

23 December 2008

Executive

Report of the Director of Resources

## **Corporate Efficiency Programme and Update on Specific Efficiency Reviews**

### **Summary**

1. The purpose of this report is to inform the Executive about issues relating to Efficiency across the Council, and specifically the Corporate Efficiency Programme and individual efficiency reviews.

### **Background**

2. This report deals with two main issues relating to efficiency. The first part outlines the progress made following the Executive decision to procure a performance partner in September 2008. The report outlines the proposed next steps, and seeks the Executive endorsement to the engagement of a performance partner and the undertaking of a scoping study, which will be reported back to the Executive once completed. The report also seeks the views of the Executive in relation to Member engagement with the process.
3. The second part of the report outlines progress in relation to a number of efficiency reviews, which were commissioned as part of the 2008/9 budget process. Only the reviews specifically commissioned as part of the budget process are discussed, it should however be noted that other work in relation to efficiency is ongoing throughout the Council.

### **Part 1**

#### **Corporate Efficiency Programme**

4. Previous reports to the Executive have outlined the proposal to move forward with a major corporate efficiency programme. This is something that has been done successfully in other Councils, and is seen as a key driver to ensuring the required efficiency savings needed to balance the budget are achieved. In addition, CYC has recent experience of bringing in external support to drive efficiency, through the recent review of transport within HASS and LCCS, which have produced considerable savings.

## **Our Requirements for the Partnership**

5. City of York Council has a clear requirement for a flexible partner that will:
  - Carry out an incisive, cross-service review to identify efficiency opportunities across the Council, with an early scoping study to identify potential opportunities within a 3 month period.
  - Create an achievable implementation plan for the next 3 financial years that will deliver £15m cashable savings, net of transformation costs. These savings will support the financial strategy, with corresponding decreases in the requirement for individual service based savings/cuts.
  - Work with the Council in an incremental partnership to deliver these savings, ensuring the Council improves services and realises additional benefits from the partnership; such as enabling sustainable excellence and continuous improvement after the performance partnership has concluded.

## **Procurement Process Followed**

6. A detailed procurement process has been undertaken to select a Partner. This has made judgements in terms of:
  - Price
  - Quality of resources
  - Experience in similar change programmes at other Authorities
  - Risk Reward Model
7. Four companies were invited to present to a selection Panel of senior officers, and from this Northgate Kendric Ash (NKA) have been chosen.
8. This partnership is split into two distinct phases of delivering a twelve week review and a subsequent 3 year Performance Partnership. The 3 year programme will have clearly defined milestones towards the achievement of £15m net efficiency target (minimum) to deliver service, organisational and financial improvements. The costs of the initial scoping study is £52,000, which is a considerable discount on standard rates, and which will ultimately be a first charge against any efficiencies secured.
9. In each of these key phases, the demands of everyone involved in the partnership will be stretching. Full engagement, senior sponsorship, strong joint governance and rigour in each stage of the process will ensure maximum impact and outputs from the partnership.

10. During the twelve week review and the subsequent 3 year performance partnership programme, critical elements will include:

**(i) A Partnership Approach**

11. This will be enabled by:
- Communicating effectively (internally and externally) the aims and objectives of the partnership;
  - Working together to direct and shape the options and recommendations throughout the review – we expect to be constantly testing ideas throughout;
  - Robust but constructive challenge (on both sides) of what could be long-held beliefs or assumptions. We expect the review to be strategic and look at fundamental elements of service delivery, building upon work to date and ensuring that no areas are ‘off limits’;
  - Establishing clear methods of operation, escalation and governance that ensures the partnership maintains momentum, and has authority in delivering the aims of the Corporate Efficiency Agenda now and in the future.

