

SSDC Transformation Programme

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Purpose of Report

This report seeks member approval of the principles and vision for the Council Transformation Programme that will lead to the adoption of a new operating model.

Public Interest

This report sets out a proposal to adopt a new operating model for delivering council services to all in South Somerset, providing more choice and speed of access to services.

The Transformation Programme aims to enhance our customers' experience and enable the council to respond to their changing needs and preferences. This will be achieved through changing the way our current service team structures are organised and by making more use of electronic Document Management (EDM) and web based technologies.

Recommendations

That Full Council:

- (i) Accept the Headline Business Case for Transformation, attached in Appendix A including the vision and principles for transformation and note the headline risks, and equality impact assessment included in this report
- (ii) Agree the Transformation Programme governance arrangements as set out in section 6 of this report.
- (iii) Delegate authority to deliver the Programme to the Leader of the Council with the approval of the Programme Board.
- (iv) Approve that savings of £2,000,000 be added to the Medium Term Financial Plan for 2017/18 and 2018/19.
- (v) Approve that £59,975 for ongoing software maintenance costs is added to the Medium Term Financial Plan as an ongoing commitment from 2017/18.
- (vi) Approve that the £394,000 currently held in the Voluntary Redundancy Reserve is transferred to a new Transformation Reserve to fund this programme.
- (vii) Allocate £1,314,300 from capital receipts set aside in the budget for transformation to fund for this programme.
- (viii) Agree that the further revenue cost of £2,754,000 is funded from the Revenue Support Reserve.

Summary

This report summarises work undertaken to develop a headline business case for a new operating model based on the experience of other local authorities that have transformed their organisations to align better with changing customer preferences. The headline business case is attached in Appendix A.

The Future Model approach to transformation and its key principles reflect SSDC's own ambitions to be an organisation consistently delivering improving quality of life in South Somerset, by providing well managed cost effective services valued by its residents.

The headline business case clearly illustrates a significant range of benefits for the council, the community and staff through taking a 'whole council' approach and by leading and resourcing a significant change programme.

The business case demonstrates that the programme can deliver a major contribution to bridging the budget gap faced by South Somerset District Council. The overall cost including a provision for contingency and the cost of redundancy is estimated to be £4,702,200.

The overall estimated annual recurring savings are expected to be £2,000,000 which comprises salaries and on costs only. The payback period is two years four months.

Associated non-pay savings, other efficiencies from supplies and services made possible by the change programme or by the enhanced capacity for income generation are not included. Opportunities for these have already been cited by staff teams and service managers.

The challenge and risks are significant and should not under-estimated. Preparing the headline business case included the assessment of risks associated with delivering a transformation programme of such breadth and scale and the proposed governance arrangements reflect this assessment.

1. Background - Current position and drivers for change

Along with other councils, we face significant challenges across a number of fronts. Whilst the most significant challenge for many councils is financial, others are looking to a new generation of customers who expect to access the services they need using smart, interactive technology.

We forecast that we will need to make over £4.1 million of savings from the current budget by 2020-21. In future years, the financial pressure is likely to increase. Almost 46% of SSDC gross annual expenditure of £32.3 million is on staff related costs (2015/2016). The financial challenge cannot be met without reducing our staff numbers. The Council has, as part of a work force planning strategy, reduced the work force through sharing services and individual service reviews. It is now recognised that an approach based on process efficiency service reviews and annual 'salami slicing' budget reductions may undermine our ability to deliver services through our existing structures. Greater opportunities are to be found by generating efficiencies at a corporate level from the merger of similar generic activities across services in both front and back offices.

Research in 2014-15 analysed the nature and variety of customer demand and how SSDC handles that demand. This initial research, as part of the budget strategy, identified clear and

significant opportunities to reduce costs and improve the customer experience. The key issues to address for a future change programme were identified as: -

- Reducing avoidable contact
- Developing 24/7 digital solutions for customers
- Access to services to be *digital by default* and yet
- Continuing to ensure that customers receive the face to face help if they need it, whether for complex needs or assistance at a place and time convenient to them.
- Automating back offices
- Promoting existing digital options to customers
- Further targeting high volume simple transactions and payments for self-serve
- Reorganising customer handling

A number of Councils have demonstrated that the opportunities for achieving significant reductions in the cost of service by driving a *digital by default* culture are growing. Digitisation brings efficiency benefits by reducing the costs to store, retrieve, sort and reproduce data as part of a business process and enables the delivery of more services at a lower cost through self-help and on-line methods.

It is clear that Transformation by Local Authorities is made possible by significant investment in information and communications technology (ICT). However the success or failure of Transformation Programmes is driven by behaviours and above all leadership that secures the vision and direction for radical change.

