



DERBY CITY COUNCIL

COUNCIL CABINET
27 JULY 2010

Report of the Chief Executive

ITEM 18

DESIGN MANDATE AND PROGRAMME PLAN

RECOMMENDATIONS

- 1.1 To note the outcomes of the 'one Derby, one council' Design Phase and approve the proposed Target Operating Model as outlined within the report.
- 1.2 To approve the 'one Derby, one council' Programme Plan which maximises the opportunities for savings as identified in the Design Mandate through process improvement along with £6.6m from further service reductions.
- 1.3 To agree that the revenue implementation costs budget will not be increased to reflect the additional £2.3m costs identified in the Design Mandate, on the basis that at this stage costs will be contained within the overall £8.8m implementation costs budget or would be self-financing from the delivery of further savings over and above the budgeted ODOC savings target.
- 1.4 Following the Coalition Government's emergency budget of 22 June 2010 to note an estimated further saving of approximately £6.6m through potentially increasing the number of full time equivalent posts reduced from 481 to 750 for the period 2011/12 to 2013/14.

REASONS FOR RECOMMENDATION

- 2.1 The 'one Derby, one council' transformation programme has already identified a need to make annual savings of £12.7m by 2012/13. In addition, the £2.1m cuts in 2010/11 revenue grants and significant cuts in other external funding already announced by the Coalition Government as well as those expected in the autumn of at least 25% cuts in government grants over the next four years from 2011/12, put significant additional pressures on our budgets. Moving to the next phase of the programme and implementing the proposed new Target Operating Model outlined within this report is key to delivering the savings needed to address these emerging financial pressures and deliver Value for Money.

SUPPORTING INFORMATION

- 3.1 This report sets out the findings of the 2nd part of the Council's transformation programme 'one Derby, one council' which was called the Design Phase. This followed-on from the first phase which was known as the DECATS Diagnostic.
- 3.2 The 'DECATS' Diagnostic was the initial assessment phase of Council's transformation programme which started in April 2009 and the findings of which were reported to Cabinet on 29 September 2009. The Diagnostic provided a scan of the Council to identify and prioritise a portfolio of improvement opportunities that can be taken forward as part of the Council's transformation programme based on a set of standard common processes.

Designing the Change

- 4.1 The Design phase has built upon the work completed in the Diagnostic phase, Design focuses on how the opportunities can become reality and how processes across the Council can be simplified, standardised, shared and more efficient.
- 4.2 Following the completion of the Diagnostic in October 2009, the Council launched the 'one Derby, one council' transformation programme. The aim of this programme is to address the impending financial restraints that the Council will face whilst at the same time ensuring more effective delivery and support for front line services. Savings from the programme will be a combination of efficiency savings, reduction in procurement spend and other related financial gains (e.g. increased income).
- 4.3 To support the programme, following a tender process, the Council engaged with PriceWaterhouseCoopers - PwC - to work as its strategic transformational change partner. In January 2010, the contract was signed to allow work to commence on designing what the new organisation will look like and the impact any changes will have on specific departments and services. This work was also aimed at understanding the key technology, people and property factors that will be impacted by any change and which will also play a pivotal role in enabling much of the transformation to happen.
- 4.4 A high level Target Operating Model (TOM) was identified as part of the DECATS diagnostic which lays the foundation for how the Council will operate going forward. The work undertaken as part of the Design Phase provides the detail to this TOM. Further details on the proposed TOM are included in Appendix B.
- 4.5 Building on the restructure of Tiers 1-3, it is expected that the tiers below this will be gradually informed and developed in line with the recommendations that arise from the design work.
- 4.6 The Council has set up an internal Transformation Team within the Chief Executive's Office. Throughout the duration of the design work (January 2010–May 2010), an interim Head of Transformation has been in place to ensure that change is being designed in the best interests of the Council in a way that will deliver real benefits.

- 4.7 At the same time as completing the design work outlined within this report, the Council has also undertaken other related work including: Procurement spend analysis; vertical review of Children's Services and HR, and the design and construction of the new Chief Executive's Office operating model. Where appropriate, the findings from these projects have been incorporated into the overall organisational design.

