

DECISION-MAKER:	OVERVIEW AND SCRUTINY MANAGEMENT COMMITTEE		
SUBJECT:	TRANSFORMATION PROGRAMME UPDATE		
DATE OF DECISION:	14 JANUARY 2016		
REPORT OF:	CABINET MEMBER FOR TRANSFORMATION		
<u>CONTACT DETAILS</u>			
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STATEMENT OF CONFIDENTIALITY			
None			
BRIEF SUMMARY			
This paper provides the Overview and Scrutiny Management Committee (OSMC) with an update on the Transformation Programme as at end December 2015 and progress since the last update to OSMC in July 2015.			
RECOMMENDATIONS:			
	(i)	The Committee is requested to consider this report and note progress of the Transformation programme.	
REASONS FOR REPORT RECOMMENDATIONS			
1.	At the OSMC meeting in November 2013, the Chair requested that OSMC receives updates and reviews on the Transformation Programme at appropriate intervals. In response, it was agreed updates will be provided on a quarterly basis, commencing January 2014.		
ALTERNATIVE OPTIONS CONSIDERED AND REJECTED			
2.	Not applicable.		
DETAIL (Including consultation carried out)			
	Background		
3.	The continued financial challenge facing the Council increases the need for fundamental, transformational change across the organisation, in both the services it delivers and how it delivers them.		
4.	<p>In order to help officers achieve this, a Transformation programme was established in 2013 with the following objectives:</p> <ul style="list-style-type: none"> • Implement a new operating model by 2017 which is focussed on delivery outcomes and priorities • Reduce year on year overspends as well as reducing the costs and demand for social care services for our vulnerable children and adults • Develop a list of council services that will have to be stopped or reduced • Reduce the level of resources in our front and back office functions • Further reduce our procurement spend on external supplies and 		

	<p>services and carry out a review of all contracts</p> <ul style="list-style-type: none"> • Significantly reduce our management layers and widen our spans of control • Become more commercially focussed in how we do business and use innovation to reduce costs and generate more income. 																				
5.	This report provides an update on the current phase of the Transformation Programme that commenced in May 2015 with the appointment of a new Director of Transformation, followed by the appointment of PwC as Strategic Transformation Partner.																				
Current Transformation Projects																					
6.	<p>Since the last update to OSMC in July, the Transformation Programme has matured with the development of business cases for a suite of tactical and strategic projects to meet the Council's financial and operational objectives. All of these business cases have been presented for discussion by members at the Transformation Implementation Board (TIB) and/or Cabinet and reported to Council in budget reports or at Council meetings. A high level summary of the projects and their current status is provided in the table below.</p> <table border="1"> <thead> <tr> <th>Project</th> <th>Objective</th> <th>Status</th> <th>Target full year saving approved at TIB and target saving measure</th> </tr> </thead> <tbody> <tr> <td>Service Excellence</td> <td>Increasing capacity and productivity through process improvement; revised organisation design</td> <td>Wave 1 in progress. Productivity gains noted across teams. Final report proposing efficiency savings currently being compiled for presentation to TIB in January</td> <td>£1.58m A 20% productivity increase (and associated FTE reduction)</td> </tr> <tr> <td>HR Policies and Procedures</td> <td>Implementation of new redeployment and sickness policy, and on-going challenge and removal of vacant posts over 6 months</td> <td>New policies to launch in January</td> <td>£0.43m Deleting posts that have been vacant for more than 6 months</td> </tr> <tr> <td>Activity Analysis – IT systems</td> <td>Re-grading and consolidation of IT systems roles into central team</td> <td>Proposals on new structure being finalised for presentation to TIB in late January</td> <td>£0.29m FTE reduction and re-skilling</td> </tr> <tr> <td>Service Cost Recovery</td> <td>Income growth and cost avoidance activity, including</td> <td>Wave 1 in progress Wave 2 awaiting approval</td> <td>£2.3m (Wave 1) Income and cost reduction</td> </tr> </tbody> </table>	Project	Objective	Status	Target full year saving approved at TIB and target saving measure	Service Excellence	Increasing capacity and productivity through process improvement; revised organisation design	Wave 1 in progress. Productivity gains noted across teams. Final report proposing efficiency savings currently being compiled for presentation to TIB in January	£1.58m A 20% productivity increase (and associated FTE reduction)	HR Policies and Procedures	Implementation of new redeployment and sickness policy, and on-going challenge and removal of vacant posts over 6 months	New policies to launch in January	£0.43m Deleting posts that have been vacant for more than 6 months	Activity Analysis – IT systems	Re-grading and consolidation of IT systems roles into central team	Proposals on new structure being finalised for presentation to TIB in late January	£0.29m FTE reduction and re-skilling	Service Cost Recovery	Income growth and cost avoidance activity, including	Wave 1 in progress Wave 2 awaiting approval	£2.3m (Wave 1) Income and cost reduction
