

Report to

Scrutiny Co-ordination Committee
Cabinet Member (Finance and Value for Money)

22nd July 2009
5th August 2009

Report of

Assistant Chief Executive

Transformation Partnership Progress Report

1 Purpose of the Report

- 1.1 At its meeting on 15th October 2008, the Scrutiny Co-ordination Committee received a report entitled "Value for Money Partnership Progress Report", which was also considered by Cabinet on 21st October. The purpose of that report was to set out the progress made since the Partnership was created on 15th October 2007. One of the outcomes of the report was that the Cabinet Member (Finance and Value for Money) agreed that officers would submit three-monthly Partnership progress reports to the Scrutiny Co-ordination Committee. The first of these progress reports was presented to you on 18th March.
- 1.2 This report provides a further update and takes into account the work that has been undertaken to develop the Transformation Programme.

2 Recommendations

The Scrutiny Co-ordination Committee is asked to:

- a) note the progress that has been made since the last report in March,
- b) consider whether there are any issues which it wants to refer to the Cabinet Member (Finance and Value for Money).

The Cabinet Member (Finance and Value for Money) is asked to:

- a) consider any issues raised by the Scrutiny Co-ordination Committee

3 Background

3.1 The Cabinet Member and Members of Scrutiny Co-ordination Committee will be aware that the VfM Partnership with PricewaterhouseCoopers was established in October 2007, to achieve the following outcomes for the Council:

- specific service improvements to meet the changing needs of its customers, and the future demand for its services,
- sustainable efficiencies and cost reductions to meet the financial challenges it faces,
- ensure members and officers benefit from external challenge and experience from outside the authority, and
- give staff the opportunity to learn new skills.

4 Progress in undertaking VfM reviews

4.1 Members will also be aware that the Value for Money Programme has been subsumed by the broader Transformation Programme which is described in section 6 below. A number of the reviews, begun as part of the VfM Programme, have now become part of the Transformation Programme. They are subject to regular progress reports to the Transformation Programme Board, and these reports are circulated informally to the Cabinet Member and Members of the Scrutiny Co-ordination Committee. A summary of current progress is set out below for completeness.

COMPLETED REVIEWS:

- 4.2 **Services for Young People:** This review was designed to establish clarity over the resourcing available to the Council from mainstream and external project funding for services for young people, and how best this might be configured to deliver the Council's key outcomes for young people. The review is now moving into implementing staffing changes, reducing the clerical team, making savings on sessional contracts and adjusting the full-time youth worker establishment. In addition, the service has identified a number of areas of work which can be subject to external commissioning, and service specifications are being prepared. Savings have already been deducted from the CLYP budget.
- 4.3 **Procurement:** The objective of this review was to help to reduce, avoid or better control the Council's spending with external providers/suppliers. Good progress has been made on a number of work-streams - publicity, print and photocopying, venue management, postage, and mobile phones, designed to deliver quick win savings opportunities from our procurement arrangements. A report is in the process of being prepared on the approach the Council needs to take to improve its approach to strategic procurement, which will then open up possible opportunities for further savings.
- 4.4 **Fees and Charges:** The purpose of this review was to establish an over-arching policy framework for the Council, to guide and influence the setting of fees and charges in the future, and also identify where there are opportunities for income generation by the Council from discretionary charging and/or commercial activities. A draft policy framework has been developed which will be considered by members in due course, and the budget for 2009-10 included some significant income increases which derived from this review.
- 4.5 **Operational/Support Services:** This is a large scale and complex review which has focused on the whole range of administrative processes within Directorates, in order to

identify opportunities for streamlining and achieving efficiencies; end to end service transaction processes (using business process review methodologies) to improve our interaction with customers (both access and service delivery); and the ways in which professional advice is provided by the Council's corporate support services (Finance, HR, IT and Legal Services). It has now been subsumed by the development of the Transformation Programme, and is described below.

