

NAME OF COMMITTEE	RESOURCES COMMITTEE
DATE	17 SEPTEMBER 2013
REPORT TITLE	TRANSFORMATION PROGRAMME – PROGRESS TO DATE AND NEXT STEPS
REPORT OF	CORPORATE DIRECTORS
WARDS AFFECTED	ALL

Summary of report: This report summarises the work undertaken to date in developing a new Transformation Programme, in particular the findings of the proof of concept work which can be found at **APPENDIX 1** and is an essential component of this report. The outcome demonstrates that there is a sound business case and Members will be asked to make a formal decision on whether to implement the Programme at both Councils in autumn 2013.

Financial implications: After the initial investment of £1 in an iESE Ltd share there are no direct financial implications arising from this report.

RECOMMENDATIONS:

That the Resources Committee agrees to:

- (i) formally close the existing 2015 Transformation Programme, including its associated Member governance arrangements.
- (ii) accept the findings of the proof of concept work and authorise officers to complete the work necessary to create a detailed business plan for Council's consideration on 4 November 2013.
- (iii) the Council entering into partnership with iESE Ltd.
- (iv) consider the risks identified at the end of this report.

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1. BACKGROUND

- 1.1 In 2011 our 2015 Programme was created to deliver a range of projects along with financial savings. Despite its numerous successes, most notably in creating the 'voice' arrangements, new performance indicators and in particular a new website the extent of the financial challenge the Councils face means that we need to be more radical and fundamentally change the way we operate.
- 1.2 Between 2014 and 2018, The Councils have a combined total budget gap of £4.7m in the context of a combined net revenue spend of £16.8m. Both Councils have accepted that to continue the current approach of annual reductions in line with the medium term financial strategy is no longer achievable without undermining future service delivery.
- 1.3 In summary the financial gap to 2018 is as follows:

	SHDC	WDBC
Cumulative budget gap by 2017/18	£2.350m	£2.374m
£% reduction on current net spend by 2018	25%	30%
Income generated by a 1% increase in Council Tax (based on 2013/14 figures)	£51,000	£37,000

- 1.4 In order to create the financial capacity to meet both Councils' aspirations officers have been working on a new Programme which will also seek to improve the customer experience and increase choice in the way services are accessed. The emerging new operating model for the future is summarised in the diagram at **APPENDIX 2**.

2. WORK UNDERTAKEN TO DATE

- 2.1 In March 2013 both Councils approved funding to undertake proof of concept work to support the development of the vision to create a new operating model that would be financially sustainable in the medium to longer financial term. The two Councils have been working with iESE Ltd assisted by Ignite Consulting Ltd, to develop a high level business case to underpin the Programme.
- 2.2 The detailed report can be found at **APPENDIX 1**. However, in summary, it is anticipated the introduction of the model could achieve a saving of up to 24% on office based staff numbers without undermining the provision of key elements of front line services. It would give an annual saving of £3.5m, with an investment of £4.7m and a possible payback period of approximately two years. In addition there is a large range of customer, community and staff related benefits which are itemised on page 4 of Appendix 2.
- 2.3 While the savings are primarily generated by a reduction in headcount, to maximise savings opportunities there will be a requirement to further rationalise the current use of office accommodation through the agile working element of the proposed Programme.

2.4 Officers have reviewed a wide range of accommodation options including relocating staff from both existing headquarter buildings to a new office base. Having examined the cost of the various opportunities, officers have refined the options to the following:

- Continue with both headquarters pursuing opportunities to further let out space to tenants;
- Co-locate staff to Follaton House retaining a civic hub with a customer access point and staff touch down facility at Kilworthy Park;
- Co-locate staff to Kilworthy Park retaining a civic hub with a customer access point and staff touch down facility at Follaton House.

Detailed work continues to be undertaken and a recommendation will be made to Members in late autumn but early work suggests that a degree of co-location is likely to deliver the most significant savings.

