

<b>DECISION-MAKER:</b>	CABINET COUNCIL			
<b>SUBJECT:</b>	<b>IMPLEMENTING THE COUNCIL STRATEGY 2014-2017: TRANSFORMATION PROGRAMME UPDATE</b>			
<b>DATE OF DECISION:</b>	10 FEBRUARY 2015 11 FEBRUARY 2015			
<b>REPORT OF:</b>	CABINET MEMBER FOR EDUCATION AND CHANGE			
<b><u>CONTACT DETAILS</u></b>				
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#### **STATEMENT OF CONFIDENTIALITY**

N/A

#### **EXECUTIVE SUMMARY**

The role and shape of public services is changing dramatically. This is not only because of the reality of deficit reduction but also radical changes in the needs, behaviours and expectations of residents, customers, clients and communities. We and our public sector partners recognise that we serve the same population and that we can be more successful in improving outcomes, within reducing resources, by working together on a whole place thinking approach. This could result in the pooling of budgets and sharing resources to deliver services in a more cost effective way.

The City Council continues to face significant financial challenges with a projected funding gap of circa £60.7M by 2017/18. This gap is set to widen further due to increasing demand driven by demographics and long standing social, health and economic pressures faced by many residents, particularly our most vulnerable residents.

The council currently spends an estimated 41% of its effort in delivering front line services and this is in line with a number of other councils who have completed similar analysis. However as we want to ensure we continue to improve outcomes for our residents, we are committed to shifting a greater proportion of our reducing resources to front line service delivery.

While we have delivered significant budget reductions in the last few years and started to transform some services, we recognise that our traditional approach to making savings will not be able to deliver a significant contribution towards our funding gap and that radical transformation of the Council is necessary over the next 2 years.

We have to radically change how we do business and embrace new ways of working to become sustainable and deliver the outcomes and priorities of our Council Strategy 2014-17. The transformation programme is not expected to bridge the funding gap by

2017, however, it has identified a significant contribution of annual savings of up to £15M and it will help us implement a new operating model for the council. The proposals are still in their early development for planning purposes and for inclusion in the Council's Medium Term Financial Strategy, as detailed in Section A The Outline Business Case. As work progresses the potential level of savings will be confirmed, and further reports will be brought forward during 2015/16 to agree new savings and update on the budget gap remaining.

It is clear that the Council must address its significant cultural issues and in particular the way that it manages and engages with its key stakeholders (including customers, Members, external partners, staff and service providers). The Council must also address its gaps in efficient and effective operations (e.g. by reducing fragmentation and duplication, increasing innovation and increasing use of digital technology) and must have a much stronger customer focus and commercial orientation, including examining commercial opportunities to generate additional income and/or reduce costs.

We commissioned KPMG UK LLP ("KPMG") to work with us to develop a new operating model, to identify the contribution that the transformation programme could make and the scale of the potential investment. While this report reflects much of that work, we will not be progressing with all of KPMG's recommendations (e.g. Operational Commissioning).

By **2017 we expect to be a sustainable council** which is:

- **more self-reliant** – over time becoming less dependent on central government funding and increasing our income generation.
- **focused on outcome-based services** - regularly commissioning the services we need based on outcomes for our residents, and making evidence based decisions on those services we need to stop or change.
- **quicker to respond** – more able to adapt to changing circumstances and residents needs including improving our digital offer to our customers.
- **equipped to work in new ways** – by implementing new ways of working for our staff, seeking new ways of reducing our procurement spend and better use of our assets.
- **providing a mixed economy of service providers** – taking different approaches to delivering services, taking ideas from all sectors as well as our own.

Our transformation programme will focus on three key areas:

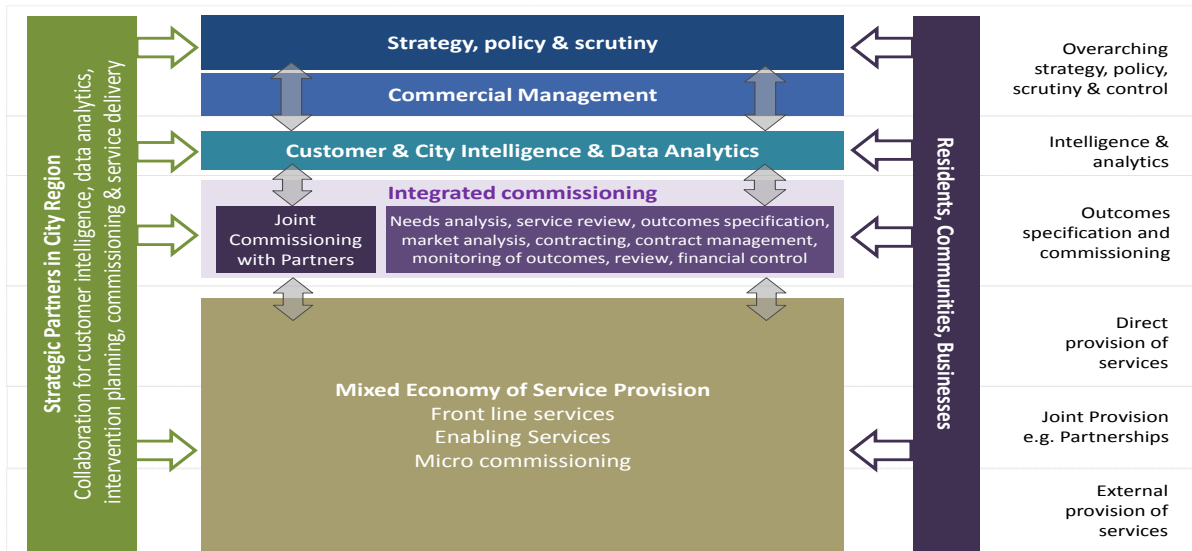
- **Implementing a new operating model** providing us with the ability to flex the size and shape of our organisation over time to meet demands and pressures, such as funding, demographic and policy changes. It will support the changing behaviours of our residents and enable further integrated partnership working with a mixed economy of service providers. Our operating model will make us a sustainable council.
- **Making us more efficient** by removing duplication and fragmentation from our front and back office and reducing our layers of management, gaining better data and information to make informed decisions and improve our demand management and delivering cashable savings. Finding the best way of doing things will make sure we all work in a consistent way.
- **Reviewing our front line service delivery function** to ensure it delivers the right

outcomes for our residents and represents value for money.

**In doing so, we will:**

- Fully implement a new operating model for the Council by 2017 which is aligned to and focused on delivering the outcomes and priorities of our Council Strategy 2014/17. Figure 1 outlines the proposed new operating model for the Council which is not an organisational structure for the Council.

**Figure 1 Outlines the proposed new operating model for the Council**



- Gain a much improved understanding of our demand and how to stop and reduce it.
- Reduce year on year overspends as well as reducing the costs and demand for social care services for our vulnerable children and adults.
- Develop a list of council services that will have to be stopped or reduced.
- Gain a better insight and understanding of where to prioritise our resources.
- Reduce the level of resources in our front and back office functions.
- Improve the way we commission our services both internally and externally.
- Further reduce our procurement spend on external supplies and services and a review of all contracts.
- Significantly reduce our management layers and widen our spans of control.
- Become more commercially focused in how we do business and use innovation to reduce costs and generate more income.
- Make it easier for our residents and customers to self-serve.
- Maximise our income opportunities.
- Make our work force more agile, responsive and independent of back office support.

**Achievements made by the transformation programme since July 2014**

- We have updated and redesigned our Gateway Service (Customer Contact Centre) to make it easier for our customers and residents to deal with their queries, seek advice and make payments. We have introduced self-service facilities and since its launch on 13 October 2014 we have received very positive

feedback.

- We have redesigned our web site, our primary customer access channel, (live in October 2014), which now offers our customers and residents 24/7 access to information relating to services and have made it easier for customers and residents to make payments, seek information, submit enquiries and make requests for services.
- We are establishing a 'Front Door' – a unified point of access for adult social care and housing services:
  - Adults Services and Housing Services are expected to be the first services in the new 'Front Door' by the end of May 2015.
  - Implementation of the Southampton Information Directory (SID) has been completed in preparation for the Care Act, which comes into effect in April 2015, and the Children and Families Act, which came into force in September 2014.
- We have established a cross council, consolidated administration support function (business support), which will deliver an annual saving of £800k from April 2015.
- We will continue to reduce accommodation and work with our public sector partners through the One Public Estate programme. Key achievements have been:
  - the vacation of the One Guildhall Square building and leasing it to Southampton University from January 2015 which provides an annual income of £900k
  - saving of £108k per year from Castle Way
  - a capital receipt of £1.8M for Marland House
- We have started work on implementing new ways of working for our staff including mobile and flexible working, new performance management, skills and competency frameworks.
- We are reviewing our procurement spend to deliver further cashable savings by buying smarter and have enabled £3.54M savings to date with a forecast of £4.59M by year end. These figures include a forecast of £305k against the sub £100k project which has been successfully rolled out across the Council.
- We are reviewing our services focusing on why we offer them, who to, and challenging ourselves on whether we are offering value for money. In the first phase, we are progressing work on redesign of adult social care provider services transformation.

### **Approach to implementation**

Given the challenges we face, it is clear that the way the whole council operates needs to change if we are to find new, more cost effective ways of meeting the needs of our customers and communities in this challenging environment. We recognise that we need to continue to facilitate economic growth and foster effective partnerships with a range of public, private, voluntary and community sector partners. If the council is to deliver the right outcomes for residents, it must also focus its efforts on the right delivery models for the future (some of which may not be the council), income generation, becoming more commercial, working with our partners to deliver shared services, making our processes more efficient and staff more effective through adopting new ways of working. All these changes emphasise the need for a new way of doing business (the new operating model of the Council) that supports the ongoing

delivery of essential services to our residents. Our new operating model must enable us to deliver on the outcomes and priorities of our Council Strategy 2014-2017.

We will undertake a fundamental review of “what we are in business to do” (i.e. review our services) by following an outcome based budgeting approach to build the service mix, service standards, service delivery models and trading opportunities during 2015. Alongside this we will continue to pursue growth / trading opportunities with others, recognising that any additional income generated from growth / trading initiatives increases the available budget for service choices for Southampton.

Progress of the transformation programme to date has been resourced through using a mix of internal and external resources. However, we recognise the scale and complexity of the full implementation of the new operating model by 2017 will require significant resourcing, specialist skills and investment in innovation and technology. We also recognise that given the current demand pressures for some of our services we must ensure that business as usual is maintained. Therefore, we propose the sourcing of a strategic transformation partner is agreed to assist us in the delivery of the transformation programme. The partner arrangement will be established on a commercial basis linked to cashable benefit realisation.

### **RECOMMENDATIONS:**

Cabinet is recommended to consider and recommend to Full Council, approval of the following recommendations:

- (i) To approve the Outline Business Case set out in Section A of this report.
- (ii) To endorse and recommend for approval by Full Council the new operating model for the Council set out in Section D of this report.
- (iii) To approve the high level implementation plan set out in Appendix 1 of this report.
- (iv) To note that regular updates on the position and progress of the Transformation Programme will be provided to Cabinet and (by agreement with the Chair) Overview and Scrutiny Management Committee.
- (v) To authorise the Chief Executive to take any further action necessary to give effect to the decisions of the Executive in relation to this matter.

Cabinet is requested to approve the following recommendations:

- (vi) To approve in principle, the procurement of a strategic partner to deliver the transformation programme and delegate authority to the Chief Executive following consultation with the Cabinet Member for Education and Change to enter into such an arrangement
- (vii) To note that the Head of Legal & Democratic Services consequentially has authority to seal any contractual documentation arising from this.

Full Council is recommended to approve the following recommendations:

- (i) To approve the Outline Business Case set out in Section A of this report.

- (ii) To endorse and recommend for approval by Full Council the new operating model for the Council set out in Section D of this report.
- (iii) To approve the high level implementation plan set out in Appendix 1 of this report.
- (iv) To note that regular updates on the position and progress of the Transformation Programme will be provided to Cabinet and (by agreement with the Chair) Overview and Scrutiny Management Committee.
- (v) To authorise the Chief Executive to take any further action necessary to give effect to the decisions of the Executive in relation to this matter.

## **REASONS FOR REPORT RECOMMENDATIONS**

1. The financial challenges faced by the Council and the changing demands for all services makes it imperative for us to adopt radical and different approaches to meeting customer needs, service delivery models and maximising the potential of our staff. The report to Cabinet in July 2014 explained that in the next phase of the Transformation Programme, we will need to seek approval to take specific actions to become a sustainable Council, one which will help us deliver the savings and become more customer-focused and commercially minded. This report provides the detail and seeks approval of specific recommendations, including a proposed Target Operating Model for the council.

## **ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

2. The option of continuing to reduce services without making radical changes in how we work and deliver services was considered and rejected because this will not deliver a sustainable Council.

