

		AGENDA ITEM 8
		ES/32/10
Committee:	Executive Scrutiny Committee	
Date:	26 October 2010	
Transformation Programme Scrutiny Review - A progress report		
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Action

The Committee are invited to **consider** the report and **agree** the proposals contained on pages **7** and **8**.

Introduction

Since December 2009 the Executive Scrutiny Committee has been carrying out a scrutiny review of the Council's Transformation Programme - a significant project that aims to radically change the way public services are delivered and respond to significant financial challenge.

The Committee has taken evidence from Cabinet Members and officers on a number of the seven main Transformation themes of Efficiencies, Procurement, Customer Services, IT, Property, Commissioning and Supporting Services. This report sets out the evidence taken so far, and identifies the next stages for the review.

Background

In 2008 the Council identified that increased future demand for services coupled with a tightening fiscal climate would result in a funding gap of £300 million by 2013. In response the Council initiated the Essex Works Customers First Transformation Programme (Transformation Programme) to drive out the necessary efficiency savings and radically change the way the Council conducts its business.

The Committee initiated the review with two main objectives:

1. To understand the overall vision for the Transformation Programme and the methodology for its delivery
2. To ensure the governance arrangements are appropriate for a project of this importance and that the maximum benefit to the Council and to public services in Essex is derived from the Transformation Programme.

The first evidence sessions took place in December 2009, February and April 2010, and focussed on these objectives; with subsequent meetings in June and September expanding the review to preliminarily examine property strategy, shared services and customer service development.

At the December 2009 meeting the Committee received a presentation from Councillor Sarah Candy, Cabinet Member for Finance and Change Management, Margaret Lee, Director for Finance and Nick Bell, Executive Director of Finance, which focused on the financial challenges facing the Council.

In February 2010 Councillor Sarah Candy, Cabinet Member for Finance and Nick Bell, Executive Director for Finance attended to assist the Committee to scope the future scrutiny review into the Transformation Programme.

The April 2010 meeting saw presentations from Councillor Finch, Cabinet Member for Finance and the Transformation Programme, and Keir Lynch, Director of People and Transformation.

In June, the Committee heard from Cabinet Member Councillor Louis about property strategy, Graham Tombs, Executive Director of Commercial Services about the future of shared services and Andy Fairchild, Director of Customer Services about customer interface development.

Graham Tombs returned to the September meeting to give an update on the progress of developing shared services.

The first objective – understanding the overall vision and methodology of the Transformation Programme

The Transformation Programme has two main areas of focus: for the Council to become more customer focused; and to drive out efficiency savings of £300 million by 2012/13. The Council faced grant reductions, inflation pressures and increases in the older person demographic, and the Transformation Programme would allow the Council to obtain better quality services whilst reducing costs. There were three phases to the Programme – Stabilise, One Council and One Essex. By 2013 the organisation would be highly adaptable; leaner and smaller, whilst providing value for money and customer centric services, especially to vulnerable people.

IBM had been identified as the preferred partner and would provide capacity and knowledge of public and private sector best practice in areas such as IT, procurement and customer services. The contract is flexible, and would allow the Council to look to other suppliers if it wished.

The main risks for managing such a large programme of transformation were to ensure that key services were maintained whilst dealing with radical change. Some of the processes were new to Local Government and carried a risk that they may not be successfully transferable. In order for the Programme to be successful, all stakeholders needed to accept the need for change. Robust governance and delivery mechanisms had been developed and were reported to senior officers on a weekly basis to counter the identified risks, in addition to the work carried out by the Internal Audit Team and individual service areas. In order to deal with the financial pressures of an ageing population, increased demand for children's services and the cost of waste disposal, the Council needed to alter its approach to service delivery from a silo approach to a focus on providing commissioned, arms length services, with greater emphasis placed on traded business support services. Essex Cares, a domiciliary care provider, and Essex Legal Services had been established as traded service models, offering services to other public sector organisations and Local Authorities, generating an income, and having the potential to develop outside of Essex.

Changes to the way services were procured had already delivered savings of £25 million with targets of a further £150 million to be saved through joint commissioning with partner organisations. Further savings of £9 million had been generated through bringing the IT provision back in house. A different system of procuring IT services was envisaged for the future - buying in the required support and server space, and making better use of technological advances in areas such as mobile technology, allowing staff to work faster and smarter. Since bringing the service back in-house, there had been an 80% decrease in log-in times at small financial cost to the Council.

