

10.00am, Thursday, 25 June 2015

Council Transformation Programme: status report

Item number	8.2
Report number	
Executive/routine	
Wards	All

Executive summary

This report provides the City of Edinburgh with a single, consolidated update on progress against delivery of the Council Transformation Programme and related initiatives.

The report sets out the Future Operating Model and associated structures. It provides status updates on key workstreams. It also sets out the detail of a proposed career transition service and seeks approval to begin consultation on revised voluntary early release arrangements and redundancy procedures.

Links

Coalition pledges	P30
Council outcomes	CO25
Single Outcome Agreement	SO1, SO2, SO3 & SO4

Council Transformation Programme: status report

Recommendations

- 1.1 Note the significant strategic and financial challenges outlined in this report;
- 1.2 Note and endorse the revised Future Operating Model, which sets out how *Organise to Deliver* will work in practice, and which will be implemented as a priority;
- 1.3 Note the progress updates on the programme business cases as outlined in this report;
- 1.4 Note that the Asset Management Strategy business case will be presented to the Finance and Resources Committee in August 2015;
- 1.5 Note that service prioritisation options will be presented in line with budget engagement timescales.
- 1.6 Approve the commencement of consultation on the revised Voluntary Early Release Arrangements (VERA) and Voluntary Redundancy (VR) terms and note the detail of the proposed Career Transition Service; and
- 1.7 Note the implementation plan and approach to resourcing that plan going forward.

Background

- 2.1 The Council continues to operate in a challenging environment with increases in demand for services within ongoing financial constraints. In response, the Council has developed a transformation programme aimed at building a lean and agile organisation, centred on customers, services and communities.
- 2.2 In December 2014, the Chief Executive's report, *Organise to Deliver*, set out how the Council needed to be transformed in order to better equip it to implement a new approach to service delivery and to manage the financial challenge ahead.
- 2.3 On 15 January 2015, the Finance and Resources Committee approved four business cases, which collectively targeted a £49 million saving over the period to 2019/20, aligned to the proposed new delivery model. Two further business cases on workforce strategy and asset management have since been developed.
- 2.4 In order to understand the cumulative impact of these business cases, including costs and benefits and how they would move the Council towards the strategic

ambitions set out in *Organise to Deliver*, the Transformation Programme has developed a Future Operating Model. This sets out the next level of detail about how the Council will work in the future.

- 2.5 This report provides a progress update on a number of areas of the Transformation Programme, in particular:
- The proposed Future Operating Model and corporate structure;
 - Progress made in the main workstreams;
 - Proposed changes to the Council's current voluntary release policy and the introduction of a career transition service;
 - The implementation plan and requirement to develop in-house transformation capability.

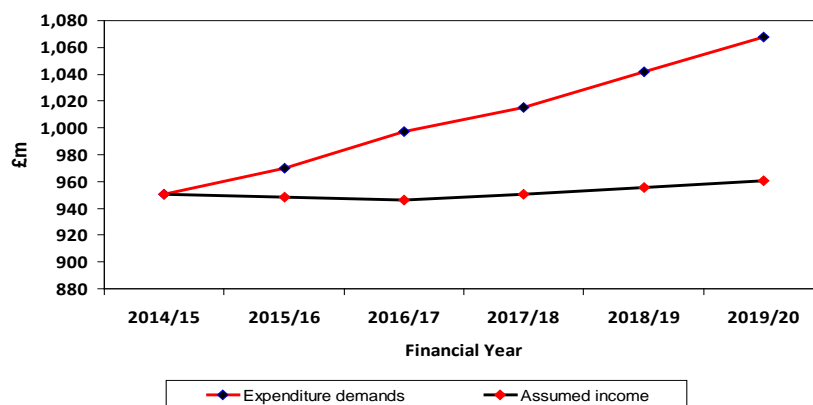
Main report

Financial and Strategic Challenges

- 3.1 The Council is facing significant financial pressures due to a number of key challenges.
- 3.2 More people require Council services, with particular growth in demand for services for young and older people where costs are greatest. Increasing demographic-led demand is placing an extra £10 million pressure on the Council every year.
- 3.3 Despite recent economic difficulties, like all areas of the economy, Council services continue to be subject to the effects of inflation. In 2015/16, the Council's budget included over £10 million in respect of inflationary uplifts relative to the previous year.
- 3.4 In addition to this, changes arising from welfare and pension reform have reduced the Council's income or increased its costs. Revised National Insurance arrangements from April 2016, for example, are expected to add up to £10 million to the Council's employee costs in 2016/17.
- 3.5 Finally, the Council's combined level of income from Government Grant and Council Tax has fallen by almost 20% in real terms since 2010/11 and a reduction of 0.5% p.a. in Government Grant has been assumed for the next three years.
- 3.6 The Council's forecast deficit is significant - current projections are for a gap of at least £107 million between available resources and projected expenditure by 2019/20. This assumes existing pressures within Health and Social Care and Corporate Property are fully resolved.
- 3.7 While the extent of the financial challenge facing the Council is undoubtedly substantial, significant efficiencies have nonetheless been made in recent

years. Approval of the three most recent years' revenue budgets has been underpinned by the delivery of almost £80m of recurring annual savings. These savings have maximised the level of investment available for frontline services and allowed the Council to continue to make additional financial provision for the effects of demographic change upon its services.

