

Report to

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

25th November 2009

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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 last of these progress reports was presented to you on 22nd July.
- 1.2 This report provides a further update and includes the progress made in pushing forward the abc 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 July,
- 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 was incorporated into the broader Transformation Programme, progress against which is described in section 6 below. Current Programme reviews are subject to regular progress reports to the Transformation Programme Board. A summary of current progress is set out below for completeness.

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 well advanced towards implementation, with changes made independent of youth workers in post, the commissioning specification completed, and an expectation that the commissioning contract will be in place by April 2010, reshaping of admin roles complete and work on changes to part-time contracts in progress. 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. Corporate Management Board received a report in September outlining a Plan and Methodology for the delivery of joint procurement savings (Coventry and Solihull) based upon a new approach to strategic procurement.

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 policy framework has been developed which was approved by Cabinet on 22nd September, and a sub group of the Corporate Management Team is now working through the practical issues to ensure consistent practice is adopted across the Council.

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). Whilst the bulk of the review has now been subsumed by the development of the Transformation Programme, and is described in paragraph 4.10, work continues to further develop the ways in which professional advice is provided by the Council's corporate support services.

- 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 is progressing well on the consideration of alternative methods of cash collection, aligned to the Council's vision of moving towards increasing the use of electronic transactions.
- 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 repayments of £1.671m have been received from Her Majesty's Revenue and Customs. PwC fees on this total amount to £0.257m leaving £1.414m to support the Transformation Programme and the Council's financial position generally. This has been a very successful outcome for the City Council, and there is the possibility of further repayments of up to £0.3m.
- 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 should be relocated to CYLP (it is currently located in City Services and Development) – and the move is scheduled for January 2010. 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 sought 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. The project is completed, having gone live on 7th September. Initial measurements show that call lengths in the Contact Centre have fallen by 10%. A programme of further service migrations to the Contact Centre has been agreed and is in progress (see below). A further piece of work (Consolidation 2) is in progress to make further service improvements in the Contact Centre.
- 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. Work to collect information across all Directorates on "what the Council currently does" has been completed, and initial high level design principles proposed. These include process automation, consistent administration support across the Council, standardisation of ways of working and of IT systems, and process design which incentivises usage. Work is now in progress to both challenge these high level design principles, and develop the business case for change.

- 4.11 **Grounds Maintenance and Street Cleansing:** This project was the first to adopt a fundamental service review methodology created jointly by the Council and PwC, and is aiming to develop the most cost effective way to deliver grounds maintenance and street cleansing services. Work is well advanced on the development of a new way of delivering the service – area based with mixed skill teams – and considering the delivery options available to the Council.
- 4.12 A number of further Fundamental Service Reviews have commenced, for Operational Property and Facilities Management, Catering, Corporate Transport and Building Control. These will follow the methodology being piloted by the Grounds Maintenance review, each with the broad objectives of delivering service improvement and cost reduction, and each aligned to the Council's Transformation agenda. In addition, a Migration project has also commenced to prepare for the transfer of the "front office" of more services to the Contact Centre, building on the work already done by the Consolidation projects.
- 4.13 The costs incurred or committed on these projects and the savings included in the 2009 -10 Budget are set out in the table in section 5 below.

5 Costs and Savings of Partnership Projects – Current Position

5.1 Financial Summary of Partnership Projects 2007-2009

<u>Project</u>	<u>Total Fees Committed</u>	<u>Fees Paid to date</u>	<u>Comments</u>
Services for Young People	67	67	<ul style="list-style-type: none"> Savings deducted from 2009-10 budget - £360,000
Procurement	56	56	<ul style="list-style-type: none"> Savings deducted from 2009-10 budget - £327,000
Fees and Charges	20	20	<ul style="list-style-type: none"> Savings deducted from 2009-10 budget - £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	248	<ul style="list-style-type: none"> Savings deducted from 2009-10 budget - £545,000; (£682,000 in a full year)
Debt Management and Income Collection	105	68	<ul style="list-style-type: none"> Savings deducted from 2009-10 budget - £160,000
Value Added Tax	257	257	<ul style="list-style-type: none"> subject to no win/no fee arrangement £1.671m repaid to Council
Children's Transport	88	88	
Consolidation 1 (Contact Centre)	187	187	
Administration and Business Support Services – which is closely aligned to, and a follow up to the Operational/Support Services review (above)	149	0	

<u>Project</u>	<u>Total Fees Committed</u>	<u>Fees Paid to date</u>	<u>Comments</u>
Grounds Maintenance and Street Cleansing – fundamental service review	90	9	This project is being undertaken on a "Risk and Reward" commercial basis by PwC. Milestone payments have been agreed at £90,000, and any further fees are subject to the delivery of benefits
Operational Property and Facilities Management – fundamental service review	0	0	This project is being undertaken on a "Risk and Reward" commercial basis by PwC, details of which are being worked up.
Building Control – fundamental service review	0	0	This project is being undertaken on a "Risk and Reward" commercial basis by PwC, details of which are being worked up.
Catering – fundamental service review	0	0	This project is being undertaken on a "Risk and Reward" commercial basis by PwC, details of which are being worked up.
Corporate Transport – fundamental service review	0	0	This project is being undertaken on a "Risk and Reward" commercial basis by PwC, details of which are being worked up.
Consolidation 2 (Contact Centre)	12	0	
Migration (of front office services to the Contact Centre)	262	0	
TOTAL	1,541	1,000	

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 The fundamental service reviews and the Migration project mentioned above are the first tranche of projects being delivered by the Transformation Programme.
- 6.4 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. A Programme Office has been established within the Chief Executive's Directorate to manage the relationship between all these projects/reviews and 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.

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		✓

	Implications (See below)	No Implications
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, and there is an expectation that significant further savings will be delivered by the Transformation Programme over the next few years, which will both pay for all the costs incurred and make a significant contribution to delivering a balanced budget.
- 7.4 The table in section 5 identifies commitments made of £1.541m of which payments of £1.000 m, have been made. These costs are being funded from the combination of underspendings, VAT sums reclaimed, and a contribution of £175,000 from Improvement and Efficiency West Midlands.
- 7.5 As the Transformation Programme is ongoing, and both the newly commissioned reviews and further reviews in the future will incur risk and reward payments, the Council will need to maintain strong financial management of the Programme, 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 November 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

NONE