This Report will be made public on 19 February 2018.

Folkestone
Hythe & Romney Marsh
Shepway District Council
www.shepway.gov.uk

Report Number **C/17/82**

To:	**Cabinet**
Date:	**28 February 2018**
Status:	**Key Decision**
Head of Service:	**Sarah Robson, Head of Transformation**
Portfolio Holder:	**Councillor David Monk, Leader of the Council**

REPORT TITLE: TRANSFORMING SHEPWAY

SUMMARY: As part of its Transforming Shepway programme, Shepway District Council has been considering how it can utilise service redesign and ICT to meet its ambitions to become a more efficient and effective organisation and meet the needs and aspirations of its communities in the context of increasing pressures to reduce costs. This document provides the conclusions of work to redesign the Council's services supported by Cabinet at its meeting in June 2017. This report includes the business case, future operating model and high level implementation plan. It also outlines that by adopting a refreshed ICT Strategy and making an investment in its ICT infrastructure and changing its business operations, the Council can achieve improvements in services for residents and deliver a genuine efficiency without cutting services

REASONS FOR RECOMMENDATIONS: Cabinet is asked to consider the following reasons for recommendation:

- Transforming Shepway helps the Council to meet its ambitions to become a more efficient and effective organisation and meet the needs and aspirations of its communities in the context of increasing pressures to reduce costs.

- A new ICT infrastructure is now required that matches the Council's business requirements for the next 5 years and beyond with technology that is both efficient and cost effective.

- The constitution requires Full Council approval for all virements, which are outside of the budget framework and Cabinet agreement to the use of reserves

RECOMMENDATIONS: Cabinet is asked to:

1. Receive and note the report.
2. Agree to implement the redesign of the Council's services and new 'operating model' based on the business case outlined in the report.

3. Support expenditure of circa £5.9m spread over the term of the project to 2020/21 (including a Notional Severance Provision of £2m), which will include: £0.75m from existing revenue; £2.925m from use of flexible capital receipts; £1.030m from financing exchanges and £1.225m from capital financed through borrowing or reserves, which will produce an expected net annual ongoing efficiency saving of £1.8m from 2020/21.

4. Approve for this report to be presented to full Council to agree the overall budget of £5.9m spread over the term of the project to 2020/21.

5. Approve the use of the available flexible capital receipts to fund the transformation project costs incurred in 2017/18

6. Approve the overview of and any amendments to the financial envelope to be delegated to the Corporate Director of Organisational Change in consultation with the Leader of the Council

7. Approve the refreshed ICT Strategy 2018-2023 (Appendix 2).

1. BACKGROUND

1.1 This Council, like many others, is facing a number of challenges over the medium term. Maintaining the status quo is not an option. The Council has never stood still in its search for efficiency and better public service, but it's clear that tough times are ahead. The Council is presented with a limited choice. It can cut back on its ambitions for its communities and the level of services it offers them, or it can innovate in what it does and the way it goes about our business, in order as far as possible, to meet community needs and aspirations. The Council has been explicit in its desire to protect public service delivery from further cuts to frontline services in order to minimise any impact on our communities.

1.2 The financial challenges the Council face were set out at Cabinet's meeting of 31 May 2017 (Report C/17/03 – Updated Medium Term Financial Position) and also in the latest MTFS reported to Cabinet and Council in October 2017. This report agreed for ongoing work to be undertaken in order to monitor progress to meet the financial challenges identified. The MTFS identified the following Medium Term Financial Forecast :

	2019/20 £	2020/21 £	2021/22 £	2022/23 £	2023/24 £	2024/25 £
In year deficit	1,151,000	1,742,000	3,058,000	4,380,000	4,828,000	4,984,000
Cumulative deficit*	1,151,000	2,893,000	5,951,000			

- **The cumulative deficit shows financial position if no action is taken to address the in-year deficits on an ongoing basis.*
- *The shaded columns are outside of the usual MTFS range. However, they indicate the ongoing nature of the "in year" deficit although the cumulative position has not been extrapolated.*

1.3 It is clear that the Council faces ongoing challenges to meet its budget gap over the next few financial years. In order to achieve its Corporate Plan vision of 'Investing for the next generation, Delivering more of what matters', it is simply unsustainable to continue reducing our staff numbers and retain the delivery of essential public services unless it finds a very different approach.

1.4 The Council has continued to review its efficiency programme, whilst ensuring frontline services are protected for our communities. It has continued to re-evaluate spending; challenging those areas where it can reduce our costs and be more efficient, as well as maximising opportunities to generate additional revenue. As a Council, elected members have maintained that income should not be increased by significant Council Tax rises or reductions in the delivery of essential public services.

1.5 In previous years the Council has achieved targeted savings service by service, undertaken departmental restructures and considered other opportunities including an ambitious proposal for a single East Kent Council, which had the potential to make a collective saving of up to £7 million in the first two years, but

was rejected. Following the decision not to progress with moving forward with the proposal to create a new East Kent Council, the Leader of the Council released a statement confirming that "without any grant from central government significant savings would still be required"…and officers had been tasked "to come forward with fresh proposals that will be put before Council."

1.6 The Council continues to benefit from strong collaborative leadership between its elected Cabinet and Corporate Management Team, making a commitment to be more 'commercially-minded' seeking opportunities which will help achieve some of the required efficiencies. A proposed new model of operational delivery is being considered, which will address a number of 'drivers for change' the Council is faced with against its commitment to deliver for our communities through the provision of cost effective services, understanding our customers more and having a better insight into their needs and the demands they place on us.

1.7 These 'drivers for change' include advancements in technology, where there is a greater expectation from our customers to meet their needs 24/7 using a variety of channels, just as they would expect from other services such as their utilities and banks. The Council provides lots of services to people of varying needs. Some services are provided to all, whilst others are tailored to need. It must invest in improvements to technology to meet the diversity of customer demand for services. Accessible, easy to use online services and processes that are designed from a customer perspective will keep customers updated and manage expectations.

1.8 In 2016, the Council's Revenues and Benefits application forms were moved online and to date nearly 55% of those customers have now successfully moved to transacting with the Council online and this number continues to grow. This trend can be replicated across our services and reflects how the way customers want to interact with the Council is changing.

1.9 At its meeting of 21 June 2017 (Report C/17/15), Cabinet approved the commissioning of a report to look at a new future operating model for the Council which places its focus on our customer service through improved efficiency for the organisation and the use of technology.

1.10 To help take this work forward, the Council appointed the change consultancy, Ignite, to consider the application of a future operating model. Ignite are a recognised leader for change in the local government setting, having successfully worked with a number of local authorities including Eastbourne, Eastleigh, South Hams and West Devon. The premise of Ignite's future operating model is to enable Councils to support their communities by delivering the right outcomes with great customer service on a lower cost base.