## **DETAIL (Including consultation carried out)**

### **Introduction**

1. In July 2014 we outlined the case for doing things differently and that to deliver the Council Strategy priorities over the next three years we will have to make significant changes in how we design, deliver and manage services, work collaboratively with partners, work and communicate with our residents; and how we use research, data and insight to make evidence based decision making. Cumulative budget reductions combined with changing demographics and the pressures of managing future demand mean we have no other option except to systematically redesign every aspect of how we work and deliver services. Our current business model has been in place for a long time and to date, it has enabled us to manage service delivery and meet objectives set out in strategies and plans. However, the dramatic changes in the role and shape of public services, the reality of deficit reduction and the radical changes in the needs, behaviours and expectations of customers, clients and communities require us to develop and implement a new business model to become sustainable.
2. The transformation programme has made progress since July 2014 and our achievements are detailed in the summary of this report. However, we recognise that the transformation programme alone cannot bridge our funding

gap – it is expected to make a defined contribution and importantly, it will help us implement a new operating model for the council. We have to radically change how we do business and embrace new ways of working to become sustainable and deliver the outcomes and priorities of our Council Strategy 2014-17. This report details our proposals in the following sections:

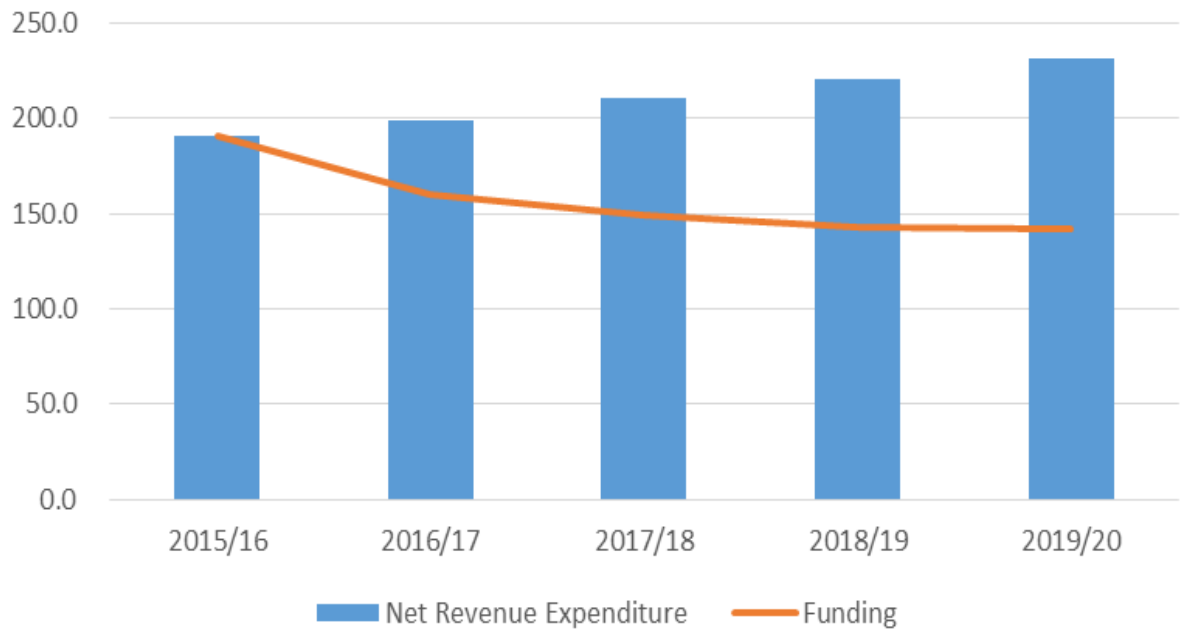
- Section A Outline Business Case
- Section B Strategic Context
- Section C Delivering a sustainable council
- Section D Our New Operating Model
- Section E Components of our new operating model
- Section F Implications of the new operating model

#### **A. THE OUTLINE BUSINESS CASE**

3. The reality of public sector finances means that we can expect continued reductions in central government grant to local government. If we are to deliver the right outcomes for our residents, we must focus our efforts on:
  - Getting the right delivery models for the future, some of which may not be the Council.
  - Managing better the demand for our services through further integrated working with our partners.
  - Increasing our income generation.
  - Becoming more commercially focused.
4. The overall forecast position for the medium term is currently an overall budget shortfall of £60.7M across the 2 year period 2016/17 – 2017/18, with a forecast shortfall of £39.1M in 2016/17, and £21.6M in 2017/18. Our priority is to ensure we transform quickly to remain sustainable.

**Figure A-1 summarises the financial forecast for Southampton City Council to 2019-20**

## Funding Gap





## Financial Gap

5. Our forecast financial projection over the next 3 years is outlined in Figure A-2. It clearly illustrates a need to radically change our organisation to address the funding gap prediction if we are going to maintain our sustainability.

**Figure A-2 Summary of Southampton City Council budget position to 2017/18**

### MEDIUM TERM FINANCIAL FORECAST

Portfolios	2015/16 Forecast £M	2016/17 Forecast £M	2017/18 Forecast £M
Children's Services	55.1	55.1	55.1
Communities	2.1	2.1	2.1
Environment & Transport	36.2	36.2	36.2
Health & Adult Social Care	67.5	67.5	67.5
Housing & Sustainability	2.8	2.8	2.8
Leader's Portfolio	5.1	5.1	5.1
Resources & Leisure	29.9	29.9	31.3
Add Pressure - Future Years (Known)	6.6	6.6	6.2
Add Pressures - Future Years (Unknown)	0.0	1.0	2.0
Base Changes & Inflation	0.0	8.1	16.9
<b>Sub-total for Portfolios</b>	<b>205.3</b>	<b>214.4</b>	<b>225.2</b>
<b>Levies &amp; Contributions</b>	0.6	0.6	0.6
<b>Capital Asset Management</b>	(11.2)	(9.7)	(9.5)
<b>Other Expenditure &amp; Income</b>			
Direct Revenue Financing of Capital	0.0	0.0	0.0
Trading Areas (Surplus) / Deficit	(0.0)	(0.0)	(0.0)
Net Housing Benefit Payments	(0.8)	(0.8)	(0.8)
Open Spaces and HRA	0.4	0.4	0.4
Risk Fund	4.5	4.8	5.3
Contingencies	0.3	0.3	0.3
Addition to / (Draw From) Reserves	1.9	0.0	0.0
<b>Sub-total for Other Expenditure &amp; Income</b>	<b>6.3</b>	<b>4.7</b>	<b>5.3</b>
<b>Net Revenue Expenditure</b>	<b>201.1</b>	<b>210.1</b>	<b>221.6</b>
<b>Draw from Balances:</b>			
Addition to / (Draw From) Balances	(7.1)	2.5	4.0
Council Tax	(77.3)	(78.8)	(80.4)
Non-Specific Government Grants & Other Funding	(51.0)	(32.4)	(21.2)
Business Rates	(50.1)	(51.1)	(52.0)
Council Tax Collection Fund (Surplus) / Deficit	(2.8)	0.0	0.0
Business Rates Collection Fund (Surplus)/Deficit	(2.7)	0.0	0.0
<b>Total Funding</b>	<b>(191.1)</b>	<b>(159.8)</b>	<b>(149.6)</b>
<b>Savings proposals Feb 15</b>	(10.0)	(11.2)	(11.4)
<b>DRAFT BUDGET GAP</b>	<b>0.0</b>	<b>39.1</b>	<b>60.7</b>

## Contribution from the transformation programme

6. The Council is clear that it can deliver effectively and be sustainable only through partnerships and trading with others, and through individuals and communities becoming more independent. This is reflected in our Council Strategy, priorities and outcomes. Our new operating model will focus on delivering further savings in the following areas:

- **Reducing our cost to serve** – by making our customers and residents more independent, through the use of self-service tools and seeking resolution to their enquiries through other sources such as partners and the voluntary sector. By doing so we can significantly reduce the cost of current customer services both for ourselves and to others. The average cost for customer transaction are outlined in Figure A-3, which clearly demonstrates by reducing more higher cost transactions, eg, face to face, and telephone and enabling our customers to have better access on line; we will deliver significant cashable savings in this area.

**Figure A-3 Average Cost per Transaction by Customer Channel**

Source	Face to Face	Telephone	Online
Society of Information Technology and Management (SOCITM)	£14.00	£5.00	£0.17p

- **Making our processes simple and efficient** – by stopping and removing unnecessary duplication which will make us more lean and efficient. This will reduce the level of resource we need in our service enabling functions, helping us to focus more of our resources on front line services.
- **Being smarter in the way we manage our demand** – by having the right level of insight across our whole organisation to better predict demand and assess trends.
- **Mixed economy of service providers** – by providing the best delivery model for our services which helps us to deliver the outcomes for our residents.
- **Becoming more commercially focused** – by seeking new ways of generating income and ensuring everything we do as an organisation delivers the best value for money by having sound commercial management controls.
- **Reducing our procurement costs** – by buying the goods and services we need in a smarter way and reducing demand to procure less or not at all.
- **Improving our front line services** – by delivering only those services which offer value for money and contribute to the outcomes of our Council Strategy. By making ourselves more efficient will help us decide the most appropriate way to deliver the service.
- **Reducing our levels of management and supervision** – by enabling our organisation to become more responsive to the changing needs of our residents and customers.
- **Making our work force more agile and dynamic** – by enabling our staff with the right equipment to do their job; having access to the right information; providing the right skills and by instilling a performance

management culture. By doing so they will become more independent through the use of self-service tools.

### **Medium Term Financial Strategy and the funding gap**

7. The Council's budget report, including the Medium Term Financial Strategy (MTFS) for the period 2015/16 - 2019/20 is elsewhere on this agenda and will also be considered by Cabinet on the 10<sup>th</sup> February and Full Council on the 11<sup>th</sup> February 2015. The overall forecast position for the medium term is currently an overall budget shortfall of £60.7M across the 2 year period 2016/17 – 2017-18, with a forecast shortfall of £39.1M in 2016/17 and just short of £21.6M in 2017/18.
8. The budget report sets out the Administration's proposals for a balanced budget for 2015/16, based on raising Council Tax by 1.99%, and includes total savings proposals in the sum of £9.98M. At this stage, the Administration have been able to put forward a balanced budget for 2015/16 without the need to incorporate the savings which will be delivered by the Council's Transformation Programme and the implementation of the new operating model in 2015/16 and beyond.
9. The priorities of the Transformation Programme are:
  - Implementing a new operating model for the Council by 2017, which is focused on delivering the outcomes and priorities of our Council Strategy 2014/17.
  - Reduce year on year our overspends as well as reducing the costs and demands for social care services for our vulnerable children and adults.
  - Develop a list of Council services that will have to be stopped or reduce.
  - Reduce the level of resources in our front and back office functions.
  - Further reduce our procurement spend on external supplies and services and a review of all contracts.
  - Significantly reduce our management layers and widen our spans of control.
  - Become more commercially focussed in how we do business and use innovation to reduce costs and generate more income.
10. This report explores how we will need to change the way we operate in order to meet the challenges the Council faces over the coming years. This new model of operating will ensure the Council focuses service delivery on meeting the outcomes really needed by local residents, communities and businesses.
11. The financial challenge facing the Council is obviously a major driver for this change, and we need to review the way we set budgets to align budgets with an outcome and commissioning based approach, as detailed in the Medium Term Financial Strategy (MTFS).

### **Identified Transformation Opportunities to Contribute to the Budget**

#### **HIGH LEVEL SAVINGS PROPOSALS**

12. The initial work that has been carried out has identified potential recurrent savings of £15M from Transformation towards addressing the £60M budget gap. These potential savings also come with potential one off investment requirements of £4.5M revenue over the 2 year period, and £10M capital. The capital investment requirements will need to be built into the Capital

Programme review detailed in the Capital Strategy.

13. At this stage the proposals referenced in the Transformation Report are high level, and the potential savings, as set out below, are therefore indicative. However, the Chief Executive and the Council's Management Team will aggressively drive forward the identified savings opportunities and themes to deliver the maximum level of savings possible to contribute towards closing the Council's overall budget shortfall.
14. The following themes have been used in identifying and categorising the type of savings proposals being considered by each directorate for opportunities, including cross-cutting initiatives identified by the Transformation Programme to contribute savings towards addressing the identified funding shortfall of circa £60.7M through to 2017/18:
  - New Service Delivery Model for proposals that are considering some form of external provision.
  - Services Stopped or Reduced for proposals that are looking at reducing or stopping all or parts of the service.
  - Restructure/Streamline Existing for proposals that the service continues to deliver the same outcomes and service levels with reduced costs; and
  - Cross-Cutting, Council wide initiatives that seek to improve our current processes by removing duplication, fragmentation and implementing self-service channels for our customers and staff.
15. A key part of this approach will be to deliver the identified savings opportunities as early as possible during 2015/16, and work is already underway to achieve that objective. As work progresses the potential level of savings will be confirmed, and further reports will be brought forward during 2015/16 to agree new savings and update on the budget gap remaining
16. As the proposals are still in development, for financial planning purposes and for inclusion in the Council's Medium Term Financial Strategy, a prudent assessment has made of the likely level of savings which can be delivered across the identified themes. However, as referenced above, the aim will be to aggressively pursue these savings to deliver the maximum financial benefit which is possible.
17. Table A-4 presents a summary of the high level savings identified to date across the 4 themes. For presentation purposes, the savings are shown on a full year basis from 2016/17 onwards, although the clear intention is to progress the individual strands of work underpinning each theme at the earliest opportunity.

