CABINET

DOCUMENTS FOR THE MEMBERS ROOM

Tuesday, 10th February, 2015
at 4.30 pm

MEMBERS ROOM DOCUMENTS ATTACHED TO THE LISTED REPORTS

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MEMBERS ROOM DOCUMENTS

11   GENERAL FUND REVENUE BUDGET 2015/16 TO 2017/18

13   IMPLEMENTING THE COUNCIL STRATEGY 2014-2017: TRANSFORMATION PROGRAMME UPDATE

Monday, 2 February 2015   HEAD OF LEGAL , HR AND DEMOCRATIC SERVICES

The **public sector Equality Duty** (Section 149 of the Equality Act) requires public bodies to have due regard to the need to eliminate discrimination, advance equality of opportunity, and foster good relations between different people carrying out their activities.

The Equality Duty supports good decision making – it encourages public bodies to be more efficient and effective by understanding how different people will be affected by their activities, so that their policies and services are appropriate and accessible to all and meet different people's needs. The Council's Equality and Safety Impact Assessment (ESIA) includes an assessment of the community safety impact assessment to comply with section 17 of the Crime and Disorder Act and will enable the council to better understand the potential impact of the budget proposals and consider mitigating action.

Name or Brief Description of Proposal	COM1
	Regulatory Services and City Services Community Safety: Efficiencies resulting from the integration of the team with Environmental Health
	The details of the proposal is for the current Community Safety Team of 5 full time equivalent to be reduced to 3 and merge with Environmental Health.
Brief Service Profile (including number of customers)	The Community Safety Team deals with:
	Anti-social Behaviour:
	• Dealing with complaints from Southampton homeowners and private tenants about antisocial behaviour.
	• Assisting the Police, Local Authority Housing and Registered Social Landlord's when the complaint involves other tenants and residents.
	The Crime and Disorder Strategic Assessment (2013/14) identified there were 12,566 crime reports for anti-social behaviour in Southampton for 2013/14. This is a 17.4% reduction compared to the previous year.
	ICE Bus:
	• The 'In Case of Emergency', abbreviated as ICE, night time emergency bus is for those who are injured, unwell or in need of welfare support when out in Southampton city centre on a Saturday night
	• The bus is available on a Saturday night between 10pm – 4am, and during student Fresher's and New Year's Eve.

	The Crime and Disorder Strategic Assessment (2013/14) identifies the total number of clients assisted during 2013/14 was 308. This is a 13.7% reduction compared to the previous year.
Summary of Impact and Issues	This proposal will may have an impact ~~on the reporting and~~ response to anti-social behaviour. Feedback from the City Survey 2014 show residents identify a number of antisocial problems as being problematic in their local area, especially rubbish/litter lying around, people being drunk/rowdy in public places and groups hanging around the streets.
Potential Positive Impacts	Environmental Health have historically dealt with noise nuisance. The bringing together of this area of work with Community Safety could bring greater co-ordination and more effective response. The introduction of the Community Trigger tool (November 2014) gives victims and communities the right to request a review of the response by the LA, police or social landlords where an ongoing problem of persistent anti-social behaviour has not been resolved.
Responsible Service Manager	Rosie Zambra
Date	

Approved by Senior Manager	Mitch Sanders
Signature	
Date	28/1/2015

Potential Impact

Impact Assessment	Details of Impact	Possible Solutions & Mitigating Actions
Age	Findings from the Southampton City Survey (2014) identified: younger people are more likely to feel safe than older people: 66% of 18-24s feeling safe at night compared to 58% of over 65s. The perception that the level of crime has increased is strongest among those aged between 25	Integration of the Community Safety team with Environmental Health and closer partnership working with the Police, including PCSO's, will provide a more resilient response to community safety issues.

	and 54 (17%). The ICE Bus clients are more likely to be younger people.	The Community Trigger gives victims and communities the right to require a multi-agency review and ensure that effective action is taken where an ongoing problem of persistent antisocial behaviour has not been addressed.
Disability	National research identifies disabled people are more likely to experience crime and anti-social behaviour, than non-disabled people. http://www.equalityhumanrights.com/sites/default/files/documents/disabilityfi/briefing_paper_3_new.pdf Local mechanisms for reporting Hate Crime and harassment are not affected.	As above.
Gender Reassignment	Local mechanisms for reporting Hate Crime and harassment are not affected.	As above.
Marriage and Civil Partnership	No identified negative impacts.	As above.
Pregnancy and Maternity	No identified negative impacts.	As above.
Race	Findings from the Southampton City Survey (2014) identified: Black and Ethnic minority residents do not feel as safe at night in their local area as white British residents. Just over half (56%) of (Black and Minority Ethnic) residents feel safe in their local area at night, with a quarter (23%) feeling very safe. Ethnic minorities in Southampton are more likely than white British to believe that the level of crime has increased in the last 12 months. 47% of think that crime has stayed at the same level	As above.

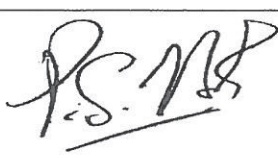|		
	compared to 62 per cent of white British residents. This is despite the fact that they are more likely to credit the police with improvements to community safety. Local mechanisms for reporting Hate Crime and harassment are not affected.	
Religion or Belief	Local mechanisms for reporting Hate Crime and harassment are not affected.	As above.
Sex	Findings from the City Survey (2014) identified: Men are far more likely to say they feel safe after dark. Three in four men (72%) state they feel safe, compared to just over half of women (54%).	As above.
Sexual Orientation	Local mechanisms for reporting Hate Crime and harassment are not affected.	As above.
Community Safety	Environmental Health have historically dealt with noise nuisance. The bringing together of this area of work with Community Safety could bring greater co-ordination and more effective response. Feedback from the public consultation identified: Low-level incidents may escalate if not dealt with. Police spend time dealing with more low level incidents. People may suffer from more anti-social behaviour.	The Community Trigger gives victims and communities the right to require a multi-agency review and ensure that effective action is taken where an ongoing problem of persistent antisocial behaviour has not been addressed. Mechanisms will be put in place to monitor the impact on incident rates and on other services to ensure effective action is take.
Poverty	Findings from the City Survey (2014) reinforce the view that perceptions toward crime are strongly linked to socio-economic deprivation.	As above.

The **public sector Equality Duty** (Section 149 of the Equality Act) requires public bodies to have due regard to the need to eliminate discrimination, advance equality of opportunity, and foster good relations between different people carrying out their activities.

The Equality Duty supports good decision making – it encourages public bodies to be more efficient and effective by understanding how different people will be affected by their activities, so that their policies and services are appropriate and accessible to all and meet different people's needs. The Council's Equality and Safety Impact Assessment (ESIA) includes an assessment of the community safety impact assessment to comply with section 17 of the Crime and Disorder Act and will enable the council to better understand the potential impact of the budget proposals and consider mitigating action.

Name or Brief Description of Proposal	E&T19 Reduction in School Crossing Patrols (SCP) budget to reflect consistent 20% (approx.) vacancy levels due to recruitment issues, sites where a SCP no longer meets the national benchmark requirements, and to remove historical elements or budget provision that are no longer needed. A Council decision was made a few years ago that sites that did not meet the national benchmark for the provision of a SCP would be removed from the scope of the service unless a SCP was in post. It was agreed that where this was the case, the Council would continue with the provision until natural attrition (or unless the SCP was willing to move to another site), after which the resulting vacancy would be deleted. It is proposed that headcount and budgets for sites that do not meet the national benchmark, and where there is no staff in post, will be removed from the scope of the service. Patrols where pedestrian crossing systems are implemented were removed a few years ago, although it was agreed that where there is a school crossing patrol officer in post, we would continue with the provision until natural attrition, at which point we would not recruit to the resulting vacancy. It is proposed that budget and headcount that still exist where there is a pedestrian crossing system in place but no staff in post will be removed from the scope of the service. Lunchtime patrols and patrols at senior schools were removed from the scope of the School Crossing Patrol Service a few years ago therefore patrols are now only

	provided for infant, junior and primary schools at their start time and finish times. It is proposed that budget and headcount that still exist for senior schools will be removed from the scope of the service for secondary schools (there are no staff in post). There is no headcount or budget allocation for lunchtime patrols and no staff in post.
	
	The proposal would eventually result in the sites that are managed will only be those that meet the national benchmark for the provision of SCPs:
	    • Infant, Junior and Primary schools with a PV2 score above 4m, and no alternative crossing systems in place, as well as,
	    • Only school start time and finish time patrols at each qualifying site.

Brief Service Profile (including number of customers)	School Crossing Patrols (SCPs) are a road crossing facility to help children and parents cross busy roads en-route to school. SCPs were established by the School Crossing SCP Act 1953 and instituted on 1 July 1954 through the School Crossing SCP Order 1954. The Road Traffic Regulation Act 1984 (Sections 26 – 28) gave 'Appropriate Authorities' the power to appoint SCPs to help children cross the road on their way to or from school. For a crossing patrol site (site) to qualify for a SCP, there is a formula that calculates a 'PV2' score based on the number of cars and pedestrians and other risk factors. The national PV2 score benchmark for a qualifying site (to justify the establishment of a new site, or to maintain an existing site) is a score of over 4 million. Excerpts from the School Crossing Patrol Guidelines published by ROSPA as a revised edition in November 2013 are as follows: 2.3.1 Sites having fewer than 15 children (P) crossing the road in the busiest 30-minute period should not be considered for establishing an SCP. Based on specific circumstances, Authorities may choose to set a lower minimum number of children. 2.5.1 If a PV2 of greater than 4 million is achieved, an SCP location can be justified. Historically, Southampton City Council employed SCPs at most school sites around the city including secondary

	schools and during lunchtimes. Over recent years, policy decisions have been made to stop the lunchtime crossing patrols as well as the crossing patrols at senior schools. It was also decided that sites that did not match the national PV2 benchmark score of 4m, or where traffic lights were implemented at sites, would be removed unless there is a SCP in post, whereby those sites would be deleted through natural attrition.
Summary of Impact and Issues	SCP sites are reviewed annually using the PV2 formula scoring assessment. The proposal would eventually result in the management of only those sites that comply with the national benchmark for the provision of SCPs. Where a site becomes eligible in the future due to changes at the site that increases the PV2 score to above the national benchmark, a business case would be required to justify additional headcount and funding to make the required provision, although with the Council's current financial challenges, increased requirements may be difficult to secure. No staff in post will be directly affected by the proposals.
Potential Positive Impacts	It may be possible to move some staff from sites that do not qualify for a SCP to sites that do qualify but have a vacancy thereby, where possible, ensuring that the busiest sites have a SCP.
Responsible Service Manager	
Date	

Approved by Senior Manager	Paul Walker
Signature	
Date	28/1/2015

Potential Impact

Impact Assessment	Details of Impact	Possible Solutions & Mitigating Actions

| Age | This proposal has a potential impact on children and young people.

Unaccompanied children may be at greater risk when crossing the road.

Children and young people may be at a greater risk of road traffic accidents.

Older people/other people, e.g. children attending a nearby senior school may also use school crossings during patrol time, although they are not the intended customers for the SCP service. | Sites that are being removed from the scope of the service do not currently have a SCP in post.

Pedestrian safety training to school age children.

Promote 'Safe Journey to School'.

SCPs are reviewed annually using the PV2 formula. Where the site does not meet the national criteria and there are staff vacancies, the SCP site will be removed from the scope of the service. |
|---|---|---|
| Disability | Disabled people may have greater risks in crossing the road. | Sites that are being removed from the scope of the service do not currently have a SCP in post.

Pedestrian safety training to school age children.

Promote 'Safe Journey to School'.

SCPs are reviewed annually using the PV2 formula. Where the site does not meet the national criteria and there are staff vacancies, the SCP site will be removed from the scope of the service. |
Gender Reassignment	No identified negative impacts.	
Marriage and Civil Partnership	No identified negative impacts.	
Pregnancy and Maternity	No identified negative impacts.	

Race	No identified negative impacts.	
Religion or Belief	No identified negative impacts.	
Sex	No identified negative impacts.	
Sexual Orientation	No identified negative impacts.	
Community Safety	Feedback from the public consultation focused on community safety impact specifically the impact on road safety and child safety.	Pedestrian safety training to school age children. Promote 'Safe Journey to School'. SCPs are reviewed annually using the PV2 formula. Where the site does not meet the national criteria and there are staff vacancies, the SCP site will be removed from the scope of the service.
Poverty	Reliance on walking and public transport may be higher for children from low income households. This may result in greater impacts on this group.	Pedestrian safety training to school age children. Promote 'Safe Journey to School'. SCPs are reviewed annually using the PV2 formula. Where the site does not meet the national criteria and there are staff vacancies, the SCP site will be removed from the scope of the service.
Other Significant Impacts	Feedback from the public consultation included concerns that this proposal will not impact on households equally.	This ESIA has focused on the impact on groups with protected characteristics. All sites are reviewed to ensure that all sites that meet national guidelines for the provision of a School Crossing Patrol have a post for the

		provision of one. This may result in an unequal impact of households, however it does ensure that the most dangerous roads have a provision for a school crossing patrol and that we are protecting children most at risk from road injury.

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The Equality Duty supports good decision making – it encourages public bodies to be more efficient and effective by understanding how different people will be affected by their activities, so that their policies and services are appropriate and accessible to all and meet different people's needs. The Council's Equality and Safety Impact Assessment (ESIA) includes an assessment of the community safety impact assessment to comply with section 17 of the Crime and Disorder Act and will enable the council to better understand the potential impact of the budget proposals and consider mitigating action.

Name or Brief Description of Proposal	E &T 20
	Regulatory Services & City Services
	Close Woolston and Portswood Public Toilets
Brief Service Profile (including number of customers)	The current SCC toilet provision in Woolston is located in a car park in the Woolston District Centre. The current SCC toilet facility in Portswood is located in the Westridge Road car park. Both are in need of refurbishment and modernisation. In Portswood, the facility is remote from Portswood High Street and therefore has little in the way of effective oversight. As a consequence it has been subject to vandalism and there has been ongoing anti-social and criminal behaviour associated with the facility. Police are aware of these persistent problems that that have periodically resulted in temporary closure.
Summary of Impact and Issues	Closure of public toilets removing a public facility available to members of the public in these areas. Potential to sign post users to alternative facilities in some areas.
Potential Positive Impacts	Reduction in the crime and anti-social behaviour. Feedback from the public consultation identified that: • removing toilets will protect vulnerable people against being abused in these locations. • Many toilets are covered in graffiti, close and

	improve the public realm rapidly to prevent further decline of the neighbourhood.
Responsible Service Manager	John Horton
Date	28/1/2015

Approved by Senior Manager	Mitch Sanders
Signature	
Date	28/1/2015

Potential Impact

Impact Assessment	Details of Impact	Possible Solutions & Mitigating Actions
Age	Reduced immediate availability of toilet provision for more elderly citizens. Among this demographic there is a higher percentage of people who may suffer from a frequent and urgent need for toilet facilities. Reduced immediate availability of toilet provision for parents with babies or young children that may require toilet or nappy changing facilities.	Alternative toilet provision already exists in Portswood. Installation of Automated Public Toilet (APT) in Woolston.
Disability	Reduced immediate availability of specifically designed toilet provision, and reduced provision for those suffering from health conditions that require a consistent and immediate access to toilet facilities.	As above.
Gender	No identified negative	

Reassignment	impacts.	
Marriage and Civil Partnership	No identified negative impacts.	
Pregnancy and Maternity	Reduced immediate availability of toilet provision for pregnant women. Reduced availability of toilet provision and nappy changing facilities for parents with babies/ young children.	As above.
Race	No identified negative impacts.	
Religion or Belief	No identified negative impacts.	
Sex	Reduced availability of toilet provision may have greater impact on females.	As above.
Sexual Orientation	No identified negative impacts.	
Community Safety	Closed, derelict toilet buildings may attract vandalism and anti-social behaviour.	Seek to dispose of buildings as soon as possible following closure. Notify local Police of closures. The Automated Public Toilet (APT) in Woolston will be located in a position with better oversight.
Poverty	Lack of available free facilities will impact more on people on reduced incomes. Permission to use facilities within food or drink retail premises is usually dependent on product purchase.	Signpost to alternative provision where possible.
Other Significant Impacts	Feedback from the public consultation identified that: • Alternative offer of toilet provision to be well sign posted and accessible. • Concerns for older people, disabled, children, pregnant women and those with medical issues if toilet provision removed.	Signposting to alternative toilet provision will be reviewed and where necessary, improved. Assessment of alternative provision identifies some mitigation.

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Name or Brief Description of Proposal	HASC 2 Complex Learning Disability Housing Project
Brief Service Profile (including number of customers)	Following the Winterbourne View Hospital findings, the Government issued requirements to local authorities and health services. These requirements included a review of current hospital placements for people with a learning disability with complex needs, placements made out of area and those at risk of admission. Southampton City Council and Southampton City Clinical Commissioning Group (SCCCG) have taken this opportunity to review all current placements of complex individuals, to ensure the most appropriate housing solutions for those individuals considered at highest risk are being identified. This project is being managed through the Integrated Commissioning Unit. Another requirement set by Government was that by April 2014 each area needs to have also developed a joint plan to ensure high quality care and support services for all people with learning disabilities or autism and mental health conditions or behaviour described as challenging, in line with best practice. A total of 58 individuals across the CCG and Council were identified from the joint review who may benefit from rehousing outside of residential care settings. These individuals form part of the development plan in response to the Winterbourne Concordant and are also in line with the

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	City Council's plan to reduce reliance on residential care and to support people in more appropriate settings. Residential Settings are often focused around communal support arrangements and the delivery of personalised support and goal setting can be difficult to achieve. A move to a more personalised service can be managed more effectively by commissioning individual housing and support solutions.
Summary of Impact and Issues	Many of the individuals will be settled in their current residential placement and often the service will be deemed by family and staff alike as satisfactory. Individuals and their support network may find it difficult to understand the reasoning behind moving them to a new environment even though the support and housing will be more tailored to meet the individual's needs.
Potential Positive Impacts	The development of innovative housing solutions including the use of telecare allows for a more individualised approach allowing care services to be commissioned separately so that care and housing can be delivered more appropriately. As housing and/ or care needs change for individuals so can the solutions, as care and housing will not be connected as they are in residential settings. By moving adults back to Southampton they will be nearer (in most circumstances) to their family. Local care management staff will also have greater involvement as visiting service users will no longer involve long travelling distances.
Responsible Service Manager	Adrian Littlemore Senior Commissioning Manager ICU
Date	28/1/2015

Approved by Senior Manager	Carole Binns Associate Director ICU
Signature	
Date	28/1/2015

Potential Impact

Impact Assessment	Details of Impact	Possible Solutions & Mitigating Actions
Age	The individuals are all adults and below 60 and not in what is	All individuals to be offered a health action plan to

	generally taken to be an older age group. However, people with learning disabilities experience a number of health conditions at an earlier stage than the general population. All of the service users have complex needs which impacts significantly on their lifestyle. Supporting these individuals is challenging and can result in symptoms of illness not being detected and diagnosed. This results treatments being delayed or not identified and a significantly shorter life expectancy. A move back to an area where there are family members could have a positive impact as the people who know them well will be in more routine contact and able to identify any change in health. Feedback from the public consultation raised concerns about costs, that staff might have to spread themselves and their time over a wide area resulting in less time spent with an individual and that a person would receive less help and suffer.	identify health issues and develop reasonable adjustments in order that individuals can access appropriate healthcare. Advocacy services are in place to help support the individual and ensure that the move is in their best interest. To help transition issues a project plan has been developed to ensure that moves are not rushed and individuals are supported in a person centred way. A specialist care manager and OT is being employed to ensure placements are individually tailored and to facilitate moves and resettlement. Additional resources have been identified to help people access community resources in their new area.
Disability	Many of the individuals involved in this project will require specialist adaptations to properties that they are moving to.	All assessments of individuals will include any mobility or disability adaptations and these will be built into the housing specification prior to procurement wherever possible
Gender Reassignment	No identified negative impacts.	
Marriage and	No identified negative impacts.	

Civil Partnership		
Pregnancy and Maternity	No identified negative impacts.	
Race	A number of individuals have diverse ethnic heritage.	Individuals will be supported to develop a Person Centred Plan which will inform the support plan provided by a care provider. These plans will take into account the person preferences and wishes relating to culture and traditions.
Religion or Belief	A number of individuals have diverse ethnic heritage.	Individuals will be supported to develop a Person Centred Plan which will inform the support plan provided by a care provider. These plans will take into account the person preferences and wishes relating to culture and traditions.
Sex	No identified negative impacts.	
Sexual Orientation	No identified negative impacts.	
Community Safety	A very small number of service users may have forensic needs.	Assessment and care plans will take into account individuals forensic needs and were appropriate MAPPA (Multi Agency Public Protection Arrangements).
	Feedback from the public consultation raised concern of increased vulnerability (e.g. victims of crime).	Safety of service users will be an integral element of assessment and care planning. The Government issued requirements to local authorities and health services following the Winterbourne View Hospital findings.
Poverty	No identified negative impacts.	

| Other Significant Impacts | There will be challenges for individuals who have experienced long term institutional care in moving to more independent models of care and support. | Placements will be bespoke, addressing individual need and including adaptations to buildings where necessary.

A project plan has been developed to ensure that moves are not rushed and individuals are supported in a person centred way.

A specialist care manager and OT is being employed to ensure placements are individually tailored and to facilitate moves and resettlement. |
| --- | --- | --- |
| | Feedback from the public consultation raised concern that a person may become increasingly isolated and lonely. | Additional resources have been identified to help people access community resource in their new area.

By moving adults back to Southampton they will be nearer (in most circumstances) to their family. Local care management staff will also have greater involvement as visiting service users will no longer involve long travelling distances. |
| | Feedback from the public consultation raised concern more pressure may be placed on parents / carers. | Family and significant others will be fully involved and part of the individuals plan. |

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Name or Brief Description of Proposal	LEAD 3 The proposal is to delete the City Development Manager post.
Brief Service Profile (including number of customers)	The aim of the City Development team is to provide continuity and support for the City Development team to ensure 'Very Important Projects' proceed effectively and at a pace. Its role is to enable and facilitate the Very Important Projects identified in the City Centre Masterplan and other high profile projects around the City. Its 'customers' are developers and investors rather than individuals, however beneficiaries of the city's prosperity are much wider including residents and visitors.
Summary of Impact and Issues	Reduced support for city development projects which could result in projects taking longer to deliver. Feedback from the public consultation highlighted the following impacts relating to more generally to the impact of the proposals on economic development in the city: - Long term impact on economic prosperity. - Might mean reduced capacity to judge value for money of future project proposals or greater risks in projects in the future. - Areas of the city are run down and need developing. Who

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	will focus on these areas if there is less resource put into development? • Loss of status for Southampton as an attractive place for businesses.
Potential Positive Impacts	
Responsible Service Manager	Wendy Bennett Senior Development Manager
Date	28/1/2015

Approved by Senior Manager	Barbara Compton Head of Development, Economy and Housing Renewal
Signature	
Date	28/1/2015

Potential Impact

Impact Assessment	Details of Impact	Possible Solutions & Mitigating Actions
Age	Unknown	
Disability	Unknown	
Gender Reassignment	Unknown	
Marriage and Civil Partnership	Unknown	
Pregnancy and Maternity	Unknown	
Race	Unknown	
Religion or Belief	Unknown	
Sex	Unknown	
Sexual Orientation	Unknown	
Community Safety	Unknown	
Poverty	Unknown	
Other Significant Impacts	Unknown	

Target Operating Model
Southampton City Council

Report of KPMG UK LLP ("KPMG")

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Contents

Executive Summary

Note inserted by Southampton City Council to reflect the latest position at time of publication.

KPMG UK LLP ("KPMG") were commissioned by Southampton City Council (SCC) to support the design of their new organisational wide operating model. This work took place between September-December 2014. During their commission, KPMG used the Council's budget inform at that time. Therefore, this report does not reflect the latest view of the Council's budget, including the Medium Term Financial Strategy (MTFS) for the period 2015/16-2019/20 which is being considered by Cabinet on the 10th February and Full Council on the 11th February 2015. In addition the Council Strategy 2014-2017 Transformation Programme Update being presented to Cabinet on the 10th February and Full Council on the 11th February 2015 also details the current contribution of savings identified by the Transformation Programme at this stage which is outlined in Section A of the report. Therefore this report details the financial position as of December 2014.

Background and case for change

Southampton City Council (SCC) is facing significant financial and demand pressures arising from reductions in public funding along with significant pressures in relation to its customers' demands for services and an increase in customers' expectations of service quality and delivery. This situation is placing the Council in an unsustainable position where projected budgets and services will not be sufficient to meet demand in the medium or longer term. This equates to a considerable MTFS funding gap of circa £61.2 million in 2017-18, as stated in the November 2014 budget report.

Directorates are facing significant pressures to review their services in terms of: why the service is needed; what scope and standard is required; how the service can best be delivered; and potential for generating additional income. In addition, there is a significant opportunity to improve the efficiency of Council operations. Activity Analysis has highlighted that the Council is approximately 3 to 4 years behind other Local Authorities in relation to its maturity in operating streamlined and efficient process activity. The Activity Analysis highlights potential savings of £5m-8.4m through reducing and improving some of the core processes undertaken by the Council with an additional £1m-1.4m of savings possible through streamlining support functions (e.g. HR, ICT and finance).

Note inserted by Southampton City Council to reflect the latest position at time of publication - 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 £5.9-9.8M. These figures include the agreed savings for the existing business support phase 1 project and the front door project, and these savings are included within 2015/16 budget, therefore the potential savings from this work will be within the range of £4.4-7.9M.

The proposition to address these challenges is to establish a more commercial, sustainable and customer orientated operating model for SCC, which delivers the right services to the right standards at the right time for the city's residents and businesses, using the most cost effective delivery models. The new target operating model (TOM) developed for the Council therefore places a significant focus on the Council getting "the basics right" for the users of its services.

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Target operating model

TOM functional overview

The following diagram provides a high level functional illustration of the future TOM which places the needs of local residents, communities and businesses at the heart of the Council's decision making. The TOM is a "**mixed economy model**", with the Council's decisions on what services to provide, how, and by whom, being driven by evidence based analysis of the most effective means of addressing customer needs and delivering the required outcomes.
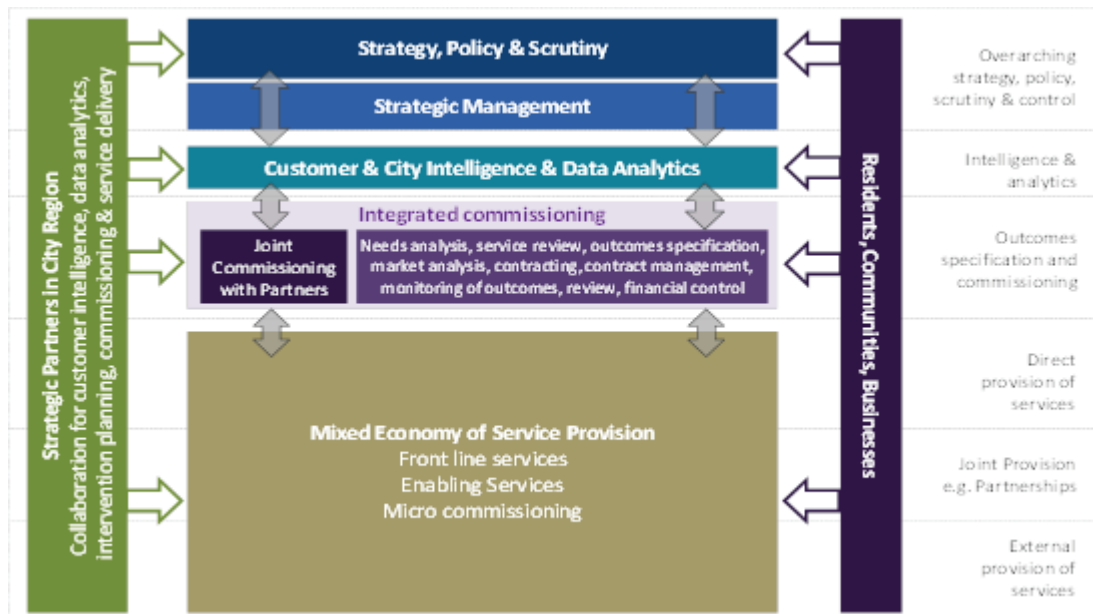
Services will continue to be provided by a **mixed economy of service providers**, utilising a mix of internal service delivery, partnerships and external service delivery, who are "contracted" on a performance basis to deliver the outcomes commissioned by the Council.

The **integrated commissioning** function covering the whole council will determine the services to be provided, how, and by whom, setting the commissioning strategies for the Council and managing the commissioning of services and outcomes, including both frontline services and externalised enabling services.

The **customer intelligence and data analytics** function will provide the market intelligence and data analytics capability to deliver real customer and city insights to support the integrated commissioning function in its development of commissioning strategies and plans, thereby improving outcomes for customers and delivering a financially sustainable Council. Customer intelligence and data analytics will also inform the Members' and Council's Management Team's decisions on Council **strategy and policy**, and their role in scrutinising the outcomes that are delivered for customers.

The **strategic management** function incorporates the Council's strategic finance, HR, ICT, procurement and property functions (i.e. a business partnering approach), the customer hub, intelligence hub, business change and performance improvement, and the Council's "public affairs" functions including communications, democratic and elections.

Underpinning the TOM will be **significant cultural change**, with a strong focus on establishing a more strategic, financial and performance orientated culture, characterised by:

- Strong and accountable financial leadership and commercial awareness;
- An organisational culture built on financial awareness and performance management;
- An ability to specify priorities and make choices within means;

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- Comprehensive financial and performance information clearly underpinning decisions; and

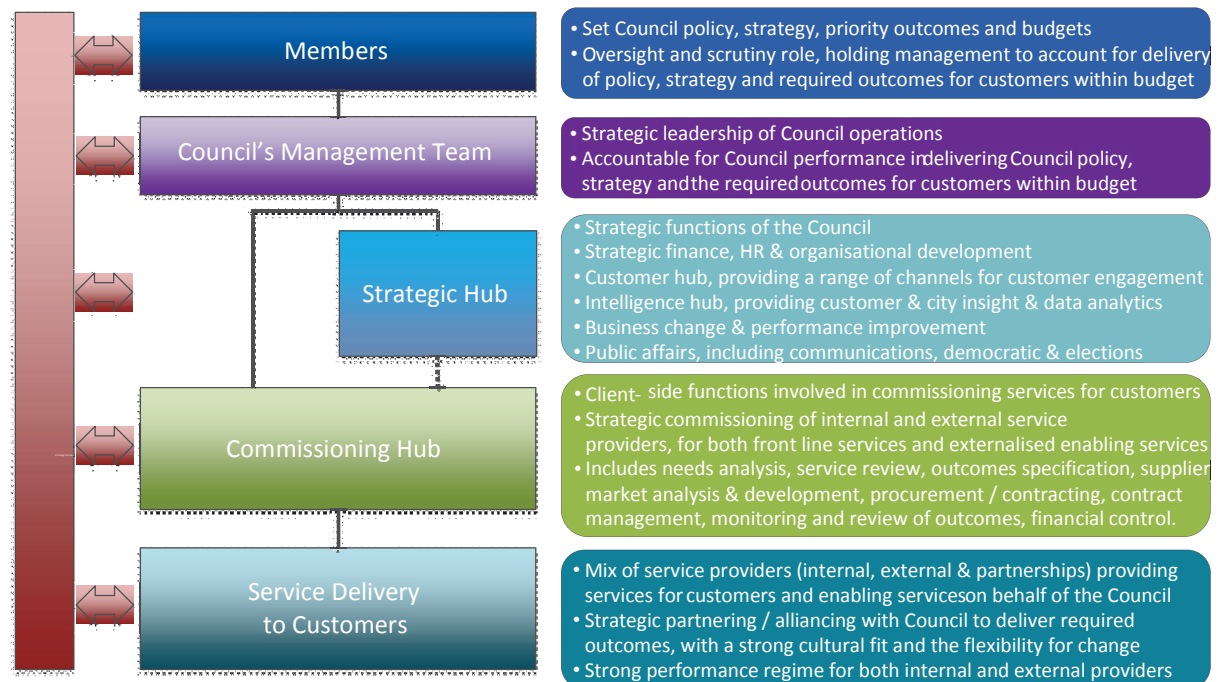- An ability to anticipate changing circumstances and manage financial risks.

Partnerships and collaboration also underpin the TOM. The Council will work together with its strategic partners / partner authorities in the City to generate collective insight, to develop integrated strategies for delivering common outcomes, to design and commission appropriate services, to make decisions about who provides what and how, and to review and evaluate how well they are doing.

TOM organisational model

The diagram overleaf presents a high level organisational model (not organisational structures) for the Council in line with the TOM. The TOM focuses on collaboration, co-operation and co-production to deliver high quality outcomes through integrated commissioning and partnership approaches, underpinned by strong financial, commercial, market and business intelligence and data analytics capabilities.

Members will retain a strong strategy, policy and scrutiny role within the new model. Members will retain sovereignty and continue to set the Council's policy and strategies, specifying the priorities and outcomes to be delivered and the required standards of service, and agreeing the financial budgets. The Council's Management Team will remain responsible for leading the Council's management in the day to day operation of the Council, and will be accountable to Cabinet and Full Council for the Council's overall performance in delivering the policies, strategies and outcomes set by Members within the agreed financial budgets.