New Ways of Working

- 5.1 The Council will apply the following principles in organising to deliver services and manage the transformational change process:
- Citizens will primarily interact with the Council through a single access service (Customer Management function). A "one Derby, one council" approach to designing and managing face to face, telephone and web channels providing citizens with a straightforward, standard and consistent response which is accurate, comprehensive and informed. It also means managing customers into the most appropriate channels for them and for their service request type such that best use can be made of low cost channels where appropriate and maximise the capacity of face to face type interaction. The proportion of citizen contact managed in this way will be maximised under the new model. This method of working will apply regardless of the decant to temporary offices in October 2010 and the subsequent move back into the refurbished Council House in December 2012.
 - Only when a citizen requirement cannot be met through a standard, scriptable process using data available to access the service will citizens be routed to service specialists.
 - Straightforward repeatable transactions such as paying bills or administering training will be delivered from cost effective, high volume support service functions using standard technology and processes to service the Council.
 - Specialist professional support to services will be the responsibility of single lead professionals with an obligation to develop a shared capability delivering priority work for the Council. The individual specialists may remain alongside service teams or, be brought together, as legal and procurement services are currently.
 - Low complexity, high volume administrative tasks will be delivered by a shared business support function thus releasing more time for officers to focus on front line services.
- 5.2 The above will provide better support and remove unnecessary distractions from core service delivery. In this way, these Council teams maintain a single, undiluted focus on service performance. These will be applied across the Council regardless of Directorate or service.
- 5.3 The new model demands greater shared governance through a Strategic Core bringing together lead officers to set the direction and commit resources as a single management function. This Strategic Core will include support for business strategy and planning, policy development, performance management and, marketing and communications.

Future size of the Council

- 6.1 The new operating model will allow the Council to deliver its current service commitments with up to 750 fewer posts. Under this model the proportion of staff delivering services directly to citizens increases across all front line services. Please see Appendix C for further details of the overall shifts.
- 6.2 This shift in balance is primarily achieved through improving the performance of support services and shifting less complex transactions to a more effective customer management function. This improvement has been estimated by assessing the impact of process changes, reduction in workload and better utilisation of staff and technology in these functions.
- 6.3 The analysis which supports the Design allows the Council to move into a Construct phase with confidence that the benefits exist. This was achieved through an extensive consultation process involving over 500 staff across 44 design workshops. The future establishment for each function and service will be determined during the construct phase of the programme.
- 6.4 The savings profile for the programme has been aligned to the new management structure (Tiers 1-3) to allow each department to know what scale of change is required and what will be needed to realise the associated benefits.

Delivering the Change

- 7.1 The Council will deliver the change described in this mandate through a number of transformational initiatives as follows:
 - Customer Management function – evidence from the design work has revealed a significant opportunity to more effectively manage how customers interact with the Council. Where possible, less complex transactions will be shifted to a more customer focussed environment (virtual or physical) and furthermore, efforts should be made to reduce ‘avoidable contact’ where possible by means of improved web technology for instance. This initiative should also focus on developing customer self service options.
 - Back Office Services - involving a transition of staff and workload from service areas into cross-Council functions for high volume transaction processes such as HR including absence and payroll, Training Administration, Business Support and Purchase Invoice Processing. A further focus will also be centred on generating income from a corporate perspective managed by an Accounts Receivables Team.
 - Service Reviews - Service leads will review service processes to identify and implement standard processes and technologies. In doing this they will standardise access channels and processes. Each project will be focused on the end-to-end execution of an individual service process, for example, the reporting and repair of potholes. To focus effort and test new technologies a small number of pathfinder projects will be initiated to test key new technologies and standard processes. Some of this work has already taken place within Children and Young People with the expectation that further vertical reviews will need to take place in the other front line Directorates.

- Organisational Restructuring - Projects to simplify management structures, get better value from sharing administrative resources and support the definition of Tiers 4 and below will be initiated throughout the construct phase.