**Figure A-4 High level savings identified to date**

	2016/17	2017/18
	£M	£M
New Service Delivery Model	1.7	5.7
Services Stopped or reduced	0.6	0.6
Restructure and Streamline Existing Services	1.9	3.1
Cross Cutting	4.9	5.9
<b>Total</b>	<b>9.0</b>	<b>15.2</b>

18. On the basis of the high level work to date, the current proposals which are being worked up have the potential to contribute £15M towards the Council's overall medium term budget position by 2017/18.
19. It should be noted that at this time the £15M does not include any savings from the delivery of procurement efficiencies. The Council's Management Team are looking to drive out significant savings from third party contracts and is working with Capita to initially identify those contracts which may offer the largest scope for savings.
20. The next steps in the Transformation Programme are to go to detailed design which should be completed by Autumn 2015. At this stage the programme should have gone some way to addressing the £61M two year budget gap and identifying the necessary costs for 2016/17.

#### FINANCIAL RISKS

21. There are a number risks associated with the numbers above. These include:
  - The proposals are in the very early stages and hence further work will be required to refine individual proposals and firm up the level of savings which each can deliver.
  - The interconnection between some of these proposals has not been established in all cases so there may be some element of double-counting
  - Many of the proposals will require up-front investment to deliver, and this will have to be delivered within the constraints of the Council's overall financial position. However, a significant element of the identified investment will be in new and upgraded technology capability, and this will be capital expenditure allowing the Council draw on available capital resources (e.g. capital receipts, borrowing) to fund the investment.
22. Cabinet is recommended to consider and recommend to Full Council to approve the Outline Business Case set out above.

#### **B. STRATEGIC CONTEXT**

23. Our city has an impressive track record of partnership working and going forward, building on this has to be a central element for the Council, irrespective of its shape and size. For the first time since Local Strategic Partnerships were abolished, key strategic partners have come together (as part of Southampton Connect) to agree a 10 year vision – 'city of opportunity where everyone thrives' with the goal of achieving prosperity for all.
24. The city's three main priorities of economic growth with social responsibility; skills and employment and healthier and safer communities are supported by the following four key themes:
  - Fostering city pride and community capacity.
  - Delivering whole place thinking and innovation.
  - Improving mental health.
  - Tackling poverty and inequality.
25. The achievement of these outcomes in the ten year City Strategy are more likely to flow from continued and extended forms of partnership working. They could have significant potential for managing demand, and hence reducing

costs to the Council, as they focus on particular issues relating to high cost customers, building community self-reliance and pooling diminishing resources to get better outcomes – issues that are relevant to most public bodies in the city.

26. The Council Strategy 2014 -17 defines our priorities and outcomes. However, with reducing funding and demand management challenges, we need to establish realistic performance outcomes for these priorities. The Cabinet, the Council's Management Team and Heads of Service developed performance outcomes for our priorities as part of the new operating model design. The Cabinet provided clear guidance to ensure we reflect the views of our residents and prioritise "services for all", "jobs for local people" and "prevention and early intervention" in which we seek to exceed and/or lead in.

### **Demand Management, Early Intervention and Prevention**

27. We are facing significant demand pressures as a result of changes in customer needs and expectations coupled with a changing demography, lifestyles influenced by social, health, environmental and economic factors as well as the growth of new technologies and media. This rising demand, specifically for some high cost services, combined with year on year reductions in government grants, is placing the Council in an unsustainable position where projected budgets and services will not be sufficient to meet demand in the medium or longer term. This gives us an immediate significant financial challenge for 2016/17. We must manage our demand to ensure we maintain a sustainable future including the delivery of acute, high cost interventions, particularly for complex needs in social care.
28. In addition, a top priority for the Council is to reverse the trend of year on year overspends as well as to achieve a real reduction in the costs of social care services for children and adults. We are considering all options for delivering key services within the People directorate with a view to completing a full options appraisal business case during 2015.

### **Economic Growth**

29. The Council's main goal is to improve outcomes for its residents and facilitating economic prosperity for residents is central to its commitment. Economic growth, therefore, is a high priority for the Council and a key driver for our new operating model. Three of the Council's "top five" outcomes for 2017 relate to economic growth, these being:
- Reducing unemployment.
  - Improving educational attainment.
  - Increasing investment into the city.
30. The Council's ambition is for Southampton to be "market leading" in economic growth with the Council being a leader / enabler of inclusive growth and a place shaper, facilitator and co-commissioner of solutions, working in partnership with others. The Council does not see its primary role as being a deliverer of economic growth solutions except where the market dictates.
31. The Council's role is highly dependent on it having the right insight, influence, relationships and collaborations (internally and externally) to play a leading role in shaping, driving and facilitating economic growth strategies and

interventions for the city. From our work in developing the new operating model we have identified a number of factors that we believe will be critical for the Council to successfully deliver its role and ambitions for economic growth in the city.

#### CITY VISION AND IDENTITY

32. Both the city and the Council strategies and related plans describe a range of economic related outcomes we are striving to deliver working closely with other private sector and third sector partners. Increasingly, the national framework promotes collaboration with Local Enterprise Partnerships (LEPs) and across wider local authority boundaries, and consideration of synergies and scale across regional and sub regional areas. In light of this and taking into account the Partnership for Urban Southern Hampshire functional economic area, Southampton has agreed to articulate its growth ambitions through the Solent LEP Transforming Solent Growth Strategy (2014).
33. This aims to unlock jobs and growth in the Solent through six enabling strategic priorities, each underpinned by ambitious growth targets to 2020:
  - Supporting new businesses, enterprise and ensuring Small Medium Enterprises (SMEs) survival and growth
  - Enabling infrastructure priorities including land assets, transport and housing
  - Establishing a single inward investment model to encourage companies to open new sites
  - Investing in skills to establish a sustainable pattern of growth, to the benefit of local residents
  - Developing strategic sectors and clusters of marine, aerospace and defence, advanced manufacturing, engineering, transport and logistics businesses, low carbon, digital and creative and the visitor economy
  - Building on our substantial knowledge assets to support innovation and build innovative capacity.
34. Within the Solent economy, Southampton holds the greater strength and potential for growth in relation to the LEP key sectors of marine/maritime and distribution. It also has additional sectorial strengths in business and professional services, retail, leisure, medical sciences, research and development. Since 2009, as a Council we have established an impressive track record in supporting economic growth by taking a proactive role in enabling significant private sector investment, jobs and infrastructure in the development of the city centre and waterfront and also through a programme of estate regeneration. Private investment, alongside a range of measures including reductions in unemployment and improvements in transport led to Southampton being ranked as the city with the most growth improvement of any other city between 2012 and 2013 in the PwC Good Growth index.
35. Through the City Deal and Growth Deal processes, the city has worked strategically with Portsmouth and the Solent LEP to negotiate devolved funding and powers to unlock key infrastructure, business support, employment and skills opportunities, and set the city and its partners in a prominent position to enter discussions regarding arrangements for future devolved arrangements. Alongside the Solent Growth Strategy, the city has

supported the development of the Solent LEP Skills Strategy 2014-16 and EU Strategic Investment Framework to provide the framework for targeted work to align public and private sector skills and employment funding and delivery with demand to support the growth of the city.

36. Within the context of the significant economic development achievements to date, opportunities remain to further enhance the significant growth potential Southampton has to offer. Future discussions with our partners could include:
- Developing a definable city identity as described in KPMG's 'Magnet Cities' research, which supports the presence of young wealth creators to correlate with the city's economic growth.
  - Further strengthening integration across economic, social, health and environmental agendas to achieve ambitions of inclusive growth and support wider transformation and the new operating model objectives.
  - Further building on an intelligence-led approach that places current and future needs of business and residents at the centre of the city's planning and provision.

#### CITY INTELLIGENCE AND INSIGHT

37. As a Council we will also have the opportunity to leverage the capabilities of our approach to gathering business intelligence to work with partners. This will be to collect and analyse data and deliver intelligence and insight on the local economy, supply and demand factors, the specific needs of the local residents and businesses, the makeup of the current population and potential trends and opportunities for the city. It will enable us and our partners to support strong, evidence based decision-making on the prioritisation of strategies and interventions.
38. Having a clear diagnostic, based on strong data / evidence, is a crucial first step in ensuring that every pound spent by the Council and its city partners on economic growth / development related services and interventions brings real added value to the city, its businesses and its residents and is consistent with an ambitious, jointly owned, economic vision and strategy for Southampton.

#### INTEGRATED APPROACH

39. There are strong indicators that there are opportunities for the Council to further strengthen its relationship with partners in relation to delivering further economic growth for Southampton. Continuing to actively foster strong relationships with these partners as well as with the big existing employers, the Port, the universities and potential investors will need to be a key focus of the Council if it is to deliver on its economic development ambitions and role.

40. Working with Partners

##### *(a) Business process for economic growth*

The business process, for facilitating economic growth, relies on local data and evidence collection by the Council and our partners which generates a strong understanding of the economic landscape of Southampton. This includes understanding current businesses and their needs, a detailed makeup of the population, evidence on reasons for low retention rates and comparative baselines of economic performance. Much of this work is



already in train, with the primary opportunity to identify linkages, understand trends and draw attention to the major issues and challenges in the current state of the economy along with the 'Magnet Story' vision, ambition and a definition for the city's future identity. These initial activities will translate into a list of specific interventions / potential projects or programmes.

*(b) Form of partnership working*

There are a number of forms that the Council's economic growth and development related activity and partnerships might take in future. The form that is selected will be shaped by the structures currently in place locally, by those elsewhere in the market, and by the options that are currently under consideration and will be examined through the service design gateway process.

41. The structures currently in place and/or under consideration include:
  - The existing structure and teams within the Council.
  - Solent LEP, Southampton Connect and Future Southampton.
  - The Joint Venture (LLP) recently established with BV Strategies Facilitated Ltd (BVSF) to facilitate comprehensive property-based regeneration and development projects in Southampton and to maximise the return to the Council from its land and property portfolio and potential interests.
  - Establishing a Joint Venture with a private sector partner for the provision and commercialisation / trading of economic development and regulatory related services (similar to Barnet Council's Joint Venture – JV), including planning, building control, economic development, strategic property (investment), highways professional services.
  - The combined authority model that has been adopted in five regions of the UK to date, most commonly to pool responsibilities and budgets and seek additional delegations from central government in order to deliver transport, economic development and regeneration policies and plans more effectively over a wider area. A combined authority is a legally recognised entity able to assume the role of an integrated transport authority and economic prosperity board. This gives it the power to exercise any function of its constituent councils that relates to economic development and regeneration, and any functions available to integrated transport authorities.
42. Clearly there is either complementarity or overlap in the role and remit of a number of these structures, in particular between the Joint Venture with BVSF, the proposed JV for economic development and regulatory services, and the combined authority model. We will need to exploit the opportunities that the three models can deliver to provide the best outcomes for the city and the Council.
43. Our new operating model has the flexibility to accommodate each of these options. We will therefore need to examine the pros and cons of each of the options in detail through the service design gateway process and select preferred models that best fit the Council's strategy and ambitions for the city, ensuring that selected models inter-relate and provide ongoing benefits.

## C. DELIVERING A SUSTAINABLE COUNCIL

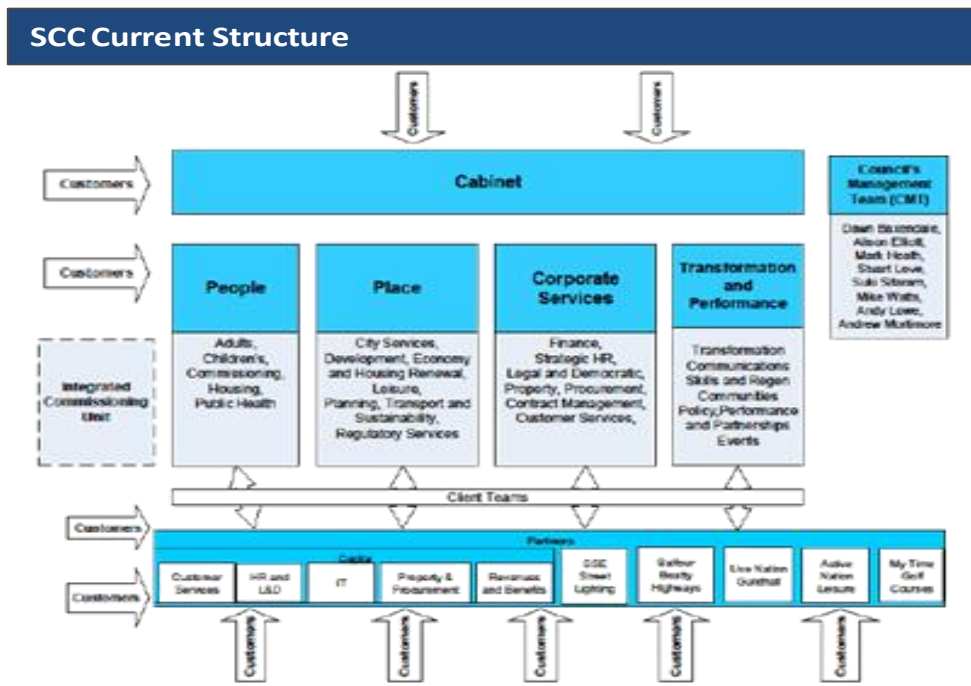
### What is a new operating model and why do we need to change?