1.11 The Corporate Director of Organisational Change was appointed 'project sponsor' and an internal project core team established and led by the Head of Transformation (currently seconded from the Head of Communities post) to oversee the project's development and management. This work was undertaken between September and December 2017, whereby a blueprint was developed to outline the potential opportunity to the Council. At this stage, the

blueprint (see Appendix 1) only provides a high-level outline of the potential opportunity to the Council and further detailed design work will need to be progressed subject to Cabinet's decision to proceed with implementation.

1.12 The Leader and the Deputy Leader of the Council agreed to champion the project as it has far-reaching benefits for the Council, increasing its capacity to work in a different way, utilising resources more effectively and delivering the best possible customer experience. Their support has significantly strengthened the holistic and strategic direction required for the project to be successful. It was agreed a further report would be made to Cabinet on 28 February 2018 to present the final business case, followed by Council regarding the overall budget required.

1.13 Both the Leader and Deputy Leader have been kept abreast of the blueprint's progress, including a visit to South Hams and West Devon Councils in November 2017, where a similar model has been successfully implemented. A further briefing was provided informally to Cabinet and Overview and Scrutiny Committee in November 2017, alongside specific updates to the respective Cabinet Members for Finance and Customers and Digital Delivery. The proposed model's emphasis on 'putting the customer first' has captured member support and it will be important to ensure Transforming Shepway provides a continued efficient and high quality service to our customers.

1.14 As a result of this work, a new model has been designed which will deliver services in a new way making the Council more flexible and customer focused and give the customer a better experience of what it does, allowing them to be more in control of what they want from us. The new model will fundamentally change our service delivery model enabling the Council to reduce costs through improved business processes, whilst investing in our frontline services to meet the demands of customers and communities. It will ensure that the Council delivers a value for money solution to the taxpayer, delivering quality services at the lowest possible cost.

2. INTRODUCTION

2.1 The Council's transformation project is known as Transforming Shepway. Its vision, agreed by CMT, supports 'Delivering more of what matters with less'. The project was launched in September 2017 with the aim of developing a Council that is efficient and fit to serve its community and meet the aspirations of residents, in the context of reduced resources. In particular, the Council wishes to, as far as possible, maintain its excellent services and corporate ambitions, whilst avoiding being in the position of other councils who are cutting service levels and their aspirations in an effort to simply reduce costs.

2.2 Working with Ignite, the Council examined the potential of a new delivery model to support meeting our corporate priorities identifying the following objectives for the project:

- Understanding our customers better and design services to meet their expectations
- Supporting the delivery of our corporate plan to meet communities' needs
- Helping to deliver the Council's efficiency target
- Realising the benefits of state-of-the art technology and systems
- Opening up career opportunities for staff

2.3 To meet these objectives, CMT agreed with Ignite that the future operating model would look at the following four key areas:

- The organisational model
- Customer journeys and processes
- Technology
- People, culture and ways of working

2.4 Transforming Shepway's development stage has identified a number of project deliverables:

- Deliver a new model of public service delivery
- Improved customer processes enabled by digital technology
- Deliver a year on year reduction in net expenditure
- Implement new methods of service delivery including changing behaviours of customers
- Continue to be ambitious - delivering high quality services and major projects
- Enable a workforce with the skills, behaviours and abilities essential to delivering high quality public services
- Preserve our "can do" friendly, culture

2.5 Service, process and digital redesign, alongside customer enabling and staff empowerment and development will form a crucial part of the Transforming Shepway project.

3.   PROCESS

3.1   The project has examined all Council services for their potential to be redesigned and digitally enabled and to come under a new operating model. At present, it is recommended that frontline operations (where applicable, excluding management posts) of Grounds Maintenance, Lifeline, Waste and Hythe Pool remain out of scope for redesign, other than how they interact with service requests by customers. Work, however, will continue in ensuring that these services are delivered in the most efficient and effective way.

3.2   In the past three months, more than 60 members of staff from across the organisation have been engaged directly in the process of service redesign, with many more indirectly involved. This approach was essential to getting an understanding of how services currently work, where staff time and resource is spent in delivering aspects of each service, and what the potential is for redesigning services so that they are more efficient.

3.3   Throughout this period, the Council has been working with the unions (e.g. Unison) and engaging with staff through a variety of formats and remain committed to this engagement through the lifetime of the project. More than 40 existing members of staff have volunteered to become 'Change Transformers'. Their role is to actively ensure their teams are ready, willing and able to adopt change throughout the implementation phase (subject to Cabinet's decision in February).

3.4   Services have been redesigned with a view to making them more efficient (financially and in terms processing times) and effective in meeting customers' expectations and the Council's ambitions. In order to achieve more efficient and effective services, everything the Council does has been examined at a high level to consider how:

- to prevent and reduce demand through enabling customers and communities to serve themselves or by dealing with things before they turn in to a service request
- services can be modernised, streamlined and made more efficient by having a more joined up approach to service delivery, less traditional council service divisions and common technology, processes and roles
- to improve access to council services and information for customers
- to ensure the earliest possible resolution of customer enquiries, reports and requests
- to shift work forwards in the organisation towards customer facing staff and thus ensure more efficient use of staff and freeing up professional staff to concentrate on work where their expertise is really needed
- to provide an accessible and actionable feedback process so customers can track their service requests, know when they will be dealt with and receive feedback when the work has been completed
- the Council will improve its systems and measurement of performance with a view to driving improvements for residents and other customers
- the Council will ensure a sustainable level and quality of services it can provide in the context of declining resources

- to ensure it has skilled, knowledgeable, empowered staff with attitudes and behaviours that support the delivery of modern customer focussed services;
- and that it provides improved career opportunities and development for staff

3.5 The blueprint provides an indication of the potential opportunity to the Council. However, it has helped to build the revised business case, which forms the basis of this report. Where the blueprint has provided some assumptions around the cost analysis (including technology) and the high level function design, this report has considered the blueprint in more detail, using officer knowledge and expertise bespoke to the Council.

