

Executive

9th June 2009

Report of the Corporate Management Team

Effective Organisation Programme – Efficiency Review

Summary

1. This report sets out the initial findings of the recent review of the Council undertaken by the Council's efficiency partners, Northgate Kendric Ash (NKA), following previous reports to the Executive on this issue. Further to that, it sets out proposals from the Corporate Management Team for a broad-based programme of work to ensure the Council continues to provide efficient and effective services which are focused upon Customer needs, and ensure that York continues to build upon its successful transformation programmes, ensuring the Council is modern and forward looking. The proposals are key in ensuring the achievement of the Effective Organisation theme within the recently approved new Corporate Strategy.

Background

Corporate Objective

2. The eighth theme of the Corporate Strategy commits us to working to become an ever more effective organisation: modern, professional in all that we do, living up to our values and a great place to work.
3. This theme commits us to continue a programme of transformation for the authority, ensuring we are a modern, agile organisation, through our easy@york programme and the new efficiency partnership. It also focuses on ensuring consistent, high standards of professionalism throughout the council by implementing the Single Improvement Plan and Business Model. In addition there is a further commitment to support staff by offering personal development opportunities, implementing fairness at work policies and a wide range of benefits, and most importantly to proactively communicate with the local community to increase people's understanding of, and access to, our services and those provided with our partners.
4. The Efficiency agenda is crucial to this objective and needs to be co-ordinated with many of the activities that are already happening to ensure that we maximise the benefits and make best use of our investment of time and money.

Efficiency

5. In 2008/09 York had the second lowest Band D equivalent Council Tax of all 46 Unitary Councils, it had the lowest spend per head and received the 7th lowest

Government Grant per head. Therefore York can be considered to be one of the lowest funded authorities in the country.

6. The Audit Commission have given us three stars for Value for Money in the Use of Resources score. CYC have made efficiencies in recent years and have always managed to remain within budget. CYC has already initiated a wide range of service based improvement initiatives and some corporate programmes such as easy@york. These have already been successful in delivering improvements to services.
7. The budget process has regularly delivered 3-5% savings per annum to balance the Council's financial position. However this process has tended to focus upon individual Directorates, and there has generally not been a significant Corporate look across the organisation, to identify areas where, through a Corporate approach or a Council wide initiative, efficiency across all areas would increase. Whilst the target setting approach for individual Directorates has worked well in the past, and delivered the required budgetary savings, it is generally accepted that further across the board savings will become ever more hard to achieve, and there is a need for a "one Council" approach to achieving some of the required efficiency gains. There will also be focused reviews in individual service areas, but these will be targeted towards areas where there appears greatest opportunity for real efficiency, as opposed to a blanket approach to all areas. Continuation of the Directorate targets approach as applied recently is almost certain to result in reductions in services.
8. It is important to stress that the Efficiency Programme has the fundamental principle that savings have to be true efficiency – this means **no deterioration/reduction in the level or quality of service delivered to Customers**. In addition, throughout the process we would be looking to both reduce costs, but at the same time improve service delivery. Taking a corporate approach to efficiency will ensure that the Council maximises its use of resources, and focuses these upon the delivery of high quality customer facing services.

Economic Position

9. The current Medium Term Financial Strategy (MTFS) sets out the need for a minimum £15m of savings to be generated in the next three years, starting with an estimated £3m in 2010/11. This projection was based upon prudent estimates of inflation, known growth pressures and Government settlements.
10. Since the MTFS was written, the global economic crisis has almost certainly made the position worse. Lower interest rates and low inflation combined with increasing unemployment levels will have wide reaching impacts upon our own finances and will change the pattern of customer demand as the credit crunch pushes more people into a vulnerable financial position and increases their need for some council services.
11. The Budget revealed **local government's 3% CSR07 efficiency target has been increased from £4.9bn to £5.5bn, with councils expected to find 4% efficiency savings in 2010-11**. The Government has said that the additional £600m will be retained by councils to reinvest in services. Beyond CSR07, the government will seek additional £9bn per annum efficiency savings across the public sector by 2013-14. It is not clear what local authorities' share of these savings will be but it is reasonable to assume that we will need to increase the level of efficiencies in the coming years. Therefore, whilst the Efficiency programme target at present is to deliver £15m savings

in a three year period, the likelihood is that we will need to achieve more, and therefore the programme will need to be extensive, and consider significant changes in how services are delivered.

