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SUBJECT:	IMPLEMENTING THE COUNCIL STRATEGY – TRANSFORMATION PROGRAMME UPDATE
DATE:	15 JANUARY 2015
RECIPIENT:	OVERVIEW AND SCRUTINY MANAGEMENT COMMITTEE

THIS IS NOT A DECISION PAPER

SUMMARY:

The purpose of this report is to provide an update on the progress since July 2014 when OSMC considered a briefing on the transformation programme. At the July 2014 meeting OSMC requested that the Cabinet Member for Education and Change provide details of the projected savings and timescales against the Transformation projects and work- streams. This report provides some of that information and more details will be available when the Cabinet report is published for Full Council discussion in February 2015.

BACKGROUND and BRIEFING DETAILS:

Background

- At the meeting in July 2014, OSMC requested that the Cabinet Member for Education and Change provide details of the projected savings and timescales. Considerable progress has been made since July 2014 and this report provides an overview of the work undertaken to date and the plans for implementation. While this report provides some information requested, more details will be available when the Cabinet report is published for Full Council discussion in February 2015.

Going forward, the Cabinet's priority is to achieve:

- A reduction in year on year overspends as well as a real reduction in the costs of social care services for vulnerable children and adults.
- The implementation of a new operating model to make us more efficient and sustainable by 2017.
- The development of a list of council services that will be stopped or reduced.
- An increase in the level of resources we apply to our front line services by tackling front and back office inefficiencies.
- Making it easier and more efficient for our customers to deal with the council using self-service designed around their needs.
- Further reductions in procurement of external supplies and services and a review of all contracts.
- A Reduction in the number of management layers and a widening of the spans of control to make us more agile, efficient and adopt smarter ways of working.
- A more commercial approach to how we do business and use innovation to reduce costs and generate more income.

Progress as per the Transformation Cabinet report in July 2014

- Since July 2014, the following progress has been made:

BRIEFING PAPER

- o Redesign our organisation to make it more cost effective, deliver improved outcomes for our customers and adopt effective new ways of working by designing a new operating model.

- o We have captured an evidence base which tells us the level of effort staff were applying to front line service delivery and front and back office processes across the organisation. This work has identified the level of inefficiency and duplication of work taking place across the whole council and has provided priority areas of focus to drive out business efficiencies and savings.

- o We have been talking and listening to our staff. We have completed the first staff survey since 2010 which tells us our staff satisfaction levels. We have been conducting face 2 face briefings with all staff. We have set up a dedicated staff forum (PULSE) to listen to ideas and concerns from our staff. The first forum held in December had over 60 attendees; the next forum is taking place 29 January 2015.

- o We recognise that we need accurate information to make informed decisions to enable improved outcomes for our customers. We have prioritised bringing together reporting and data analysis across the organisation by way of establishing the first stage of a Strategy Unit in February 2015.

Progress within the transformation work streams since July 2014

Customer

- We have updated and redesigned our Customer Gateway to make it easier for our customers to deal with their queries, seek advice and make payments. We have introduced self-service terminals and since its launch on 13 October we have received very positive feedback. This new way of dealing with our customers will allow us to make further efficiencies in the front and back office support functions by reducing the need for resources to scan documents, process payments, dealing with general telephone enquires etc. By allowing our customers direct online access to services we can reduce paperwork and unnecessary effort. We have introduced appointment based services for transactions that have to be done face to face and for our most vulnerable customers.

- We have redesigned our web site (live in October 2014) which now offers our customers 24/7 access to the most of the services we provide and have made it easier for customers to make payments, seek information, submit enquiries and make requests for services. Our new website is versatile and can support any type of mobile device making it flexible for all our customers. We will continue to invest in making it easier for our customers to deal with us online by developing a My Southampton single account. By enabling our customers to self-serve, in turn it will help us reduce the level of resource needed to process requests and allow us to focus more resources on front line service delivery.

- Development of a single 'Front Door' - unified point of access for adult social care and housing services:

  - o Adults Services and Housing Services are expected to be the first services in the new

BRIEFING PAPER

'Front Door' by the end of May 2015 (talks are underway with the Unions)
- o Implementation of the Southampton Information Directory (SID) has been completed in preparation for the Care Act which comes into effect in April 2015 and the Children & Families Act which came into force in September 2014.

Infrastructure

- Implementation of a new back office administration function (business support) which will further address inefficiencies and deliver savings of £800k from April 2015.

- We will continue to reduce accommodation and work with our public sector partners through the One Public Estate programme. A key element has been the vacation of the OGS building and leasing it to Southampton University from January 2015.

- We will continue to monitor and reduce our staff spend on agency and overtime by improving work force planning, demand management and managing performance better.

