

Body: Cabinet

Date: 10th July 2013

Subject: Sustainable Service Delivery Strategy Programme – Implementation of the Future Model Phase 2

Report of: Deputy Chief Executive

Ward(s) All

Purpose

- Review the implementation of Phase 1 of the Future Model
- Approve the Business Case and implementation of Phase 2 of the Future Model

Decision Type: Key Decision

Recommendation: It is recommended that Cabinet:

- (1) Note the success of Phase 1 Future Model programme
- (2) Approve the Business Case and outline Implementation Plan for Phase 2 of the Future Model
- (3) Acknowledge the customer and economic value of aligning the activities of Eastbourne Borough Council (EBC) and Eastbourne Homes Limited (EHL) and approve the commencement of discussions to facilitate this outcome, while retaining EHL as a viable Arms Length Management Organisation (ALMO)
- (4) Approve the programme resources and budgets outlined in this report.
- (5) Approve the procurement approach outlined in this report, including the exceptions to contract procedure rules.
- (6) Delegate authority to the Deputy Chief Executive in consultation with the DRIVE Programme Board to run the programme within the allocated resources, reporting to Cabinet quarterly on progress, or for exceptions.
- (7) Delegate authority to the Chief Finance Officer to determine to appropriate allocation of costs against revenue and capital funds.

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1.0 Background/Introduction

1.1 Cabinet approved the Sustainable Service Delivery Strategy (SSDS) in 2010 as a response to the continuing economic pressures facing the Council. The purpose of the Strategy is to examine a range of potential methods for improving the cost effectiveness of our services. Five alternative approaches were identified in the Strategy, four of which are predicated on finding a partner organisation.

1.2 In July 2011 it was reported to Cabinet that the work undertaken to date indicated that, in the absence of a partner organisation, the most viable of these approaches is Option 5: Continued direct service provision by EBC. This will involve the implementation of the next phase of the DRIVE transformation programme through the adoption of the Future Operating Model for Eastbourne Borough Council. The benefits of this approach were estimated at £1.5 – 1.6m across the whole organisation.

1.3 In December 2011 Cabinet received a report on the development of a business case for the implementation of the Future Operating Model in Development and Environment and Infrastructure.

This report explained the key concepts and philosophies of the Future Operating Model, along with a high level assessment of the anticipated costs and benefits of adopting the model and implementing the first phase of the change.

Cabinet endorsed the principles of the Future Operating Model of service delivery and approved the finalisation of a full business case for the adoption and implementation of the Future Model across Development and Environment and Infrastructure under Option 5 of the Councils Strategic Service Delivery Strategy (SSDS).

1.4 In April 2012 Cabinet approved the Business Case and Implementation Plan for Phase 1 of the programme. This business case identified benefits of £538k against costs of £1.25, and a payback period of a little over 2 years.

2.0 Lessons Learned from Phase 1

2.1 Phase 1 has now largely been successfully delivered.

The programme has over performed in terms of delivering benefits (c£560k against £538k) and is within its cost envelope. It has also been hailed as a success with the new Customer First structure proving to be an effective and popular innovation.

2.2 Notwithstanding the success of Phase 1, there have been a number of key learning points which we need to take into account in the planning and delivery of Phase 2:

- Feedback from staff and Unison has been that they would like to see the overall programme completed sooner than originally planned
- The development of customer journeys and organisational structures has showed that it is not always easy to treat different professional

- areas separately
- With more of the technology developed and available to the programme than was the case in Phase 1, it is possible and desirable to bring the technology and process workstreams closer together than was the case during Phase 1

2.3 Taking these lessons into account, the scope for Phase 2 has been enlarged. As a result, rather than deliver the Future Model over three roughly equal phases it is now proposed that Phase 2 will be significantly larger, and be delivered over a longer period, than Phase 1.

The processes and/or teams that are considered to be in scope of the Business Case for Phase 2 are:

- CMT/ Senior management
- Housing
- Revenues
- Benefits
- Fraud
- Strategic performance
- Democratic/ Civic services
- Electoral services and local land charges
- Community development, involvement and crime reduction
- Tourism development marketing
- Sports and leisure
- Finance – payments and income
- Finance – procurement
- Digital mail room
- Customer contact activity currently carried out by Capita for revenues and benefits
- Asset Management

2.4 The effect of this enlargement is that all material parts of the organisation that interact directly with residents, visitors and customers will have been moved into the Future Model by the end of Phase 2.