In February 2012 there were 50 Transformation Programme projects underway which operated on a six month cycle to generate the required momentum. The broad themes of the projects were outlined as follows:

- Procurement projects
- Finance projects including cost savings and improvements to the financial information provided for key decisions
- IT projects to stabilise service provision
- Adults, Health and Community Wellbeing service development through re-ablement programmes and individual budgets, linked to the establishment of Essex Cares
- Highways contractual relationships
- Schools, Children and Families improvement and stabilisation, especially in relation to safeguarding services

- Partnership and shared services projects
- Improving the information provided to Members
- Developing the website as a single transactional point of contact for customers

Current service provision was reviewed to identify potential projects, which were then prioritised through dialogue between the Central Leadership Team (CLT) and Cabinet Members to identify those that were financially viable, would provide the most forward movement and deliver savings. The number of projects initiated within any six month period depended on the resources available, with the return from the first cycle of projects being good in relation to the cost of delivery. The Outcomes Board examined the business case for each project, and once approved, the Transformation Support Unit managed the delivery. A separate Project Board had been established to oversee live projects and report directly to CLT and Cabinet Members. The funds for these projects were contained within the Transformation Support Unit budget.

The Council is confident that the £300 million savings will be realised, with constant review and monitoring of the deliverability taking place.

Communications

Part of the Committee's original objective had been to obtain an understanding of the overall vision for the Transformation Programme. The Committee highlighted communication as an issue and requested that more was done to communicate effectively with Members, partners and officers. Whilst a series of 'connect' meetings had been arranged for Central Leadership Team members to meet with staff, information being available on the intranet and the organisation of road-shows, the Committee felt that more could be done to improve both the communication methods and the information available. The Committee asked about the communication strategy to engage with the public, staff, Members and partners. It was acknowledged that there had been a gap in some areas of the communications strategy, but actions were being taken to address these. A monthly newsletter was under development and the dedicated section of the intranet was being refreshed. Moves were being made to communicate more widely and clearly with staff. The Leader and Chief Executive were taking part in employee road shows where it was hoped that feedback about employee perceptions of the programme would be gleaned. A communications pack had been distributed to 150 senior managers to enable them to brief their staff. The June edition of the employee magazine 'Zest' would be running a 4-page pull out on the programme.

Steps have been taken to improve communications, with the intranet site undergoing a refresh, and newsletters for staff and Members being issued on a regular basis.

Property

The new model of service delivery would require less office space, and the merging of property resources with partners would realise significant savings from released properties and the subsequent reduction in utilities. Wireless Internet access (wi-fi) had been made available for free in all libraries, and would afford opportunities for staff to utilise this and thus free up office space. The Council planned to make further services available in libraries to make them 'one stop shops' for customers. The 'wi-fi' facilities would give opportunity to private sector businesses and Council staff to carry out duties without a permanent office base. A new property strategy was under development with the objective of reviewing the future options for the Council's property portfolio, and was likely to be completed in autumn 2010. The property strategy had strong links with the New Ways of Working and implementation of the Target Operating Model, both of which were seeking to reduce the amount of property held by the Council. This project would be tracked and managed by the existing Transformation governance structure that consisted of a Cabinet Member-led property board. Options to co-locate, dispose, or purchase property would be agreed by March 2012. Further details of this new strategy would be brought to the 30 November meeting.

Shared Services

The main objectives for sharing services were to do more with less, whilst maintaining and enhancing performance standards. The Council wanted to centralise and optimise common functions such as professional support services (finance, legal and HR), transactional processing (payroll, ordering and invoicing), procurement, asset and facilities management and performance and change management.

Formal discussions had been initiated with 'One Essex' partners – District and Borough Councils, the Police and Fire Authorities, and Health. Formative discussions with other potential partners such as other County Councils that bordered Essex had also commenced.

Every 'One Essex' partner had been invited to complete a self-assessment 'appetite' template, designed to ascertain the strength of belief in sharing service. Twelve of the fourteen templates had been completed. These returns had, in the main, originated from officers, although it was unclear if consultation with Members had been taken place. Key principles for working with partners had been established and included the importance of both horizontal and vertical dialogue. Early areas of focus for sharing services included operational services (waste), property, IT, revenues and benefits, regulatory services, civil parking enforcement, professional services, procurement and emergency planning.

Potentially significant savings could be achieved through joining up the waste collection services of Basildon, Brentwood and Castle Point. The future involvement of unitary authorities in waste collection was being explored, although some already had contractual arrangements with private sector companies that may impinge on their ability to become involved. Other opportunities with London Boroughs were also being explored. Shared services were about a coalition of the willing but arrangements would be flexible enough to accommodate late-comers, as the financial and performance rewards were worthwhile.