To ensure consistent delivery across the Council a number of enabling capabilities will be established. For example, as the above initiatives generate requirements for new technology these will be delivered by the ICT function working with Serco. The aim is to provide a capability that can deliver benefits in the immediate service area being tested and remain robust enough to support the Council as a whole.

- 7.2 The various initiatives are captured in an overall 'one Derby, one council' Programme Plan. The Programme Plan defines the programme in six phases. This document will change over time to reflect the changing environment in which we are currently operating. The latest version of the Programme Plan is included at Appendix D for information.

Financial Case

Implementation Costs

- 8.1 The approved 2010/11 to 2012/13 budget includes £8.806m revenue implementation costs and £11.824m capital implementation costs budgets. Costs of the programme remain on-track and within the budget. Current commitments will be funded from the overall programme delivery budget approved by Cabinet on 29 September 2009.

Realisation of Savings

- 8.2 Table 1 provides an update of savings identified to date against the current one Derby one council – ODOC- savings target included in the budget. The budgeted savings target would deliver permanent annual saving of £12.71m by 2012/13.

Table 1 ODOC Savings Summary	Total in 2010/11 £000	Total in 2011/12 £000	Total in 2012/13 £000	Total over the 3 year period £000
Staffing	989	4,720	7,099	12,808
Procurement	1,200	3,936	5,611	10,747
Total Budgeted Savings Target	(2,189)	(8,656)	(12,710)	(23,555)
Less Savings achieved to date				
Gross savings from the tier 1 to 3 restructure	(1,080)	(1,223)	(1,314)	(3,617)
• Less exit costs and salary protection costs in excess of the £680k set aside from the 2009/10 revenue outturn	210	0	0	210
• Less additional cost of Interim Directors and displaced officers to date of cessation of employment	310	99	0	409
• Less reinvestment 4 th tier	590	643	643	1,876
Less net cost 2009/10 to be funded from the ODOC redundancy budget	(30)			(30)
Net saving from the restructure	0	(481)	(671)	(1,152)
Balance of saving to deliver from ODOC	(2,189)	(8,175)	(12,039)	(22,403)

Table notes

1. For each year, the figures shown represent the cumulative savings in the base from the budget reduction in the previous years together with new savings for that year.
2. The above position is a worst case assumption pending the outcome in relation to a number of displaced Heads of Service and implementation of approved tier 4 and below growth bids.

8.3 In relation to the immediate savings target in 2010/11, this shows £1.080m gross savings identified to date from the 1st, 2nd and 3rd tier restructure, which is to be applied in 2010/11 to fund the costs associated with the implementation of the revised structure. The permanent saving from the restructure from 2012/13 is £671k. The Programme Plan will therefore need to identify the early projects, including procurement, to deliver the £2.189m savings target for 2010/11. The deletion of existing budgeted posts as part of the Vacancy Control Process approved by Council Cabinet on 6 July 2010, as explained at paragraph 8.5, will contribute to the delivery of the 2010/11 savings target.

- 8.4 The net savings from the 1st, 2nd and 3rd tier restructure taken to contribute to the ODOC savings target will be realised by the removal of the employee budgets from department's budgets. The saving to be taken is after funding the one-off exit costs totalling £680k in relation to redundancy and early retirements already agreed from the 2009/10 outturn. The saving in 2010/11 has been applied for the setting aside up-front a sum to cover the cost of 3 years salary protection, additional one-off costs of the Interim Director posts and salary costs of displaced officers up to the cessation of employment, and exit costs not covered from the £680k 2009/10 outturn. It has also been reduced by funding the Chief Officer Group approved re-investment in tier 4 and below.
- 8.5 To ensure that all opportunities for the delivery of savings and the minimisation of the need to incur staff exit costs during the transformation programme are taken, extra rigour is needed in relation to employee budgets and staff structure changes. This will be delivered through the Vacancy Control Process approved by Cabinet on 6 July 2010. This will result in the deletion of certain vacant posts and the removal of the budget to realise a 'one Derby, one council' saving, although at this stage an estimate of the saving cannot be quantified.
- 8.6 An overall Savings Realisation Policy is being developed through the Improvement and Efficiency Board, which will encompass these proposals. To ensure that 'one Derby, one council' savings are realised at the earliest opportunity a core principle of the policy will be to remove budgets from Department budgets at the time the savings targets are set for individual projects when individual business cases are approved. The project outcomes will then be monitored and measured against this. The achievement of savings against the target will be monitored and reported through the Council's normal performance and financial monitoring framework.
- 8.7 The timing profile and allocation for delivery from service areas and cross-cutting functions will be updated to reflect the overall Programme Plan and as detailed work streams are constructed and business cases developed. This is on the basis of the total budgeted savings targets of £23.5m over the three year period to deliver an annual budget saving of £12.71m by 2012/13. Individual savings targets will then be set for approved projects and allocated to the relevant service areas.