- We have started work on implementing new ways of working for our staff including mobile and flexible working, new performance management, skills and competency frameworks.

- We are reviewing our procurement spend to deliver further cashable savings by buying smarter.

Service design

- We are reviewing our services focusing on why we offer them, who to, and challenging ourselves on whether we are the right provider. In the first phase, we are progressing work on redesign of adult social care provider services and libraries transformation.

- Research on alternative ways of delivering our services and different service models together with the establishment of a service design gateway process to review all proposals is underway. If required, larger/significant service redesign proposals may be brought forward for consideration by Cabinet and Full Council.

- A number of services are currently being reviewed:

  - o alternative models for delivering services, including some which have trading / growth potential (e.g. economic development and regulatory services, highways, transport, arts and heritage services, social care services, housing repairs and maintenance, and the legal ABS)

  - o Service transformation with cost reductions and/or service restructuring/streamlining (e.g. leisure, waste collection, enabling services) and

  - o Customer service transformation (e.g. customer contact and digital services).

The need to change

- The role and shape of public services is changing dramatically. This is because of reducing budgets and changing needs, behaviours and expectations of customers, clients, residents and

BRIEFING PAPER

communities. The council and its public sector partners recognise that we can be more successful in improving outcomes within reducing resources by working together on a whole place thinking approach, pooling of budgets to deliver services in more seamless ways.

- The council is facing a significant funding gap of circa £61.2 million in 2016-17 and 2017-18, as detailed in the November 2014 budget report. The report identified work in progress savings of circa £6.9 million, which would bring the gap down to £54.2 million. This gap is set to widen further due to significant demand pressures in common with other councils. These demand issues and the need to reset a robust foundation for many services to vulnerable people have meant that there continues to be year on year overspends in both children services and adults social care services. A top priority for the council is to reverse this trend of year on year overspends as well as to achieve a real reduction in the costs of social care services for children and adults.

Changing the way we operate

- Given the challenges we face, it is clear that the way the council operates needs to change if we are to find new, more cost effective ways of meeting the needs of our communities in the context of a changing public sector landscape. To achieve this, we recognise that we need to continue to facilitate economic growth and foster effective partnerships with a range of public, private, voluntary and community sector partners. If the council is to deliver the right outcomes for residents, it must also focus its efforts on the right delivery models for the future (some of which may not be the council), income generation, becoming more commercial in everything we do and working with our partners to deliver shared services, maximising efficiencies within our front and back office operations and adopting new ways of working.

- Our new operating model is being developed by the Cabinet and Council's Management Team (CMT) with significant input and insight from Heads of Service, KPMG and the Council's Transformation Programme team. The new operating model will inform:

    o How we will deliver the required services to our customers
    o The best models for delivery of our services
    o How it supports the delivery of the Council's priorities
    o What we need in place to operate efficiently; skills, data, information, policies, procedures, processes, technology, property etc

- The timeline, estimated savings and investment for the transformation programme is being worked through and will be included in the report to Cabinet and Council in February 2015. It is important to note that the transformation programme is not expected to bridge the whole funding gap by 2017-18, however, it will make a significant contribution. Importantly it will help shape the council to become an organisation that is operating efficiently, effectively and designs its services around the needs of its customers, is flexible and agile by reducing unnecessary processes and simplifying the way we do things, anticipating and managing our demand better and generating income longer term.

Our programme of transformation is focused on:

Improving customer experiences by use of innovation and technology

BRIEFING PAPER

- A key aim of the Council Strategy 2014-2017 is to *"put residents and customers at the heart of what we do"*. To do this well, we will need to place much greater emphasis on delivering improved and consistent quality of customer experience across all access channels. This will transform how our customer interacts with us using digital means and helping them to become more self-reliant by providing the right access to information and data. We will redesign our service access points with our customers for our customers. We have already worked with a number of customer groups to gain their input to service redesign and will continue to do so. Through a more co-ordinated approach, using customer feedback, analysis and intelligence we will make it easier for customers and businesses to access information, make payments and become better informed of services we provide.

Reductions in layers of management and widening spans of control within the council

- We will simplify the way we work, providing our staff with the right tools, access to the right information at the right time to fulfil our customer needs. Our staff will adopt new mobile and flexible working styles. Despite the reduced size, the organisation will become agile and fit for purpose. Work is being undertaken by the Chief Executive to determine, at a high level, the future organisational structure for the council and the key components involved in the proposed organisational change.

Taking the cost out of inefficiencies

- We recognise that further efficiencies can be achieved by working differently and smarter. We have captured a sound evidence base which outlines how much staff effort is being applied to key processes across front line service delivery and front and back office support services. The work outlines where there is duplication, fragmentation and areas of efficiency improvement to be undertaken.

