Wards Affected:
All Wards

ORGANISATIONAL TRANSFORMATION PROGRAMME

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Executive Summary:

The Organisational Transformation Programme (OTP) was initiated by the Corporate Leadership Team (CLT) in 2011 as a vehicle for delivering transformational change in the <u>way</u> in which the organisation operates, in order to improve the effectiveness and efficiency of Council services in delivering members' objectives, as reflected in the Corporate Plan. The OTP has therefore provided a coherent framework for a range of targeted change processes.

The Programme was first reported to the Cabinet in June 2011, when quarterly updates were requested.

Over the past year, as reflected in successive quarterly reports, significant progress has been made, contributing to workforce reductions, improvements in productivity, service delivery and budget savings. Many of the projects in the original programme have been completed and others are moving towards 'business as usual'; but some require a different or renewed focus and some new areas of focus have emerged.

Following consultation with managers across the organisation, the Corporate Leadership Team has approved a revised Programme for the period ahead. As previously, the revised programme reflects the CLT's judgement as to those areas of the organisation that require transformational change in order to support more effectively the achievement of the Council's objectives, as reflected in the Corporate Plan 2012-16 approved in February 2012. Quarterly reports on progress will continue to be brought to the Cabinet, and will be available for scrutiny by the new Corporate Affairs and Performance Committee.

1.   **Recommendation(s)**

That the Fourth quarterly update and the progress made by the Organisational Transformation Programme April 2012- July 2012 and the current areas of focus for the refreshed programme, be noted.

2.   **Background**

The Organisational Transformation Programme was established by the Corporate Leadership Team (CLT) in 2011 as a way of giving structure and coherence to a wide range of change processes that were either inevitable (eg as a result of changes in Government policy or legislative requirements) or

necessary, in order to bring about improvements in the way the Council functioned.

In developing the Programme, the CLT reflected on the various challenges facing the organisation, including changes in public expectations, demographic changes and the consequences of the Government's deficit reduction strategy; but also the opportunities created by, for example, the philosophy of "localism", the proposed reforms to the NHS, the Government's declared intention to change the role of the Homes and Communities Agency (HCA) and the proposal to end the HRA 'subsidy' regime and replace it with a system of 'self-financing'.

The CLT also took stock of the significant improvements that had been made in the Council's systems and processes over the previous two years (eg in budget management, risk management, project management and performance management) and made an assessment of where further improvements were required in order to address areas of continued weakness. The essential purpose of the OTP was to focus management effort and attention on areas where significant organisational change was needed.

The OTP did not, and does not, override or subsume the Council's corporate objectives, set by members through a range of policy and strategy documents, including of course the Corporate Plan. The OTP is a supporting or 'enabling' managerial programme, designed to enhance the organisation's capacity to respond positively and effectively to the challenges it faced (and still faces).

It will strengthen the organisation's ability to implement elected members' vision for the future of the Borough and to help ensure that the Council is on a firm financial footing so that budget pressures in future years can be met and services delivered in a way that not only produces appropriate outcomes for residents but also delivers excellent value for money.

3   Progress and Impact of OTP

Over the past year the OTP has been structured around six broad 'strands' of activity, each led by a member of CLT, under the overall direction of the OTP Board, comprising the whole of the CLT plus relevant colleagues, such as the AD (Strategic HR), and chaired by the Chief Executive.

Good progress has been made across all strands:

3.1 Strand 1 Public Access

This programme is intended to improve the customer experience and maximise the proportion of enquiries that are resolved at first point of contact, reducing current levels of avoidable/unnecessary contact (such as follow up calls, complaints etc). The work is ongoing as part of a 3 year programme. This will involve technical changes (eg to the website, IT systems) but also culture change across the whole organisation; and it will have significant implications for the Council's accommodation strategy and 'ways of working'. The benefits will include an increase in the proportion of on-line interactions and transactions

with the Council, which many residents clearly desire and which would reduce costs; but also investment in customer service arrangements (possibly multi agency) able to provide an holistic 'face to face' customer service to those who need or wish to access services in that way.

