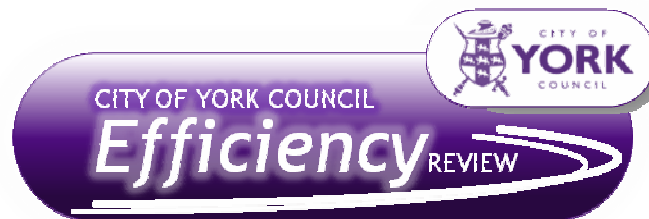


Corporate Efficiency Review for City of York Council

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Final Report



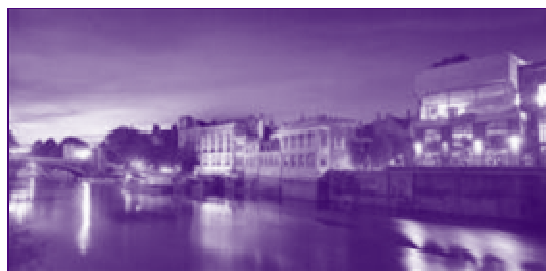
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Executive Summary

Introduction

This report, prepared by Corporate Management Team and Northgate Kendric Ash (NKA), sets out the findings from the Stage 1 review for City Of York Council ('the Council'). The purpose of the review was to identify and assess a broad range of opportunities for efficiency savings that would deliver £15m net saving within annual 3 year period.



Main Findings

NKA working with CMT has reviewed the opportunities across the Council, and concluded that the target efficiency savings are achievable.

The efficiency opportunities are described in outline detail in the report. Each one has been assessed for risk and achievability in outline but there is more to be done.

A more detailed assessment is ongoing between the Council and NKA in order to agree savings totals by project, to set priorities and to agree actions to manage risks.

Similarly, the joint working of the second stage will focus on the actions necessary to ensure the Council's readiness for the programme implementation.

In addition to managing risk considerations, NKA will work jointly with the Council to prepare a 'business case' for each of the savings options to confirm the forecast levels of gain and the expected levels of investment.

One very important outcome of the work in the second stage would be for the Council and NKA to arrive at clear joint ownerships of the tasks and targets in the Programme.

A clear requirement of this programme is to ensure the efficiency savings opportunities will not result in any dilution in service delivery and in the majority of cases service improvements will be achieved.

Other benefits are also likely to be achieved as a consequence of the efficiency changes even though they do not form any part of the Programme objectives. The main additional output from the Programme is likely to be a closer match between the Council's organisation structure and service delivery model and the citizens' needs.

The confidence about the achievability of the target savings within the required timescales is high but will require:

- There being clear leadership and commitment to the Programme across the Council coupled with a high priority for resource allocation.
- The Council ensuring it prepares its internal capacity to implement the Programme successfully.
- The Business case review of the savings options by the Council and NKA commences at the beginning of the second stage in order to arrive at a defined list of projects as soon as possible and to identify the levels of investment and other costs that would be necessary.
- Council agendas for change are reviewed as part of the Programme preparation. For example the Easy@York agenda and that of the Efficiency Programme are converged with arrangements for joint working and shared objectives. The corporate performance team will need to be closely align with the programme.

Next Steps

The Council needs to move to the second stage with NKA without delay. This is to maintain momentum and to ensure that the groundwork to deliver quick wins in year 1 and to prepare for the larger gains in years 2 and 3 to secure an efficiency saving of £15 million thereafter. Targeted savings for 2010/11 are a minimum of £3m net.

The Stage 1 review having been completed, it is in this next stage where joint working of the Council and NKA would lead them to develop precise targets and plans and to assume full shared ownership of the Programme goals.

The key steps for this to happen prior to full programme implementation are described in more detail later in the report. In summary, Stage 2 should:

- Establish the Programme Board and all related forms of governance and review all relevant change processes.
- Describe a clear and unambiguous vision for the Programme to be a constant theme for communication with staff and agree a rolling process for updates to all stakeholders.
- Commence the business plan assessments of all savings opportunities to define the savings levels and investments and to arrive at agreed priorities and levels of risk.
- Ensure that the Programme's impact is understood and agreed in relation to the Council's Single Improvement Plan (SIP).
- Review the Council's level of readiness for the Programme implementation and the monitoring of progress.
- Linked to the above, review the Council's overall change agenda. Some overlaps or duplications can be removed and change management resources combined to minimise risk and costs for the Council.

Introduction

The purpose of this report is to set out the findings from NKA's stage 1 Efficiency Review across the Council.

The work carried out jointly by the Council and NKA between January and March 2009 has focused on corporate-wide and service-specific opportunities (horizontal and vertical). It is part of the first stage of a three stage process to support the Council in identifying and delivering efficiency opportunities over the next three to four years.

The purpose of the service reviews is to identify more efficient and cost effective delivery models. In all instances, these will be obtained without any negative impact on service delivery. In many instances, it is expected that removing part of a process or changing an activity (how it is done, where it is done, or who does it) will not only reduce costs but provide an opportunity for a service to be improved.

These are not intended as stand-alone service reviews or audits and are not a comprehensive statement about the services. They are very much work in progress. Our reviews have focused on opportunities for efficiency within the service, by-passing other activities where opportunities for cost gain appear to be minimal or non-existent.

This Stage 1 Review is intended to:

- Assess the current financial costs and structures.
- Develop a portfolio of possible target areas;
- Quantify the scale of possible efficiencies.
- Prepare the next steps in terms of 'readiness' by supporting the setting up of a programme office that can take forward a range of business transformation projects, exploiting the opportunities identified within the portfolio; and
- Set out our proposed next steps for phases 2 and 3.
- Structure of this report

The remainder of this Introduction sets out the background to and criteria for this Review. It also describes the method used in this first stage and summarises the proposed approach for the entire transformation process.

The next section describes the Key Findings. It summarises the savings opportunities and explains how they have been categorised and assessed for risk and scale. The section also describes other benefits to the Council from the Programme which could be considerable.

Thereafter, the section on 'Models for Future Service Delivery' looks ahead to the options open to the Council, given that actions to reduce total costs will probably move the organisation to a mixed economy.

The later sections of the report deal with Programme Management and also propose the Next Steps - there is a lot of work to be done before the change process itself gets underway.