Ambition

12. City of York Council (CYC) has some excellent, high performing services. It also has some services which require improvement. Customer expectations continue to increase and Government targets also prompt us to continue our improvement journey. The current financial situation makes this a real challenge.
13. Such challenges are causing councils nationwide to consider their future plans. Some councils are already drawing heavily on reserves to address the gap. The best, most efficient, effective and forward-looking councils are planning now how they intend to meet the financial challenges ahead, how they can identify opportunities for long term efficiency, which both deliver improved customer outcomes, and financial savings.
14. It is in this context that CYC sets out its' **intention to be an excellent, forward thinking Council**. The proposals set out in this report represent best practice in private and public sectors. The Council is looking at step changes in process, cost and collaboration, not because we are a poor performer, or are not effective, but because we **recognise the need to constantly improve customer services**, remove waste, utilise technology, harness the skills of staff, develop sustainable business practices and ensure we are operating as effectively as possible. All successful organisations have this ambition, ensuring they stay ahead of the game, and respond in a planned manner to changes in the environment they operate within.

Efficiency review

15. The scale of the challenge facing local authorities in coming years should not be understated. These challenges include increased expectations for service delivery, the economic position and reduced public spending, and demographic and social changes. As described above, tackling these effectively requires a robust, and substantial Efficiency Programme. Delivering this will require substantial resource, which will be almost impossible to find solely from within our existing staffing resources. As a result, in December 2008 CYC appointed Northgate Kendric Ash (NKA) as our Efficiency Partner, and commissioned a 12-week review to look at the potential to deliver £15m of savings (net of fees) from the operation of the entire Council. The partnership was based on a 100% risk reward model, whereby NKA will place all their fees at risk if genuine efficiencies are not made. The basis of the partnership was that NKA would bring with them experience and additional capacity to support CYC in delivering the programme. This is not something that has been done to the Council, nor is it a comprehensive performance review. **It concentrates on areas where improvement is possible.**
16. The Summary of this review is attached as Annex 1. This is supported by 21 detailed reports which set out the initial business case for each stream of work.
17. The principal finding of the review was that **NKA are extremely confident that the £15m target (net of fees or investment) can be achieved** within the three-year target. It is also their view that further savings are possible in the future if CYC is willing to embrace a truly transformational approach to service delivery (the "horizontal efficiencies" set out in the summary report).

18. The report is the result of just 12 weeks intensive review work and as such all detailed figures within the reports are still being refined, and the reports are very much work in progress. Since the beginning of April NKA have been working with Directorate management teams to validate each business case and to blueprint the future service, envisioning what the service will look like in the future and identifying what actions need to take place to realise the benefits. The full business case is **a work in progress** however NKA are extremely confident that the overall savings position is a robust one.
19. NKA believe that the Council has already started well with the work done on easy@york and any future efficiency programme should be built around the Programme office already established (indeed many NKA proposals are already being developed as part of easy@york phase 2). However NKA also believe that the easy programme has not been able to achieve its full potential nor has it had a broad enough scope to deliver the wide reaching efficiency gains that are needed.
20. NKA state the need for high-level commitment from Members and from CMT to enable any future work to succeed. This involves developing capacity and capability to move quickly and purposefully forward.
21. Because of the risk/reward model that has been developed, NKA need to entirely confident that the programme that is agreed can definitely be delivered. **It is not in their interests to inflate potential savings.**