- 4.6 **Debt Management and Income Collection:** The purpose of this review is to assess how well the Council's debt collection is managed, making comparison with best practice models, and identifying options for service improvement. A programme of quick wins is in place to improve collection and reduce the level of bad debts; some other changes are dependent upon investment in upgraded IT systems, which have yet to be programmed. Work on the review of the cash collection arrangements is progressing well – several options for future service delivery have been costed, and sensitivity tests are being undertaken to test the assumptions made. Options for future service delivery are to be considered at the Transformation Programme Board at its meeting on 15th July.
- 4.7 **VAT:** The purpose of this review is to identify whether there are opportunities for the Council to reclaim overpaid VAT, as a result of re-interpretations of complex VAT legislation. This review is being conducted on a no gain/no fee basis, and two claims, for £0.4m and £0.6m respectively, have been made to Her Majesty's Revenue and Customs. To date, the Council has received repayments of £436,000, on which PwC will levy a 5% fee (£22,000 of which £13,000 has already been paid).
- 4.8 **Children's Transport:** This review is taking forward the recommendations of an internal VfM review already undertaken on transport for looked after children and children with special educational needs. Its purpose is to implement technical and operational changes to improve the economy and efficiency of the service. Whilst some technical and operational changes have been implemented, it has been decided that the transport commissioning function may be better delivered by CYLP (it is currently located in City Services). A small group has been established to consider this change. At the same time, Scrutiny Board 2 is supporting the review by considering options for changes to children's transport policies. The costs and benefits of these options are currently being assessed so that Scrutiny Board 2 can progress its work.
- 4.9 **Consolidation:** This review is seeking to make the Contact Centre fit for purpose, moving towards the use of common processes and IT, which will allow more services to be moved to the Contact Centre in the future, and enable the functions in the back office to be transformed to deliver savings. A new front office process model has been determined, new web content standards agreed, and new business requirements established to cover those services for which customer contact is already being handled by the Contact Centre, and a programme of further service migrations is being prepared.
- 4.10 **Administration and Business Support:** The purpose of this review, building on the work already done in the review of Operational/Support Services, is to examine business support and administration across the Council in order to develop a target operating model which can be adopted to deliver efficiency and effectiveness improvements in all Directorates. At the present time work is being undertaken to investigate, understand and document "what the Council currently does".
- 4.11 **Grounds Maintenance and Street Cleansing:** This project, the first to adopt a fundamental service review methodology created jointly by the Council and PwC, is aiming to improve the customer experience, make it easier for customers to access, and develop the most cost effective way to deliver grounds maintenance and street cleansing services. It is building on the review work already completed in the Operational/Support Services

review, and also the Consolidation project (see 4.9 above). It is subject to a risk and reward commercial arrangements, which is considered further in paragraph 7.4.

4.12 The costs incurred or committed on these projects and the savings included in the 2009 -10 Budget were set out in your March progress report – these have been updated in the next section.

5 Costs and Savings – Current Position

5.1 Summary of Projected Costs and Savings

<u>Project</u>	<u>Fees Paid</u>	<u>Fees Committed</u>	<u>Savings included in Budget for 2009 -10 derived from VfM Programme of Reviews</u>
Establishment of Programme Management Office	£000 41	£000 NIL	
Services for Young People	67	NIL	<ul style="list-style-type: none"> • implementation of services for young people review - £110,000 (savings of £250,000 ongoing included in 2008-09 budget) • Total Savings in 2009-10 - £360,000
Procurement	56	NIL	<ul style="list-style-type: none"> • looked after children fostering framework - £80,000 • procurement opportunities: venue management, printer rationalisation, mobile phones and publicity - £200,000 • stationery and photocopying savings – £47,000 • Total savings in 2009-10 - £327,000; (£327,000 in a full year)
Fees and Charges	NIL	20	<ul style="list-style-type: none"> • bereavement services additional charges - £40,000 • social care charging - £448,000 • car parking charges - £450,000 • social care: blue badge charging - £90,000 • Total Savings in 2009-10 - £1,028,000; (£1,118,000 in a full year)
Operational/Support Services – this was the initial study comprising: strand 1 - data gathering strand 2 - end to end service review strand 3 - professional services target operating model	248	NIL	<ul style="list-style-type: none"> • grounds maintenance commissioning and service delivery arrangements - £56,000 • street cleansing and grounds maintenance end to end service review - £70,000 • human resources review - £100,000 • financial management review - £119,000 • review of waste collection service - £200,000 • Total Savings in 2009-10 - £545,000; (£682,000 in a full year)