44. An operating model is simply a representation of the high level activities required to deliver a certain way of working. It is not an organisational structure and does not cover the details of processes and jobs. Our new operating model will enable us to:
- Find the best way of doing things and make sure we all work that way consistently.
  - Provide an infrastructure able to support the Council in delivering its outcomes and priorities.
  - Reduce process duplication and fragmentation to deliver value for money.
  - Maximise on how we innovate and continuously improve.
  - Devolve decision-making as close to the customer as possible.
45. These principles set a clear direction for the Council's new operating model which delivers an explicit separation between strategy and provision but with effective relationships between the two; an organisation that is focussed on outcomes and has the ability to flex over time, which is represented by a clear separation of commissioning and front line service delivery. This does not however mean we will only be a "commissioning council". We will build on the work we have done to date with Health and focus on integrating our commissioning approach further and becoming more commercially focused using our data and insights to inform our decisions on where we spend and how best to spend.
46. Our transformation programme will focus on three key areas:
- **Implementing a new operating model** providing us with the ability to change shape over time to meet demands and pressures, such as funding, demographic and policy changes. It will fulfil the changing behaviours of our customers and enable further integrated partnership working with a mixed economy of service providers.
  - **Making us more efficient** by removing duplication and fragmentation from our front and back office and reducing our layers of management, gaining better data and information to make informed decisions and improve our demand management and delivering cashable savings. Finding the best way of doing things will make sure we all work in a consistent way.
  - **Reviewing our front line service delivery function** to ensure it delivers the right outcomes for our residents and represents value for money.

### How we currently work

47. Our current way of working has served us well to this point. However, our current silo based structures and way of working do not allow us to maximise opportunities to become more efficient and take a joined up one Council approach to delivering outcomes for our residents. Our current model is outlined in Figure C-1.

Figure C-1 our current way of working



### Changing the way we operate

48. Changing the way the whole council operates is a fundamental step in ensuring we are a sustainable organisation by 2017. A new council operating model has been developed by the Cabinet and Council's Management Team (CMT) with significant input and insight from Heads of Service, KPMG and the Council's Transformation Programme team. Union representatives have been engaged throughout the design of the new operating model through various ways including surveys and regular updates. The Union's primary request is that we try to make our current services in house more efficient and seek to trade where possible, recognising that there would be a shift in skills required.
49. Sustainability of the new operating model is also about having the right behaviours and right performance culture within the organisation. Our new operating structure and associated performance culture for the Council will need to ensure that the objectives that underpin the change to a customer centric approach are embedded within the new culture of the Council, and that they are not eroded over time resulting in a gradual return to a fragmented, disaggregated operating model.

### THE NEED FOR CHANGE

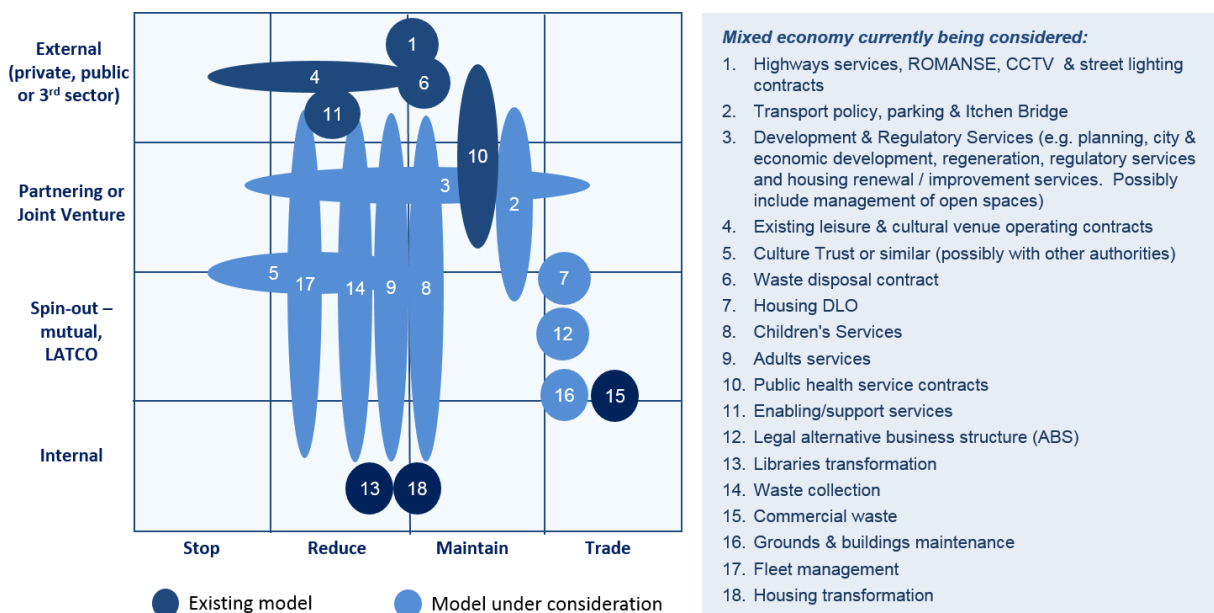
50. It is clear that the Council's current operating model, and its current approach to identifying savings and income generating opportunities, is not going to deliver the level and pace of change that is needed to make us a highly effective and sustainable organisation. Our service review processes, which start with the current position and explore opportunities to restructure (internally or through alternative delivery models), streamline, reduce, stop and trade services, are not going to be an effective approach to bridge the Council's funding gap.

51. The status quo is not sustainable. A significant change in the Council's way of working is required to address the Council's £60.7M funding gap in 2017/18 whilst protecting the delivery of key services for our residents.
52. Our new operating model places significant focus on the Council getting "the basics right" for our customers by:
- Ensuring services are specifically tailored and designed to deliver the outcomes that are really needed by local residents, communities and businesses (i.e. the Council's "customers").
  - Providing support and interventions as early as possible, at the right time, to increase opportunities for local residents, communities and businesses to develop and grow, improve levels of self-sufficiency and reduce long term demand and dependency on Council services.
  - Employing the most effective, targeted and sustainable service delivery models, whether they be in-house, in partnership or externally provided.
  - Instilling a performance culture into all of the Council's operations, ensuring all service providers (internal and external) are accountable for the quality of services delivered for the Council.
  - Leveraging the skills, capacity and capabilities of the Council and the city, acting collaboratively to further improve the potential for economic growth, income generation and financial sustainability.
53. We will achieve this by:
- Placing our residents and customers at the heart of the Council's decision making to secure better outcomes
  - Using innovation and digital tools to improve our service to customers
  - Continuing to foster highly effective strategic partnerships, in which the interests of all partners are aligned and there is an appropriate sharing of incentives, risks, costs and benefits
  - Focusing on delivering the Council Strategy, priorities and priority outcomes and managing performance, with objectives and targets aligned to Council priorities
  - Continuing to be a key driver and enabler for economic growth in the city and increase our focus on commerciality and income generation
  - Reducing unnecessary duplication and fragmentation across the whole Council
  - Empowering our staff to innovate and deliver outcomes in line with the council strategy
  - Leveraging our knowledge, skills and capacity (public, private and third sector) to deliver highly effective services and whilst also enabling reductions in level and range of Council services
  - Providing a mixed economy of service provision, reflecting the Council's priorities and best combines the capabilities, capacity and interests of both the Council and the external market.

## MIXED ECONOMY OF SERVICE PROVISION (SERVICES FOR ALL)

54. We are currently examining a range of options appraisals for future service provision that focus on:
- improving the efficiency and effectiveness of service delivery to reduce costs
  - enhancing the outcomes achieved for our residents
  - reducing the scope and cost of services delivered on behalf of the Council
  - generating additional income
55. We are also in discussions with Association for Public Service Excellence (APSE) to conduct a review of the effectiveness and efficiency of services with potential for trading / income generation, including consideration of the most appropriate models for trading whether that be arm's length, a mutual spin out or another vehicle.
56. The alternative ways of delivery currently under consideration are summarised in the Figure C-2, which taken together set a clear “direction of travel” for the council to move towards a “mixed economy of service delivery”.

**Figure C-2: Mixed economy of service provision currently under consideration**



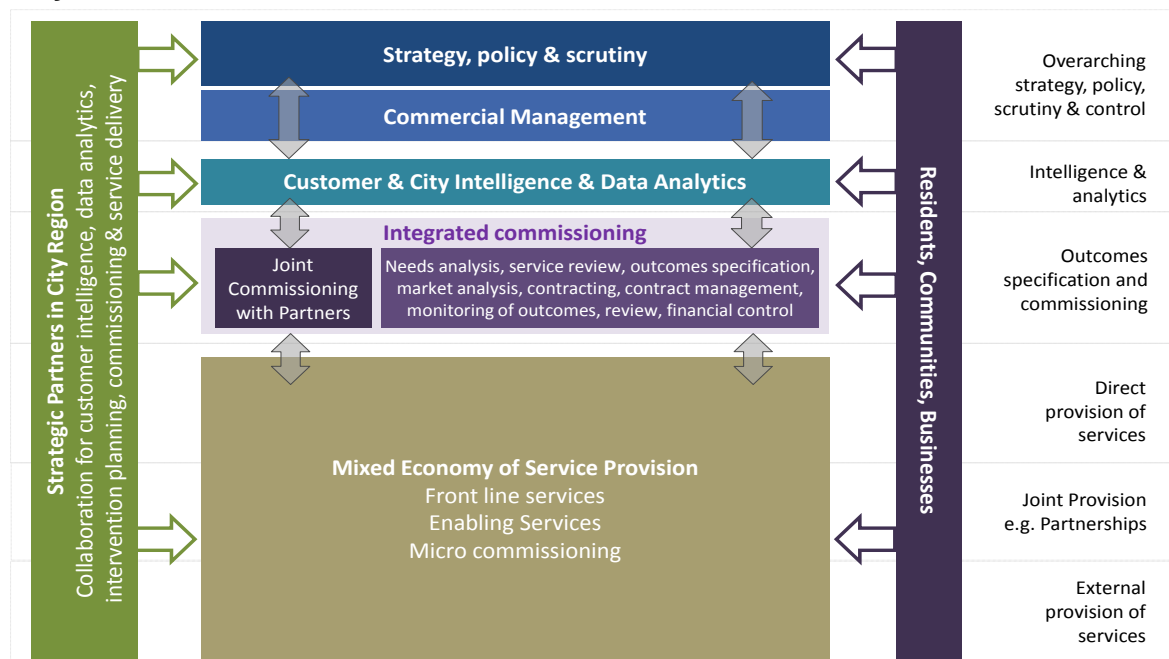
57. The full options appraisals are currently under consideration and are being managed by the Service Design work stream of the transformation programme. The business cases will consider all options for our front line services and enabling support services. They will examine the needs to be addressed and the alternative approaches that could be considered. This work will include market sounding/testing with a wide range of potential delivery options, the assessment and forecasting of the financial and non-monetary costs and benefits and the risks and issues for each option. The business case will identify a preferred option that will provide the optimum balance of cost, benefit, risk and issues by reference to the needs of our residents and the associated outcomes being sought.

58. The business cases will cover service proposals of various types, including:
- Alternative models for delivering services, including some which have trading / growth potential (e.g. economic development & regulatory services, highways, transport and parking services, arts and heritage services, social care services, housing repairs and maintenance, and the legal alternative business structure (ABS)).
  - Service restructuring/streamlining (e.g. leisure, waste collection, business support and enabling services).
  - Service transformation through new technology (e.g. digital by default and self-service).
59. It will also be important for there to be independence in the service design process. The Transformation Programme will act as a challenge and advisor role. The options appraisals work has commenced and is due for completion during 2015.

**D. OUR NEW OPERATING MODEL**

60. The new operating model will enable us to work differently adapting to changes in how we deliver “services for all”. The new functions will provide the flexibility and agility for us to adapt to changes in our mixed economy model approach to service provision and relationships with our partners. Cabinet is recommended to consider and recommend to Full Council to approve the new operating model set out in this section of the report.
61. Our new model will enable us to make decisions on what services to provide, how, and by whom, being driven by evidence based analysis of the most effective means of addressing customer needs and delivering the required outcomes. The key features of the new operating model are shown in Figure D-1.

**Figure D-1: Functional overview of the new operating model for Southampton City Council**



62. Our new operating model will be configured in the following way and will apply to the whole council irrespective of how the service is funded:
- A **customer intelligence and data analytics** function will provide the market intelligence and data analytics capability to deliver real customer and city insights, supporting the extended integrated commissioning function in its development of commissioning strategies and plans, improving outcomes for customers and delivering a financially sustainable Council.
  - We will focus on becoming more **commercial in everything we do**, challenging what we spend and how we spend it. We will seek opportunities to increase income at every opportunity. Directed by the Chief Executive, **commercial management** will incorporate our strategic support functions of the organisation.
  - Building on the work with Health an extended **integrated commissioning** function will determine the services to be provided, how, and by whom, setting the commissioning strategies for the Council and managing the commissioning of services and outcomes throughout the strategic planning, contracting and monitoring and review stages of the commissioning cycle. This includes both frontline services and externalised enabling services.
  - Services will continue to be provided by a **mixed economy of service providers**, using a mix of internal service delivery, partnerships and external service delivery, who are “contracted” on a performance basis to deliver the outcomes commissioned by the Council. The mixed economy model is driven by the need for services to be more effective, targeted, integrated and flexible in addressing the needs of customers, and the recognition that the Council’s current service model is not achieving the right commercial balance of service cost and income generation to make the Council financially sustainable in the longer term. The mixed economy model applies to front line and service enabling functions across the Council.