The only notable exception to this are services where either there are other change related plans already in place (e.g. Devonshire Park) or where we may wish to make alternative plans within the Future Model architecture.

3.0 The Relationship with Eastbourne Homes (EHL)

3.1 In order to align with and inform other work currently underway with regard to the future of EHL, the analysis work undertaken to inform the Business Case for Phase 2 included EHL activity.

3.2 The purpose of this was to understand the answer to three key questions:

- Is it possible to deliver customer service benefits by placing all of the current customer journeys (across both EBC and EHL) in one service delivery organisation?
- If it is, what are the economic benefits that might be possible?

- Bearing the above in mind, in which organisation are those benefits optimised?

3.3 The outcome of this analysis has shown that:

- The degree of cross over between EBC and EHL customer bases is very high around high-need, high-vulnerability groups. This is particularly the case bearing in mind changes within the landscape such as Welfare Reform
- By bringing together the customer journeys for these groups it is possible to significantly improve the timeliness and quality of the outcomes
- The analysis also shows that while it is possible to align the customer service offerings and retain separate organisations, there is a greater cost and a significant reduction in overall savings when compared to the integration of the organisations
- Based on the level of investment and improvement made over the last 4 years, the most customer and economic benefits can be generated by the alignment of EHL activity with EBC

More detail in this regard can be found in Table 1, 4.3 below. It is however, important to note that the savings generated by integrating activity accrue to both the General Fund and the Housing Revenue Account. The latter means that there may be additional funding available to EHL tenant services under the proposed model.

4.0 The Business case for Phase 2

4.1 Efficiency Savings

The detailed analysis for Phase 2 has now been established as £1.5m.

This figure can be split into staff related savings of £1.2m with a further £0.3m in property and ICT related savings. Further details of the breakdown of these efficiencies can be found in the **Appendix 1**.

4.2 Implementation Costs

In order to deliver the efficiencies identified above, there is a need to continue our investment in both technology and support. The total budget proposed for Phase 2 implementation is £2.89m. This cost is also broken down in detail in **Appendix 1**.

With regard to technology, the costs relate to the hardware and software components that will be required in order to support and deliver the new teams and processes with their new ways of working. This investment is building on the infrastructure that has been put in place by the previous phases of the DRIVE programme.

The support costs are the specialist consultancy resources that will be required from both a technology and business change perspective. The scale and complexity of the change being proposed can not be under estimated and as such this level of specialist support is essential. The success of Phase 1 has only been possible through the involvement of our

key technology and consultancy partners. This level of resource and expertise is not available to EBC as a direct employer, nor is it cost effective to have within our base budgets.

It is also proposed to include a contingency/miscellaneous budget within the programme for items such as uniforms and unforeseen developments. This will take the total budget for Phase 2 to £2.99m.

4.3 However, the breakdown of the information outlined in 3.3, 4.1 and 4.2 can be shown as:

	Independent approach			Integrated approach
	Eastbourne Council	Eastbourne Homes	Total	Eastbourne Council/Eastbourne Homes
Implementation costs	£2,505,400	£650,000	£3,155,400	£2,897,311
Annual savings	£741,043	£202,607	£943,650	£1,497,491
Return on investment	3.4	3.2	3.3	1.9
Key customer benefits			Single view of the customer across some council services but not housing Increased resilience across EBC services but not housing	Single view of the customer across all services so as to allow a more streamlined & integrated response to customer issues including single point of contact Increased resilience across services including housing A larger, integrated Neighbourhood First team highly visible in the community

4.4 Return on Investment

A summary table showing the net present value of the project using the Treasury's Green Book principles is shown at **Appendix 2**. In cash flow terms the project pays back in less than two years. This is a slight improvement of the financial performance of Phase 1 despite the significant enlargement in scope.

The programme will be largely financed via the capital programme, with non capital items being funded from revenue. The Revenue financing will come from the strategic change fund, and the Housing Revenue Account, apportioned based on activity.

The medium term financial strategy allows for schemes returning a saving in excess of the cost of capital to be included in the capital programme based on a business case.

The Net Present Value of the scheme over 5 years shows a return on investment of £2.2m over 5 years.

4.5 Impact on Staffing Levels

Previous papers to Cabinet have outlined the expected impact on staffing levels of the Future Model. The initial High Level Business Case showed an anticipated c20% reduction in overall staffing levels. The detailed Business Case for Phase 1 showed an actual reduction of c21%.