Reporting to the Council's Management Team is the strategic hub, which contains the strategic and asset related elements of the Council. The strategic hub will be commercially orientated, incorporating the Council's strategic finance, HR, ICT, procurement and property functions (i.e. business partnering approach), the intelligence hub and customer hub, business change and performance improvement, and the Council's "public affairs" functions including communications, democratic and elections.

Members	• Set Council policy, strategy, priority outcomes and budgets • Oversight and scrutiny role, holding management to account for delivery of policy, strategy and required outcomes for customers within budget
Council's Management Team	• Strategic leadership of Council operations • Accountable for Council performance in delivering Council policy, strategy and the required outcomes for customers within budget
Strategic Hub	• Strategic functions of the Council • Strategic finance, HR & organisational development • Customer hub, providing a range of channels for customer engagement • Intelligence hub, providing customer & city insight & data analytics • Business change & performance improvement • Public affairs, including communications, democratic & elections
Commissioning Hub	• Client-side functions involved in commissioning services for customers • Strategic commissioning of internal and external service providers, for both front line services and externalised enabling services • Includes needs analysis, service review, outcomes specification, supplier market analysis & development, procurement / contracting, contract management, monitoring and review of outcomes, financial control.
Service Delivery to Customers	• Mix of service providers (internal, external & partnerships) providing services for customers and enabling services on behalf of the Council • Strategic partnering / alliancing with Council to deliver required outcomes, with a strong cultural fit and the flexibility for change • Strong performance regime for both internal and external providers

The commissioning hub incorporates the functions involved in commissioning services for customers, whether those services are provided internally, in partnership or externally. The hub therefore incorporates the Council's strategic and operational commissioning activity, which includes the processes of customer needs assessment, supplier market analysis, market development, and the procurement and contract management of suppliers.

Reporting to the commissioners in the commissioning hub is a mixed economy of service providers (for frontline and external enabling services), which includes services delivered internally, externally, and on a social enterprise, partnership or joint venture basis. All services will be "contracted", with robust service performance and budget agreements for internal service providers (against which the service's performance will be monitored and evaluated) and service contracts for external service providers. All services will be subject to a robust performance regime.

The new organisational model will incorporate partnerships with other public sector bodies (i.e. strategic partners) at every level, from relationships held at the Member level (e.g. for common policies and strategies), at the strategic hub level (e.g. for shared customer engagement, intelligence and data analytics), at the commissioner level (e.g. for integrated commissioning, including for example the ICU), and at the service provider level (e.g. for shared services).

Mixed economy of service providers

The directorates are examining a range of options for the future delivery of Council services, with a particular focus on alternative models of service delivery that have the potential to:

- improve the efficiency and effectiveness of service delivery;
- enhance the outcomes achieved for customers;
- reduce the scope and cost of services delivered on behalf of the Council; and
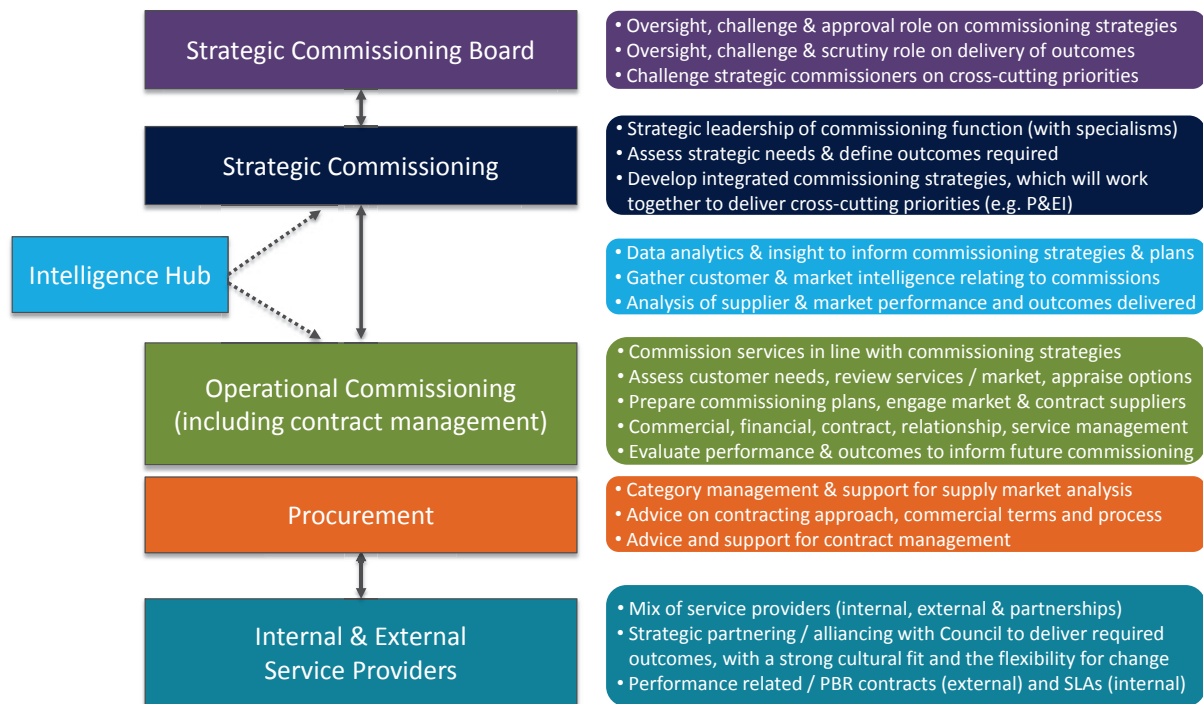- generate additional income on behalf of the Council.

Taken together, the models under consideration set a clear "direction of travel" for the Council's TOM, which will move the Council further to more of a mixed economy of service providers combining internal, partnership and external delivery, who are "contracted" on a performance basis to deliver the outcomes commissioned by the Council in the most efficient and effective way.

The options for the future delivery of services are being examined through business cases which are being prepared and reviewed under a gateway process managed by the Service Design Board. In order for the Council to identify the optimum solutions and service mix to address its funding gap, it will be important for the preparation of these business cases to be co-ordinated and integrated with the commissioning approach proposed by the TOM (see below), so that the redesign of the Council's services is based on a broad review of the scope, standards and mix of the services that are required by the Council to deliver its priorities within the available budget, as well as examining the delivery models used to deliver the services and their potential for trading / growth.

We also believe that it is also important for there to be independence in the business case process, so that the options and recommendations included in options appraisals / business cases are broadly based and are not constrained by any predetermined views based on the current scope of services, the way things are traditionally done, or an individual's previous experience elsewhere.

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Commissioning structure and approach

The commissioning function included within the TOM will be functionally structured as shown and explained below. The detailed organisational structure for the Council is being developed separately by the Council.

Strategic Commissioning Board	• Oversight, challenge & approval role on commissioning strategies • Oversight, challenge & scrutiny role on delivery of outcomes • Challenge strategic commissioners on cross-cutting priorities
Strategic Commissioning	• Strategic leadership of commissioning function (with specialisms) • Assess strategic needs & define outcomes required • Develop integrated commissioning strategies, which will work together to deliver cross-cutting priorities (e.g. P&EI)
Intelligence Hub	• Data analytics & insight to inform commissioning strategies & plans • Gather customer & market intelligence relating to commissions • Analysis of supplier & market performance and outcomes delivered
Operational Commissioning (including contract management)	• Commission services in line with commissioning strategies • Assess customer needs, review services / market, appraise options • Prepare commissioning plans, engage market & contract suppliers • Commercial, financial, contract, relationship, service management • Evaluate performance & outcomes to inform future commissioning
Procurement	• Category management & support for supply market analysis • Advice on contracting approach, commercial terms and process • Advice and support for contract management
Internal & External Service Providers	• Mix of service providers (internal, external & partnerships) • Strategic partnering / alliancing with Council to deliver required outcomes, with a strong cultural fit and the flexibility for change • Performance related / PBR contracts (external) and SLAs (internal)

Primary responsibility for commissioning will rest with a small number of Strategic Commissioners (or Lead Commissioners), who will be responsible for assessing the strategic needs and outcomes for customers within the City, and for developing the Council's future commissioning strategies. The Strategic Commissioners will be jointly accountable for examining and developing cross-cutting opportunities (such as prevention and early intervention initiatives) and for developing integrated commissioning strategies that optimise outcomes for customers and costs to the Council.

The Strategic Commissioners will be held to account by a Strategic Commissioning Board, which will be primarily comprised of the Council's Leader, Cabinet Members and the Chief Executive. The Strategic Commissioning Board will operate at a strategic rather than operational level, having an oversight, challenge and approval / scrutiny role in respect of the Council's commissioning strategies and in respect of the delivery of the required outcomes for local residents, communities and businesses.

Responsibility for the day-to-day delivery of the Council's commissioning strategies will rest with a team of Operational Commissioners who report to and are managed by the Strategic Commissioners. Operational Commissioners will manage the commissioning of individual services / outcomes throughout the strategic planning, contracting and monitoring & review stages of the commissioning cycle. Their role includes oversight, appraisal and development of the supplier market and delivery options, preparing a commissioning plan for the services (in line with the commissioning strategy), engaging the market and selecting the most appropriate suppliers, managing the relationships and contracts with the suppliers, and reviewing the performance of suppliers and the outcomes delivered against targets set out in the commissioning strategy and contracts, and against the wider market performance. The actual performance achieved by service providers (internal and external) against targets will feed into the review and strategic planning stages of the commissioning cycle and will inform the commissioners' future commissioning decisions.

Both the Strategic Commissioners and the Operational Commissioners will be supported by the Council's new "Customer Hub" and "Intelligence Hub" as described below. The Intelligence Hub will source and analyse customer data from the Customer Hub, undertake primary market research and analysis, and deliver knowledge and insight to inform both the strategic decision making of the Strategic Commissioners and the operational decision making of the Operational Commissioners.

Operational Commissioners will also be supported by the Council's central procurement function, which will be responsible for category management and for supporting and advising the Operational Commissioners through the market appraisal, contracting and contract management stages. Contract management of the Council's service contracts (i.e. the contracts for frontline and enabling services commissioned by the Operational Commissioners) will be incorporated within the operational commissioning function as it forms a key part of the commissioning cycle.

Commissioners will collaborate with external partners where this has been identified as the best way of securing high quality service performance and delivering the right outcomes for customers, whilst also ensuring that the Council is financially sustainable. They will also be encouraged to examine and develop co-operative approaches with local communities (within defined parameters), to transform the relationship between residents and the Council, create a stronger sense of civic responsibility and pride, promote collective self-help among residents (in order to influence, reduce and where appropriate stop demand for services), and to drive social innovation and social responsibility in support of public services. The extended commissioning approach will therefore involve the Council establishing more strategic partnerships with its public sector partners, communities and service providers, with parties working collaboratively to achieve agreed outcomes and principles.

The commissioning approach described above will play an important role in assisting the Council to bridge its funding gap, including by identifying and developing solutions that will:

- Better manage the demand for Council services, including stopping demand in some areas;
- Allow the Council to stop or reduce services;
- Be more effective in delivering the required services and outcomes at a lower cost; and
- Target opportunities for growth.

Customer Hub

The Council has recognised the need and opportunity to transform the organisation and the services it delivers to customers through greater use of digital solutions and channels. This will improve the Council's ability to gather, share and analyse customer data and reduce the cost to the Council of its customer contact. In order to achieve this, the Council will move to a new model of customer engagement designed and built around a new 'Customer Hub'. This will take a significantly different approach to a traditional contact centre, encompassing:

- More focus on digital transactions and customer engagement, including through social media;
- A focus on assisting transition to digital self-service, in particular with complex transactions like assessments or requiring more complex proof of identity (e.g. applying for new parking permits);
- A reduced cost to serve through seamless end to end self-service with the majority of transactions achieved in a single visit;
- The ability to create and support powerful data analytics and insight, moving beyond simply collecting and reporting customer data to the strategic interpretation of data into insight used to redesign services and achieve outcomes that the real step change with the TOM comes; and
- An ability to understand and react quickly to operational insight and customer issues allied to a continuous focus on improving customer experience.

All customer contact will flow through the Customer Hub and be tracked, even where human interaction is not required. In addition to service transactions, this will include will include complaints, FOI, compliments, social listening.

The Customer Hub will be developed initially as a Council solution, but its development should not block or preclude its future extension to provide services for other partners/public bodies in the city, in order to offer city-wide deliverability and operability over the longer term (e.g. in 3 to 5 years).

Intelligence Hub

The Council needs more co-ordinated and refined ways of aggregating and analysing data to deliver real customer and city insights which support the development of commissioning strategies and plans, improved outcomes for customers and a financially sustainable Council. The establishment of the Intelligence Hub is therefore a central component of the Council's new TOM.

The purpose of the Intelligence Hub is to aggregate and analyse data and share information and insights to help the Council better understand its customers and communities, their needs and patterns of behaviour and how they go about their business. All data and information collected, analysed and shared will be subject to statutory data protection laws. It will support strategic and operational commissioning activity and help the Council to focus its expenditure on true need and interventions that will make a real difference to customers, based on real evidence and insight.

The diagram below sets out the basic components and role of the Intelligence Hub.

The Intelligence Hub will have access to customer and service data extracted from the Customer Hub and also other information sources both from within the Council and across the partner landscape. The Intelligence Hub will deliver rich strategic and operational insights across the Council's services, and to partners within the City, which will support management across a wide range of areas. Irrespective of the final organisational structures and responsibilities, the functions of the Customer Hub and Intelligence Hub will be intrinsically linked.

The Intelligence Hub will be a specialist unit that brings together specialists, researchers, data analysts and technologies to deliver highly valuable business intelligence and customer insight. The Intelligence Hub will develop its specialism over time, focusing first on the areas of intelligence and insight that offer greatest benefit for the Council and its customers. The Intelligence Hub will not deliver savings directly. The real benefit of the Intelligence Hub will be in providing the intelligence and insight that enables Southampton City Council to make better decisions, and enables the Council to maximise the benefits and outcomes that are delivered for its customers from its available budget.

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Strategic financial management

For future budget planning under the TOM, we recommend that a strategic financial management approach is adopted in line with the best practice guidance published by the Audit Commission in September 2010 entitled *Strategic financial management in councils: Delivering services with reduced income* (described further below). This must be a priority for SCC, with finance working closely with the commissioners and the intelligence hub to develop robust long term plans and financial forecasts based on forward looking business intelligence and the insight and plans arising out of the commissioning cycle and service design process.

This Audit Commission guidance includes a framework that we suggest SCC use to review and improve the Council's strategic financial management and to drive the organisational and cultural change that is required, by reference to the following indicators of success:

- Strong and accountable financial leadership;
- An organisational culture built on financial awareness;
- An ability to specify priorities and make choices within means;
- Comprehensive financial information clearly underpins decisions; and
- An ability to anticipate changing circumstances and manage financial risks.

The proposed move to an intelligence based commissioning approach recommended by the TOM is consistent with key principles and success factors set out in this guidance.

In order for the Council to bridge its funding gap in a sustainable way, we also believe that the Council needs to fundamentally review "what it is in business to do" (i.e. review its services) by following a "zero based" approach to build the service mix, service standards, service delivery models and trading opportunities that will deliver a sustainable Council. The starting position is statutory services provided at their most basic level (i.e. provided at the lowest cost, minimum standard level), to which are then added the services, service standards and delivery models that are most likely to deliver the best outcomes in relation to customer needs and the Council's priorities within the available budget (which includes any additional budget generated through growth).

The approach seeks to identify the optimum, sustainable balance of service choices for Southampton and the pursuit of growth / trading opportunities with other parties, recognising that any additional income generated from growth / trading initiatives increases the available budget for service choices. This decision process is summarised in the figure below. The process is iterative, with service choices, standards and models revisited and adjusted until the best mix is identified and agreed.

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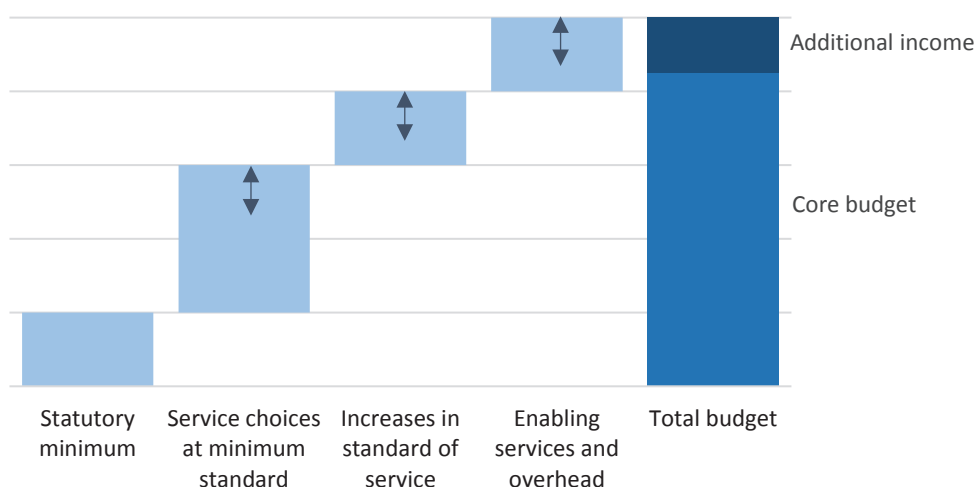
This zero-based / bottom-up approach is consistent with the change to a new commissioning approach recommended by the TOM, with decisions on service choices, standards and delivery models to be progressed in accordance with the commissioning cycle. It is also an approach that is referenced in the good practice case studies included in the Audit Commission guidance, and an approach that we understand has delivered success (in similar forms) at Croydon and Camden Councils. Indeed, based on our experience of local government from both an advisory and audit perspective we believe that it is those councils that adopt a more strategic financial management approach, including bottom-up / zero-based review of services, which are most likely to be successful in reducing their costs and achieving balanced budgets in a sustainable way.

Conclusion

The future TOM is designed to provide the Council with flexibility in the ways that it structures its responses to customer needs, including using partnering or combined authority models, and to provide a robust basis from which to assess and implement change. The TOM is not a quick fix to address the Council's MTFS funding gap. The TOM sets out a new operating approach for the Council, which the Council will use to address its funding gap and deliver long term sustainability.

Significant further action is required by the Council over the next two years to implement the TOM, and to work through the cultural, structural and operational change proposed and the tough decisions that will be required for the Council to achieve financial sustainability. The TOM provides a platform to close the funding gap by enabling efficient and effective service design and delivery.

Crucially the TOM is designed to provide significant benefits for customers, by:

- Prioritising the needs of residents in the delivery for services to all residents;
- Improving customer experiences by capturing and analysing customer intelligence to provide a better understanding and assessment of customer needs;
- Enabling residents to be self-reliant by providing access to Council services through a wider, more efficient, effective and convenient choice of channels making best use of latest digital technology and delivering improvements in the speed and quality of customer service;
- Maintaining a determined focus on jobs for local people through a continued, strong focus on economic growth and the creation of employment opportunities, thereby supporting residents and communities to be more self-sufficient; and
- Providing services as early as possible by placing a strong focus on prevention and early intervention.

For the Council this will mean:

- Improving outcomes for residents by optimising total public sector spend in the City;
- Reducing and managing demand, in the medium to long term, by reducing the level of dependency on "personal" services;
- Fundamentally review "what the Council is in business to do" (i.e. review its services), by following a "zero based" approach to build the service mix, service standards, service delivery models and trading opportunities that will deliver a sustainable Council;
- Making evidence based decisions, through the application of a strategic financial management approach and the use of business intelligence including customer insight and needs assessment;
- Establishing a new organisational model and culture that is finance, performance and customer focused and collaborative;
- Collaborating with other bodies to leverage synergies in customer intelligence, insight and needs assessment, in frontline service design and delivery, and in the delivery of enabling services; and
- Reducing costs and becoming financially sustainable in the long term.

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1   Introduction

1.1   Background

As a twenty-first century council operating within an ever tightening fiscal environment, and having this size of funding gap, SCC has no option but to change its operating model and find new, more cost effective ways of meeting the needs of its communities in the context of a changing public sector landscape.

The city has had an impressive track record of partnership working and going forward, building on these has to be a central element for the Council, irrespective of its shape and target operating model. For the first time since Local Strategic Partnerships were abolished, key strategic partners have come together (as part of Southampton Connect) to agree a 10 year vision – 'city of opportunity where everyone thrives' with the goal of achieving prosperity for all. The city's three main priorities of: (i) economic growth with social responsibility; (ii) skills and employment; and (iii) healthier and safer communities; are supported by the following four key cross cutting themes:

- Fostering city pride and community capacity;

- Delivering whole place thinking and innovation;

- Improving mental health; and

- Tackling poverty and inequality.

The role and shape of public services is changing dramatically not just because of the reality of deficit reduction but also because of the radical changes in the needs, behaviours and expectations of customers, clients, residents and communities. As more and more public bodies recognise that they serve the same populations, there is a real drive and commitment to improve outcomes by working together and delivering services in more seamless ways. Accordingly the achievement of the target outcomes for the three main priorities and four cross-cutting themes in the City Strategy is more likely to flow from continued and extended forms of partnership working.

The cross cutting themes of the City Strategy could therefore have significant potential for managing demand, and hence the costs to the Council, as they focus on particular issues relating to high cost clients, building community self-reliance and pooling diminishing resources to get better outcomes – issues which are relevant to most public bodies in the city. The Council is clear that it can deliver effectively only through partnership with others and be sustainable through individuals and communities becoming more self-reliant, and this is reflected in the Council's own strategy, priorities and target outcomes as described in section 3 of this report.

1.2   Transformation Programme

The report on the transformation programme considered by Cabinet in July 2014 made the case for a change in the Council's operating model, to one that is sustainable in the long term and that delivers The Council's core purpose and commitment – "the delivery of excellent services to residents and to lead economic development in the city".

The report set out the next phase of the Council's ambitious transformation programme, focused on:

- Improving the experiences of the Council's customers (which in many cases will be different) and ensuring that they will be able to access information and services themselves without relying on the Council;

- Embracing a range of models for service delivery;

- Using technology as a tool to innovate and become a digitally driven organisation;

- Adopting smarter working practices; and

- Supporting our communities to take action to improve their neighbourhoods and lives through a strong sense of ownership.

The report explained that the Council's operating model would be redesigned from three key perspectives as follows:

- Customer: covering the best way for customers to interact with the Council, simplifying and reducing complexity and understanding and assessing the needs of the Council's customers;

- Infrastructure: covering the enabling infrastructure required to support cost effective delivery of the Council's services, including infrastructure related to digital, services such as HR, finance and ICT, innovation, business support, smarter working, employees, procurement and assets; and

- Service design: assessing the services required by the Council's customers and the best ways of delivering them, including exploring new models of service delivery.

These three perspectives have formed the three main work streams for the next phase of the Council's transformation programme and provided the basis for the programme's governance arrangements, with the establishment of a Customer Board, Infrastructure Board and Service Design Board reporting through CMT to the Transformation and Improvement Board.

Figure 1.2-1: SCC Transformation Programme Governance Arrangements
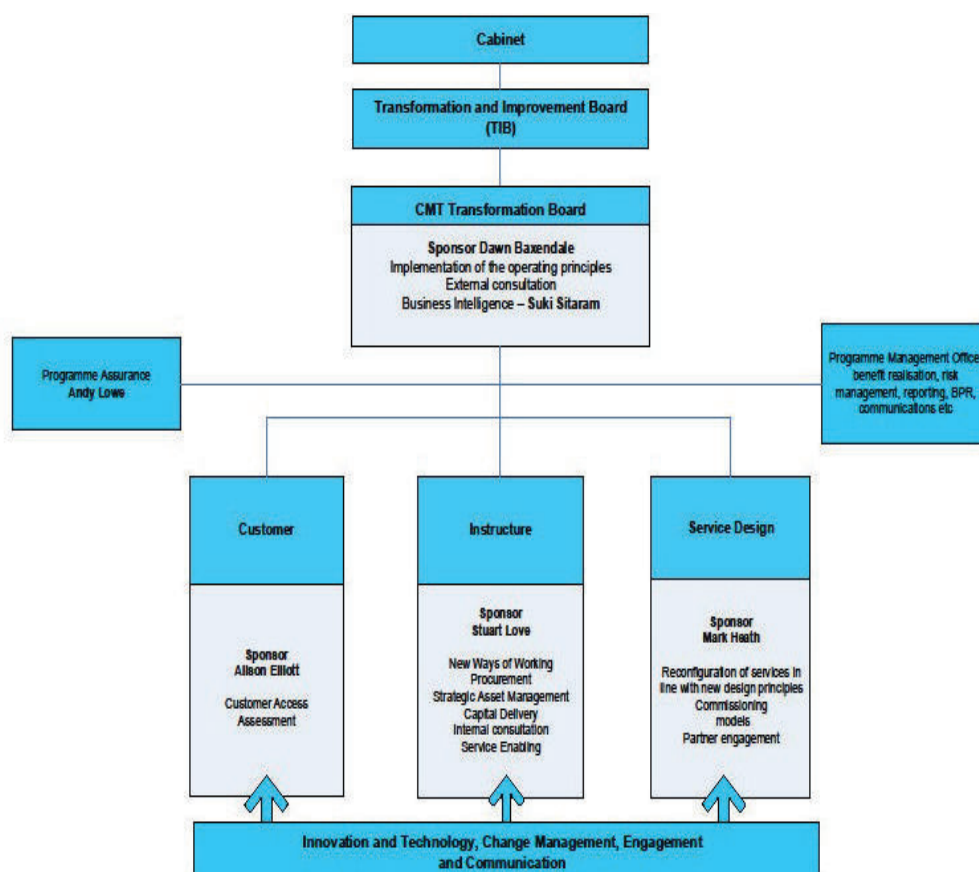
On the basis of the July report, the Cabinet also agreed a number of recommended actions for the next phase of the transformation programme and agreed that further reports on transformation would be brought forward to Cabinet and Council over the next six months.

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Significant progress has been made in respect of the actions agreed in July 2014, with key highlights including:

■ Setting up and progressing 3 work streams - Customer, Infrastructure and Service Design;

■ Progress towards a single model for customers, including the preparation of a draft Customer Strategy;

■ Engagement with customers and service users to shape the development of our new website and the changed service offer in Gateway;

■ Development of a model to establish a unified point of access for adult social care and housing services – also known as the single 'Front Door';

■ Completion of consultation with staff on a new model for business support to be launched on 6th April 2015 and the changes are currently being implemented, following extensive consultation;

■ Completion of the Activity Analysis which has given the Council a comprehensive analysis of the combined effort of the Council and its strategic partners (Balfour Beatty and Capita). This has provided a comprehensive understanding of how much effort is currently being focused on front line delivery – the aim is to increase this proportion through the implementation of a new operating model for the Council by 2017;

■ Completion of the first Staff Survey since 2010 and taking the first steps in listening to and considering the feedback from staff. The Council have established regular directorate staff briefings and a staff forum called Pulse which represents a diagonal cross section of the Council;

■ Reducing accommodation costs by vacating 2 buildings which has released capital (sale of Marland House) as well as providing an income stream (e.g. One Guildhall Square);

■ Completion of an audit of service reviews to ensure that going forward, the Council's approach is evidence based and coordinated; and

■ Progress towards the establishment of a new strategy unit, including developing the proposition and role description for the unit and the approach to its implementation.

1.3　Current Operating Model

Southampton City Council's current operating model can be described as decentralised, with "siloes" of service delivery aligned to each directorate. Each directorate, and the services within that directorate, have their own identity, culture and level of independence, which encourages a culture of operating independently rather than one of collaboration across services and between directorates.

This view is supported by the Activity Analysis recently conducted by the Council (see section 5), which identified that the Council is approximately 3 to 4 years behind other Local Authorities in relation to its maturity in operating streamlined and efficient process activity. The Activity Analysis identified significant levels of duplication and fragmentation across core processes such as customer enquiry handling, assessment, administration functions and other service enabling activity, and highlighted material levels of consolidated corporate service activity (e.g. communications, IT, legal, HR etc) taking place within Directorates as well as centrally. The Activity Analysis also concluded that 59% (c.2160 FTE) of the Council's activity is currently associated with enabling services and the front / middle office, whilst 41% (c.1520 FTE) of Council activity is directly relating to the delivery of front line operations. The actual percentage of activity associated with enabling services and front / middle office activity is dependent on both the efficiency of supporting processes and also the extent to which the Council delivers front line services internally.

The Council's structure and organisational shape of the Council is illustrated in the figure below.

Figure 1.3-1: Council's existing structure and organisational shape
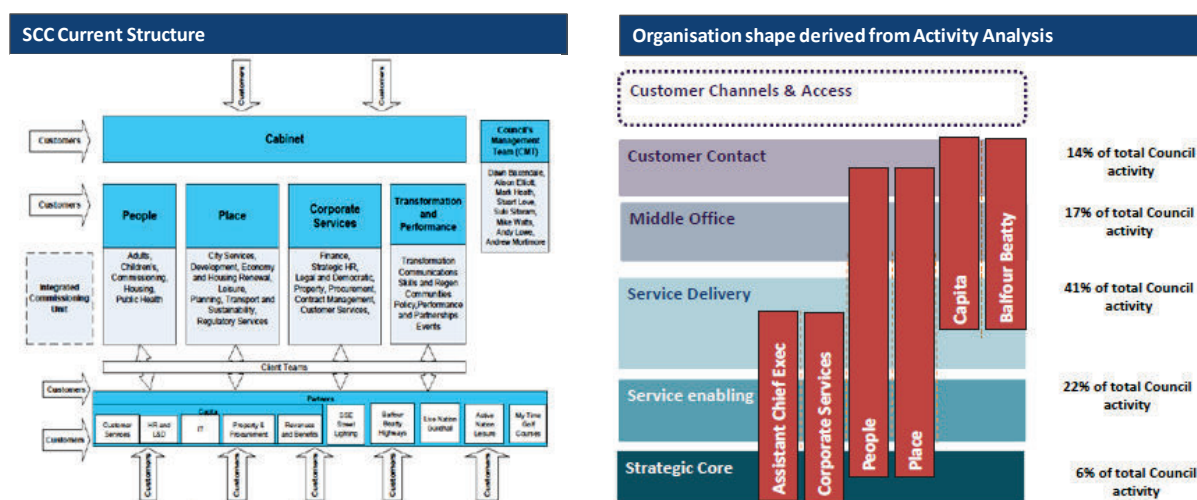
1.4   Target Operating Model

This report describes the new Target Operating Model (TOM) that has been developed for Southampton City Council. The TOM and this explanatory report have been prepared for Cabinet and CMT by the Council's external advisers KPMG LLP ("KPMG") and the Council's Transformation Programme team, who have put in significant input and insight working with the Heads of Service.

This report describes:

■ The target operating model that is proposed for the Council, including:
  – How the services that are required by and delivered to customers are defined;
  – How the models through which those services should be delivered are selected;
  – How the TOM supports the Council in delivering its priorities;
  – The enabling infrastructure that underpins the TOM; and
  – How the TOM supports SCC in becoming a sustainable Council.

■ At a high level, how the Council would organise itself structurally, and the key components involved in delivering the proposed organisational change. Further detail on future organisational structures will be developed by the Chief Executive; and

■ A high level road map for the implementation of the TOM.

It is important to recognise that the TOM is not a quick fix to address the Council's MTFS funding gap. The TOM sets out a new operating approach for the Council, which the Council will use to address its funding gap and deliver long term sustainability. Significant further action is required by the Council over the next two to three years to implement the TOM, and to work through the cultural, structural and operational change and the tough decisions that will be required for the Council to achieve financial sustainability.

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2 Target Operating Model

2.1 Overview

2.1.1 Overview of the TOM

Note inserted by Southampton City Council to reflect the latest position at time of publication.

KPMG UK LLP ("KPMG") were commissioned by Southampton City Council (SCC) to support the design of their new organisational wide operating model. This work took place between September-December 2014. During their commission, KPMG used the Council's budget inform at that time. Therefore, this report does not reflect the latest view of the Council's budget, including the Medium Term Financial Strategy (MTFS) for the period 2015/16-2019/20 which is being considered by Cabinet on the 10th February and Full Council on the 11th February 2015. In addition the Council Strategy 2014-2017 Transformation Programme Update being presented to Cabinet on the 10th February and Full Council on the 11th February 2015 also details the current contribution of savings identified by the Transformation Programme at this stage which is outlined in Section A of the report. Therefore this report details the financial position as of December 2014.

The proposition is to establish a more commercial, sustainable and customer orientated operating model for Southampton City Council, which delivers the right services to the right standards at the right time for the city's residents and businesses, using the most cost effective delivery models.

The status quo is not sustainable. A significant change in the Council's operational approach is required to address the Council's £61m funding gap in 2017-18 whilst protecting the delivery of key services for local residents and businesses. The new target operating model (TOM) therefore places significant focus on the Council getting "the basics right" for the users of its services, by:

■ Ensuring services are specifically tailored and designed to deliver the outcomes that are really needed by local residents, communities and businesses (i.e. the Council's "customers");

■ Providing support and interventions at the right time, to increase opportunities for local residents, communities and businesses to develop and grow, improve levels of self-sufficiency and reduce long term demand and dependency on Council services;

■ Employing the most effective, targeted and sustainable service delivery models, whether they be in-house, in partnership or externally provided;

■ Instilling a performance culture into all of the Council's operations, ensuring all service providers (internal and external) are accountable for the quality of services delivered for the Council; and

■ Leveraging the skills, capacity and capabilities of the Council and the City, acting collaboratively to further improve the potential for economic growth, income generation and financial sustainability.