**(ii) Creating a successful engagement model**

12. This will rely upon:
- Access and availability of staff at all levels during the review, along with Members and customer representatives, where appropriate;
  - Stakeholder identification and commitment;
  - Clear sponsorship in York, at Chief Executive and Director level, with clear buy-in to the Corporate Efficiency Agenda for all service areas, leaving no stone unturned and no Service Area / Directorate ‘off-limits’;
  - Encouraging openness and maturity in reviewing the services.

**(iii) Embedding a strong governance model**

13. The success of the programme will need:
- NKA being established as an accountable and trusted member of the Council Management Team;
  - The establishment of a Value for Money Board (VFM) comprising senior members of the Council, NKA, nominated service leads, key stakeholders and support from others as and when identified;
  - working together to identify and overcome any obstacles;

- The establishment of a clear framework against which the partnership will be based – options appraisal, business case approval, implementation, benefits realisation. Once agreed, this framework will allow consistency and speed through the process;
  - The establishment of a Programme Management Office (PMO). The portfolio of work that will be developed through the Efficiency Programme will comprise of a series of 'linked' projects that will need to be managed through this PMO – the 'engine room' of the programme and involved in preparing, managing and reporting all relevant information. Within the Resources restructure a new post of Head of Efficiency and Procurement was created, and there are plans to create a small support team underneath this from existing resources. Options for expanding this team and bringing in resources from elsewhere within the Council may be looked at. It could offer a very useful opportunity for secondment of staff who are looking for development opportunity.
14. The completion of the 12 week review will result in the clear identification of priority service areas on which to focus first, with secondary services and cross cutting initiatives that will deliver significant savings / efficiency gains over the next 3 years and beyond.

### **The Risk and Reward Model**

15. The risk and reward model deployed by NKA is 100% fees at risk in relation to non-delivery of agreed outputs.
16. The scoping review will result in implementation proposals which will illustrate an outline service improvement plan, identifying the critical tasks required to deliver the efficiency savings that they consider achievable. Their commercial model underwrites that all fees will be rebateable against the levels of achievement of the service and financial savings plans. Accepting the requirements of the Council highlighted above, the resource risk of delivering these achievements remains with NKA.
17. These principles are in line with the existing risk and reward model within the Council for the Transport review (LCCS/HASS), which, in summary, provides the Council:
- With defined points against which fees will be rebated
  - Their commitments are £ for £ - so for every £1 below target achievement, £1 in fees gets rebated up to 100% of all our fees;
  - Termination points are also linked to achievement
  - Regular contractual reviews which monitor progress to date and set the future direction of the partnership;
  - The opportunity to set specific deliverables alongside efficiency targets.

18. The Council can take confidence from their strong track record which shows maturity in the approach, having been contractually applied with all their long term partnership customers.
19. The confidence delivered through rigorous initial reviews has meant that NKA has not had to rebate any fees with any customer.
20. It is considered that there is the potential for a portion of the cashable savings to be used to create an investment fund. This investment fund could assist the Council in accelerating the efficiency programme by funding other efficiency initiatives.
21. We have set out the requirement to save £15m (net) over the 3 year period of the programme, and for these to be taken out of the revenue budget over the financial years 2010/11 – 2012/13. Current documentation indicates contract start mid-January 2009. The 12 week review will take place January – April, with the partnership being largely effective (given reasonable approval of the review outcomes) during the 2009/10 financial year. With this in mind, the review would target a sustainable savings plan over the three year partnership, linking the risk model to delivery of savings.