<u>Project</u>	<u>Fees Paid</u>	<u>Fees Committed</u>	<u>Savings included in Budget for 2009 -10 derived from VfM Programme of Reviews</u>
Debt Management and Income Collection	68	37	<ul style="list-style-type: none"> • accounts payable cashflow and discount savings - £120,000 • cashflow savings from reducing level of debt - £40,000 Total savings in 2009-10 - £160,000; (£160,000 in a full year)
Value Added Tax	13	subject to no win/no fee arrangement	
Children's Transport	NIL	86	
Consolidation (Contact Centre)	57	135	
Administration and Business Support Services – which is closely aligned to, and a follow up review to the Operational/Support Services review (above)	NIL	149	
Grounds Maintenance and Street Cleansing – fundamental service review	NIL	This project is being undertaken on a "Risk and Reward" commercial basis by PwC. There is anticipated to be a one off fee that is covered in the first year of the ongoing saving stream.	

<u>Project</u>	<u>Fees Paid</u>	<u>Fees Committed</u>	<u>Savings included in Budget for 2009 -10 derived from VfM Programme of Reviews</u>
TOTAL	550	427	Total savings in 2009-10 -£2,420,000; (£2,647,000 ongoing per year in a full year)

6 Future Development of the VfM Programme

- 6.1 The Council's Transformation Programme was launched in June 2009, responding to the new challenges faced by the whole of the public sector. It recognises that, whilst the Council is rated as a four star authority by the Audit Commission which reflects how far the Council has improved over recent years, a new and radical approach to the way we work is required to continue to improve services.
- 6.2 Under the banner of **abc**, "A Better Council, A Bolder City" the overall objectives of the Transformation Programme are:
- a) to achieve better value for money, measured by reductions in the costs of delivering services
 - b) to provide better and consistent customer services, measured by a reduction in avoidable contacts
 - c) to develop and deliver real culture change across every level of the organisation, and
 - d) to invest in new technologies where appropriate to support service delivery.
- 6.3 Council taxpayers are – quite rightly – expecting more from the Council. It, like other public sector organisations, faces difficult financial pressures now and into the medium term, and has a unique opportunity to make changes to the way it delivers services. The recession means there are more demands on the Council's services, and at the same time the government is expecting all Councils to do more for less. Standing still in the current economic climate is not an option – so the Council has to find new ways of making progress.
- 6.4 In the future, the Council has to be flexible, fleet of foot, and at the forefront of change in public services, with a smaller workforce, which is based in fewer locations, and harnessing the power of technology to work more flexibly and efficiently. With council taxpayers expecting more from the Council, it needs to review all services to identify how service improvements can be made and how costs can be reduced. The Transformation Programme Board is developing a programme of further fundamental service reviews, which will take into account the experience gained from the review of grounds maintenance and street cleansing, and deliver the **abc** objectives.
- 6.5 Clearly, beyond the confines of the projects being undertaken directly and jointly by the Council and PwC, there are many other service reviews and service change projects being undertaken, both corporately and at individual Directorate level. One of the key issues for the Council to manage is the relationship between all these projects/reviews and the need to ensure that they are aligned to the overall objectives of the Transformation Programme, and consistent with the plan to migrate services to the Contact Centre.
- 6.6 The Transformation Programme Board is compiling an overall Programme of service reviews in response to this key issue, and as a consequence, is increasing the number of project progress reports it receives. These are also

being circulated to the Cabinet Member and Members of Scrutiny Co-ordination Committee in accordance with established practice.