### **Sustainability of our new operating model**

63. Future change will not only relate to the increasing financial pressures placed on local authorities and the need to streamline, reduce or stop services as previously described. It will also relate to the potential for movement in the structure of local government, particularly with the increasing trend towards a “combined authority” approach for selected services (such as transport, economic development and regeneration, or further integration with health and adult social care), as opposed to more traditional collaboration and partnerships.
64. Our new operating model is structured to provide the Council with flexibility in the ways that it structures its responses to resident’s needs, including using partnering or combined authority models, and to provide a robust basis from which to assess and implement change. This will come from:
- Our continued emphasis on a mixed economy of service providers and the performance regime within which they will operate, which will provide stronger, more robust benchmarks and performance frameworks that will

at least need to be matched by any alternative models (including combined authority models) that are considered by the Council.

- Our intelligence hub, which will support the Council in researching and testing the benefits with customers of changing delivery models.
- Our strategic partnering approach that will be embedded within all of the Council's agreements with service providers, which should provide the Council with some flexibility to change the mix of service providers and the scope of services that they provide.
- Our integrated commissioning approach, which requires Commissioners to regularly examine the available models of service delivery, including partnerships, to establish which models will deliver the best outcomes for the Council and its customers.

65. Critically, sustainability of the new operating model is also about having the right behaviours and right performance culture within the organisation. For example, the new operating structure and associated performance culture for the Council will need to ensure that the objectives that underpin the change to an integrated, commissioning orientated approach are embedded within the new culture of the Council, and that they are not eroded over time resulting in a gradual return to a fragmented, disaggregated operating model.

#### **Partnerships and Collaboration**

66. Successful partnerships and collaboration will be a critical success factor of our new operating model. We will continue to work together with our strategic partners and partner authorities in the city region and city to:
- To create a better and improved insight across the city.
  - To develop integrated strategies for delivering common outcomes.
  - To improve the design and commissioning of our services.
  - To make decisions about who provides what and how, and to review and evaluate how well they are doing.

#### **High level organisational design**

67. Our new operating model will focus on collaboration, co-operation and co-production to deliver high quality outcomes through integrated commissioning and partnership approaches, underpinned by strong commercial, market and business intelligence and data analytics capabilities.
68. Figure D-2 outlines the high level organisational model design aligned to the new operating model. This does not represent the structure for the organisation, it informs the creation of the functions, roles, and technical skills required during the implementation stage.



**Figure D-2 High level organisational design**



### MEMBERS

69. The new operating model starts with the role of Cabinet and Members in determining strategies, priorities, outcomes and agreeing the financial budgets. Members will also retain a strong overview and scrutiny role in respect of service delivery. This will be achieved through Member participation in a new Council wide Strategic Commissioning Board.

### COUNCIL'S MANAGEMENT TEAM (CMT)

70. CMT will remain responsible for leading the day to day operation of the Council which includes the Strategic Hub, Commissioning Hub and Service Delivery, and will be accountable to Cabinet and Council for the Council's overall performance in delivering the policies, strategies and outcomes set by Members within the agreed financial budgets.

### STRATEGIC HUB

71. As directed by the Chief Executive, the Strategic Hub will be commercially orientated, incorporating the key strategic support functions. It will contain the intelligence hub for the council.

### COMMISSIONING HUB

72. The Commissioning Hub incorporates the functions involved in commissioning services for residents, whether those services are provided internally, in partnership or externally. It will encompass the Council's commissioning activity, which includes the processes of resident needs assessment. It will work closely with supplier market analysis, market development, and procurement and contract management.

73. The extension of an "integrated commissioning" approach across ALL Council services provides clearer separation of the strategic decision making, and tactical planning role of the Council and the actual delivery of services. It provides an enhanced, more independent and clearer role for Member scrutiny, with internally delivered services and those delivered on a

partnership basis subject to the same type of rigour and challenge as any external third party service provider.

#### SERVICE DELIVERY

74. Service delivery will continue to be a mixed economy of service providers (for frontline and enabling services), which includes services delivered internally, externally, and on a social enterprise, partnership or joint venture basis as commissioned by the Commissioning Hub. All services will be “contracted”, with robust service performance and budget agreements for internal service providers (against which the service’s performance will be monitored and evaluated) and service contracts for external service providers. All services will be subject to a robust performance regime, which will include a requirement for service providers (internal and external) to operate a collaborative appraisal which provides a cultural fit with the Council. It requires the service provider to work co-operatively with the Council and with its partners and other providers to proactively manage the demand for Council services, optimise the outcomes for customers and support the financial sustainability of the Council.
75. Research on alternative ways of delivering our services and different service models together is underway. A cross Council approach is being taken with the introduction of a set of service gateway checkpoints undertaken to ensure all service options are fully appraised and the appropriate consultation and impact is considered. When appropriate, larger/significant service redesign proposals will be presented to Members for consideration.

#### STRATEGIC PARTNERS

76. The new operating model will incorporate partnerships with other public sector bodies, including the voluntary sector and strategic partners at every level, from relationships held at the Member level (e.g. for common policies and strategies), at the Strategic Hub level (e.g. for shared customer engagement, intelligence and data analytics), at the commissioner level (e.g. for integrated commissioning, including for example the Integrated Commissioning Unit), and at the service provider level (e.g. for shared services).

#### **Changing the way we work – Valued Workforce**

77. Sustainability of the new operating model is also about having the right behaviours and right performance culture within the organisation. Our new operating structure and associated performance culture for the Council will need to ensure that the objectives that underpin the change to an integrated, customer centric, commissioning orientated approach are embedded within the new culture of the Council, and that they are not eroded over time resulting in a gradual return to a fragmented, disaggregated operating model.
78. The initiatives and reviews undertaken by the council in response to the financial and cultural challenges provide a strong case for changing how we work, evidenced by a number of recurring themes across the organisation such as the Staff Survey 2014 and the recent peer reviews.
79. It is clear that the Council must address its significant cultural issues and in particular the way that it manages and engages with its key stakeholders

(including customers, Members, external partners, staff and service providers). The Council must also address its gaps in efficient and effective operations (e.g. by reducing fragmentation and duplication, increasing innovation and increasing use of digital technology) and must have a much stronger customer focus and commercial orientation, including examining commercial opportunities to generate additional income and/or reduce costs.

80. Our new operating model will require all staff to take greater accountability for services to our customers, whether they are internal or external to our organisation. The speed and flow of communication up and down the organisation and across organisational boundaries will be an important element of enabling the effective delivery of customer insights. We need to create an environment where the Council is a great place to work and attracts the best leaders and staff, who are motivated by a customer focused and performance orientated environment. We will develop an agile, confident, talented and dynamic workforce able and prepared to make decisions at the right level.
81. The changes in culture and behaviour have to be driven top down in the organisation. Senior managers, middle managers and supervisors will be required to demonstrate their commitment to make this happen. Non-compliance will not be an option.

### **Our Structure**

82. The new organisation will be flatter, leaner and more agile allowing it the flexibility to adapt quickly to internal and external challenges and opportunities. We will empower our staff to take managed risks and will be made accountable for decisions to deliver the right outcomes for our customers.
83. To create a more flexible, responsive and empowered organisation, the number of management and supervisory layers will be reduced and spans of staff control increased which will reduce costs. We will do this by:
- Removing layers of management and improving communication flows between front line staff and managers will improve the speed of decision making. The average ratio of staff to manager across our council is one to six. Too much supervision often results in disempowering staff, stifling innovation and limiting productivity. In line with practice from other sectors, we will seek to attain an average span of control of one manager to ten staff wherever possible. Taking into account there will be statutory limitations in some areas of the organisation where this is not possible.
  - Moving away traditional role progression and rewards by length of service to more lateral career based structures where employees are valued on contribution and skills.
  - Investing in internal systems that currently provide poor quality and unreliable management data, making fast and effective decision making difficult to achieve.
  - Creating a performance management framework that will ensure accountabilities for all employees are clearly defined.

## **Our New Culture and Behaviours**

84. We will redefine the organisation wide behaviours that will underpin and drive the new culture that is applicable to everyone in the organisation. The new organisational behavioural themes underpinning the new culture will be:
- Customer and community
  - Commercial mind-set
  - Leadership
  - Team Work
  - Outcomes and results
85. Our Workforce Strategy will focus on preparing and enabling organisational change by implementing an integrated People and Change Plan. The role of the strategic leader is currently focused towards operational delivery – doing the doing, rather than focused on developing the service, managing performance, coaching and mentoring the team. In future, they will have a clear focus on performance of the entire organisation and their contribution to the outcomes sought by the Council. This shift to new behaviours and focus will be a critical success factor of the new operating model. The balance of effort is outlined in Figures D-3 and D-4. Our aim is a significant reduction in the management layers and spans in the council, work on which has already commenced with changes to the top four layers of the council to be implemented by September 2015.
86. The transition to the new operating model will require the creation of a new Performance Management Framework that will apply to all managers and staff across the organisation. This will align the objectives of all staff to the strategic goals and priorities of the council and enable the whole organisation to work together in a way that best supports the new strategic direction, culture and behaviours. All staff will be measured, evaluated, supported and developed in the behaviours required to deliver the new culture and operating model. At the different organisational contribution levels there will be clearly established individual accountabilities, measures, objectives and behaviours that are aligned to the Council strategy and culture. Managers will participate in leadership assessment and development programme(s). This will ensure the best leaders who have the right approach and are capable to deliver transformation are retained and developed.

Figure D-3 the new behaviours required to underpin our new operating model

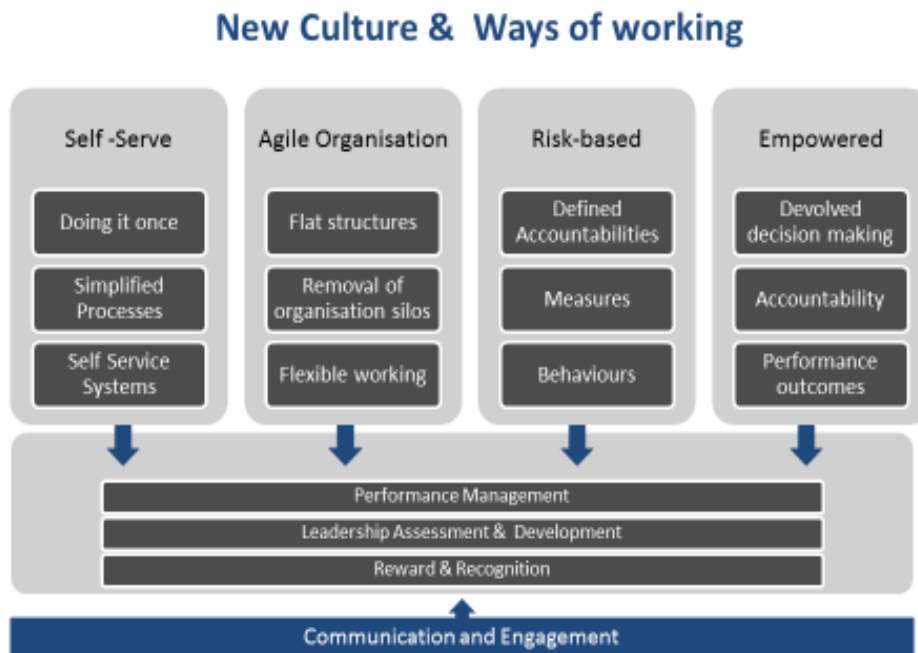
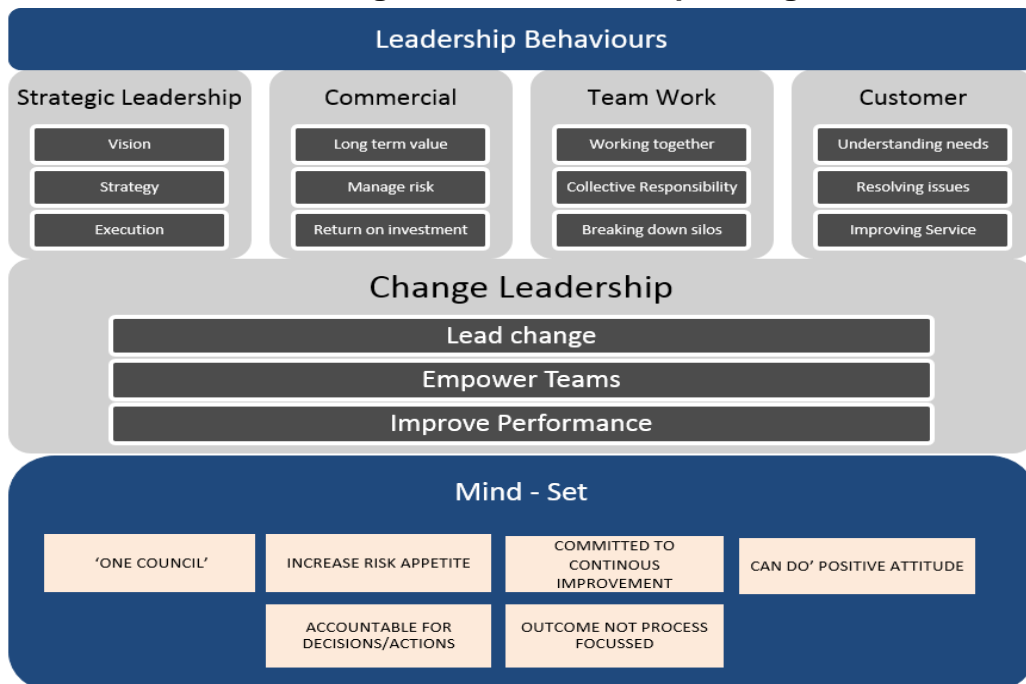