### **Resources Required from the Council**

22. While the previous paragraphs illustrate the commitment required from the Council to support the development of the partnership, it is not expected that the Council will need to engage dedicated resource for the 12 week review.
23. NKA do, however, need to work with Council staff and stakeholders to get underneath the detail of the service areas and organisational issues. Their review will not be a desktop study, and while they will review plans, reports and available information, the real insight into the opportunities across the Council will come from direct interaction with people at all levels.
24. As previously stated, it is imperative, therefore, that this review gets high level sponsorship and is perceived throughout the Council as a high-profile project that demands engagement. NKA will work with the Council to overcome any difficulties encountered in the review. Normally, these are attributable to a number of reasons, including:
  - Access to key staff and stakeholders – especially where the review is not appropriately sponsored and the review is working to tight timescales;
  - Access to critical information – normally a symptom of further issues. NKA find transparency in financial information can sometimes prove difficult to achieve. Access to Accountancy resources to help clarify information is valuable throughout;
  - Defensiveness – especially when they are developing ideas and creating options appraisals. NKA must question and challenge information, direction

and existing ways of working. Appropriate communication and openness in the process can help to engage staff at all levels and NKA will look for our help in achieving this.

25. Aside from accessing information and people, NKA will need some support in logistics, such as workspace, facilities to hold meetings, etc. We envisage that they will be located near to the Easy Programme Team.

## **PART 2**

### **Efficiency reviews Commissioned As Part of 2008/09 Budget**

#### **BACKGROUND**

26. In February this year the following growth relating to improving efficiency/effectiveness was agreed as part of the 2008/09 budget:
- Commissioning of review on Commercial Property Portfolio (£50k one off)
  - Commissioning of review relating to subsidised and community transport (£44k one off)
  - Development of Organisational Effectiveness Programme (£85k ongoing sums)
  - Review of Leisure and Culture Services (£50k) one off
  - Review of services that the Council should strategically procure or 'share' (£25k) one off
28. In addition there is a carry forward of £50,000 from previous years decision to conduct a business review into Property Services which this report also picks up on.

#### **Current position**

29. The current position for each area is set out below:

**(i) Commercial Property review (£50,000) and Review of Property Services (£50,000)**

Officers have held discussions with the Members and given the evolving situation within the Council regarding future property structures, and the wider slump in the Commercial property market, it is proposed was agreed to 'pull' the review of the Commercial Property. It is suggested that this sum be added to the Efficiency Reserve with a view to it supporting the Efficiency Programme which will at some point consider the commercial property portfolio. The review of Property Services was due to go to procurement stage for selection of an external advisor, however it was felt better to incorporate this as part of the

Corporate Efficiency Review as they were both operating to similar timescales, through similar procurement frameworks, and it was considered more efficient and practical to bring this review into the Corporate Review. It will be identified with NKA as a priority for early review.

**(ii) Subsidised and Community Transport (£44,000)**

Details on this review are set out in **Annex 1**

**(iii) Organisational Effectiveness Programme (rebadged as Single Improvement Plan) (£85,000).** This was not a review as such, but ongoing investment to support the Council becoming more effective in delivering key aspects of the Single Improvement Plan, with a view to becoming more effective and efficient.

The funds were allocated as follows:

- £20,000 went into Corporate Accountancy for Efficiency Reviews – this funding (£17,000) has been used to assist with funding the new Head of Efficiency and Procurement as part of the Resources Directorate restructure, with a view to taking forward the Corporate Efficiency Programme and Strategic Procurement across the council.
- £25,000 went into Performance and Improvement Team (PIT) and was used to support the restructure proposals within the PIT Team that were conducted around April-June 2008. The impact of this is a stronger Performance Team, which has now also been additionally supplemented by additional resource as a result of the restructure within Resources, in particular the creation of a Head of Performance and Business Assurance.
- £40,000 went into Public Services to fund a Customer Relations Post. Further details on this post are set out below :

The role of Customer Relations Improvement Officer is integral to the delivery of the Customer Strategy and the implementation of Easy@york phase 2. The key deliverables will be: -

- Consultation on the Customer Strategy
- The design and development of the York Customer Centre (YCC) in the new civic HQ building through understanding our customers' access requirements and service delivery needs
- Design and management of the corporate implementation for the corporate customer feedback and complaints policy and procedures including the design of corporate business processes and reporting frameworks.
- Implementation of the new Performance Framework for customer care. This will include implementation of a measurement tool, corporate wide guidance and methods for measuring, reporting and ensuring we learn from results. This will support the government

requirement to reduce unnecessary contacts from customers and support identification of areas where we can improve the quality of the end to end service and so provide efficiencies.