9 Design Mandate

- 9.1 Appendix E shows a comparison of the savings targets built into the 2010/11 to 2012/13 revenue budget compared to the savings figures modelled through the Design Mandate to 2013/14.
- 9.2 In anticipation of the expected cuts in Government funding later this year, the Design Mandate figure has been adjusted to reflect the revised savings requirement outlined in the Revenue Budget Strategy.
- 9.3 Appendix F details the 2010/11 to 2013/14 budgeted revenue and capital implementation costs against the costs included in the Design Mandate. The Design Mandate identifies further revenue costs totalling £2,296k relating to additional costs for project management, consultancy and IT implementation, and £997k falls into 2013/14 due to re-profiling of a final release to 2013/14.

- 9.4 It is proposed that at this stage total implementation costs will be maintained at the £8.8m budgeted level, although re-profiling between years may be required on finalisation of the Programme Plan and as detailed work streams are constructed and business cases developed. Subject to Council Cabinet approval to the changes to individual years capital and revenue budgets, re-profiling of costs is achievable as they are to be funded from capital receipts and revenue reserves already set aside.
- 9.5 There are no further funds available to the 'one Derby, one council' programme, particularly in light of the central government funding reductions. It is imperative, therefore, that business cases which would give rise to additional costs above the £8.8m are not approved except on a self-financing basis from the delivery of further savings the project would deliver over and above the budgeted 'one Derby, one council' savings target. Any additions to the 'one Derby, one council' budgets will require Council Cabinet approval.
- 9.6 The provision for redundancy is £2.035m lower in the Design Mandate, although this does not include potential pension shortfall that may be incurred from staff over the age of 55. This will have to be identified on a case by case basis due to the complexity of the calculation provided for Derbyshire County Council. It is proposed at this stage to maintain the £3.252m budget for staff exit costs.

10. Revenue Budget Strategy 2011/12 – 2014/15

- 10.1 Since the Coalition Government's 'emergency' budget on 22 June 2010 our revenue budget strategy has identified an estimated savings target of £28m over the four year period 2011/12 – 2014/15.
- 10.2 To address part of the budget gap over the next three years, it is proposed that the staff savings target numbers are increased from 465 to 750. These savings will be achieved through a thorough reassessment of each element of the transformation process. This will ensure that whilst our resource base is being transformed to drive out efficiency, elements of service change will be considered at the same time. The early estimate is that approximately £12m of further savings could be met from this approach, over and above the current budget savings target.

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Background papers:	None		
List of appendices:	Appendix A – Implications Appendix B – Target Operating Model Appendix C – Percentage Effort in Frontline Service Deliver Appendix D – 'one Derby, one council' Programme Plan Appendix E – Design Mandate Savings Summary Appendix F – Design Mandate Cost Summary		

IMPLICATIONS

Financial

- 1.1 The financial implications of the programme are outlined within the report.

Legal

- 2.1 None directly arising from the report.