As a result of the first phase of this programme, Cabinet approved a Public Access Strategy at its meeting in January 2012. An implementation plan is in place with the focus now is on finalising the associated business cases ensuring the appropriate business and ICT support is in place and moving on to direct implementation.

3.2   Strand 2 Children & Families

The aim of this programme has been to ensure that the Council has the capacity and capability to act as a strong, strategic champion for children, young people and their families, and to integrate work to respond to the national reform agenda into the transformation of services locally.   A comprehensive restructuring is nearing completion and will see the development of fully integrated children's practices and interventions that will enable those children and young people who are vulnerable and face barriers to participation to overcome them successfully. Action has also been taken to ensure that the delivery of the Council's monitoring, challenge, support and intervention duty enables schools to drive up standards and close the gap between children who do well and those who do not, only intervening where schools and settings are unable to help each other improve.   The programme has focused on reforming service delivery to ensure that we are doing the right things at the right time and that all our activities are underpinned by robust evidence that will give us a good return on our investment.

3.3   Strand 3 Heath and Wellbeing

This strand reflected the significance of the impact on the Council and its residents of the Government's health changes and the Council's new responsibilities. The Social Care Reform programme has been implemented and a personalised approach is now business as usual. The drive towards the full integration of directly provided Health and Social Care Community Services; continues and includes working with the PCT and CCG to resolve the future management of Community Health Services. A shadow Health and Wellbeing Board exists and based on the development of a new Joint Strategic Needs Assessment a draft Health and Wellbeing Strategy is currently under consultation. A plan is in place for the transition of Public Health responsibilities for the Council is in place. This strand will continue for focus on all those areas where the Council has an increasingly influential and transformational role in promoting health and wellbeing

3.4   Strand 4 Alternative Methods of Service Delivery

This Strand has embraced a range of initiatives to explore whether responsibility for the Commissioning and/or delivery of some Council services – or management of Council owned assets – could be achieved in a different way, producing more responsive services, managed and delivered locally with greater efficiency and value for money. Consideration has been given to the

possibility of outsourcing Highways & Transport functions, and following exploration of a range of options a proposal has come forward (elsewhere on this agenda) to modernise the current Highways contracting arrangements. Scoping work has been undertaken on the development of a comprehensive Open Space Strategy for the Borough to be delivered through a closer working relationship between the Council and the Parks Trust; and proposals are currently being formulated for Cabinet consideration. A major programme to transfer community assets to Parish/Town Councils and other community based organisations has been launched. A revised 'toolkit' will be presented for Cabinet Member approval [shortly] along with four more recommendations regarding five pilot asset transfers. The Framework for Commissioning the Third Sector, approved early last year has been revised in consultation with civil society organisations and refreshed. The possibility of developing a significant shared service with neighbouring authorities has been explored, but so far without success.

3.5   Strand 5 Organisational Structures & Processes

This Strand of the OTP has encompassed a range of initiatives to improve the efficiency and productivity of the organisation. A new fit for purpose organisational structure has been put in place, creating a new dynamic between a more strategic CLT and a layer of service groups with greater autonomy and responsibility to manage resources and deliver service outcomes. A strengthened 'Corporate Core' has been established to support both the service groups and the CLT get the most out of the new organisational structure; there has been a comprehensive review of corporate processes, leading to a range of improvements and eliminating overlap and duplication. Key corporate policies have been updated and a range of improvements made to HR processes. An analysis of layers of management and spans of control was undertaken and the results fed into a number of management restructuring processes. Significant savings (circa £500,000) have been in the senior management paybill, with more to follow; and a corporate Voluntary Redundancy exercise and ongoing service restructurings have delivered a 14% reduction in the workforce (from a base set in February 2010) and a consequent significant reduction in the overall salary budget.