Background

The Council's Financial Strategy sets out a need for a minimum of £15m savings in the next 3 years. In reality there is a likelihood of higher savings being required. The Council and NKA will be looking to achieve all required savings through achievement of real efficiency - with potentially the partnership seeking to achieve more than £15m.

The net General Fund expenditure of York City Council is £113.5 million. The target savings in this Programme have been set at £15 million over three years - 13.3% of the total budget.

Large parts of the Council's total spend are not open to this efficiency review but the target size, whilst demanding, is well within the grasp of the Council and NKA to achieve. The target net savings of £15 million within the next three years are required to avoid a forecast budget shortfall, part of which is prompted by the government requirement for 4% efficiency savings per annum which have to be cashable

Against this requirement of cost reductions is a general backcloth of declining tax revenues and increased costs for central government due to the economic downturn. Further reductions in government expenditure are expected as a result but no details are available yet or even whether expected expenditure cutbacks will have an impact on local authorities.

Additionally there are probably other pressures looming which are not too far 'down the track'. These could include:

Demographic changes - already known about in terms of an ageing population but, as other councils are finding, the additional cost burdens are exceeding the forecasts. HASS is no doubt confronted by an upward trend in costs for the elderly for many years to come.

In addition, as property prices and household incomes continue downward, the ability of some of the working population to support its elderly parents will reduce. This will add to existing budget pressures.

Reduced Council Income - other councils are experiencing reductions in income as a result of the recession. Is York going to be any different?

In the time York has been a unitary, the complexity and breadth of some of the services that the Council has to deliver and the supporting activities for those services have changed dramatically. So too have the needs of the most vulnerable citizens.

It is probable that the members of the public who are the main users of the Council's services have also changed because needs are changing.

One example of this challenge (albeit an extreme case), is a London borough which has calculated that some 20% of its customers are using close to 95% of its critical service delivery resources.

Improved efficiency for York will reduce costs but the changes, with a clear vision in mind, could also align its services more closely to citizen needs

Criteria for savings

- The Council needs to identify efficiencies savings of a minimum £15 million over the next 3 years.
- Year 1 savings must be self financing - that is any costs and fees must be paid for by early efficiency gains.
- The £15 million savings must be net of implementation costs and exclude the net savings of £4.9 million planned by the Council in 2009/10.
- There must no service deterioration and where possible changes should look to improve service quality and the customer experience.
- The savings need to be cashable i.e. they must result in the removal of some resource from the Council's budget.
- To assist with the prioritisation of opportunities at Stage 2, the Council needs to understand the risks of each - in particular, the financial, political, operational and people-related risks. This assessment of risk should be arrived at jointly between the Council and NKA to ensure shared ownership.

- The speed of moving to implementation is also important. The Council needs to understand which opportunities are potentially quick / easy wins, subject to the suitable programme management arrangements being in place.
- At all times the programme needs to have clear financial model, ensuring the programme supports the Financial Strategy and the risk reward model is mentioned.

Review Method

The Stage 1 review was designed to explore opportunities for efficiency gains from two standpoints - horizontal across the whole organisation and vertical - looking down through the Council structure in specific service areas.



Corporate Reviews (horizontal)

This part of the review has examined the potential for wider actions and efficiencies across the whole organisation and some of these opportunities would certainly have strategic significance.

The main areas considered have been:

- The organisation structure itself, its relevance to the more recent service needs of York citizens and its management size.
- The front office/back office arrangements for service delivery and customer interaction.
- The sourcing of service delivery capacity where, at present, almost all service is provided by Council-employed staff.
- The main internal corporate services of the Council - particularly Procurement, ICT, Legal and HR.
- The scale of benefits to be achieved in these areas is very significant but their achievement would require extensive corporate working and major involvement of CMT and the HR team as well as other stakeholders.

Service Reviews (vertical)

Reviews were conducted in several target services where the scale and type of expenditure was expected to yield savings. A total of 21 services was reviewed and 16 reports produced. There are some other opportunities which have not been pursued. These include some areas of Customer Services and an idea for a wider facilities management service to support the new office and schools (if they opt in) .

Whilst some reviews largely required joint working between NKA and with the Head of Service and the management team, there were other activities where information was gathered from members of staff involved in the process under review. All members of the core project team have been involved in all aspects of the project method, from service reviews through to analysis and peer challenge.

Peer challenge was used regularly by the Team to check the quality and validity of conclusions being formed. In addition to internal meetings and informal discussions, off-site workshops were also used and these were attended by other NKA colleagues to provide an external perspective. Throughout these reviews, NKA have referred back to the Public Service Excellence Model (PSEM) as a benchmark for the scope of the reviews

and the analysis drawn from observations. NKA's key focus here was to ensure that it did not overlook cross-boundary or corporate issues when developing proposals specific to a service area.

In this Stage 1 Review, NKA's main activity has been to meet with managers and staff in front line and back office teams to listen to the people it met and to form conclusions about savings opportunities. The main purpose of consultation at this early stage has been to explain why and where information is being gathered and to listen to peoples' views as NKA met with the different teams.

Keeping people informed in this first three months has been based on:

- A first briefing of the Union in which the review approach was summarised and emphasis was placed on an intention to not dilute services by efficiency actions.
- Weekly update meetings with the project sponsor.
- Fortnightly attendance at CMT with progress updates.
- A briefing and discussion session with the Corporate Leadership Group.
- Meetings by NKA with over 50 managers in the Review areas in which the approach to efficiency gains was discussed.

Where, as has happened in some instances, some people have pressed NKA for early conclusions, it has not always been possible to be specific or as helpful as we would wish. The scale of the Review within three months has been demanding and our thoughts have been crystallising along with those of the key stakeholders over last few weeks into some tangible and emerging proposals.

Consultation - Next Steps

With effect from the commencement of the Second Phase, wider and more extensive consultation arrangements would need to be put in place because specific areas of work will be identified and become known. Within this report, there are proposed some 'themes' within which efficiency projects would be grouped and it is felt that this will facilitate providing progress updates to all stakeholders.

Agreement on Governance will define most of the issues regarding progress on the various projects.

This arrangement together with a Communications Plan, should be specific on:

- CMT reporting and involvement. In this context, 'involvement' would include agreement on how CMT members would provide leadership to the Programme.
- DMTs reporting and involvement.
- Members overview, their leadership of the Programme and frequency of reporting.
- Trade Union progress reports and consultation when specific proposals emerge and a change process is triggered.
- Staff updates and consulting.