3.6 Ultimately, the Transforming Shepway future model will be designed and owned by this Council and aligned to its ambitions and future needs.
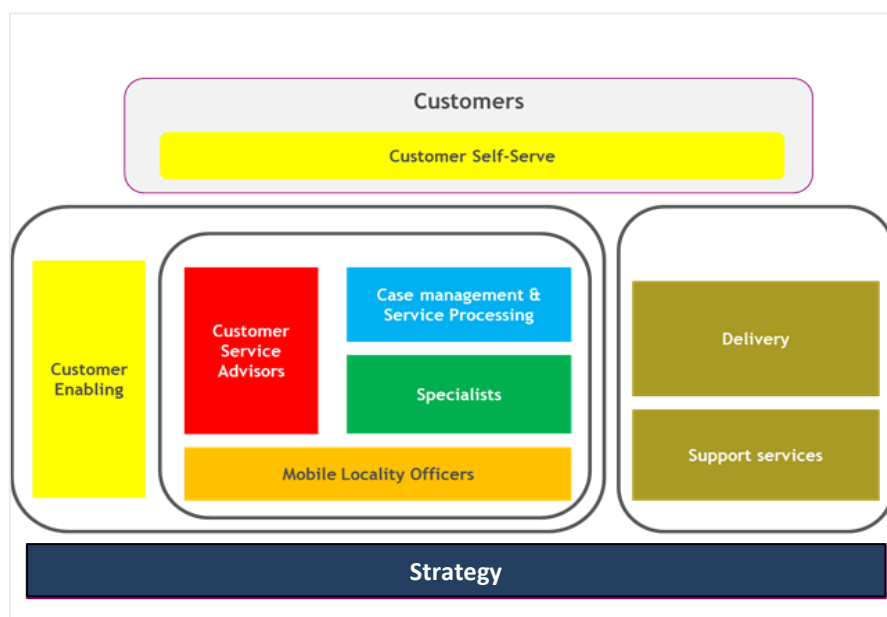
4. NEW OPERATING MODEL

4.1 As a result of the analysis of services a new operating model for the Council has been proposed which is set out below. This should not be confused with a management structure. The operating model is instead, the way of managing service requests and other work across the organisation.

4.2 This conceptual framework forms a starting point for the design of the future operating model; challenges and considerations specific to the Council, which have been addressed through the blueprint. The key components are shown in the diagram below.

4.3 **Future Operating Model**
The Future Operating Model provides a completely new operating structure for the Council underpinned by refreshed processes, roles, technology, ways of working and culture. It will support translating the Council's political will, maintaining investment in priority areas and improving services to customers.

4.4   The **Strategy** element of the operating model is concerned with:

- defining the ambition of the organisation in terms of services and projects
- ensuring there is evidence based strategy that meets our communities' needs
- well planned services that ensure political ambitions are delivered efficiently and effectively

Strategy is both the activity and resource to translate insight and ambition into the Corporate Plan and major strategies, ensuring that the Council remains unique, accountable and capable. It will provide a 'single' brain to the Council, responding to political will and ambition and ensuring this is turned in to evidence based strategy. The key components of the Strategy are:

- **Strategy, Performance and Communications:** Setting the corporate strategy and priorities, ensuring these are based on evidence (what the district needs and what residents want). Ensuring services, programmes, projects and employees are working towards a common set of outcomes as specified in the Corporate Plan. Building a sound evidence base of data, analysis and interpretation to support the wider work of the Council. Keeping internal and external customers informed about Council priorities, services and campaigns, lead the engagement of our customers, provide a corporate marketing function to the Council including customer data and trends and promotion of commercial and income generating services, and place based marketing to support inward investment and economic ambitions.

- **Law, Governance and Democratic Services**: Provide expert legal advice on the full range of Council responsibilities and public sector duties Provide member support, working to ensure that the Council's governance and democratic processes are efficient, work effectively and support the ambitions of the council. Set the Constitution and governance of the council, ensuring that the Council is efficient, transparent and accountable to local people.

4.5   **Service Delivery** is divided across **Customer Enabling, Customer Service Advisors, Case Management and Service Processing, Specialists and Mobile Locality Officers**. Their role is to deliver efficient and professional services to the Council's customers that are aligned to the Council's ambitions managing performance to meet the desired outcomes. The Customer Contact element includes:

- Customer enabling, helping those who want to and are able to resolve their service requests themselves, for example, through an enhanced self-service system based on web and phone applications
- Customer service advice, dealing with as many customer enquiries as possible and resolving most of them at first point of contact, rather than them be referred on to another officer

- Case management which will deal with more complicated requests that may require more than one council service or require to be processed, such as a planning application
- Specialist services, which is the management of service requests and other council business that requires expert input
- Mobile locality delivery, having an improved and more visible presence in the district's communities to deal with issues on the ground early and proactively where possible so they do not become service requests

4.6 Mobile Locality Officers will work as part of an effective locality team that offers an excellent standard of customer care, acting as an ambassador for the Council, resolving issues where possible on initial contact or otherwise referring to other teams. The Locality team will be at the heart of the Council supporting officers and providing a visible community presence for elected members. They will be able to carry out inspections and gather evidence on behalf of key service areas. This will include delivering planning notices, carrying out dog patrols, assisting vulnerable residents with benefit applications and investigating fly-tipped waste or anti-social behaviour.

4.7 Delivery is the front line delivery of many of the Council's services. It is concerned with:

- Efficient delivery of services on the ground (e.g. grounds maintenance), ensuring that there is a strong customer focus to service delivery
- That a more commercial approach is developed to optimise revenue and grant opportunities
- That service delivery supports the achievement of the Council's wider objectives for the district and its communities as set out in the Corporate Plan

4.8 **Support Services** is concerned with providing business like and efficient support and advice to teams across the Council. These are non-customer facing back office functions, such as Human Resources, Finance and ICT, who support improving performance and support the Council in meeting the Council's ambitions.

4.9 Behind this model is more detailed analysis setting out how the model will work in practice and where functions and accountability will sit. The Council will need to develop a new management and staff structure, based on a matrix style of working as opposed to its current hierarchical structure, in order to support the delivery of the model. It is important to note that much of the detailed design of the new services and the processes that underpin them is yet to commence. This will take place in the implementation stage with the involvement of staff, Members and customers, should the Council choose to move to the new model.

5. ACTIVITY ANALYSIS

5.1 Using the future operating model, all activities across the Council have been mapped, identifying the roles and level of cost involved. This activity analysis

describes activity types and the cost to deliver particular services to customers. A number of saving areas have been identified across the Council in line with the Future Operating Model. At this stage, the numbers are indicative and will be refined further in the detailed design.

5.2   The activity analysis took a snap shot in time, as at 30 September 2017, of the full-time equivalent (FTE) posts identified as being in scope for the project. This equated to a total of 269.4 FTEs and a total cost of £10.8 million being in project scope.

5.3   The blueprint business case validates some of the assumptions made in the initial business case undertaken for the Council and has involved a wider group of staff in identifying the opportunity for savings. The analysis activity engaged that wider group in identifying areas that could work more effectively and efficiently through the Future Operating Model and the use of new technology. Assumptions were based on key drivers of efficiency that could be made to identify potential savings by each part of the future operating model.

