality and human rights:</b>	This report updates Members on the opportunity for developing improved access to a range of Council services and meeting a wide range of customer needs.
<b>Biodiversity considerations:</b>	None.
<b>Sustainability considerations:</b>	The emerging model is designed to ensure that both Councils are sustainable in the medium term. Greater agile working linked to better use of technology should reduce the Councils' carbon footprints.
<b>Crime and disorder implications:</b>	None.
<b>Background papers:</b>	1. Report to Special Council 4 November 2013 – Transformation Programme 2018

<b>Appendices attached:</b>	Appendix A – Operating Model Appendix B – Partnership Costs and Savings Appendix C – Benefits identified at three Council Member meeting 9 September 2014
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## STRATEGIC RISKS TEMPLATE

No	Risk Title	Risk/Opportunity Description	Inherent risk status				Mitigating & Management actions	Ownership
			Impact of negative outcome	Chance of negative outcome	Risk score and direction of travel			
1.	Financial risk	Funding availability for initial investment to implement the Programme	5	2	10	↔	<ul style="list-style-type: none"> <li>Profile investment and the availability of resources in the context of a business plan</li> <li>Explore external funding opportunities</li> </ul>	Executive Directors and Section 151 Officer
2.	Financial risk	Higher than anticipated costs and/or lower than anticipated savings arising from the Programme. Key variable risk is the cost of staff redundancies.	4	3	12	↔	<ul style="list-style-type: none"> <li>Proof of concept work has demonstrated high level business case</li> <li>Detailed business case in place before committing to implementation of the Programme</li> <li>Sensitivity analysis undertaken</li> <li>Ongoing monitoring of costs and savings within the Programme</li> <li>In recognition of uncertainty of some costs, introduce contingency sum into detailed business plan</li> </ul>	Executive Directors and Section 151 Officer
3.	Financial risk	Unexpected events leading to a delay in delivery which could include delays in procurement or recruitment or external cost pressures which divert funding from the Programme.	3	3	9	↔	<ul style="list-style-type: none"> <li>Use of unearmarked reserves to fund a delay in delivery of the programme. Review the level of corporate priority of the Programme against any new cost pressure</li> </ul>	SMT

No	Risk Title	Risk/Opportunity Description	Inherent risk status				Mitigating & Management actions	Ownership
			Impact of negative outcome	Chance of negative outcome	Risk score and direction of travel			
4.	Management risk	Organisational resilience-ability to sustain significant change against a backdrop of the current change programme and its timetable	4	4	16	↔	<ul style="list-style-type: none"> <li>• Create a separate dedicated programme team with senior sponsorship without business as usual responsibilities.</li> <li>• Create an effective communication strategy to engage staff and members, public and unions</li> </ul>	SMT
5.	Management risk	Management capacity to deliver the Programme	4	3	12	↔	<ul style="list-style-type: none"> <li>• Programme identified as the key corporate priority</li> <li>• Commission external support as required to ensure the Programme is delivered in line with the timetable</li> </ul>	SMT
6.	Management risk	Maintaining the shared vision for the Programme during a period of significant changes	4	3	12	↔	<ul style="list-style-type: none"> <li>• Effective communication strategy to engage with Members, staff and other stakeholders embedded within the Programme</li> </ul>	SMT
7.	Management risk	Managing organisational transition to the new operating model, in particular reduction in customer satisfaction and/or drop in service standards	4	2	8	↔	<ul style="list-style-type: none"> <li>• Once decision taken to implement the future model create sufficient organisational capacity to achieve programme timeframes</li> <li>• Managing ongoing individual service performance</li> </ul>	SMT
8.	Management risk	Establishing an effective and robust programme management arrangement given the complexity of the task	4	2	8	↔	<ul style="list-style-type: none"> <li>• Establish appropriate member and officer Programme governance arrangements</li> <li>• Ensure key milestones and programme interdependencies identified</li> <li>• SMT collectively responsible for effective implementation of the Programme</li> </ul>	SMT

No	Risk Title	Risk/Opportunity Description	Inherent risk status				Mitigating & Management actions	Ownership
			Impact of negative outcome	Chance of negative outcome	Risk score and direction of travel			
11.	Political risk	Ongoing political commitment to ensure that the Future Operating Model is delivered despite external change and the inevitable challenges that will emerge during a major programme	4	2	8	↔	<ul style="list-style-type: none"> <li>• Ongoing liaison with Members to maintain shared vision</li> <li>• Ensure that the new model delivers and retains separate Council identities</li> <li>• Raise awareness of the scale of organisational change and the impact on existing arrangements for both Members and staff</li> <li>• Managing interest from potential partners in terms of securing critical project timescales and taking account of organisational capacity</li> </ul>	Executive Directors
17.	Staffing risk	Potential Union/staff response to elements of the changes	4	2	8	↔	<ul style="list-style-type: none"> <li>• Ongoing engagement with key staff stakeholder groups and develop corporate understanding of those issues which are essential to successful implementation of the Programme and therefore must be subject to change</li> <li>• Communicate potential staff benefits within the model such as developing skills and achieving better work/life balance through agile working</li> </ul>	Executive Directors

Direction of travel symbols ↓ ↑ ↔