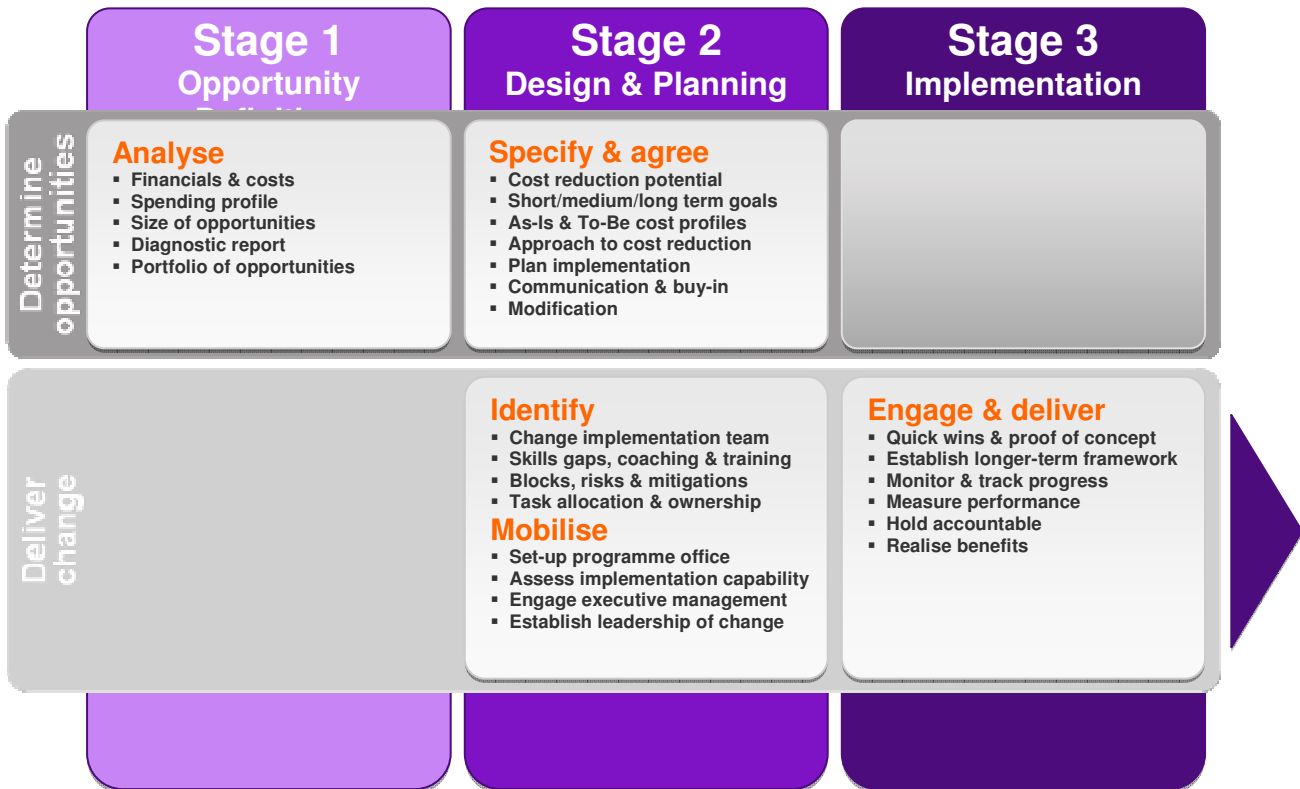
Overview of the Transformation Process

Structured transformation

Stage 1, now completed, is the information-gathering stage where the potential savings opportunities have been identified.

Stage 2 consists of assessing the savings opportunities, being aware of the risk management and resource needs and completing all preparation, including governance and organisational readiness. For each of the opportunities this will include developing business cases, SIPs and being sure of the benefits realisation.

Stage 3 is the programme implementation.

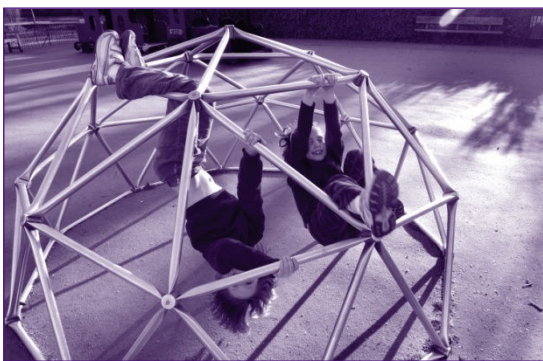


Key Findings

Overview

Modernising the Council

The Key Findings commence with a view of the Modernising agenda of the Council, how it relates to the Efficiency Programme and delivery of performance improvement.



Achievements and the effort to date are recognised but ‘modernising’ in this context places considerable emphasis on how far the Council must move to match its structure and service delivery to the changing needs of its customers (the vulnerable in particular) and to the changing world around it.

Savings Opportunities

The savings opportunities and qualitative improvements in service delivery are described and either arise from observations about efficiencies within the services reviewed or from wider conclusions about the Council’s structure and corporate activities.

The savings totals are also grouped into ‘themes’ to give some indication of the types of activity that would be involved in their delivery. If agreed in the joint preparations in stage two, these themes would form the main work streams of the programme and both participants and on-lookers would become familiar with this terminology

Flexible working

The Council has committed to a partner for the system and preparation is underway but this report emphasises the critical importance to the Programme of mobile / flexible working being introduced across several front line services as soon as possible. It is a major source of efficiency and service improvements and merits a higher priority within the Council. It is important to note that this is not just aimed at benefits for blue collar staff but it could and should be extended to white collar and professional services

Flexible working has been on the Easy@York agenda for some time. It is proven technology and there are many examples of its successful application.

Other benefits

The Programme is likely to deliver benefits beyond the target savings reductions. These would include service enhancements, improvements in management performance, customer satisfaction and overall performance. In the latter case, the Programme will steer managers into wider corporate actions and stretch them to give energetic leadership to the change process.

Costs

The costs, primarily those relating to in-house investment NKA’s fees, are summarised here.

Risks

An initial attempt has been made to describe the risk for each of the savings opportunities and these are summarised in this section and supported by a more detailed Risk Assessment.

Modernising Agenda

It is important, in the lead up to the next phase of the Council's development, that its achievements and hard work to date are recognised. Progress thus far and the length of the journey travelled have required significant effort.

