

**TRANSFORMATION PROGRAMME**

*To:* **General Purposes Committee**

*Meeting Date:* **26 July 2016**

*From:* **Chief Finance Officer**

*Electoral division(s):* **All**

*Forward Plan ref:* **N/a** *Key decision:* **No**

*Purpose:* **To set out the Council's approach to developing and managing a corporate transformation programme.**

*Recommendation:* **It is recommended that General Purposes Committee: -**

- a) Notes the progress on developing the Council's corporate transformation programme;**
- b) Endorses the process for agreeing investment proposals from the Transformation Fund as set out in paragraph 5.2;**
- c) Notes the approach adopted for engaging external support to assist in developing the programme; and**
- d) Notes the mechanism for integrating the Transformation Programme within the business planning process.**

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## **1. BACKGROUND**

- 1.1 The Council has for some time recognised that the traditional method of developing budgets and savings targets through departmental based cash limits was unsustainable in the long term. As a consequence the Council agreed to a new approach that would result in the Council developing an outcome focussed approach to business planning.
- 1.2 The Chief Executive joined the Council in October 2015 and immediately recognised that the Council would need to inject greater pace and transparency into the transition. It was also recognised that to deliver the financial savings required within the Medium Term Financial Strategy the Council would need to invest significant sums in order to deliver cross-cutting savings through transforming the way that the Council does its business.
- 1.3 Given the level of efficiencies that have already been implemented over the last few years, the remaining options have become relatively straightforward – we can transform service delivery, and the size of the organisation, or we can implement significant cuts to the services we provide. The focus must therefore be on driving real transformation across the Council.
- 1.4 As a consequence it was agreed that the Council would need to establish a fund that could be used to supplement base budgets and thereby act as a pump priming resource to support this programme. This ensures that finance is not seen as a barrier to the level and pace of transformation that can be achieved. Within the 2016/17 Business Planning process a proposal was put forward that changed the basis for defraying the Council's debt. This was approved and this decision enabled the establishment of a Transformation Fund of nearly £20m.

## **2. CORPORATE PROGRAMME**

- 2.1 A series of workshops has been established for GPC in order that Members of the Committee are both fully engaged on progress but are also able to directly shape the Transformation Programme. Not every Member of the Committee was able to attend the workshop that was held in March but the slides used and the notes taken of the round table discussions have been circulated. A further workshop was held on 19 May that set out how the Transformation Programme had developed in the intervening period and highlighted that officers were pursuing six areas as a priority.
- 2.2 It is important for the Council to have a single overarching programme. In order to avoid duplication, to ensure opportunities are shared across the organisation, that expertise is used for the benefit of all, and that resources can be prioritised. As a result all proposals, be they existing Business Plan proposals or new transformational projects, will be captured in a single Transformation Programme.
- 2.3 The Corporate Transformation Programme covers 11 themes and these are set out in the chart below. Of these 11 themes, five are departmental focussed and six are cross-cutting. The Council's approach to business planning in previous years has been for the vast majority of activity to be contained within the vertical themes – this

is sometimes referred to as the 'silo' approach as it drives a departmental, rather than an organisational, focus.

