

CABINET – 18 SEPTEMBER 2018

IMPLEMENTING A NEW OPERATING MODEL FOR OXFORDSHIRE COUNTY COUNCIL

Report by the Chief Executive

Introduction

1. This report sets out the work that has led to the development of a new Operating Model for the Council and summarises the business case for change. It seeks Cabinet approval to adopt the Operating Model as the basis for whole-council transformation, ahead of a future decision on the detail of investment in implementation.
2. In July 2018, the County Council adopted a new Corporate Plan for 2018-21. This plan sets out the Council's ambitious Thriving Communities vision and explains how the Council will work to deliver its objectives. It recognises long-term resource and demand pressures and identifies as a priority the need to transform the way that the Council works to be more efficient and effective in order to deliver the best outcomes for residents.
3. A specific commitment is made within the Corporate Plan to complete work on a full review of the Council's delivery model to be the fundamental basis for future change.
4. During 2017, an in-depth analysis was undertaken into the Council's operations, developing a detailed evidence base on how staff spend their time on a day to day basis.
5. Oxfordshire is a good council delivering good outcomes for residents, demonstrated by positive external statutory inspections and by the Council's leadership role in place, infrastructure and economic planning. Areas that need improvement are understood and actions are in place to bring about change.
6. However, the analysis showed that the Council could deliver outcomes significantly more efficiently through reducing duplication of effort, improving systems and processes and improving the way that services work with each other and with support functions. Overall, the Council could be more effective in meeting its obligation to support staff in delivering outcomes for residents.
7. This insight led to the commissioning of a detailed design project which through the first half of 2018 has identified opportunities for change and improvement at an organisation-wide scale. The final product of this phase of work is an Operating Model which sets out detailed proposals for how the

organisation will work in the future. The Operating Model is attached within the Business Case at Annex 1. These changes, if implemented, would provide a detailed plan for delivering savings already required within the Medium Term Financial Plan, with the potential for additional benefits to be released. As significantly, they would provide a framework for delivering a council that is as effective as possible in delivering better outcomes for residents.

Background and the Drivers for Change

8. Councils across England and Wales face the combined impact of rising demand with severely constrained resources. As has been seen in the financial crisis impacting Northamptonshire, responding to this scenario requires prudent financial management and sustained difficult decision making. Different but serious challenges are emerging in counties including East Sussex and Lancashire. Having taken a pro-active approach to these changes through eight years of annual real-term reductions in available budgets, amounting to a 51% reduction in government funding over the decade to 2020, Oxfordshire is in a better position than many councils in this regard. Never-the-less without further change, the Council will continue to face the challenge of long term financial sustainability.
9. The Council faces a choice between two approaches to establishing that sustainability:
10. Firstly, the Council can continue to manage ongoing reductions in funding, and rising demand through reductions in service budgets and individual efficiency initiatives. Ultimately the Council would anticipate a service offering close to or at the 'floor' of statutory obligations with major impact on residents and on the Council's ability to prioritise preventative activity. In any case, and particularly because of the constraint on resources to manage increases in demand through prevention, this may not be sufficient to ensure sustainability in the long term.
11. Alternatively, the Council can take an overall look at its total approach to delivering outcomes and ask whether a major change to its operation can release resource to support services, offer policy choices and deliver financial sustainability while at the same time improving the Council's effectiveness in terms of outcomes for residents.
12. By negatively impacting on outcomes for residents and with highly constrained opportunities for investing in services, the first approach would not allow the Council to meet the ambitions set out in the Thriving Communities vision. The potential of this second approach is acknowledged in the Corporate Plan which sets the requirement for a full review of the Council's Operating Model.
13. The Medium Term Financial Plan (MTFP) agreed by Council in February 2016 first set out the need for large scale transformation due to the significant impact of the redistribution of Revenue Support Grant and the further loss of funding above the worst-case planning scenario applied. Savings of £15m were built into the MTFP over the period 2017/18 to 2019/20. The phasing of

savings has been reprofiled since then, over the period 2019/20 to 2021/22 and now include a further £2.4m savings relating to ICT due to the decision, made during and as part of the Service & Resource Planning process last year, to defer elements of ICT redesign (specifically a proposed partnership arrangement with Local Government Shared Services), in order to align with delivery of the new Operating Model.

14. As a consequence, the Fit for the Future programme was established to manage the Council's organisation-wide transformation agenda. It aims to deliver a council that is in the strongest possible position to meet the ambitions of Thriving Communities, by re-focussing effort on resident outcomes, delivering specific identified transformation savings, contributing to long term financial sustainability and enabling political choice on service investment.
15. A first phase of enabling work, completed in summer 2017, has led to significant improvements in the Council's website and digital capacity and direct improvements for customers accessing services.
16. Experience of planning and implementing these and broader change demonstrated to the Council that the interconnections between services, and between services and support functions, were so significant and complex that major change would only be brought about at the pace required with a comprehensive plan for the total organisation. Developing and delivering such a plan would require significant investment and effort to bring about whole-organisational change.