It should also be noted that a Transformation programme as set out in this report is very much what the most progressive and forward looking authorities are considering. It is only by continuing to, improve, and deliver efficiency that that the Council will continue to be able to provide effective services, building on it's successes to date.

It is also right to recognise that the environment within which the Council operates is changing constantly and that a modern Council needs to be flexible and agile enough to meet the changing needs and expectations of its citizens.

To add to the challenge of this changing environment and constantly rising expectations, is an economic climate which will require a different method of operating and interaction with the customer if only because costs must reduce.

In broad terms, this requires further transformation and strategic change - transforming the organisation into one which is even better coordinated and presents itself to the customer as 'one single organisation'. The scale of the transformation ahead should not be underestimated.

A more 'modern and professional' organisation, which is both quick and responsive, will deliver considerable benefits for staff and citizens. It would, however, necessitate considerable investment in people skills and cultural change and a fresh impetus of capability across the organisation.

There is a growing expectation and demand in the UK for locally determined and delivered services which accurately match the needs of customers (most particularly the vulnerable) and which have a single view of that customer base. That 'single view' makes logistical sense and would also demonstrate far greater empathy with customers who need multiple services.

It will require an increased collaborative approach with closer partnership working, both internally within the Council, and with external agencies.

What is certain, is that services will not all be delivered in an identical manner to the present operating model.

There certainly needs to be a robust challenge to the existence of conventional, provider-driven boundaries to service delivery.

The Council recognises this need to act 'in the round' but the Efficiency Programme can be the vehicle by which real service transformation can be brought about whilst 'chasing' important reductions in operating costs. Utilisation of Partnership working offers the opportunity to bolster capacity and expertise. Costs can be offset by adoption of a risk and reward basis focused on outcomes.

Savings Opportunities

This section describes the key areas of savings and how they have been assessed and categorised. They are presented here as two main areas and are listed in the following pages:

Firstly, savings that can be obtained within a specific service area and which have been identified as a result of an efficiency review within the services.

These are referred to in this report as '**vertical**' opportunities because they all sit within and not across the directorates structure of the Council.

Most of these savings arise from either the presence of duplicated roles in service delivery, from the use of an over-complex process to deliver service to the customer, which limits the speed of delivery and the decision making processes.

Some of these service arrangements have their routes a long way back in the history of the organisation and stretch back to or beyond the introduction of CCT in the late 1980s. In some instances, the complexity and duplication are a direct result of the client/contractor split being retained well beyond the requirement to operate within this formal requirement of the CCT regime.

Removing the unnecessary activities in these processes will not only lower the costs but also reduce the time taken for service delivery and, in some instances, improve the customers' service experience. This is explained elsewhere within this report.

The second area of saving would be obtained from actions to reduce costs in corporate or cross-boundary activities.

Since these are to be found across the Council structure , they are referred to in this report as 'horizontal' opportunities.

Examples of these activities are the provision of corporate services such as Procurement, Finance, ICT, HR and Legal as well as Customer Services and the Call Centre.

In a number of cases such services are fragmented across the Council. A move towards a centralised approach to these services as envisaged under the Admin Accom project is considered fundamental to not only exploring efficiency, but ensuring the programme is supported effectively at the outset. A Key principal of one Council should be adapted - meaning that key support activity should be centralised as one activity.

One further horizontal cost saving opportunity appears to be very significant. The Council's method of delivering virtually all services from within and using its own workforce is largely unchanged since the Council became a unitary.

There are clear examples that some external challenge mail bring major cost benefits. In the case of Neighbourhoods services for example in comparison to other authorities, the costs here in York are in excess of most with similar activity levels.

When the opportunities have been assessed and projects agreed in Stage 2, the plan is that they be grouped into project themes. The suggested groupings are shown in following pages.

The advantage of this approach is that they would be logical work-streams for the programme on the one hand and would be consistent 'labels' for the Council to explain and report progress to all stakeholders.

Flexible Working

In support of the Efficiency Programme, there is a compelling need for York to commit urgently to mobile working across the organisation and there are some key reasons for this:

- It is a prime enabler of efficiency across many services and productivity gains are often between 10 and 15%.
- On almost all occasions, it creates major service gains because delivery is quicker and, in some instances, the availability of data on the move, enables staff to complete their task(s) without multiple visits.
- Some staff can go straight to their first place of work without visiting the office. Apart from improved productivity, this can be a consistent reducer of workplace stress as a result of avoiding unnecessary journeys and parking.
- Once established across the organisation, the City would gain from the avoidance of several thousand journeys a year that are no longer necessary. The

environmental gains, expressed in terms of improved CRC (Carbon Reduction Commitment) performance would be extensive.

- Performance and control data collection is automated within the process and happens in real time. Costs of support staff to perform these roles is reduced or even avoided all together.
- Resident expectations include seeing the Council utilising technology and adopting working practices which are common in the private sector, with service delivery and timescales to match.

Easy@York have selected a partner for mobile technology. The challenge now is for the Council to support generic implementation across a wide range of services where the business case confirms large gains. This is a Key aspect of the change agenda and enabler in terms of how services will be delivered into the future.

The successful introduction of this system and the changes to working methods that would result should be given high priority. Of equal importance is the need to improve the speed of the change process. This is repeated in this report in terms of the Organisation's readiness to accelerate implementations - critically important for achieving the Programme goals.

NKA offers additional capacity in terms of supporting and working with the Council to deliver an increasing pace of performance improvement.

No claims of additional savings are made separately for mobile working in this Programme. This new way of working is fundamental for efficiency and quality boosts to service and would be an important foundation for the Programme.

Finally, this is a major cultural change and requires adjustments from staff. CMT leadership will be important and staff could receive no better reassurance than to hear about the places (local government and elsewhere) where new mobile working is making a difference including more enjoyment of the working day.