7 Other specific implications

7.1

	Implications (See below)	No Implications
Neighbourhood Management		✓
Best Value	✓	
Children and Young People		✓
Comparable Benchmark Data		✓
Corporate Parenting		✓
Coventry Sustainable Community Strategy		✓
Crime and Disorder		✓
Equal Opportunities		✓
Finance	✓	
Health and Safety		✓
Human Resources		✓
Human Rights Act		✓
Impact on Partner Organisations		✓
Information and Communications Technology		✓
Legal Implications		✓
Property Implications		✓
Race Equality Scheme		✓
Risk Management	✓	
Sustainable Development		✓
Trade Union Consultation	✓	
Voluntary Sector – The Coventry Compact		✓

Financial Implications

- 7.2 Members will be aware that the over-riding financial principle for the Value for Money Partnership was that its costs would be funded in the due course of time from the efficiency savings which it achieved. As most of the savings delivered would be ongoing, whereas the fees paid to PwC are once-off, in the medium term, savings would be available to contribute to the Council's financial position. A sum of £0.7m was initially made available from corporate reserves to pump prime the Programme.

- 7.3 As the financial table in paragraph 5 above demonstrates, significant savings have been built into the Council's 2009-10 budget, derived from the former VfM Programme, which will both pay for all the costs incurred and make a significant contribution to delivering a balanced budget. These total £2.4m in 2009-10. However, as these have been used to contribute to the balancing of the 2009-10 Budget, and in the future to contribute to the medium term financial position, they are not available to either repay the original pump priming investment or pay for future Partnership reviews.
- 7.4 All the reviews which were started under the former VfM Programme are being funded by the initial pump priming reserve, with the exception of the fees for the VAT review which are being met from the repayments from HMRC. This leaves the Consolidation review, which is being funded from revenue resources being provided by the Improvement and Efficiency Partnership West Midlands, as part of its Transformation Programme; the Administration and Business Support review, which is being paid for from the VAT repayments; and the Grounds Maintenance and Street Cleansing review, which is a risk and reward commercial arrangement. Part of the fees (£90,000) is based on milestone payments, and will be met from the VAT receipts. Any further fees, which are at risk, will depend upon the outcomes of the project being acceptable and implementable, and will be met from savings delivered.
- 7.5 As the Transformation Programme is ongoing, and further reviews will be commissioned, also on a risk and reward basis, the Council will need to maintain strong governance arrangements, and manage the short term financial impact of PwC fees, until savings are realised.

Best Value

- 7.6 The City Council is committed to delivering value for money through the improvement of the economy, efficiency and effectiveness of its services. The proposal to appoint a Partner increased the Council's capacity to undertake service reviews in ways which are consistent with the Council's Value for Money Strategy, and which are delivering service improvement and cost reduction. The Transformation Programme is a major step forward in the Council's ambition to improve customer access, improve service delivery and reduce costs.

Human Resources

- 7.7 Full consultation will take place with employees about any service change issues and the Security of Employment Agreement will apply where appropriate.

Trade Union Consultation

- 7.8 Full consultation will take place with trade unions about any service change issues and the Security of Employment Agreement will apply where appropriate.

Risk Management

- 7.9 The Programme in total, and specific projects within the Programme, are subject to a number of key risks, which are being managed. Risk management arrangements are in place, and risks are regularly monitored.

8 Timescale and expected outcomes

	Yes	No
Key Decision		No
Scrutiny Consideration (if yes, which Scrutiny meeting and date)	25 th July 2009	
Council Consideration (if yes, date of Council meeting)		No

List of background papers

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Papers open to Public Inspection

Description of paper

Location

Nil