Figure D-4 the role of the manager in the our new operating model



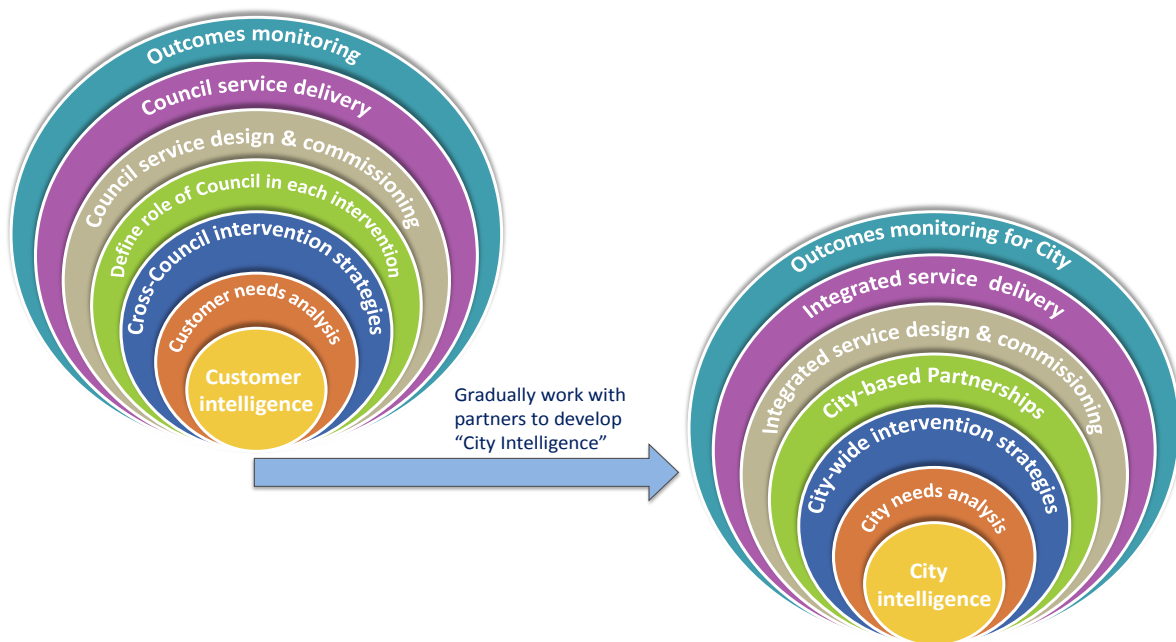
87. The organisational change will require significant support, investment and careful management throughout the transition to our fully implemented new operating model by 2017. This work will be governed by the transformation programme.

## **E. COMPONENTS OF OUR NEW OPERATING MODEL**

### **Customer and City Intelligence**

88. Successfully delivering and maintaining a customer orientated approach to transformation will be dependent on customer insight being at the centre of the business planning process, and being used to shape future services and achieve outcomes. Customer insight is not simply data or research, but the interpretation of a wide range of information and knowledge and will play a central, critical role. Our approach will be:
- Offering our customers and our staff a single, integrated record of their transactions and related information (the “single view” of the customer).
  - Ensuring a customer led approach to how we redesign our services.
  - Designing service delivery for the majority while understanding and offering the specific assistance required by those disadvantaged by a move to digital self-service.
  - Understanding and managing customer demand, and being agile in our response to issues.
  - Continuing to engage with individual customers, customer groups and communities in ways that will enable much more self-service, less direct reliance on the Council, and encourage communities to become more self-reliant.
89. We will continue to embrace the use of digital media, innovation and technology. A great number of our customers are already undertaking self-service – the use of online banking, shopping online and with some government services like car tax payments. The recent changes in car tax process is a relevant example of how a creative, digital led approach can make the life of customers easier and substantially reduce the cost of service delivery with the recent removal of the need for paper tax discs.
90. Joining up our customer data and insight will be key in improving our customer experience. We will work with our partners and other public bodies in the city, longer term, to join up and share more insight. This truly integrated commissioning and service delivery approach would optimise customer outcomes across all public services in the city. We need to continue to build a more co-ordinated approach to collecting customer data and intelligence over the next 2 years for the Council. In the longer term, once we have established our customer and intelligence hubs, we will work with our partners to seek a more co-ordinated and digital approach to collecting customer and city intelligence, through the establishment of a city wide “intelligence hub” which is outlined in Figure E-1.

**Figure E-1: Customer & City intelligence at the heart of Council decision making**



### Customer Hub

91. Our definition of a customer is anyone who receives the services we deliver such as residents, local businesses, visitors, partners and our communities.
92. The aim of the Customer Hub is to provide our customers with a consistent approach to accessing the information and services they need using the most efficient and effective means possible.
93. In some areas across the Council, our access channels are fragmented and duplicated which can be frustrating for our customers and for our staff trying to resolve their queries. This current way of working is not sustainable and needs to be addressed so we can reduce our costs. We need to concentrate our reducing resources on providing services that our customers need and want and to understand how well our services are working. We need to listen to our customer feedback, analyse our data and insight and use this information to help us improve and deliver better services that provide better value for money.
94. To do this we will:
  - further improve the access channels our customers use by providing a high quality technology platform
  - reduce the high cost access channels such as face to face and telephony where possible by adopt a “digital by default” <sup>1</sup> approach to our customer service hub
  - improve the way we communicate and inform our customers
  - aim to resolve our customers’ queries first time in a simple way
  - ensure the information and advice they are given is correct

<sup>1</sup> Cabinet Office has delivered a Digital Strategy for Government which should be seen as a benchmark for developing a digital strategy <http://publications.cabinetoffice.gov.uk/digital>.

- ensure our customer service offering reflects the local needs of our residents and communities
- ensure our customers have a seamless experience when accessing our services
- research, anticipating, targeting and responding to the changing needs of our customers

#### THE ROLE OF THE CUSTOMER HUB

95. We will interact and listen to our customers' views in different ways. We will use innovation, social media, focus groups and customer satisfaction surveys to gain better insight. A key focus of our Customer Hub will be gathering and analysing customer related activity to improve the services we deliver and reduce our costs.
98. With better insight of our customers' needs we can ensure they access the right provider for the information or service they require. This may not be the Council in all cases. The Customer Hub will prioritise reducing demand of customer access that is not the responsibility of the Council through working with partners.
99. The Customer Hub will be responsible for embedding customer service as a core competency for all our staff to ensure a consistent quality of service is provided regardless of the service access or the method used.
100. The Customer Hub will implement new improvements on line by providing a Southampton Customer Portal/Single Account which other councils have implemented over the last 3-5 years.
101. As we provide more information to our customers and learn more about their needs, our dialogue and interaction with them will be richer and better informed. Recognising this, our existing Contact Centre (telephony channel) and face to face Gateway service will need to adapt to meet this new way of working. Our contact centre staff will be dealing with more complex queries and interacting with our customers using social media tools such as web chat and video. This will require new technical skills and behaviours.
102. Building on our recently refurbished Gateway service, our Customer Hub will continue to play a key role in how we engage with our customers face to face. Our staff will help our customers become more independent through providing "assisted self-service" and by providing appointment based services with the access to the right level of technical and professional expertise. We will continue to make better use of existing Council and other community locations to offer integrated local access points. We will provide face to face access for our most vulnerable customers and residents.
103. We will offer access to online communities to support innovation and collaboration across the city. This will be used by customers and communities with the aim of fully empowering people not simply to look to the Council for assistance, but to first look to each other. With the right information and active forums such a city wide resource could be of tremendous benefit to customers but also result in large reductions in contacts to the Council. For instance it could be considered as a combination of Wikipedia for the city and



people helping each other in much the same way as many customers will be familiar with using Trip Advisor and similar online forums.

### **Intelligence Hub**

104. We need a co-ordinated and refined way of aggregating and analysing data to deliver real customer and city insights which support the development of commissioning strategies and plans, improved outcomes for customers and a financially sustainable Council. The establishment of the Intelligence Hub is therefore a central component of our new operating model.
105. The Intelligence Hub will be a unit that brings together specialists, researchers, data analysts and technologies to deliver highly valuable business intelligence and customer insight. The Intelligence Hub will develop its specialisms over time, focusing first on the areas of intelligence and insight that offer greatest benefit for the Council and its customers (e.g. looking for innovative ways of influencing the demand for social care services in the city in the short, medium and long term).
106. By being targeted in its approach, and by focusing on analysing data and delivering insight that has real value, the Intelligence Hub will improve the Council's ability to:
  - Gain a true understanding of the Council's customers and communities (how they live their lives and what their needs are).
  - Prioritise effort by targeting resources where they are needed, supported where appropriate by a strategic needs assessment.
  - Understand the impact services and interventions are having within communities.
  - Work more collaboratively across the Council, and with key partners (e.g. Police, the Clinical Commissioning Group and voluntary and community sector), to structure more targeted initiatives (including prevention and early intervention initiatives) to achieve the best outcomes for customers.
  - Engage with customers, communities, elected Members and partners to enrich the Council's information and assist in the application and deployment of intelligence.
  - Better understand the Council's relationships and key dependencies.
  - Link actions to outcomes to apply learning and better inform the commissioning cycle.
  - Provide and publish corporate performance dashboards to a wide range of stakeholders, including comparative information.
  - Understand the performance of resources (including those commissioned).
  - Publish information in line with the principles of Open Data.
  - Carry out demand forecasting and what if analysis to inform better decision making.
  - Inform the development and delivery of community led assets to provide viable alternatives to more traditional service provision and make communities more resilient.
  - Rationalise the Council's systems and processes.

107. Its purpose will be to aggregate and analyse data and share information<sup>2</sup> and insights to help the Council better understand its customers and communities, their needs and patterns of behaviour and how they go about their business. All data and information collected, analysed and shared will be subject to statutory data protection laws. It will support commissioning activity, inform service delivery and help the Council to focus its expenditure on true need and interventions that will make a real difference to customers, based on real evidence and insight. Figure E-2 outlines the basic components and role of the Intelligence Hub within the new operating model.

**Figure E-2 outlines the new operating model Intelligence Hub**



108. The left hand side of the diagram gives examples of the likely data feeds into the Intelligence Hub; some of this data will be qualitative (e.g. customer and community feedback), whilst other data will be quantitative (e.g. systems transactional data). An important role for the Intelligence Hub will be to understand what data really matters, and to use the insights derived from the analysis of this data to enable the Council to take decisions that benefit the customer and drive transformational change for the Council. The key components and outputs of the Intelligence Hub are shown in the centre three categories; People, Process and Technology.

109. The Intelligence Hub will have access to customer and service data extracted from the Customer Hub and also other information sources both from within the Council and across the partner landscape. The Intelligence Hub will deliver rich strategic and operational insights across the Council's services, and in the longer term to partners within the city, which will support management across a wide range of areas. Irrespective of the final organisational structures and responsibilities, the functions of the Customer Hub and Intelligence Hub will be intrinsically linked.