Figure 2.1-1 below provides a functional overview of the proposed operating model, which is explained in the paragraphs that follow.

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Figure 2.1-1: Functional overview of the Target Operating Model
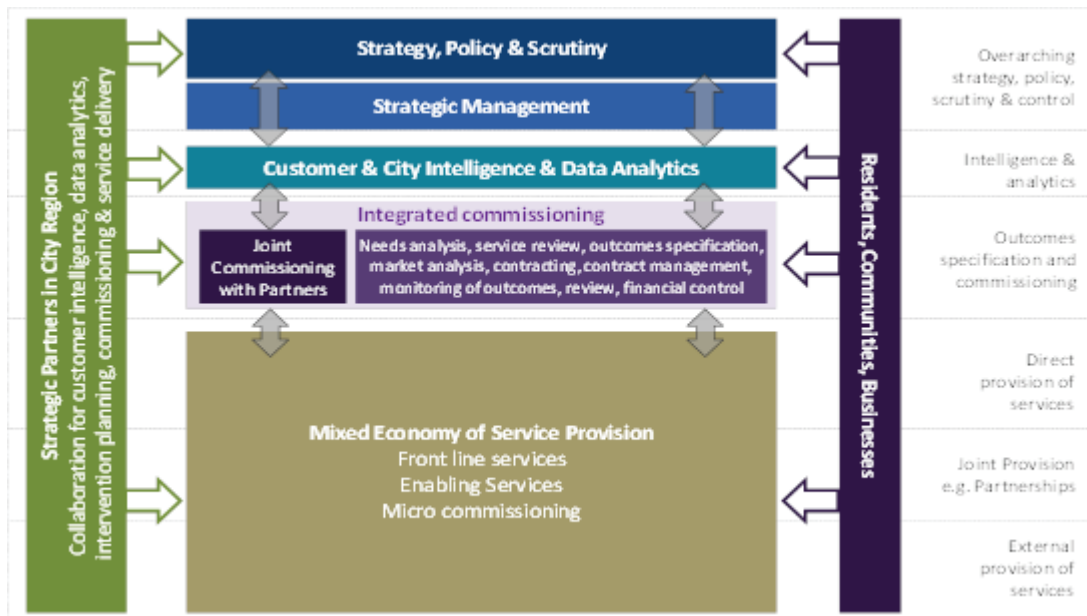
The TOM places the needs of local residents, communities and businesses at the heart of the Council's decision making, with the Council's operations focused on shaping, sourcing and delivering services that address real customer need in the most efficient and cost effective way. The key features of the TOM, as set out in Figure 2.1-1 above, are as follows:

- The TOM is a "**mixed economy model**", with the Council's decisions on what services to provide, how, and by whom, being driven by evidence based analysis of the most effective means of addressing customer needs and delivering the required outcomes.

- The **integrated commissioning** function will determine the services to be provided, how, and by whom, setting the commissioning strategies for the Council and managing the commissioning of services and outcomes throughout the strategic planning, contracting and monitoring & review stages of the commissioning cycle described in section 2.4 that follows. This includes both frontline services and externalised enabling services (such as those currently provided by Capita);

- A **customer intelligence and data analytics** function will provide the market intelligence and data analytics capability to deliver real customer and city insights, supporting the integrated commissioning function in its development of commissioning strategies and plans, improving outcomes for customers and delivering a financially sustainable Council. The key elements that underpin the customer intelligence and data analytics are described in section 2.5 that follows;

- Customer intelligence and data analytics will also inform the Members' and the Council's Management Team's decisions on Council **strategy and policy** (shown at the top of the diagram), and their role in scrutinising the outcomes that are delivered for customers. The **strategic management** function (shown adjacent to strategy, policy and scrutiny) incorporates the Council's strategic finance, HR, ICT, procurement and property functions (i.e. business partnering approach), the customer hub, intelligence hub, business change and performance improvement, and the Council's "public affairs" functions including communications, democratic and elections; and

- Services will continue to be provided by a **mixed economy of service providers**, utilising a mix of internal service delivery, partnerships and external service delivery, who are "contracted" on a performance basis to deliver the outcomes commissioned by the Council. The mixed economy model is driven by the need for services to be more effective, targeted, integrated and flexible in addressing the needs of customers, and the recognition that the Council's current service model is not achieving the right commercial balance of service cost and income generation to make the Council financially sustainable in the longer term.   The mixed economy model applies to both frontline and enabling services and is described further in section 2.3 that follows.

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It is possible that the mixed economy model could include the award of some relatively broad, outcome based contracts, under which the appointed service provider is not only responsible for delivering services itself, but is also responsible for sourcing and integrating services from a number of other specialist providers in order to deliver the outcomes required by the Council (e.g. specialist social care services). This is a service integrator model, in which the appointed service provider commissions services at a more micro-level than the Council ("micro-commissioning") and then integrates service delivery in order to deliver the outcomes specified by the Council.

Underpinning the TOM will be **significant cultural change**, with a strong focus on establishing a more strategic, financial and performance orientated culture, characterised by:

- Strong and accountable financial leadership and commercial awareness;

- An organisational culture built on financial awareness and performance management;

- An ability to specify priorities and make choices within means;

- Comprehensive financial and performance information clearly underpinning decisions; and

- An ability to anticipate changing circumstances and manage financial risks.

Partnerships and collaboration also underpin the TOM. The Council will work together with its strategic partners / partner authorities in the City region to generate collective insight, to develop integrated strategies for delivering common outcomes, to design and commission appropriate services, to make decisions about who provides what and how, and to review and evaluate how well they are doing. The Council will also require much greater knowledge sharing and collaboration with, and between, its service providers, as described further below.

2.2   High level organisational model

The TOM focuses on collaboration, co-operation and co-production to deliver high quality outcomes through integrated commissioning and partnership approaches, underpinned by strong financial, commercial, market and business intelligence and data analytics capabilities.

The diagram below presents a high level organisational model for the Council in line with the TOM. The detailed organisational structure that sits within this model is being developed separately by the Chief Executive.

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Figure 2.2-1: High level organisational model
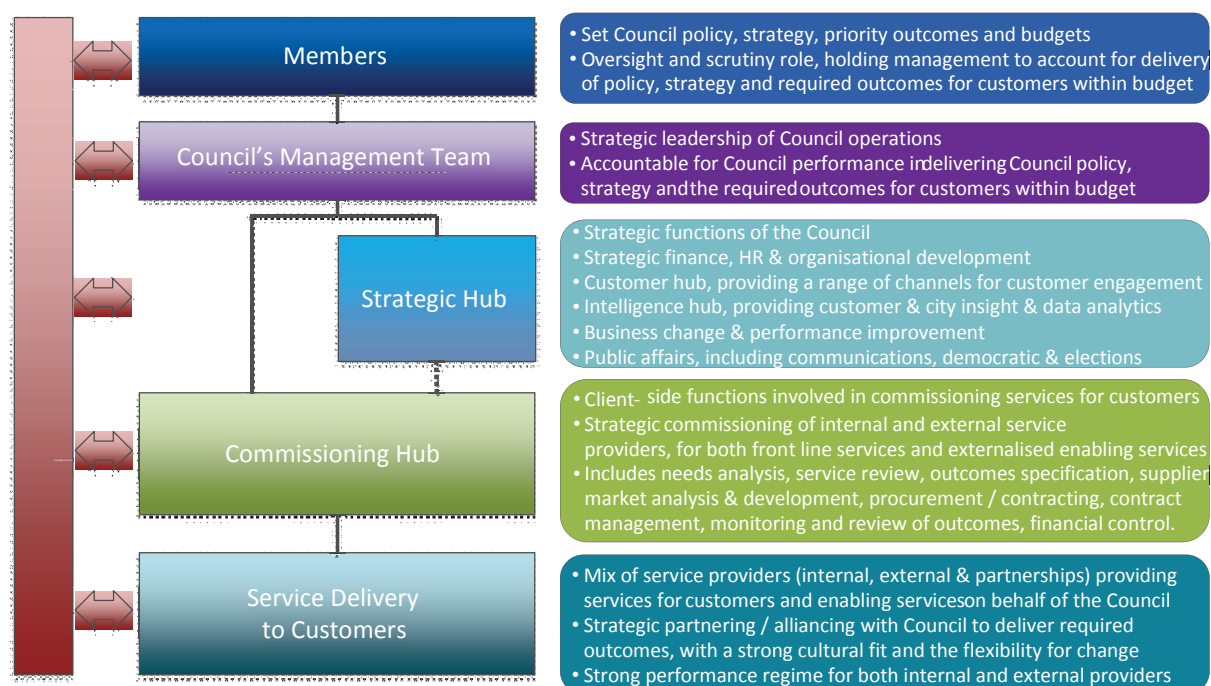
2.2.1 Members and the Council's Management Team

Members will retain a strong strategy, policy and scrutiny role within the new model. Members will retain sovereignty and continue to set the Council's policy and strategies, specifying the priorities and outcomes to be delivered and the required standards of service, and agreeing the financial budgets. Members will also retain a strong overview and scrutiny role in respect of service delivery, with day to day responsibility for the specification, sourcing, performance monitoring and review of services resting with the Council's integrated commissioning team. This will be achieved through Member participation in the Strategic Commissioning Board described in section 2.4

The Council's Management Team will remain responsible for leading the Council's management in the day to day operation of the Council (at the Strategic Hub, Commissioning Hub and Service Delivery levels shown above), and will be accountable to Cabinet and Council for the Council's overall performance in delivering the policies, strategies and outcomes set by Members within the agreed financial budgets.

2.2.2 Strategic hub

Reporting to the Chief Executive / Council's Management Team[1] is the strategic hub, which contains the strategic and asset related elements of the Council. The strategic hub will be commercially orientated, incorporating the Council's strategic finance, HR, ICT, procurement and property functions (i.e. business partnering approach), the intelligence hub and customer hub (see more detailed description in section 2.5), business change and performance improvement, and the Council's "public affairs" functions including communications, democratic and elections.

The strategic hub will include the client-side partner / representative for externalised enabling services (such as those currently provided by Capita), whilst the procurement and contract management role for externalised enabling services will sit within the commissioning hub.

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[1] to be determined by the detailed organisational structure

2.2.3   Commissioning hub

The commissioning hub incorporates the functions involved in commissioning services for customers, whether those services are provided internally, in partnership or externally. The hub therefore incorporates the Council's strategic and operational commissioning activity, which includes the processes of customer needs assessment, supplier market analysis, market development, and the procurement and contract management of suppliers (see detailed description in section 2.4).

The extension of an "integrated commissioning" approach across all Council services provides clearer separation of the strategic decision making and tactical planning role of the Council in the commissioning hub and the actual delivery of services as described below. It therefore provides an enhanced, more independent and clearer role for Member scrutiny, with internally delivered services and those delivered on a partnership basis subject to the same rigour and challenge as any external third party service provider.

2.2.4   Service delivery

Reporting to the commissioners in the commissioning hub is a mixed economy of service providers (for frontline and enabling services), which includes services delivered internally, externally, and on a social enterprise, partnership or joint venture basis. All services will be "contracted", with robust service performance and budget agreements for internal service providers (against which the service's performance will be monitored and evaluated) and service contracts for external service providers. All services will be subject to a robust performance regime, which will include a requirement for service providers (internal and external) to operate a collaborative philosophy which provides a cultural fit with the Council and requires the service provider to work co-operatively with the Council and with its partners and other providers to proactively manage the demand for Council services, optimise the outcomes for customers and support the financial sustainability of the Council.

2.2.5   Strategic partners

The new organisational model will incorporate partnerships with other public sector bodies (i.e. strategic partners) at every level, from relationships held at the Member level (e.g. for common policies and strategies), at the strategic hub level (e.g. for shared customer engagement, intelligence and data analytics), at the commissioner level (e.g. for integrated commissioning, including for example the ICU), and at the service provider level (e.g. for shared services).

2.2.6   Flexibility and sustainability of the new model

Given the fast pace of change in local government, it will be important for the new operating model to be flexible to allow the Council to change with the market, and to be sustainable in the long term.

Future change will not only relate to the increasing fiscal pressures placed on local authorities and the need to streamline, reduce or stop services as previously described. It will also relate to the potential for movement in the structure of local government, particularly with the increasing trend towards a "combined authority" approach for selected services (such as transport, economic development and regeneration, or further integration with health and adult social care), as opposed to more traditional collaboration and partnerships.

The new TOM is structured to provide the Council with flexibility in the ways that it structures its responses to customer needs, including using partnering or combined authority models, and to provide a robust basis from which to assess and implement change. This comes from:

■ The commissioning approach, which requires Commissioners to regularly examine the available models of service delivery, including partnerships, to establish which models will deliver the best outcomes for the Council and its customers;

■ The intelligence hub, which will support the Council in researching and testing hypotheses in relation to potential benefits for customers and for the Council of changing its delivery models;

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- The strategic partnering and collaboration philosophy that will be embedded within all of the Council's agreements with service providers, which should provide the Council with some flexibility to change the mix of service providers and the scope of services that they provide; and

- The mixed economy of service providers and the performance regime within which they will operate, which will provide stronger, more robust benchmarks and performance frameworks that will at least need to be matched by any alternative models (including combined authority models) that are considered by the Council.

Sustainability of the new operating model is also about having the right behaviours and right performance culture within the organisation. For example, the new operating structure and associated performance culture for the Council will need to ensure that the objectives that underpin the change to an integrated, commissioning orientated approach are embedded within the new culture of the Council, and that they are not eroded over time resulting in a gradual return to a fragmented, disaggregated operating model.

2.3   Mixed economy of service providers

The directorates are examining a range of options for the future delivery of Council services, with a particular focus on alternative models of service delivery that have the potential to:

- improve the efficiency and effectiveness of service delivery;

- enhance the outcomes achieved for customers;

- reduce the scope and cost of services delivered on behalf of the Council; and

- generate additional income on behalf of the Council.

The Council's leadership team is also discussing with the Association for Public Service Excellence (APSE) the potential for APSE to conduct a review of the effectiveness and efficiency of services with potential for trading / income generation, including consideration of the most appropriate models for trading whether that be arm's length, a mutual spin out or another vehicle.

The alternative models of service delivery currently under consideration are summarised in the figure below. Taken together, the models under consideration set a clear "direction of travel" for the Council's TOM, which will move the Council to more of a mixed economy of service providers.

Figure 2.3-1: Mixed economy of service provision currently under consideration

Mixed economy currently being considered:
1. Highways services, ROMANSE, CCTV & street lighting contracts
2. Transport policy, parking & Itchen Bridge
3. Development & Regulatory Services (e.g. planning, city & economic development, regeneration, regulatory services and housing renewal / improvement services. Possibly include management of open spaces)
4. Existing leisure & cultural venue operating contracts
5. Culture Trust or similar (possibly with other authorities)
6. Waste disposal contract
7. Housing DLO
8. Children's Services
9. Adults services
10. Public health service contracts
11. Enabling/support services
12. Legal alternative business structure (ABS)
13. Libraries transformation
14. Waste collection
15. Commercial waste
16. Grounds & buildings maintenance
17. Fleet management
18. Housing transformation

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The options summarised above for the future delivery of services are being examined through business cases which are being prepared and reviewed under a gateway process managed by the Service Design Board.

The business cases will consider options for frontline services to customers and for enabling services such as customer services, finance, HR, IT, procurement and property. The business cases should examine the needs to be addressed by the service and examine the alternative approaches (in terms of the scope of services, the methods of service delivery and the commercial models available) for addressing that need. This should include market soundings / testing with a wide range of potential delivery options, the assessment and forecasting of financial and non-monetary costs and benefits, risks and issues for each option, and management plans for procuring and/or implementing the preferred option. The preferred option should provide the optimum balance of costs, benefits, risks and issues by reference to customer needs, the required outcomes, the Council's strategic priorities and the Council's budgetary position.

The business cases will cover service proposals of various types, including:

- Alternative models for delivering services, including some which have trading / growth potential (e.g. economic development & regulatory services, highways, transport and parking services, arts and heritage services, social care services, housing repairs and maintenance, and the legal ABS);
- Service reductions and/or service restructuring/streamlining (e.g. leisure, waste collection, business support and enabling services); and
- Service transformation through new technology (e.g. customer contact and digital services).

In order for the Council to identify the optimum solutions and service mix to address its funding gap, it will be important for the service design process to be co-ordinated with the integrated commissioning approach as described in section 2.4, so that the redesign of the Council's services is based on a broad review of the scope, standards and mix of the services that are required by the Council to deliver its priorities within the available budget, as well as examining the delivery models used to deliver the services and their potential for trading / growth.

It will also be important for there to be independence in the service design process, so that the options and recommendations included in options appraisals / business cases are broadly based and are not constrained by any predetermined views based on the current scope of services, the way things are traditionally done, or an individual's previous experience elsewhere.

2.4   Commissioning Hub

2.4.1   Overview

As described previously, the commissioning hub incorporates the main functions involved in commissioning services for customers, including needs assessment, service specification, supply market analysis, market development, and the procurement, management and review of service providers as described in the paragraphs that follow.

2.4.2   Scope of commissioning

Whichever models are selected through the business case process described above (internal, local authority owned or social enterprise, partnership / joint venture or external provider), the Council will extend its commissioning approach to all services.

All services will be "contracted", with internally provided services subject to robust performance regimes, outcome based specifications and financial budgets / savings targets, and externally provided services contracted under performance related, outcome based contracts. In some circumstances the Council's contracted service provider might not provide all of the services and outcomes themselves, and may undertake further commissioning (i.e. micro-commissioning) of selected services and outcomes from specialist service providers (e.g. specialist social care services).

The commissioning approach will have a strong focus on achieving a cultural fit with the Council, securing high quality service performance and delivering the right outcomes for the customer, whilst also ensuring that the Council is financially sustainable. In this context, "achieving a cultural fit with the Council" means service providers:

■ delivering value for money, the required savings and the agreed outcomes;

■ buying into the Council's priorities and cross-cutting aims (see section 3) and operating in line with the principles of trust, integrity and transparency;

■ working collaboratively with the Council and its other service providers, sharing information and insight to enable continuous improvement in the Council's commissioning of services and in the outcomes delivered for customers; and

■ being flexible to changes in the scope of services to be delivered under the contract, in order to optimise the outcomes for customers and the financial sustainability of the Council.

These "behaviours" will be embedded within the "contract" that is put in place with each provider (internal or external), and the provider's performance (and potentially the payments made to them) will be measured by the extent to which the service provider exhibits these behaviours.

2.4.3   Commissioning cycle

In the context of the TOM, the term commissioning is used to describe a three stage cycle through which the Council's customers' needs are assessed and the required outcomes identified (the "strategic planning" stage), Council services are planned and "contracted for", either internally, in partnership or externally (the "contracting" stage), and those services are delivered, monitored and reviewed (the "monitoring and review" stage), as shown in the high level diagram below.

As the commissioning cycle is applied to all services, including those delivered internally, its purpose is not to drive further externalisation of service delivery but to ensure the Council is delivering the right services to the right standards at the right time, and using the most effective models to address customer needs.

Figure 2.4-1: Example commissioning cycle for SCC

The three stage commissioning cycle is surrounded by five cross-cutting aims, which directly support the delivery of the Council's strategy, namely:

■ Customer focused services;

■ Prevention and early intervention;

■ Protecting vulnerable people;

■ Economic growth; and

■ Sustainable Council.

Throughout this commissioning cycle the TOM places a continuous focus on the needs and outcomes required for the customer, and on the best way of delivering these. Further detail on the new commissioning approach is provided in the paragraphs that follow.

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2.4.4 Commissioning structure and approach

The "integrated commissioning" function (i.e. commissioning hub) included within the TOM (see Figures 2.1-1 and 2.2-1) will be functionally structured as shown in the diagram below and explained in the paragraphs that follow. The organisational structure for the commissioning hub is being developed separately by the Council and will be described in a separate Council report.

Figure 2.4-2: Commissioning structure for SCC

Strategic Commissioning Board
• Oversight, challenge & approval role on commissioning strategies
• Oversight, challenge & scrutiny role on delivery of outcomes
• Challenge strategic commissioners on cross-cutting priorities

Strategic Commissioning
• Strategic leadership of commissioning function (with specialisms)
• Assess strategic needs & define outcomes required
• Develop integrated commissioning strategies, which will work together to deliver cross-cutting priorities (e.g. P&EI)

Intelligence Hub
• Data analytics & insight to inform commissioning strategies & plans
• Gather customer & market intelligence relating to commissions
• Analysis of supplier & market performance and outcomes delivered

Operational Commissioning (including contract management)
• Commission services in line with commissioning strategies
• Assess customer needs, review services / market, appraise options
• Prepare commissioning plans, engage market & contract suppliers
• Commercial, financial, contract, relationship, service management
• Evaluate performance & outcomes to inform future commissioning

Procurement
• Category management & support for supply market analysis
• Advice on contracting approach, commercial terms and process
• Advice and support for contract management

Internal & External Service Providers
• Mix of service providers (internal, external & partnerships)
• Strategic partnering / alliancing with Council to deliver required outcomes, with a strong cultural fit and the flexibility for change
• Performance related / PBR contracts (external) and SLAs (internal)

2.4.4.1 Strategic commissioning

Primary responsibility for commissioning will rest with a small number of Strategic Commissioners (or Lead Commissioners), who will be responsible for assessing the strategic needs and outcomes for customers within the City, and for developing the Council's future commissioning strategies to best address those needs and deliver the required outcomes. The commissioning strategies will be developed on an integrated basis both within the Council and with relevant partners (i.e. public bodies) external to the Council. A current example of joint commissioning is the Integrated Commissioning Unit (ICU) and Joint Commissioning Strategy for Southampton City Council and the Southampton City Clinical Commissioning Group.

Whilst the Strategic Commissioners will each be responsible for a defined area / sector (e.g. social care), their roles and performance measures will be structured to ensure that they operate as an integrated strategic commissioning team. The Strategic Commissioners will be jointly accountable for examining and developing cross-cutting opportunities (such as prevention and early intervention initiatives) and for developing integrated commissioning strategies that optimise outcomes for customers and costs to the Council.

The Strategic Commissioners will be held to account by a Strategic Commissioning Board, which will be primarily comprised of the Council's Cabinet Members and the Chief Executive. The Strategic Commissioning Board will operate at a strategic rather than operational level, having an oversight, challenge and approval / scrutiny role in respect of the Council's commissioning strategies and in respect of the delivery of the required outcomes for local residents, communities and businesses.

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2.4.4.2   Operational commissioning

Responsibility for the day-to-day delivery of the Council's commissioning strategies will rest with a team of Operational Commissioners who report to and are managed by the Strategic Commissioners.

Operational Commissioners will manage the commissioning of individual services / outcomes throughout the strategic planning, contracting and monitoring & review stages of the commissioning cycle as shown in the diagram below. Their role includes oversight, appraisal and development of the supplier market and delivery options, preparing a commissioning plan for the services (in line with the commissioning strategy), engaging the market and selecting the most appropriate suppliers, managing the relationships and contracts with the suppliers, and reviewing the performance of suppliers and the outcomes delivered against targets set out in the commissioning strategy and contracts, and against the wider market performance. The actual performance achieved by service providers (internal and external) against targets will feed into the review and strategic planning stages of the commissioning cycle and will inform the commissioners' future commissioning decisions.

Operational Commissioners will be supported by the Council's central procurement function, which will be responsible for category management and for supporting and advising the Operational Commissioners through the market appraisal, contracting and contract management stages.

Contract management of the Council's service contracts (i.e. the contracts for frontline and enabling services commissioned by the Operational Commissioners) will be incorporated within the operational commissioning function as it forms a key part of the commissioning cycle.

Commissioners will collaborate with external partners where collaboration has been identified as the best way of securing high quality service performance and delivering the right outcomes for customers, whilst also ensuring that the Council is financially sustainable (e.g. the ICU).

Commissioners will be encouraged to examine and develop co-operative approaches with local communities (within defined parameters), to transform the relationship between residents and the Council, create a stronger sense of civic responsibility and pride, promote collective self-help among residents (in order to influence, reduce and where appropriate stop demand for services), and to drive social innovation and social responsibility in support of public services.

The new commissioning approach will therefore involve the Council establishing more strategic partnerships with its public sector partners, communities and service providers, with parties working collaboratively to achieve agreed outcomes and principles. The collaborative relationship between the parties will be explicitly described, supported and nurtured at each stage of the commissioning process, and a common value-base will be established which supports through co-operation and co-production the delivery of the Council's priorities.

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Figure 2.4-3: Commissioning approach
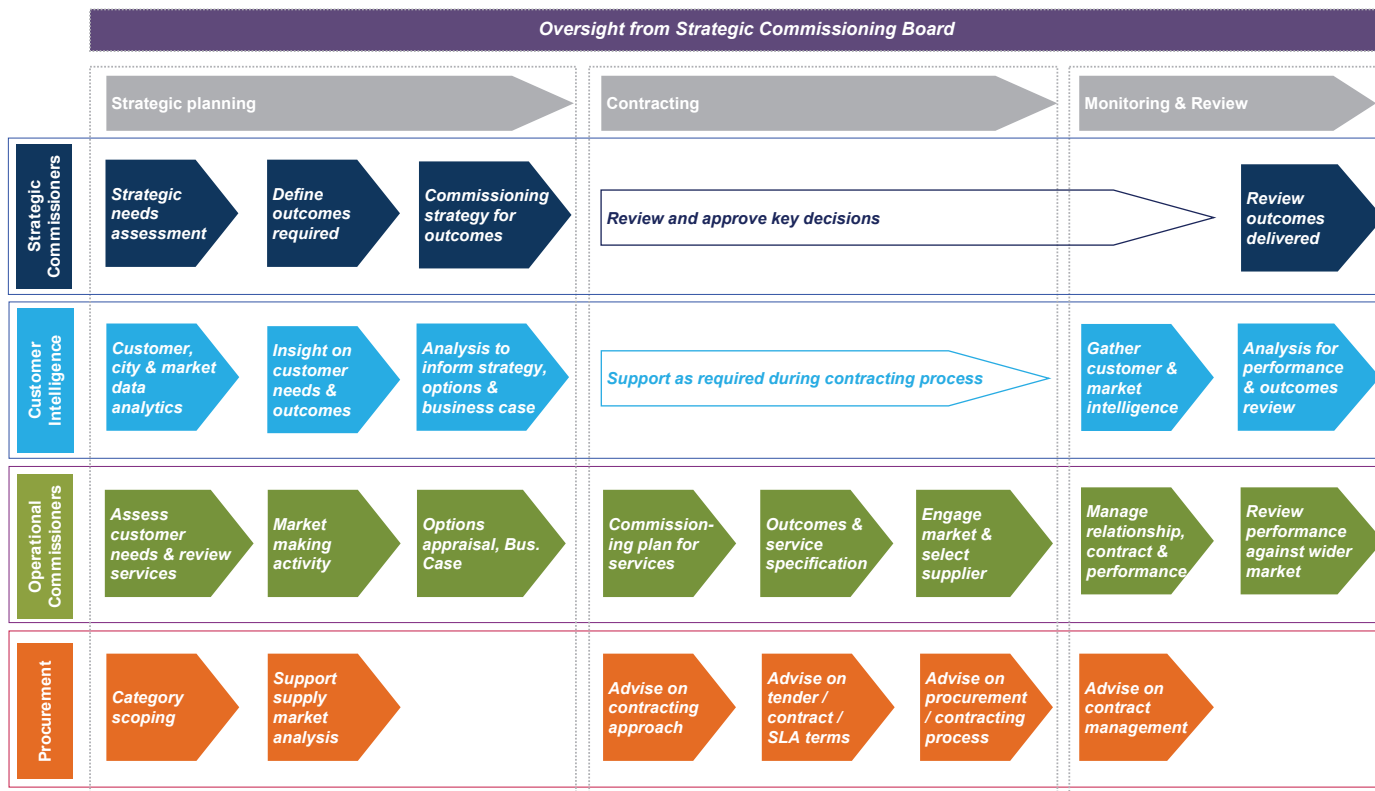
Both the Strategic Commissioners and the Operational Commissioners will be supported by the Council's new "Intelligence Hub", which forms part of the Strategy Hub described below. As shown in the diagram above, the Intelligence Hub will source and analyse customer data, undertake primary market research and analysis, and deliver knowledge and insight to inform both the strategic decision making of the Strategic Commissioners and the operational decision making of the Operational Commissioners.

The commissioning approach described above will play an important role in assisting the Council to bridge its funding gap, including by identifying and developing solutions that will:

■ Better manage the demand for Council services, including stopping demand in some areas;

■ Allow the Council to stop or reduce services;

■ Be more effective in delivering the required services and outcomes at a lower cost; and

■ Target opportunities for growth.

Appendix 1 provides some further discussion of the role of commissioning in these areas.

2.5   Strategy Hub

2.5.1   Overview

As described previously, the strategic hub contains the strategic and asset related elements of the Council. The strategic hub will be commercially orientated, incorporating the Council's strategic finance, HR, ICT, procurement and property functions (i.e. business partnering approach), the customer hub, intelligence hub, business change and performance improvement, and the Council's "public affairs" functions including communications, democratic and elections.

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The most significant areas of functional change proposed by the TOM in respect of the strategy hub relate to the customer hub and intelligence hub which are described further below.

The organisational structure for the strategy hub is being developed separately by the Chief Executive.

2.5.2   Customer & City Intelligence

A key aim of the Council's strategy 2014-2017 is to "*put residents and customers at the heart of what we do*". Central to the challenge currently facing local authorities is the need address today's requirements with a much more integrated approach driven from an understanding of our customers.

Successfully delivering and maintaining a customer orientated approach to transformation will be dependent on customer insight being at the centre of the business planning process, and being used to shape future services. Customer insight is not simply data or research, but the strategic interpretation of a wide range of information and knowledge.

Some of the key strategies in the TOM include:

- A "Digital by Default" focus around achieving and sustaining a move to end-to-end self-service;
- Offering customers and SCC employees a single, integrated record of transactions and related information (the "single view of the customer);
- A customer led approach to service design, and in measuring success around what is important to customers;
- Designing service delivery for the majority while understanding and offering the specific assistance required by those disadvantaged by a move to digital self-service;
- Understanding and managing customer demand, and being agile in our response to issues mean that customer insight will play a central, critical role; and
- Engaging with individual customers, customer groups and communities in ways that will enable much more self-service, less direct reliance on the Council, and encourage communities to become more self-sustaining.

The Council should maximise the use of digital media and customer self-service. Most customers are already used to this in many ways – the use of on line banking, shopping on line and the great success already seen with some government services like car tax payments. Indeed the car tax process is a great example of how a creative, digital led approach can make the life of customers easier and substantially reduce the cost of service delivery with the recent removal of the need for paper tax discs. SCC should look for similar creative solutions.

These aims are all reflected in the commissioning approach described earlier, which seeks to commission services that optimise the outcomes delivered for customers whilst also supporting the financial sustainability of the Council.

Independent reviews undertaken for the Council (including the Activity Analysis and the Local Government Peer Review) have emphasised the need for the Council to:

- Reduce the fragmentation of its customer contact and to improve the sharing of customer data, knowledge and insight across the Council (as opposed to operating in silos);
- Implement a more co-ordinated approach to intelligence, with customer and indeed city-wide data being gathered and examined to provide insight and intelligence to inform Council decision making and policy development and
- Use this intelligence to better focus the Council's activity on the outcomes that are really required for its customers and for the City, and to identify the best ways to deliver them.

A key focus of the Council's TOM is therefore to place customer insight at the heart of the Council's decision making as shown in the diagram below. The Council with partners and other public bodies in the City should work together to extend this approach over time and collaboratively examine the cross-cutting, city-wide intelligence offer to customers. This truly integrated commissioning and service delivery approach would optimises customer outcomes across all public services in the City.

Figure 2.5-1: Customer & City intelligence at the heart of Council decision making
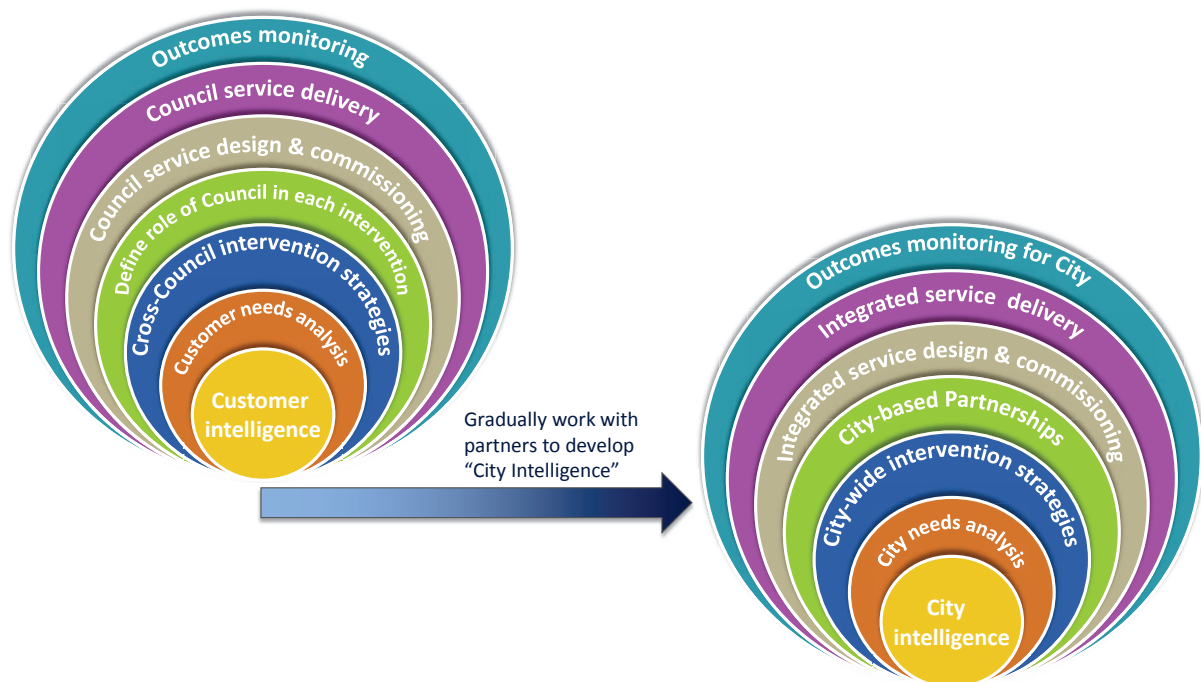
The foundations for the TOM's customer-centric operating model are:

- Firstly, in the short term, building a more co-ordinated approach to collecting customer data and intelligence over the next 2 years; and

- In the longer term, once the Council have establish their customer and intelligence hubs, establishing a more co-ordinated and digital approach to collecting customer and city intelligence, through the establishment of a City wide "intelligence hub".