Activity Analysis and the Case for Change

17. In order to develop a firm evidential basis for change, the Council commissioned an activity analysis in summer 2017. With support from PwC, all staff were asked to undertake a questionnaire exploring how they spent their time on a day to day basis. The aim was to provide a scan of the organisation, showing how the Council's workforce apportioned effort across 37 standard local government processes. To collect the data each member of staff allocated the time they spent each week against these 37 processes. Their responses were collated to develop a baseline for the Council and enable an analysis of the extent of fragmentation and duplication of effort. This output was benchmarked by comparison to other similar councils. Detailed interviews were also undertaken to validate the information, understand the issues identified and consider likely causes of the conclusions.
18. The main conclusions from this work were not that staff were not working hard in the interests of residents, but that the Council as an organisation was not fully meeting its obligations to support staff to get their jobs done. Specifically:
 - Considerable effort was being put into support services when compared with the comparator group, even though some of these services are outsourced in Oxfordshire;

- The Council could be utilising the information it holds about customers more effectively and that a large proportion of staff effort is spent on customer management processes, rather than direct service provision;
 - Complex processes, technology and an immature digital offering may be driving some of these characteristics with leadership teams highlighting that confusing, non-standard processes and out of date IT applications were a hindrance to their workforce;
 - Significantly less effort as a proportion of overall staff time is being used to deliver services, when compared to the comparator group¹
 - That the strategic direction of the Council could be clearer
19. Given the findings of the Activity Analysis a decision was taken by the Chief Executive to undertake an 'Operating Model assessment'. This enabled more detailed analysis of the issues identified in the activity analysis and formed the basis of second phase of Fit for the Future workstreams that were undertaken between October 2017 and January 2018, with the support of PwC.
20. The most significant area of this work focused on a more detailed assessment of the Council's Operating Model. A series of cross cutting workshops were held with many staff at different levels from across the Council. Detailed data analysis was undertaken and qualitative sessions held with senior managers for their assessment of current issues and future opportunities.
21. Additional work focused on understanding the Council's digital and technology environment and working with members and officers to consider future opportunities for doing things differently through the use of technology and a detailed analysis of our third party spend environment to consider opportunities for savings through commissioned services was also undertaken.
22. This work was drawn together into a Case for Change presented to the Council in January 2018. Building on the evidence from the Activity Analysis, the Case for Change concluded that:
- there was significant scope for efficiency in support services;
 - that decision making is not consistently robustly informed by data and insight;
 - that the Council has not fully exploited the potential of digital technology;

¹ *The activity analysis acknowledges that this may be caused in part by the proportion of services outsourced rather than being provided directly by the Council, as well as by staff performing tasks outside of their core activity – but this notwithstanding, concluded that the effort expended on service delivery was low in comparison to similar councils.*

- that there is duplication and fragmentation of staff effort across all areas of the Council;
 - and that the Council was not clear on how it will achieve its strategic ambitions.
23. Opportunities for reviewing procurement and contract management arrangements for third party spend, and for commercialisation, were also identified.
24. By addressing these challenges and opportunities, the Case for Change identified significant scope for achieving cashable financial benefits without negatively impacting on outcomes for residents. When finalised through further analysis, it has been estimated that between £34m - £58m of annual recurring savings could be delivered with a one-off investment in the region of up to £18m. Officer assessment was that the changes in approach identified also had the potential of delivering an organisation that was far more effective overall.
25. While the Case for Change identified the considerable potential of pursuing the opportunities and issues identified, addressing changes of this nature would require substantial financial investment and long-term commitment of the Council to prioritising a new approach. In order to prove the case before investment and the full commitment of the Council's resources, a further phase of work was authorised.
26. The remainder of this report introduces the Council's subsequent development of a new Operating Model with associated enabled benefits in third party spend and from commercialisation and an overall increase in effectiveness with respect to resident outcomes. The Operating Model is set-out within a broader Business Case document which builds on the case for change and sets out in more detail the costs and benefits of delivery.



