



Derby City Council's Transformational Change Programme - Delivering Efficiencies in Corporate And Transactional Services – Final Consultants' Report

SUMMARY

- 1.1 This report brings together the work of the Delivering Efficiencies in Corporate And Transactional Services – DECATS - project over the last 20 weeks and provides details of the findings of the Diagnostic and the potential savings that can be delivered by fully implementing the findings and recommendations.
- 1.2 The report recommends that the Council should proceed to the next stage of the DECATS transformation programme which is the 'Design' Stage.
- 1.3 The estimated deliverable savings from DECATS over the next three years will go some way towards meeting the forecasted funding gap included in our 3 Year Budget Strategy 2010/11 to 2012/13 that was approved by Council on 9 September 2009.
- 1.4 The estimated deliverable savings from DECATS from 2013/14 onwards, over and above any budget funding gap at this time, could be used to fund the Council's corporate plan priorities or reduce council tax increases.
- 1.5 DECATS is only part of a bigger transformation change programme being led by the Chief Executive that will become the sole focus for change, improvement and efficiency across the Council.
- 1.6 Our transformation change programme will have 12 themes including:
 - Improving the customer experience
 - Improving our performance
 - Providing value for money
 - Connecting with our communities
 - Developing our employees
 - Delivering fairness in equalities
 - 'Derby Workstyle' – formerly branded as 'New Ways of Working'
 - Organisational structures
 - Communication
 - Partnerships
 - Environment management
 - Health and Safety

A diagram of how the proposed themes will fit into the transformation change programme is shown at Appendix 2 together with some further narrative on each of them.

A matrix table of how the themes will be influenced by the DECATS business cases is shown at Appendix 3 for information.

RECOMMENDATIONS

- 2.1 To note the overall findings from the DECATS review.
- 2.2 Consider any comments made by Scrutiny Management Commission at its meeting on 28 September 2009.
- 2.3 Agree to the proposed reduction in full time equivalent employees of 465 over the three year period 2010/11 – 2012/13.
- 2.4 Agree that work should start as soon as possible to procure a framework partner to support the Council in delivering the programme.
- 2.5 Agree that £446,000 should be allocated from the Transformation Reserve in 2009/10 to enable the recruitment process for the new posts and the project to start as soon as possible.
- 2.6 Note that a further report will be brought to 27 October 2009 Cabinet, following more detailed analysis of the financial implications and funding options within the Council's budgets, for Cabinet to be able to recommend the total implementation costs and funding sources to Full Council on 18 November 2009.

SUPPORTING INFORMATION

3. Background

- 3.1 Local Partnerships (formerly 4ps) and PricewaterhouseCoopers (PwC) were commissioned by DCLG to undertake a pilot of the DECATS programme in a number of local authorities in England.
- 3.2 In April 2009, the Transforming Derby Strategic Board agreed that Derby should participate in the programme on the basis that the cost of the programme would be funded by Government Office in the East Midlands Regional Improvement and Efficiency Programme.
- 3.3 The DECATS project started on 22 April 2009 and was completed within the 20 week timescales agreed by the Board.
- 3.4 The Project was completed in three stages...
 - Stage 1 – Data Collection (97 Heads of Service – 4800 FTE)
 - Stage 2 – Identifying Opportunities (19 workshops)
 - Stage 3 – Developing the Case for Change
- 3.5 The Final Report has been published by the Consultants and is available on the Council Meeting Information System – CMIS at <http://cmis.derby.gov.uk/CMISWebPublic/Binary.ashx?Document=14256>

Key Findings

3.6 Key findings from the project are as follows...

- 90% of the Council's resources are based within services.
- Over 25% of Council resources are performing customer contact, back office or strategic processes yet are based in services.
- Evidence from DECATS suggests that many of these processes are not performed in a standard way and there are ambitions to improve these processes across the Council.
- 2300 FTEs perform frontline service delivery. This equates to 48% of our workforce. This percentage is close to the average from the other councils that have undertaken DECATS projects.
- There is clear evidence of significant duplication in processes across the Council.

3.7 From the data collected and analysed as well as through the 19 workshops, it became clear that there is a significant opportunity to review and realign the way processes are delivered. Based on leading practice and the experience from authorities in the implementation stage of DECATS, potential benefits and service improvements for Derby are as follows...

- Steady state base budget savings of over £21 million per annum from 2014/15.
- Cumulative net savings of over £54 million for the five year period 2010/11 to 2014/2015. The savings that we forecast will be delivered in the period 2010/11 to 2012/13 will contribute towards meeting the budget gap identified in our 2010/11 to 2012/13 Budget Strategy that was approved by Council on 9 September 2009.
- DECATS is only part of a bigger transformation change programme being led by the Chief Executive that will include a review of the organisational staffing structures across the Council. This review will generate further efficiencies and financial savings that will contribute to our budget gap, with a target implementation date of 1 April 2010.