2.5.3   Customer Hub

2.5.3.1   Introduction

The Council has recognised the need and opportunity to transform the organisation and the services it delivers to customers through greater use of digital solutions and channels. This will improve the Council's ability to gather, share and analyse customer data and reduce the cost to the Council of its customer contact.

However successfully moving to a 'Digital by Default'[2] Council will require the adoption of a number of key principles, which include:

- Offer a consistent, seamless customer experience whatever access channel the customer uses.

[2] Cabinet Office has delivered a Digital Strategy for Government which should be seen as a benchmark for developing a digital strategy http://publications.cabinetoffice.gov.uk/digital.

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- The Council needs to take a proactive role in achieving and sustaining the move to customer self-service;
- The Council must have a high quality digital platform to give customers easy access to public services (Council and City wide);
- The Council must evolve from thinking of only the "web site" to engaging with customers through a range of digital services including social media.
- Data, content and especially insight must be viewed and managed as a strategic asset and a crucial enabler.
- Digital services must be designed with the following in mind:
  - They should be customer led not Council led;
  - Customers should be offered personalised, relevant access to information and services
  - Service delivery should be designed for the majority – then implement focussed assistance where it is needed
  - Self-service should be coupled with having more trust in customers to manage their own data & information.
  - They should have minimal transactional barriers, thereby supporting a reduced cost to serve;
  - Prioritise end to end digital self-service where possible & appropriate
  - 'One and done' or 'straight through processing' should be the starting point; and
  - They should be open in their design to enable collaboration and data sharing.
- Service performance must be measureable, using measures that reflect a customer and not an internal council perspective;
- Staff need to be empowered through the development of new digital skills, and must adopt the same self-service principles we expect of our customers; and
- Customers should be encouraged and supported to adopt digital channels, with appropriate targets being set for the transfer of demand to digital channels and appropriate levels of support being provided to customers to help facilitate this transition.

In order to achieve this, the Council will move to a new model of customer engagement designed and built around a new 'Customer Hub'. This will take a significantly different approach to a traditional contact centre:

- Much more focused around digital transactions and customer engagement, including through social media.
- A core focus will be to assist the transition to digital self-service, in particular with complex transactions like assessments or requiring more complex proof of identity (e.g. applying for new parking permits)
- Staff will be flexible and multi skilled and handle all contact channels.
- All customer contact will flow through the customer hub and be tracked, even where human interaction is not required. In addition to service transactions this will include will include complaints, FOI, compliments, social listening.

The Customer Hub will be developed initially as a Council solution, but its development should not block or preclude its future extension to accommodate services for other partners/public bodies in the city, in order to provide city-wide deliverability and operability over the longer term (e.g. in 3 to 5 years).

We believe such city-wide collaboration should be a key aim for the Council, as it offers a number of significant benefits including a more joined up approach to delivering public services across the city, development of better intelligence and insight across services and improved efficiencies and cost effectiveness through increased economies of scale.

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2.5.3.2   Components of the Customer Hub

The following diagram and text describes the key components of the Customer Hub.

Figure 2.5-2: Engaging with customers in future
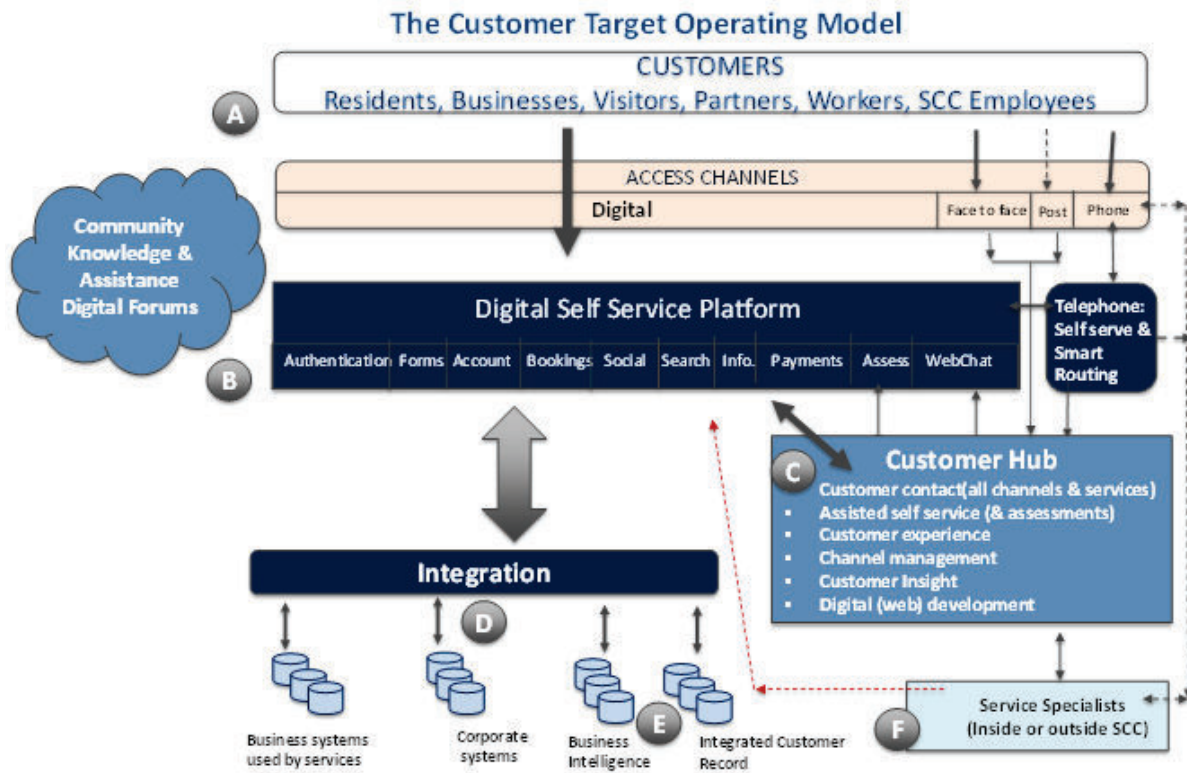
A) Customer Access

We have defined six broad categories of customers, all with differing requirements from the Council – residents, businesses, visitors, partners, Southampton workers and SCC employees. Services will be designed to meet the needs of the majority with focussed assistance offered via the Customer Hub to those requiring help. Customers are encouraged to use digital channels wherever possible ("Digital by Default"), and self-service will more and more become the norm for most transactions.

B) Digital Platform / Portal

An integrated digital platform offering access to all appropriate Council information and services (and potentially those of City partners in time) should be provided and used by all parties (all customer types listed above). It should:

◼ Be compatible with all common digital devices, and given their rapid evolution, to be as independent as possible to the actual devices used. Mobile devices (e.g. smartphones) will increasingly be the most common way to access council information and complete transactions;

◼ Be accessed through a unique Digital ID giving the customer access to a personalised view / dashboard (i.e. customer account showing the services they use and information they need) and giving the Customer and the Council a complete view - the "integrated customer record". Other common examples of this most customers will be familiar with include on line banking or on line stores like Amazon;

◼ Incorporate data and access to platforms from all Council services;

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- Although focussed on digital service delivery, the platform must also incorporate smart access by telephone. Where possible the telephone / Interactive Voice Response (IVR) should offer both self-service and also simple access to the right part of the organisation directly and easily;

- Allow the customer to own their profile and data, empowering them to tailor the way that they engage with the Council and access Public Services; and

- Offer access to on-line communities to support innovation and collaboration across the City. Shown in the diagram is a Community Knowledge and Assistance Digital Forum. This will be used by customers and whole communities with the aim of fully empowering people not simply to look to the Council for assistance, but to first look to each other. With the right information and active forums such a City wide resource can be of tremendous benefit to customers but also result in large reductions in contacts to SCC. Think of this as a combination of Wikipedia for the City and people helping each other in much the same way as many customers will be familiar with using TripAdvisor and similar on line forums.

C) Customer Hub

The Customer Hub will manage all contact received from customers (digital and non-digital). Although not seen as a traditional contact centre, part of the hub will be a modern "customer contact" operation covering all services and access channels. Non digital contact will be entered into the customer record by staff in the same manner as if the customer was accessing their account via self-service. The Customer Hub will manage all associated back office support activities. Customer Hub staff will be multi-skilled, able to deal with all Council services and able to communicate and engage through all channels including new digital channels (e.g. social media).

Staff will also have a prime focus on "assisted self-service" – their main function is to help enable and sustain the move to self-service. On the digital channel this will mean web chat and other technologies, but the customer hub should be responsible for assistance offered on all channels, including face to face. Some subject matter experts will be required to deal with complex/sensitive cases. (e.g. Adults and Children's cases). The hub should either include, or work very closely with, integrated assessment teams to ensure as much as possible is done on line.

Digital service design, end to end customer experience and content creation will also be required in the Hub to design the digital services and to develop and continuously manage the digital tools and content such as video, social media campaigns and on-line communities.

The Customer Hub also has a major role to play in face to face engagement with customers. Services will themselves have the subject matter experts required, but we envisage that Southampton should make use of existing SCC facilities and other community locations to offer integrated local access points. These will allow customers convenient access to digital services, and can also offer telephone access where this is needed. Crucially these access points should offer assistance to those that have been disadvantaged by the move to self-service, and the Customer Hub should be accountable for this function.

Hub staff will also be accountable for continually monitoring the performance of the digital services to identify opportunities to improve services and re-design with customers. Hub staff will also manage the core customer record and content management solutions accessed by the Portal.

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D) Technology Platforms & Digital Ways of Working

The digital platform and/or associated systems must offer the ability to provide the integrated customer record, and also a Content Management system is required to manage the customer and service data. This will be accessed through the Digital Self-Service Platform and will integrate with the individual business applications used by services.

Business systems used by services are not part of the digital hub, but will be managed directly by service providers. Requests for services initiated through the Portal will update the customer account and then automatically create service requests for front-line delivery staff and partners to action (i.e. providing an end-to-end digital service which, wherever possible, eliminates the need for manual "handling" of the request between the customer and the deliverer of the required service).

Employees will also benefit from an integrated Digital platform which will enable:

- Mobile working with access to key data and applications to be effective out of the office;
- A simple way of showing tasks assigned to that member of staff allowing them to efficiently monitor and progress tasks;
- A single view of the customer to best understand the most effective course of action based upon the full history of that customer;
- Interact using internal social media tools, allowing a more collaborative working environment, enabled by tools like Yammer, Skype or similar.
- Online communities sharing knowledge and content across teams; and
- Self-Service portals to support administrative tasks (holiday, sickness, expenses etc.) must also be provided, which may be part of the digital platform or provided as back office systems.

These improvements will allow employees to spend time on the tasks which are adding value to their customer rather than internal administration. For this to be successful there will need to be a change in the skills and culture of the employees and teams:

- Employees will require the technology skills to use this new channel – which is increasingly less of an obstacle given the widespread use of digital technologies in everyday life; and
- Culturally it requires a move from looking inwards to internal rules and processes, to looking outwards to the customer and trying to find the right way of addressing their requirements.

The move towards employees making the most of Digital will also enable greater shared-working with partners, removing physical boundaries, sharing data and delivering services across organisations.

E) Business Intelligence and the Integrated Customer Record

The Customer Hub is not responsible for all business intelligence activities, however it must ensure that all relevant customer data and information is available through the technology platforms to an Intelligence Hub. People in the Customer Hub will directly interpret, report on and take action on operational customer information and experience, but will also rely on the Intelligence Hub for broader insight. The customer operation will inform the BI unit and in turn the BI unit will inform improvements for the customer hub, the two working closely together.

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F) Service Specialists

The TOM will deal efficiently with a wide range of service delivery models, all of which must obtain significant added value from the Customer Hub and Digital Platform. Customers accessing Council, and eventually City, services will be taken efficiently to the right place to deal with their requirements. If a person is required, this could be can mean someone in the Customer Hub, or directly to a service expert or a known contact. Service experts could be in some cases part of the Council, but increasingly in a partner organisation, although even in such cases the contact will still be logged within the integrated customer record.

2.5.3.3 Benefits of the Customer Hub

The benefits of the Customer Hub model include:

- Reduced cost to serve through seamless end to end self-service with the majority of transactions achieved in a single visit;
- The ability to create and maintain powerful data analytics and insight. It is in moving beyond simply collecting and reporting data to the strategic interpretation of data into insight used to redesign services and achieve outcomes that the real step change with the TOM comes. To succeed, we must know what information we need and how to collect it; have the capabilities and processes to analyse this and turn it into accessible and actionable material; and most importantly, promote the culture to create and value this insight on an ongoing basis;
- An ability to understand and react quickly to operational insight and customer issues allied to a continuous focus on improving customer experience.
- Anytime, anywhere access to digital services (with appropriate customer and I.T support assistance) ;
- Seamless and quicker service delivery;
- Increase in confidence and trust in Council's/City's information and services;
- Greater customer reach;
- Staff spend less time on low value tasks (that can be automated);
- Greater information sharing and greater strategic and operational insight;
- Provides staff with an opportunity to up-skill (digital capabilities) and cross-skill (multiple services);
- Supports more effective and collaborative communications with all stakeholders; and
- Supports innovation in service design by ensuring staff work with customers to develop effective on-line services that that customers want.

The following is required to make the Customer Hub model work:

- An integrated approach where all customer contact (as far as practically possible) is channelled through the Customer Hub;
- A single digital team to ensure consistent design and continuous improvement;
- A new digital mind-set across the organisation with new digital capabilities and skills proliferated across the organisation;
- An agile approach to designing and developing digital services, with a lack of fear of getting things wrong;
- Process model underpinned by digital enablers;
- CMT level sponsorship and an effective group of Digital Champions; and
- A new "Data Management & Governance Framework" to support collaboration.

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2.5.4 Intelligence Hub

The Council needs more co-ordinated and refined ways of aggregating and analysing data to deliver real customer and city insights which support the development of commissioning strategies and plans, improved outcomes for customers and a financially sustainable Council. The establishment of the Intelligence Hub is therefore a central component of the Council's new TOM.

The purpose of the Intelligence Hub is to aggregate and analyse data and share information'[3] and insights to help the Council better understand its customers and communities, their needs and patterns of behaviour and how they go about their business. All data and information collected, analysed and shared will be subject to statutory data protection laws. It will support strategic and operational commissioning activity and help the Council to focus its expenditure on true need and interventions that will make a real difference to customers, based on real evidence and insight.

The diagram below sets out the basic components and role of the Intelligence Hub.

Figure 2.5-3: Intelligence Hub

The left hand side of the diagram (shown in green) gives examples of the likely data feeds into the Intelligence Hub; some of this data will be qualitative (e.g. customer and community feedback), whilst other data will be quantitative (e.g. systems transactional data). An important role for the Intelligence Hub will be to discover what data really matters, and to use the insights derived from the analysis of this data to enable the Council to take decisions that benefit the customer and drive transformational change for the Council.

The key components and outputs of the Intelligence Hub are shown in the centre of the diagram in three categories; People, Process and Technology.

The right hand side of the diagram (shown in purple) presents the activities that the Hub will enable. The Hub will drive a significant transformation in the way the Council transacts its business. The

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[3] All data and information will be subject to The Data Protection Act which controls how personal information is used by organisations, businesses or the government

Intelligence Hub will not only work closely with Strategic and Operational Commissioners, but will also support the Council's strategic core in its wider transformation of the Council and its operations.

The Intelligence Hub will have access to customer and service data extracted from the Customer Hub and also other information sources both from within the Council and across the partner landscape. The Intelligence Hub will deliver rich strategic and operational insights across the Council's services, and to partners within the City, which will support management across a wide range of areas. Irrespective of the final organisational structures and responsibilities, the functions of the Customer Hub and Intelligence Hub will be intrinsically linked.

Figure 2.5-4: Example areas supported by the Intelligence Hub

Analytics & Decision Support	Performance & Risk Management	Information Management
• Predictive analytics – identifying trends/patterns/behaviours, making insights understandable and actionable via scenario analysis, data exploration, regression analysis, options modelling, etc. • Testing of hypotheses – examining the likely impact of choices, actions and potential new initiatives, for example in relation to prevention and early intervention • Decision support – intelligence & insight to inform strategic, tactical and operational decisions • Dashboards and reporting – providing real-time insight into operational and financial performance in order to facilitate timely, well-informed decisions • Data visualization – providing a mechanism to communicate organisational information in a clear and an effective manner through graphical means	• Performance management – performance analytics giving insight for measuring, managing and optimising Council performance • Demand management – demand analytics giving insight for measuring, managing and optimising customer demand • Resource management - analytics giving insight for measuring, managing and optimising Council resources • Planning and analysis – analytics to support financial management, reporting, planning, forecasting and budgeting processes, profitability management and strategic finance • Risk management – processes relating to identifying, analysing and managing a wide range of business risks within an organization	• Data management and integration – includes the collection, organisation and distribution of all types of data, to manage the full data life-cycle needs of the Council • Data quality – managing information as a corporate asset to maintain and enhance its value, using quality-driven processes, standards and technologies • Data platform – establishing and managing the servers, databases, software, networks and storage used to deliver and maintain information across the Council • Access and distribution – the processes which support the movement, integration, transformation and delivery of information from the information sources to the analysts/users

The Intelligence Hub will need a robust Business Intelligence (BI) framework which will be critical to ensure the Council has the ability to correlate and transform data into insightful and actionable information through analytics. It will enable the Council to make commercially informed decisions and reliable reporting, ensure statutory compliance and improve effectiveness and efficiency. In addition the BI framework will provide a platform for a continuous improvement culture in the Council and a robust basis for strong governance which is crucial for long term efficiency and effectiveness.

The Council's BI framework needs to be designed to help the Council realise the maximum value of the information that is able to be collected. It will need to strike the right balance of investment and functionality and must be flexible and adaptable to allow for the Council scaling up or down and to allow for the changing requirements of customers. The data management approach must be robust and considered to be the 'single source of truth', driven from secure technology platform and clear BI goals that are aligned to the priorities and needs of the Council and its customers.

The Intelligence Hub will be a specialist unit that brings together specialists, researchers, data analysts and technologies to deliver highly valuable business intelligence and customer insight. The Intelligence Hub will develop its specialisms over time, focusing first on the areas of intelligence and insight that offer greatest benefit for the Council and its customers (e.g. looking for innovative ways of influencing the demand for social care services in the City in the short, medium and long term).

By being targeted in its approach, and by focusing on analysing data and delivering insight that has real value, the Intelligence Hub will improve the Council's (and in particular the Strategic and Operational Commissioner's) ability to:

■ Gain a true understanding of the Council's customers and communities (how they live their lives and what their needs are);

- Prioritise effort by targeting resources where they are needed, supported where appropriate by a strategic needs assessment;

- Understand the impact services and interventions are having within communities;

- Work more collaboratively across the Council, and with key partners (e.g. Police, local Clinical Commissioning Group and Voluntary Community Services), to structure more targeted initiatives (including prevention and early intervention initiatives) to achieve the best outcomes for customers;

- Engage with customers, communities, elected members and partners to enrich the Council's information and assist in the application and deployment of intelligence;

- Better understand the Council's relationships and key dependencies;

- Link actions to outcomes to apply learning and better inform the commissioning cycle;

- Map activities to strategic and operational outcomes;

- Provide and publish corporate performance dashboards to a wide range of stakeholders, including comparative information;

- Understand the performance of resources (including those commissioned);

- Publish information in line with the principles of Open Data;

- Carry out demand forecasting and what if analysis to inform better decision making;

- Inform the development and delivery of community led assets to provide viable alternatives to more traditional service provision and make communities more resilient; and

- Rationalise the Council's systems and processes.

The establishment of an Intelligence Hub is a business change project which will be enabled by people and the introduction of new skills, processes and technology, where necessary. It will extend the capabilities of the planned Strategy Unit to provide a much broader and deeper business intelligence operation. The Hub's staff will need to have specialist skills and be proficient in the tools and techniques required to source and analyse data and produce intelligence and insight that will make a real difference in terms of the outcomes that the Council is able to provide for its customers.

Given the importance and magnitude of this business change (in terms of people, process and culture), we recommend that the Council examines the added value that a strategic partner might bring to the initial setting up and operation of the Intelligence Hub. For example, Sunderland City Council has appointed US firm Palantir to help it design, build and operate its Intelligence Hub. The Council has identified an essential need to develop more refined, quicker, cheaper ways of aggregating and analyzing data. The establishment of a business intelligence platform to process and analyse structured and unstructured data therefore forms an integral part of the Council's refreshed 3 year change programme, which is designed to achieve the estimated £100 m of budget reductions whilst removing silos in decision-making and developing new sustainable models for the delivery of public services. The Council has structured its initial requirements for the intelligence hub as a series of early adopter areas, and has defined process models and case studies for these areas around Place and People scenarios that include:

- Community Clean-up;

- Flood Management;

- Admission to / Discharge from hospital; and

- Family Focus.

We are aware that other local authorities (such as Sunderland City Council and Manchester City Council) are targeting significant efficiencies through the implementation of an intelligence hub, giving the council greater capability to:

- Manage and deploy information to make good commissioning decisions;

- Manage demand, ensuring we are meeting our customers' needs more directly thus reducing the call on resources;

- Release efficiency and effectiveness gains from the way we do policy and performance management;

- Provide the appropriate intelligence infrastructure for the City;

- Inform the development and delivery of community led assets to provide viable alternatives to more traditional service provision;

- Support transformational change;

- Address the need for effective information management city-wide and significantly reduce the associated costs currently involved in managing information; and

- Drive the reduction in multiple systems, software and processes and all associated infrastructure and support costs.

The Intelligence Hub will not deliver savings directly. The real benefit of the Intelligence Hub will be in providing the intelligence and insight that enables Southampton City Council to make better decisions, and enables the Council to maximise the benefits and outcomes that are delivered for its customers from its available budget.

2.6   Embedding More Integrated Ways of Working

A feature of the new TOM is the establishment of more integrated and co-ordinated ways of working, which breaks the existing highly disaggregated, silo model of operation. Maintaining this integrated and co-ordinated approach will depend on this new operating philosophy being embedded into the structures, governance and processes of the organisation and into the behaviours / mind-sets and motivations of staff and service providers. The table below describes some of the ways this can be achieved through the new TOM.

Table 2.6-1: How the TOM supports an integrated approach

Component	How supports integrated approach
Structure	■ Integration and collaboration will be a key feature of the job/role designs, descriptions, objectives and performance measures (e.g. for Strategic Commissioning Board, Strategic Commissioners, Operational Commissioners and Intelligence Hub) ■ Agreements with internal/external service providers to incorporate specific obligations and performance measures relating to integrated and collaborative ways of working and behaviours, relevant to the service being provided and the requirements of the Council.
Governance	■ Strategic Commissioning Board scrutinises the work of the Strategic Commissioners and holds them to account for their delivery against objectives and performance measures ■ Strategic Commissioners oversee and scrutinise the work of the Operational Commissioners and hold them to account for their delivery against objectives and performance measures ■ Operational Commissioners oversee and scrutinise the work of internal and external service providers and hold them to account for their delivery against objectives and performance measures ■ Chief Executive / Chief Information Officer / other senior officer (to be determined by organisation design) oversees the work of the Intelligence Hub and holds it to account for delivery against objectives and performance measures

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Component	How supports integrated approach
Processes	■ New ways of working developed (including operating protocols and processes) that encourage, facilitate and enforce an integrated and collaborative approach
Behaviours / mindsets	■ Leadership and workforce development programmes to incorporate specific activities to develop, embed and sustain integrated and collaborative behaviours and ways of working
Motivations	■ Integration and collaboration to be a key measure of staff performance at all levels, with flow through to performance related payments / bonuses (where relevant). ■ Integration and collaboration to be a key measure of service provider performance, with flow through to performance related payment mechanisms and informing future commissioning decisions.

2.7   Impact on Current Operating Model

In order to illustrate the potential impact of the TOM on the current operating model, Appendix 2 presents "ring diagrams" which have been populated to show the main areas of change between the current model of delivery and the TOM's direction of travel to a more integrated operating model. The diagrams have been informed by discussions with various SCC stakeholders and are presented for illustrative purposes only.

2.8   Benefits for Customers

The TOM is designed to provide significant benefits for customers, by:

■ Prioritising the needs of residents in the delivery for services to all residents

■ Improving customer experiences by capturing and analysing customer intelligence to provide a better understanding and assessment of customer needs;

■ Designing and delivering services in ways that best address those customer needs;

■ Enabling residents to be self-reliant by providing access to Council services through a wider, more efficient, effective and convenient choice of channels making best use of latest digital technology and delivering improvements in the speed and quality of customer service;

■ Maintaining a determined focus on jobs for local people through a continued, strong focus on economic growth and the creation of employment opportunities, thereby supporting residents and communities to be more self-sufficient;

■ Providing services as early as possible by placing a strong focus on prevention and early intervention; and

■ Spending a greater proportion of the Council's budget on services that benefit all customers through maximising the budget that is available for front line services.

For the Council this will mean:

■ Improving outcomes for residents by optimising total public sector spend in the City;

■ Reducing and managing demand, in the medium to long term, by reducing the level of dependency on "personal" services;

■ Reducing costs and becoming sustainable in the long term, which will involve:
  – improving the efficiency and effectiveness and reducing the cost of enabling services;
  – securing the most cost effective means of delivering frontline services to the right standards;
  – becoming less dependent on government grants by generating additional income (e.g. from trading) to support the delivery of front line services;
  – identifying innovative ways to reduce overheads and/or increase the value of Council assets;

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- Making evidence based decisions through the regular use of business intelligence including customer insight and needs assessment;
- Collaborating with other bodies to leverage synergies in customer intelligence, insight and needs assessment, in frontline service design and delivery, and in the delivery of enabling services; and
- Establishing a new organisational model and culture that is customer focused and collaborative.

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3 Delivering the Council's Priorities

3.1 SCC Priorities

3.1.1 Current and target performance against the Council's priorities

The Cabinet, CMT and Heads of Service were asked for their views on the Council's current performance against the seven priorities set out in the Council's strategy for 2014-2017 and where the Council should aim to be in 2017. The key messages provided by this analysis are:

- Emphasis from the Cabinet to prioritise service for all, reflecting the needs of residents;

- Recognition that, in the current fiscal position of the Council, "achieving" is an acceptable outcome for priorities such as protecting vulnerable people, good quality and affordable housing and services for all. There was also recognition that the Council should strengthen its position as an influencer (as well as deliverer) in relation to protecting vulnerable people and good quality and affordable housing (in particular private housing), and that the Council will need to prioritise in respect of services for all, as it will not be possible for the Council to deliver all these services to a high standard for all residents within the available budgets; and

- Recognition of the importance of increasing the level of pride in the City, with the Council needing to be a leader and enabler of change in this respect.

3.1.2 Top five outcomes

The Cabinet, CMT and Heads of Service were also asked to identify the ten most important outcomes of the 27 listed in the Council strategy. Within the top 10 identified by each group, there were five that were common to all three groups, and these "top five" are shown below.

Figure 3.1-1: Top five outcomes

The top five outcomes are relatively consistent with the results of the previous exercises, with there being a strong focus on economic growth / job creation factors such as reducing unemployment, improving educational attainment and increasing investment into the city. There is also a strong focus on factors relating to prevention and early intervention, with the inclusion of "families with complex needs" and the need for the Council to "effectively manage future demand".

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3.2 Delivering the Council's priorities

3.2.1 Service-driven and cross-cutting priorities

Of the seven priorities listed in the Council's strategy, three are service driven (i.e. they can be achieved through effective service delivery) as shown in the functional overview of the TOM below.

Figure 3.2-1: Service-driven priorities
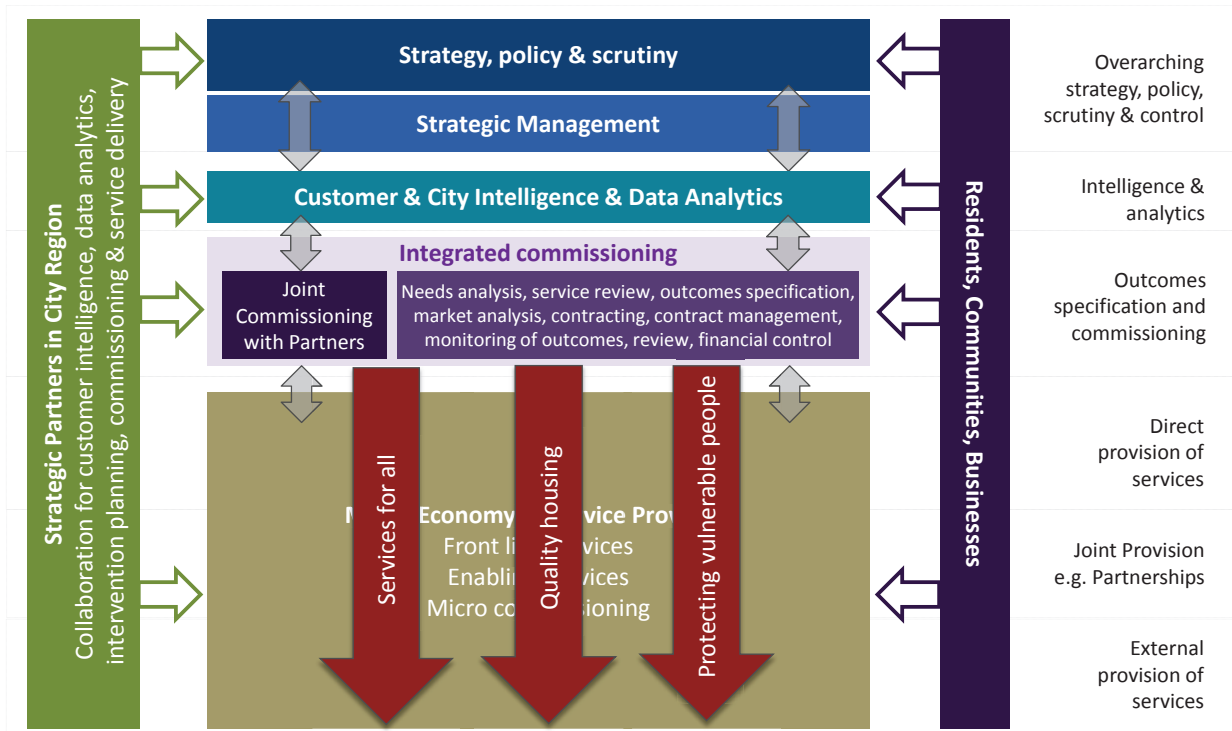
The remaining four strategic priorities are cross-cutting and are only likely to be achieved through the identification, design and delivery of highly effective cross-cutting, cross-Council initiatives as shown in the diagram below. Added to these are an additional four cross-cutting themes, which are key components of the TOM that also need to be designed and delivered as highly effective cross-cutting, cross-Council initiatives.