Fig 1. Timeline of Operating Model Development

The Business Case

27. The Business Case for delivering a new Operating Model is structured in six sections:

<p>1. Operating Model</p> <p><i>A detailed description of how the future council will operate divided into seven functioning 'layers'</i></p>	<p>2. Enablers</p> <p><i>The core enabling functions that will allow the Council to maximise the benefits of the Operating Model</i></p>	<p>3. The financial case</p> <p><i>The financial benefits of delivering the Operating Model and the associated costs</i></p>
<p>4. Service impact and gap analysis</p> <p><i>The outcome of work with services to develop understanding of the issues and impact associated with implementation and identify any gaps in design</i></p>	<p>5. Construct and implement</p> <p><i>Outline proposals on the practicalities of implementation and an outline phase plan</i></p>	<p>6. Risks</p> <p><i>An assessment of risks within the design and implementation of the Operating Model</i></p>

28. The Business Case is set out in full at Annex 1, introduced with an Executive Summary.

Understanding the Operating Model

29. An Operating Model is a detailed description of the way an organisation works. The Council currently has an Operating Model. However, this is not one that has ever been purposefully designed, formally articulated, considered as a whole, or that is well understood or consistently applied. Rather, the current Operating Model has developed piece-by-piece over the years of the Council's existence, adapting and changing over time in response to specific pressures, issues, technological and policy change and the absorption or loss of services.
30. Deliberately designing a new model of operations will allow the Council to consider all of the way things are done and consider how they best fit together in the interests of efficiency and effectiveness. Within the context of tight financial management and sustained difficult decision making, this represents a one-off opportunity to re-set the organisation's basic framework for a generation.
31. This is important in local government where councils seek to further the interests of residents through a large number of diverse and interrelated services – often working in partnership with other organisations. The way these services work together, and with support and back-office functions, is determined through a complex network of policy, processes, technology,

governance and organisational structures underpinned by local and organisational culture.

32. Without deliberate design, different areas of the Council can very easily end-up undertaking similar activity in different ways for no sound-business reason – with the potential for duplication, contradiction and conflict - ultimately diminishing the impact of scarce resources.
33. This is not to say that it is appropriate for all services to be delivered in the same way; one-size does not fit all and specialist services and complex needs require different ways of working to maximise outcomes for residents, comply with legislation and obtain best value for money. However, many tasks and activities that sit-behind very specialist services are fundamentally common across the organisation.
34. Understanding and carefully re-designing how the organisation operates in this context offers the opportunity for major improvement and the return of significant benefits to the organisation and community.

Setting the Operating Model in Context

35. The Operating Model in itself does not determine *what* the Council will do but *how* it will work. It is therefore interrelated to the Corporate Plan and the wider strategic policy and planning framework which set out the Council's agreed priorities and objectives and is integral to the delivery of that framework.
36. The decision-making, oversight, scrutiny, and representative roles of elected councillors are central to the Council's purpose and functions. The intention of the Operating Model is to be the vehicle by which the Council can ensure that it has the right capabilities, processes, structures, people, information, technology, governance and culture to deliver agreed vision, policy and plans, as set out by elected members of the Council.
37. The Operating Model, if agreed, will not supersede or direct any political, commercial or service decision making – although it will inform and shape the considerations made. For example, the Operating Model takes no position on whether services should be delivered 'in-house' or 'out-sourced'. It does however set out the mechanisms and considerations which in the future will support such decisions and sets out the processes, technology, information, capacity and skills that will be needed in such determinations.
38. Equally, the Operating Model is intended to serve any political governance structure and so is not dependent and does not pre-judge the outcomes of the ongoing Governance Review.
39. Finally, the Operating Model should not be regarded as the final position that will be implemented exactly as described at this stage. Rather, it is the organisation's best attempt to describe the future state of the council. It will inevitably be amended through implementation and in the future through experience and evidence and especially through feedback and engagement

from councillors, residents, partners and staff. Importantly however, such change will be designed and controlled against this baseline.

Developing the Operating Model

40. The Operating Model has been developed in response to the Activity Analysis in accordance with design principles set by the organisation and included within the Case for Change (see Slide 12 of the Executive Summary of the Business Case – Annex 1).
41. The detail of how the Council will work in the future is broken down into seven inter-related 'layers' for the purposes of describing the model. The layers are not a structure or a replacement for service departments or support teams; rather they describe the common activity that when put together, will deliver what is needed to deliver the best outcomes for residents. It then asks how these activities are best delivered for optimum overall outcomes: what is common, what is specialist, what needs to change and what will the overall design look like. How these layers are then built into functioning teams with associated systems and processes, is the substance of the 'construct and implement' phase of the programme that would come next if Cabinet agree to adopt the proposed model.
42. Each layer was worked on in detail by an officer working group led by a director or pair of directors and supported by PwC. Layers were also tested with services including with a cross-section of staff and managers. Councillors were asked to contribute through a specific member briefing, through briefings held in each Locality area and through feedback at the Audit and Governance and Performance Scrutiny Committees held in March. Portfolio holders and Political Group Leaders have also been engaged with the Operating Model as it has emerged.
43. The approach to developing the proposed Operating Model is set out in Section 2 of the Business Case document attached. The detailed design of each Operating Model layer is set out in Section 3. Additional 'enablers', those areas of the Council's approach that need to change and develop to maximise the impact of the Operating Model, are set out in Section 4.