3.6   Strand 6 Business Opportunities

At the outset, this strand was focused on identifying, assessing and where appropriate developing opportunities to increase Council income (and reducing costs) from alternative funding sources. It has been assessing the opportunities of changing Government legislation so the Council is well prepared to take full advantage when legislation is implemented. The work under this programme has explored and reported on the opportunities surrounding the government proposals to localise business rates, which potentially could create a direct link between economic performance and additional revenue. In addition, the Council has explored other opportunities to generate income including the Community Infrastructure Levy, and licensing of a Casino.

3.7   A detailed summary of progress under each Strand over the twelve months to April 2012, and of the further progress made in the past three months (ie since the last update to Cabinet) is provided at Annex A.

4   Looking Forward

The various strands of the OTP have made differing progress. Much has been achieved and many individual projects can be regarded as completed. Some activities are moving to 'business as usual', whilst others have demonstrated that a changed or ongoing focus is required; and some new issues have emerged.

Following detailed consideration, in discussion with managers throughout the organisation, the OTP Board has approved a revised Programme for the next 12-18 months, reflecting its current assessment of the areas where significant organisational change is required.

In essence:

a.   The <u>Public Access</u> strand will continue, moving ever more strongly into its implementation phase;

b.   The major organisational changes driven by the <u>Children & Families</u> strand are nearing completion and will shortly revert to 'business as usual', no longer requiring oversight by the OTP Board;

c.   The <u>Health & Wellbeing</u> strand will continue, with a current focus on securing a sensible outcome to the debate about the future management of community health services locally, supporting the development of the Health and Wellbeing Board and finalising arrangements for the transfer of Public Health responsibilities and functions to MKC and embedding this throughout the organisation;

d.   In place of the 'Alternative Methods of Service Delivery' strand, an <u>Improvement & Service Development Board</u> has been established to complete and embed existing change processes across Highways & Transport, Neighbourhood Services and the Planning, Economy & Development service; drive a range of service improvements; and consider the long term structural and management implications. Areas of focus will include the modernisation of highways contracting arrangements, the future management of green/open spaces, improved contract/client side management across a range of 'environmental' services, greater responsiveness and improved customer service, aligning existing functions with those to be transferred from the HCA and reviewing the operation of the existing commercial services;

e.   <u>Strand 5</u> of the programme will continue and focus on ensuring that the new <u>organisational structure</u> is functioning effectively, that the changes and improvements to <u>corporate processes</u> are embedded, that efforts to deliver a culture of high performance are maintained and that managers throughout the organisation have the skills and the facilities they need to manage their teams and associated resources effectively. Additionally this strand will take the lead on promoting stronger contract management across the whole organisation; complete the Office Accommodation Project and promote 'new ways of working'; and undertake further structural analysis supported by efficient Employee and Management Self Service organisation charting capabilities, to ensure resources are at the right level and in the right place;

f. Efforts to develop <u>Alternative Sources of Funding</u> will continue with significant progress due over the next few months on the transfer of HCA assets, the development of a residual waste treatment plant and the implementation of business rate retention; and

g. A new strand of the OTP has been initiated to reflect the wide range of changes affecting the <u>Housing Service</u>. This will embrace: housing-led regeneration; asset management in the context of HRA self financing; the development of a new Tenancy Strategy; and the resumption of Council house building.

5. Strategic Governance

As part of recent management changes the responsibility for the programme management of the OTP transferred to the Corporate Director, Children & Families, with effect from March 2012.   Following this transfer there has been a review of the programme's content, governance arrangements and operational processes.   Scrutiny of the OTP has become a matter for the new Corporate Affairs & Performance Committee, with effect from its first meeting on 17 July 2012.

The OTP Board, in reviewing governance & controls since March 2012 has taken steps to ensure that:

- the use of the MK Approach is robust and aligned with the imperative on deliverables;
- there is clarity in the relationship between financial savings and transforming the way in which the Council does its business;
- the role of the OTP Operations Board as a vehicle for assuring the individual strands are on track is enhanced.