Figure 3.2-2: Cross-cutting priorities and themes
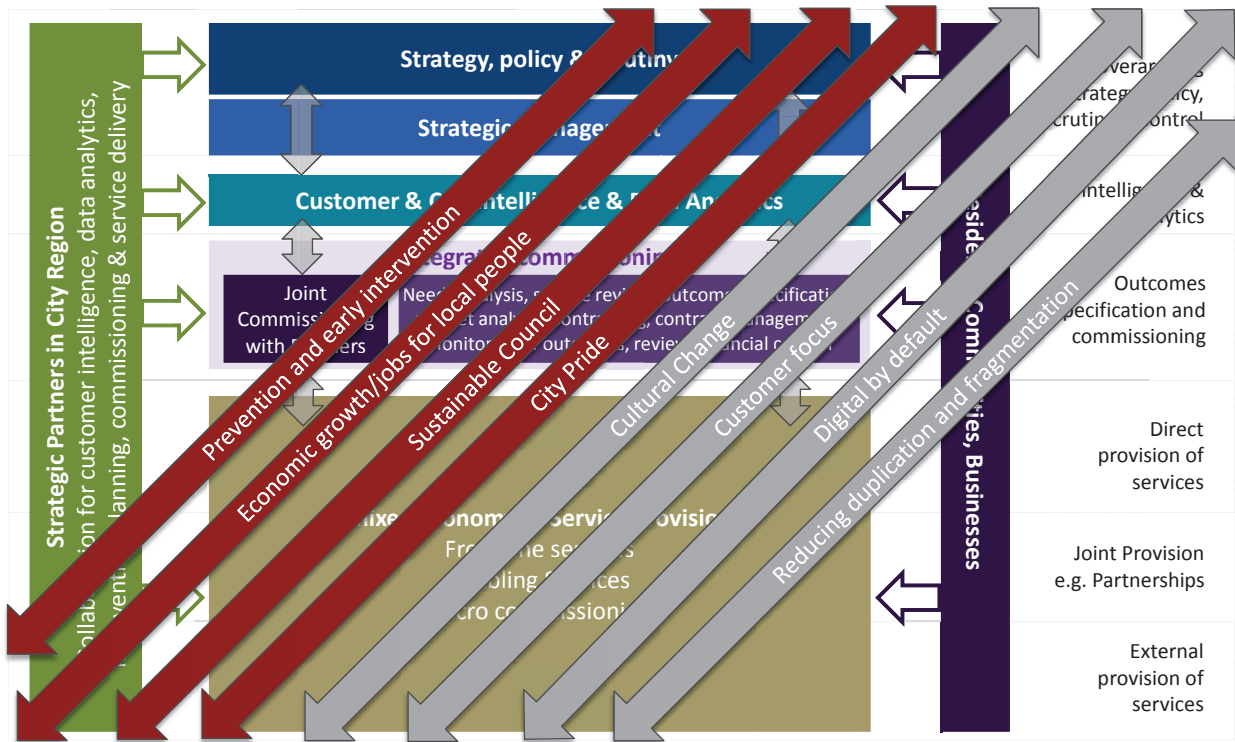
3.2.2 How the TOM delivers these priorities

The TOM supports the delivery of the Council's priorities and the above cross-cutting themes through its key components, with the Council's priorities being a key factor in the Council's future strategic and operational decision making, its ways of working and its performance culture as described below.

Figure 3.2-3: How the TOM supports the delivery of the Council's priorities

Component	How supports Council's priorities
Integrated commissioning approach	■ Commissioning approach focused on customer needs, outcomes for customers and on delivering the Council's priorities as shown in the commissioning cycle. ■ Commissioning strategies/plans must address customer need and Council priorities. ■ Council priorities are incorporated into the evaluation criteria for options appraisals and the criteria used to review, approve and monitor commissioning decisions. ■ Commissioning examines opportunities for collaboration/co-production with customers. ■ Commissioning managed within defined budgets supports a sustainable Council.
Customer Hub and Intelligence Hub	■ TOM involves a "digital by default" approach to service delivery across the Council (i.e. for both frontline / customer facing services and internal / enabling services). ■ Gather customer data / intelligence through all channels. ■ Research and analysis of hypotheses/opportunities that support cross-cutting priorities. ■ Intelligence/insight informs commissioning decisions.
Accountability for performance	■ Strategic Commissioning Board scrutinises commissioning strategies, plans and outcomes for delivery of cross-cutting priorities and holds Commissioners to account. ■ Development of commissioning strategies that address the Council's cross-cutting priorities is a key performance measure for Strategic Commissioners. ■ Delivery of commissioning plans that address the Council's priorities is a key performance measure for the Operational Commissioners.

Partnering with service providers	■ Strategic partnering approach will require providers to be flexible to support Council in addressing cross-cutting issues, such as new prevention & early intervention initiatives. ■ Clauses in service provider contracts requiring providers to proactively engage, review and report to the Council (on an annual / semi-annual basis) on opportunities within (or related to) their service area relating to Council priorities such as prevention & early intervention, economic growth, city pride, customer focused services, digital by default. ■ A collaborative style of behaviour be included as a key performance measure within the SLAs/contracts with internal/external service providers. ■ Contribution of service providers (internal and external) to delivery of Council priorities to be a key factor in Council's future commissioning and contracting decisions.
Partnering with public bodies	■ Partnering and collaborating with external bodies (at each level of TOM) to address customer need/outcomes and optimise delivery of Council priorities (e.g. job creation). ■ Partnering and collaboration for delivery of Council priorities to be included in role description and performance measures at all levels – Members, Chief Executive, Senior Management, Strategic Commissioners, Operational Commissioners.
Organisational change	■ Cultural change is a key feature of the organisational change described in section 6. ■ Reducing duplication and fragmentation is also a key feature of the TOM, with a more integrated and co-ordinated approach to commissioning and to enabling services such as customer contact services, business support and property in accordance with the Activity Analysis and recent service reviews.

The Council needs to "live" its priorities, with the priorities embedded within the Council's culture and within everything the Council does.

Figure 3.2-4: Example commissioning cycle for SCC

For example the Council's priorities will need to be at the forefront of Commissioner activity at every step of the commissioning cycle (strategic planning, contracting and monitoring & review) as indicated by the commissioning cycle opposite.

Every commissioning strategy, plan, decision or review should be looked at from the perspective of whether there are opportunities to enhance the achievement of the Council's priorities and priority outcomes, including for example opportunities to enhance prevention and early intervention and/or economic growth activity which will help to reduce or better manage the future demand for Council services.

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4 Business Case

4.1 Medium Term Financial Strategy & funding gap

Note inserted by Southampton City Council to reflect the latest position at time of publication.

KPMG UK LLP were commissioned by Southampton City Council (SCC) to support the design of their new organisational wide operating model. This work took place between September-December 2014. During their commission, KPMG used the Council's budget inform at that time. Therefore, this report does not reflect the latest view of the Council's budget, including the Medium Term Financial Strategy (MTFS) for the period 2015/16-2019/20 which is being considered by Cabinet on the 10th February and Full Council on the 11th February 2015. In addition the Council Strategy 2014-2017 Transformation Programme Update being presented to Cabinet on the 10th February and Full Council on the 11th February 2015 also details the current contribution of savings identified by the Transformation Programme at this stage which is outlined in Section A of the report. Therefore this report details the financial position as of December 2014.

Moving forward we believe that a reasonable approach for the Council is to use a low to high range for the savings proposals to set savings targets for Directorates based on the savings ranges provided. The confidence ratings for each proposal can be revisited and tracked over time to provide a latest view of the stage of development and validation of each savings proposal.

For future budget planning under the TOM, we recommend that a strategic financial management approach is adopted in line with the best practice guidance published by the Audit Commission in September 2010 entitled *Strategic financial management in councils: Delivering services with reduced income* (described further below). This must be a priority for SCC, with finance working closely with the commissioners and the intelligence hub to develop robust long term plans and financial forecasts based on forward looking business intelligence and the insight and plans arising out of the commissioning cycle and service design process.

4.2 Implications for the TOM

It is clear from the above analysis that the Council's current operating model, and its current approach to identifying savings and income generating opportunities, is not going to deliver the level of change that is needed to transform the Council into a highly effective and sustainable Council.

Service review processes which start with the current position and look from there for opportunities to restructure (internally or through alternative delivery models), streamline, reduce, stop and trade services are not going to be an effective approach to bridge the Council's funding gap.

The Council requires an approach that:

■ Refocuses the Council, from first principles, on those services that best address real customer need, achieve the required outcomes and deliver the Council's priorities within available budget;

■ Is proactive and innovative in identifying new ways of managing the demand for Council services;

■ Is proactive, innovative and commercial in identifying and progressing opportunities for growth, including economic growth, service growth from trading and growth from investment;

■ Involves working in partnership with customers, communities, other public bodies, service providers, staff and unions to develop and implement more effective, collaborative, flexible and sustainable methods of addressing customer needs and achieving the required outcomes; and

■ Maximises the budget that is available for front line services by improving the efficiency and effectiveness and reducing the cost of enabling services.

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We recommend that a strategic financial management approach is adopted in line with the best practice guidance published by the Audit Commission in September 2010 entitled *Strategic financial management in councils: Delivering services with reduced income.* This guidance includes a framework that SCC should use to review and improve its strategic financial management and to drive its organisational and cultural change, by reference to the following indicators of success:

- Strong and accountable financial leadership and commercial awareness;
- An organisational culture built on financial awareness;
- An ability to specify priorities and make choices within means;
- Comprehensive financial information clearly underpins decisions; and
- An ability to anticipate changing circumstances and manage financial risks.

The proposed move to the new intelligence based commissioning approach recommended by the TOM is consistent with key principles and success factors set out in this guidance.

In order to bridge the gap in a sustainable way, we believe that the Council needs to fundamentally review "what it is in business to do" (i.e. review its services) by following a "zero based" approach to build the service mix, service standards, service delivery models and trading opportunities that will deliver a sustainable Council. The starting position is statutory services provided at their most basic level (i.e. provided at the lowest cost, minimum standard level), to which are then added the services, service standards and delivery models that are most likely to deliver the best outcomes in relation to customer needs and the Council's priorities within the available budget (which includes any additional budget generated through growth).

The approach therefore seeks to identify the optimum, sustainable balance of service choices for Southampton and the pursuit of growth / trading opportunities with other parties, recognising that any additional income generated from growth / trading initiatives increases the available budget for service choices for Southampton.

The decision process is summarised in the diagram below. The process will be iterative, with service choices, standards and models revisited and adjusted until the best mix is identified and agreed.

Figure 4.3-1: Zero-based approach to building a sustainable Council
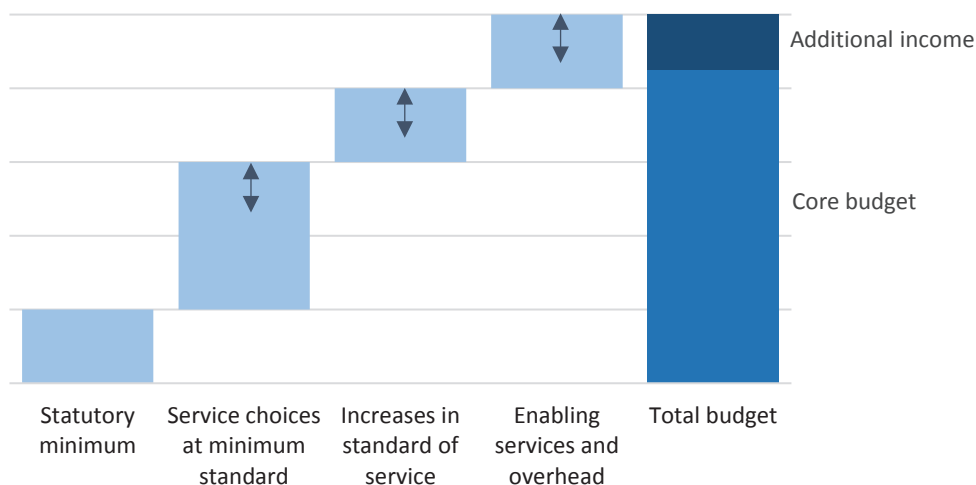
This zero-based / bottom-up approach is consistent with the change to a new commissioning approach recommended by the TOM, with decisions on service choices, standards and delivery models to be progressed in accordance with the commissioning cycle explained in section 2.4. It is

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also an approach that is referenced in the good practice case studies included in the Audit Commission guidance, and an approach that we understand has delivered success (in similar forms) at Croydon and Camden Councils. Indeed, based on our experience of local government from both an advisory and audit perspective we believe that it is those councils that adopt a more strategic financial management approach, including bottom-up / zero-based review of services, which are most likely to be successful in reducing their costs and achieving balanced budgets in a sustainable way.

Conducting such a fundamental review will not be a quick process – it could take in the region of 4 to 6 months (in parallel with the service design gateway process), with dedicated specialist resource working outside of the business as usual environment. The timing and approach to undertaking this fundamental review of services will be critical. The review needs to:

■ Be integrated with the service design gateway process, so that the options appraisals and business cases prepared for services as part of the service design process are consistent with the objectives of this bottom-up review and the commissioning approach (i.e. the fundamental needs and outcomes for the services must be reviewed in addition to scope and delivery model options);

■ Not be constrained by the current scope of services and the way things are traditionally done;

■ Not be constrained by pre-determined views from within the Council or from models elsewhere;

■ Be open to innovation, new ideas and technology and to challenging thinking in relation to how services are scoped, structured and delivered;

■ Have political buy-in and be owned at the top level of the Council; and

■ Embed the TOM's commissioning principles and approach within the organisation.

We believe that this fundamental review of services should be led and owned by the Chief Executive, reporting to the Cabinet, and delivered with a strong, strategic financial management focus.

We believe that a new, transitional organisation structure will need to be established, which incorporates a new senior led change team that is independent of the Council's "business as usual" activity and structure. The change team should include a transitional commissioning team that is responsible for delivering the fundamental review (incorporating the service design process) and also for developing and embedding the commissioning approach within the Council.

Given the budgetary pressures facing the Council and the timescales associated with the service design and service change processes (including timescales for procurement and/or implementation of alternative delivery models), the new transitional organisation structure will need to be put in place quickly (i.e. in last quarter of 2014/15). Section 7 presents a high level roadmap for the change.

There is a transitional stage in the roadmap during which the service mix and delivery models transition from the current position to the new sustainable Council position. The SLAs and contracts that are put in place for services in accordance with the commissioning approach will need to have the strategic partnering / collaborative philosophies and flexibilities to enable the Council to flex the scope of services and the service standards within those SLAs and contracts as the new service mix and costs to the Council bed-down.

5   Case for Change

5.1   Introduction

Note inserted by Southampton City Council to reflect the latest position at time of publication.

KPMG UK LLP ("KPMG") were commissioned by Southampton City Council (SCC) to support the design of their new organisational wide operating model. This work took place between September-December 2014. During their commission, KPMG used the Council's budget inform at that time. Therefore, this report does not reflect the latest view of the Council's budget, including the Medium Term Financial Strategy (MTFS) for the period 2015/16-2019/20 which is being considered by Cabinet on the 10th February and Full Council on the 11th February 2015. In addition the Council Strategy 2014-2017 Transformation Programme Update being presented to Cabinet on the 10th February and Full Council on the 11th February 2015 also details the current contribution of savings identified by the Transformation Programme at this stage which is outlined in Section A of the report. Therefore this report details the financial position as of December 2014.

The section describes some of the main pressures and issues facing SCC that support the case for change to the Target Operating Model.

The financial pressures faced by the Council as a result of its forecast funding gap of circa £61.2m in 2017-18 (as stated in the November 2014 budget report) are described in sections 1 and 4 of this report.

5.2   Demand pressures

The council is facing significant demand pressures as a result of changes in customer needs and expectations driven through changing demography, lifestyles and growth of new technologies and media. In addition to this rising demand the Council is challenged with year on year reductions in government grants, specifically in some high cost services, which is placing the Council in an unsustainable position where projected budgets and services will not be sufficient to meet demand in the medium or longer term.

Implementing the TOM's cross-cutting themes identified in the section 3.2 of this report will be critical in supporting the Council to manage, and where possible reduce the demand for such services and, correspondingly, the costs to the Council. The TOM's cross cutting themes are a key driver of the commissioning approach and are seeking to help the Council to better manage and influence demand through prevention and early intervention, building community self-reliance and utilising partnerships to achieve greater outcomes from diminishing resources. Such partnerships are likely to include greater integration of social care and health, with stronger links between adult social care and health in particular, in line with current government thinking.

5.3   Inefficiencies in Council operations

5.3.1   Key findings of the Activity Analysis

Activity Analysis was undertaken as a first stage of assessing where the Council currently is by gathering information around key processes across the Council. The activity analysis has highlighted a range of areas which warrant further exploration to understand potential change. The data has been compared with over 60 other local authority organisations to draw comparisons and highlight areas for improvement. The Activity Analysis identified that the Council was representative of an organisation that had undergone a silo based approach to transformation and that to achieve the transformation savings that are required the Council will require more radical solutions than a focus on discrete internal change projects. Additionally the analysis highlighted that the Council is approximately 3 to 4

years behind other Local Authorities in relation to its maturity in operating streamlined and efficient process activity.

The figure below outlines the headline findings of the analysis.

Figure 5.3-1: Activity analysis headline findings
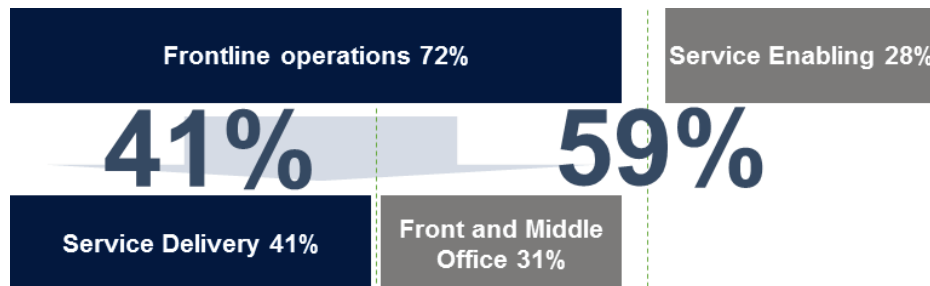
The analysis above shows the level of effort currently being applied across frontline operations and back office. It concludes that 59% of the Council's activity is currently associated with enabling services and the front / middle office, whilst 41% of Council activity is directly relating to the delivery of front line operations. The actual percentage of activity associated with enabling services and front / middle office activity is dependent on both the efficiency of supporting processes and also the degree to which the Council delivers services internally (as opposed to sourcing services through partnerships or external providers).

It highlights significant levels of duplication and fragmentation across core processes, such as customer enquiry handling, assessment, administration functions enabling service delivery. In addition it highlights that levels of consolidated corporate services functions are still taking place within Directorates e.g. communications, information technology, legal, human resources etc.

The analysis shows that the Council has potential to become more effective and efficient in how it delivers certain processes. By stopping a level of activity, eliminating duplication across Directorates and improving co-ordination, the Council will be better placed to protect front line services and increase the productivity of service delivery teams. Additionally, there are opportunities to create a more consistent customer experience.

The current effort levels across key activities can be summarised below (total number of FTE in scope was 3,681):

■ 41% of SCC effort (1521 FTE) is focussed on frontline service delivery, e.g. sweeping the streets and caring for older people. This capability tends to be unique to the nature of the service and SCC need to make sure activity is efficient. For comparison, in other council's service delivery ranges from 27% to 58% reflecting both differences in the efficiency of supporting processes and degree to which they commission externally rather than deliver internally. This equates to £41M staff spend;

■ 31% of SCC effort (1143 FTE) is focussed on front and middle office activities which enable service delivery. This includes the 'front' office initial customer contract, engagement and management including assessing and deciding eligibility. It also includes middle office activities managing and administrating services. This is an area where other councils are looking to eliminate and automate as much as possible;

■ 28% of SCC effort (1017 FTE) is related to service enabling processes, the more generic support services and corporate activity around finance, procurement, HR, ICT etc. These are areas where SCC should look to embrace good practice and secure greater efficiency through internal efforts and that of partners. Business support represents 12% of council staff effort equating to £12M staff spend which reinforces the view that further effort can be reduced in this area in future; and

- The council has 382 unique applications/systems across the Council used to deliver its core processes which highlights a need for further rationalisation of systems (e.g. SCC uses 34 different appointment and bookings systems).

Other key highlights include:

- SCC customer contact effort, which includes enquiry handling, processing request and making appointments staff spend is £5m – the opportunity to refocus our activities to create a more consistent customer experience by consolidating process, providing more information on line, moving transactions to digital will enable us to reduce complexity and simplify and improve the experience for our customer. In return it will release specialist expertise and staff to focus on resolving more complex customer needs and assessments.
- SCC spends £7.4m staff costs on gathering and analysing data for purpose of strategy, policy, consultation, quality assurance, reporting and research – this is a key opportunity for consolidating and streamlining the current functions supporting these activities and investment in how we use our data better to manage demand and better inform outcomes.

5.3.2   Potential savings

Over the last five years councils have responded to the outcomes of Activity Analysis by taking forward a range of opportunity areas through the development of business cases related to specific activity areas such as enquiry handling and business support. This remains important and there is scope to make savings in these areas, addressing previous compromises and going further or harder in targeting the maximum savings possible – typically in the 10-20% range.

Note inserted by Southampton City Council to reflect the latest position at time of publication - 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 £5.9-9.8M. These figures include the agreed savings for the existing business support phase 1 project and the front door project, and these savings are included within 2015/16 budget, therefore the potential savings from this work will be within the range of £4.4-7.9M.

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

5.3.2.1   Phase 1

Phase 1 is underway and will focus on process improvements within SCC's customer enquiry handling, customer assessment processes, better effective workforce management, further improvements in SCC's 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 £5-8.4 million. This will need to be validated through detailed work with the services over the coming months, therefore a confidence rating will be applied to the savings profile. The business cases for these savings will be completed by March 2015. The savings potential for phase 1 is identified in Table 5.3-1 below. This reduction does not include any reduction in the service delivery activity of the organisation as a result of adopting alternative delivery models.

Phase 1 contains the savings that have already been outlined for the existing Business Support Phase 1 project and the Front Door project which have been identified in the 2015/16 savings plan. However Activity Analysis clearly outlines further savings that may be achieved from these areas as listed in Table 5.3-1.

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Table 5.3-1: Potential savings from Activity Analysis 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

5.3.2.2   Phase 2

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 5.3-2. 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:

■ The proposals are in the very early stages and in some instances the figures and the profiling put forward are very arbitrary therefore they could include duplication or uncontrollable costs, but due to the lack of detail this cannot be established or verified;

■ The interconnection between some of these proposals is yet to be established in all cases so the numbers may be over or understated;

■ There is a risk of the proposals above not delivering any savings or having a cost to the council particularly in the early years of implementation and whilst investment costs where requested not many where returned in light of the very early stages of the proposals; and

■ The largest proposals are around Adult's and Children's Social Care which in this financial year is in an overspend position. This position will need to be rectified before any savings can be taken from either proposal.

Table 5.3-2: Potential savings from Activity Analysis 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

5.3.2.3   Outcome of phases 1 and 2

As a result of implementing the improvements in phases 1 and 2 the organisation effort levels would change considerably. The level of effort applied to the front line service delivery would increase from 41% to approximately 47% representing a 6% increase with the supporting functions reducing by a further 6% to 53% of effort approximately. The level of effort however, may be subject to further change as an outcome of the service review work.

Note inserted by Southampton City Council to reflect the latest position at time of publication - 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 £5.9-9.8M. These figures include the agreed savings for the existing business support phase 1 project and the front door project, and these savings are included within 2015/16 budget, therefore the potential savings from this work will be within the range of £4.4-7.9M.

5.4   Other factors driving the TOM

In addition to the various internal and external reviews that have been undertaken for the Council (which are not repeated in this report), the process of developing the TOM has also involved workshops and meetings with Cabinet, CMT, Directorates and Heads of Service to understand and examine the key challenges facing the Council. These workshops and meetings have highlighted a number of key factors that are describe below in terms of:

- Challenges facing the directorates;
- Attributes required in the new TOM; and
- Potential levers for improvement.

5.4.1   Challenges facing the directorates

Some of the main challenges facing the directorates are summarised in the figure below.

Figure 5.4-1: Key challenges facing directorates

5.4.2 Attributes required in the new TOM

In order for the Council to realise its strategic and transformational objectives it will be imperative for the Council to adapt its strategic focus, culture, values and behaviours to address its financial, strategic and operational challenges. The figure below sets out the key attributes that the Council will require in future which have informed the development of the new TOM.

Figure 5.4-2: Attributes required by the Council in the new TOM

Attribute	Description
Customer focus	Placing residents and customers at the heart of the Council's decision making, using customer intelligence to better inform decisions and in securing outcomes
Council Strategy	Placing a stronger focus on the Council's strategy, priorities and priority outcomes
Growth	The Council being a key driver and enabler for economic growth in the City
Innovation	Using innovation and digital tools to improve customer services both internally and externally, enabling self-service facilities across the Council
Integration	Connecting processes from end-to-end and reducing fragmentation vertically and horizontally across the Council
Commerciality	Increasing commerciality, with a strong focus on partnerships, business insight, performance management and new income generation
Empowerment	Empowering staff to innovate and deliver outcomes in line with agreed strategy, budget and plan
Values & Behaviours	Ensuring that the core values of the Council are cascaded to, and demonstrated by, every employee and service provider working for the Council
Performance	Strengthening focus on managing performance at all levels of the Council, with objectives, standards and targets closely aligned to Council priorities
Leverage	Leveraging knowledge, skills and capacity (public, private or third sector) to deliver highly effective services whilst also enabling reductions in the level and range of Council services

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Mixed economy	Providing a mixed economy of service provision, which reflects the Council's priorities and best combines the capabilities, capacity and interests of the Council, other public and third sector bodies, communities and the external market
Strategic Partnerships	Continuing to develop highly effective strategic partnerships, in which the interests of the parties are aligned and there is an appropriate sharing of incentives, risks, costs and benefits

SCC employees are critical stakeholders in the transformation and they are key to the success of the new operating model. The findings from the recent LGA report and staff engagement survey, strongly indicate that the level of change needed to transition to a new organisational culture are significant and cannot be underestimated. The organisational change required is described further in section 6 of this report.

The attributes required by the Council in its new operating model are broadly consistent with the culture shift and transformation priorities outlined in the LGA Peer Review. The key observations presented in the peer review are summarised in the table below.

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Figure 5.4-3: LGA Peer Review: Change and transformation direction of travel:

| The current Southampton Way	The new Southampton Way
A focus on delivering council services, with the emphasis on outputs	A focus on the outcomes required, with the best means by which to achieve them then being decided
A focus on the collating and analysing data and information, including formal consultation to inform decisions	More use made of intelligence including dialogue and engagement to inform decision-making and policy development
A paternal mind-set, with an emphasis on the Council being a provider of services to people	A recognition that co-production with service users will enable better outcomes, and an active exploration of opportunities to do this
Officers have responsibility for implementing decisions and delivering services	Officers are accountable for their decisions and judged on delivering outcomes
A focus on compliance with processes and prescribed standards and delivery of a rigid delivery plan	An emphasis on officers being empowered to enable outcomes within an agreed budget and overall plan
Ways of working focus on avoiding risk (risk aversion)	An appetite to embrace the opportunity to innovate within agreed risk parameters (opportunity risk)
Public sector 'victim' – using the challenges facing the sector and locality as a reason for not being able to do things	Public sector 'leader of place' – embracing the challenges facing the sector and locality as an opportunity to lead the Council and city

Change and Transformation

5.4.3 Potential levers for improvement

In order for the Council's future operating model to provide a sustainable council in the long term while delivering the vast range of services that customers require, a number of improvement levers were discussed and examined as part of the TOM development process. The following levers form key components of the TOM and in particular the digital, business intelligence and commissioning components of the new operating model.

For the Council to achieve sustainability it will be essential for the new commissioning approach and the options appraisals and business cases prepared as part of the service design gateway process (see Appendix 4) to give detailed consideration (both internally and with independent support and challenge) to the potential to apply each of these improvement levers.

Figure 5.4-4: Levers for improvement
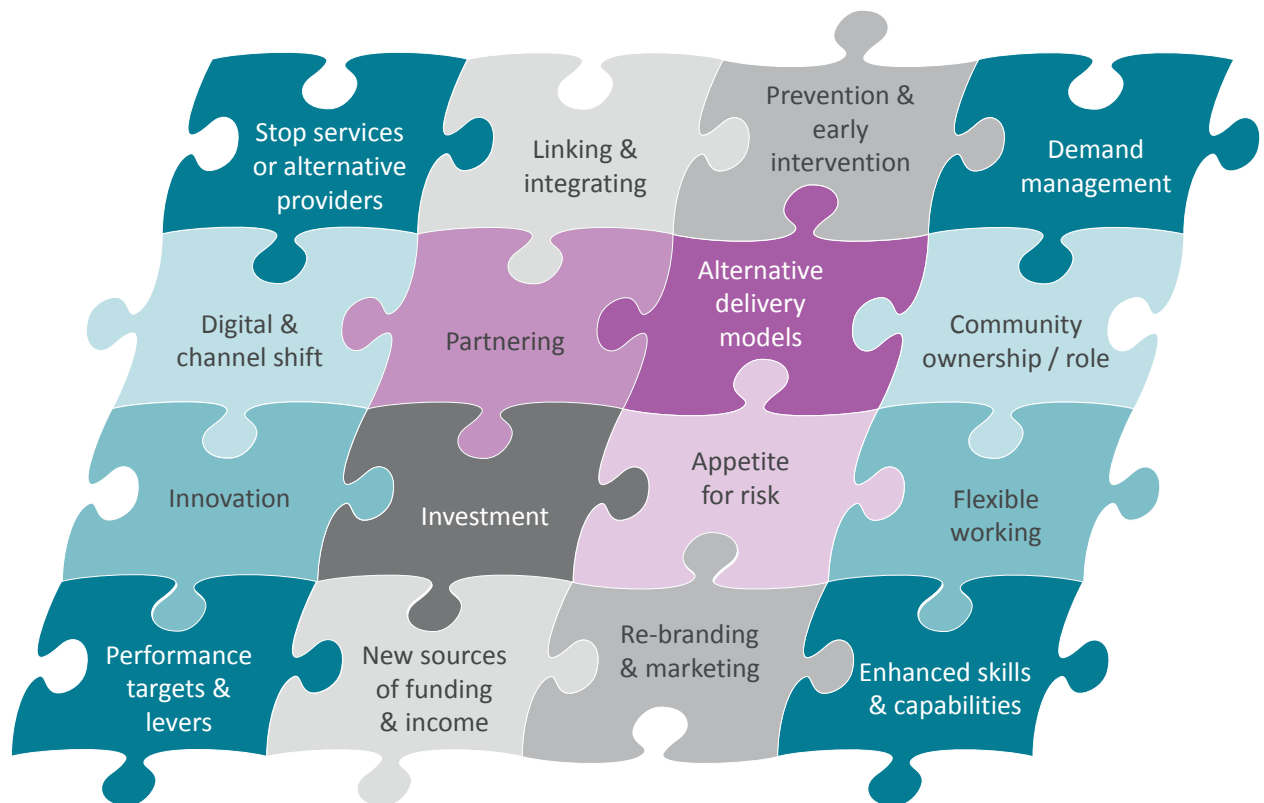
5.5 Conclusions

There is a strong case for change for SCC. In addition to the financial pressures arising from reductions in public funding, the Council is also facing significant pressures in relation to its customers' demands for services, both in terms of the high level of demand / need for some services (particularly social care services) and an increase in customers' expectations of service quality and how services are delivered.

There is also a strong case for change internally. Activity Analysis has highlighted a significant opportunity to improve the efficiency of Council operations, for example by reducing fragmentation and duplication, the reviews such as the LGA review and the staff survey have highlighted the need for significant change in the culture of the organisation. Additionally, the Directorates are facing significant pressures to review services in terms of: why the service is needed; what scope and standard is required; how the service can best be delivered; and potential for generating additional income. The attributes of the Council also need to change to fit the new operating environment, with a stronger focus on the customer, growth, innovation, integration, commerciality, empowerment, values & behaviours, performance, leverage, mixed economies and strategic partnerships.

6 Organisation Change

6.1 Employee Engagement Survey

The Staff Survey (2014) provides key points to inform the new operating model. The staff survey provides some significant insights into the current issue of employee engagement and the need for clear future direction and core values.

The survey results tell a compelling story and highlight that a range of improvements are required. The Council must focus on the following five areas of improvement:

- Be clearer about change;
- Support staff through change to do what is required;
- Provide more opportunities for engagement so that staff views can be heard and staff can be involved in shaping plans;
- Work harder on engagement with our members and partner stakeholders to stay the course; and
- Further develop and invest in leadership style.

6.2 Culture Change

Throughout this report there have been a number of recurring themes around cultural challenges (including in the LGA Peer Review detailed in section 5). In particular, the way the council manages and engages with its key stakeholders, including customers, staff, Members, external partners and service providers.

To address these challenges the Council needs to create an organisational climate where SCC is a great place to work and attracts the best leaders and employees, who are motivated by a customer focused and performance orientated environment. The new organisation will be flat, lean and agile and respond quickly to the changes in strategic direction. By creating a flatter and more agile organisation the Council will be able to respond faster to the changing external environment. The Council must empower staff to take managed risks and be accountable for decisions to deliver the right outcomes for customers.

To create a more flexible, responsive and empowered organisation the council should:

- Reduce the number of management and supervisory layers and increase spans of employee control;
- De-layer organisation structures and improve communication flows between front line staff and managers to improve speed of decision making. The average ratio today of employees to manager is 1 to 6. Too much supervision often results in disempowering employees, stifling innovation and limiting productivity;
- Seek to attain an average span of control of 1 manager to 10 employees wherever possible. Taking into account there will be statutory limitations in some areas of the organisation where this is not possible;
- Move away from traditional job evaluation that rewards seniority and service to more lateral career based structures where employee are valued on contribution and skills;
- Change the way we work we will need to invest in internal systems that currently provide poor quality and unreliable management data, making fast and effective decision difficult to achieve;
- Create the performance management frameworks that will ensure accountabilities for all employees are clearly defined; and

- Redefine the organisation wide behaviours that will underpin and drive the new culture that is applicable to everyone in the organisation. The organisational behavioural themes underpinning the new culture are:
  - Customer and community;
  - Commercial mind-set;
  - Leadership; and
  - Team Work.

6.3 Workforce Strategy

The Council's workforce strategy will focus on preparing and enabling organisational change by implementing an integrated people and change plan. The role of the strategic leader currently is focused towards operational delivery – doing the doing, rather than focused on developing the strategic intent and future value of the organisation, whilst empowering the next level of management down to focus on improving operational issues. In future, they will have a clear focus on performance of the entire organisation and their contribution to the outcomes sought by the Council. This shift to new behaviours and focus will be a critical success factor of the new operating model. The balance of effort is outlined below. The Council's aim is a significant reduction in the management layers and spans in the council, work on which has already commenced with changes to the top four layers of the council to be implemented by September 2015.