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		activity with schools		
	Procurement	Price and demand initiatives to reduce spend on temp staff; Foster Care and Nursing and Residential Care	Temp staff initiative underway	£5.5m Reduction in agency rates as well as usage of temp staff
	Digital – part 1	Use of existing IT platform to support process redesign, resulting in cost savings	Initial technology builds to begin in January	£7m New customer journeys and FTE reduction
	Operating Model – phase 1	New organisation structure to support outcome based budgeting and reduced budget envelopes for directorates	Cabinet and Group Leaders briefed in October Leadership level roles currently in formal consultation	£0.9m for Layers 1 and 2 (in addition to savings already taken in April '15)
	Project Marigold	Currently confidential. An oral update will be given in private session if required	Approved by Council on 16/12/15	At this stage confidential to Council
				Total = £18m
	Programme Management			
7.	These projects are being managed by a mixed team of SCC officers and PwC, as strategic transformation partner. PwC's initial role was to support development of business cases, and is now primarily to support delivery of the business cases and the implementation of change, through project management, business analysis and technical implementation. Other parties – such as Capita and Firmstep – are providing input as required within existing contractual arrangements.			
8.	All projects have completed relevant policy reviews, including Equality and Safety Impact Assessments, where appropriate.			
9.	Project and programme progress is reported to members at TIB meetings, Cabinet and Council as appropriate. Regular briefings are also provided at weekly meetings between the Director of Transformation and Cabinet Member for Transformation. Updates are provided at formal Group Leaders meetings and separate briefings have also been offered to the Leaders of the Opposition Groups. Monthly briefing meetings have been agreed with the Leader and Deputy Leader of the Conservative Group starting in January 2016.			
10.	PwC and SCC work collectively together to identify savings and agree business cases at monthly Benefits and Commercial Governance Group meetings. Project progress is monitored within the programme at weekly meetings which include PwC and Capita. In these sessions, risks and issues are reviewed. The top three risks currently include: <ul style="list-style-type: none"> • Union resistance to changes with sickness policy and redeployment 			

	<p>process, although progress continues to be made in our discussions and no delay to the implementation of proposed new policy changes in January 2016 is expected.</p> <ul style="list-style-type: none"> • Loss of business if schools choose not to sign up to the SLAs which results in loss of contribution to overheads for services recovering their costs, although such business covers discretionary services only and does not impact on the Council's statutory obligations. • Poor quality of management information (MI) preventing clear visibility of underlying issues within the Council and requiring establishment of new procedures to manage key MI, such as staff numbers, although significant progress has been made in recent months by the Business Intelligence team in the Strategy Unit and further investment in analytics tools will continue to support this direction of travel.
11.	<p>In addition, Transformation projects are key controls to two of the Council's Corporate Strategic Risks</p> <ul style="list-style-type: none"> • SRR01: Failure to address the significant and ongoing financial pressures in a sustainable way and to enable service provision to be on a proactive rather than a reactive basis; and • SRR07: The contractual arrangements, in respect of those council services commissioned from and delivered by external organisations/partners, are not sufficiently flexible to respond to the council's changing service requirements.
12.	<p>Transformation projects support control of these corporate risks through the following activity:</p> <p>SRR01</p> <ul style="list-style-type: none"> • Assessment of the council's overall short, medium and longer term financial position • Identification and delivery of new savings/income opportunities for 2016-17 onwards • Profile and baseline of individual service budgets to council outcomes (including identification of high spending and/or low performing services) • Identification and assessment of high priority and other projects that are anticipated to deliver significant cashable benefit • Service charges and fees set at the appropriate level and all charges and fees from income generating services are collected to allow for full commercial recovery on non-statutory functions. <p>SRR07</p> <ul style="list-style-type: none"> • Dialogue with current suppliers regarding the need for flexibility including service reduction.