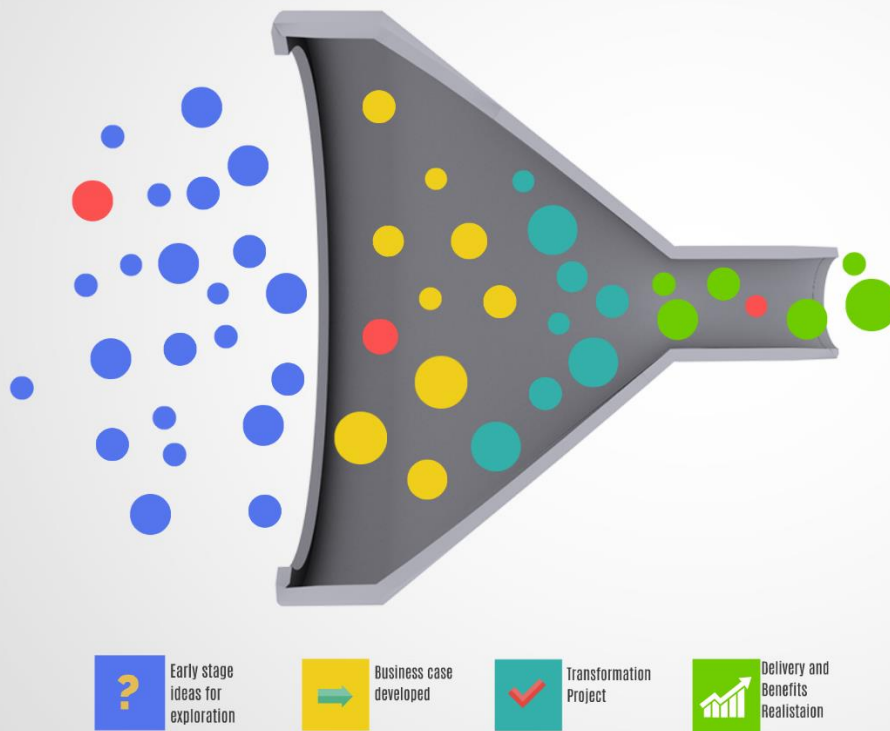
VERTICAL PROGRAMMES (1-5)					
CROSS CUTTING PROGRAMMES (6-11)	1. Adult services	2. Children's services	3. Environment, transport & economy	4. LGSS & CCC Phase 1 – IT & digital	5. Public health
	6. Finance & budget review	✓	✓	✓	✓
	7. Customers & communities	✓	✓	✓	✓
	8. Assets, estates & facilities management	✓	✓	✓	✓
	9. Commissioning	✓	✓	✓	✓
	10. Contracts, commercial & procurement	✓	✓	✓	✓
	11. Workforce planning & development	✓	✓	✓	✓

- 2.4 As the Council moves towards outcome based business planning more and more of the Transformation Programme, and therefore the Business Plan itself, will be driven through cross-cutting proposals. As more of the Council's approach to transformation and efficiency is driven through the cross-cutting themes, less will be required through the traditional departmental approach. Whilst not specifically labelled as such, the nature of cross-cutting projects is such that the Council's core outcomes are at the heart of proposals and therefore this is a significant step towards developing outcome based budgets.

### 3. PROGRESS

- 3.1 Although we are still in the very early stages of transformation the degree of pace, energy, and enthusiasm that has been demonstrated to date across the Council is significant. Officers have been working hard to establish a clear pathway, robust processes for both capturing and developing ideas, and the development of proposals.
- 3.2 The mechanism by which we intend to capture the ideas and thoughts of staff individually, services collectively, partners and stakeholders was explained during the recent GPC workshop. The tools that we will use will be a key development priority for the new corporate service once it has been established. However, the following diagram was used at the workshop to demonstrate how the process will operate.

# Transformation Pipeline



- 3.3 Members of the Committee were presented with many, but not all, of the ideas that had been identified at that point. Since that point many other proposals have been identified as potential opportunities and many of these are being developed into outline business cases.
- 3.4 A key outcome from that workshop was to receive feedback from GPC Members on whether the Programme was tackling the areas that they were expecting, and in a way that gave them confidence that the Council is putting itself in the best position to meet the challenges set out in the Business Plan.
- 3.5 The contents of the workshop were well received and positive feedback was received from a number of Members that attended. There was also some very helpful positive challenge to a number of issues and this helped to continue to develop, refine and improve the approach. Some of those challenges are addressed in this report but further and continuous feedback from the Committee is required in order to ensure the outcomes of the Programme meet Member aspirations.
- 3.6 In order to introduce a degree of pace into the transformation process Strategic Management Team agreed a number of key priorities. These areas were chosen as those that might give a proportionately higher level of return on the investment made. Furthermore these areas could be delivered in a relatively shorter time frame than many of the other opportunities under consideration.