2.5 Other work has included the submission in July of a bid to DCLG's Transformation Challenge Award for funding to support the emerging change programme. The bid document can be accessed through the following web link:

- http://www.southhams.gov.uk/e_news_letters/communications/T18220713/Breaking_the_mould.pdf.
- http://www.southhams.gov.uk/e_news_letters/communications/T18220713/supporting_information.pdf.

The outcome of the bid is not yet known and therefore has not been factored into the high level business case.

2.6 There has been a series of informal events with Members and staff regarding the emerging proposals. Senior officers have been in liaison and visited other pace setting councils, drawing on their experiences, particularly around agile working and commissioning services. Officers have also reviewed our own experience to date in delivering significant savings through both shared services and reengineering processes in some service areas.

3. ISSUES FOR CONSIDERATION

3.1 The pace of the work undertaken to date has only been possible by working with iESE Ltd and in order to sustain the additional capacity and flexibility it would seem prudent to formalise the relationship by becoming a member.

3.2 iESE Ltd is a not for profit company owned, led and governed by councils. Liability as a member of the company is restricted to £1 and its business is limited to 'advancing the improvement and/or efficiency of public services'. Therefore there is no financial risk to member councils and membership can be terminated at any time with three months notice.

3.3 There are however significant benefits to becoming a member of iESE Ltd. These include:

- significantly reduced day rates for any consultancy work
- the ability to use the services of the company free of the normal and sometimes costly procurement processes
- with over 75% of Councils using iESE there is real added value to be gained by transferring knowledge across the sector
- the opportunity to trade any surplus officer resource with other iESE members creating the potential to earn additional income.

3.4 A particular benefit at this time is the flexibility and shared risk approach that iESE can accommodate. Officers are currently engaged in dialogue with the company to consider whether their support is required to ensure that preparation work leading up to the Councils' decision in the autumn can continue. If the conclusion is that we do need further assistance pending Councils' decision, by being a member of the company iESE would provide this at their own risk.

3.5 To enable both Councils to formally consider whether to implement the emerging Transformation Programme in late autumn 2013 requires a great deal of further work. Before initiating that work this report seeks Member comments on the work to date and to authorise the ongoing commitment of a considerable level of staff resource in developing the approach.

3.6 Further work scheduled between September and late October includes testing the business case, developing the future customer access strategy, holding awareness sessions for all staff and designing key aspects of the model with Members (accommodation strategy, locality model, employment model and commissioning model). By autumn there will also need to be a comprehensive programme plan including how implementation will be funded and the savings shared between the two Councils. Officers are confident at this stage that a sound financial investment strategy can be developed for both Councils which will finance the Programme over its lifetime.

4. LEGAL IMPLICATIONS AND STATUTORY POWERS

4.1 The Resources Committee is responsible for developing the overall direction of the Council within the context established by the medium term financial strategy.

5. FINANCIAL IMPLICATIONS

5.1 Apart from the £1 share in iESE Ltd there are no direct financial consequences arising from this report. However future agreement to implement the Transformation Programme will involve significant costs and significant savings. These will be quantified in the report to both Councils in late autumn.

5.2 In summary the proof of concept indicates that the total cost of implementing the Programme across both Councils is estimated to be approximately £4.7m with an anticipated combined annual saving of approximately £3.5m which equates to 20% of the combined net revenue expenditure. Payback on the initial investment could be achieved in approximately two years. If Members accept the findings of the work to date a detailed business case will be prepared for consideration by each Council in October/November 2013.

6. RISK MANAGEMENT

6.1 The Risk Management implications are shown at the end of this report in the Strategic Risks Template. As this is the first major report to Members on the new Programme Members will note that the direction of travel symbols are all set at a neutral level but clearly risk will inevitably change as the Councils proceed through the Programme.