5.4   The combination of the output from the business case and the work in the workshops has developed potential options for how the Future Operating Model could be structured and provides a proposed organisational design. Initial draft FTE numbers from the business case have been refined, but would be adjusted and finalised in the detailed design stages of implementation to reflect more involved design considerations engaging more of the organisation.

5.5   As a result of the activity analysis, the business case proposes the potential opportunity to reduce the Council's headcount to generate a General Fund efficiency over two years, whilst simultaneously enhancing customer service delivery.

5.6   The initial, high level analysis suggests a saving in the region of up to 50 FTE posts, resulting in a potential efficiency saving of up to £1.8 million over 2 years. However, caution must be given to these indicative figures. They give the Council only an indication of what opportunity may be achievable by adopting a new operating model. The activity analysis captures a particular moment in time and the figures below could go up or down depending on future FTE headcount and the opportunities identified to improve service delivery via the detailed design process that would be undertaken if Transforming Shepway is implemented.

5.7   The financial case developed by Ignite is focused on generating ongoing revenue saving to the Council, hence there is focus on the General Fund. However, it has also considered external funding or grants (e.g. Kent County Council, Ministry of Housing, Communities and Local Government) and recharges to the Housing Revenue Account (HRA). This funding may be predicated on a certain set of activities or mechanism for delivery and the future operating model design may have to be adjusted to reflect this. This in turn could impact benefit that can be realised which would need to be tested and determined in the detailed design phase.

5.8 The combination of the output from the business case and the work in the workshops (discussed under point 3.) has developed potential options for how each area of the future operating model could be structured. These options have then been refined in light of constraints (people, organisational or political) and opportunities, to provide a proposed initial organisational design. FTE numbers will be revised in the detailed design stages of implementation to reflect more involved design considerations engaging more of the organisation.

5.9 If Cabinet approval is provided to proceed with the project implementation, detailed design work would then be undertaken as part of the project's phasing over a suggested two years implementation period to ensure the most up-to-date intelligence is used to progress and identify the benefits realisation.

6. HIGH LEVEL STRUCTURE

6.1 The blueprint (Appendix 1) provides an indication of the future high level structure. Using this as an indication of the opportunity to the Council, CMT has translated the proposed future operating model into a high-level design bespoke for Shepway, using the analysis exercise detailed in 5. above to identify where efficiencies can be made.

6.2 The diagram below shows the potential directorate structure and underlying functions in order to deliver the proposed design and operating model.

6.3 All role titles will be subject to review and change. It should be noted that the business case identifies a significant change and efficiency saving within the Corporate Management Team seeing the headcount reduce from 4 FTE to 3 FTE posts.

6.4 **High Level Structure – directorates**

Directorate: Strategy	Directorate: Place and Commercial Services	Directorate: Customer, Support and Specialist Services
Strategy, Performance and Communications	Grounds Maintenance	Support Services (Audit, HR, Finance and ICT)
Law, Governance and Democratic Services	Mobile Locality	Customer Services
	Strategic Assets	Case Management
	Lifeline	Specialists
	Hythe Pool	
	Strategic Programmes	

7.   FINANCIAL CONSIDERATIONS AND BUSINESS CASE

7.1   Having considered the blueprint, the Council has reviewed and set out its financial business case for implementing the new operating model in the table below. This table provides an indication of the profile of spend however some initial costs are anticipated to be incurred during the very end of 2017/18, these will be part of the overall financial envelope noted within the table.

	Year 1 2018/19	Year 2 2019/20	Year 3 2020/21	Total
Costs of Programme:	£	£	£	£
Costs – ICT Infrastructure	750,000	750,000	500,000	2,000,000
Implementation team – recruitment	250,000	250,000	-	500,000
Consultancy cost (IT, HR, customer, process)	215,000	215,000	-	430,000
Transitional Support Staff	150,000	150,000		300,000
Training	75,000	50,000	25,000	150,000
Consultancy Change Support	275,000	275,000	-	550,000
Notional Severance Provision	1,000,000	1,000,000	-	2,000,000
Total Costs of Programme	2,715,000	2,690,000	525,000	**5,930,000**
Funded By:				
Existing SDC revenue	400,000	350,000	-	750,000
Use of Capital Receipts through capital receipts flexibility	1,200,000	1,200,000	525,000	2,925,000
Financing Exchanges	500,000	530,000	-	1,030,000
Capital financed through borrowing / reserves	612,500	612,500	-	1,225,000
Total Funding (cost/benefit)	2,712,500	2,692,500	525,000	**5,930,000**

7.2   The updated business plan justifies the significant investment required to make change to a new operating model in order to meet the Council's financial challenge head, whilst improving customer service and experience. Improved IT infrastructure and transitional costs such as staff time to implement the changes will see the project require an estimated total budget in the region of £5.9m over the term of the project. Whilst the table outlined above indicates costs arising in the financial periods 2018/19 – 2020/21, the programme will need flexibility over the exact timing of these costs being incurred. Some costs are likely to be incurred during very late 2017/18, in which case these are proposed to be drawn from the flexible use of capital receipts (subject to Cabinet approval). The Medium Term Financial Strategy (report A/17/13) agreed the flexible use of capital receipts to fund the council's future efficiency programme, specifically noting the future operating model transformation programme. There are some important elements to this programme which, however, need to be noted:

- The ICT infrastructure costs are estimated as the detailed programme needs to be set out. The total sum of £2m is an estimate. Based on initial

soft market testing, this figure is likely to reduce. However, this will replace much of the necessary upgrading of equipment and software which would be incurred had the transformation project not taken place.

- There is a significant budget identified for severance costs, which is calculated on all posts in project scope being subject to redundancy costs and associated severance costs. Based on similar projects undertaken by other local authorities, this figure will significantly decrease once accurately determined as the programme progresses.
- The programme assumes a level of flexible capital receipts to be utilised to fund the programme. The government have confirmed this programme will be extended for 3 years from the current 1 April 2019 deadline.
- At an estimated £1.8m per annum revenue savings, the programme will be funded within 3.5 years with an ongoing revenue savings thereafter. Between 2-5 years is considered a standard pay-back period for a project of this scale within local government. However, as the savings are predominately revenue and the costs predominantly capital, there will be a contribution to the councils MTFS position at a much earlier stage.
- The sum of £1.030m (financing exchanges) represents current revenue spending on capital projects. This funding can be used to support the transformation programme whilst the relevant capital expenditure can be funded through borrowing.