3.8 The scale of the financial challenge is outlined in the graph below.



3.9 There are four key risks that could make the financial gap even greater:

- Worse than predicted grant settlements, including any adverse effects from the UK Government budget on 8 July 2015;
- Failure to deliver savings agreed in previous year's budgets;
- Unresolved pressure and overspends in Health and Social Care and Asset Management;
- Increased demographic pressures beyond the level currently provided for.

3.10 In addition to the financial pressures facing the Council, there are a number of further strategic challenges, including public sector reform, population change, increasing service demands, rising customer expectations and Health & Social Care Integration. There are also a number of internal challenges around Property and Asset Management, Health and Social Care and the management of complaints, the role of the Council and its relationship with citizens and stakeholders and the Council's culture, communication and engagement.

3.11 The financial strategy to close the identified budget gap consists of four main elements:

- Control current overspends;
- Deliver previous year's savings commitments;
- Transformation savings; and
- Service prioritisation.

3.12 All four of these elements will need to be delivered, with service prioritisation measures representing the last line of defence. A shortfall in the savings achieved through any one of these measures will require increased savings to

be identified elsewhere. Bolder transformation savings will diminish the need for more severe service reductions – and vice versa.

- 3.13 The scale of the identified budget gap represents a significant challenge for the organisation and will require difficult decisions to be made in order that the Council can change how it operates, focus on outcomes and live within its financial means.

Future Operating Model

- 3.14 *Organise to Deliver* provided the foundations on which the Future Operating model has been built:
- being **outcomes focussed** so that decisions about what the Council does and how it does it are based on which choice makes the best contribution to the Council's priority outcomes;
 - delivering services **locally** so that services are planned in, delivered in and accountable to the localities they serve and are better able to join up within the Council and with other public sector partners;
 - making **better use of digital services** so that customers have greater access, services are available at times that suit them and on devices that suit them;
 - **Consolidating** our services in the customer functions and the back office support functions so they are more efficient.
- 3.15 This represents a significant change for the organisation. Currently there are customer functions in a number of Directorates which are managed separately and which have relatively low levels of digital service use compared to other organisations. Although there are areas of good practice, overall services operate in different ways and based around the service provided rather than the 'whole' need of the citizen and the outcome being sought. Furthermore, back office functions are fragmented, offer an inconsistent service to the front line and create duplication.
- 3.16 *Organise to Deliver* provided the direction to change the operating model, including the Directorate structure and the agreement with public sector partners to move to a common, **four locality geography for Edinburgh**.
- 3.17 Four workstreams were launched to deliver the business case for the changes needed to move towards the new operating model: Citizens and Localities Services, Business and Support Services, Channel Shift and Third Party Payments. Given the interdependencies between these workstreams and the need to understand the total impact on the organisation, they are managed as one Transformation Programme. The individual projects which make up the whole programme are shown in Appendix 1.
- 3.18 The Transformation Programme produced an overall Future Operating Model to bring together and understand what the changes will mean for the Council, in

particular given the dependencies between them and the need to help deliver an affordable Council. In addition, the programme has added further workstreams to focus on further opportunities within Asset Management and to be responsible for the impact across each workstream in areas such as Finance, Organisation Design, Workforce Strategy and Communications.

3.19 The Future Operating Model has been developed from a high level view (the 'Blueprint') into a detailed design that sets out the key characteristics of the future Council, including:

- The **design principles** that will underpin all future change and business cases;
- The **future structure**, built from the Director posts agreed in *Organise to Deliver* and set out to the next two management tiers;
- Describing how the council will **work in practice** when the business cases are applied to the organisation.

3.20 There are a number of benefits to implementing the Future Operating Model:

- It will deliver a **less hierarchical structure** with fewer layers of management
- A **single geography** for all services improving partnership working and our ability to measure outcomes
- **Reduced duplication** of back office functions, reducing costs and providing a more consistent service to the front line
- **Clear accountability** so that whilst services will be increasingly joined up around the customer, there will be clear and single responsibility for quality and cost within services
- Greater **customer confidence and use of digital channels** resulting in better access, reduced waiting and processing times
- A shift to more **community and partnership leadership**

3.21 In practice the Future Operating Model will create four distinct and focussed service groups:

- Customer and citizen contact
- Locality services
- City-wide services
- Business and support services

3.22 **Customer and citizen contact** will bring together the first point of contact from customers into one customer service team, working across the whole of Edinburgh. They will be responsible for dealing with customer enquiries and where possible resolving them at the first point of contact. Where the issue requires more specialist service support, or a face to face visit, the customer service team will transfer the contact across to the relevant service.