The transition to the new operating model will require the creation of a new Performance Management Framework that will apply to all managers and staff across the organisation. This will align the objectives of all employees to the strategic goals and priorities of the council and enable the whole organisation to work together in a way that best supports the new strategic direction, culture and behaviours. All employees will be measured, evaluated, supported and developed in the behaviours required to deliver the new culture and operating model. At each organisational level there will be clearly established individual accountabilities, measures, objectives and behaviours that are aligned to the SCC strategy and culture.

Managers will participate in leadership assessment and development programmes. This will ensure the best leaders who are the most motivated and capable to deliver transformation are retained and developed. The Council will also need to redefine the way managers are rewarded and recognised for their performance to reinforce the mind set and behaviours needed to deliver the change.

The new culture and ways of working illustrated in figure 6.3-1 below will focus on creating digital based working to improve efficiency and reduce indirect staff costs. The Council will become more agile to respond faster to change in the external environment. This will mean creating flatter organisational layers, removing silos and moving to flexible working. Moving to a significantly different operating model will require managers to take managed risks and to be accountable for their actions and decisions. An empowered working environment will be created to enable devolved decisions making to increases the speed of customer service.

Figure 6.3-1: New culture and ways of working

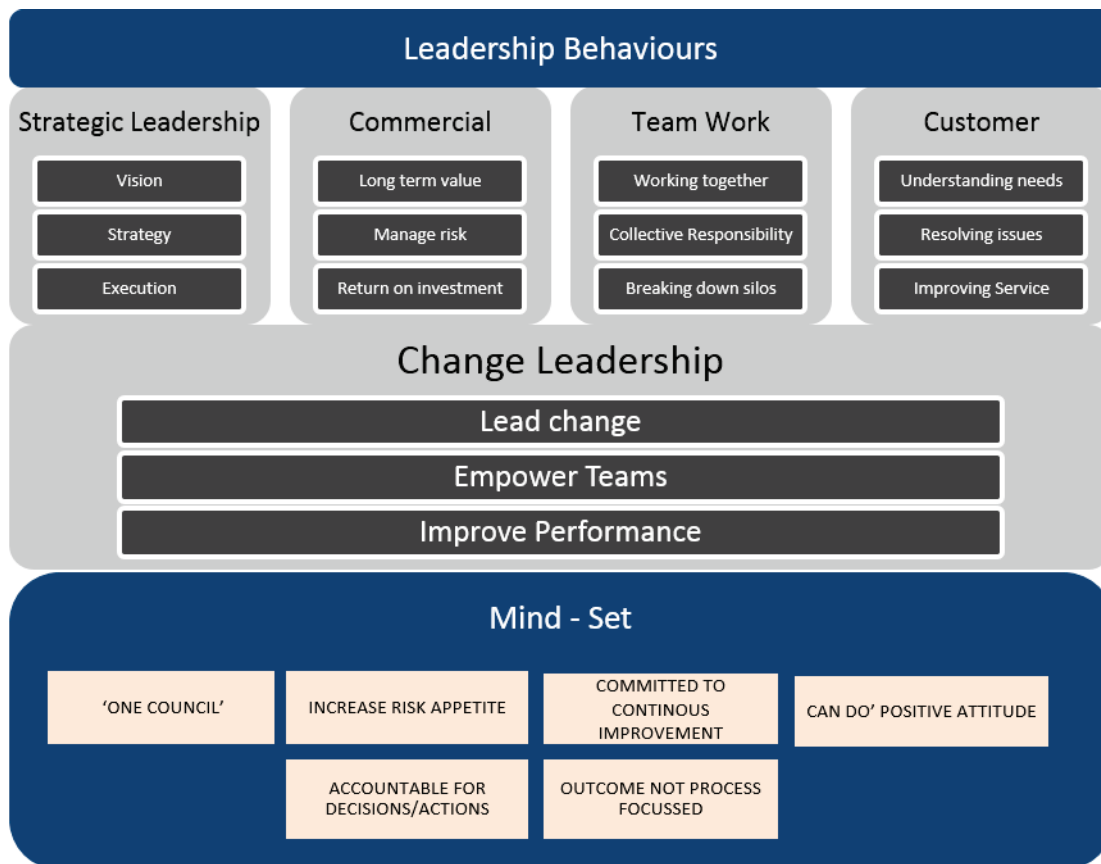Page 81

New Culture & Ways of working
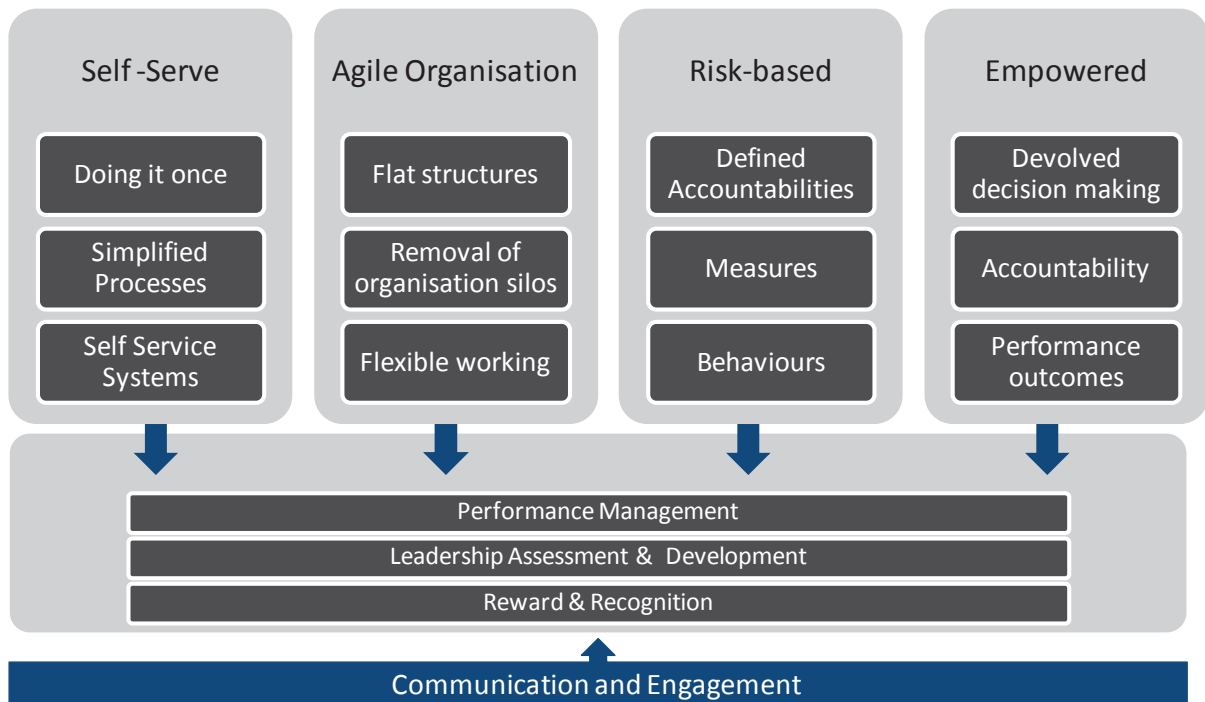
In order to deliver this strategy there will be three key platforms to enable change:

1. Performance Management;
2. Leadership Assessment and Development; and
3. Reward and recognition.

In addition to these key platforms, the role of the manager will require additional skills and increased responsibilities to deliver the new culture. Managers will need to acquire and develop new leadership behaviours and a new mind set including a focus on continuous improvement, outcomes and increased accountability which will be crucial to drive the culture in the right direction. Figure 6.3-2 illustrated below outlines the key competencies that will need to be demonstrated to move the culture of the organisation.

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Figure 6.3-2: Leadership behaviours

Leadership Behaviours

Strategic Leadership	Commercial	Team Work	Customer
Vision	Long term value	Working together	Understanding needs
Strategy	Manage risk	Collective Responsibility	Resolving issues
Execution	Return on investment	Breaking down silos	Improving Service

Change Leadership

Lead change

Empower Teams

Improve Performance

Mind - Set

'ONE COUNCIL'   INCREASE RISK APPETITE   COMMITTED TO CONTINOUS IMPROVEMENT   CAN DO' POSITIVE ATTITUDE

ACCOUNTABLE FOR DECISIONS/ACTIONS   OUTCOME NOT PROCESS FOCUSSED

The leadership assessment and development programme will identify the capabilities of managers in these areas and a development programme will be prepared to build the right skills and attitudes.

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7 Roadmaps

7.1 TOM roadmaps

The current stage of the Council's transformation programme comprises three key work streams: Customer; Infrastructure; and Service Design. These three work streams provide the basis for the programme's current governance arrangements, with the Customer Board, Infrastructure Board and Service Design Board reporting to the CMT Transformation Board.

Each of these work streams have developed roadmaps identifying their key work steps, change initiatives and milestones. The roadmaps are critical to the smooth delivery of the work streams and provide a transparent framework to prioritise the change initiatives, shape delivery, manage risks and identify the resources and skills required to deliver the transformation programme. The roadmaps developed to date cover the aspects of Customer; Organisation Development; and Service Design.

In addition to these three aspects, the further development / detailed design and implementation of the new TOM will require specific focus to be given to three key aspects of the TOM, namely:

- Intelligence Hub;
- Customer Hub; and
- Commissioning model (part of the Operational Hub).

High level roadmaps have been prepared for these three aspects, and are included below.

Figure 7.1-1: Intelligence Hub roadmap

* Activities based on business case recommendation

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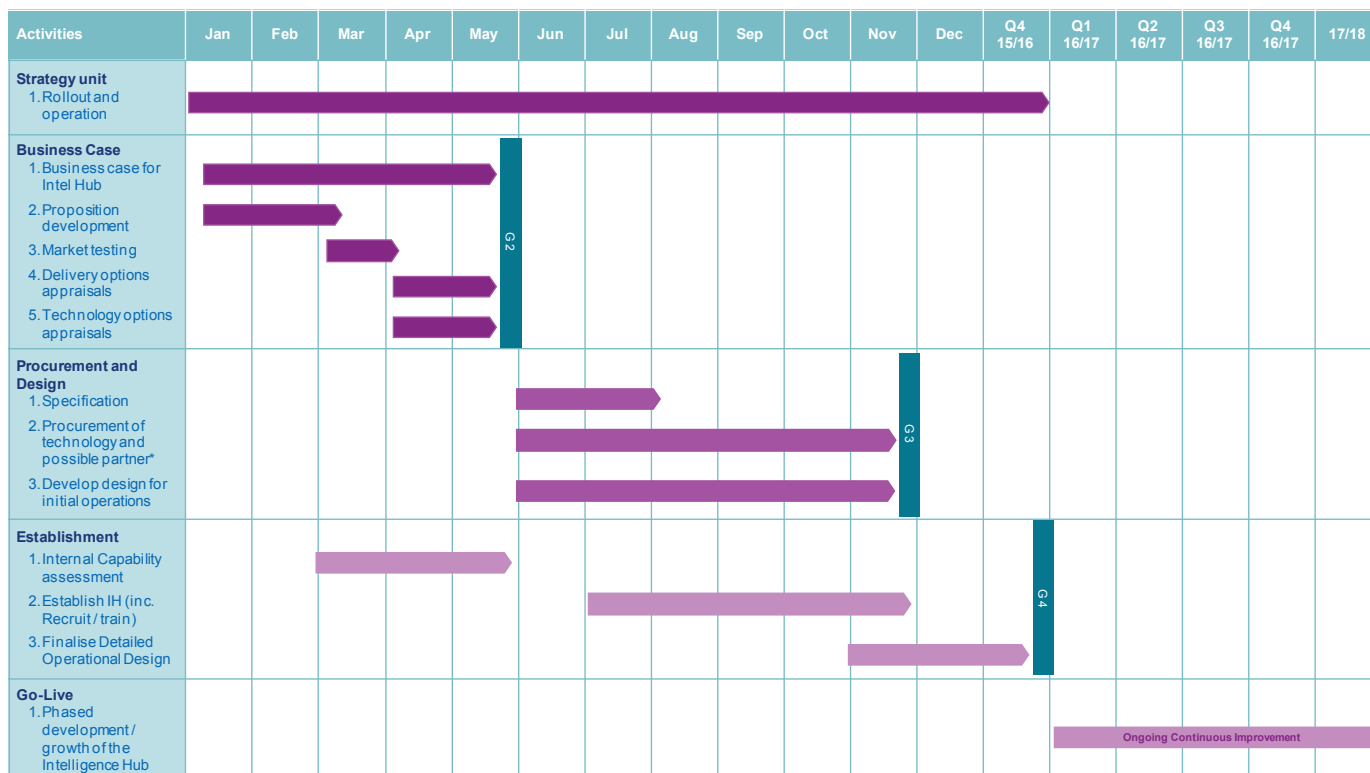
The Intelligence Hub roadmap shows the set-up and operation of the new Strategy Unit in parallel to the development and establishment of the new Intelligence Hub functionality. The business case activity for the Intelligence Hub will start in January 2015, and will identify, scope and assess the technology and delivery model options for the Hub. The Procurement and Design stage is targeted to commence in early summer 2015 and be completed by the end of 2015. Establishment of the Intelligence Hub will be undertaken in parallel with the procurement and design, and will involve assessing the capabilities that currently exist within the Council, planning and delivering recruitment and/or training of specialist staff, and finalising the detailed operational design and BI framework for the Hub. Go-Live is targeted for Q1 2016/17, with a phased ramp-up of the BI capability and an ongoing process of continuous improvement and growth in the Hubs capabilities scope of work.

Figure 7.1-2: Customer Hub roadmap
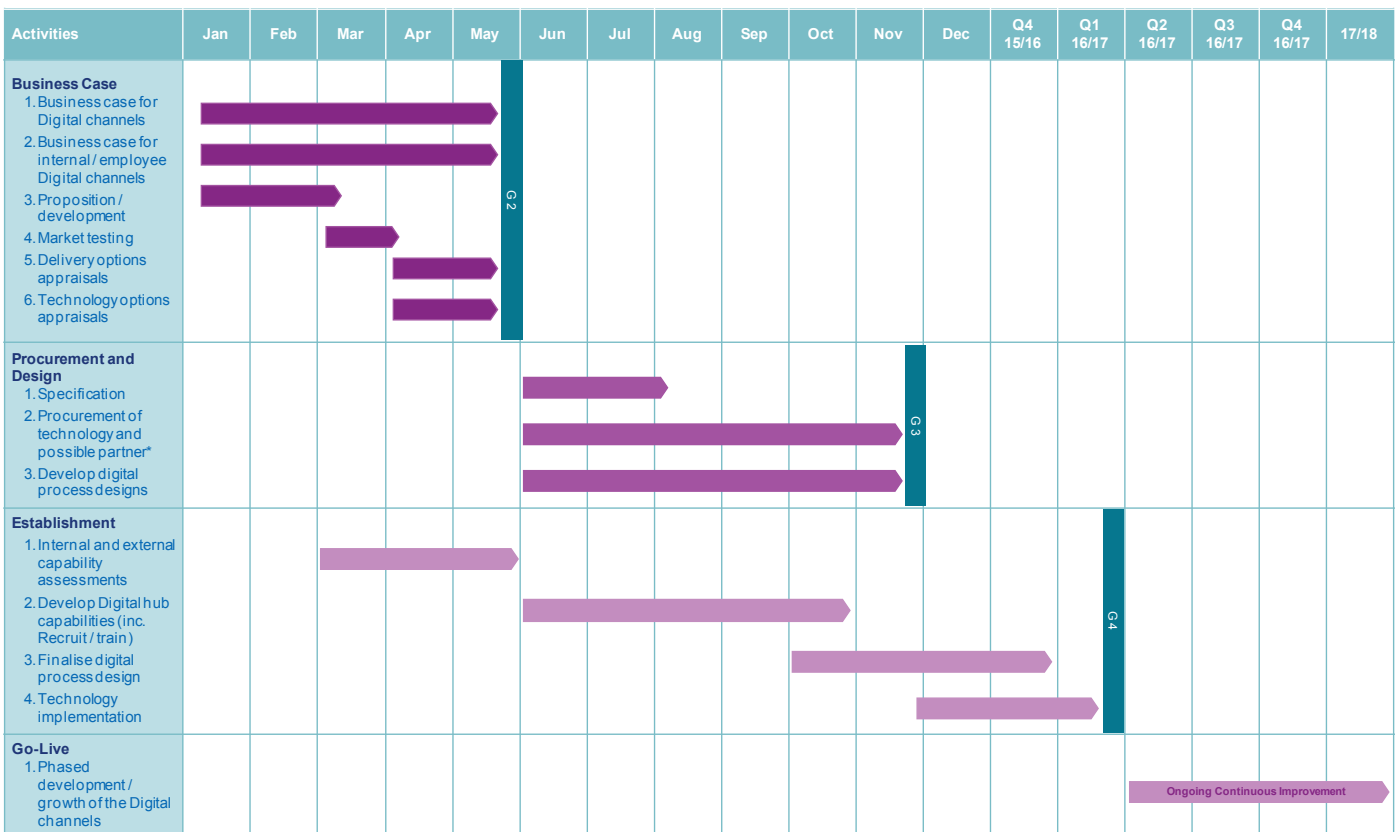
* Activities based on business case recommendation

Customer Hub roadmap above starts with a business case phase which commences in January 2015. The business case phase will focus on two key areas of the "digital by default" theme, namely digital engagement with customers and digital ways of working within the Council. The business case stage will include detailed proposition development, market soundings (to inform options and to learn from experience elsewhere), and appraisal of delivery and technology options. The Procurement and Design stage is targeted to commence in early summer 2015 and be completed by the end of 2015.

Establishment of the Customer Hub will be undertaken in parallel with the procurement and design stage, and will involve assessing and developing the digital capabilities of customers and staff, finalising the initial digital process designs and commencing the implementation of the new digital solutions. Go-Live is likely to be undertaken on a phased basis, with the main Hub implementations commencing in Q2 2016/17, with a phased ramp-up of the Council's digital capabilities and an ongoing process of continuous improvement and growth in digital ways of working for customers and staff.

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Figure 7.1-3: Commissioning roadmap
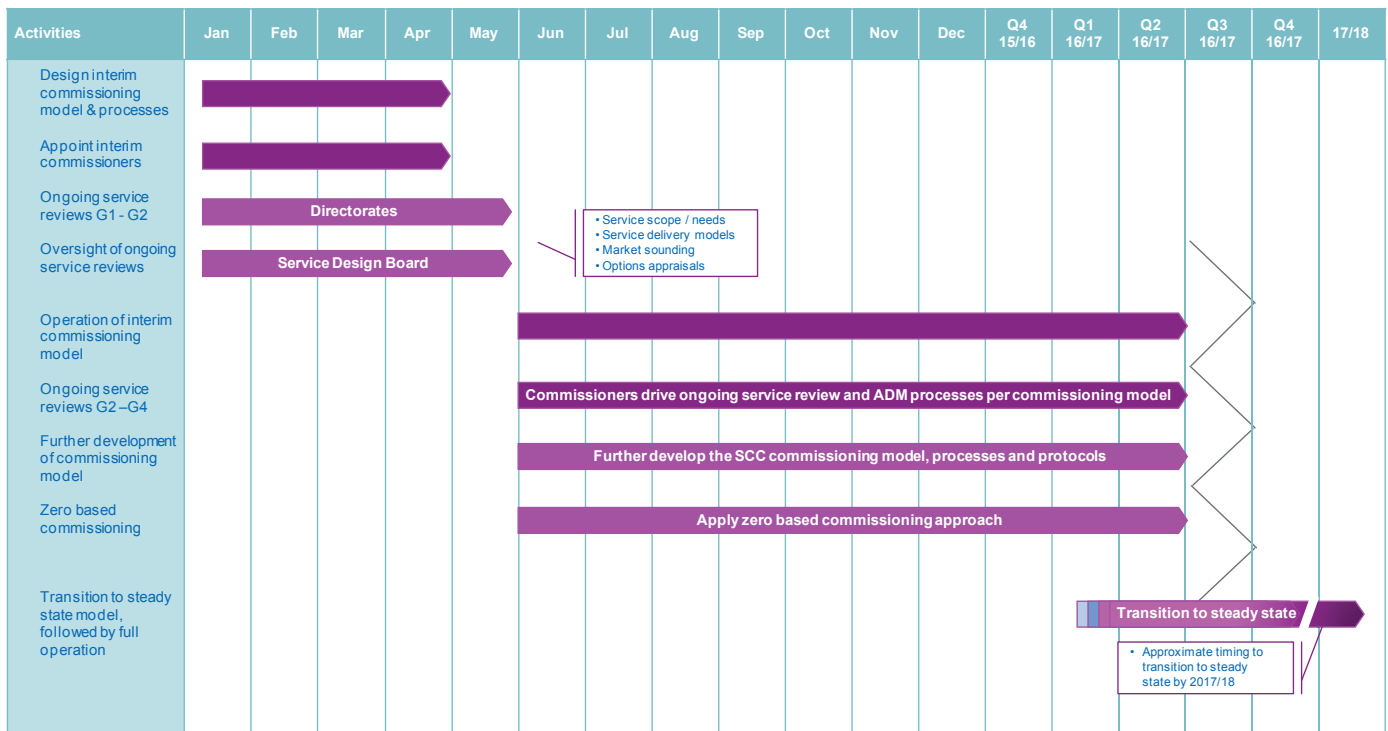
The Commissioning roadmap sets out a transitional approach to the establishment, initial "shadow" operation and then steady state operation of the new commissioning approach, which builds on the recommendations set out in section 5.3 of the report and ties in with the service design gateway process for examining alternative delivery models for Council services.

The roadmap assumes a four to five month period for more detailed design and development of the commissioning model and processes and for selecting and appointing the "interim commissioners". The roadmap then moves into the transition phase which coincides with the transition phase in the organisation development roadmap developed by the Transformation Programme team. During this transition phase the interim commissioners will continue to develop, and operate in shadow form, the new commissioning model, being managed separately to (but working alongside and linking with) the Council's business as usual operations. The interim commissioners will be responsible for developing and applying the new commissioning cycle approaches during the transition period, including driving the ongoing service review and alternative delivery model processes and applying the "zero based commissioning" approach described in section 4.

The transition to steady state operations will be determined by the overall timetable for the organisational development / change roadmap, but is expected to be 2017/18.

7.2 Project risks for management review

Managing risk is a critical part of project management to ensure the project is delivered on time and within budget. The TOM transformation project, given its scale and complexity, requires diligent review and proactive management of risks and issues which should be managed centrally across all work streams. The risk matrix below identifies some of the most critical risks that must be managed throughout the design, implementation and anchoring / steady state phases of the transformation.

The Transformation Programme is developing individual detailed risk matrices for each work stream, which feed into the summary risk matrix below and which should be regularly updated and maintained

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throughout the duration of the programme, including detailing mitigation actions and risk status. Each risk should be followed through until the primary risk and any residual risks are closed.

Figure 7.2-1: Summary risk matrix for TOM transformation

Risk	Likeli-hood	Impact	Mitigation
Business cases inadequate: Business cases do not examine all areas in required detail, including: customer needs; services required; scope, delivery method and delivery model options; option costs, benefits and risks; and implementation plans	H	H	Strong communication and governance of service design gateway process. Provision of templates / example contents for submissions at each gateway. New "interim" commissioners to drive the service design process in line with commissioning cycle
Costs & benefits not robustly defined: Benefits are poorly defined, evidenced or unrealistic, meaning the business case does not stand up to scrutiny and the risk of double counting benefits increases	H	H	Costs and benefits to be refined, tested and independently reviewed for commercial accuracy. Market sounding should be used to verify cost and benefit assumptions. They should be clearly documented including calculations and confidence ratings
Resistance to TOM changes: Resistance to TOM changes at management, staff or other stakeholder levels, resulting in adverse impacts on staff motivation, behaviours, current services and/or on the delivery of the TOM in terms of scope, benefits and/or timing.	H	H	Strong change management planning for all areas of the TOM, including management, staff, stakeholder and customer engagement and consultation. Strong leadership at Member and Chief Executive levels. Separation of the TOM transition and organisational change programmes from BAU activity
Business as usual adversely impacted: development and implementation of TOM pulls resource from BAU activities resulting in adverse impact on service quality and/or the Council's financial position	H	H	Separation of transformation activity from BAU management and delivery. Project and resource planning and communication well in advance to allow resource demands to be proactively managed.
Skills gap: Required specialist skills not readily available internally or externally, making it difficult to establish teams and structures to deliver the full benefit of TOM	M	H	Early Identification of skills gaps and market availability. Clear plan on how to attract candidates to fill gaps. Contingency planning including skills development / training plans
Service from main partners declines due to uncertainties introduced by new TOM	M	H	Engage with main partners at appropriate time to highlight opportunities offered by new TOM. Encourage suppliers to collaborate with Council to maximise the benefits / opportunities offered by the TOM and provide a solid foundation for the future
Programme management: The various elements of the transformation are not all managed to timetable, resulting in knock-on delays for interrelated/dependent activities and delivery of benefits, and increased costs	M	H	Strong project and programme management capabilities and disciplines within transformation team. Regular review and updating of project plans and risks and issues registers. Implementation of decision log to give clarity to decision process.
Culture change is not sustained: Cultural change is not embedded within the organisation resulting in a gradual return to old ways of working (e.g. silo operations) and the benefits of the TOM being eroded over time	M	H	Detailed culture shift activities are identified and implemented at a strategic level. Organisational change is embedded within new performance framework for Council. Management and staff held to account for adherence to new requirements of the Council.
Service design process failures: Service design process is not followed in all cases, resulting in delays in gateway approvals, delays to TOM benefits and adverse impact on closing the funding gap	M	M	Gateway process is implemented and used Service Design Board is allocated funding and given authority to make decisions on which projects receive funding for business cases and procurements etc
Staff attrition: The Council loses high calibre staff during the transition process as a result of engagement and communication not handled efficiently	M	M	Staff engagement and communication plans to be developed and circulated early to ensure staff are given a clear vision of a positive future for the Council
Workforce transition planning: If workforce transition planning is not handled effectively then this could result in resistance from staff and unions and media attention	L	M	Proactive engagement with staff and unions on transition plans backed up with all reasonable and fact based evidence
Duplication of effort: Directorates commission initiatives not aligned with TOM resulting in additional costs, conflicting views, confusion for staff, time delays and a potential erosion of benefits	L	M	Continuous engagement with directors to ensure buy-in and confirm the future intentions of the Council's leadership

7.3 Critical success factors for delivering the TOM

The Council's transformation programme, incorporating the implementation of a new TOM, is a substantial undertaking with significant risks and issues involved. The successful delivery of the programme is fundamental to the Council's future sustainability and to the customers that the Council serves.

There are a number of factors that will be critical to successful delivery, and if these are factors are absent there cannot be confidence in the Council's ability to deliver the required change. These factors include:

■ **Council leadership**: Strong leadership from the Cabinet and the Council Management Team, exhibited at every level of the organisation;

■ **Management buy-in**: Management buy-in to delivering the changes incorporated in the TOM in full, with managers leading by example and "owning" the process of engagement and communications with their staff;

■ **Collaboration**: A collaborative approach, with management and staff working constructively together to deliver the TOM and to achieve the common goal of a sustainable Council;

■ **Transformation leadership**: Strong leadership of the transformation programme, with separation from business as usual activity during the development and transitional stages;

■ **Resource & capabilities**: Dedicated resource with the right experience, capabilities and skills to deliver the transformation proposed by the TOM. This may involve SCC sourcing specific skill sets from outside of the Council;

■ **Funding**: Adequate funding to deliver the proposed transformation whilst also delivering services to customers, with options to source contingency funds should they be required;

■ **Programme management**: Strong project and programme management capabilities;

■ **Being open minded**: Management and staff to be open to innovation, new ideas and technology and to challenge thinking in relation to how services are scoped, structured and delivered, and not to be constrained by the way things are traditionally done or by pre-determined views from within the Council or from models elsewhere; and

■ **Positive outlook**: A positive, highly proactive, less risk averse, target driven approach to delivering the TOM and addressing the funding gap.

Appendix 1   Role of Commissioning

Role of commissioning in managing demand

The commissioning approach will place significant emphasis on the Council understanding and analysing the drivers of demand for its services, and the relationships to external partners, across all areas of service delivery, in order to identify new ways of managing the demand for Council services.

For example, the "Intelligence Hub" will support the Strategic and Operational Commissioners in analysing and exploring what the Council, its wider public sector partners, and service providers might do to affect (i.e. in most cases reduce) the underlying demand for Council services. For example, commissioners might use the Intelligence Hub to examine a range of hypotheses in relation to early interventions that could be made by the Council (or by other public bodies) to address an individual customer's social needs / issues at an earlier stage, thereby reducing their long term demand for social services. Commissioners could also examine what preventative actions could be taken, including engagement, education and/or enforcement initiatives, with local communities to reduce behaviours such as vandalism and fly-tipping which drive a demand for Council services.

Commissioners will be encouraged to examine and develop co-operative approaches with local communities (within defined parameters), to transform the relationship between residents and the Council, create a stronger sense of civic responsibility and pride, promote collective self-help among residents, and to drive social innovation and social responsibility in support of public services.

The commissioning approach will therefore involve the Council establishing more strategic partnerships with its public sector partners, communities and service providers, with parties working collaboratively to achieve agreed outcomes and principles. The collaborative relationship between the parties will be explicitly described, supported and nurtured at each stage of the commissioning process, and a common value-base will be established which supports through co-operation and co-production the delivery of the Council's priorities.

The collaborative philosophy will be incorporated into the performance framework within the agreements that the Council has with its service providers, requiring service providers to work co-operatively with the Council and with each other to proactively manage the demand for Council services, optimise the outcomes for customers and support the financial sustainability of the Council.

Role of commissioning in stopping or reducing services

At the strategic planning stage of the commissioning approach, Operational Commissioners will review the services currently provided by the Council, and will be required to identify opportunities to further streamline, reduce or stop (i.e. de-commission) services to bridge the Council's funding gap.

Whilst much has already been achieved by the Council under previous budget rounds, further reductions in services are going to be required for the Council to achieve financial sustainability. This is an ongoing, cyclical process, with the existing Directorates already examining (or planning to examine) further opportunities to reduce, stop or streamline services in a number of areas including:

- Waste collection (e.g. restructuring / streamlining the waste collection service, for example by integrating the management of waste collection with other related services such as street cleaning);
- Streamlining the fleet management function and reducing the size of the Council's vehicle fleet;
- Restructuring the Council's property related functions in accordance with the property services review and strategy;
- Reviewing options and exploring partnerships in relation to Council run leisure and cultural venues;
- Reducing or stopping non-statutory, non-profitable services that are available from alternative providers, such as pest control; and
- Reducing or stopping non-statutory contracted services.

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The decisions currently being faced by the Council are not unusual, with all Council's having to streamline, reduce and/or cut a number of services to achieve financial sustainability. The figure below highlights a number of common areas that councils have targeted in order to reduce their costs of service delivery, whilst also seeking to minimise any adverse impact on their priority services for local residents, communities and businesses. Some of these are already being considered by SCC.

Figure A1-1: Example services that other councils are commonly reducing or stopping (some of these are not offered by SCC, some changes are underway and some services have been stopped)

Reducing	Stopping:
■ Service management & supervisory layers ■ Service levels / standards (whilst also increasing community role) e.g. – Waste collection standards (to every fortnight or every 3 weeks) – Street cleaning & fly tipping standards ■ Leisure facilities / services ■ Libraries & cultural venues (e.g. by stopping or transferring services) ■ Bus transport subsidies / services ■ Demand for "people services", for example by signposting citizens to charities and other providers rather than automatically assessing them for Council services	■ Consumer advice (as opposed to regulatory side of Trading Standards & Environmental Health) ■ Services that are available on commercial basis (e.g. pest control) ■ Recollecting bins that have not been put out on time ■ Grass cutting/verge cutting/ some parks maintenance ■ Social properties / community facilities such as youth centres, day centres (e.g. by transferring to community ownership) ■ Stopping child based centres and turning them into Family Centres ■ Supporting people that can help themselves ■ Providing challenge to schools that are "good" ■ School crossings ■ Neighbourhood watch co-ordination ■ Providing Christmas/Festive lights ■ Free swimming ■ Public toilets ■ Kennels ■ Weed control ■ Holiday clubs ■ Food safety testing ■ Printing resident magazines ■ Printing meeting papers ■ Delivering internal post
Stopping:	
■ Mobile libraries ■ Meals on wheels ■ Day care services for older people ■ Customer services face to face or by phone (enforce channel shift) ■ Any face to face customer services without appointment ■ Free garden waste (looking at charging) ■ Free use of civic amenities for non-residents (e.g. a pass system) ■ Discretionary travel concessions for home to school transport paid over statutory minimum ■ Regulatory services out of hours	

Stopping (or "de-commissioning") services will not necessarily mean that those services are simply no longer provided. Commissioners will engage with key stakeholders to examine ways to influence and reduce the demand that has existed for services that are being stopped, and to identify ways to meet any latent demand, which may include for example encouraging, supporting and enabling an increased role for local communities to be more self-reliant in addressing local issues.

Whilst the Council has been proactive in addressing a number of the areas listed above, there remains material scope for further progress. For example, there are opportunities for further streamlining / reorganisation / reduction in relation to a number of areas such as:

■ management and supervisory layers across the Council;

■ organisation of environmental services such as waste collection, street cleaning, grass cutting and parks maintenance;

■ approach to fleet and fleet management; and

■ Leisure facilities / services and cultural venues.