Corporate Management Team Proposal

22. Corporate Management Team are championing the development of a broad programme of change to deliver the Effective Organisation theme set out in the Corporate Strategy theme.
23. The change programme will incorporate
 - A series of efficiency projects set out below
 - The easy@york programme
 - The Improvement Plan
 - Workforce Development Plan
 - Delivery of the Customer Strategy and Engagement Strategy
24. This programme includes the commissioning of a series of efficiency projects which will be undertaken with support from NKA. Ten of these offer early deliverables and quick wins and represent the first year of the efficiency partnership and include work that will deliver savings and improvements in 2010/11. Other projects and the strands of cross cutting efficiency identified in the NKA review will be worked up and proposed for years 2 and 3 of the programme. The ten Year 1 projects are: -
 1. Neighbourhood Services
 2. Housing
 3. Adult Social Care
 4. Customer Services
 5. Procurement

6. ICT
7. Income Collection/Debt Management
8. HR Transactional processes
9. Property Services
10. Review of Senior Management structures

25. Set out below is a summary of each project. At this stage the areas of activity give an outline of the broad scope of reviews, which clearly will need to be subject to more detailed work and option analysis.

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| 1. Neighbourhood Services | Potential Budget Saving:- £1,240,000 |
| Activity will include: - | |
| <ol style="list-style-type: none"> 1. Consider move to area based delivery to improve accountability and allow residents to shape services 2. Remove service based structure and allow staff to work flexibly on any type of work that needs doing 3. Adoption of mobile working to make street based services more responsive 4. Review potential changes in the waste collection staff's work patterns. 5. Optimise work schedules to create capacity to deal with areas/times of greater need 6. Review of kerbside recycling – encourage improved levels of recycling 7. Integration / rationalisation of highways inspection to enable us to repair roads more quickly 8. Improve levels of equipment to improve utilisation and reduce the need for replacement 9. Market testing to prove best value 10. Review of commercial activity to ensure it is cost effective | |

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| 2. Housing | Potential HRA Saving: - £1,600,000 |
| Activity will include: - | |
| <ol style="list-style-type: none"> 1. Remove the client/contractor split and, in so doing, ensure that service delivery sits in the one area – the service deliverer. 2. Simplification of new business process, reducing duplication of effort and unnecessary checking and monitoring 3. Adopt one system for the operations and arrange for that one system to pass data to other systems 4. Accelerate implementation of mobile working technology to speed up the repair process 5. Consider the future options for Landlord Services in light of the pending HRA Review. 6. Market test the service | |

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| 3. Adult Social Care | Potential Budget Saving: - £3,000,000 |
| Activity will include: - | |
| <ol style="list-style-type: none"> 1. Accelerate implementation of Personal Care Plans 2. Increase customer independence within their own homes through greater use of warden call / telecare services. 3. Review of the use of Elderly Person's Homes to increase utilisation and look at shared provision with PCT 4. Review the provision of domiciliary care to improve client contact time to a target of 70% by 2009/10, create greater overall capacity to meet the challenge of the older persons demographic profile within York up to 2015 5. More effective contract management of domiciliary care to improve safeguarding 6. Review of procurement of out of area placements and bring back in to local services individuals who have been place out of area to deliver better value and improve quality and develop vibrant market of care delivery | |

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| 4. Customer Services | Potential Budget Saving: - £1,000,000 |
| Activity will include: - | |
| <ol style="list-style-type: none"> 1. Rationalisation of the number of reception points in to a single service centre in 2012 with the early formation of a single Customer Service Unit prior to 2012 to provide one view of the customer – a One stop approach for all customer enquiries/requests. 2. Adoption of standard working processes across all services enabling the removal of non added value activities leading to a reduction in avoidable contact and consistent quality customer experience 3. Performance improvement within the contact centre targeting upper quartile performance with significant improvement in the customer experience, faster service delivery, improved feedback to customers about the progress of their request, all leading to increased customer satisfaction. | |