- Review, implementation and embedding of a new set of improved customer first measures and standards including improved methods of monitoring, reporting and reviewing which supports the single set of National Indicators and the improvement in equality monitoring/ impacts/data within performance management/ measurement systems.
- Development of Customer Insight - an in-depth understanding of who our customers are, where they are and what they want from local services so we can build this into the design and improve delivery of our core services. This in turn will support the soon to be introduced Equalities Framework and our Equalities Improvement Plan.

**(iv) Leisure & Culture (£50,000):** the details of this review are set out in Annex 2.

**(v) Shared services (£25,000):** This was intended to commission a piece of work that would address which services the Council could strategically procure/share. This is something that the CEP will pick up on and therefore it is intended that this money be added to the efficiency reserve.

## Implications

- **Financial** – It is proposed to use £52,000 from the Efficiency Reserve that Council approved in September 2008. If Members agree to the reviews relating to Property and Shared Services being taken forward through the Efficiency programme, the sum of £125,000 that was approved for these reviews could be available to add to the Efficiency Reserve.
- **Human Resources (HR)** – No specific implication but there will be a need for HR support during the Efficiency Programme.
- **Equalities - None**
- **Legal** - the Performance Partner framework has followed recommended Procurement procedures.
- **Crime and Disorder - None**
- **Information Technology - None**

## Risk Management

30. The risks within the Partnership have been referred to throughout the report. In particular there is a need for an effective Partnership to be developed, engagement throughout the Council, sufficient resource to support the Partnership, and good Governance arrangements. The need for the Council to embrace and respond positively to change is crucial, and to ensure robust



challenge in terms of how services are currently delivered. The risks in terms of costs are dealt with primarily through the risk/reward model, the details of which have been outlined earlier.

31. There are clear risks in terms of not taking forward the Partnership, or in not making it a success. Without a successful Corporate Efficiency Programme the Council will struggle to meet its financial savings targets, and Government efficiency targets. This will put increased pressures on Council budgets, and potentially mean reductions in service levels. Failure to achieve the targets set within the Efficiency Programme will mean that individual services will need to identify specific savings.

## **Recommendations**

32. The Executive is asked to:
  - Note progress on the Corporate Efficiency Programme, endorse the approach to the CEP, and the selection of Northgate Kendrick Ash, and agree that the scoping study of £52,000 be funded from the Efficiency reserve
  - Consider how Executive wishes to be involved in the Corporate Efficiency Programme, including Member representation on any CEP Strategic Steering Board
  - Note the progress in relation to the review of Leisure, Transport, and the allocation of funds for Organisational Effectiveness
  - Recommend to Council that the Corporate Efficiency Programme now takes forward some of the reviews agreed as part of the 2008/09 budget, in particular in relation to Property Services, Commercial Portfolio and the consideration of services the Council should strategically procure/share, and that Council agree to the funds that were approved for these reviews, £125,000, be transferred to the existing Efficiency Reserve.

## Contact Details

**Author:**

**Ian Floyd**

**Director of Resources**

*Tel No.01904 551100*

**Chief Officer Responsible for the report:**

**Chief Officer's name : Ian Floyd**

**Title : Director of Resources**

**Report Approved**

**Date**

*11/12/08*

**Specialist Implications Officer(s)** *List information for all*

*Implication ie Financial*

*Name*

*Title*

*Tel No.*

*Implication ie Legal*

*Name*

*Title*

*Tel No.*

**Wards Affected:** *List wards or tick box to indicate all*

**All**

 *tick*

**For further information please contact the author of the report**

**Annexes:**

Annex 1 – Subsidised and Community Transport review

Annex 2 – Leisure and Culture review