44. In summary, the proposed model describes:
- Firstly, a council which prioritises investment in the community, in resilience building and community solutions, to maximise opportunities for prevention and support communities and individuals to help themselves (see *the Pre-Front Door Layer*)
 - Secondly, a council with an integrated and streamlined approach to customer management (see the *Customer Management layer*)
 - Thirdly, a council with transparent and simplified assessment processes with proportionate resource deployed according to the complexity and risk of the assessment (see the *Customer Assessment layer*)
 - Fourthly, a council with a consistent framework of processes for identifying, obtaining and managing the products and service it requires (see the *Provision Cycle layer*)
 - Fifthly, a council with leading-edge professional support services to ensure that staff across the Council are able to do their jobs with maximum efficiency (see *Enabling and Support Services layer*)
 - Sixthly, a council with a refreshed capacity to support members in defining priority aims and vision and to manage, support and communicate the delivery and monitoring of those aims (see *Strategic Capability layer*)
 - Finally, a council with a new function that will develop significant insights from data and information, using technology, data science and partnership approaches to support the Council in making evidence based and data-led decisions (see *Business Intelligence layer*).
45. Taken together, implementing the new Operating Model will amount to a complete reconsideration of how almost all functions are undertaken and how they inter-relate, across the Council.

Front Office	Pre-Front Door	Individuals, communities, members, the council and partner organisations working together to build resilience, develop strengths and create opportunities in local areas, which helps to reduce the need for council services.
	Customer Management	The customer management layer contains all activities undertaken by the council that involve interaction with customers and/or have an immediate impact on service delivery to customers.
	Customer Assessment	The customer assessment layer contains activities that are a key part of many customer interactions with the council, with information being used to decide whether and how services are provided.
Back Office	The Provision Cycle	The Provision Cycle layer provides the framework of processes and activities through which the Council decides how best to meet an identified need or to achieve a specific outcome, including commissioning, contracting and the management of third party suppliers.
	Enabling and support services	The Enabling & Support Services layer provides services that are optimised to meet the needs of internal customers through process improvement, the use of enhanced digital systems and clear delineation of roles and responsibilities.
	Strategic capability	The strategic capability layer provides the capabilities that the Council requires in order to define its vision, high level strategy and objectives, as well as capabilities required to support, manage and review the realisation of each of these.
	Business intelligence	The business intelligence layer provide information, intelligence and insight to a range of customers including businesses, partners and staff within the organisation.

Fig 2. Extract from Business Case – Operating Model Layers

The Financial Case

46. Analysis by PwC tested the design of the Operating Model against the evidence of the Activity Analysis and an assessment of the opportunities within each service area for change and the release of benefits.
47. Within the financial case, detail is given of the approach to calculating benefits against each layer of the Operating Model.
48. Assessment of the costs of implementation has also been made to develop an overall financial benefits profile for the life-time of the implementation programme and an ultimate annual recurring financial benefit which can be expected.
49. In summary, the overall estimated benefits profile associated with implementation of the Operating Model is as follows – assuming that delivery of benefits at the midpoint of the range of savings estimated (£34-£58m) is achieved:

Financial year	18/19	19/20	20/21	21/22	22/23
Annual recurring benefit delivered in-year	£0m	£14m	£18m	£10m	£4m
Cumulative annual recurring benefit	£0m	£14m	£32m	£42m	£46m

50. The costs of delivery depend on choices made as to how the Operating Model, if adopted, is implemented. For indicative purposes, one off implementation costs (excluding recurring maintenance for technology and potential redundancy costs, as explained in the financial implications section below), are estimated as follows:

Financial year	18/19	19/20	20/21	21/22	22/23
In-year one off costs	-£4m	-£9m	-£2m	-£2m	-£1m

51. The implications of this assessment and its relationship to resource planning processes are set out in the Financial Implications section below.

Construct and Implement

52. Section 7 of the Business Case deals with implementation of the Operating Model.
53. Delivering an Operating Model is a major initiative and the scale of change should not be underestimated. Taken overall, the Council will effectively be rebuilt in full, with no service area left unchanged in terms of the way the Council operates (as distinct from the outcomes services seek to deliver – which are not the subject of the Operating Model). The change overall would represent the largest transformation initiative that the authority has ever undertaken.
54. Section 6 of the Business Case assesses the impact of change on services and the extent to which the proposed changes are significant when compared with existing practice. It concludes, overall, that while with careful consideration and design service impact will be manageable and will not negatively impact on service users, the difference from existing ways of working is considerable.
55. Given these considerations, it is not possible or desirable to implement the substantial changes required at one single point in time. An ordered construct and implementation methodology will be required to manage the risks of change and maximise the benefits of investment. The proposed method is to deliver the organisation's new approach through a series of four phased 'releases'. While the full financial benefit will not be realised until the completion of the programme, each release will give the opportunity to deliver an element of benefits which, when assured, will be available for incorporation into the MTFP.
56. Managing delivery through an iterative series of releases will allow for testing, to respond to change and to learn as the programme progresses. It accepts that not every project element will deliver perfectly first-time and allows for flexibility to cope with that uncertainty. It will also allow for policy and operational choices along the way with a developed understanding of the impact of choice on delivery of financial benefits and improved services to residents.
57. Professional programme management will be needed to manage the interdependencies of different changes and the complexities and risks of managing an organisation in transition between current ways of working and a new model. Considerable resource will be required for communication, engagement, re-training and change management and this has been incorporated into the financial case.
58. It is projected that the implementation programme will take place over an initial two to three-year period with benefits continuing to build through to 2022/23 as new ways of working are embedded. Ongoing benefit can then continue be incorporated into the MTFP.