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| 5. Procurement | Potential Budget Saving: - £3,200,000 |
| Activity will include: - | |
| <ol style="list-style-type: none"> 1. Establish a broad range of corporate contracts to cover the majority of Council spend ensuring better value for money & aggregate spend across the Authority e.g. bulk paper, food and catering, facilities management etc. 2. All high value contracts re-tendered within the next three years to deliver cost savings 3. Creation of a single corporate procurement function to maximise aggregation of spend and ensure compliance with standard terms and conditions. 4. The financial system will be reconfigured early in the transformation | |

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| <p>programme to support E trading</p> <ol style="list-style-type: none"> 5. Adoption of a variety of different purchasing methods including Procurement cards, market place, etc to reduce transactional costs 6. Creation of a up to date contract register to ensure timely re- procurement 7. Adoption of standard terms and conditions across all directorates to minimise risk associated with Health and Safety, sustainability and ethical frameworks by adoption of more robust T + C's |
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| 6. I.C.T. | Potential Budget Saving: - £1,350,000 |
| Activity will include: - | |
| <ol style="list-style-type: none"> 1. Managed Print - source all printing via competitive tender, rationalise the number of photocopiers, specialist and standard printers. With new high spec printers through out the Authority 2. Computer operations room, the tendering for a managed service which will host all servers to provide an ongoing technical refresh of the server estate negating the need to purchase new assets on a ad-hoc basis, and Increase the level of robustness of Disaster Recovery Plans 3. Centralise IT resource in to one management structure & rationalise support activity to ensure consistent application of policy and remove duplication 4. Desktop review, acceleration of the move to thin client and the reduction in the overall number of units through better utilisation of laptops and the adoption of flexible working. This will reduce the space requirement in the new HQ | |

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| 7. Income Collection | Potential Budget Saving: - £1,800,000 |
| Activity will include: - | |
| <ol style="list-style-type: none"> 1. Development of a single performance framework and adoption of common working practices, re-engineering of core processes, implementation of the new Income Collection Strategy leading to increased collection rates and reduced bad debt provision. 2. Introduction of a managed service for collecting housing benefits over payments 3. Implementation of E benefits for processing new Benefits claims giving faster claims resolution. 4. Standardise working practises and greater adherence to Authority policies | |

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| 8. Human Resource | Potential Budget Saving: - £1,600,000 |
| Activity will include: - | |
| <ol style="list-style-type: none"> 1. Establishment of an HR business support centre which will reduce administration and duplication of effort and lead to faster appointment of staff 2. Business process re-engineering of key transactional processes | |

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| <p>focussed on improving effectiveness and efficiencies</p> <ol style="list-style-type: none"> 3. Development of a flexible resource strategy which will deliver financial benefits by adopting different methods of employing fixed contracts and temporary workers 4. Adoption of standard working practices throughout the Authority to ensure consistent applications of processes and policies across HR 5. Improve control of the establishment to tie together employment status, network access and financial controls 6. Develop the capacity within the HR service to deliver the transformational change programme |
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| 9. Property | Potential Budget Saving: - £700,000 |
| Activity will include: - | |
| <ol style="list-style-type: none"> 1. Develop strategic capability across the whole organisation to refocus resources on becoming a commissioning function rather than a provider of the full range of services (Facilities Management, Corporate Estate Management, Management of the investment property portfolio, Valuations, Repairs & Maintenance, Design and Energy Specialists) 2. Creation of enlarged Facilities Management service incorporating building repair and maintenance, security/caretaking, cleaning, Couriers, window cleaning etc.. 3. Market test the service incorporating a flexible contractual approach with an awareness of the future requirements (especially with regard to FM and Corporate Estate Management) as a result of the pending move to the new civic building | |

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| 10. Review of Senior Management Structures | Potential Budget Saving: - £1.2m - £1.6m |
| Activity will include: - | |
| <ol style="list-style-type: none"> 1. Review the senior management structures of the Council to ensure that the Directorate structures are fit for purpose to deliver services in the future 2. Review potential centralisation of support services such as Finance prior to the move to the new HQ. 3. Rationalise the levels of management to give clearer focus to each service area and reduce the cost of management across the council. | |

26. The Potential Budget savings identified above represent an estimate of the full year savings which can potentially achieved in these areas by the end of the programme., totalling over £17.1m. They are not therefore the totals that can be achieved in year one and do not align to the annual figures for the whole programme set out in the table in para 38.
27. Annex 2 contains a draft plan of the year 1 efficiency projects indicating which projects will run when. Each of these projects have been through an initial validation of the business case during April and May. They are however still based on some working

assumptions which will be more closely reviewed before commencement and it is extremely likely that some activities will change as we go through further detailed definition.