Flexible Use of Capital Receipts
The Council has previously adopted the government's Statutory Guidance for the Flexible Use of Capital Receipts. This allows the council to use capital receipts received from General Fund asset disposals from 1 April 2016 to 31 March 2019 on revenue expenditure that is planned to generate ongoing efficiencies and savings, such as the major transformation project, during that period. The government has recently announced a three year extension to this scheme until 31 March 2022 although the detailed provisions regarding this have yet to be issued.

7.3 Capital receipts funding available
The amount of capital receipts currently available equals £570k (£414k balance of Shorncliffe Road plus £156k of new receipts in 2017/18). There is likely to be some early expenditure in 2017/18, and this report seeks authority to withdraw from the flexible capital receipts to fund this expenditure, the current sums held will be sufficient to cover all expenditure possible during 2017/18. Further expected capital receipts are as follows:

- 2018/19: £1.6m
- 2019/20: £1m

The figures for 2018/19 and 2019/20 are estimated rather than expected at this stage. The £2.6m of anticipated capital receipts is consistent with both the approved Budget Strategy for 2018/19 and the MTCP report being presented to Cabinet in January 2018.

7.4 Whilst the financial saving is important in the context of the Council's MTFS, it is important to recognise that there are other reasons for considering adopting

the model in terms of improvement to the business. The benefits of the new operating model can be summarised as:

- It will provide improved service delivery to residents and better customer service standards at a time of reducing resources, with quicker, more accessible, responsive and higher profile services
- It produces genuine efficiency savings rather than service reductions and scaling back our ambition or asking staff to deliver the same with less resources
- The model provides increased capacity to meet the Council's and our communities ambitions in key priority areas and there will be better opportunity to realign the Council's services to its ambitions
- There will be better planned and better informed (by data) service and project delivery
- It supports further development of local area working by providing more responsive, high profile local services able to meet local differences and needs
- The model supports an improved approach to performance management and better delivery on the ground with less resources
- Greater opportunities for career progression for staff – becoming an employer with a reputation for developing careers
- It will strengthen some aspects of the Council, providing greater capacity and skill to ensure Members' ambitions for the Council and the district are well planned and driven through the organisation, translated in to delivery; and that the Council makes better use of the plethora of data available, including what our residents are telling us
- The model will break down the traditional barriers between types of Council services ensuring cross council working focussed on Members' ambition and customer needs

8. ICT

8.1 To deliver the proposed scale of change required to deliver Transforming Shepway will not only require the successful implementation of the new operating model, but also a sound technology solution. The primary technology investment required to implement the future operating model is in the integrated, customer focused technology solution that will underpin and enable the new ways of working. Much of the necessary upgrading of existing ICT infrastructure would need to be delivered even without Transforming Shepway. Our equipment and systems are out-dated, expensive to run and resource and not fit for purpose for today's customer.

8.2 Therefore, the Council has considered its future ICT infrastructure not only for the purposes of this project, but its broader future. As a result, the Council has recently refreshed its ICT Strategy (see Appendix 2), subject to Cabinet's approval in February 2018.

8.3 The council's current ICT strategy was prepared prior to the outsourcing of the ICT service in 2012 and was largely focused on the expectations for the outsourced service and the outline for what eventually became the "Ways of

Working" project. A new strategy is now required that matches the Council's business requirements for the next 5 years and beyond with technology that is both efficient and cost effective.

8.4 The core principles of the new strategy underpin a new ICT infrastructure that is fit for purpose, well integrated, focused on self-service and demand reduction, supports agile working and facilitates improved communications, whilst being secure, resilient and affordable. The strategy looks to the future of ICT support beyond the end of the current outsource arrangements in 2022, bearing in mind the fast-paced changing trends in technology and the council's ongoing pressure to meet financial efficiency savings.

8.5 The strategy is supported by a high level roadmap, which provides a structure and timetable for the delivery of technical solutions. This will necessitate an early review of hardware and systems provision to ensure ICT is fit for its future role and is not simply providing more of the same as that could lead to the council having outdated technology. A fully integrated technology platform is needed to support improvements in the following critical elements of Transforming Shepway:

- customer enabling
- customer self-serve
- single view of the customer
- automated workflow
- document management
- mobile solutions

8.6 The high level roadmap timeline will be flexible depending on the progress of the project and new requirements coming to light and changing dependencies.

8.7 ICT projects take time to properly procure, implement, configure and test. Therefore, it is recognised that the Council has limited capacity to deliver change and those projects that are in direct support of the Transforming Shepway project will be given the highest priority over the next two years.

8.8 Initial priority for implementation of systems in relation to Transforming Shepway will be given to:

- The implementation of a new Customer Relationship Management (CRM) system and Digital Services platform and the implementation of a new information management / collaboration platform. These two key elements need to be considered together because customer processes that have an element of document management need to work seamlessly. They provide a single view of the customer through data integration between the CRM and the 'back office' data processing systems. All information held about a customer can be seen together. This single view supports more streamlined customer journeys, with fewer handoffs / touch points and issues resolved faster.
- The replacement of the existing contact centre telephony platform with a new multi-channel contact centre platform.

- The replacement of the digital telephone system in the civic centre with a Unified Communications (UC) telephony platform.
- A range of improvements to the Web Content Management System (CMS)
- Mobile working

8.9 ICT will be a significant enabler in the delivery of the Transforming Shepway project. As the Council moves to ensure its core business is working effectively and efficiently, it will need to find the right tools to support our customers, both internal and external. This has been considered in any budget implications.

9. IMPLEMENTATION

9.1 Such a fundamental change to the way the Council operates will take a time to implement. The plan envisages a 24 month programme from Cabinet's decision in February 2018 to achieve full implementation. A key driver for implementation is the ICT and digital technology upon which the new business model will rest.

9.2 The table below outlines the proposed high level implementation plan. Time is provided in the implementation plan at the front of the programme, to plan and procure the technology before changes start being made to the way services are organised and provided.