59. To meet this ambitious timescale, the Council as a whole will need to prioritise delivering the new Operating Model. However, the release-based approach will allow services to manage the impact on competing priorities and day-to-day service delivery by containing intense delivery periods within clearly set out timescales. While detailed delivery of the Operating Model will be predominantly undertaken by the Council's own staff and directed by senior leaders, overseen and scrutinised by elected members, the Council will also need to supplement its existing resources, again to maintain pace and to minimise impact on front-line service delivery. Such additional resource will include strategic advice and programme management, technical and specialist support (for example IT, digital and procurement) and support for change management. It will also be necessary to ensure that sufficient capacity is available to carefully manage and account for the delivery of benefits to ensure that real benefits are delivered before incorporation into financial and strategic plans.
60. The Construct and Implement section and the Financial Case assume that a significant element of this additional resource is provided through an external provider.
61. It is the purpose of this report to consider the Operating Model itself asking Cabinet to consider its success in reflecting the specific Oxfordshire County Council context and if satisfied, to agree to its adoption.
62. The detail of the investment required for implementation and a recommended delivery mechanism – including the decision whether to appoint external providers or to supplement internal resources – will be made through a further report proposed to be considered by Cabinet in October 2018.

Implications for the Partnership with Cherwell District Council and for Broader Partnership Working

63. The developing partnership with Cherwell District Council is based on the initial sharing of the Chief Executive post with the potential in the future for sharing senior management posts and the development of shared services.
64. The Operating Model is not directly related to the partnership. However, opportunities created through the analysis now available and through the implementation phase will mean that the development of the partnership will be within a well-understood and adaptable framework. Overall, implementation of a coherent Operating Model will allow support and front-line services to be clear on both their requirements and capacities for any partnership working subsequently considered – including with Cherwell but extending to the County Council's many existing and potential partners – and so may bring forward more ambitious and deliverable business cases in the future.
65. Any such benefits and associated investment would be additional to the business case developed so far.

Options for Change

66. On consideration of the Business Case document, the options for change are summarised in the chart below:

	Description	Commentary
1	<p>Adopt the proposed Operating Model to enable delivery of the estimated range of savings (£34m-£58m) to the fullest extent appropriate – agree to the proposals as set out and go forward to identify options for delivery</p>	<p>Recommended – the business case sets out the costs and benefits of the model, the potential for improvements to resident outcomes and includes new ways to support prevention and minimise future demand contributing to long-term financial sustainability. Delivering the maximum benefits may create capacity to manage future pressures and for policy and investment choices. It will also help create a council that is agile and resilient to change with greater capacity to manage risk and deliver agreed political objectives.</p>
2	<p>Adopt the proposed Operating Model to enable delivery of required MTFP savings only, i.e. £33m (see Financial Implications section) – agree to implement the proposals only as far as required to deliver the MTFP savings without a requirement to deliver additional benefits</p>	<p>Not recommended – the business case does not support the case for not pursuing implementation to the furthest extent possible – when taking into full account the requirements of service delivery:</p> <ul style="list-style-type: none"> • Firstly, the costs of delivery are not related to savings on a linear basis - significant enabling investment is required, for example in technology, to release the initial savings; • Secondly, there are no proposals within the business case that are intended to lead to reduction in resident outcomes - rather, the range of savings shown throughout provides the flexibility for professional judgement and policy choices to be made during the construction phase where the Council will be able to assess the extent to which it thinks the Operating Model can be applied without impacting on outcomes. Where there is risk of impact, the model would not be applied, or changed, or the risk mitigated in some other way whilst maintaining overall benefits within the envelope identified. <p>Therefore, not taking the full possible savings obtainable, whilst making the significant enabling investment, would represent poor value for money.</p>
3	<p>Do nothing – deliver required MTFP savings through identifying service reductions and individual efficiency initiatives, including those which have yet to be identified.</p>	<p>Not recommended – this option is likely to have a negative impact on resident outcomes through service reductions and would mean the Council having to take a similar approach to service cuts and staff reductions as in previous years. Minimal proactive investment in prevention and reducing demand will be possible, undermining any strategy to cope with increased demand in the future and reducing the ability of the Council to establish long-term financial sustainability. Relying on individual efficiency initiatives increases risk in the MTFP as these have not yet been fully identified. Continuing with individual initiatives perpetuates the challenges of duplication and un-joined up services and support functions. No benefit will be released to enable policy and investment choices.</p>