Savings by Theme - all figures are initial estimates and subject to amendment as definition work progresses

Themes	Year 2010/1	Year 2	Year 3	Total
Verticals				
Transactional/Back Office BPR/Productivity	1,000	3,000	4,800	9,000
Property Services	0	150	150	300
Care Provision	400	1,300	3,100	4,800
Customer Services	50	100	150	300
ICT	150	500	1,250	1,900
Procurement	500	2,000	4,800	7,300
Income Collection & Fees	650	1,500	1,800	3,950
Sub Total	2,750	8,550	16,050	27,350
Horizontal				
• Market Testing/Shared Services	0	1,700	2,200	3,900
• Front/Back Office integration	0	1,250	2,750	4,000
Accommodation Project / Asset Utilisation	0	250	250	500
Wider Review of the Mgt Structure	0	700	1,400	2,100
Total	2,750	12,450	22,650	37850

Key Findings - Savings by Service (Sample)

Vertical (service-specific) illustrative savings opportunities

The table here sets out the service-specific savings identified as a result of reviews in 21 services which led to 16 reports. The totals are full year effects.

Service Area	£ full year	Description
Housing	£600,000	<p>Process simplifications and removal of role duplications in Housing and in the repairs activity of Neighbourhoods (clerical). Assumptions about efficiency gains that would affect service-delivery staff are referred to in the next section on 'horizontal' savings.</p> <p>Annual charges to the HRA should reduce by about £500,000 with about £100,000 reduction in the General Fund.</p> <p>The Repairs process (and Highways repairs) was examined jointly with the Easy@York team and based on their findings and NKA's previous experience of similar repairs process improvements, the predicted reduction in tasks is known to be achievable. This review of the two processes reinforces confidence that</p>
Adult Social Care	£400,000 In year 1 & up to £3.1 million in the third year	The main savings in Adults are to be found in the Home Care and Elderly Persons Homes services, albeit further savings were also identified in other areas. The basis of the savings is that the internally delivered services (Home Care in particular) are considerably more expensive than external providers for the same service specification (based on relevant benchmarking data).
Leisure and Culture	£60-£80,000 in year 1	No proposals are made for wholesale changes. The savings estimate is a combination of rationalising and prioritising locations for service delivery and a review of current structures.
Childrens Services	£236,000 in year 1	Proposals affecting costs levels in Childrens Services are limited to suggestions for process changes in some areas to improve efficiency.

Vertical (service-specific) illustrative savings opportunities (continued)

Service Area	£ full year	Description
Neighbourhood Services	£966,000	<p>Based on a review of the main services, reductions in process complexity and support capacity are predicted in clerical and support activities. Assumptions about efficiency gains that would affect service-delivery staff are referred to in market testing in the next section on 'horizontal' savings.</p> <p>The Highways process (as with Housing Repairs) was examined jointly with the Easy@York team and based on their findings and NKA's previous experience of very similar repairs process improvements, the predicted reduction in tasks is known to be achievable. This review of the two processes reinforces confidence that there will be a wider range of activities where process simplification will deliver cost reductions.</p>
Property Services	£150,000	<p>The proposal is that the Team becomes a strategic manager of property assets and a commissioning unit. It does not have (nor can it obtain) the internal capacity it requires and would reduce in size considerably with all delivery functions being covered by framework agreements (some of which are already in place). The savings are a conservative estimate of the reduction in delivery capacity required.</p> <p>Accommodation cost improvement opportunities are described separately in the next section on 'horizontal' opportunities.</p> <p>It is proposed that the FM service be the subject of separate market testing (as the new office requirements become known) based on a wider service arrangement that would cover all the needs for buildings occupancy as well as maintenance and repairs. The leap towards external delivery of this larger service would give the Council early access to modern service delivery methods incorporating mobile working and virtually zero administration. The service design could be accessible (via web access) if required. No prediction of savings opportunities is made at this stage but total costs would go down.</p>

Vertical (service-specific) illustrative savings opportunities

Service Area	£ full year	Description
Council Tax and Business Rates	£860,000 in yr 1 & £460,000 in yr 2	Improved collection of arrears, SPD review, reduced bad debt provision and the implementation of a performance management culture.
Sundry Debtors	£780,000 in year 1 & £1.2 million in year 2	Improved collection at 5% per annum through BPR of all primary processes. This will include the introduction of new performance management and control framework, introduction of a revised income policy and changing collection routines and timescales.
Benefits	£280,000 in year 2.	Implementation of performance management framework, roll-out E-Benefits and implementation of a managed service.
Procurement	£500,000 rising to £4.8 million in year 3	Leavaging the Councils purchasing position through aggregation of spend eg Civills approx £1million per annum, achieving greater compliance through implementation and operation of revised control frameworks, Improve the level of contracts which are retendered on time and therefore avoid costly contract extensions, increases routes to market and reduce large /high volume /high value invoice order transaction by the introduction of revised working techniques.
ICT	£150,000 rising to £1.25 million in year 3	Outsourcing of the data centre, moving to managed print, rationalisation of the ICT estate through greater use of existing assets and review of current desktop footprint.

Horizontal (corporate) illustrative savings opportunities- these are not exhaustive lists.

Area/Activity	£ Full Year	Description (base drivers for change)
Market testing	£1.7 m in year 2, rising to £2 m	<p>The main focus is Neighbourhood Services where the delivery teams have not been exposed to market testing on any significant scale. An NKA review of some of the services highlights opportunities for process simplification and removal of duplicated roles but this did not examine the delivery teams themselves.</p> <p>Housing repairs delivery costs (ie operatives and related costs) were compared with the same service of another authority with similar housing stock numbers and activity levels and this suggests that the service is very expensive. Other such opportunities are expected to be identified with a comprehensive market-testing exercise across the directorate’s services.</p> <p>A later stage of the review of these services could extend into arrangements for shared services with local/partner organisations.</p>
Shared Services	Up to £2m	<p>A review has already been conducted by NKA to examine opportunities for a joint call handling facility a shared ICT platform and the shared use of community and non emergency transport capacity across three potential partners (Yorkshire Ambulance Service, East Riding of Yorkshire Council and City of York Council).</p> <p>The aim would be for the ‘partners’ to share common facilities for receiving calls requesting transport and to use one shared system to optimise the use of the vehicles that they and community transport groups would make available. Reductions in operating costs and longer term reductions in infrastructure (telephony, systems and vehicles) were identified and a useful by-product was to boost community transport capacity.</p>

Horizontal (corporate) savings opportunities- these are not exhaustive lists.