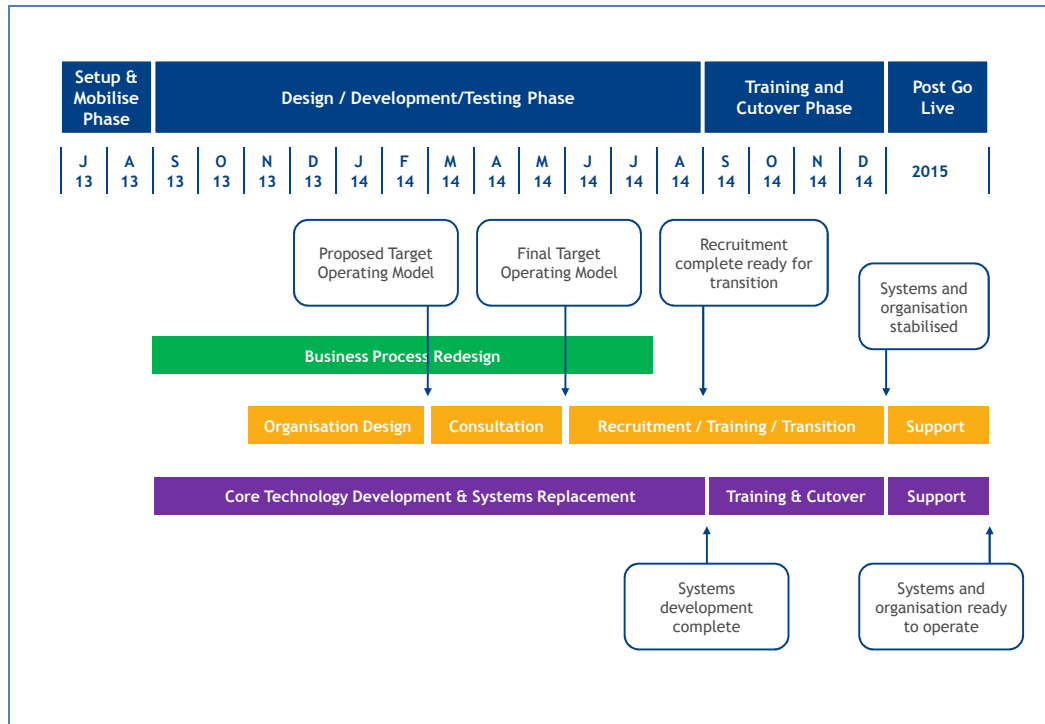
The Detailed Business Case for Phase 2 is consistent with the above,

showing an anticipated reduction in overall FTE of c19%.

5.0 Implementation

5.1 Implementation of Phase 2 is expected to be over a minimum of 18 months in order to take account of the enlarged scale.

5.2 A high level view of the implementation plan follows:



5.3 The programme will have the same basic structure and component workstreams as Phase 1. It is therefore not proposed to outline the programme in detail.

5.4 Key high level risks of the programme are the same as for Phase 1. Specifically, these are that:

1. The ability to successfully redesign processes and enable multi-skilling is impacted by the complexity inherent in implementing such an innovative programme.
2. Service delivery may be negatively impacted during implementation due to internal resources being redirected to programme delivery and during the transition from the old to the new operational model.
3. Programme delivery may be impacted by other major corporate projects calling on the same internal resources.

5.5 In order to mitigate these risks as well as the increased scale of Phase 2, the programme plan shows a higher level of effort put into change management activities, as well as allowing for some temporary backfilling of roles where internal resources have been diverted to the programme.

6.0 Governance

6.1 It is proposed to continue with the same Governance arrangements as for Phase 1.

Notwithstanding it is necessary to include those Senior Officers whose services are in scope for Phase 2.

No other changes to the Governance arrangements are proposed.

6.2 Procurement

As noted above, the selection of key strategic delivery partners has been a crucial feature of our success on other programmes. A large proportion of the programme costs consist of new technologies to support multi-skilled staff, both in and outside the office, along with the services to implement these tools.

The implementation services include business process re-engineering support to define how the technology needs to be configured to support the new processes. Other services include programme management, change management and organisational design, to ensure the right structures are put in place to support the new processes.