Governance Arrangements

67. In December 2017, a number of changes were made to the arrangements for the governance of the transformation programme. These changes were designed to:
- Strengthen overall governance and decision making, ensuring coverage of all services, avoiding duplication or gaps, and addressing concerns about the lack of a 'design authority';
 - Promote clarity of arrangements for programme management; ensuring compliance with programme management tools and the Council's programme management approach;
 - Refresh the existing processes and templates for the programme management office;
 - Improve the tracking of benefit realisation (financial and non-financial benefits).
 - Provide a 'whole council' comprehensive approach as the previous arrangements had only focused on some of the overall activity being undertaken across the Council (the three 'enabling workstreams in phase 1 work).
68. A new Fit for the Future Board was established in January 2018, chaired by the Chief Executive, with membership by strategic directors and other key officers. This board now covers all transformational activity across the Council, and will act as a 'design authority' to ensure that there is a single and joined up authoritative approach to decision making on transformation. The corporate Fit for the Future Board is fed and informed by directorate transformation working groups.
69. A small team (the Programme Management Office) is now supporting the Fit for the Future Board, ensuring oversight and accountability for all transformation projects, and that there is compliance with organisational processes and effective benefit realisation processes in place.
70. Processes and culture have embedded over the subsequent eight months and the programme management arrangements are now well-embedded. Development of the governance, support team and approach – including culture, skills and approach across the organisation – continue to be reviewed and the refresh of capacity required within the Programme Management Office is itself an early deliverable of the proposed Operating Model.
71. Accountability for the programme will continue to be led through a cabinet portfolio holder on behalf of the Cabinet. Members may wish to consider whether additional broader formal councillor input for the implementation phase is required. The establishment of a new Member Reference Group of nine members has been proposed on a politically-proportionate basis. This would operate to direct strategy for the implementation of the Business Case and oversee the delivery programme, making recommendations to Cabinet ahead of decisions and reporting to Cabinet on progress. There will be an

opportunity to confirm these arrangements through the proposed report on implementation. Governance arrangements would then be reviewed at appropriate points throughout the lifetime of the delivery programme.

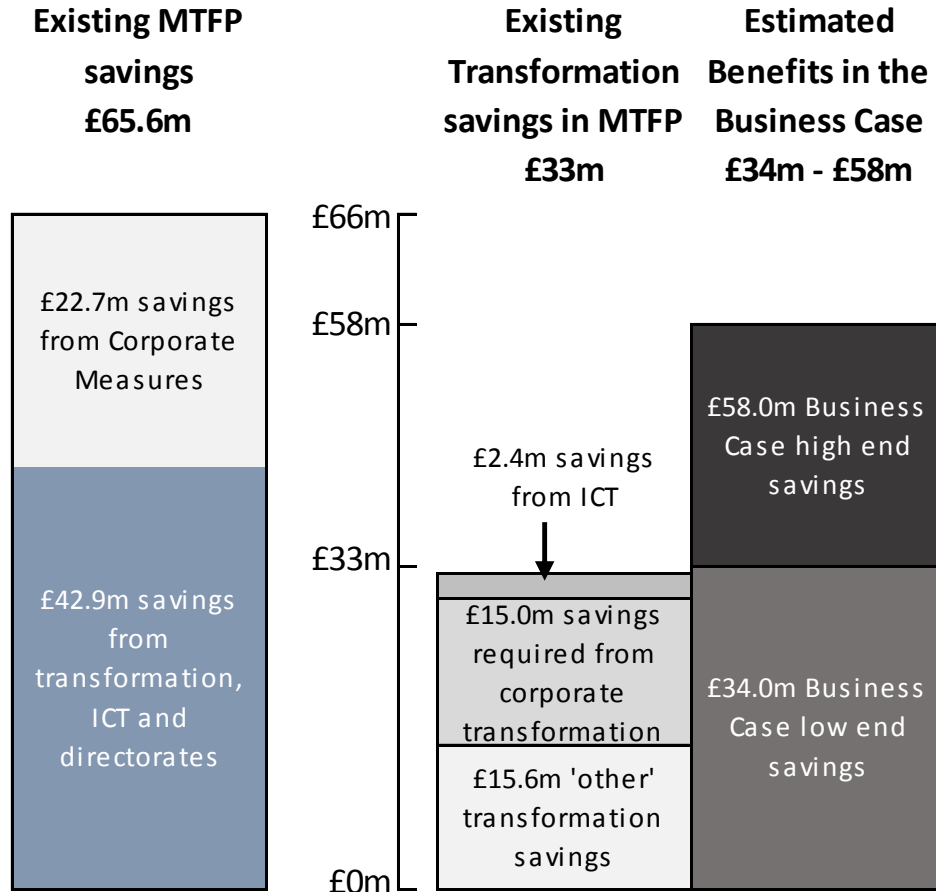
72. The Performance Scrutiny and Audit and Governance Committees are also expected to continue their role of monitoring and challenging performance, delivery, reporting and control, as they have done during the development of the programme so far. The Committees may wish to consider how they most effectively link and liaise with the Member Reference Group, if established.
73. It is further intended to incorporate wider councillor-engagement through the 'Construct and Implement' phases to ensure that member insight and ideas are fully considered. Some Locality Meetings have, for example, already expressed an interest in continuing the engagement that started during the design phase and several successful all-member workshops have provided input and context for the Business Case.