Area/Activity	£ Full Year	Description
Accommodation	£100,000	<p>The New Office project assumes that St Anthonys, Acomb and the Guildhall will continue in use and this is intentional flexibility and caution for the project's planning. The reduction in the numbers of staff (by internal change and/or externalisation) is very likely to undercut the working assumption of the New Office project and this could lead to the Council having excess space. Subject to the size of the new building and the level of space released by this programme, it is believed that the Council would have opportunities to invite partner organisations to share the space. In addition, one extra building would probably not be required. A conservative saving of £100,000 is assumed for this. To reinforce the idea that surplus space will be available, there is reasonable certainty that the depot main office will have significant space available once proposed changes are underway. Overall, there are greater savings available by reducing total office space needs but these cannot be quantified now.</p>
Front and Back office integration	£1.25m in year 2 rising to £2.75m in year 3	<p>Establish a single point of access for most customer contact - bringing together the back and front offices, moving from a call centre to a full contact centre for customer interactions. This will serve to rationalise any requirement for 'face to face' interactions and provide for a 'One Stop Shop' approach</p>
Management Structure	rising to £1.4 million in year 3	<p>which could be rationalised. Amongst peer group authorities we are familiar with, the proportion of supervisory/management personnel to other staff ranges from 8% down to 3.5%. York is at the top end of that range which indicates that there is considerable opportunity to reduce total numbers here. A structure of 6 directorates for an organisation of this size is too large and a reduction of at least one directorate is assumed in the proposal. Another area related to structure revisions, is to challenge the use of decentralised finance, HR IT and performance teams across the directorates.</p>

Other Benefits

The primary benefit of the Efficiency Programme is the achievement of minimum net efficiencies of £15 million over the next three years leading to a minimum run-rate of £15 million per annum thereafter.

This report has described in broad terms where these savings are to be found and implemented but it is suggested that there are additional benefits to be secured:

- *Improved Corporate Management:* Involvement in the Programme implementation would almost certainly lead senior management to increase its focus on a more corporate view of customer service.
- *Service improvements:* The most obvious of these is an improvement in delivery time of many of the Council's services. From the efficiency actions in the targeted areas, a by-product of the search for savings would be reductions in the total effort and elapsed time for service delivery.

Heads of Service would need to ensure that the time gains are imbedded into the new processes so that they are secured for the benefit of customers.

In addition, if market testing of some services points to external provision to achieve lower costs, the use (if appropriate) of some larger providers could obtain a rapid improvement in the service delivery process. Some larger contractors have already invested in proven technology and quicker processes for their clients and the Council could make 'overnight' gains from adopting these new working methods without the normal risks associated with change implementation.

More cross boundary working and increased management of customer contact through one channel rather than several, would embed different ways of working to the benefit of customers. In particular, leaders of services would have far more data about activity and performance levels relating to their interaction with customers.

At present there are too many direct channels of communication for the Council to have a clear overview of what their customers need.

The Easy@York programme came into being to promote such change and there has been progress but the Council needs to continue this as a priority.

Key Findings - Costs and Investments

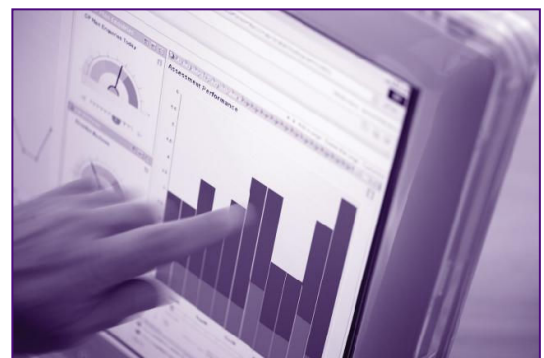
It is in stage 2 where the detailed work necessary would identify the levels of one-off cost and investment that would be required for the whole programme. The totals are summarised overleaf.

This work would be based on the following key activities in Stage 2:

Firstly, the Council and NKA conducting a joint assessment of each of the savings opportunities identified in this report. This assessment to be based around the levels of perceived risk including any reputational and political impact.

Thereafter, the projects selected to proceed would be the subject of a business case review in each instance. The output from the reviews would include estimates of:

- One-off costs - the key areas being costs arising from redundancy, additional staffing costs, and IT investment.
- Capital investment - most likely technology.



Not all projects would require significant costs for implementation and not all reductions in the number of employed staff would be redundancies - externalisations, if agreed, would include staff transfers.

A clear advantage of a well planned programme will be the ability to manage change and minimise the impact on staff, utilising natural wastage and retirement to achieve any staff reductions.

In addition, there is the investment necessary in new technology to speed up and improve service delivery. There are two particular views to express about what this might be and how it should be viewed: Firstly, most of the technology investment would happen anyway - it is overdue and, in some instances, inconsistent, but the technology change is not a result of this Programme. The effect of the Programme would be to bring the investment forward and, probably, to ensure that there is a more robust business case for each purchase. In fact, a large part of the investment is anticipated in the work planned by Easy@York.

Secondly, a key part of the process will be the re-evaluation/update of projected benefits for the change projects already in place, as can be seen in the Project Register. This will require a re articulation of benefits and ensure all potential benefits are measured and captured in a consistent way moving forward. Some investment involves local (i.e. non-corporate) style solutions for particular problems. If agreed, there might be more generic systems that would work across the organisation, saving investment and support costs.

Risks

Allocation of risk

As proposed in the interim report, we have set out to consider the potential risks associated with each savings opportunity. That assessment, albeit in outline at this stage is to be in terms of:

- Financial Risk
- Political Risk
- People Risk
- Operational Risk

In each case we will assign an overall risk to each opportunity. Each dimension has been assessed as 3 high, 2 medium and 1 low. The cumulative score represents the overall risk implementation rating.

A key task for the Council and ourselves during Stage 2 will be to examine each opportunity in detail and establish the net risk (i.e. establish the impact of the risk and barriers to selection and implementation). For example, this could mean examining an opportunity in respect of the political risk and deciding whether it is feasible for prioritisation and subsequent implementation.

Efficiency Opportunity Priority

We are clear that the selection of priorities for transformation will need to be ultimately decided by the Council. At this stage therefore NKA make no judgements about either:

- The number of opportunities selected; and
- The priority in which they should be delivered.



However, as part of the this report we have identified and made assumptions about each project, in terms of when we believe the savings will emerge over the three to four year cycle. This will indicate where the quick wins are and what needs to be delivered in the medium and longer term.

Overleaf there is a summary of the savings opportunities and the NKA first view of the risks they might pose. Overall, the risks are thought to be relatively low in terms of implementation if the Council acts to ensure full preparation before Programme commencement. The most difficult risk to assess is the political one because the scale of the programme will attract considerable attention.