<sup>2</sup> All data and information will be subject to The Data Protection Act which controls how personal information is used by organisations, businesses or the government

**Figure E-3: Example areas supported by the Intelligence Hub**

Analytics & Decision Support	Performance & Risk Management	Information Management
<ul style="list-style-type: none"> <li>• Predictive analytics – identifying trends/patterns/behaviours, making insights understandable and actionable via scenario analysis, data exploration, regression analysis, options modelling, etc.</li> <li>• Testing of hypotheses – examining the likely impact of choices, actions and potential new initiatives, for example in relation to prevention and early intervention</li> <li>• Decision support – intelligence &amp; insight to inform strategic, tactical and operational decisions</li> <li>• Dashboards and reporting – providing real-time insight into operational and financial performance in order to facilitate timely, well-informed decisions</li> <li>• Data visualization – providing a mechanism to communicate organisational information in a clear and an effective manner through graphical means</li> </ul>	<ul style="list-style-type: none"> <li>• Performance management – performance analytics giving insight for measuring, managing and optimising Council performance</li> <li>• Demand management – demand analytics giving insight for measuring, managing and optimising customer demand</li> <li>• Resource management - analytics giving insight for measuring, managing and optimising Council resources</li> <li>• Planning and analysis – analytics to support financial management, reporting, planning, forecasting and budgeting processes, profitability management and strategic finance</li> <li>• Risk management – processes relating to identifying, analysing and managing a wide range of business risks within an organization</li> </ul>	<ul style="list-style-type: none"> <li>• Data management and integration – includes the collection, organisation and distribution of all types of data, to manage the full data life-cycle needs of the Council</li> <li>• Data quality – managing information as a corporate asset to maintain and enhance its value, using quality-driven processes, standards and technologies</li> <li>• Data platform – establishing and managing the servers, databases, software, networks and storage used to deliver and maintain information across the Council</li> <li>• Access and distribution – the processes which support the movement, integration, transformation and delivery of information from the information sources to the analysts/users</li> </ul>

110. The Intelligence Hub will enable the Council to make commercially informed decisions through the provision of reliable reporting. This in turn will ensure statutory compliance and improve effectiveness and efficiency. In addition the Intelligence Hub will provide a platform for a continuous improvement culture in the Council and a robust basis for strong governance which is crucial for long term efficiency and effectiveness.
111. The Intelligence Hub will extend the capabilities of the planned Strategy Unit to provide a much broader and deeper business intelligence operation. The Hub’s resources will need to have specialist skills and be proficient in the tools and techniques required to source and analyse data and produce intelligence and insight that will make a real difference in terms of the outcomes that the Council is able to provide for its customers.

### **Commissioning Hub**

112. The Commissioning Hub will incorporate the main functions involved in commissioning services for customers, including needs assessment, service specification, supply market analysis, market development, and the procurement, management and review of service providers. Whichever models are selected through the review of services we will extend our commissioning approach to all services.

### **Commissioning cycle**

113. Our commissioning cycle will be in three stages as outlined in Figure E-4. As the commissioning cycle is applied to all services, including those delivered internally, its purpose is not to drive further externalisation of service delivery but to ensure the Council is delivering the right services to the right standards at the right time, and using the most effective models to address customer needs.

**Figure E-4 Example commissioning cycle for Southampton City Council**



114. The three stage commissioning cycle: Strategic Planning (which includes needs assessment), Contracting and Monitoring and review. Our current 4 step commissioning cycle separates the needs assessment element of commissioning, our new model includes needs assessment as part of the strategic planning function.
115. The commissioning cycle is surrounded by five cross-cutting priorities, which directly support the delivery of the Council’s strategy:
- Customer focused services.
  - Prevention and early intervention.
  - Protecting vulnerable people.
  - Economic growth.
  - Sustainable Council.
116. Throughout this commissioning cycle the new operating model places a continuous focus on the needs and outcomes required for our residents, and the best way of delivery. All services will be “contracted” and will be subject to robust performance regimes, outcome based specifications and financial budgets / savings targets, and externally provided services contracted under performance related, outcome based contracts.
117. Our commissioning approach will have a stronger focus on achieving a cultural fit with the Council, securing high quality service performance and delivering the right outcomes for the customer, whilst also ensuring that the Council is financially sustainable. In this context, “achieving a cultural fit with the Council” means service providers will be:
- Delivering value for money, the required savings and contributing to the outcomes of the Council.
  - Buying into the Council’s priorities and values.
  - Working collaboratively with the Council and its other service providers, sharing information and insight to enable continuous improvement in commissioning of services and in the outcomes delivered for customers.
  - Being flexible to changes in the scope of services to be delivered under

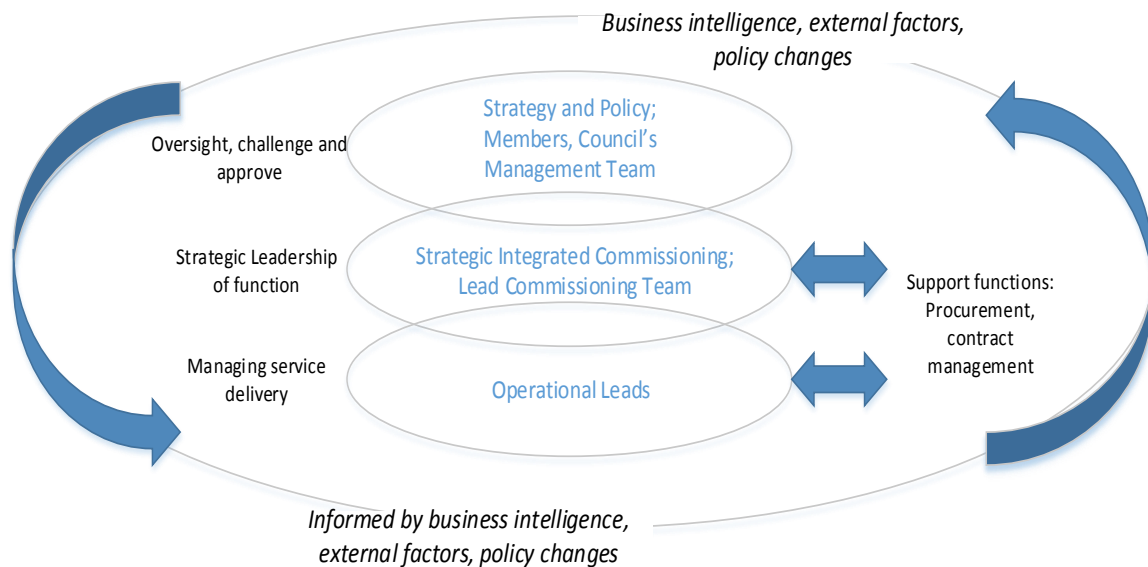
the contract to underpin the outcomes for customers and the financial sustainability of the Council.

118. These “behaviours” will be embedded within the “contract” that is put in place with each provider and the provider’s performance (and potentially the payments made to them) will be measured by the extent to which the service provider exhibits these behaviours.

**COMMISSIONING GOVERNANCE**

119. We will adopt a single, council wide approach to Commissioning. Our commissioning decisions will be informed by data and insight of our residents, communities and businesses to ensure we achieve our outcomes.
120. The Leader, Chief Executive and Cabinet will be accountable for strategic commissioning oversight, challenge, scrutiny and approval of commissioning strategies and outcomes. They will agree the Council’s commissioning framework and form the Council’s Strategic Commissioning Board. This is outlined in Figure E-5.

**Figure E-5 Integrated commissioning governance for Southampton City Council**



**STRATEGIC INTEGRATED COMMISSIONING**

121. Within the agreed Council Commissioning Framework, the primary responsibility for commissioning will reside with a small number of Strategic Commissioners (or Lead Commissioners), who will be responsible for assessing the strategic needs and outcomes for customers within the city, and for developing the Council’s future commissioning strategies to best address those needs and deliver the required outcomes. The integrated commissioning strategies will be developed with relevant partners (i.e. public bodies) external to the Council. A current example of joint integrated commissioning is the Integrated Commissioning Unit (ICU) and Joint Integrated Commissioning Strategy for Southampton City Council and the Southampton City Clinical Commissioning Group.
122. It is envisaged that Strategic Commissioners will each be responsible for a defined resident segment related to specific outcomes (e.g. social care) and that their roles and performance measures will be structured to ensure that

they operate as an integrated strategic commissioning team. They will be jointly accountable for examining and developing cross-cutting opportunities (such as prevention and early intervention initiatives) and for developing integrated commissioning strategies that optimise outcomes for customers and costs to the Council.

123. They will be held to account by a Council wide Strategic Commissioning Board, which will be primarily comprise the Council's Cabinet Members and the Chief Executive and key members of the Council's Management Team. The Board will operate at a strategic rather than operational level, having an oversight, challenge and approval / scrutiny role in respect of the Council's commissioning strategies and in respect of the delivery of the required outcomes for local residents, communities and businesses.

### **Service Delivery**

124. Responsibility for the day-to-day delivery of the Council services will be with the operational leads who will also undertake the responsibly of line managing the internal service provision and the contracts. Their role includes oversight, appraisal and development of the supplier market and delivery options, preparing a commissioning plan for the services (in line with the commissioning strategy), engaging the market and selecting the most appropriate suppliers, managing the relationships and contracts with the suppliers, and reviewing the performance of suppliers and the outcomes delivered against targets set out in the commissioning strategy and contracts, and against the wider market performance. The actual performance achieved by service providers against targets will feed into the review and strategic planning stages of the commissioning cycle and will inform the lead commissioners' future commissioning decisions.
125. The operational leads will be supported by a number of support functions including procurement, finance, contract management, business intelligence central procurement function. They will collaborate with external partners where collaboration has been identified as the best way of securing high quality service performance and delivering the right outcomes for customers, whilst also ensuring that the Council is financially sustainable (e.g. the ICU).
126. Both the Strategic Commissioners and the Operational Leads will be supported by the Council's Intelligence Hub. The Intelligence Hub will source and analyse customer data, undertake primary market research and analysis, and deliver knowledge and insight to inform both the strategic decision making of the Strategic Commissioners and the operational decision making.

### **Making us more efficient**

127. Further efficiencies can be achieved by working differently and smarter. We have established where our effort is spent today across our organisation to understand and better inform our priorities for transformation. We have captured a sound evidence base which outlines how much staff effort is being applied to key processes across front line service delivery and front and back office support services. Building of a robust evidence base helps us focus our attention in the right area of the organisation to simplify and standardise our processes.

## BUILDING AN EVIDENCE BASE

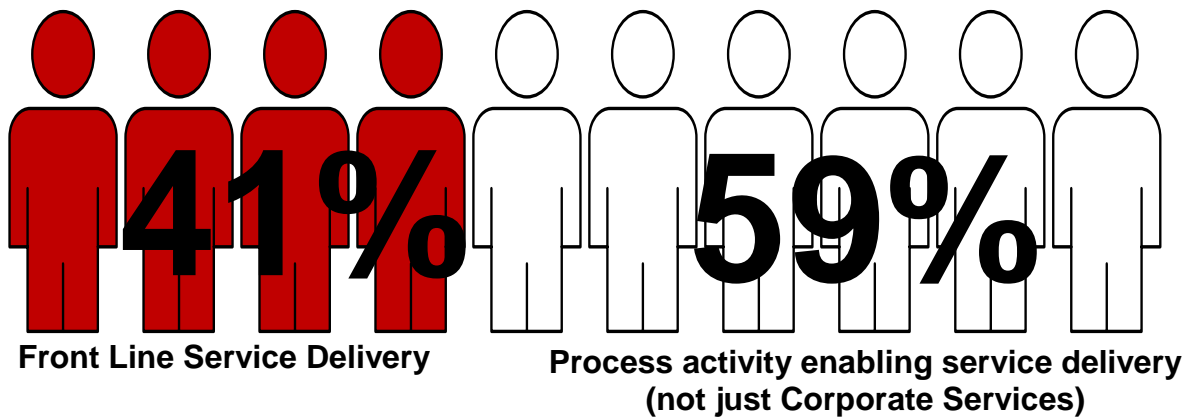
128. During July to September 2014, Price Waterhouse Coopers (PwC) helped us to establish our evidence base by gathering the effort levels currently being applied across 40 key processes across the council. Over the last five years, PwC have completed this type of review across over 60 other public sector organisations. Therefore we need to be prepared to base our estimates for the level of potential savings which can be released on the experience of other organisations, who have achieved savings through removing process duplication and fragmentation and delivering efficiency improvement. The business case development stage for these savings is currently under way.
129. Other councils have used the outcomes of this type of review to take forward specific process reviews to stop, reduce and simplify back office processes. They have done this by simplifying and redesigning simpler ways of working, consolidating their customer enquiry handling, working towards a common way of undertaking simple and ruled based assessment and in turn enabling staff to become self-sufficient, adopting mobile and flexible working practices and using self-service tools. In turn other councils used this evidence base to identify and deliver efficiencies, which has resulted in financial savings.
130. The savings potential identified as part of this review indicates through reducing and improving some of the core processes undertaken by the Council an indicative saving range of £5.9 - 9.8M (these figures include the agreed savings for the existing Business Support Phase 1 project and the Front Door project, and these savings are included within the 2015/16 budget, therefore the potential new savings from this work will be within the range of £4.4-7.9 million.) We recognise that we will have to take decisions without having all the assessment and assurances and manage the risks accordingly.