The Improvement and Efficiency Social Enterprise (iESE) recent report on their “Review, Remodel, Reinvent” (3R) transformation framework captures how councils are reshaping themselves and their services to meet the new challenges. iESE emphasises the importance of the ‘mindset’ needed for successful change. (iESE July 2015)

“We’ve seen that even at councils where innovation has been strong, maybe even cutting edge [transformation] has only succeeded where it is matched by a real focus on the right behaviours, culture and leadership.”

iESE conclude that effective transformation involves three levels of change (see diagram below). Councils that are able to remodel their service delivery (Level 2) are in a much better position to release resources to achieve much better re-invention outcomes (Level 3).

SSDC has done significant work at Level 1, but there is now recognition of the need to find a way to position SSDC to achieve Level 2.



2. Looking ahead: a new operating model

Through the Local Government press, participating in peer reviews and the District Councils Network, senior elected members have looked at best practice elsewhere and encouraged the potential benefits of newer operating models to be explored so that SSDC can be in a better, more effective and resilient position in future. This demonstrates a clear desire to transform SSDC and an acknowledgement that the traditional routes to drive down costs are no longer a realistic option.

Members have visited other innovative councils to better understand operating models that are 'citizen centric' and capable of being adapted to local circumstances, with flexibility for the future in terms of alternative service delivery decisions. This initiated the work on the preparation of a business case for the 'Future Model' that has been adopted by some authorities.

The business case is based on both a high level view of the organisation and at a more detailed level reviewing a cross section of SSDC Services.

Preparing the Headline Business Case included: -

- A review of data used to prepare the internal Demand, Access and Handling report (March 2015)
- Data gathering and workshops with representatives of service teams (drawn from the high volumes of contact services.)
- Visits by senior councillors and officers to Eastbourne and South Hams & West Devon councils and further contact to learn from their experience of a major organisational change programme, and to better understand the design principles first hand.
- Data analysis for calculating efficiency gains from automation
- A headline 'maturity assessment' to identify the potential for reducing costs through a new operating model (a South Somerset Future Model).

3. 'Future Model' approach to transformation: Vision and principles

The key design principles of the Future Model include:

- Managing and reducing customer demand
- Delivering as much customer service as possible through a universal contact method
- Drawing on expert skills and knowledge only where appropriate
- Managing the organisation in an efficient and streamlined way.

The Future Model provides an approach to thinking about the way the Council operates, with a focus on:

- The relationship with customers and the wider community
- Staff roles and structures
- Technology and processes
- Culture and ways of working
- Costs
- Outcomes

For example;

The Future Model embraces the concept that work is an activity not a place, so that SSDC could:

- have officers and members who are able to meet any time/any place/anywhere using technology enabled devices
- provide customers with face to face officer contact, from existing sites and on location, maintaining an SSDC presence and high visibility in local areas

With the appropriate ICT in place and locality working, the ability of Members to contact staff will be maintained and staff will be equipped to work more often and more effectively in localities, by using a range of ICT options.

Applying the Future Model principles ensures that SSDC will retain full control of its workforce but creates an operating model that could facilitate flexible work-sharing with potential partners, should further examination prove the business case for doing so. This could include further savings through economies of scale and service improvements from partnership working with other locality based work being carried out by other agencies.

An integral part of the Future Model is the separation of the commissioning core of the council from the delivery of its services. The principles of commissioning ensure that the focus of the council is on the outcomes it seeks to deliver and the impact these are making in the community.

When designing its services, the commissioning council uses evidence to understand what its communities need. It can use locality working to help build that evidence base. Meanwhile at its very basic level it is intended that day to day operational requests such as reporting missed bins and fly tips, putting up planning notices, empty property visits and so on should, in the new model, be carried out by generic officers based in localities.

4. Benefits of the Transformation Programme

The new operating model will deliver the following benefits:

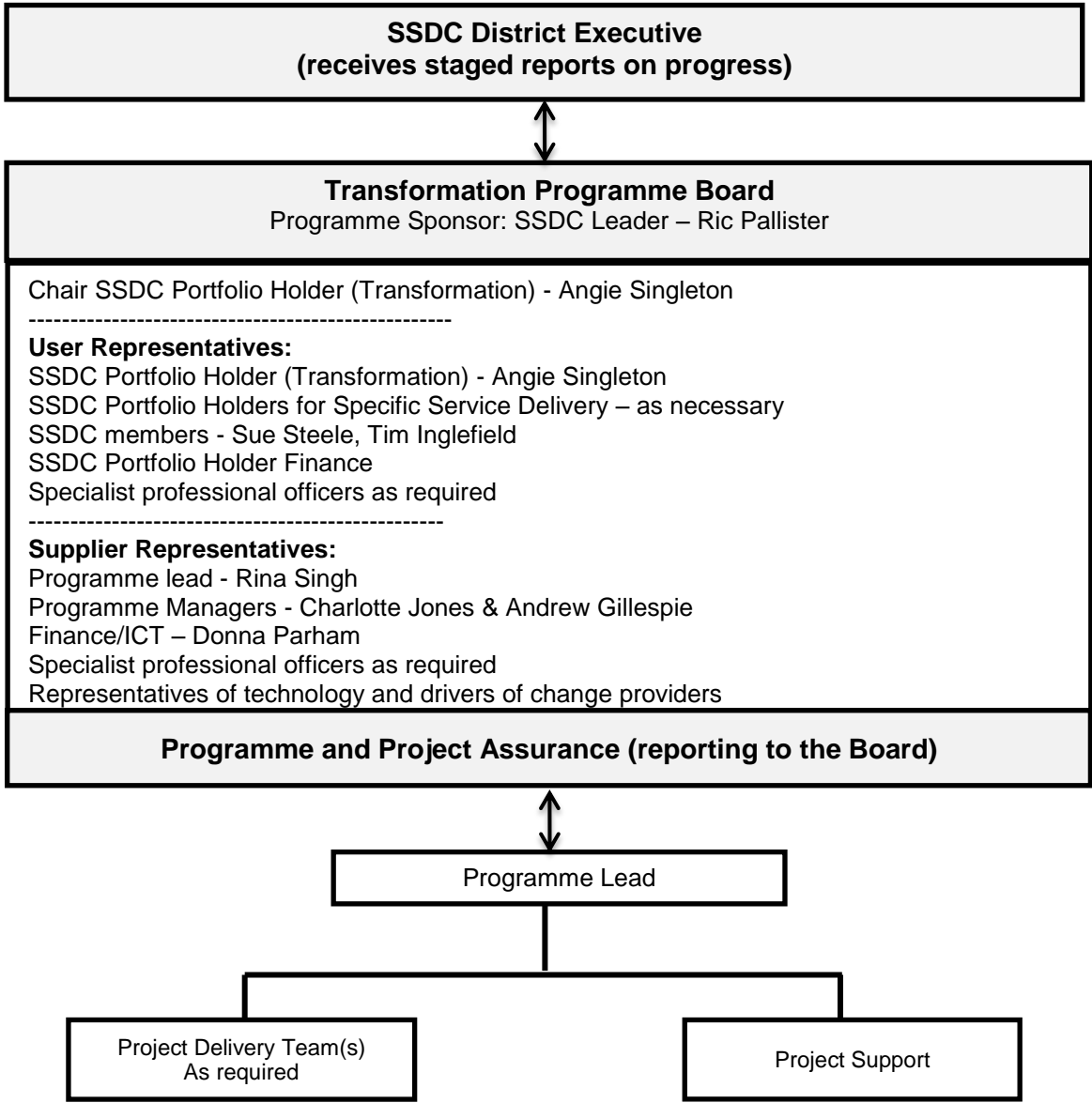
- An estimated annual revenue saving of £2 million from staff costs (see Financial Implications)
- Increased capacity to handle telephone calls
- protecting face to face contact as required
- Customers' details and property records held in one place ('single view of the customer')
- 24/7 access to those who choose to use our easy on-line services
- Increased access options for our customers
- Mobile and Locality workers
- A flexible workforce with empowered roles
- Improved work/life balance and career development opportunities for our staff
- Commissioning options for the council
- Flexible future options for sharing with partners

5. Timescale

Based on the experience of other Councils, implementation of the Future Model would comprise an 18 - 24 month programme after procurement.

6. Transformation Programme (TP) Governance

It is proposed that the TP Governance should use the following structures.



The Transformation Programme Board will:

- provide a high-level strategic steer
- champion the programme to internal/external stakeholders
- create an environment in which the programme can thrive
- monitor the overall direction of the programme
- monitor the risk log for the programme and agree mitigation
- authorise financial commitments within the existing financial procedures

The Programme Lead will:

- create and monitor the delivery plan for the programme
- ensure that the required resources are available

- resolve any conflicts escalated by the project delivery teams
- manage risks
- measure the delivery against the benefits and
- be responsible for the communication plan

The programme will require in-house resources, with a number of project work streams running simultaneously to deliver the change programme. These will include:

- Organisational Design and HR
- Technology
- Transition
- Support Services

It is envisaged that there will be a core programme team from officers within the Council. The make-up of this will change as required by the programme stages. Union involvement will be through a designated representative. Each Assistant Director will also nominate officers for their services. These officers will fulfil both the 'user' and 'supplier' representative roles within the TP and act as their main point of contact.