Delivery Principles

74. The Operating Model is designed to be the optimum balance of acceptable service impact and risk against level of benefit. There are no areas where service outcomes are knowingly compromised by the implementation of the Operating Model in and of itself.
75. In order to maintain this position, detailed and specific decisions will be required throughout the Construct and Implement phase at different levels, depending on scale. The overall design and key milestones will be overseen by the Fit for the Future Board, as set out in the Governance section above, and reported to Cabinet and council committees as required. The Cabinet will formally consider and sign off each release phase, agreeing investment and timescales. It is through this process that the detail of where within the potential benefits scale the programme will deliver and regular reporting and scrutiny will ensure that the right balance of programme impact and benefit delivery is achieved.
76. In order to guide these detailed decisions that go beyond what is already set out in the Operating Model, it is proposed to adopt a set of guiding principles which will direct the overall balance of decisions and ensure overall that the Cabinet's intention is delivered in the detail of service decisions.
77. The proposed principles are as follows:
 - That outcomes for residents will always be the priority consideration through Operating Model construction;
 - That the Council's priority outcomes are set out in the Thriving Communities Vision and that these should form the basis of all organisational aspirations, supported through the application of the agreed Organisational Values;
 - That a prudent approach to estimating benefits will be taken and that additional investment or savings will not be incorporated into the MTFP until real cashable benefits are on track and signed-off as 'in-delivery' by the Fit for the Future board;
 - That members will take the decision on the allocation of benefits released in addition to those already required within the MTFP through the normal service and resource planning process;
 - That the Council will always consider any identified risks to service outcomes and impact on service users and will ensure that before the agreement of each phase-release plan, sufficient impact assessment has been undertaken;
 - That the Council will minimise compulsory redundancies wherever possible and prioritise retraining and redeployment.

Financial Implications

78. This report recommends that Cabinet agrees to the adoption of the Operating Model set as out in the Business Case at Annex 1 as the basis of Council transformation going forward.
79. The savings arising from the Business Case range from £34m at the low end to £58m at the high end. The Business Case itself assumes the mid-point of the savings is achieved at £46m. A review has been undertaken of the PwC model to verify its logic and accuracy.
80. The existing Medium Term Financial Plan (MTFP) already includes savings to be delivered through individual service redesign, income generation measures and contract efficiencies. In total these amount to £15.6m. These savings cannot be achieved in addition to those set out in the Business Case. Savings of £17.4m are also included in the existing MTFP to be delivered through corporate transformation, including £2.4m relating to savings previously allocated to ICT. This sums to a total of £33m to be delivered through transformation related activity.
81. Therefore, in implementing the Operating Model, achieving the low end of the Business Case (at £34m) will allow for existing corporate and directorate transformation and efficiency savings, and savings formerly allocated to ICT, in the MTFP (£33m) to be achieved. The chart below sets this out:



82. The Business Case sets out total implementation costs of up to £18m, of which £4m is expected to be incurred in 2018/19. Further detail on the costs and phasing will be brought to Cabinet in October. Costs which are expected to be incurred in 2019/20 and beyond will need to be considered as part of the Service & Resource Planning process and agreed by Council as part of the 2019/20 budget and MTFP to 2022/23, in February 2019. A decision on how the costs expected to be incurred in 2018/19 will be met will be included in the report to Cabinet in October 2018.
83. The Business Case includes assumptions on the timing of savings. Savings are delivered in phases in line with implementation plan releases. The Business Case does not assume full in-year savings will be delivered in the year of each release, allowing realistic time for implementation to deliver savings and providing an element of budgetary tolerance for delay. Dependent on the implementation method to be agreed by Cabinet in October, further consideration will need to be given to the phasing and value of the savings and these will need to be included as part of the Service & Resource Planning process for decision by Council in February 2019.
84. The challenge for the Council will be whether it can achieve the savings in full and in the time scale that is set out in the Business Case. Depending on the option agreed as part of this report and the method of implementation to be agreed in October, a view will be taken on the level of savings in the Business Case that can be achieved and in what timescale they can be achieved in.
85. Through the Operating Model transformation, the Business Case assumes a reduction in overall staffing levels of between 600-890 current posts (before taking into account opportunities for reinvesting in services – which could reduce the net reduction). The Business Case does not however include any potential costs arising from redundancies. Full redundancy costs are not possible to calculate at this stage as the identification of an indicative number of posts to be reduced does not directly relate to specific roles. Further, the Council has a strong record of minimising redundancy as the establishment has been reduced through retraining and redeployment. In addition, as the implementation will be phased over two to three years, the Council will be able to take advantage of an annual staff turnover of some 650 staff per annum.
86. As redundancy costs need to be accounted for in the year the decision is made, it is probable that some costs will be incurred in 2018/19. Consideration of how this will be funded will be set out in the Cabinet report in October, alongside the implementation costs.

Staffing Implications

87. This report in-itself contains no direct implications for individual staff. However, if implemented, the subsequent delivery programme will clearly have substantial impact for all staff in the way they work. The report shows how cashable benefits may create policy and investment choices for councillors in addition to meeting existing savings commitments. What choices are made – including to reinvest potential savings in services - and the ongoing-overall financial environment, will determine the extent to which net-employment will be affected. In the scenario where benefits are delivered to the fullest extent, choices could include investing in creation of new roles, or to posts being rebalanced across the organisation.
88. If the Operating Model is applied in full, given the change both in the way resources are applied overall – with an assumed shift of resources towards service delivery – and how each individual job role will be undertaken, it is very likely that a significant number of roles will be changed to the extent that redundancy situations are created. Some compulsory redundancies may be required.
89. The Council's policy on redundancy is, and will continue to be, to avoid redundancies wherever possible. Throughout implementation, as in design, staff and unions will be consulted and the change processes managed in accordance with our agreed policies. The Council currently has processes to actively look for opportunities to redeploy staff who are at risk of redundancy. Should implementation go ahead these processes will be reviewed to ensure it is able to support the potential increased numbers of staff needing to be redeployed. £3m has been incorporated into the financial case to support the management of the change process.
90. The attached Service and Community Impact Assessment sets out the mitigating actions that will be taken to ensure that due regard is given through implementation to the impact of change on all individuals including how consideration will be given to potential differential impact on those with protected characteristics.
91. It is worth stating that in all scenarios, delivering the substantial savings already set out in the MTFP are likely to have a significant staffing impact. Delivering the full savings within the overall-management of the TOM delivery programme will give the maximum opportunity for retraining and redeployment where required.

Equalities Implications

92. The Operating Model as set out describes at a high level the design of a new approach for overall council operations. In itself, this decision will not have a direct impact on residents or staff. However, the detailed implications and outputs of the Construct and Implement phase will impact on these groups.
93. Detailed impact assessment will need to be undertaken throughout the Construct and Implement phases as each new service area is considered. High level potential impact, initial mitigating activity undertaken through design and plans for further assessment throughout implementation are set out in the attached Service and Community Impact Assessment (see Annex 2).

Member Engagement Ahead of Decision Making

94. Ahead of the Cabinet meeting planned to consider this report on 18 September 2018, there will have been a number of opportunities for all Councillors to formally and informally review the Operating Model and to engage with senior officers – in addition to opportunities throughout the development of the approach, as set out in the Developing the Operating Model section above. These are as follows:

4 Sept	All Member Briefing
6 Sept	Performance Scrutiny Committee
6 Sept	Audit & Governance Committee
11 Sept	Full Council – thematic discussion on the Operating Model

95. It is anticipated that views from these forums will be brought to Cabinet to accompany this report.
96. This report and the associated documents will have been available to all members from late August with the publication of Performance Scrutiny and Audit & Governance committee papers.

RECOMMENDATIONS

97. **The CABINET is RECOMMENDED to:**

- Endorse the proposed Operating Model set out in the Business Case in Annex 1 as the basis of whole council transformation planning;
- Agree to Option 1 (see paragraph 66), to enable delivery of the estimated range of savings (£34m-£58m) to the fullest extent appropriate;
- Agree the delivery principles set out in paragraph 77 as the basis for future detailed decision making;
- Direct the Chief Executive to bring a costed proposal for implementation to Cabinet in October 2018.

PETER CLARK
Chief Executive

Annex 1: Business Case
Annex 2: Service and Community Impact Assessment

Contact Officer: Robin Rogers, Strategy Manager
August 2018

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