These savings opportunities are being examined and developed as part of the service design gateway process (Appendix 4) and are feeding into the Medium Term Financial Strategy. There are also opportunities to further manage the demand for costly people services, with some examples provided in Appendix 5 of this report. There also remain further opportunities to stop some of the services listed above (i.e. the Council has stopped some, but not all of those listed).

Role of commissioning in targeting opportunities for growth

Growth is a key objective of the TOM, and it will be a key enabler of SCC becoming a highly effective and sustainable council. Growth can take a number of forms, including for example:

- **Economic growth** – this is a key priority for the Council. Economic growth provides significant benefits for residents, communities, businesses and the Council, for example:
    - the opportunities economic growth provides for residents, communities and businesses, including new skills, jobs, industries, investment, regeneration and renewal;
    - enabling people to be more self-sufficient and businesses to be more sustainable, thereby reducing the demand for some Council services; and
    - improving the socio-economic position of the City, thereby resulting in increased income to the Council through for example Council Tax and business rates.

- **Service growth** – being proactive, innovative and commercial to identify and progress new opportunities to sell / trade services to other parties, in the public, private or third sector, where there is a sound business case and a manageable and acceptable risk profile; and

- **Growth through investment** – being proactive, innovative and commercial to identify and progress new opportunities to invest, or to leverage existing investments / assets, to generate additional income to the Council or reduce the Council's costs.

Strategic and Operational Commissioners will be responsible for developing commissioning strategies and plans that will drive growth, including economic growth (see Appendix 6) and service growth. They will need to be open minded, ambitious and innovative throughout the commissioning cycle in relation to exploring and securing opportunities and models of delivery which support growth.

Growth through investment is more likely to be the responsibility of the Council's strategic hub (see section 2.5), although Commissioners will have an important role to play in this area where there is an opportunity to better manage or leverage operational assets, such as the partnering opportunity identified by the Place Directorate to leverage investment in improved systems and management for tolling at the Itchen Bridge.

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Appendix 2   Impact on Current Operating Model

In order to illustrate the potential impact of the TOM on the current operating model, this appendix presents "ring diagrams" which have been populated to show the main areas of change between the current model of delivery and the TOM's direction of travel to a more integrated operating model. The diagrams have been informed by discussions with various SCC stakeholders and are presented for illustrative purposes only.

The ring diagrams comprise four rings which show (from inside to outside):

- Activities centralised within the Council;

- Activities de-centralised and delivered within Directorates;

- Services provided internally; and

- Services provided externally (through any model).

The diagram of the current operating model for frontline services provides an illustrative view of the disaggregated nature of existing operations, along with some of the inconsistencies, including:

- Commissioning, contract management and customer contact for Adults and Children's social care and Public Health services being managed within the service areas in the People Directorate (i.e. a very decentralised model consistent with the observed silo based approach); and

- Contract management for the main external services contracts in the Place Directorate (highways, CCTV, street lighting, leisure and cultural venues) and for enabling services undertaken centrally (i.e. a much more centre-led approach to contract management than the People Directorate).

The diagram of the current operating model for frontline services also highlights the mix of internally and externally provided services that currently exists within the Council, with a significant number of services containing at least an element of external service provision.

The diagram of the direction of travel for front line services under the TOM illustrates two of the key trends described in this report, being; a move towards broader, more strategic partnering contracts with external service providers (for example in respect of transport, development and regulatory services in the Place Directorate); and the more integrated, cross-council approach to service strategy, commissioning and customer contact services, anchored around a new Intelligence Hub.

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Figure A2-1: Current operating model for frontline services
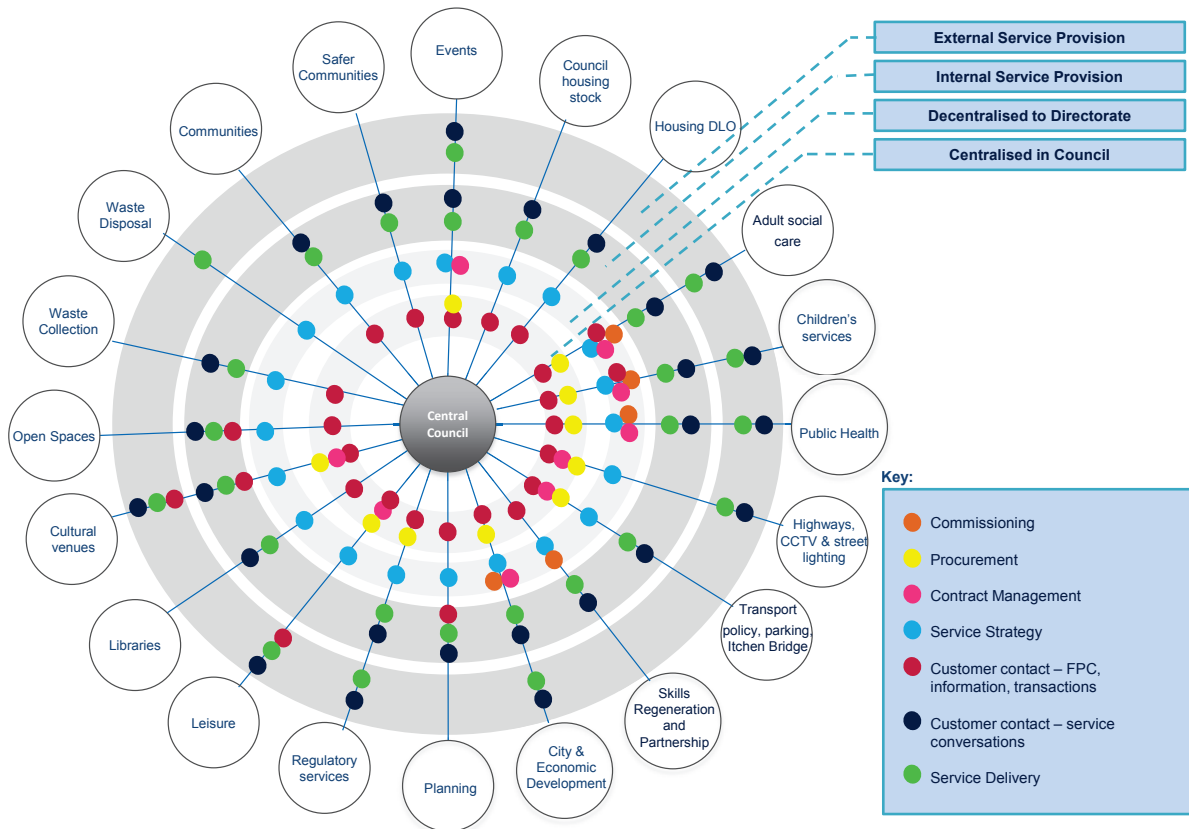

Figure A2-2: Direction of travel for frontline services for the TOM in 2017/18
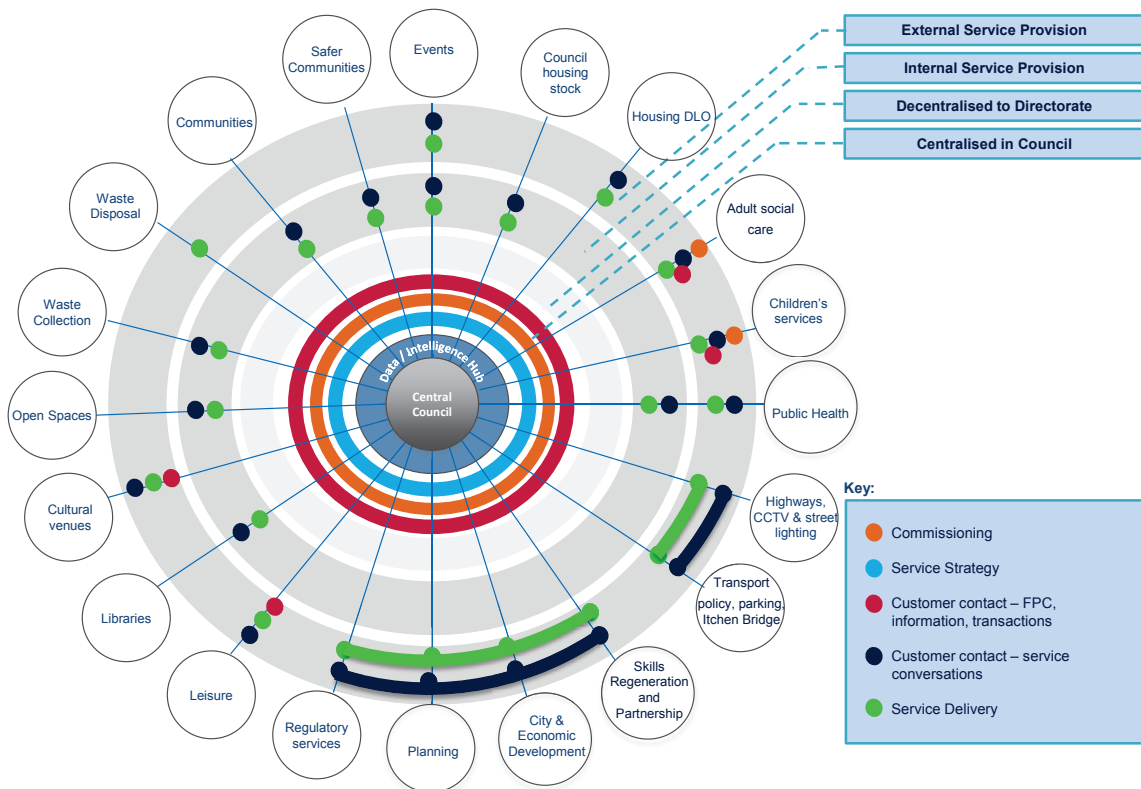
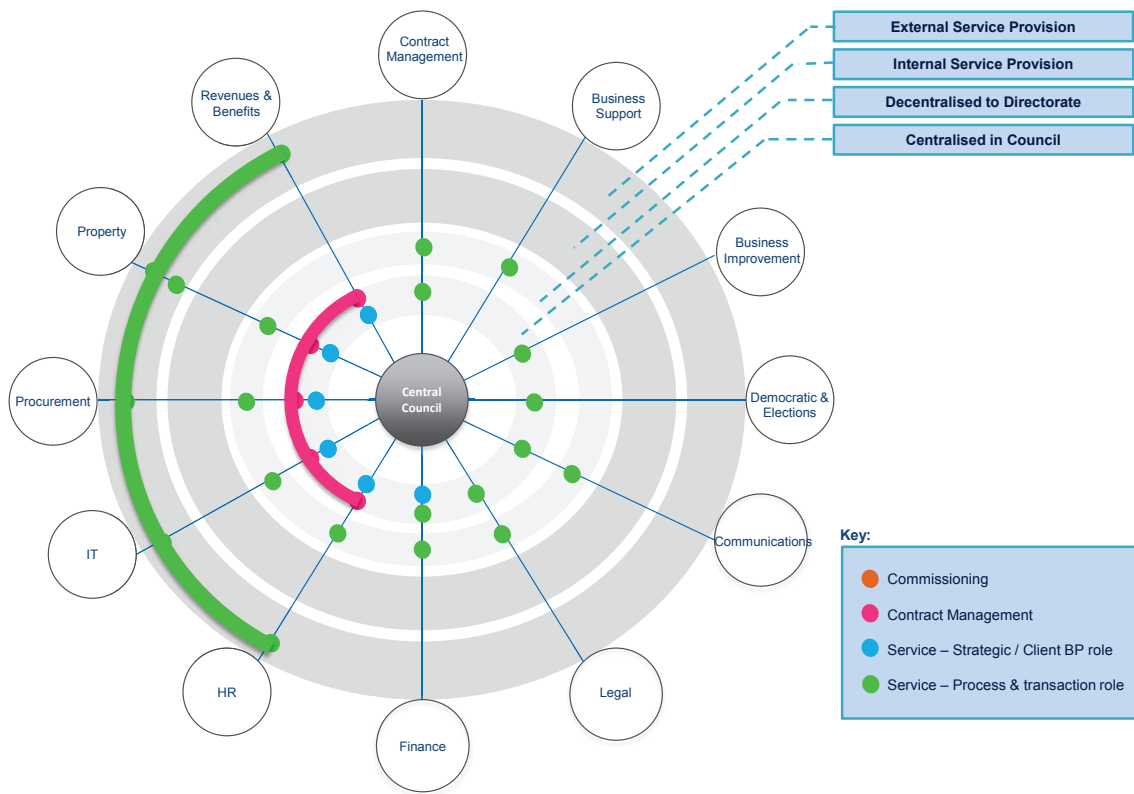Figure A2-3: Current operating model for enabling services

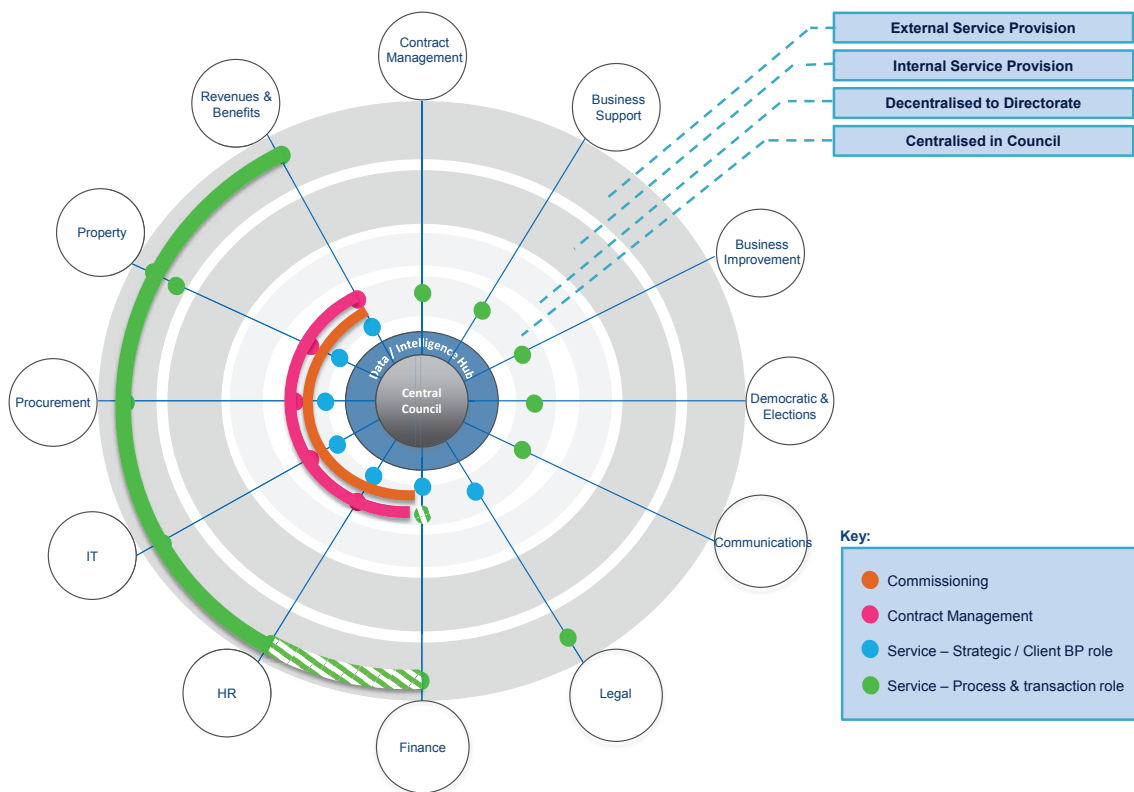Figure A2-4: Direction of travel for enabling services for the TOM in 2017/18

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The impacts for enabling services are less defined, with the current externally provided services continuing to be shown as external for the immediate future. Whilst a business case should be prepared to examine the future options for enabling services, it may be difficult for the Council to select a preferred option (internal, partnership or external) whilst there remains uncertainty in relation to the preferred options for frontline services, including how front line services will source enabling services (e.g. will they continue to be reliant on the Council in the short to medium term).

The key changes in the direction of travel for enabling services are:

- The centralisation of business support services;

- The centralisation of contract management activity (as part of the commissioning approach);

- The establishment of an Alternative Business Structure (ABS) for legal services;

- Enabling services being "commissioned" in the same way as front line services, thereby ensuring that the processes and requirements applied to the provision of enabling services are as robust as for front line services, irrespective of whether services are provided internally or externally; and

- The potential for the transactional / process driven finance activity to also be externalised in future, should this be the recommendation of the commissioning process (e.g. if better value for money would be achieved by entering into a shared service arrangement with other authorities).

For both frontline and enabling services it is clear to see that the future state operating model delivers a more consolidated service delivery, enabling efficiency and effectiveness gains through broader, more strategic partnering contracts with external service providers and a more integrated, cross-council approach to service strategy, commissioning and customer contact services.

Appendix 3   Demand Pressures

The key demand pressures that the Council must manage to ensure it maintains a sustainable future include the delivery of acute, high cost interventions, particularly for complex needs in social care. The term "graph of doom" is widely used to illustrate a specific projection of demands and pressures impacting the viability of a council to deliver these social care services.

In the last four to eight years, demand for services to the most vulnerable people in the city has increased and continues to do so. In some cases the pressures and demands are much greater than the Council's comparator groups of its statistical neighbours and national averages. For example:

- Children and families:
  - The city has had consistently high rates of child poverty over the last decade. Currently it averages 23.4%, with some areas of the city having a figure as high as 40%. The national average is 19.2%;
  - The rate of referrals per 10,000 children rose from 385 in 2006/07 to 822 in 2012/13 and was 732 in 2013/14 – much higher than the average rates of the city's statistical neighbours in 2012/13 (679) and national average (521); and
  - In 2012/13 the number of children looked after per 10,000 children in Southampton was 106 and was 105 in 2013/14. This is much higher than the statistical neighbour's average (83) and the national average (60) and national average (60) and in 2013/14 statistical neighbours 77, national average 60.

- Vulnerable adults and housing:
  - Proportion of people using social care who receive self-directed support services in 2013/14 was 50.4 compared to the unitary authority average of 63.7, the comparator average of 67.8 and south east average of 66.7;
  - Proportion of people using social care who receive direct payments in 2013/14 was 6.8 compared to the unitary authority average of 19.2, the comparator average of 20.5 and south east average of 18.2;
  - Proportion of older people (65+) discharged from hospital who were offered a reablement and rehabilitation services in 2013/14 was 4.6 compared to the unitary authority average of 3.0, the comparator average of 3.8 and south east average of 3.0;
  - Delayed transfers of care of people from hospital per 100,000 population in 2013/14 was 13.6 compared to the unitary authority average of 9.0, the comparator group average of 10.3 and south east average of 9.8;
  - Proportion of adults in contact with secondary mental health services in paid employment per 100,000 population in 2013/14 was 3.2 compared to the unitary authority average of 7.2, the comparator group average of 6.0 and south east average of 6.6;
  - Proportion of adults in contact with secondary mental health services living independently, with or without support per 100,000 population in 2013/14 was 28.5 compared to the unitary authority average of 58.1, the comparator group average of 58.0 and south east average of 52.1;
  - Permanent admissions of older people (aged 65 or over) to residential and nursing care homes, per 100,000 population in 2013/14 was 971 compared to the unitary authority average of 737.1 , the comparator group average of 792.2 and south east average of 644.9; and
  - Southampton has low rates of owner occupation and high rates of social housing and of private renting (24%), lower than the national average of privately rented homes (18%) of which approximately 7,000 are Houses in Multiple Occupation (HMO) – which adds to the pressures faced by many vulnerable adults and families.

- Demographic shifts:
  - People are living longer and, although a significant proportion of older people fund their own care, the system is coming under severe strain. Sustained demographic shifts are likely to further increase pressure on the care system. In Southampton the projections for 2020 are:
    - The population of Southampton is forecast to grow by 6.3% (15,000);

- o The highest rises are projected to be for the age groups 5 – 15 years (18%), 65-84 years (17.6%) and 85+ years (29%) mirroring the sections of the population that have the highest need for our services – now and in the future;
- o The Child Support Ratio (CSR) is forecast to increase from 26.7 in 2013 to 28.3 child dependents per 100 people of working age by 2020;
- o The Elderly Support ratio (ESR) is forecast to increase from 20.1 in 2013 to 23.3 elderly people per 100 people of working age by 2020;
- o The Total Dependency Ratio (TDR) is forecast to increase from 46.8 in 2013 to 51.6 'dependents' per 100 people of working age by 2020; and
- o By 2020 there is forecast to be 82.3 elderly for every 100 children in the city.

Added to the demand for high cost services are various economic challenges that the city faces. These challenges are:

- – Southampton is a low wage economy with the average weekly pay (£487.4) being less than that of the south east (£567.0) and national (£520.8);
- – Southampton's GVA is falling over time relative to England due to a worse reaction in the job market to the recession than the rest of the UK;
- – Southampton's productivity is falling over time relative to the English average due to the lower proportion of high GVA jobs within Southampton;
- – Of the 41,500 people who are aged 16 – 64 years and are economically inactive, 12,900 people want a job and 28,600 are not looking for a job;
- – The economic activity rate of working aged people in Southampton has decreased from 77% to 75.3% in the last 10 years and it is currently below the average UK rate of 77.4%;
- – The employment rate of economically active working aged people in Southampton has decreased from 73.4% to 69.4% in the last 10 years and is lower than the UK average of 71.7%;
- – The percentage of economically inactive people who do not want a job in Southampton has decreased from 74.6% to 65.9% in the last 10 years and is lower than the UK average of 75.4%;
- – Southampton's qualification base in 2014 is behind both the UK average and other nearby southern coast cities such as Portsmouth and Plymouth across all categories except other qualifications; and
- – The graduate retention rates are on average 15% from Southampton's two universities meaning a huge number of talented graduates were being lost form the city to other areas for employment.

Many of the residents who experience the effects of the economic challenges are also clients of some of our services at a high cost to themselves as well as the Council. Therefore, the challenge is to translate the ongoing economic success into jobs for local people so that this city of opportunity becomes one where everyone can thrive becomes a reality. For the council this will be a way to manage future demand by enabling some high cost clients to become more self-reliant.

Appendix 4   Service Design

Service Design Board and Gateway Process

The Council has established a Service Design Board and a gateway process through which all of its service design proposals are to be taken. The gateway process has four "gateways" as follows:

■ **Gateway One**: The first gateway tests the initial concept of the service design proposal. Its purpose is to determine whether there is sufficient evidence (i.e. a high level case) suggesting it is worthwhile the Council spending time and money to investigate the service design proposal. The high level case should describe the strategic needs and customer needs that underpin the proposal, explain the approach that will be taken at Gateway 2 to examine those needs and identify the best way to address them (including market soundings), describe the range of options that will be examined at Gateway 2 (which should include scope, delivery method and delivery model options), and provide an initial view on the potential benefits of the proposal to the Council and its customers, drawing on experience elsewhere (where applicable). This gateway is therefore similar to the Cabinet Office's "Strategic Outline Case" stage, representing the gateway for selecting proposals to progress to the business case stage.

■ **Gateway Two**: The second gateway involves the more detailed market assessment and options appraisal stage. It involves the detailed examination of customer need and the examination of alternative scopes, methods and models for addressing that need. It should include market soundings / testing with a wide range of potential delivery options, the assessment and forecasting of financial and non-monetary costs and benefits for each option, and management plans for procuring and/or implementing the preferred option. This second gateway is similar to the Cabinet Office's Outline Business Case stage, provides the basis for a go / no-go decision on a procurement or on implementation (if no procurement is required).

■ **Gateway Three**: The third gateway is post-procurement (where applicable) and is the point at which the final solution, pricing and commercial terms are known and a go / no-go decision is taken on the award of the SLA/contract and on the solution's implementation (where applicable). This third gateway is similar to the Cabinet Office's Final Business case stage; and

■ **Gateway Four**: This final gateway checks that the project is delivering satisfactorily and the price/quality is right. The final gateway is post implementation and seeks to confirm that the service design project has achieved its objectives and determines if the project can be "closed" in respect of the gateway process.

Service design proposals

The current list of services for which we understand service design proposals are in progress (i.e. in the gateway process), are currently being prepared for gateway one, or are planned for future submission, is as follows:

■ Economic development & regulatory services;

■ Highways, transport and parking functions (those not currently included in the Balfour Beatty contract);

■ Arts and heritage;

■ Leisure;

■ Waste collection;

■ Social care (e.g. adults and children's services);

■ Housing repairs and maintenance;

■ Customer contact and digital services;

■ Legal Alternative Business Structure (ABS);

■ Business support phase 2; and

- Enabling services (including finance, HR, IT, property), once there is greater clarity on the future scope/shape of the internal service provision and the demand for enabling services.

In addition to the above a number the key elements of the TOM (e.g. Intelligence Hub and Customer Hub) may also be required to go through the service design gateway process.

The list of service design proposals identified to date contains proposals of various types, including:

- Alternative models for delivering services, including some which have trading / growth potential (e.g. economic development & regulatory services, highways, transport and parking services, arts and heritage services, social care services, housing repairs and maintenance, and the legal ABS);
- Service reductions and/or service restructuring/streamlining (e.g., leisure, waste collection, business support and enabling services); and
- Service transformation through new technology (e.g. customer contact and digital services).

As identified above, for a number of these service design proposals the focus is on examining alternative delivery models for the service, including any trading / growth potential. The options appraisals and business cases for these service design proposals should include a comprehensive and robust examination of each aspect of the proposal, including:

- The customer needs that the proposal is seeking to address;
- The nature and scope of the potential solutions to address that need, including any opportunities to apply any of the improvement levers listed in section 5.4 of this report;
- Potential synergies or linkages of the customer need or the identified solutions with other areas of customer need and/or solutions provided by the Council or by other public bodies / partners;
- The full range of service delivery models that may be applicable to the service, which should be informed by market experience elsewhere, particularly where innovative approaches have been adopted elsewhere to address a similar need;
- Market testing of the proposed solutions with a broad range of suppliers, covering the nature and scope of service proposed and the wide range of potential delivery models identified;
- Detailed assessment of the costs and benefits of options in financial and non-financial terms. The financial assessment should include an examination of potential implications in relation to corporation tax, transfer pricing, VAT and pensions, in addition to the development of robust financial forecasts for the service and its potential delivery models; and
- For the preferred option, details of the commercial arrangements proposed and a management plan, funding plan and implementation plan (including initial communications plan) for the proposal.

We believe that in order for the Council to identify the optimum solution to address its funding gap, it will be important for the service design process describe above to be co-ordinated with the introduction of a new commissioning approach, so that it incorporates a broader review of the scope and standards of the services that are required by the Council to deliver its priorities (to extent possible within the available budget), as well as examining the delivery models used to deliver services and their potential for trading / growth.

We also believe that it is important for there to be independence in the service design process, so that the options and recommendations included in options appraisals / business cases are broadly based are not constrained by any predetermined views based on the current scope of services, the way things are traditionally done, or an individual's previous experience elsewhere.

Appendix 5 Service Design for Social Care Services

Introduction

Adults and children's social care are the highest areas of expenditure for the Council (as noted in Table 1.1-1) and accordingly in the paragraphs that follow we have provided our views on the key issues that need to be addressed by the service design for these areas.

The Council is already considering or implementing many of the types of initiatives which other local authorities are taking to address financial pressures in social care. Moreover, the Council has well evidenced plans in this regard - the intentions set out in the Better Care Fund (BCF) plan are clearer and articulated better than the majority of the BCF plans KPMG have reviewed to date.

What is important, therefore, is how well the Council has implemented, and will implement, a range of measures which will address the root cause of disproportionate demand (relative to statistical neighbours) and overspend in social care. These main areas include:

■ The number of Looked After Children, currently around 40% above the level of comparable authorities, although not without good reason given the legacy of under-performance in recent years. The numbers have risen over the last two years and reflect (in part) the increasing number of referrals – for 1 to 4 year olds these doubled in the three years to 2012-13 and 5 to 9 year old referrals increased by 50% over the same period;

■ Care leavers, which Ofsted criticised in their report dated 15 September 2014, rating the 'experience and progress of care leavers' as 'inadequate'. Disproportionate numbers of care leavers fall into the NEET category, are in unsuitable accommodation or have simply lost contact with public agencies, all of which risk increasing the financial burden on the Council and its partners and lead to poor outcomes for these young adults;

■ Rate of admission to, and the number of people in, residential and nursing care homes. Currently, over 100 older people per 10,000 reside in a care home which is significantly above the average for the Council's peers. Of those in care homes there is an imbalance - 40% are in nursing care homes, compared with Southampton's statistical neighbours where typically two-thirds are in the range of 25% to 35%; and

■ Financial pressures, brought about by how social care workers negotiate prices/rates with providers, often on a spot purchase basis e.g. for domiciliary care packages, care homes and independent foster agencies. In other local authorities we have found that lack of financial grip is accounting for a large proportion of annual overspends, 30% in one case

Below, we discuss two aspects of addressing these challenges:

■ The actions which can be taken now, focusing mainly on prevention and early intervention, which are likely to have an impact immediately and certainly within three years; and

■ The potential of alternative service delivery models to make savings and improve outcomes.

Immediate actions

Focusing on the three-year funding gap challenge we suggest the following set of 10 actions are progressed, some (but not all) of which we know are already in train or planned:

1. A philosophy of maximising the percentage of people who can be diverted safely to alternative sources of help at their first point of contact. Many other authorities have built up or enhanced their websites to encourage self-help e.g. MySite, Suffolk, whilst others are embedding processes that exhaust all possible sources of help, for example from family, friends and neighbours e.g. Calderdale. In this way the Council becomes effectively the 'provider of last resort';

2. Every (100%) proposed care package for a child, young adult, or older person following an assessment or re-assessment is peer reviewed i.e. by a qualified social care worker, and a random sample (say 5 to 10%) are reviewed by a Ratification Panel, or some equivalent forum. Several other authorities which have increased the 'challenge' element to initial decisions have been able to successfully reduce demand e.g. Kent;

3. Every older person entering a residential care home as a temporary admission (whether planned respite or unplanned emergency) undergoes a social care assessment within 24 hours of the time of admission (unless, in the case of respite, it is pre-agreed and explicitly stated in a person's care plan);

4. Falls typically account for at least one-sixth of occupied bed days for older people in acute hospitals and many are considered avoidable. Whilst predictive analytical models and sophisticated risk stratification may be the long term goal, there can be other practical measures to identify and take action for those most at risk. For example, South Central Ambulance Service could report to the Council every call it receives within its falls protocol, irrespective of whether it results in a conveyance to hospital. Equally, the Fire & Rescue Service could report to the Council people it considers vulnerable having carried out an alarm inspection;

5. Reablement, where the Council has plans to increase the number of older people going through a period of support. In some authorities, for older people, reablement at the point of referral, re-assessment or discharge from hospital is the default option and in one year between 2.5% to 3% of older people go through the process. Referrals from GPs, EDs, and the ambulance service (through 'hear and treat' and 'see and treat' clinical protocols) help to generate suitable interventions. Additionally, we have noted that the Council is reporting that 35% of reablement users achieve a state where no ongoing care is required. This percentage is lower than many other councils, many of which report success rates of 50% to 60% (and some even more, but which look suspiciously high);

6. A rapid response service in which care professionals can put services into people's homes very quickly, say within 2 to 3 hours, with the aim of avoiding admissions to residential care or hospital. Such services do not always involve a care professional but might for example involve volunteers. Again, we have noted the intention in the Better Care Fund plan to establish multi-disciplinary teams in clusters across the city;

7. Using low cost real-time monitoring technology to reduce the extent of interventions but at the same time ensuring care professionals are alerted to "adverse" events. For example, there are proven low cost products on the market which can be used in the homes of people with early dementia or to reduce waking night cover in group residences for people with learning disabilities e.g. Just Right from Just Checking;

8. Given the continued pressure of children referrals and the fact that frontline professionals are stretched (despite being fully staffed) the Council could explore the potential for a third party to take on a cohort of children regarded as being on the 'edge of care'. Some councils e.g. Essex, Birmingham, have used Social Impact Bonds as a funding mechanism with providers being paid on the basis of results, in this case creating stable family placements. At worst, this arrangement could be set up to be cost neutral to the Council but at best it may save costs by reducing the inflow to the Looked After Children population;

9. Review in-depth all plans for children and young adults who are scheduled to leave care in the next three years with a view to identifying any additional opportunities to create stability through upskilling, finding employment or training, or securing suitable accommodation. The most active councils are working very closely with employers and with social housing landlords. Again, the Council may wish to explore the potential of social finance (Social Impact Bond) in this area; and

10. Entering into contract re-negotiations with suppliers mainly on the basis of just getting a better deal for the Council but perhaps also to reconfigure services in ways that assist the Council. We have found in other councils that suppliers are quite amenable to such discussions and that it is possible to secure significant cost reductions.

In addition to these 10 short term opportunities to reduce costs the Council may also be able to increase income, for example by:

■ Introducing a capital element to the threshold for deciding whether people are eligible for free non-residential services; and

■ Charging the full cost for day care, rather than subsidising it.

We would also suggest that in the medium term the Council adopts a more evidenced based approach to interventions which, over time, will need to build on the remit of the Intelligence Hub but in the short term can access the skills and expertise of the new Strategy Unit and those of the Public Health service (as recommended by the LGA peer review team in 2013). In essence, this is about taking risk stratification to the next level and targeting 'high risk' people. For example, it should be possible to use existing data to determine the probability that a particular person will have a fall in the next 12 months, and thus take appropriate action in the 'high risk' cases.