3.7 The priority areas chosen were as follows: -

- Asset utilisation
- Follow the money and data analytics
- Workforce development
- Procurement, contracts, and purchasing
- Customer First and Digital First
- Partnership and stakeholder engagement

As you might expect there is a high correlation between these activities and the cross-cutting themes within the Transformation Programme.

3.8 During the workshop some provisional savings were allocated to these priority areas. There was however a health warning attached to those projections because:

- Some are very embryonic ideas and therefore the projections need further work
- Some of the proposals overlap with savings that are already in the Business Plan
- Many do not include the investment costs of delivery

3.9 The Committee was briefed more fully on the nature and content of these priority areas at the workshop that was held on 19 May. As a result that detail is not replicated here. A briefing paper has also been distributed to all GPC Members that sets out some of the detail of these themes and a high level assessment of the savings that could be realised.

#### **4. DEVELOPING SKILLS AND CAPACITY**

4.1 Our transformation programme is extensive and far reaching and the Council needs to ensure that it has the right skills and capacity to deliver the programme. This is a key and significant challenge. The transformation programme needs to be viewed as a whole Council programme, however currently our capacity and staff resources are spread across the organisation. The Corporate Capacity Review is designed to bring together all those skills into one service to bring focus and pace to the delivery of transformation. This approach is in line and recommended by the peer review conducted by peers from the Local Government Association in 2013. Consultation on the new service commenced on 4 July 2016 and, alongside developing a new and essential service for our transformation programme, it will create significant savings by removing duplication in the many roles that are currently found across the Council.

4.2 Whilst it is recognised that building internal capability and capacity is a vital component of the transformation programme, so too is building the skills of our workforce whose talent and capability have not been developed to its full potential yet. The scale of skills and staff development, required to support our information programme, will not happen overnight. Whilst this is being addressed, given the financial pressures facing the council, it was critical to the success of the transformation programme to start this work swiftly. Therefore, following a benchmarking and capability review, we have been working with specialist efficiency

and skills company V4 services to both drive the initial stage of the transformation programme and to bring together a transformation team of internal staff, led by the newly appointed Head of Transformation to provide this capacity for the future. This work has been very successful and has enabled a series of work programmes to be established, the internal team to be pulled together and a series of successful workshops with members and senior officers. The pace of this change must be maintained of the coming months to meet all of our transformation objectives.

- 4.3 We are now moving beyond the initial phase of the programme so we need to be selective about the support we commission as our projects move to do delivery stage where more specialist support is required. It is therefore intended to test the market for a managed service provider who will be able to access an extensive resource of specialisms that can support the Council's individual programmes in a responsive and agile manner. This will avoid the Council losing the momentum of the programme through the need to procure specialist support through individual contract negotiations. Each project will be covered by a specific work's package that will set out clear expectations and outcomes required, including timeline and skills transfer provisions. As has already occurred through the services of V4, we will expect any managed service provider to transfer skills and expertise into our own workforce to ensure that the talent in our organisation is properly nurtured and developed.
- 4.4 Whilst this tender process is being undertaken it is intended to continue using the services of V4 and depending on the outcome of the tender processes there may have to be a transition process between the successful bidder and the current provider. Care will be taken in this transition process to ensure that the momentum is not disrupted. The aim of the Council's approach is to blend external expertise with our new in-house teams so that the Council can continue the momentum and pace of its transformation programme and at the same time develop a versatile, agile and multi-skilled in-house workforce to drive and sustain our transformation programme for many years to come.