## WHAT HAS IT TOLD US?

131. The review has shown us that we have the equivalent of 3,681 Full Time Equivalent (FTE) effort taking place across the council. This figure includes the resource effort from our partners Capita and Balfour Beatty. It is also important to highlight that the effort has been estimated by consolidating each activity undertaken across the 40 most common processes across the organisation. This evidence provides us with an opportunity to refocus our activities to create a more consistent customer experience and reduce complexity and simplifying the way we do things.
132. Overall we apply 41% (1,521 FTE effort) of our resources on delivering frontline service delivery and over (2,160 FTE effort) 59% facilitating and supporting our front line service delivery, this is shown in Figure E-6.
133. This does not mean that we spend 41% of our budget on front line services and more work needs to be done to understand how the effort translates into budgets and does not represent the number of staff dedicated solely to doing those activities. However, it does outline that we have a number of common processes being undertaken in different ways across the council, which provides us with opportunity to tackle inefficiencies and make us more efficient. It also outlines that we have an imbalance in terms of front line service delivery and back office support which can point to a symptom of a

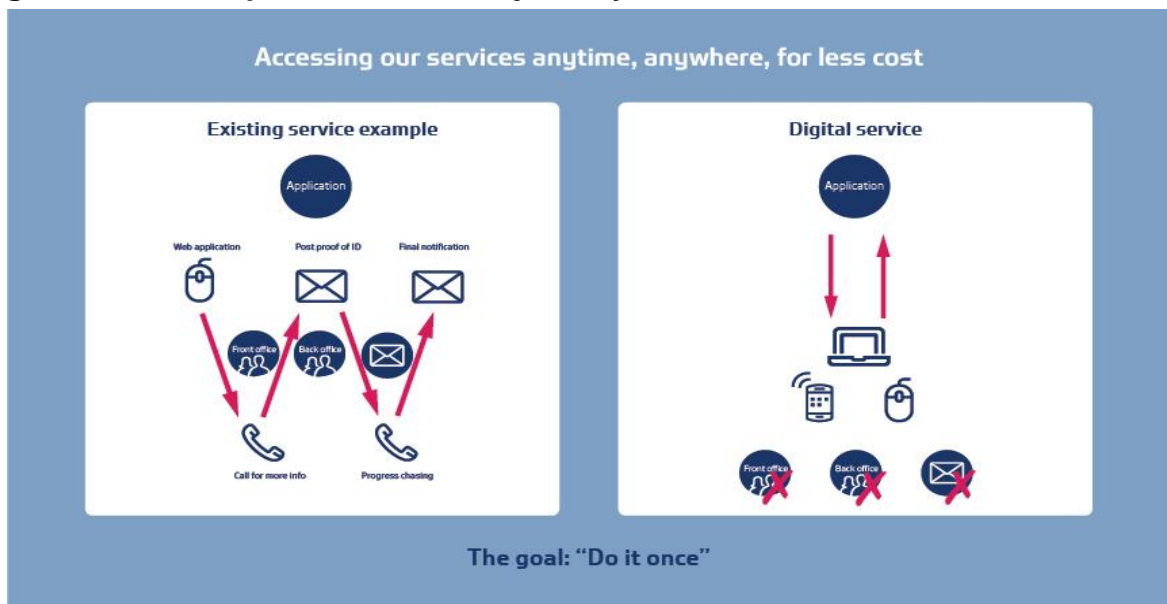
directorate based approach with localised support. This limits the opportunities to eliminate and simplify the way we do things.

**Figure E-6 representation of the current effort by core process for the Council**



- 134. It has told us that nearly a sixth of our resource effort is spent on customer contact handling telling us that we have an inconsistent way in some areas of the council dealing with our customer enquiries. 194 FTE resource effort is spent on undertaking assessment across 136 teams. Therefore further improvements in consolidating and simplifying our rules based assessment processes will be undertaken. These improvement initiatives are a key priority for the Customer work stream to ensure we join up our front and back office activities to improve our customer service.
- 135. Figure E-7 outlines the current way we handle our customer enquiries (left) and the right illustrates how we are going to streamline and improve our customer handling in a more joined up way, making transactions seamless to our customer and enabling us to further reduce costs.

**Figure E-7 The improved customer journey for our customers**





136. As we want to ensure we continue to make ourselves more efficient and work smarter, we are committed to shifting a greater proportion of our reducing resources to front line service delivery. Irrespective of what shape the council will be in the future, this work has given us clear evidence to support the stopping, consolidation and reducing fragmentation and duplication of core processes across the Council. It will also help us redesign how we deal with our residents and customers' needs and demands in a more effective way.

**Reviewing every front line service delivery function**

137. We are reviewing all the services we provide. Our reviews will focus on operational delivery, innovation and cost effective services making sure our customer needs are met. Service delivery will be a major source of customer intelligence and ideas on how services can be made more efficient and will feedback that information to our business intelligence, customer and commissioning functions of our new operating model.
138. The Service Design work stream will focus on identifying how to structure the services we currently operate putting the customer at their heart rather than simply following the way we organise our services internally.
139. The following services are currently undertaking a service review:

**Place Directorate**

<b>Project</b>
New delivery options for development and regulatory services
New delivery options for Transport and Highways and Parking
Leisure Facilities Review
Waste Transformation
Culture Trust
Libraries Transformation

**People Directorate**

<b>Project</b>
New delivery options for adults and children's services
New delivery Model Housing DLO
Housing Transformation

**Corporate Services**

<b>Project</b>
Removing duplication in enabling and support services functions inc. finance, HR, property, creditors and debtors, Customer Services, etc.
Legal Alternative Business Structures (ABS)

**F. IMPLICATIONS OF THE NEW OPERATING MODEL**

140. Moving towards an outcome based operating model has major implications for the Council. These implications include the future size, shape and form of the Council and how we are organised to meet the needs of our residents and customers. It is inevitable that the structure and roles within the Council

will be different within this new model. There will be wider implications on the workforce as a whole and on the services the Council provides and commissions, but these will change and evolve as the new operating model is implemented.

141. A phased (transitional) approach to the restructure of the organisation will be undertaken by the Chief Executive to implement the new operating model. A phased approach to restructure has a major advantage in terms of managing risk as it ensures that the Council continues to protect the business as usual aspects of its work whilst developing and implementing the new operating model.

### **Accountabilities and Responsibilities**

142. Our New Operating Model will require a very different organisational culture with a significant different set of leadership competencies and behaviours. The skills and capabilities of our staff will need to change to support the implementation of our new operating model.

### **Role of Councillors**

143. Our new operating model will change the work we work at all levels including the role of the Councillor. Therefore, a work stream “the Role of the Councillor” has been established and is led by the Head of Legal and Democratic Services. It will focus on working with Councillors to understand the implications of their role and identify any changes needed for them to fulfil their responsibilities within the new operating model. The “Role of the Councillor” work stream will be cross party.
144. Lead Members will need to be clear about the distinction between commissioning and providing a service, and that being both a provider of services and a commissioner might lead to a conflict of interest. A clear accountability framework will therefore need to be established which will:
- Ensure accountabilities are clearly defined and agreed, particularly for our statutory roles e.g. safeguarding the vulnerable, section 151 officer, monitoring officer etc.
  - Clear accountability for safeguarding vulnerable adults and children will need to be built into the implementation of the new model.
  - Explicitly define accountabilities in management and service delivery functions and show how it will be fulfilled.
145. With such significant implications, the transition to our new operating model will need to be planned and implemented properly. The Implementation Phase will plan and execute the transition with governance from Cabinet and the Council’s Management Team (CMT).
146. Our new operating model will be used by the Transformation Programme to design the new capabilities and functions, redesign business processes, information flows and organisation structures. As it develops, each function of the new operating model will be described in terms of the processes it carries out, i.e. inputs, activities and outputs, plus the resources and skills required. In parallel Leadership Structure will need to change to allow these newly defined functions to operate successfully.

147. The Mixed Economy of Service Provision will be developed incrementally as current services emerge from their service review and are implemented. Depending on the outcome of the Service Review this could be a straightforward internal improvement project or it could be any of a number of different vehicles for delivering a redefined service offering. Each function, and the relationships between them, will develop in the detailed design and implementation phases.

### **The Implementation Plan**

148. The Transformation programme is structured into three phases:
- **Phase 1 Shaping July 2014 to February 2015** which is nearing completion and is subject to Cabinet and Full Council approval in February 2015. This phase has focused on building the evidence base for change, our new operating model development and managing through the key work stream deliverables outlined in the Executive Summary section.
  - **Phase 2 Detailed Design (bringing the operating model to life); February-October 2015.** This phase will design the new capabilities required of the operating model, options appraisals for the services and implementation of the early business cases for the front office and service enabling opportunities work. It will have a key focus on designing how all aspects of our new operating model will work, ensuring that our business as usual is not impacted.  
The high level plan for phase 2 is outlined in Appendix 1.
  - **Phase 3 Implementation (making the operating model business as usual); February 2015-June 2017.** This phase will run in parallel to the detailed design, focusing on implementation of projects to achieve savings for 2016/17 onwards.

149. Cabinet is recommended to consider and recommend to Full Council approval of the high level Implementation Plan set out in this section and in the Appendix of this report. Cabinet is also requested to note that regular updates on the position and progress of the Transformation Programme will be provided to Cabinet and (by agreement with the Chair) Overview and Scrutiny Management Committee and authorise the Chief Executive to take any further action necessary to give effect to the decisions the Executive in relation to this matter.

### **Implementation Options**

150. The current approach to the delivery of the transformation programme has made best use of available internal skills and experience within the programme, supported by some short term external resource. The external resources have been appointed, to date, on either a day rate basis or fixed price basis. However, given the timeframe of the new operating model to be fully implemented by 2017, the current high levels of demand within business as usual within the Council, limited funds for investment and the significant savings target of £60.7M, it is recognised that this current arrangement of delivery will not be sustainable. With this in mind we have consider 3 options for delivery:
- Option 1 - use of internal resources only

- Option 2 - use of internal resources with a blend of external subject matter expertise
- Option 3 - use of a strategic transformation partner with a commercial arrangement linked to cashable benefit realisation

151. With this in mind, we have undertaken market testing to assess our best option for delivery. The objective of the market testing, undertaken in January 2015, was to ascertain how we fully implement the new operating model by 2017 and deliver the savings required whilst maintain our business as usual activity.

152. The findings from the market testing has informed our recommendation which is to procure a strategic transformation partner as soon as possible. The final costs will be determined following the evaluation of the associated procurement tendering process. We will seek a contractual arrangement structured on a fixed fee and cashable savings realisation arrangement.

153. Cabinet is recommended to approve in principle, the procurement of a strategic partner to deliver the Transformation Programme and delegate authority to the Chief Executive following consultation with the Cabinet Member for Education and Change authority to enter into such an arrangement

Cabinet is also requested to note that the Head of Legal & Democratic Services consequentially has authority to seal any contractual documentation arising from this.

154. The Equality Duty is a duty on public bodies which requires the Council to show that it has 'had regard' to the impact of its decisions on its equality duties and the need to advance equality of opportunity between people who have protected characteristics and those who do not. While the Equality Duty does not impose a legal requirement to conduct an Equality Impact Assessment, it does require public bodies to show how they considered the Equality Duty and that they have been consciously thinking about the aims of the Equality Duty as part of the process of decision-making. The Council also has a duty to consider the community safety impact of its decisions.

155. The proposed new operating model and the implications of implementing the model will affect every part of the council – the way we work and do business. It will result in changes to our organisation, staff, working practices, services to customers, and the manner in which they engage with us. Therefore rigorous equalities and safety impact assessments will take place for all aspects of the programme on a work stream by work stream basis and will be monitored through existing governance arrangements.

#### **Process of developing the new operating model and consultation**

156. The new Operating Model has been developed by the Cabinet, Council's Management Team (CMT) with significant input and insight from the Heads of Service, KPMG and the Council's Transformation Programme team.

157. We commissioned KPMG to work with us to develop a new operating model and to identify the contribution that the transformation programme could make and the scale of the potential investment. While this report reflects much of that work, we will not be progressing with all of KPMG's

recommendations (e.g. Operational Commissioning).

158. Union representatives have been engaged throughout the design of the new operating model through various ways including surveys and regular updates. Consultation processes have been built into the service design and development process and consultation will be undertaken by managers in line with council procedures for all decisions relating to the transformation programme.

## **RESOURCE IMPLICATIONS**

### **Capital/Revenue**

The initial work that has been carried out has identified potential recurrent savings of £15M from Transformation towards addressing the £60M budget gap. These potential savings also come with potential one off investment requirements of a maximum £4.5M revenue over the 2 year period, and £10M capital. The capital investment requirements will need to be built into the Capital Programme review detailed in the Capital Strategy. The key resource implications are as set out in paragraphs 9 – 24.

### **Property/Other**

Any impacts relating to property will be assessed by the Service Design Board on behalf of the Transformation Programme.

## **LEGAL IMPLICATIONS**

### **Statutory power to undertake proposals in the report:**

### **Other Legal Implications:**

## **POLICY FRAMEWORK IMPLICATIONS**

Whilst the Council's Policy Framework and Budget are silent on the specifics of how the Council works in detail, the adoption of an operating model as proposed in this report will fundamentally change how the Council works. As a result, it will have significant implications for both. This makes the decision as to the adoption of the new operating model a change to the current budget and policy framework and hence a decision for Full Council.

Council Strategy 2014-17

City Strategy 2015-2025

KEY DECISION? Yes

WARDS/COMMUNITIES AFFECTED:	All
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**SUPPORTING DOCUMENTATION**

**Appendices**

1.	High Level Plan

**Documents In Members' Rooms**

1.		
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**Equality Impact Assessment**

Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out.	Yes
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**Other Background Documents**

**Equality Impact Assessment and Other Background documents available for inspection at:**

Title of Background Paper(s)

Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)

1.	New Target Operating Recommendations Report authored by KPMG	January 2015
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