As services go through the programme, work relating to Business Process Re-engineering (BPR) will be carried out by project teams. Experience indicates this element of the work can take up to 4 months depending on the degree of complexity involved. BPR is already undertaken by managers and work teams as part of "continuous improvement" therefore it is assumed that in most cases additional resources may not be required. However, some back filling may be needed and this will be discussed with the appropriate Assistant Director on a case by case basis. A provision of £360,000 for back filling has been included in the headline programme budget.

7. Financial Implications

The tables below show a breakdown of estimated costs and savings, the timings are indicative and depend on procurement:-

Capital

Item	2016/17 £	2017/18 £	2018/19 £	2019/20 £	2020/21 £	Totals £
Software, connectors, and implementation including programme team and backfilling	303,250	606,500	303,250	-	-	1,213,000
Contingency	25,325	50,650	25,325			101,300
Total Capital Costs (A)	328,575	657,150	328,575	-	-	1,314,300

Ongoing Revenue

Item	2016/17 £	2017/18 £	2018/19 £	2019/20 £	2020/21 £	Totals £
Ongoing costs e.g. support and maintenance (D)		59,975	59,975	59,975	59,975	239,900

Once-Off Revenue

Training, organisational change management consultancy, internal programme team and backfilling	170,000	340,000	170,000			680,000
Contingency	17,000	34,000	17,000			68,000
Once-off Programme Revenue Costs	187,000	374,000	187,000	-	-	748,000
Total Once-off and Ongoing Programme Costs	187,000	433,975	246,975	59,975	59,975	987,900

Allowance for redundancy costs (Note 2) (C)		1,200,000	1,200,000			2,400,000
Total Once-off Revenue Costs (E)	187,000	1,574,000	1,387,000	-	-	3,148,000

Total all Revenue Costs (B)	187,000	1,633,975	1,446,975	59,975	59,975	3,387,900
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Total Capital and Revenue Costs (G)	515,575	2,291,125	1,775,550	59,975	59,975	4,702,200
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Salary Savings (Note3) (F)		1,000,000	1,000,000	-	-	2,000,000
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Note 1 – The headline business case does not include any alterations to Brympton Way

Note 2 – An allowance of £38,000 has been made for each redundancy. It is expected that there will be some natural turnover that will reduce this figure. However, it is important that sufficient funds are set aside to cover redundancy costs and avoid any in year adverse budget impact.

Note 3 – These figures have been cross referenced for reasonableness to the savings made by South Hams and West Devon Councils

The overall estimated costs, including provision for redundancies, are £4,702,200 (G). The overall estimated annual saving is expected to be £2,000,000 (F). The expected payback period is 2 years and 4 months.

Estimated costs comprise £1,314,300 (A) capital and £3,387,900 (B) revenue. Revenue includes a provision for redundancy costs of £2,400,000 (C). An estimated £59,975 (D) per year are ongoing revenue costs and so need to be added to the Medium Term Financial Plan as a commitment from 2017/18.

The overall estimated annual saving is expected to be £2,000,000 (F). This is a salary saving only and does not include non-pay spend. Savings will be added to the Medium Term Financial Plan in 2017/18 and 2018/19.

Software purchases and the implementation of that software can be financed through capital receipts. A total £2,500,000 in capital receipts was set aside in the budget for transformation and members of the District Executive are recommended to allocate £1,314,300 (A) of those funds for this programme. The revenue implications for the loss of interest have already been included in the budget as part of the Medium Term Financial Plan.

There is currently £394,000 in the Voluntary Redundancy Reserve and members are requested to allocate all of this to a new Transformation Reserve. It is recommended that the remaining revenue requirement of £2,754,000 is funded from the Revenue Support Reserve.

The Revenue Support Reserve was set up to provide £3 million per annum to support the Medium Term Financial Plan for 2016/17, 2017/18 and 2018/19. Members approved this as the strategy for the use of New Homes Bonus (NHB). It enables the authority to manage the risks of using NHB to support the budget by giving the authority time to find savings if NHB ceases. The Revenue Support Reserve holds those funds pending their use for that support. The recommendation is to utilise the allocation for 2018/19 to ensure the transformation programme can be financed at the date of decision to approve the project. This will be replenished before any savings are taken for the budget. The risk of doing this is that if it cannot be replenished then the savings to find will be higher in 2018/19.