## **5. INVESTMENT TO SAVE PROCESS**

- 5.1 The Council has started to introduce a more robust and business-like approach to the development of proposals for investments and savings. For the first time all proposals contained within the 2016/17 Business Plan were supported with individual business cases. Although some of these lacked detail and substance it was a significant step forward. This approach has been developed further during 2016 and all proposals that seek funding from the Transformation Fund will be supported by robust business cases. We have agreed with Group Leaders to only present executive summaries of these to the Committee. However we also intend to add links to the supporting detail for those Members who may wish to scrutinise the proposal in more depth.
- 5.2 Attached at **Appendix A** is a high-level process map of how it is proposed that the system will operate. It is however not intended to operate a minimum investment requirement. As a result it is possible that a significant number of small-scale proposals could come forward that would create a significant burden on the General Purposes Committee agendas. Having discussed this matter with Group Leaders it

is proposed that any proposals that require investments of less than £50,000 will be delegated to the Chief Finance Officer in consultation with the Chairman of GPC or other specific committee member where this is appropriate. An example of this is the Community Resilience bid that is to be agreed in consultation with Councillor Criswell. The Committee will however receive regular reports on the standing of the Fund and the projects that are being supported.

## **6. IMPROVED MONITORING**

- 6.1 The Business Plan, approved by Full Council, sets out the revenue and capital budgets for each forthcoming financial year. Having agreed those budgets operational delivery is then delegated to officers. Reports on progress are highlighted within the respective Service Committee Finance and Performance Reports, and summarised within the Integrated Performance and Resources Report.
- 6.2 As the Transformation Fund falls under the financial stewardship of the General Purposes Committee it is this Committee that will retain the responsibility and management of the Fund even after investments have been approved. Therefore regular reporting on activity and progress will be presented to GPC throughout the year. In addition to the formal monitoring process officers have developed a tracker tool, which was demonstrated at the last workshop, which will enable Members to access progress on any of the projects throughout the year.
- 6.3 Every saving proposal for the 2016/17 financial year is now included within the overarching Transformation Programme. Although many of the current year savings are not transformation projects officers felt it important that all savings should be monitored as a single process to ensure that the total picture can be viewed at the same time.

## **7. MANAGING THE FUND**

- 7.1 The Council has established the Fund in order to support a level of up-front funding in investments and support that could not be supported through the Council's base revenue budget for the year. The benefits of that investment may of course accrue over a number of years and it is not clear at this stage how much demand there will be for support from the Fund.
- 7.2 The Council has been able to establish the Fund through agreeing a change in policy in the way that existing debt is defrayed to revenue. This created a revenue benefit, compared to the base position, for the financial year ending 31st March 2016, over the next 14 years albeit on a diminishing basis. Thereafter the costs charged to revenue start to increase, again compared to the 2015/16 base position, and therefore place an additional revenue pressure until the point at which the debt is fully defrayed. The decision to change the policy on debt was therefore not taken lightly and the Committee will want to ensure that the investments made will result in placing the Council in a far more financially robust and sustainable position for the long term.

7.3 It must be highlighted that although the Council has set aside this Fund over two financial years it does not necessarily prevent further investments being made beyond the £20m sum through the following funding sources:-

- It is expected that many proposals may involve capital investments which could be included within the capital programme.
- The Government has, for the last number of years, permitted the capitalisation of revenue expenditure where it is required for transformation purposes.
- Smaller investments could be funded from within the revenue budget by offsetting investment costs against the saving in the year of implementation.
- The minimum revenue provision policy change will continue to accrue revenue benefits over a number of years that are not yet reflected in the business planning projection. This resource could therefore be used to replenish the Fund as required.
- The Council could use the Fund as a loans pool and require services to repay the funding over an agreed period. This would retain the value of the Fund at its current level over the longer term.

7.4 There is no immediate decision required but some Members have raised the challenge of ensuring that the Council not adopt a first come first served approach to the Fund. The above options provide a range of solutions that can sustain a sizable fund for the foreseeable future. However, the Council must ensure that it reviews the size of the Fund on a regular basis. It is not in the Council's interest to hold a significant resource on the balance sheet if it is not required.

## **8. OPERATING MODEL AND BUSINESS PLANNING**

8.1 The Council adopted the principle of moving towards an outcome based approach to budgeting as part of its 2015/16 business planning process. It also recognised that this would take time and would be an evolution rather than a revolution.