28. It will always be CYC's intention to select the best models of delivery for all the services it provides. It will embrace and be tested against the core values of the moreforyork programme. This may include continuing to deliver a service 'in house', it may mean contracting with the private sector to deliver all or part of a service and it might also mean working collaboratively with other public, private or voluntary sector organisations. The key principles will be to ensure that the organisation provides quality services for its customers, in the most appropriate manner, and one which provides true value for money. When considering all options it is the duty of the authority to ensure that it consults regularly with external providers to understand all the available models of delivery in the market, to understand the relative costs of those models and to see where best practice can be established and adopted. This approach can be termed as soft market testing. In every instance, all opportunities to drive out inefficiencies before a service is tested against and potentially outsourced to the open market, must be taken. Finally where service improvements and efficiency gains have been made, it is the good practice to demonstrate value for money by testing those services against external providers via a competitive process - i.e. full market testing.

Principles

29. A set of principles will be applied to all these projects to ensure they deliver consistent outcomes: -
1. Customers will see service improvements
 2. There will be a single view of the customer
 3. Customer facing business processes will be simple – minimal intervention
 4. Flexible Working
 5. Services will be delivered by those best placed to deliver them
 6. CYC will collaborate effectively with partners
 7. No internal client contractor relationships
 8. Internal processes will be fast and efficient
 9. Services will be shaped by customer need not by the structure of the Council
 10. Workforce will be skilled and flexible to address needs in the future

How will this programme improve services to customers?

30. Some of the projects are about changes to customer facing services and some of the projects will change internal support services. All of the projects will have a positive impact upon the experiences of our customers. We will: -

- Give a single view of the customer across a range of services and enable us to satisfy customer requirements through simplified contact and understand the specific needs of individual customers
- Make services to customers faster through reducing the steps in the process, mobilising the workforce and proactively managing the delivery of every transaction
- Customers will be able to access services using a variety of contact methods over extended hours
- Local service delivery will give customers more say over the services that are delivered in their area - how they are delivered and what priority they are given.
- Improve the feedback to customers on the progress of their service request
- Removal of the remnants of the client contractor split in some services will reduce multiple handling, duplicated inspections and internal delay.
- To the customers the authority will feel modern and responsive and meet their expectations

Delivering a Programme of change

31. The programme will be delivered in partnership - we will be committing a lot of internal resource to drive forward change and NKA will provide capability and capacity in both change management and in service management whilst the changes are being made. They will provide necessary challenge and impetus to accelerate progress, ensure robust change processes are in place to achieve all the benefits of the programme.
32. The proposed programme of change is extensive and there needs to be a major commitment from across the organisation to co-ordinate and prioritise activity to deliver the benefits of the programme.
33. Decision making in the programme will be delivered in line with the Council's constitution. Quarterly progress reports will be made to the Executive to track delivery of benefits and to seek approval for decision, the levels of which are set out in the constitution. If these decisions require significant changes to the Council's policy or budgetary framework they will be put to full Council.
34. There are a range of early actions that need to be undertaken to provide a firm launch pad for the change. These include: -
 - Consider centralisation of some support services ahead of the move to the new HQ – specifically HR, Finance, IT, and Procurement.
 - Development of our internal capability and capacity in HR, Procurement and Performance Management
 - Development of staff who will be instrumental in the Programme