Alternative service delivery models

The Council has begun to consider whether there are alternative service delivery models that would benefit social care, both for adults and children. There are many options and permutations which could involve:

■ A local authority spin-out into a Care Trust or various forms of mutuals e.g. social enterprise, community interest company;

■ Partnering – a joint venture – with the private or third sector;

■ Externalisation to a third party (private, voluntary or another public service agency) with the Council retaining only the strategic commissioning function;

■ Alliance or merger with an NHS body, which could be an acute and/or community health services provider; and

■ Selectively contracting out different aspects of the services, for example on a risk/reward basis.

We understand that the People Directorate is carrying out an options appraisal and business case of the service delivery options for social care. We consider that it is very important that all options are given equal and unbiased consideration in this options appraisal. Therefore, we recommend that in addition to the internal work being undertaken, the Council should simultaneously instigate a formal process (linked to the new commissioning approach) of:

■ Engaging with the private and voluntary sector providers and inviting them to submit ideas or propositions for consideration, making it clear that the Council is not obligated to begin any procurement process;

■ Inviting other (neighbouring) councils to suggest aspects of social care which might benefit from a joint commissioning or shared service approach; and

■ Inviting healthcare organisations in the Southampton locality to discuss how they might host social care services or how they might benefit from a merger or other reorganisation which promotes integration.

The following five diagrams (labelled Options A to E) illustrate conceptually some different models for delivering social care for children, young adults and older people, or any combination of those three groups. They are not mutually exclusive. Some could be implemented in combination (e.g. options A and B together), whilst features of two or more options could be combined in a composite model. In short, there are many permutations and combinations but these diagrams aim to illustrate the most likely options. For each option we describe its main features and provide a short commentary.

The options presented in the pages that follow are:

- Option A: Spin out assessment and care management for older people to a third party;
- Option B: Care Trust for children and young adults (0-64) including education and housing services;
- Option C: Children's Care Trust with some of all of education services;
- Option D: Outsourcing children's services to a third party, potentially with some community health services; and
- Option E: Joint commissioning (CCG and Council), using a capitation based contract, for a range of social care and community health services. The contract may be with a consortium, optionally led by a prime contractor of integrator.

Each of the option diagrams that follows has the same building blocks showing (in rectangular blocks) the main organisations in the health & social care landscape as well as the three cohorts of service users (children, young adults and older people). The red unbroken lines show the boundary of the proposed arrangement or the relationship between organisations. The red dashed lines show options.

Options A to E are based on innovative solutions, most of which have been implemented in the UK, but few have reached maturity and yielded incontrovertible evaluation evidence that they are beneficial in the long term. In some cases the quoted savings are based on targets or aspirations rather than achievement, and in any case these numbers vary between councils reflecting in part their 'starting positions' and in part their success in implementation. What is important is determining the option that will work best in the Southampton context, selected through an objective and unbiased appraisal of all options in accordance with the service design gateway process.

Option A

Under Option A below, responsibility for the assessment and care management of older people is transferred (or spun out) to a third party. There are various types of entity to which services could be transferred including a local authority trading company (LATCo), a mutual e.g. social enterprise, community interest company, or an NHS body. In some cases it may be appropriate to form an alliance or implement a merger with an NHS body, or alternatively to establish a joint venture with a private sector company.

In Southampton's case there are already plans for extensive joint working, as set out in the recent Better Care Fund plan. Many of the specific schemes require greater collaboration at all levels between the Council and its healthcare partners. Coupled with the fact that the Council and the CCG have voluntarily pooled funds well above the minimum statutory requirement this suggests that an operating model bringing the respective players closer together would be advantageous.

Figure A5-1: Option A: Spin out assessment and care management for older people to a third party
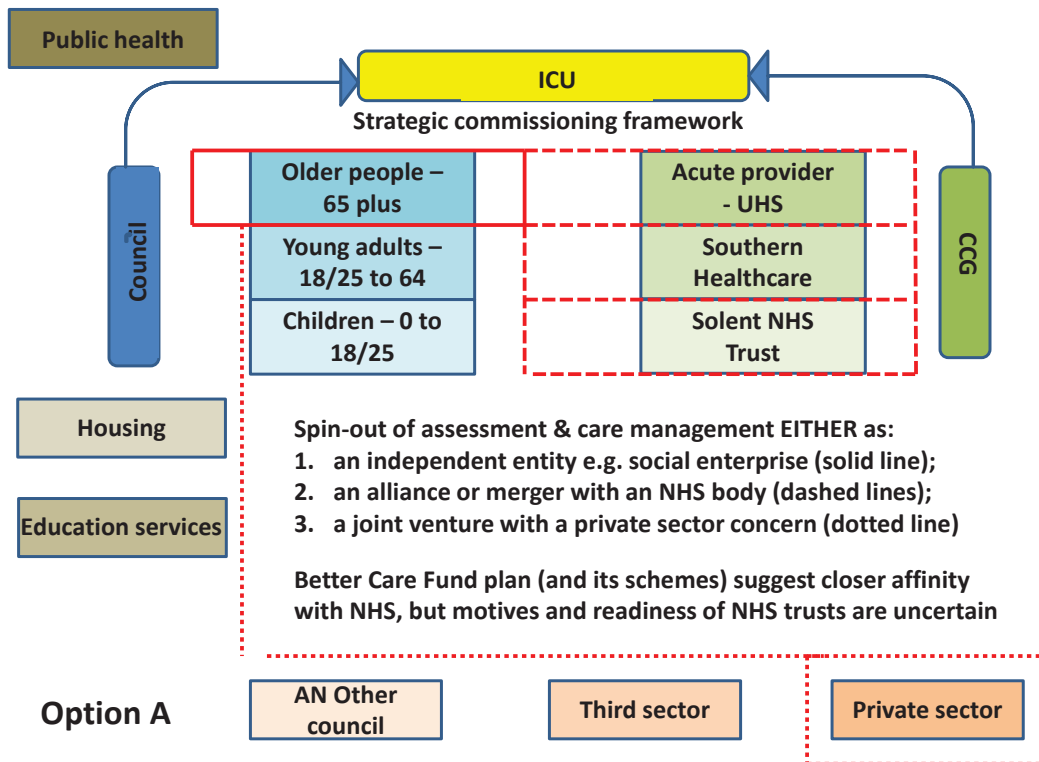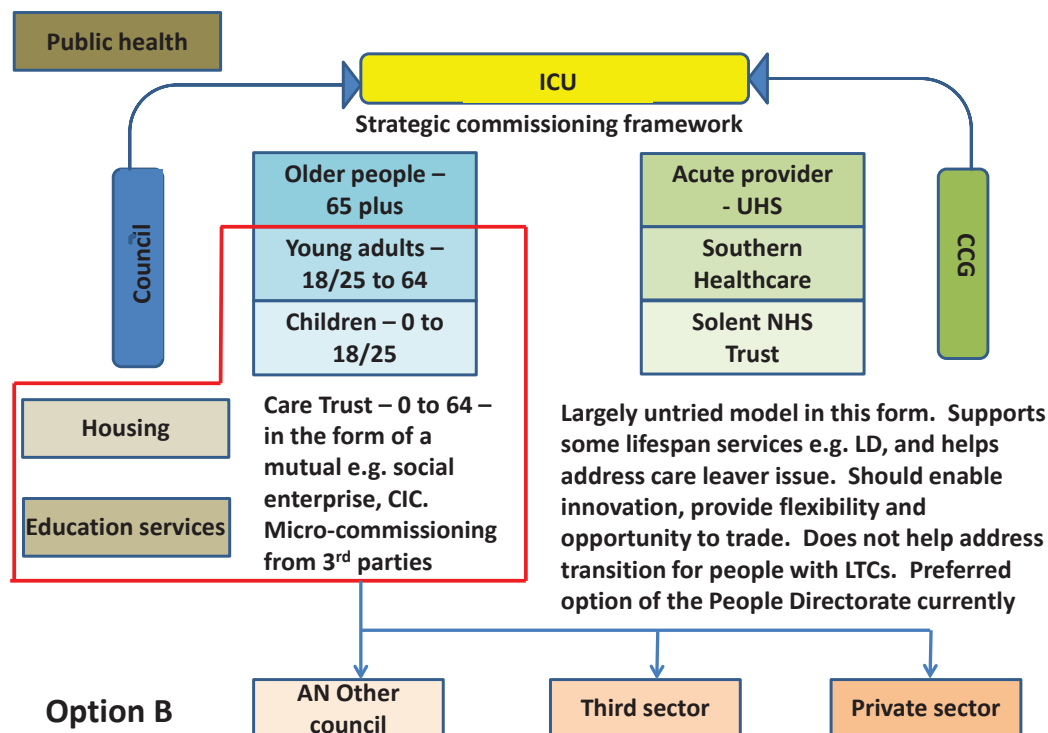
Option B

Under Option B below, responsibility for children and young adults is transferred to a Care Trust operating independently from the Council. Housing and education services would also transfer, creating a more seamless and holistic service for users. Moreover, keeping children's and young adults provision together would enable more 'all-age' solutions where there is no discontinuity of service at the age of 18 or 25.

Whilst this model is largely untried – most care trusts have a narrower scope of services – it is a serious candidate in Southampton's case and is known to be supported by senior staff in the People Directorate. It should offer more flexibility to staff in finding solutions to address some of the current issues faced by the Council, notably the disproportionate number of LAC and the lack of continuity of service for care leavers. This model would also enable the Trust to trade with third parties and generate income, although with current performance that may be a long term rather than short term ambition.

Figure A5-2: Option B: Care Trust for children and young adults (0-64) including education and housing services
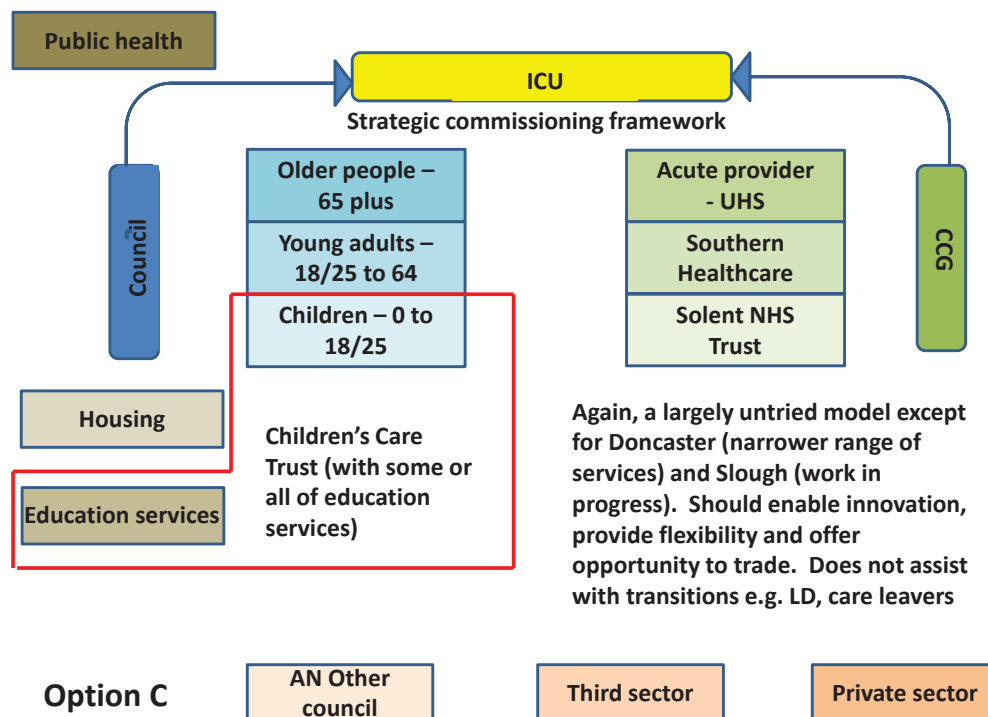
Option C

Under Option C below, responsibility for children's services (including some services up to the age of 25) is transferred to a Care Trust operating independently from the Council. This option is a variant of option B and is more restrictive in scope, involving just social care and education services to children. The establishment of care trusts recently (in Doncaster and now Slough) have been more restrictive, focusing only on social care.

In Southampton's case, whilst this option would equally offer scope for greater flexibility and innovation the restricted scope would not necessarily facilitate resolving some of the Council's main issues and also there would continue to be interdependencies with other Council and NHS services.

Figure A5-3: Option C: Children's Care Trust with some of all of education services
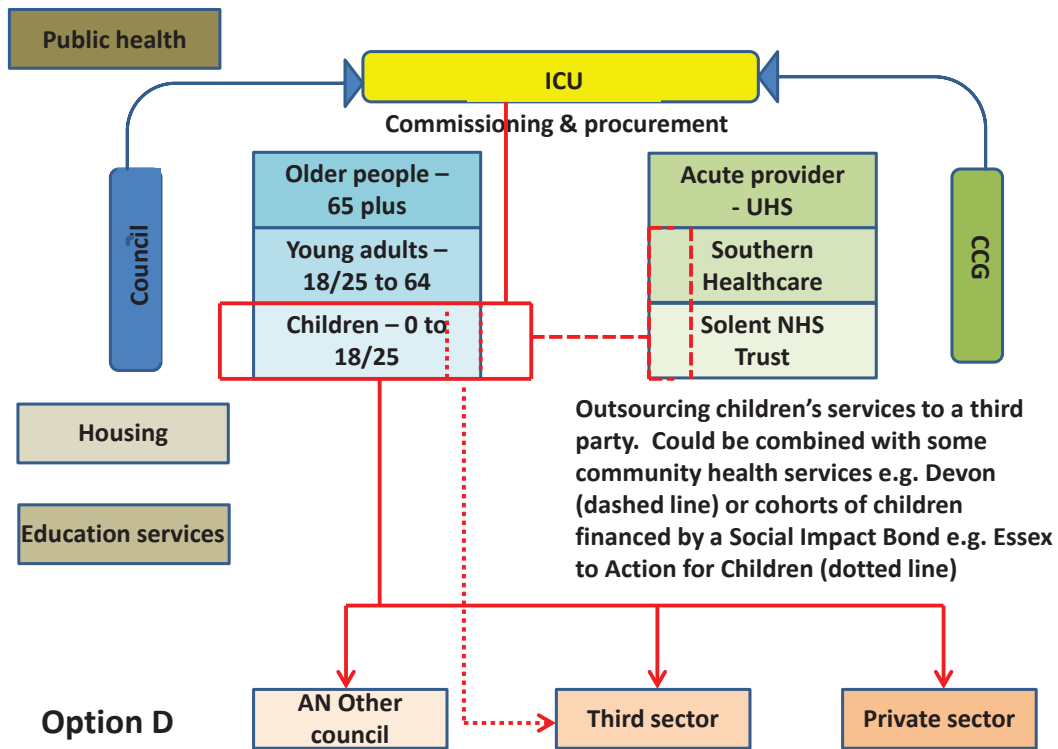
Option D

Under Option D below, Children's services (potentially in combination with some community health services) are contracted to a third party, which may be in the private or voluntary sector or may be another council. Recent examples of this model include Virgin Care taking over Devon's integrated children's services and Hampshire County Council taking over services in the Isle of Wight. A variation implemented by one or two councils, and being explored by several more, is to contract out a cohort of children (typically on the edge of care or in residential accommodation) to private and/or voluntary sector organisations, using outcome based payments. For example, Essex, Birmingham and Manchester are all using Social Impact Bonds to finance the delivery of these contracts.

In Southampton's case these alternative delivery models have not yet been explored in detail by the Council although there would be value in appraising them alongside other models.

Figure A5-4: Option D: Outsourcing children's services to a third party, potentially with some community health services

Option E

Under Option E below involves the use of a capitation based procurement model for one or more cohorts of service users, where the provider could be any of several organisations either acting alone or together in a consortium. Examples cohorts would be all older people over 75, people registered as having a specific long term condition (e.g. diabetes), young adults with learning disabilities, and children on the edge of care. Optionally, this model could include a system integrator in which a third party organisation is responsible for co-ordinating the inputs of several other organisations.

In capitation based models providers tender a flat rate (£ per person) to care for a cohort of service users (and, if applicable, patients). Optionally, they may also receive a 'success fee' based on the achievement of outcome targets. Whilst these models have not reached maturity in the health and social care space they are gaining traction. Again, social care and health provision may be combined.

In Southampton's case, the commissioning and procurement process would be the responsibility of the Operational Commissioners under the new TOM.

Figure A5-5: Option E: Joint commissioning (CCG and Council), using a capitation based contract, for a range of social care and community health services. The contract may be with a consortium, optionally led by a prime contractor of integrator
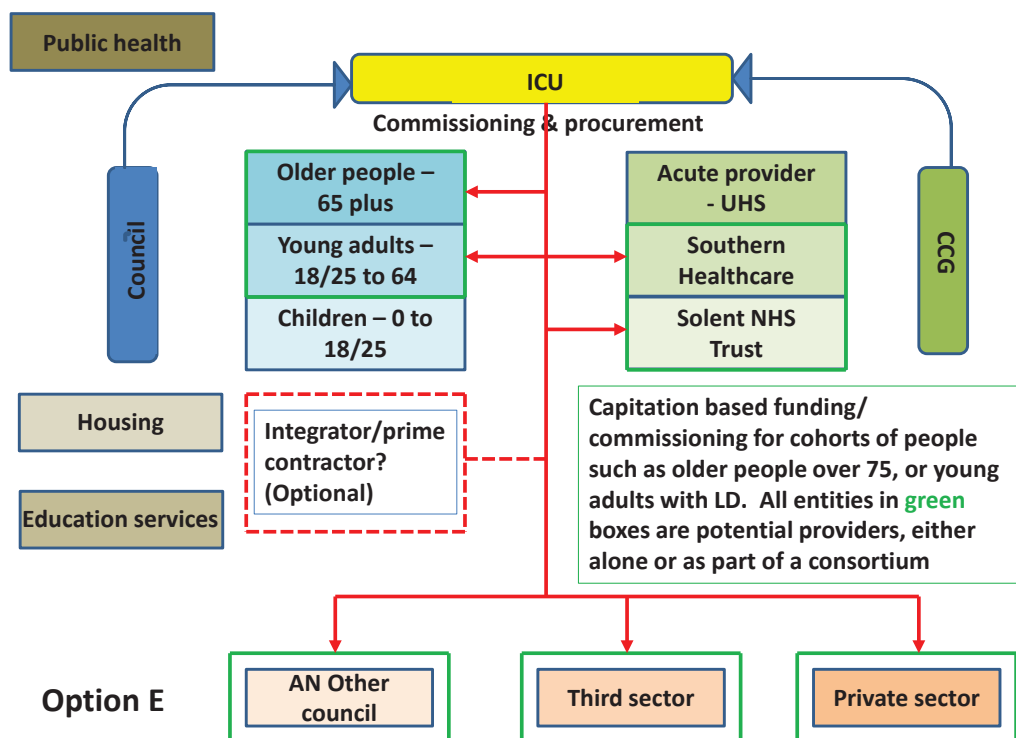
Appendix 6 Economic Growth

Role of the Council

Economic growth is a high priority for the Council and a key driver for the new TOM, as described in Sections 1 and 3. Three of the Councils "top five" outcomes for 2017 (section 3.1.2) relate to economic growth, these being:

■ Reducing unemployment;

■ Improving educational attainment; and

■ Increasing investment into the City.

The Council's ambition is for Southampton to be "market leading" in economic growth terms (section 3.1), with the Council being a leader / enabler of inclusive growth and a shaper, facilitator and co-commissioner of solutions, working in partnership with other parties. The Council does not see its primary role as being a deliverer of economic growth solutions except where the market dictates.

The Council's role is therefore highly dependent on it having the right insight, influence, relationships and collaborations (internally and externally) to play a leading role in shaping, driving and facilitating economic growth strategies and interventions for the City.

Key Factors

From our work in developing the TOM we have identified a number of factors that we believe will be critical for the Council to successfully deliver its role and ambitions for economic growth in the City. These are described in the following sub sections.

City vision and identity

Both the City's and the Council's strategies and plans describe a range of economic related outcomes that public bodies with responsibilities for the City are striving to deliver alongside private sector and third sector partners. Increasingly, within a national framework promoting collaboration with LEPs and across wider local authority boundaries, and in consideration of synergies and scale across the Urban South-Hampshire functional economic area, Southampton has agreed to articulate it's growth ambitions through the Solent LEP Transforming Solent Growth Strategy (2014), which aims to unlock jobs and growth in the Solent through six enabling strategic priorities, each underpinned by ambitious growth targets to 2020:

■ Supporting new businesses, enterprise and ensuring SME survival and growth;

■ Enabling infrastructure priorities including land assets, transport and housing;

■ Establishing a single inward investment model to encourage companies to open new sites;

■ Investing in skills to establish a sustainable pattern of growth, to the benefit of local residents;

■ Developing strategic sectors and clusters of marine, aerospace and defence, advanced manufacturing, engineering, transport and logistics businesses, low carbon, digital and creative and the visitor economy; and

■ Building on our substantial knowledge assets to support innovation and build innovative capacity.

Within the Solent economy, Southampton holds the greater strength and potential for growth in relation to the LEP key sectors of marine/maritime and distribution, and it also has additional sectoral strengths in business and professional services, retail, leisure, medical sciences, research and development.

The City Council has taken a proactive role in supporting and enabling significant private sector investment, jobs and infrastructure by developing the city centre and waterfront and also through a

programme of estate regeneration. For example, of the £3 billion investment set out in the vision for the City Centre Master Plan in 2012, £1.5 billion has already been committed, creating 7,000 jobs, 5,000 housing units, 650 additional hotel bed spaces and increased sq m floor space by 110,000 for office use and 130,000 retail and hospitality. Examples of sites completed or underway include the development of the Station Quarter as a key gateway to the city and connection with commercial, retail, cultural and visitor facilities; Watermark WestQuay creating 1,000 new jobs and providing a hospitality offer to support the emerging demands of the city, cruise industry and international Boat Show; the Lloyds Register development with the University of Southampton, the largest university/business collaboration in Europe creating leading edge marine and maritime high GVA employment in the city; the development of the Cultural Quarter building on Southampton's creative industry strengths and enhancing the visitor economy potential; and Centenary Quay, combining 1,600 new homes with retail, hospitality and marine employment. Future committed developments include the £400m Royal Pier site, which will create additional prestige residential and business accommodation, connecting the city with the waterfront and further enhancing the leisure and hospitality offer, as well as the Ford site as a key employment development with excellent transport links to rail, motorway, rail and airport. Employment and Skills Plans are required for all major developments to ensure that local people can gain skills and jobs created by the growth, and that employers can access the talent they need locally. To date, 250 new apprenticeships have been created through major developments, and over 700 supported jobs for unemployed people.

Private investment, alongside a range of measures including reductions in unemployment and improvements in transport led to Southampton being given as the city with the most growth improvement of any other city between 2012 and 2013 in the PWC Good Growth index.

Southampton has a young demography, partly due to the two universities which, in addition to access to some 40,000 students contributing to the current and future economic prosperity of the city, lead on cutting edge research, development and innovation with significant potential to support local business growth, particularly through the University of Southampton's business innovation hub which is ranked no 1 globally.

Through the City Deal and Growth Deal processes, the city has worked strategically with Portsmouth and the Solent LEP to negotiate devolved funding and powers to unlock key infrastructure, business support, employment and skills opportunities, and set the city and its partners in a prominent position to enter discussions regarding arrangements for future devolved arrangements.

Alongside the Solent Growth Strategy, the City has supported the development of the Solent LEP Skills Strategy 2014-16 and EU Strategic Investment Framework to provide the framework for targeted work to align public and private sector skills and employment funding and delivery with demand to support the growth of the city. Additionally, Southampton Employment, Skills and Learning partnership has recently been established as a key strategic partnership of the city, to focus on additional local labour market skills and employment demand to maximise growth, as well as wider local ambitions regarding inclusion, health and wellbeing which go beyond LEP strategic priorities. The city recognises the role that skills and employment can play in improving the well-being and life chances of residents, and reducing their future dependency on scarce public sector funds.

Within the context of the significant economic development achievements to date, opportunities remain to further enhance the significant growth potential Southampton has to offer, including:

■ Developing a definable city identity as described in KPMG's 'Magnet Cities' research, which supports the presence of young wealth creators to correlate with the city's economic growth;

■ Continuing to build a strong shared economic vision working in partnership with others to provide strong direction and collaborative focus for the Council's own economic growth and development related functions;

■ Continuing to lever growth through sub-regional strategic work, whilst placing an additional emphasis on local considerations;

■ Further strengthening integration across economic, social, health and environmental agendas to achieve ambitions of inclusive growth and support wider transformation and TOM objectives;

- Challenging and breaking down national and sub-regional silos that currently fragment business support, infrastructure, skills, employment, innovation and inward investment planning and services; and

- Further building on an intelligence-led approach that places current and future needs of business and residents at the centre of the city's planning and provision.

City intelligence and insight

The Council will have the opportunity to leverage the capabilities of the Intelligence Hub to work with partners to collect and analyse data and deliver intelligence and insight on the local economy, supply and demand factors, the specific needs of the local residents and businesses, the makeup of the current population and potential trends and opportunities for the city. The Council will be able to support strong, evidence based decision-making on the prioritisation of strategies and interventions.

Having a clear diagnostic, based on strong data / evidence, is a crucial first step in ensuring that every pound spent by the Council and its City partners on economic growth / development related services and interventions brings real added value to the City, its businesses and its residents and is consistent with an ambitious, jointly owned, economic vision and strategy for Southampton.

Integrated approach

At present the Council's economic development related functions are located primarily in the Place Directorate (physical development, transport, planning and Economic Development) and Assistant Chief Executive Directorate (Skills and Employment), with good joint working across services supported through matrix arrangements across Directorate Management Team membership. There is a gap in supporting economic growth of existing business in the city, which is being partially met through the Assistant Chief Executives Directorate, and there is potential to give this work greater priority given that the majority of growth will come from indigenous companies. There is potential to better align the People Directorate's early intervention employment support for target groups with the economic demand of the city along with key opportunities driven by the Skills and Regeneration service.

Fostering the right relationships

Southampton City Council has strong relationships across all relevant agencies and partnerships, however, given limited and shrinking resources, rationalisation of partnerships and support already underway needs to continue, set against considerations of priority outcomes against inputs, as well as a continued drive to share resource across traditional boundaries. The consultations conducted with the Council's economic growth partners such as the Solent LEP, Hampshire County Council, Future Southampton and Southampton Connect suggest that there is an opportunity for the Council to further strengthen its role with these bodies in relation to delivering further economic growth for Southampton. Continuing to actively foster strong relationships with these partners as well as with the big existing employers, the Port, the universities and potential investors will need to be a key focus of the Council if it is to deliver on its economic development ambitions and role.

Working with Partners

Business process for economic growth

The TOM envisages a collaborative business process for economic growth and development activity, that is entirely consistent with the commissioning approach described in section 2.4, and involves SCC and its economic partners working collaboratively to drive this process forward as described in the figure and paragraphs below.

Figure A6-1: Business process for economic growth activity
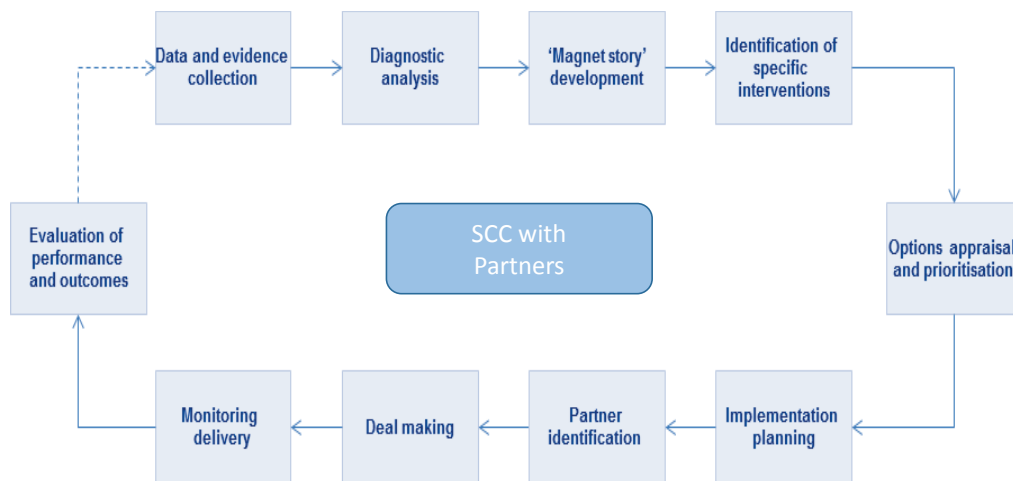
The process relies on local data and evidence collection through SCC and partners which generates a strong understanding of the economic landscape of Southampton. This includes understanding current businesses and their needs, a detailed makeup of the population, evidence on reasons for low retention rates and comparative baselines of economic performance. Much of this work is already in train, with the primary opportunity to identify linkages, understand trends and draw attention to the major issues and challenges in the current state of the economy along with the 'Magnet Story' vision, ambition and a definition for the city's future identity. These initial activities translate into a list of specific interventions / potential projects or programmes.

The further stages of options appraisal and planning ensure priorities are evaluated on a value-for-money basis to achieve maximum economic potential. The final stages of partner identification and deal making maximises funding opportunities and private sector involvement. Monitoring delivery and evaluation of performance provides an important base to measure the economic performance and builds an ongoing continuous improvement culture for economic growth and development.

Form of partnership working

There are a number of forms that the Council's economic growth and development related activity and partnerships might take in future. The form that is selected will be shaped by the structures currently in place locally, by those elsewhere in the market, and by the options that are currently under consideration and will be examined through the service design gateway process.

The structures currently in place and / or under consideration include:

■ The existing structure and teams within the Council, including the Economic Development Board;

■ Solent LEP, Future Southampton and Southampton Connect;

■ The Joint Venture (LLP) recently established with BV Strategies Facilitated Ltd (BVSF) to facilitate comprehensive property-based regeneration and development projects in Southampton and to maximise the return to the Council from its land and property portfolio and potential interests;

■ The proposal from the Place Directorate to establish a Joint Venture with a private sector partner for the provision and commercialisation / trading of economic development and regulatory related services (similar to Barnet's JV with Capita), including planning, building control, economic development, strategic property (investment), highways professional services; and

■ The combined authority model that has been adopted in five regions of the UK to date, most commonly to pool responsibilities and budgets and seek additional delegated from central government in order to deliver transport, economic development and regeneration policies and plans more effectively over a wider area. A combined authority is a legally recognised entity able to assume the role of an integrated transport authority and economic prosperity board. This gives it the power to exercise any function of its constituent councils that relates to economic development and regeneration, and any functions available to integrated transport authorities.

Clearly there is either complementarity or overlap in the role and remit of a number of these structures, in particular between the Joint Venture with BVSF, the proposed JV for economic development and regulatory services, and the combined authority model, and the Council will need to exploit the opportunities that the three models can deliver to provide the best outcomes for the City and the Council.

The proposed TOM has the flexibility to accommodate each of these options. The Council will therefore need to examine the pros and cons of each of the options in detail through the service design gateway process and select preferred models that best fit the Council's strategy and ambitions for the City, ensuring that selected models inter-relate and provide ongoing benefits.

Whichever partnership models are selected by the Council to deliver its economic development roles and economic growth ambitions for the City, the model will need to contain the following components:

Figure A6-2: Components of the partnership model
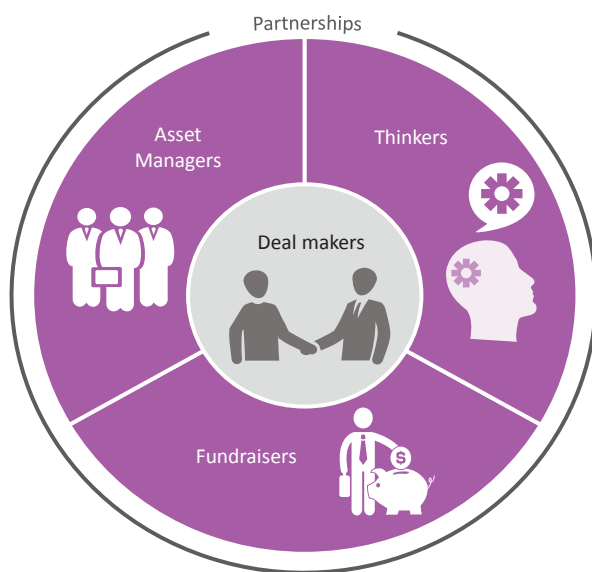
The new model will require "Thinkers", who will be responsible for analysis of the current state and development of the 'magnet story' all the way through to supporting shortlists of interventions. "Fundraisers" will build the relationships to ensure that the economic development function is tapping into all the available financing opportunities from within the public and private sectors. "Asset Managers" will constantly look into how the City's assets can be utilised to best serve the economic vision for the City. At the heart of the model are the "Deal Makers" who will engage with stakeholders a design the specific partnerships that will bring the interventions to life. These skill sets in many cases will be cross cutting with some roles overlapping providing a collaborative outcome. Clearly individuals may have the skills and capacity to operate in more than one of these roles, however it will be important for the right expertise and capacity to be present to cover each area of the model in order to maximise and realise the economic opportunities and benefits for the City.

It is a partnership or "co-ownership" model, which could potentially include private and voluntary sectors as well as public sector partners. The model allows for the maximum level of flexibility and typically drives up creativity and ambition, with decisions made collaboratively towards a shared strategy and vision.