Implementing a corporate transformation programme will help to expedite the delivery of this approach as all proposals are being developed against a backcloth of multi-service disciplines rather than the traditional single service approach. This has already generated significantly improved collaboration and joined up thinking across the organisation with the Council's key outcomes being at the heart of the service redesign proposals that are coming forward.

8.2 This is demonstrated in many proposals such as proposed redesign of the customer front door, developing community resilience to support independent living, community hubs to provide more integrated support in localities, market interventions in care provision to create additional market capacity, highways outcome based procurement to name a few.

8.3 Whilst the financial challenges facing the Council have been well articulated, if the Transformation Programme delivers the outcomes to which we aspire the Council will be in a much better position than would otherwise have been the case. There are of course many proposals that will not deliver to the level that we hope for, or possibly not at all, but we are building a plethora of proposals which will enable us to manage those projects within the pipeline that are not deliverable in whole or in part.



- 8.4 There has, understandably, been much criticism of the silo approach to cash limits. Indeed this was a key driver for developing both the operating model and the Transformation Programme. A key outcome that we are expecting to come out of this programme is that the Council is able to move away from a departmental cash limit process. Obviously the level of proposals that come forward will turn this from an aspiration to a reality and it may take some years before we reach this position.
- 8.5 The following simple table sets out how the Transformation Programme will integrate with the Business Planning process. We will develop the detail that supports this approach but in essence the more that can be derived from within the Transformation Programme the fewer savings that will need to be met from the traditional service approach. The Council must embrace this as a corporate approach and therefore avoid any proposals being delayed, or at worst not delivered, due to lack of agreement on where the benefit of the saving should be attributed.

Base Budget		Year 1
Review of outturn		
Corporately agreed changes to:	Inflation	X
	Demography	X
	Capital Financing	X
	Service Pressures	X
Base budget		Year 2
Projected Resource Envelope		A
Savings Challenge		Y2 – A= B
<b>Transformation Programme</b>		
Customer and Communities	X	
Assets, Estates and Facilities Management	X	
Commissioning	X	
Contracts, Commercial and Procurement	X	
Workforce, Planning and Development	X	
Single service proposals	X	
Total Transformation Proposals		C
Revised Savings Challenge		B-C=D
Savings Challenge Allocated by Cash Limit		E

- 8.6 As we are aiming high the ultimate aspiration must be to achieve a programme that is so transformational and efficiency-driven that it will provide the financial capacity for the Council to consider investing in new service areas to improve the quality of life for our residents.

## 9. ALIGNMENT WITH CORPORATE PRIORITIES

### 9.1 Developing the local economy for the benefit of all

There are no significant implications for this priority.

## **9.2 Helping people live healthy and independent lives**

There are no significant implications for this priority.

## **9.3 Supporting and protecting vulnerable people**

There are no significant implications for this priority.

# **10. SIGNIFICANT IMPLICATIONS**

## **10.1 Resource Implications**

The resources required to deliver the Transformation Programme will largely be considered on a project by project basis with individual proposals being considered by this Committee. The short term support that the Council has commissioned, as set out within this report, are covered within the operational budgets of the individual services that have agreed specific work packages and the provisions as contained within the year-end financial report considered elsewhere on this agenda.

## **10.2 Statutory, Risk and Legal Implications**

The key risk for the Council if the Council incurs delay in the delivery of the Transformation Programme will be an inability to deliver a balanced budget for 2017/18 without drawing upon the General Fund Reserve.

## **10.3 Equality and Diversity Implications**

There are no significant implications for this priority.

## **10.4 Engagement and Consultation Implications**

Each project within the Programme will have specific engagement and consultation processes appropriate to that project.

## **10.5 Localism and Local Member Involvement**

There are no significant implications for this priority.

## **10.6 Public Health Implications**

There are no significant implications for this priority.

<b>Source Documents</b>	<b>Location</b>
None	Box number - OCT1114 Shire Hall Cambridge

# TRANSFORMATION FUND: INVEST TO SAVE PROCESS

