

AGENDA ITEM 7	
ES/04/12	
Committee:	Executive Scrutiny Committee
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Purpose of Report

The purpose of this report is to (1) highlight to the Committee the high level intentions of Transformation Phase II and the savings achieved in Transformation Phase I and (2) address the two objectives in the scoping document.

1. Transformations Phase II and the savings made in Transformation Phase I.

The high level intentions for Transformation Mark II are to create a Council that is truly agile and flexible, and able to operate within a budget of around £200M lower than 2012 funding levels. It will deliver major improvements in key customer services at a lower cost, and deliver operational performance and efficiency across all areas of the council. The next phase of Transformation has been designed around the delivery of five key objectives

- Creating a truly agile and flexible council
- Delivering operational performance and efficiency across all areas
- Delivering major improvements in key customer services at a lower cost
- Long-term sustainability of key service
- Pro-actively managing demand for council services

Over the last 4 years Essex County Council has embarked on an ambitious transformation programme to save £300M per annum by 2013. This is one of the largest savings targets of any local authority in the country.

The transformation programme was a response to the Council's recognition in 2008/09 that a period of sustained reductions to public sector funding would begin as a consequence of the global economic crisis and credit crunch and the need for national governments – including the UK – to reduce their debt levels.

The EssexWorks: Customers First Transformation Programme was established to help the council achieve its vision and ambition of delivering the best quality of life to the people of Essex by focusing on achieving three priorities:

- Improve outcomes by evolving into a more commissioning-led organisation
- Drive up current levels of customer service
- Deliver savings of +£300M by April 2013

The programme has sought to protect critical frontline services by enabling the Council to divert £300M per annum away from back office processes, property and procurement into front line services by identifying commonality, eliminating duplication and embedding an ethos of focusing all of our efforts on increasing customer satisfaction.

The Council is currently on track to have saved £360M per annum by 2013 – some £60M over and above our original savings target.

We have delivered a tremendous amount of change over the past few years through our Transformation Programme. We have:

- Delivered over £160M in procurement savings through re-negotiating and rationalising contracts
- Established Essex Cares - savings of £7 million; expanding to provide services to other councils
- Created new trading opportunities e.g. Essex Guardians and Legal Services
- Formed a new strategic partnership with Ringway Jacobs and launched Essex Highways
- Remodelled Library Services to operate more commercially – won contract to provide library services to Slough
- Outsourced property and facilities management to MITIE, delivering savings of £2 million per year
- Implemented an electronic service for Criminal Records Bureau (CRB) checks and reduced processing time from 37 days to just 8 days
- Introduced self-service technology such as ePayroll, helping save in the region of £900,000

2i) The overall vision for the Transformation II Programme and the methodology for its delivery

Transformation Mark II will continue the council's transformation into a commissioning-led council. By focusing on five strategic objectives, Transformation Mark II will enable the council to meet the challenges ahead:

- a) Become a truly agile and flexible council – able to deliver efficiencies of £200M against our financial trajectory, by:
 - Creating a new Strategy and Commissioning function (including consolidation of contract management expertise) and a new organisational structure
 - Creating a commercial tension by separating delivery from commissioning
 - Improving prioritisation and decision making through better customer and operational data insight
 - Moving more of our activity into more agile delivery models so they are more able to respond quickly to changing environments and pressures
 - Creating an IT infrastructure that can flex and scale as we need it to

b) Deliver major improvements in key customer services at a lower cost by:

- Creating face to face contact that joins up different service into single points of access.
- Using social media and web based technology to provide easier access to service at a lower cost of delivery
- Increasing self-service and aligning this to the changes we make to the way we work provide wider and easier access to activities such as seeking information or reporting and tracking a problem.

c) Deliver operational performance and efficiency across all areas of the Council by;

- make processes simpler and easier for people to do business with us
- making sure our structures support and enhance the desire to be easier to do business by reflect this in the way we work
- Using different delivery vehicles where appropriate
- taking advantage of economies of scale through breaking down divisional silo's and focusing on continuous improvement
- Removing any duplication from running two large social care Directorates

d) Long term sustainability of key services by:

- Joining up around shared outcome and service solutions (with ECC and with partners where appropriate)
- Making greater use of customer insight in order to focus resources on critical priorities
- Achieving savings through greater use of personal budgets / individual spend
- Working with partner organisations and the voluntary sector
- Decommissioning services which are no longer relevant or that don't improve key outcomes

e) Pro-actively manage demand for council services by:

- Reducing unnecessary customer demand through providing early intervention and prevention along with appropriate information and guidance

To drive this vision forward, it has been decided to separate the commissioning of services from their delivery within the council. This entails changes to the organisation's structure and to the roles and accountabilities of the Corporate Leadership Team.

The separation of commissioning from delivery recognises that the role of Strategy / Commissioning is to produce a delivery strategy to meet high level outcomes; to provide a specification for the services that will deliver these outcomes; and to identify the capability to execute the specification in the most efficient way possible, using competition where appropriate. The role of Operations is to execute the specification in the most efficient way possible. The separation of commissioning and strategy from operations would lead to greater savings and efficiencies through:

- The introduction of competition – internal and external suppliers will have to compete to deliver specifications
- Better control of spend by introducing challenge and tension between commissioners and operations functions
- Improved economies of scale with contractors, with aggregation of functions and improved purchasing power
- Lower support costs through a design that results in fewer budget holders and decision makers
- Visibility through a Common Assessment Framework and reduction in number of interventions or channelling to lower cost interventions
- Commissioners who will focus on Best Value for all placements and set the criteria for operational practitioners who will be removed from contract management/procurement process

These components of change are critical in supporting delivery of the £200M savings that we need to make by 2016/17. High level estimates suggest that delivering change in line with our 5 strategic objectives could deliver gross savings in excess of £130M, and as detailed design progresses we anticipate more savings will be identified to support 'closing the gap'.

The changes proposed would be leading edge for a local authority and will place Essex at the forefront of local government and public service innovation. The changes would make the council more agile, more commercially minded and give councillors and council officers better information and business intelligence about where we can make changes and improvements to service provision and commissioning.

Most crucially, the changes are critical if the council is to deliver efficiencies and savings from areas of spend in a way that can best protect and safeguard funds available for frontline services.

The components of change can help to deliver:

- Rationalisation of back office functions and costs
- Management de-layering and rationalisation
- Greater efficiency through Operations productivity & use of external vehicles where appropriate
- Savings from changes in commissioning behaviours
- Demand management and increased community resilience
- Greater strategic insight and better business intelligence within ECC
- Expansion of personal budgets

The above components will require a significant amount of work to be done over a three year delivery period from 2013-2016. To enable this, a new organisational structure is required to deliver these components of change. This requires a new management structure if ECC is to become more agile.

2ii) 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 II Programme

A significant amount of work is required to design and develop this programme into a detailed programme of activity over the next 6 months. The planned phased activity includes:

December 2012 – June 2013 – detailed design and preparation stage.

By March 2014 – new organisational structure fully operational

By March 2016 – integrated commissioning in place with partners

All Cabinet Members have been consulted during the development of the high level Transformation Mark II programme. Cabinet Members agree with the direction of travel but stress the need for continued member engagement and oversight; the need for robust plans in place to communicate with staff and manage a People and Change programme; and that all business cases and request for spending be subject to recommendation from Outcomes Board.

The Political and Corporate Leadership Teams meet once a month to oversee the detailed design of the operating model and its associated benefits. The Executive Scrutiny Committee is invited to scrutinise emerging plans throughout the next 6 months during the detailed design stage.