9.3   Proposed high level implementation plan

Proposed high level implementation plan

Phase	Activity	2018				2019				2020	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Mobilisation	Business Case – Cabinet	█									
Mobilisation	Project management and communication	█	█	█	█	█	█	█	█	█	
Mobilisation	CMT recruitment	█	█								
Mobilisation	Programme set up	█	█								
Mobilisation	Implementation team recruited	█	█								
Mobilisation	Technology baseline procurement	█	█								
Mobilisation	Technology implementation			█	█	█	█	█	█	█	
Phase 1A	Leadership and management			█	█						
Phase 1B	Mobile Locality			█	█						
Phase 1C	Strategy			█	█	█					
Phase 1D	Strategic and core programmes			█	█	█					
Phase 2A	Customer services and Support Services (excl. HR and ICT – Systems Support)				█	█	█	█			
Phase 2B	Case management and specialist services				█	█	█	█	█		
Phase 3	Delivery units and commercial teams, HR, ICT - Systems Support								█	█	
Phase 4	Data cleansing and migration	█	█	█	█	█	█	█	█	█	

The plan shown represents the calendar year, not the financial year, so some aspects of implementation will occur during the financial year 2017/18.
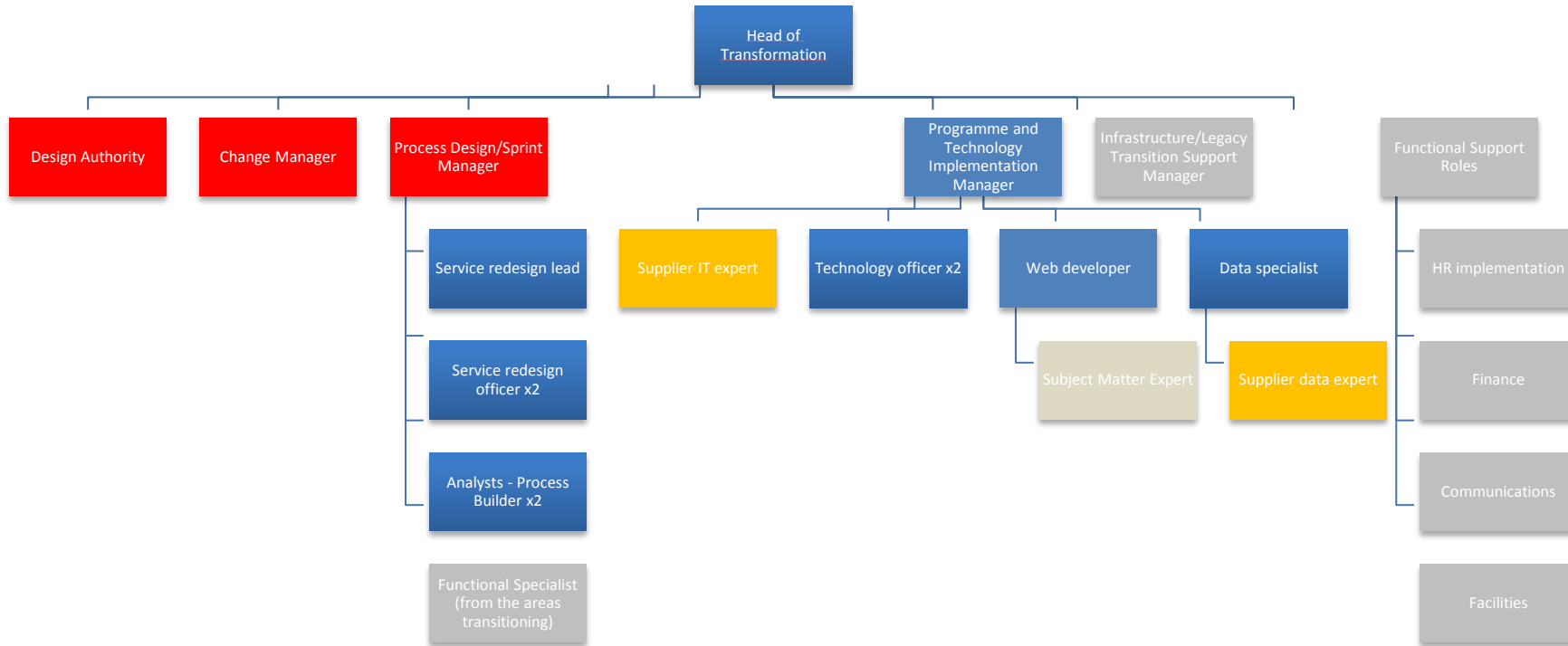
APPENDIX 1 TO PERSONNEL REPORT

9.4 The detail that sits beneath the high level implementation plan would be developed as part of the 'detailed design' work undertaken if the project progresses into the mobilisation and implementation phasing, which is currently subject to Cabinet approval in February.

9.5 This would include developing the detailed organisational design. The emphasis in the Transforming Shepway future model is on generic role descriptions and proposed role families. A role family is a group of roles involving similar types of work and requiring similar levels of training, skills, knowledge and expertise. The role family concept helps organise related roles – roles that are comparable or relate to each other.

9.6 Currently there are hundreds role profiles in the Council, which makes comparing roles difficult and evaluation of roles cumbersome. Having a smaller number of generic roles will ensure clarity and greater equity across the organisation in terms of responsibilities taken on and reward for those responsibilities. It will also make the different paths for career progression clearer and should open up more opportunities for people to develop their careers.

9.7 This is important, as the Councils want to ensure it builds a reputation as a place where people will be given the opportunity to develop their careers and be supported in their development.

9.8 Following consultation and the detailed design phase, the Council would create specific role requirements to inform the recruitment and selection process.

9.9 Detailed analysis of customer journey and process design, technology, people (consultation, recruitment), change and transition management, customer engagement and channel shift would be undertaken in each of the proposed phasing stages.

9.10 A benefit delivery plan would be monitored to realise the cash benefits unlocked by implementing the new model, describe exactly when benefits will be realised.

9.11 It is recommended that the proposed high level implementation plan is followed with leadership, management and strategy moving quickly to enable the rest of the programme's implementation at a quicker pace and with more engagement. By having leadership and management in place early on in the transformation, they are able to inform key decision regarding their teams during the detailed design. The transition of leadership and management and strategy is less dependent on the full implementation of technology relative to other areas of the model. The benefits to be released by transitioning these two areas of the model are significant, which will assist in the immediate budget pressures facing Shepway.

9.12 Support Services phasing will be undertaken in Phase 2A, which includes functions such as Audit, Finance, ICT (Systems Support) and Human Resources.

9.13 The Human Resources and ICT (Systems Support) teams will have a crucial role in the project's delivery, overseeing key elements. HR will lead on staff consultation, support, assessment, recruitment and training, whilst ICT (Systems Support) will be relied upon to deliver the process redesign, user journeys and implementation.

9.14 Whilst it is agreed that the overall Support Services (Audit, Finance etc.) phasing should continue in Phase 2A, it is proposed to separate the Human Resources and ICT (Systems Support) element from Phase 2A and move into Phase 3 to ensure minimum disruption to the teams. This will help maximise the Human Resources and ICT (Systems Support) teams resource and support through the initial project phasing.

9.15 A major consideration in the implementation plan is the need to support staff through the process. Shepway District Council benefits from a talented and committed group of staff who work hard to deliver good services for residents and who have been engaged in redesigning the Council's services to arrive at the proposed new operating model. Whilst some roles within the new operating model will change very little, some roles could change significantly, other roles may disappear, and completely new roles will be created.