	<p>Individual Project Status – Further information</p>
13.	<p>Service Excellence: A programme to increase productivity on teams undertaking core administrative (and mainly) back office processes has been piloted across 30 teams (and involving 324 FTEs). Outcomes include clearer KPIs and better tracking of key measures; improved problem solving in teams; greater confidence and upskilling of team members, culminating in productivity increases. In addition, a proposed new Organisation Design is being finalised for these teams for presentation and approval at TIB.</p>

14.	HR Policies and Procedures: A number of HR performance measures are significantly below average for Southampton when compared with other Councils. Policies to shorten the redeployment process, manage vacancies (including deleting vacant posts) and tackle the high level of absence in SCC have been drafted and are due to be implemented in January 2016.
15.	Activity Analysis – IT systems: Teams undertaking system support activity for line of business applications that were never outsourced to Capita have been consolidated under the IT client team in order to maximise the opportunities for individuals working across systems, and to support an organisation restructure. A proposed new organisation design is being developed for these teams, to consolidate support from across the Council. The proposed revised structure is being presented for approval by TIB in January 2016.
16.	Service Cost Recovery: Work is underway to increase charges or reduce costs in 20 areas that are currently delivering discretionary services that are not recovering the full cost of service provision. These areas span both People and Place based services and were agreed by TIB and Cabinet and reported in the November budget presented to Council. Implementation will occur throughout FY2016-17. A second wave of cost reduction in 14 further areas is currently being developed for consideration by TIB in January 2016.
17.	Procurement: An invitation to tender for a staffing ‘Managed Service Provider’ (MSP) was advertised on 21 st December. The MSP will be the sole provider of temporary staff to all directorates in the Council. A usage policy to support staff consider the right situations to procure temps will be launched concurrently with the implementation of the MSP in April 2016. The aim is to significantly reduce the current spend on temp staff. The MSP will also provide management information to support monitoring and decision making in relation to this spend. Over time, the MSP could also support the process to recruit permanent Council staff.
18.	Digital – part 1: The Digital transition will benefit customers and employees, provide excellent service, but also deliver a lower cost base. Implementation of part 1 has begun. Part 1 focuses on “digitising” a number of current services, using our existing digital platform (Firmstep) and introducing mobile technology. The implementation is split into three sub-programmes, titled “Supporting Vulnerable Adults and Children”, “Living in Southampton” and “Digital Employee” (which includes mobile working). Customer journeys have been allocated to each of these sub-programmes, and the technology builds begin in January. The first enhancement is expected on 18 th January with the launch of a new "My Southampton" Customer Account which will provide single sign on capability to a number of line of business management applications. Technology builds will create streamlined processes and greater automation. Once the revised processes are launched, a release of FTEs can occur.
19.	The Digital Part 1 business case was based on the experience in other Local Authorities and PwC’s ‘digital maturity assessment tool’ (which compares the ‘maturity’ of automated customer journeys across Local Authority clients). An investment of £500k in Firmstep (and other technology) is expected to support the delivery of savings of £7m (mainly through FTE reductions). The current timetables for the prioritisation of process improvement and technology builds for each of the three sub-programme are enclosed in the Appendices. The enclosed are indicative milestone plans and subject to on-going change in

	terms of both the order of process prioritisation and release dates.																				
20.	Operating Model: The Operating Model workstream is essential for the future financial sustainability of the Council. A new organisation structure is being developed for phased implementation to support outcome based budgeting and reduced budget envelopes for directorates. Leadership level roles are currently in formal consultation. The proposal is to reduce the senior leadership of the Council from 21 to 12 FTEs. Acting post holders will be appointed in January after the consultation process, pending formal Chief Office Employment Panel recruitment for the permanent roles where required. Post holders will then be tasked to support the design of their directorates against new budget envelopes. To deliver within these envelopes, directorates will have to consider all elements of spend (people, third parties and assets) and, fundamentally, the services they provide and how they deliver these. All post holders will have performance based contracts that hold them to account to working within their budget envelope.																				