The inextricable links between Phases 1 and 2 of the Future Model, as well as the clear synergies with the core enabling technologies introduced earlier in DRIVE have already been explored in this report.

Due to the wide penetration and close integration of Civica systems, we will be looking to continue our relationship with Civica as our key delivery partner. The council's legal and procurement advisors have been consulted on the appropriate procurement routes to formalise this arrangement, and we intend to access these services via the Government Procurement Service's CITHS and/or LGSAS frameworks.

There are certain elements of technology delivery that fall outside the Civica suite of products, to enable other key systems, e.g. the council's website and the housing system, to integrate with our core Civica technology. These are crucial components of the programme, as only through an enhanced and improved website and close integration with other systems can we deliver the increased levels of customer self service that form part of the efficiency targets for the programme.

We therefore seek an exception to the contract procedure rules to work with our existing software suppliers on these elements of the programme, none of which will exceed EU thresholds.

The key existing software suppliers to whom this exception would apply are:

- EIBS Ltd
- Halarose Ltd
- Northgate Information Solutions Ltd
- Orchard Information Systems Ltd

- Sector [UK] Ltd

Any other suppliers affected by this exception will be reported to Cabinet as part of the established programme governance.

7.0 Consultation

- 7.1 There is ongoing consultation with UNISON concerning the implementation and likely impacts of the Strategy and its programmes. This consultation will become more detailed as the new organisational design is developed.
- 7.2 There is also an ongoing dialogue between the senior management and the “Managers Forum” which has representation of all service areas across the Council.

The Future Model has also been the subject of specific presentations and discussions at Staff Drop-Ins, and we will also continue the extensive consultation around proposed staff changes that were seen throughout Phase 1.

- 7.3 Extensive consultation with external stakeholders has been carried out around both the SSDS generally and Phase 1 specifically. This will continue under Phase 2.

8.0 Resource Implications

8.1 Financial

The Future Operating Model is a significant component in the Council’s over-arching change programme, DRIVE. The Council has appropriate resources to continue the delivery of this large scale, and innovative programme for change.

The costs and benefits of Phase 1 are outlined in section 4 above.

8.2 Staffing

The impact on our staff resources will be significant and can be divided into two categories.

1. Impact on service delivery and other programmes

The programme will require the formation of a core team of officers from the services/teams in scope in order to work intensively on process design. This will have an impact on service delivery in the department unless at least some of the roles are backfilled.

There will be a further need for other officers outside the core team to contribute knowledge and expertise as needed, particularly to inform script development and website content.

Finally, the creation of new processes and workflows will draw heavily on the systems support team. It may be necessary to

augment this team with further internal secondments or additional Civica resources. This has been allowed for in the programme costs.

2. The programme will inevitably cause some concern for staff in the affected departments, due to the restructuring which is an intrinsic part of implementation. There will be a continuing need for a strong focus on communication and performance management following a decision to proceed. It will be critical to ensure staff feel as informed and supported as possible during the implementation process, but also that the service levels that our residents expect are maintained.

9.0 Conclusions

- 9.1 The business case for the continued implementation of the Future Operating Model across the Council is financially sound and will make a critical contribution to the Council's Medium Term Financial Strategy targets.

The success of Phase 1 of the Future Operating Model has demonstrated that the model is capable of delivering significant customer service improvements while also reducing the cost of those services to residents.

- 9.2 To deliver the full extent of the benefits expressed in the Business Case will require the alignment of the customer service offer.
- 9.3 The impact of the programme will be significant on our staff resources, and this will need to be carefully managed and monitored.
- 9.4 The Council needs significant external support and has identified Civica (along with their partner Ignite) as its preferred delivery partner, subject to appropriate procurement processes.

Julian Osgathorpe

Deputy Chief Executive

Background Papers:

The Background Papers used in compiling this report were as follows:

1. *Future Operating Model Architecture Principles*
2. *Future Operating Model Implementation – High Level Business Case and Proposal*
3. *Cabinet Report, Sustainable Service Delivery Strategy, July 2011*
4. *Cabinet Report, Sustainable Service Delivery Strategy, December 2011*
5. *Cabinet Report, Sustainable Service Delivery Strategy, Future Model Implementation, April 2012*
6. *Future Model Technology and Service Proposal from Civica*
7. *Future Model Implementation Plan Phase 1*
8. *Future Model Business Case Phase 2*

To inspect or obtain copies of background papers please refer to the contact officer listed above.