9.16 The Council must be committed to providing the best possible support to staff during the transition to the new operating model. Therefore, a significant amount of resource has been provided in the implementation plan to support staff. This will be primarily devoted to ensuring staff receive a good level of support and advice during a period of significant change and uncertainty for them; and to supporting staff in developing their skills to adapt to changed or new roles.

9.17 Another significant consideration within the implementation plan is avoiding disruption to customers during the changes to services, and maintaining as far as possible, business as usual. The implementation plan provides for a dedicated Implementation Team, rather than being reliant on staff members to deliver the changes on top of their normal workload. It also provides for backfilling where staff are required to be taken out of front line service delivery, which will be required throughout the programme in finalising detailed service design.

9.18 Additional budget resource has also been allocated for the use of temporary staff during the implementation period to ensure business as usual at all times and minimise any disruption to our customers.

9.19 The chart below provides an indication of the staffing resource required as follows:

Red: Consultant resource
Blue: Additional Shepway District Council staffing resource
Yellow: External staffing
Grey: Existing Shepway District Council staffing resource

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9.20 Transforming Shepway Implementation Team Structure

Head of Transformation

Design Authority

Change Manager

Process Design/Sprint Manager

Service redesign lead

Service redesign officer x2

Analysts - Process Builder x2

Functional Specialist (from the areas transitioning)

Supplier IT expert

Technology officer x2

Web developer

Subject Matter Expert

Data specialist

Supplier data expert

Programme and Technology Implementation Manager

Infrastructure/Legacy Transition Support Manager

Functional Support Roles

HR implementation

Finance

Communications

Facilities

10. BENEFITS REALISATION

10.1 Delivering service improvements and releasing savings is the main design challenge for Transforming Shepway. The programme design and implementation focuses on the following drivers:

10.2 **Remodelling:** including agile working, releases capacity in the organisation through the reallocation of work and better workforce practices and creates the bulk of the projected cost reductions through improving productivity. Higher paid specialist staffs are focused on strategic and judgement based work rather than rules based processing and case management.

10.3 **Demand management:** demand management is about a deeper understanding of the causes of demand and how it may be reduced without lowering service standards. Examples include design of letters to help avoid visits or calls to clarify meaning or to give information, earlier interventions to prevent arrears and targeted work to increase payments by direct debit.

10.4 **Channel shift:** channel shift involves supporting customers to make more use of on-line digital services (self-serve) – which in turn are designed to suit customer preferences and expectations. It is well evidenced that the cost of transactions through a digital / on-line channel are significantly lower than those handled by phone, or face to face. Well-designed public services promote self-help and the empowerment of people – and promoting self-serve online is one aspect of that. The risks of digital exclusion must of course be properly understood and managed.

10.5 **Efficiency:** technology is used to support and enable the redesign of service delivery to achieve greater efficiency through reduced use of resources. Examples include reductions in duplication of work; speeding up processes through automation; automated services request allocation through workflows; supporting mobile and agile working; data sharing of information and faster access to customer intelligence.

10.6 The high-level implementation plan groups the transformation into three phases which informs the timing of the benefit release:

Phase	Description
1A	Leadership and management
1B	Mobile locality
1C	Strategy
1D	Strategic and core programmes
2A	Customer services and support services (excluding HR and ICT – Systems Support)
2B	Case management and specialist services
3	Delivery units and commercial teams, HR and ICT - support services

10.7 It is recommended that this order is followed, with leadership and management and strategy moving quickly to enable the rest of the programme's implementation to move at a quicker pace and with more engagement.

10.8 By having leadership and management in place early on in the transformation, they are able to inform key decision regarding their teams during the detailed design. The transition of leadership and management and strategy is less dependent on the full implementation of technology relative to other areas of the model. The benefits to be released by transitioning these two areas of the model are significant, which will assist in the immediate budget pressures facing Shepway.

10.9 The blueprint (Appendix 1) maps the realisation of the benefits against the high-level implementation plan in order to show the suggested in year and annualised savings. This phasing approach provides an indication of when benefit is likely to drop based on headcount release. This assumes benefit is not released until the end of the relevant phase, whereas in reality some may be delivered earlier on in the phase.

10.10 It is important to note that this report (refer to point 10.6) has reconsidered and updated the project phasing identified in the blueprint. However, the blueprint's suggested benefits realisation provides a helpful indication of the savings that might be achieved and is set out in the table below. The table provides an indication of the potential benefits realisation identified in the initial blueprint from delivering the full programme. Caution must be given to the table below as the phasing will differ and at this stage the figures are only speculative and the true benefits realisation will not be identified until each detailed design stage of the project phasing is completed.

Example Phase		**Indicative saving in 2018/19**	**Indicative saving in 2019/20**	**Indicative saving in 2020/21 (ongoing)**
		£	**£**	**£**
1A	Leadership and Support	99,406	397,623	397,623
1B	Strategy and Commissioning	14,014	56,055	56,055
1C	Support Services	76,132	304,528	304,528
1D	Strategic & Core Programmes	11,468	45,873	45,873
2A	Customer Service and Locality Working	0	560,212	746,949
2B	Case Management and Specialist Services	0	154,300	308,599
	Total Savings	**201,020**	**1,518,590**	**1,859,627**

- NB1 – Phase 1A to 1D assumes benefit realisation for 3 months in 18/19 and full realisation from 2019/20 onwards
- NB2 – Phase 2A assumes benefit realisation for 9 months in 19/20 and full realisation in 2020/21
- NB3 – Phase 2B assumes benefit realisation for 6 months in 19/20 and full realisation in 2020/21

10.11 The table above suggests that the annualised benefit from transforming the areas in phase 1A and 1B is in the region of £450k. The rationale for additionally including support services in the first phase is similar.

10.12 A significant proportion of the annualised benefit of approximately £300k could be realised in 2018/19, helping with the budget pressures. These areas are 'back office' to a certain extent so should be a useful test bed for transition which should not impact significantly on the external customer.

10.13 Overall, it is anticipated that the three main components of phase one will deliver an in-year saving of approximately £200k in 2018/19 and an annualised saving of around £800k during the year 2019/20.

10.14 The above are at this stage only indicative figures. The project's benefits realisation will be monitored throughout the implementation life course and will be subject to some movement following the detailed design element of each delivery phase.

11. CREATING THE NEW CULTURE

11.1 The Council has acknowledged from the outset of this journey that Transforming Shepway would need to create a new culture based on the importance of understanding and responding to the needs of customers and communities and on making it a place where all staff want to work.

11.2 To help establish and embed the new culture, the Human Resources (HR) team will work with staff in a series of workshops to develop a set of competencies and behaviours that staff can identify with and embrace. These will support our existing core values, which support what the Council does and the impact on the lives of its customers and communities.