- Establishment of Governance arrangements and rationalisation of a multitude of existing project boards and groups. – The draft Governance structure is attached as Annex 3
- Adoption of a common project management approach as set out in the Single Improvement Plan
- Development of a comprehensive Communications Strategy to engage and communicate with Customers, staff, unions, members and partners

Financial Implications

35. The Medium Term Financial Strategy (MTFS) presented as part of the Budget Report to Council on 26th February identified a cumulative 3-year target of £15m net real efficiency gains (2010/11 £3.25m, 2011/12 £5.15m, 2012/13 £7.15m). These targets were considered necessary in order to ensure the Council could meet forecast future financial pressures without the need for cuts or reductions in services.
36. In order to provide assurance on the delivery of the MTFS, proposals for significant changes to the Council's annual budget planning process are currently being developed. These changes will include recognition of the need for robust and effective validation of efficiency proposals in order to ensure that savings targets are realistic and achievable.
37. The Council approved an allocation of £1m towards efficiency in 2008, and this was subsequently supplemented by a further £125k of one off budget as a result of the NKA review replacing planned and funded reviews of Commercial Property Portfolio, Property Services and services that the Council should strategically procure or 'share'.
38. At the heart of this programme is the principle of risk and reward. In simple terms all of NKA's fees are subject to the achievement of savings being identified. If the required savings are not identified there is 100% rebate of fees.
39. However, clearly there will be a need for payments in advance of full efficiency savings coming through. This in essence is about cashflow, with us being required to cover NKA fees as the programme is in operation, with those fees subsequently being met from savings generated. This is similar in many ways to how the easy@york programme is financed. At times the fees and savings may well be in the same financial year, but in many cases this may not be the case. The table below projects the broad anticipated flows of fees to savings.

| COMMERCIAL MODEL | | | | | |
|--|------------------------------|------------------------------|------------------------------|------------------------------|------------------|
| | Year 0 2009/10 (£'000) | Year 1 2010/11 (£'000) | Year 2 2011/12 (£'000) | Year 3 2012/13 (£'000) | Total (£'000) |
| SAVINGS FROM REVENUE (GENERAL FUND) | | | | | |
| Savings (Incremental) | 1,200 | 4,900 | 8,200 | 9,000 | 23,300 |
| Savings (Cumulative) | 1,200 | 6,100 | 14,300 | 23,300 | 44,900 |

| SAVINGS FROM NON GENERAL FUND & ONE OFFS | | | | | |
|--|--------------|--------------|---------------|---------------|---------------|
| Savings (Incremental) | 70 | 300 | 600 | 1,800 | 2,770 |
| Savings (Cumulative) | 70 | 370 | 970 | 2,770 | 4,180 |
| Total Cumulative Savings | 1,270 | 6,470 | 15,270 | 26,070 | 49,080 |
| CONTRACTED SAVINGS TARGET (as per York MTFS) | | | | | |
| Incremental | 0 | 3,250 | 5,150 | 7,150 | 15,550 |
| Cumulative | 0 | 3,250 | 8,400 | 15,550 | 27,200 |