7. OTHER CONSIDERATIONS

Corporate priorities engaged:	This report relates to the future delivery of the Councils' four corporate priorities during a period of increasing financial constraint.
Considerations of equality and human rights:	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.
Biodiversity considerations:	None.
Sustainability considerations:	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.
Crime and disorder implications:	None.
Background papers:	1. DCLG Transformation Challenge Award – Breaking the Mould – Delivering services in a rapidly changing world. 2. iESE/Ignite high level business case (Confidential)
Appendices attached:	Appendix 1 – High level business case Appendix 2 – Proposed new operating model.

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.	Finance and asset risks	Funding availability for initial investment to implement the Programme	5	3	15	↔	• Explore external funding opportunities • Profile investment and the availability of resources	Corporate Directors
2.	Finance and asset risks	Higher than anticipated costs and/or lower than anticipated savings arising from the Programme	4	3	12	↔	• Proof of concept work to develop high level business case • Detailed business case in place before committing to implementation of the Programme • Ongoing monitoring of costs and savings within the Programme	Corporate Directors and Head of Finance and Audit
3.	Finance and asset risks	Unexpected external cost pressures which diverts funding from the Programme and delays delivery	3	3	9	↔	• Review the level of corporate priority of the Programme against the new cost pressure	SMT
4.	Finance and asset risks	Integrated ICT solution proves less successful than anticipated. Business continuity and connectivity in remote rural areas will be key to successful implementation	4	2	8	↔	• Achieve ‘fit for purpose’ specification • Test through the procurement process • Use ‘tried and tested’ innovation	Corporate Directors and Head of ICT and Customer Services
5.	Management risks	Management capacity to deliver the Programme	4	2	8	↔	• Programme identified as the key corporate priority • Commission external support as required to ensure the Programme is delivered in line with the timetable	Corporate Directors

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			
6.	Management risks	Maintaining the shared vision for the Programme during a period of significant changes	4	3	12	↔	Effective communication strategy to engage with Members, staff and other stakeholders embedded within the Programme	Corporate Directors
7.	Management risks	Managing organisational transition to the new operating model	4	2	8	↔	- Once decision taken to implement Programme create sufficient organisational capacity to achieve programme timeframes - Managing ongoing individual service performance	Chief Executive and Corporate Directors Heads of Service
8.	Management risks	Establishing an effective and robust programme management arrangement given the complexity of the Programme	4	2	8	↔	Establish appropriate Member and officer Programme governance arrangements	Corporate Directors
9.	Political risks	Ongoing political commitment to ensure that the Programme is delivered in the context of major external change and the inevitable challenges that will emerge during a major programme	4	2	8	↔	- Ongoing liaison with Members to maintain shared vision - Ensure that the new model delivers and retains separate Council identities - Raise awareness of the scale of organisational change and the impact on both Members and staff - Managing interest from potential partners in terms of securing project timescales and taking account of organisational capacity	Chief Executive and Corporate Directors
10.	Political risks	Potential impact of national/local elections in 2015	3	2	6	↔	- Monitor national direction of travel - Ongoing engagement with Members	Chief Executive and Corporate Directors

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 risks	Securing joint agreement to the future accommodation strategy	4	4	16	↔	- Engagement with Members to develop an agreed accommodation strategy in the context of financial pressures and the opportunities for localisation offered within the model - Management of stakeholder and media messages/responses	Corporate Directors and Head of Assets
12.	Staffing risks	Officer capacity and retain staff morale during significant corporate change	4	3	12	↔	- Effective communication strategy embedded as part of the Programme - Once agreement to the Programme is in place maintain the pace of the change to ensure that key staff are not lost to the organisation	Corporate Directors and Head of Corporate Services
13.	Staffing risks	Securing successful implementation of major cultural change in relation to developing new skills and approaches to work styles within the new operating model	4	2	8	↔	- Support cultural change with a comprehensive corporate training and development programme - Communication strategy embedded as a key element of the Programme - Ensure new systems and processes are resilient and sustainable	Corporate Directors and Head of Corporate Services Corporate Directors and Head of ICT and Customer Services

Direction of travel symbols ↓ ↑ ↔