Model for Future Service delivery - Impact of the Programme

How could the Programme affect Service Delivery?

The Programme, whilst identifying and implementing a range of efficiency improvements, would also change /support :

- How the Corporate and Political leadership operates
- The new values for the organisation
- How work is performed in many teams
- How the Council interacts with its customers;
- The Council's structure ;
- Several processes;
- The place of work, because of mobile working;
- The Council's information about its customers - it will know more about those who most use its services;
- In some instances, who delivers the service.
- Much of this will not be highly visible until later in the Programme but since the Council's form of service delivery would be changing markedly, it would be advisable to give thought to what its vision for future service delivery should be. We recommend that during Stage 2 of the programme that the visioning for future service delivery is carried out together with NKA along with the other key actions already mentioned.



Thinking about this now is not a distraction from the immediate goals of major cost reduction. Developing a clear direction would help all participants in the Programme whilst they deliver the savings along the way.

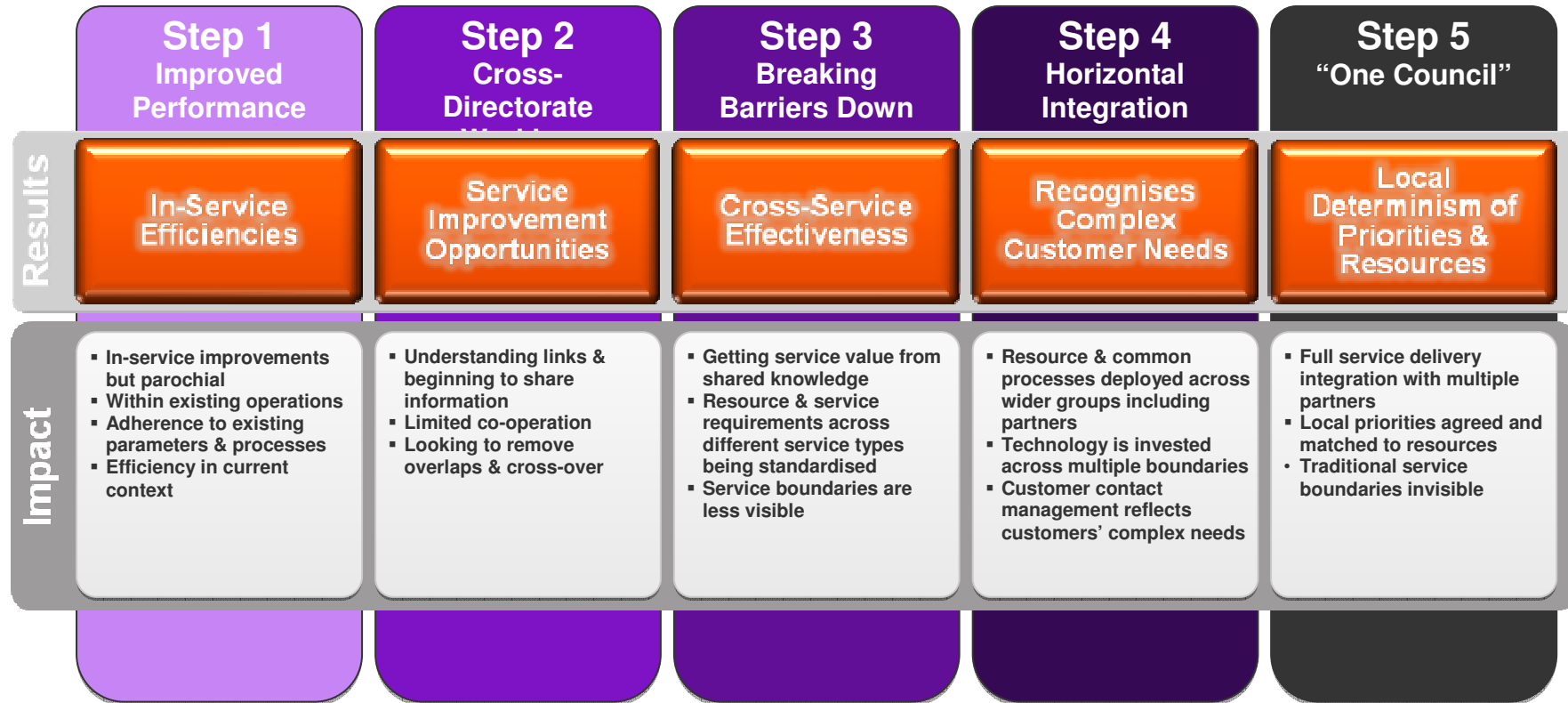
There are some statements and questions that the Council will need to work through soon:

- By the end of the Programme, York Council will probably become a mixed economy where some services are delivered externally.
- There will be a clear distinction between the need to commission or provide services.
- In addition, there will be more cross-boundary working and services will be less subject to provider or profession demarcations.
- The Council will know more about who its core customers are and what needs they have. It might also begin to understand how much of its resources are used for those customers and where priorities should be set.

With this in mind, NKA have given some thought to what the journey to a revised service delivery model might look like.

The diagram on the next page shows the steps that might be involved, starting from where the Council is at the moment.

Service Delivery Model - Evolution



Programme Management and Governance

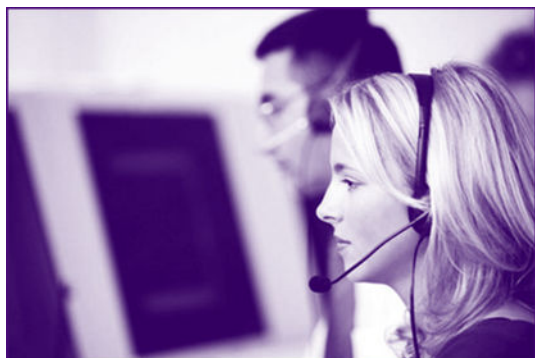
Actions for Readiness

The Programme is a substantial challenge and will need proportionate contributions from leaders across the Council. During Phase 2 a readiness plan for all the required actions should be prepared jointly with NKA. The main areas to be covered would be:

- Capacity of Directors and managers: Everyone is busy with their existing workloads and without changes, would not be able to make a significant contribution to the Programme. CMT and NKA will need to examine how management roles can be redesigned to (for example) increase delegated responsibility, reduce meetings participation and set aside priority time for programme work.
- Change agenda: The size and scope of the changes within the Programme are demanding but well within the gift of the Council and NKA to deliver. However, there are other change agendas which will be competing for time and skill and some of these would, if unchecked, conflict with the Programme.