Personnel

- 3.1 Implementation of the 'one Derby, one council' programme will have significant implications for the medium to long-term staffing levels of the Council.
- 3.2 Employees are being engaged in the programme through participation in workshops, as Change Champions and through the Reach-In Panel.
- 3.3 The Trade Unions are being fully consulted on the proposals and a Trade Union representative is a member of the Transformation Team.
- 3.4 Implementation of the Target Operating Model does not envisage the need for any compulsory redundancies. Should any become necessary these will be dealt with in accordance with the procedures and timescales required under Section 188 of the Trade Union and Labour Relations (Consolidation) Act 1992.

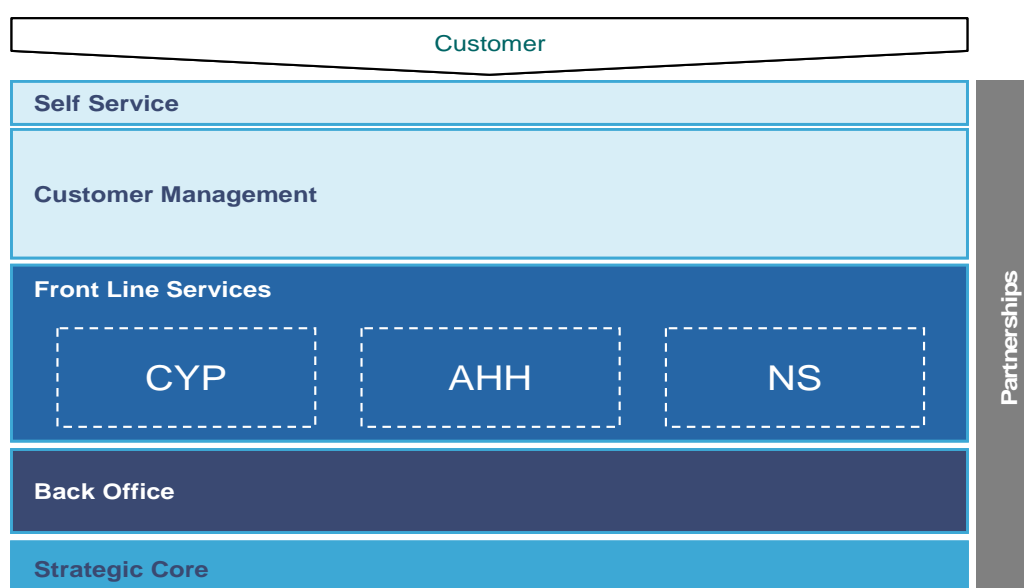
Equalities impact

- 4.1 None directly arising from the report.

Corporate objectives and priorities for change

- 5.1 The 'one Derby, one council' programme contributes to the Council's priority of Council Organisational Development.

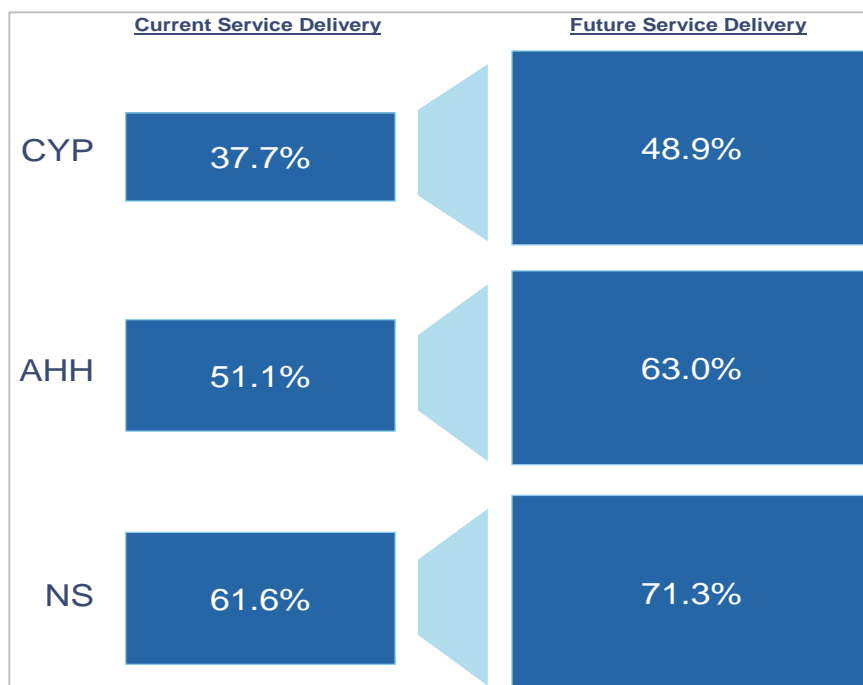
Target Operating Model (TOM)