To achieve these savings, the Council will need to...

- Invest up to £19 million over the five year period that includes £11m in ICT and £5.5m in consultancy, project management and additional temporary staff costs.
- Set aside £3 million into a Transformation Fund as a contingency to finance future phases of the transformation programme.
- Reduce the number of FTEs across the Council by 465 over the next three years from 2010/11.

Note 1: Based on evidence from other Councils, our Consultants' Report has suggested that up to £10.5 million should be set aside as a contingency to fund potential redundancy costs. However, based on our internal analysis of forecasted staff reductions through natural process such as staff leaving the Council and retirements over the next three years shows that many of the 465 FTE reductions can be achieved through this way. A recruitment control system will also be used to manage the process. As a result, the Consultants' report £10.5 million figure has not been included within our cost estimates although a Transformation Fund of £3 million will be established primarily to support Phase 2 of the programme, but to also

fund any unavoidable redundancies in the unlikely event that these occur in this stage of the programme.

Note 2: The £11m investment in new ICT systems and applications required to deliver the efficiencies in the programme includes the cost of prudential borrowing.

Note 3: The detailed calculations behind the savings and implementation costs, profiling across financial years and funding options are currently being analysed and reviewed further within the Council's Accountancy Office. A report will be taken to Cabinet on 27 October 2009 to be able to recommend the total implementation costs and funding sources to the 18 November 2009 Full Council.

- 3.8 The proposed reduction in FTEs, while significant, has been planned to enable this to be managed in a sensitive and inclusive way that will include consultation with our employees and trade unions. It is very important to realise that no redundancies are envisaged, but if there are any, these will be kept to an absolute minimum during the implementation period. It is planned that reductions in FTE numbers will be less than fifty during 2010/11 and will increase steadily during 2011/12 and 2012/13 enabling the change programme to be effectively and sensitively managed.
- 3.9 An Outline Business Case on Increased Income Generation has been developed as part of the project but has been excluded from the overall cost / benefit summary at this stage. The DECATS findings has suggested we could potentially achieve an additional £2.4m steady state savings from 2013/14, if we were to adopt this business case.

The Case for Change

3.10 The Case for Change is based around 14 themes. These are...

- Customer Management
- Information Management
- Strategy, Research and Performance
- General Administration
- Procurement
- Financial Management
- Property and Assets
- Marketing and Communications
- ICT
- HR
- Workforce Deployment
- Developing Capability
- Managing Change.
- Increased Income Generation

Outline Business Cases have been developed for each of these themes. These are included in the full report. All of the Business Cases are dependent on at least one other Business Case to be successfully delivered. The interdependencies between each of the themes are also outlined within the main report.

- 3.11 As part of the project, a Future Operating Model for the organisation has been developed which reflects the shift in resources required for each process within the Council.
- 3.12 Successful delivery of a transformation programme of this scale and the ability to fully realise the identified benefits will require up-front investment by the Council in terms of resources both internal and external. It is proposed that work should start immediately on procuring a framework agreement with an appropriate partner to support the Council's internal resource, as well as to start the recruitment process for the Head of Transformation.
- 3.13 The next stage of the project will be to move to the Design Stage. This will involve creating the "Target Operating Model" and plan, for the new look organisation (e.g. new organisational structures, processes, locations, skills, ICT whilst also implementing any "quick win" initiatives.
- 3.14 To maintain the momentum of the project and enable the Design Stage to start in January 2010, an estimated £446k of investment will be required in 2009/10 which could be funded from the Transformational Change Reserve. Should approval be given, the balance on the Transformational Change Reserve would reduce to £1.148m. This up front investment will enable detailed work to be carried out which will establish the overall transformation programme and enable some of the Business Cases to move to implementation. This is important particularly with Business Cases such as Procurement which have significant early savings targets identified. Any delays in realising these benefits could have an adverse impact on the overall funding of the programme.

Communication and Involvement of our Employees Going Forward

- 3.15 Effective communication with our employees and trade unions during such a major change programme is recognised as being essential. On this basis, three employee presentations/workshops have been arranged during October and all of our workforce has been invited to attend.
- 3.16 A Communications Strategy will be developed to ensure over the 3 year programme that a number of communication methods are put in place so that all of our workforce are informed, become involved should they wish to and kept up to date with the changes so that the programme is successfully implemented within the timescales.
- 3.17 The initial presentation/workshops for our employees will be led by Adam Wilkinson, our Chief Executive, where he will communicate first hand to our employees the implications of the DECATS programme and how it will affect them.
- 3.18 Adam will also use the opportunity to invite up to 150 volunteers across the Council to get actively involved in the programme so that they can influence the outcomes and future shape of what the Council's new organisational structure will look like in three years time.