NKA believe this would be overcome if the overall change agenda is examined within a newly created Programme Office.

Membership would include, Council Lead (to be appointed), NKA Transformation Project Team and Easy@York. The Programme Office will work closely with the Corporate Performance Team and named representatives from wider functions - Finance, HR and Procurement in particular. We recommend that a full TNA is conducted for all those



directly involved in the programme during Phase 2 and delivered more widely as momentum is gathered.

HR capacity to support the Programme will need to be increased. The Programme is likely to require extensive involvement in consultations about change (in several teams of all the Directorates), The risks associated with insufficient HR capacity would be people stress and delays.

Next Steps

Stage 2 Proposal - “Establishing Momentum”

It is imperative that the Council now moves as quickly as is possible to working up the detail to establish:

- The priorities and projects it will adopt within the Transformation Programme;
- The overall shape of the Transformation Programme i.e. the ‘themes’ it will adopt to logically group together the priority projects;
- The precise inputs, outcomes and validity of a ‘final business case’
- The ‘readiness’ of the organization for the change programme.

The Council has set an ambitious target of achieving at least £15 million of efficiency savings.

How will the Council achieve this?

We have identified in excess of 70 opportunities during this scoping work. The adoption of a Business Transformation Programme, that groups the chosen projects into logical themes as we have described them - driven by the 'leadership' of the Council and supported by ourselves (as part of a well 'stocked' and re-energized Programme Office) - will succeed in achieving the scale of change required.

Key Considerations

There are a number of key areas that the Council will need to address. These are:

- **Leadership** - Whilst there is strong evidence of officer commitment to 'modernisation' and real, business transformation it is not yet fully galvanized throughout the organisation. Having robust governance arrangements in place, sponsorship at the highest levels, and maintaining consistency of leadership throughout will be obvious pre-requisites for success;
- **Change Communication** - Communicating the change message to staff and maintaining a dialogue throughout the transformation process will be essential to gain the necessary buy-in, and then to maintain it. The resources to oversee this activity (identifying specific roles and responsibilities) need to be established quickly and plans formulated - as one of the key early priorities.
- **Organisational Development** - Identifying and developing those key staff that will contribute directly to the transformation programme, should be another early priority. We believe that it will be essential to carry out a Training Needs Analysis of those key individuals in order to fully understand the skills, knowledge and competencies that we already have, and any gaps that will need to be addressed. The likely areas for development, based upon our preparatory work during Stage 1, are likely to cover:
 - Performance Management
 - Programme Initiation & Management
 - Project and Risk Management
 - Business Case, Cost Benefits Analysis & Benefits Realisation
- **Delivering Quick Wins** - There is a high expectation that the process can deliver 'quick wins' in terms of tangible efficiency savings. This is particularly important for the Council as it will ensure that:
 - It demonstrates final proof of concept and also confirms that the transformation programme can secure the scale of savings needed
 - It delivers early efficiencies that can be taken, or used to help fund further transformational activity
 - It will generate the much-needed confidence across the council to embrace the wider change programme
- **Managing Risk** - The Council will need to carefully manage risk at both programme and project level. Whilst we have identified this at a summary level (by theme and specific service area) in our final report, it is essential that a more detailed assessment is carried out and that the results built into the business case and into programme and project monitoring processes at an early part of Stage 2.

Proposed Key Actions and Rationale:

April 2009-June 2009

Establishing the Programme Office

A robust and professionally functioning Programme Office will be central to the successful delivery of this programme. The office will have 'day to day' responsibility for 'driving' the change project, and handling all the processes and procedures that will underpin the successful implementation of the programme.

It is envisaged that the core of the Office will comprise, full time NKA management and project personnel, alongside the current Easy team. Others, such as representatives from Finance, HR, Procurement and other specialized areas would be co-opted into the unit, as and when required.

Key tasks will include:

- Managing all Programme deliverables;
- Monitoring and reporting progress and achievements;
- Coordinating the flow of Information management;
- Financial monitoring & tracking;
- Risk and quality control;
- Overseeing any Change Control Procedures.
- Providing additional expertise when required to ensure:
- Linkages or overlaps with other projects are fully controlled;
- Any emergent risks are properly addressed and mitigated;
- Full and active support for project delivery teams throughout the lifecycle of the programme;
- A common approach is maintained and the sharing of good practice is properly adopted.

Pre-Programme Implementation

The success of the programme will be dependent on ensuring that all outcomes, objectives and scoping are carefully considered, clearly defined, and properly planned for. This will require the following actions to be applied, at an early point of Stage 2:

- Visioning - Working together to establish a clear and unambiguous vision, including specific outputs, outcomes and objectives for the transformation programme, that will need to be communicated across the Council.
- Blueprinting - The vision must be developed jointly and evolved into a set of detailed objectives and requirements which in turn define the criteria to identify projects that will deliver the priorities. This will allow a clear project inventory to be developed and the associated Implementation plan to be constructed. The key components that will need to be fully addressed as part of the blueprinting stage are:
 - Developing a Programme Initiation Document (PID), which sets out how the transformation programme will be governed, resourced, and delivered and the precise nature of the roles of the partnership;
 - Developing business cases (and individual PIDs) for each of the priority projects, including full, and more detailed risk assessments, and benefits realisation;
 - Reviewing and establishing the financial management arrangements to be adopted as there is a need for greater clarity around measuring the savings achieved;
 - Mobilising the Programme Office - establishing the main Programme sponsor (from within the Council), the membership of the core Change Team and it's support needs;
 - Developing a Council wide Communication Plan, in 'readiness' for the implementation phase.
 - Governance - all necessary arrangements are agreed and seen to be in place. These will shape the overall programme and provide the structure for any conflict resolution, and authorization for any necessary Change Control.

Business Case and Benefits Realisation Process

This is, without question, the main reason why large scale transformational programmes fail. Although we are proposing that during Stage 2, that some projects should commence immediately, i.e. DSG, SPDs, the remedial work on Arrears Management, and accelerating the planned improvements in relation to Revenues and Benefits, a detailed business case and benefits realisation plan must be developed between us.