The Target Operating Model is designed to deliver better value by focusing the role of each element more clearly as follows:

- **Customer Management** – Where the citizen requests services, books appointments, pays bills, makes complaints and gets information. Each interaction delivered through a choice of channel that offers the best value to both the citizen/customer and the Council. The citizen/customer receives a standard and consistent response which is unerringly accurate, comprehensive and informed. Furthermore, citizens/customers are more effectively handed off to service professionals to resolve complex queries and assessments when directed from the first point of access. This function is responsible for providing the council-wide filter / triage to ensure appropriate interactions are managed by the right people.
- **Front Line Service Delivery** – Delivering services to citizens/customers as requested or as required by statute or political priority. A single, undiluted focus on service performance through tailoring services to deliver the best outcomes for the best value:
- **Back Office** – The resources and elements of delivery that are common across service areas (e.g. Procurement) where delivery should now be a cost effective, high volume support service for standard transaction processing to all Council staff - for example, paying bills. Very often, this layer will be predominantly focused upon those services delivered through the Resources Directorate.
- **Strategic Core** – Corporate leadership and governance delivered through the Chief Officer Group and including support to members, scrutiny and business strategy and planning, policy development, performance, and marketing and communications. Moreover, key strategic services often being delivered from the Chief Executive's Office.
- **Partnerships** – recognising that partnerships, although embedded within core services, retain a separate identity for consistent, Council wide relationship management.

Current and Future Percentage of Effort in the Frontline dedicated to Service Delivery



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Appendix E

Savings Budget details	6 Month Total 2010/11		Total 2011/12		Total 2012/13		Total 2013/14		Total over the 4 year period		
	Budget	Design Mandate	Budget	Design Mandate	Budget	Design Mandate	Budget	Design Mandate	Budget	Design Mandate	Variance Increase / (Decrease)
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
REVENUE SAVINGS											
Staffing	989	1042	4,720	11,103	7,099	18,663	7,099	20,784	19,907	51,592	31,685
Procurement	1,200	825	3,936	4,018	5,611	7,968	5,611	9,550	16,358	22,361	6,003
Totals Savings	2,189	1,867	8,656	15,121	12,710	26,631	12,710	30,334	36,265	73,953	37,688

Notes

1. For each year, the total savings represents the cumulative savings in the base made from the budget reduction in the previous years together with new savings in that year.

Design Mandate Cost Summary

Appendix F

Implementation Budget details	2010/11		2011/12		2012/13		2013/14		Total		
	Budget	Design Mandate	Budget	Design Mandate	Budget	Design Mandate	Budget	Design Mandate	Budget	Design Mandate	Variance Increase / (Decrease)
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
REVENUE											
Programme Delivery											
Transformation team	790	878	664	1,820	478	1,305		510	1,932	4,513	2,581
Other non staffing implementation costs	1,498	1,594	1,213	2,252	628	1,077		419	3,339	5,342	2,003
Carryforward in reserve from 2009/10	253								253		(253)
Total Programme Delivery Costs	2,541	2,472	1,877	4,072	1,106	2,382		929	5,524	9,855	4,331
Redundancy/Early Retirement Provision	665	131	1,323	727	1,294	364		68	3,282	1,290	(1,992)
TOTAL REVENUE	3,206	2,603	3,200	4,799	2,400	2,746		997	8,806	11,145	2,339
CAPITAL	4,277	5,280	5,199	5,009	2,348	2,664	0	963	11,824	13,916	2,092