As a result of the review of the processes since March 2012 the OTP Operations Board is in turn now reviewing the following:

- the role of the Operations Board and its terms of reference, to ensure a focus on Quality Assurance and Benefits Realisation;
- a framework and programme for reviewing the progress and impact of individual programmes;
- risk assessments of both the overall programme and individual strands of work;
- the effective application and impact of current documentation:- START documents, Finish Reports, Highlight Reports;
- the significance and impact of ICT within OTP

6. Financial Implications

In 2011-12 the OTP achieved £600k of savings and is on track to deliver the £1.6m of savings included in the 2012-13 revenue budget. It is expected that the OTP will make a significant contribution to the delivery of financial savings in future years. The detailed estimated savings from the revised strands and

projects are still being calculated, but OTP will remain a significant part of the strategy to address the medium term financial gap, both by reducing costs and generating income. In order to maintain direct managerial accountability for the delivery of the relevant savings targets, the savings were shown against individual Service Groups and progress in achieving those savings is being monitored as part of the Council's financial management arrangements.

7.   Implications and Risk

The implications of the OTP are wide ranging and will result in the Council creating an organisation that is fit to meet both the service and financial challenges ahead.

CLT are mindful of the risks that change on this scale brings and so the OTP Board continues to meet regularly ensuring that change implementation is sensibly scheduled and service levels are not negatively affected. The OTP Board maintains a programme risk register and the programme risks and actions are managed and reviewed at alternate OTP Operations boards. Each project within the programme maintains a risk register that is managed at strand level: these are available for inspection if required.

OTP risk workshops have been held (August and December 2011), and will take place regularly for specific elements of OTP up to September 2012. These enable sharing of progress across the strands, learning from challenges and identifying the dependencies between the individual initiatives and the support areas.

Changes affecting the workforce are being managed in accordance with Council policy, including appropriate consultation with affected staff and their representatives.

In addition, to ensure that necessary support is available as and when required, the OTP Operations board includes representatives from IT, Legal, Finance, Human Resources, with other support areas e.g. Accommodation, attending as required.

Y	Capital	Y	Revenue	Y	Accommodation
Y	IT	Y	Medium Term Plan	Y	Asset Management

6   **Legal**

The transformations to be brought about by the OTP will involve a number of legal issues concerning the delivery of the Council's functions, duties and powers, contracts and contractual changes, employment and property matters.

The strands leads have provided an indication of the support that they will require and Law and Governance officers are engaged and represented on the OTP Operations Board.

A "Governance Structures - Conflict of Interest" document has been produced by the Legal and Audit department to outline the policy and procedures surrounding management of the bidding process for services, and staff roles and responsibilities within that process, to reduce the potential for any legal challenge in the future.

7 Other Implications

Y	E-Government	Y	Stakeholders
Y	Equalities/ Diversity	Y	Sustainability
X	Human Rights	x	Crime and Disorder

8. Communications

The OTP Programme has been communicated to key stakeholders, both inside and outside of the Council. Comments from Members, some staff and the LGA "peer challenge" review have underlined the need to enhance communications to ensure a fuller understanding of what the OTP is aiming to achieve and the good progress that is being made.

A further update will be circulated shortly to all staff, which will detail the new strands and programmes. A Communications Plan was approved by the OTP Board in May 2012.

9. Equality Impact Assessment (EIA)

An EIA has been completed for OTP and recommended that the Programme continue, but remain mindful of equalities and diversity impacts as services are re-designed. Details of identified equality issues can be found at http://bit.ly/EqIA-OTP. Consideration has been given to the impact of each of the strands with the greatest impacts likely to arise in the Health and Wellbeing and Public Access strands. In general, there will be a need for more consultation with different groups in a limited number of areas; specifically older, younger and disabled people.

Supporting Papers

Annex - OTP Progress Table to Cabinet 25 July 2012