40. The top section of the table (“Savings from General Fund” and “Savings from non General Fund”) sets out the maximum potential gross savings that can be generated. The “Contracted Savings target” sets out the minimum guaranteed General fund savings underwritten by the NKA risk model. These figures are net of all transformation costs and fees and are ongoing.
41. NKA fees will pay for a range of specialist skills and resources that NKA will deploy within CYC over the next 4 years in order to create the efficiencies and assist with the transformation of the Council. This will include business process reengineering, direct service management, procurement support and organisational change. Without this support it is unlikely that CYC would be able to realise such a large programme of change. The fee structure is set out in confidential Annex 4.
42. Other costs may also need to be incurred as a result of the Efficiency Programme, including potential redundancy, IT, and investment in training.
43. It is recommended that the Executive delegate approval to meet NKA fees, and any other costs associated with the Programme, to the Director of Resources, these being financed from the Efficiency Reserve. At all times, the Director of Resources would be responsible for the determination of savings achieved, the required budget adjustments, and the allocation of such savings. He would be responsible for ensuring that there is a robust financial control in place that ensures all fees are met from savings, and that the Efficiency Reserve remains in an overall healthy position with payments out of the reserve (fees/other costs) being subsequently reimbursed through savings credited to the reserve. It may also be necessary at times to allocate to the reserve a greater amount of “saving” than that which simply covers the fees related to the achievement of that saving, for example where it is known that further costs may be incurred in the future. The fundamental principle however is that all costs associated with the programme are fully met from savings, and that the net savings over a three year period will be a minimum of £15m.
44. The Financial Strategy 2009-2012 is predicated on the achievement of the savings that will be delivered by this programme. Off the back of making these efficiencies we would no longer have specific Directorate targets for savings, however there is still likely to be a need for Directorates to manage growth/budget pressures wherever possible from within their existing allocated budgets. Without the Efficiency programme we will need to revert to the Directorate targets for savings which will almost inevitably mean service cuts. For the year 2010/11, we will need to review the success of the efficiency projects in October 09 to establish confidence that they will yield the £3.2m required for next year.

45. The level of savings to be incorporated into the budget each year will be based upon validated and accurate assumptions of savings and not on the headline figures contained in this report. Further work is needed to work up proposals and validate information before accurate projections can be agreed.

HR Implications

46. This programme has huge implications for the HR service and for staff. For the HR service, there is a need to: -
- Amend HR procedures to enable change to happen faster.
 - Run an efficiency project to deliver better quality faster and more consistent HR transactional services.
 - Develop staff, improve the management of staff and provide staff with a better package of welfare benefits
 - Plan the future needs of the Council and develop its workforce to meet these needs
 - Support the organisation through a period of cultural change where working lives will look very different to how they look now.
47. For staff there will also be implications
- Some staff will be asked to change working practices, manage information in different ways, work across service boundaries, utilise technology, work flexibly
 - Staff will be able to establish better work life balance with family friendly working practices and flexibility as part of their terms and conditions.
 - It is extremely likely that there will be a reduction in the number of employee posts. Changes to business processes, removing unnecessary steps will inevitably reduce the need for so many people. Given that the majority of the Council's budget is spent on salaries, if savings of £15m are to be made then this inevitably means a reduction in post numbers. It is better that this is done through improving services and rationalising processes because this means that services will not be cut and the working life of remaining staff will be sustainable. They will be working smarter, not just harder. The Council is committed to avoiding redundancies wherever possible through natural wastage.
 - The Council will need to market test some of its services to ensure that the Council is delivering efficiently. Any outsourcing would involve TUPE transfer of staff.
 - Even for staff who are not directly affected by a project within the programme, they will experience the Council behaving in a different way. There will be a focus on customer outcomes and performance management, a corporate approach to organisation wide issues, a collaborative approach to working with others and a positive can do attitude to ongoing improvement for the whole organisation. **Staff want to work for an excellent, modern and forward-looking organisation and will benefit from working for an excellent Council.**

Risk Management

48. This report addresses two major corporate risks - the failure to achieve £15m of savings in the next three years and the failure to co-ordinate related change activity. This report seeks to mitigate both these risks by implementing a robust plan of action to achieve savings whilst aligning the delivery programme with other change activity.
49. The proposed programme will inevitably bring new risks which will be closely monitored within the Programme and managed by the Executive Board (CMT). The key risks are
 - a. Staff morale may be impacted by the prospect of significant change and potential large scale service transformation, particularly where service redesign and potential post reductions may occur. *Mitigation* - extensive communication and engagement with staff to explain the positive aspects of the programme. Commitment to staff development and training to help staff to manage the change process.
 - b. Some Customer Groups may object to individual proposals. *Mitigation* – Equalities Impact assessments on each project accompanied by customer engagement to shape the design of services in the future.
 - c. Unions may object to individual proposals and industrial action may ensue. *Mitigation* – Ongoing Union engagement
 - d. The programme is wide ranging and it may be difficult to co-ordinate activity across different streams and directorates. *Mitigation* – Robust Programme Management & Governance arrangements will ensure joined up issue and risk management and will provide visibility of any failure to deliver proposed outcomes.
 - e. Individual savings proposals may be unpalatable to Members – if they are agreed and then subsequently we fail to implement them this create a breach of our contractual relationship with NKA. *Mitigation* – Regular Quarterly progress reports to Exec/Full Council setting out the context for each proposal and the full impact of each decision on the programme and budget . Decisions to be made according to the constitution.