IBM, as the Council's contracted partner, had been commissioned to undertake a diagnostic review, which had led to the establishment of a business case for 'Project Co-Efficient' that would endeavour to deliver best practice improvements in financial professional services with forecast annual benefits of £1.3 million. The diagnostic review also delivered a further proposal to develop a business case for changes to payroll with indicative benefits of £800,000 per annum.

The partnerships had secured Regional Improvement and Efficiency Partnership (RIEP) funding to support a joint property review, joint civil parking review and a first phase analysis. Jacobs Ltd, a consultancy firm, completed the review into the first phase in July 2010, focussing on five areas-procurement, IT, professional services, revenue and benefits and building control. Total gross expenditure data collected from partners for these five areas amounted to £119 million, with potential savings of £12 million having been identified through the establishment of organisation clusters for the different services. There was further potential for savings from joint procurement, sharing property and other opportunities. The outcome of these reviews had been received in August and resulted in a procurement work-stream initiation. A number of reviews had been directly commissioned by the Council, including property, regulatory services and operational services (waste). A review of civil parking enforcement was already underway and being sponsored by Castle Point Borough Council.

The Committee asked about the potential cost in jobs of merging services. The average cost reduction was between 15% and 20%. Using the example of procurement, these savings would result in better value procurement of goods and services rather than a loss of jobs. The purpose of the sharing of services was not about reducing capacity; rather delivering improvements and better outcomes. No presumptions had been made about the number of posts that would be required to deliver services, but each service cluster would be analysed to assess the most efficient delivery platform; however, there may be an effect on head count in the long term future.

The Committee asked how quickly the potential savings could be realised. Each potential cluster had a differing timetable and a group of Chief Executives had been commissioned to develop a shared services programme. The sharing of professional services had already begun, with a meeting of Leaders due to take

place in the near future to drive progress. The Council's legal services had already been very successful in gaining business from the private and public sectors.

Progress on the development of shared services would be brought to a future meeting.

Customer Services

The Council is in the process of developing a new website that would enable improved customer interaction and self service. It was anticipated that this website will be available to launch in the autumn of 2010. The current website had 5,000 pages, all of which were undergoing a re-write, with a view to condensing these to 1,000. The language on the new pages would be accessible to all sections of the community, and the self-service elements would be well supported. There would be the facility to tailor the information the website provided though users inputting their postcodes.

The Council intended to obtain a deeper understanding of the general enquiries it received from customers to enable the identification of themes, allowing information requested on a regular basis to be made more readily available, avoiding the need for simpler calls and thus allowing more complex enquiries to be dealt with by the Contact Essex call centre. Progress on the website would be brought to the 26 October meeting.

Next steps

The Executive Scrutiny Committee has largely fulfilled the original objective to understand the overall vision of the Programme, and has now commenced detailed exploration of issues such as shared services, although there are a number of important areas that the Committee has yet to consider. At the meeting on 29 June, a scoping document was agreed by the Committee to review the governance, communications and contractual partner elements of the Transformation Programme.

It is proposed that the communication and contractual partner elements of this scoping document are deferred, in order for the review to remain current and to enable the Committee to keep pace with the Programme by exploring other areas that are potentially of greater significance. The Committee may wish to return to consider these topics in the future, especially around communications with the public and partners.

The Committee is therefore invited to **consider** and **agree** the following proposals:

1. To establish a Task and Finish Group to review the governance and risk management arrangements of the Programme. Ensuring that the Programme is monitored and managed effectively is a key risk (including verification of savings and what is being spent to save). In addition the outcomes of the TS1 and TS2 stages would be reviewed by this Group. This review would be relatively short and aim to report to the Full Committee at the February 2011 meeting.
 2. For the full Committee to review the procurement element of the Programme. Due to the size of this topic it is likely that the initial scrutiny of this topic would spread over the course of a few meetings.
 3. The Council's highways, IS and facilities and asset management services are currently being reviewed. Whilst the changes to the structure of the highways service will be referred to the Economic Development and Environment Policy and Scrutiny Committee, it is proposed that the Executive Scrutiny Committee considers the outcomes for the other services that are being reviewed.
 4. It is proposed that the Committee invite Jenny Owen, Deputy Chief Executive, and project sponsor of the New Ways of Working initiative, to a future meeting to set out the plans for this area of the Programme.
 5. It is imperative that all Policy and Scrutiny Committees review the elements of the Transformation Programme that are relevant to their terms of reference. It is proposed that a report of the scrutiny reviews being undertaken by other Committees in relation to the Transformation Programme is presented to a future meeting.
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