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Background papers: Appendix 1 – Implications

List of appendices: Appendix 2 – Transformation Programme – Proposed Themes

Appendix 3 – Transformation Programme – Links to DECATS Themes

IMPLICATIONS

Financial

- 1.1 Some of the headline financial implications of the DECATS project are outlined within the report.
- 1.2 A further report will be brought to 27 October 2009 Cabinet, following more detailed analysis of the financial implications and funding options from within the Council's budgets for Cabinet to be able to recommend the total implementation costs and funding sources to Full Council on 18 November 2009.

Legal

2. None directly arising from the report.

Personnel

- 3.1 The DECATS project and the recommendations within the report have significant implications for the medium to long-term staffing levels of the Council. These are outlined within the Cabinet report as well as the Consultants' Report.
- 3.2 Employees will be invited to participate in working groups which will help to design the new ways of delivering services and the development of best practice to improve both the efficiency quality and value for money of the council's services. This process will begin with a series of employee workshops to be held in October.
- 3.3 The trade unions will be fully consulted on the proposals as they develop before and during the implementation period. Trade union representatives have already been briefed on the outcome of the Consultants' Report and its implications. A special meeting of the Corporate Joint Committee has been convened for further detailed discussion with the trade unions.
- 3.4 The proposals do 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

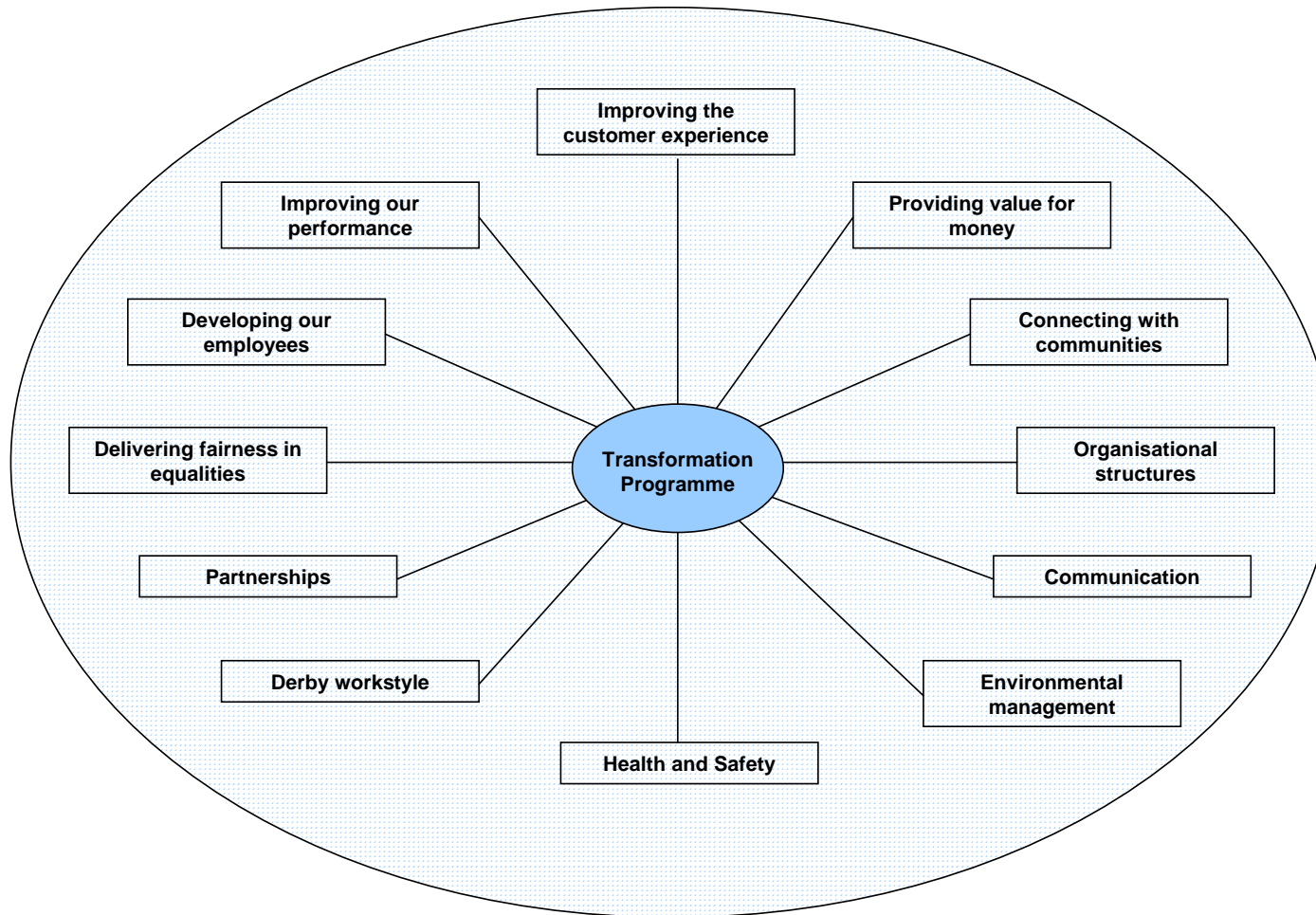
4. None directly arising from the report.