- This work was conducted by Price Waterhouse Cooper (PWC) who have completed this type of review across over 60 other public sector organisations. We have to therefore be prepared to base our estimates for the level of potential savings which can be released on the experience of other organisations, who have achieved savings through removing process duplication and fragmentation and delivering efficiency improvement. However at this stage a savings range has been applied and will be further validated during the business case development stage**.**

- Over the last five years councils have used the outcomes of this type of review to take forward specific process reviews such as stopping unnecessary back office processes, simplifying and redesigning simpler ways of working, consolidating their customer enquiry handling gateway, working towards a common way of undertaking simple assessment needs, enabling staff to become self-sufficient, adopting mobile and flexible working practices using self-service tools, providing more on line access to information and making payments to their customers. In turn they have used this evidence base to identify and deliver efficiencies which has resulted in financial savings. The savings potential identified as part of this review indicates through reducing and improving some of the core processes undertaken by the Council an indicative saving range of £5.9-9.8 million.

- Overall the review has outlined that we have the equivalent of 3,681 Full Time Equivalent (FTE) effort taking place across the council. This figure includes the effort across the processes from

BRIEFING PAPER

Capita and Balfour Beatty. It is also important to highlight that the effort has been estimated by consolidating each activity undertaken across the 40 most common processes across the organisation. The review summarises that we have 41% (1,521 FTE effort) currently delivering frontline service delivery and over (2,160 FTE effort) 59% facilitating and supporting our front line service delivery, this is illustrated in Figure 1.

- This does not mean that we spend 41% of our budget on front line services and more work needs to be done to understand how the effort translates into budgets. This does not therefore represent the number of staff dedicated solely to doing those activities. However it does outline that we have a number of common processes being undertaken in different ways across the council which provides us with opportunity to tackle inefficiencies and make us more efficient.

- This work provides us with an initial view on cashable savings that may be achieved through further process improvement.
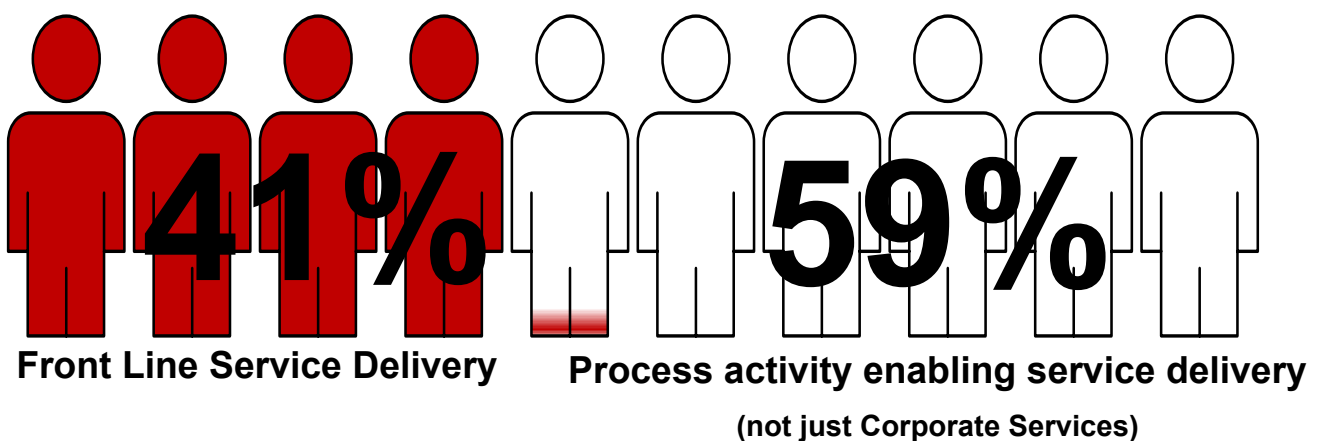

Front Line Service Delivery   **Process activity enabling service delivery**

(not just Corporate Services)

Figure 1 Process activity review representation of effort by core process for SCC

- We recognise that we will have to take decisions without having all the assessment and assurances and manage the risks accordingly.

- As we want to ensure we continue to make ourselves more efficient and work smarter, we are committed to shifting a greater proportion of our (reducing) resources to front line service delivery. Irrespective of what shape the council will be in the future, this work has given us clear evidence to support the stopping, consolidation and reducing fragmentation and duplication of core processes across the Council. It will also help us redesign how we deal with our customers' needs and demands in a more effective way.