However, the Government outlined in the 2016/17 Finance Settlement that new capital receipts could be used to fund revenue if full Council approved an Efficiency Plan. As part of the financial assessment, the DCLG were asked about any possible grant funding. The response was that there was no grant funding pot at present and that support for local government was through flexibility to utilise receipts from future sale of assets for this purpose. Work is underway to investigate whether some of the revenue costs could be financed in this way. If this is possible revenue savings would not be required to replenish the Revenue Support Reserve before being added to the MTFP. A report will be made to District Executive and full Council once the investigation is complete.

General Fund Balances are expected to be £3.8 million at the end of the year. These should be retained to meet financial risks. There is no surplus to fund this programme.

8. Procurement

The procurement process will be undertaken in line with the Council's Contract Procedure Rules and in line with EU requirements.

9. Headline risk assessment (after mitigation)

Risk	Impact	Likelihood	Mitigation
Higher than anticipated costs and/or lower than anticipated savings arising from the programme.	High	Low	Detailed business case in place before committing to implementation of the programme. Robust contractual arrangements – with penalty clauses. Detailed monitoring of costs and savings within the programme
Unexpected external cost pressures which diverts resource from the TP and delays delivery.	High	Low	Review level of corporate priority against the new cost pressure.
Integrated ICT solution proves less successful than anticipated (Business continuity and connectivity in remote areas will be key to successful implementation.)	High	Low	Achieve “fit for purpose” specification Test through the procurement process Use “tried and tested” innovation Review business continuity / disaster recovery plans
Insufficient capacity to deliver the TP	High	Low	Programme identified as a key corporate priority Commission external support as required to ensure the TP is delivered in line with the timetable.
The shared vision for the TP during periods of significant changes is not maintained	Med	Med	Effective communication strategies to engage with members staff and other stakeholders embedded within TP.
Organisation transition to the new operating model is not managed effectively.	High	Med	Once decision taken to implement TP create sufficient organisation capacity to achieve programme timeframes.
Programme management arrangements are not robust or resilient.	High	Low	Establish appropriate Member and officer TP governance arrangements.
Ongoing political commitment could be difficult to maintain if faced with major <u>external</u> change and /or challenge	High	Med	Ongoing liaison with members to maintain shared vision Raise awareness of the scale of organisation change and the impact on both members and staff.
Reduced capacity and morale during significant corporate change	Med	Med	TP communication strategy Ensure that key staff are not lost to SSDC
New skills and approaches to work styles are not adopted	High	Low	Support cultural change with a comprehensive corporate training and development programme TP Communication Strategy Ensure new systems are resilient and stable

Council Plan Implications

The Transformation Programme will build the council's future resilience for delivering well managed cost effective services valued by our customers. The detailed design of a new operating model will be fully informed by the council long and short term priorities.

Carbon Emissions and Climate Change Implications

None from this report. Implementation of a new operating model coupled with an investment in ICT will help reduce the council's carbon footprint for example by reducing the need to travel, the use of postage and printing and by reducing the requirement for accommodation.

Equality and Diversity Implications

The programme will include a significant investment to help customers use our services through digital means - and so a key aspect is to *design in* digital inclusion. Early work for the Transformation Programme has made good use of existing customer data, and an understanding of the different ways in which customers need and want to access services from the council.

If the recommendations are approved, a detailed communication / stakeholder plan will be developed and future progress will be fully informed by detailed equalities analysis. This will apply to all stages at all levels. At this stage, the TP is high level, and no detailed proposals are available to have their impact assessed or for fuller consultation.

Privacy Impact Assessment

A privacy impact assessment should be carried out whenever there is a change being proposed that is likely to involve a new use or significantly change the way in which personal data is handled. This will include a redesign of an existing process or service, or a new process or information asset being introduced e.g. "single view of a customer". This "single view" is a key strand of the transformation program that has significant /privacy data protection implications. The PIA is simply a best practice process which helps assess privacy risks to individuals in the collection, use and disclosure of personal information. A failure to properly embed appropriate privacy protection measures may result in a breach of privacy laws, a declaration of incompatibility with the Human Rights Act, or prohibitive costs in retro-fitting a system to ensure legal compliance or to address community concerns about privacy. A failure to properly keep personal information secure has potentially significant financial and reputational implications. The approach to be adopted by SSDC will be to identify and address the data protection and privacy concerns at the design and development stage of the transformation project, building data protection compliance in from the outset rather than attempting to bolt it on as an afterthought. In addition conducting and/or reviewing a Privacy Impact Assessment (PIA) through a project lifecycle will ensure that, where necessary, personal and sensitive information requirements are complied with and any risks are identified and mitigated.

Background Papers

Headline Business Case – February 2016