Corporate priorities

5. Delivery of the DECATS project contributes to the Council's priority of Delivering Excellent Services and Value for Money.

Transformation Programme – Proposed Themes

Appendix 2



More information on programme themes:

1. Improving the Customer Experience needs to continue as a significant piece of work and this includes better understanding the needs of our customers, using customer information to shape the way we deliver our services and developing Derby Direct to deal with more customer enquiries. ICT will be a key element of this theme.

2. While we have made good progress in developing a culture of performance across the organisation, more needs to be done particularly in areas where performance has shown little evidence of improvement. This was previously a theme within the Building on Excellence programme and it is proposed that it should be included within the transformation programme to give it renewed focus.
3. We need to put more resources and focus into demonstrating and providing Value for Money. This is covered in the terms of reference for the newly created Improvement and Efficiency Board.
4. Connecting with Communities ties in both with our place shaping role as well as the need to address some of the issues identified by the Place Survey results. This work stream will include the neighbourhood agenda as well as the role of the corporate consultation team. There are also obvious links to Improving the Customer Experience element of the programme.
5. Developing our employees in general and our managers in particular to deliver the transformation and cultural change required across the Council is something that we have never really got to grips with. It is proposed that this should be a work stream within the programme which can be monitored by the Board. Learning and Development as well as Investors in People (IIP) will be key elements of this theme.
6. A new theme of delivering fairness in equalities is included to reflect Leadership's agreement to include this element of work within the transformation programme.
7. Derby workstyle (formerly New Ways of Working) will continue to be a significant element of the programme for the next few years and is much wider than just the provision of new buildings. The project will deliver a significant proportion of the transformation efficiency savings in 2010/11 through initiatives such as business process re-engineering, document storage, printer rationalisation and so on.
8. To create an organisation that can deliver services in the most efficient way, it is proposed that a review of organisational structures is included as part of the programme. Succession planning will be a key element of this theme.
9. Communication was previously a theme within the Building on Excellence programme. The recent publication of the Place Survey results confirms that we need to give more prominence to this area of work.
10. Partnership working has been a strength in Derby for many years. With the introduction of the Comprehensive Area Assessment, we need to take the opportunity to review the effectiveness of our major partnerships and to ensure that we are receiving value for money from the arrangements that we have in place.

11. Managing our resources in ways that have a minimal impact on the environment is the responsibility for everyone within the organisation. The inclusion of this as a theme within the transformation programme will ensure that it is embedded within the way we work.
12. Ensuring the health and safety of all our employees as well as our customers is the responsibility of everyone in the organisation. This theme has been included to ensure that health and safety considerations are made as part of any changes being proposed across the Council.

Transformation Programme – Links to DECATS Themes

DECATS influence on Transformation Themes

Shaded boxes show a relationship between the transformation theme and the DECATS opportunity

| DECATS Opportunities | | | | | | | | | | | | | | | |
|-----------------------|-----------------------------------|---------------------|------------------------|-------------|-------------------|----------------------|---------------------|-----|----------------------------------|---------------|-----------------------|----------------------|-----------------|----|---------------------|
| Transformation Themes | | Customer Management | Information Management | Procurement | Marketing & Comms | Financial Management | Revenue Enhancement | ICT | Strategy, Research & Performance | General Admin | Developing Capability | Workforce Deployment | Managing Change | HR | Assets & Facilities |
| | Organisation Structure | x | | x | x | x | | x | x | x | x | x | x | x | x |
| | Improving the Customer Experience | x | x | | x | | | x | x | x | x | | | | |
| | Providing Value or Money | x | x | x | x | x | x | | x | x | | x | | x | x |
| | Connecting with Communities | x | x | | x | | | | x | | | x | | | x |
| | Health & Safety | | | x | | | | | | | x | x | x | x | x |
| | Environmental Management | | | | x | | | | | x | | x | | | x |
| | Partnerships | x | | x | | | | | | | | | | | |
| | Communication | x | x | | x | | | x | | | | | | | |
| | Derby Workstyle | x | | | x | | | x | | x | | x | | | x |
| | Delivering Fairness in Equalities | x | | x | | | | | | x | x | x | | x | |
| | Developing our Employees | | | | | | | | | | x | | x | x | |
| | Improving our Performance | x | x | x | x | x | | x | x | x | x | x | x | x | x |