- The key recommendations from this work will be aligned to the existing work already underway on projects such as Strategy Unit, Procurement Review, Customer and the implementation of the new operating model. Therefore it has been grouped into two phases:

  o Phase 1 – this work is underway and will focus on process improvements within our customer enquiry handling, customer assessment processes, better effective workforce management, further improvements in our business administration functions (business support) and improved use of our data for reporting and demand management (Strategy Unit). The work has outlined an indicative efficiency saving of £5.0-8.4 million. This will need to be validated through detailed work with the services over the coming months. The business cases for these savings will be completed by March 2015. The savings potential for phase 1 is identified in Table 1. This reduction does not include any

reduction in the service delivery activity of the organisation as a result of adopting alternative delivery models.

- o Phase 1 includes the savings that have already been agreed for the existing Business Support Phase 1 project and the Front Door project, and these savings are included within the 2015/16 budget, therefore the potential new savings from this work will be within the range of £4.4-7.9 million. However the process activity review clearly outlines additional savings that may be achieved as listed in Table 1.

Table 1 Potential savings from Process Activity Review phase 1

Process area	Average to Maximum Cost Reduction	Indicative Saving Range £M
Customer Enquiry Handling	11-17%	0.7-1.1
Processing Applications & Managing Appointments	13-20%	0.5-0.7
Eligibility & Assessment	11-17%	0.7-1.1
Management & Supervision	10-17%	0.9-1.6
Workforce Planning & scheduling	11-19%	0.4-0.7
Business Administration & Support	10-18%	1.2-2.2
Procurement, Commissioning & Managing Contracts	6-11%	0.2-0.3
Strategy & Policy, Research & Consultation	6-10%	0.2-0.3
Performance Management, Improvement & Business Intelligence Reporting	6-10%	0.2- 0.4
	Sub total	**5.0- 8.4M**
Business Support and Front Door savings 15/16 removed	**Total**	**4.4-7.9M**

- o Phase 2 – will focus on improving and streamlining the processes associated with other support functions, such as, HR, ICT, and Finance etc. Although most of these functions are already centralised, within each Directorate there is still a high activity level taking place. The initial business case work for this area will be done in parallel with Phase 1, however, implementation will be aligned to the outcome of the service review work.

- The aim will be to increase the proportion of total effort (and consequently a greater proportion of budgets) to front line service delivery and reduce the effort that goes into supporting service delivery.

- The savings potential for phase 2 is identified in Table 2. This reduction does not include any reduction in the service delivery activity of the organisation as a result of adopting alternative delivery models.

- Officers are still working on these figures and as a result they come with the following health warning:

- o The work completed to date has been a high level desktop exercise, the proposals are in the very early stages and in some instances the figures and the profiling put forward could include duplication and/or uncontrollable costs. Further detailed work is required to verify the actual level of savings which can be delivered.

BRIEFING PAPER

- o The interconnection between some of these proposals has not been established in all cases so the numbers may be over or understated.

- o As part of the business work we will determine the level of investment required and all proposals will be subject to a robust return on investment review before proceeding.

Table 2: Potential savings from Process Activity Review phase 2

Process area	Average to Maximum Cost Reduction	Indicative Saving Range £M
ICT	10-14%	0.115–0.161
HR	10-14%	0.170–0.237
Legal	6-10%	0.090–0.149
Finance and Payroll	6-14%	0.290–0.405
Fleet	6-10%	0.030-0.051
Property & Estate Management	6-10%	0.025-0.042
FM (not all FM - some maintenance still within service delivery)	6-10%	0.040-0.067
Marketing, PR, Communications	6-10%	0.047-0.078
Health & Safety	8-12%	0.082-0.123
Stores, Distribution & Archives	6-10%	0.021-0.034
Democratic Support	6-10%	0.047-0.079
	Total	**0.95-1.4M**

- As a result of implementing the improvements in phases 1 and 2 the organisation effort levels would change considerably.

Outcome of phases 1 and 2

- The level of effort applied to the front line service delivery would increase from 41% to approx. 47% representing a 6% increase with the supporting functions reducing by approx. 6% to 53% of effort. The level of effort however may be subject to further change as an outcome of the service review work.

Outlook over the coming months

The priorities for transformation over the coming months will be:

- Commence the implementation of the new operating model (subject to Cabinet and Full Council Approval)
- Continue with the review of all services
- Complete the development of the business cases for the process improvements for Phase 1 and 2

Resource and Policy Implications

BRIEFING PAPER

1. The Council Strategy forms part of the council's Policy Framework, as set out in Article 4 of the Council's Constitution. The Transformation Programme will enable the council to systematically redesign every aspect of how we work and deliver services.

Appendices/Supporting Information:

1.   None

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