21.	Project Marigold: This project was presented to Council in December.																				
	Budget Savings as at November 2015																				
22.	<p>All Transformation programmes are working to reduce expenditure as much as possible – from both General Fund, as well as the Housing Revenue Account. The General Fund implications of the targeted savings for FY2016/17 as presented in the November budget are summarised in the table below. It should be noted that in some situations targeted savings will lead to expenditure reduction that will help directorates address some areas of overspend, as opposed to their budget allocations. Therefore, these savings, while real in cash terms, do not contribute to a budget reduction:</p> <table border="1"> <thead> <tr> <th>Project</th> <th>Target full year saving approved at TIB</th> <th>GF Budget saving for 16/17 at Nov 15</th> <th>Notes</th> </tr> </thead> <tbody> <tr> <td>Service Excellence</td> <td>£1.58m</td> <td>£0</td> <td>£0.53m part year effect included in Operating Model line in November budget</td> </tr> <tr> <td>HR Policies and Procedures</td> <td>£0.43m</td> <td>£0.43m</td> <td></td> </tr> <tr> <td>Activity Analysis – IT systems</td> <td>£0.29m</td> <td>£0</td> <td>£0.07m (part year and GF effect only) and included in Operating Model line in November budget</td> </tr> <tr> <td>Service Cost Recovery</td> <td>£2.30m</td> <td>£0.4m</td> <td>Not all wave 1 initiatives taken from budget while implementation planning underway. A further saving included in Operating Model line in November</td> </tr> </tbody> </table>	Project	Target full year saving approved at TIB	GF Budget saving for 16/17 at Nov 15	Notes	Service Excellence	£1.58m	£0	£0.53m part year effect included in Operating Model line in November budget	HR Policies and Procedures	£0.43m	£0.43m		Activity Analysis – IT systems	£0.29m	£0	£0.07m (part year and GF effect only) and included in Operating Model line in November budget	Service Cost Recovery	£2.30m	£0.4m	Not all wave 1 initiatives taken from budget while implementation planning underway. A further saving included in Operating Model line in November
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	Procurement	£5.5m	£0	All savings treated as overspend savings
	Digital – part 1	£7m	£1.8m	Part year and GF effect only
	Operating Model	£5.4m	£5.4m	
	Project Marigold	Confidential to Council	Confidential to Council	
	Total	£22.5m	£8.03m	
RESOURCE IMPLICATIONS				
<u>Capital/Revenue</u>				
23.	The revenue cost of the SCC transformation team is being met from the transformation programme reserve approved by Council. PwC fees are linked to, and paid from, savings delivered through the implementation of the various transformation projects.			
24.	The primary current capital investment for the work described above is £0.5m for Firmstep investment (£0.25m) and Mobile Device investment (£0.25m) in relation to the Digital (Part 1) programme. Requests for any future additional investment to deliver additional savings on this and/or other programmes will be presented to TIB and Capital Board when required.			
<u>Property/Other</u>				
25.	No implications at this stage.			
LEGAL IMPLICATIONS				
<u>Statutory power to undertake proposals in the report:</u>				
26.	The duty to undertake overview and scrutiny is set out in Part 1A Section 9 of the Local Government Act 2000.			
<u>Other Legal Implications:</u>				
27.	None			
POLICY FRAMEWORK IMPLICATIONS				
28.	None			
KEY DECISION		No		
WARDS/COMMUNITIES AFFECTED:			None directly as a result of this report	
<u>SUPPORTING DOCUMENTATION</u>				
Appendices				
1.	'Digital Employee' Milestone Plan			
2.	'Living in Southampton' Milestone Plan			
3.	'Supporting Vulnerable Adults and Children' Milestone Plan			

Documents In Members' Rooms	
1.	None
Equality Impact Assessment	
Do the implications/subject of the report require an Equality and Safety Impact Assessments (ESIA) to be carried out?	ESIAs have been completed for Transformation projects where appropriate.
Privacy Impact Assessment	
Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out?	No
Other Background Documents	
Equality Impact Assessment and Other Background documents available for inspection at:	
Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
1.	Implementing the Council Strategy 2014 – 2017 (Item 81) http://www.southampton.gov.uk/modernGov/ieListDocuments.aspx?CId=122&MId=2835&Ver=4