11.3 This behavioural framework will form an integral part of how the Council manages performance in the new operating model, for instance by becoming a key component of an appraisal system.

12. CONCLUSION

12.1 Transforming Shepway sets out a new potential operating model for the Council that will help it to meet its ambitions to become a more efficient and effective organisation and meet the needs and aspirations of its communities in the context of increasing pressures to reduce costs. This requires a significant change in the way the Council's services are designed and operate.

12.2 The blueprint (Appendix 1) has guided officers to develop the final business case, which forms the basis of this report. Officers have reviewed and updated the blueprint's proposals, making judgements as appropriate to ensure the final business case is bespoke to the Council's needs. This includes reviewing the proposed operating structure, directorates, project phasing and investment proposals in order to update the business case based on organisational knowledge and priorities.

12.3 There is a strong business case for the Council to implement the new operating model comprising a financial business case with significant efficiency savings, as well as significant other business benefits. An implementation plan has been developed and sufficient resources identified to support the Council moving to the new operating model and realising the benefits but this will require significant

investment by the Council in digital technology and in managing the transition to the new operating model.

12.4 The new operating model enables the Council to protect and deliver modern, efficient public services to our communities, whilst upholding its ambitious corporate projects programme, which encapsulates what it wants to see for the district - a great place to live where people, businesses and communities can flourish.

12.5 The new ICT Strategy will be a significant enabler in the delivery of the Transforming Shepway project. As the Council moves to ensure its core business is working effectively and efficiently, it will need to find the right tools to support our customers, both internal and external. The core principles of the strategy underpin a new ICT infrastructure that is fit for purpose, well integrated, focused on self-service and demand reduction, supports agile working and facilitates improved communications, whilst being secure, resilient and affordable.

13. Resource Implications

14.1 Resources - There are no resource implications that are not covered within existing budgets or the finance officer comments below (see 14.4 below).

14. RISK ASSESSMENT

14.1 Some risks undoubtedly exist in delivering such a large change to the way the Council operates. A detailed risk log has been developed and mitigation measures will need to be built in to the implementation plan. The risk log will be actively monitored, managed and updated throughout the programme.

14.2 Perceived risks are as follows:

Perceived Risk	Seriousness	Likelihood	Preventative Action
Delay in programme implementation timetable	Medium	Low	• Dedicated team in place and recruitment of specialist, experienced, team members where required to supplement the Council team • Sufficient project resources agreed by Cabinet to deliver programme on time
Not meeting the financial efficiency savings	High	Low	• Regular monitoring by CMT and Cabinet • Effective implementation planning to pinpoint milestones and where efficiencies will be released
Programme costs will exceed the current forecasts	High	Low	• Programme costs against forecasts will be monitored by the programme board on a monthly basis • Where appropriate fixed price delivery contracts will be negotiated with suppliers

Identified flexible capital receipts are not realised	High	Medium	• Capital receipts realised by Strategic Development programme will be monitored by Corporate Director for Organisational Change.
IT Delays	Medium	Low	• Additional time added in to front of implementation programme to plan and procure IT • Flexibility built in to programme to bring forward other elements of implementation if delays in some aspects • Specialist IT procurement resource built in to programme
Disruption to staff	High	Medium	• Well-resourced package of support and training built in to programme. • Ongoing communications programme
Disruption to customers and business as usual	High	Low	• Additional resources have been provided for implementation so that the Council is not taking resources from the frontline or from supporting service delivery. • Customers input built in to the design process and testing • Comprehensive communication plan to keep customers and residents well informed
Impact on Elections 2019	High	Low	• Timetable and staffing resource required for Elections 2019 are identified against implementation plan. • Flexibility built in to programme to bring forward other elements of implementation if impacts are identified. • Additional resources provided to support business as usual.
Loss of key people and organisational knowledge	High	Low	• Talent management plan developed identifying key people and knowledge and puts measures in place to retain these key people. • Additional resource built into programme to provide cover in the event of "gaps" arising
Reduced performance in key services	Medium	Low	• Department risk registers to identify and manage specific service transition risk are being developed These risks will be discussed and iterated with Members and will drive key considerations in the

			implementation plan
The organisation will have less capacity to deliver post implementation	Medium	Low	• New approach to delivery supported by technology, simplified processes and more self-service enables the council to deliver 'more for less' • Introduction of more generalist customer service, local delivery and case management teams gives a more flexible capacity to deliver current priorities • The model will enable greater focus on the priorities of the Council • Ensure the Council measures and manages performance focussed on these priorities

14.3 Legal Officer's Comments (AK/DK)

There are no legal implications arising directly out of this report. Further legal advice will need be sought throughout this project so that legal advice can be provided to the HR team and Transformation team as this project is implemented.

14.4 Finance Officer's Comments (CS, LH and LW)

Capital Financed Through Borrowing - this is to meet the estimated £1.225m cost of the ICT infrastructure. However, as the report states, the total sum to be spent on ICT is dependant and the figure quoted is very much a ball park estimate. Dependant on the solution provided, a mixture of reserves and borrowing may be applied. If the amount is funded fully through borrowing, in addition to the interest charge on the borrowing estimated to be £21k per year, the council is required to make a Minimum Revenue Provision (MRP) charge to the General Fund for capital expenditure met from borrowing. The MRP charge is based on the asset life of the expenditure incurred. ICT infrastructure typically has a fairly short useful life of up to 5 years meaning the MRP charge to the General Fund would be £245k per year. The total annual capital financing cost of £266k.

The costs and savings identified under 7 above will need to be carefully monitored throughout the project to ensure they are affordable and the savings are realised. It is likely the profile of the expenditure will change as the project progresses.

14.5 Diversities and Equalities Implications (SR)

The Equality Act is not relevant to the decision in this report as the decision does not relate to eliminating discrimination, advancing equality of opportunity, or fostering good relations between different people. An Equality Impact Assessment has not been carried out.

14.6 Communications Comments (ML)

Internal communications to engage and update staff and members will play an essential part in this stage of the project and will be fully supported by the Communications team.

15. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

Councillors with any questions arising out of this report should contact the following officer prior to the meeting

Sarah Robson, Head of Transformation
01303 853426
sarah.robson@shepway.gov.uk

The following background documents have been relied upon in the preparation of this report:

Ignite New Operating Model Initial Blueprint and Business Case Proposal (31 May 2017)
Cabinet Report: 21 June 2017 (Report C/17/15 – New Operating Model)
Cabinet Report: 31 May 2017 (Report C/17/03 – Updated Medium Term Financial Position)

Appendices:

Appendix 1: Transforming Shepway Blueprint
Appendix 2: ICT Strategy 2018-2023