Implications

50. The implications this report are: -
 - **Financial** - Covered in the report
 - **Human Resources (HR)** - Covered in the report
 - **Equalities** - Equalities Impact Assessments will need to be undertaken on each project before contract signature with NKA to ensure that all equalities considerations have been taken into account. If there are any significant equalities issues that Members need to understand, a further report will be drafted before contracts are signed and work commences.
 - **Legal** – There will be an upsurge in procurement activity with potential new areas of engagement for the Council. Legal support will be essential.
 - **Crime and Disorder** – no implications
 - **Information Technology (IT)** – The delivery of the Corporate IT Strategy will support this programme. Management of the delivery of IT development will fall

under the programme. Specific efficiency project will also have impact upon the organisational structure of the IT department and on some IT infrastructure projects.

- **Risk Management** – High level risk are covered in the report. A detailed risk register will be kept at programme level and by each project.

Consultation

51. It is critical to the success of any transformation programme that all key stakeholders are not just informed about the change but are actively engaged to understand, accept and become committed to the changes taking place. To that end, a communications strategy has been developed to identify all stakeholders, identify their current state of awareness and to provide the right kind of communication and engagement to gain their positive cooperation. In preparation for the release of this report, communications have been undertaken with staff to explain what the programme is about, why we need to do this and what changes it will bring.
52. If this Programme is agreed, the full communication Strategy needs to be implemented to further engage staff, develop their understanding of and involvement in the programme as it progresses.
53. Unions have been briefed before during and after the NKA review and are party to the contents of this report. Close liaison with all Unions will be essential for the successful delivery of the programme.
54. Partner briefings have been commenced and it is expected that these relationships will provide opportunities for further cross organisation efficiencies.
55. One aspect of the overall programme is to create a better two-way relationship with customers and engage them in how services are delivered. Future customer involvement will be essential in shaping services to deliver what customers want and ensure that the efficiencies and improvements do in fact deliver a better customer experience. Again a comprehensive engagement plan needs to be developed alongside a detailed programme plan.

Recommendations

56. Members are asked to agree to the commencement of the year 1 Efficiency projects set out in para 25.
57. Members are asked to note the proposed Programme governance arrangements set out in Annex 3.
58. Members are asked to delegate authority to the Director of Resources to agree financial commitments to NKA (on basis of the risk reward model), and agree allocations from and to the Efficiency Reserve, to enable the delivery of the Efficiency programme
59. Members are asked to delegate authority to the Executive Board for the management of the programme of efficiency projects and to develop further detailed proposals for years 2 and 3.

60. Members are asked to agree that progress on the Efficiency Programme will be reported at least quarterly to the Executive.

Reasons

61. To enable the Council to commence work on delivery of the strategic objective to be an Effective Organisation, to deliver service improvements and create efficiency savings of £15m over the next three years.

Contact Details

Author:

Author's name

Ian Floyd
Director of Resources.

Chief Officer Responsible for the report:

Chief Officer's name Bill McCarthy

Title Assistant Chief Executive -

Tracey Carter
AD Resources – Transformation
& Efficiency

Report Approved

Date 27th May 2009

Dept Name Resources
Tel No. 553419

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

All

For further information please contact the author of the report

Annexes

- Northgate Kendric Ash Efficiency review – Executive Summary.....Annex 1
- Draft Plan for Year 1 efficiency projects.....Annex2
- Governance arrangements.....Annex 3

Confidential Annex

- Commercial arrangements with NKA.....Annex 4