- 3.23 The team will be responsible for supporting a reduction in the number of contacts received through more expensive routes such as face to face and telephone by making more use of digital channels, including the website that works across all digital devices (such as mobile phones and SMART TV).
- 3.24 **Locality services** will be grouped and managed under four geographic areas common to both Council and other public sector organisations within Edinburgh. The Localities will be supported by the 12 Neighbourhood Partnerships. This will support greater integration within the Council and externally with partner services so that we can make the most of our collective efforts to improve outcomes. It will also improve our ability to support citizens who have multiple and complex needs in ways that focus on them rather than the different service providing support.
- 3.25 Executive Directors will have two key responsibilities which are reflected in the leadership roles. Firstly, **responsibility for the cost, quality and performance of the service, which will remain with Directorates as it does today.** Secondly, there will be a responsibility to drive integration within the Council and externally with partners to deliver better outcomes and take opportunities to improve services.
- 3.26 As part of this second responsibility, Executive Directors within the Council will each have 'locality' leadership roles.
- 3.27 **City wide services** will work on a 'whole Edinburgh' basis rather than being dedicated to, or managed by, any one locality. Services will work on a city wide basis where it does not make sense to break them up into four localities, for example, where there is a need for consistency, because of economies of scale or where the demand for the service does not easily fit into locality model.
- 3.28 City wide services will be responsible for service cost, quality and performance as is currently the case, but will be 'shaped' to a greater degree by the knowledge of community priorities and needs supplied by the locality management. For example, some specialist city wide services will be referred to and commissioned by the locality teams.
- 3.29 **Business and support services** will be consolidated so that teams currently providing 'support' activity within Directorates are all brought together into one team. This will reduce duplication and allow for greater consistency and professional services to the front line.
- 3.30 Teams providing support to the front line will work across the City. Front line staff will be seen as customers of the business and support functions with client relationship roles part of the business support function, to ensure that front line service needs are understood and met.
- 3.31 The summary view of the future model is provided in Appendix 2.

Future Operating Model Structure

- 3.32 The Future Operating Model will require a major change in leadership and culture within City of Edinburgh Council. This is reflected in the introduction of different leadership roles to support service integration and an increased outcome focus in performance and risk management. Alongside this, budget responsibility and accountability will continue in line with the current model to ensure there is no reduction in financial oversight and control in moving to the future model.
- 3.33 The Future Operating Model structure builds on the Director roles which were described in *Organise to Deliver* and includes the next tier of detail, including consideration of the relationship between locality based teams and locality management.
- 3.34 Appendix 3 sets out the overall Future Operating Model corporate structure. This includes proposing new leadership roles for Directors to reflect the locality model.
- 3.35 Currently Director roles are purely functional – i.e. they are accountable for service performance, risk, quality and budget for their own services. In the proposed future structure, Directors will combine this accountability with a locality leadership role. These are described below:
- 3.36 **Locality Leader** - the Executive Director of Communities and Families will be the overall Locality Leader, with responsibility for leading integration across Edinburgh. This means responsibility for:
- Overall leadership and direction of locality model
 - Ensuring consistency of approach across all four localities
 - Ensuring effective integration of services across the four localities
 - Facilitating communication between the Head of Service in each locality and the Executive Directors to encourage joined up, cost efficient working, best practice in service delivery and quality assurance.
- 3.37 **Locality Champion** - Executive Directors of Communities and Families, Place, and City Strategy & Economy and the Chief Operating Officer will each have responsibility for driving integration within one of the localities. This means responsibility for:
- Providing visible leadership of the locality
 - Ensuring the various functional locality services are effectively integrated
 - Work with the Locality Leader and work alongside the other Executive Directors to prevent silo working
- 3.38 Further, the next tier of management below Directors ('Tier 2') will also have locality management responsibilities. At each locality there will be a management team of one Tier 2 from each Directorate i.e. in each locality there

will be a Tier 2 from Place Services, Communities and Families, City Strategy & Economy and the Chief Operating Officer's Directorate. They will be supported by a 'locality client' role within Business and Support Services and will work with other community planning partners.

- 3.39 To provide clear accountability, one Tier 2 manager will be the lead among the locality management team. This will mirror Directorate Locality Champion roles e.g. Place Services Executive Director and Place Services Tier 2 manager will be the South East leads.
- 3.40 Note the future structure includes a Director of Culture. This is the only Director role beneath the Executive Directors and reflects the high profile and critical importance of culture within the City of Edinburgh's strategic plans.
- 3.41 This new structure targets a 25% reduction in management costs in the Citizens and Localities Services workstream in order to protect front line services and to meet the targeted savings for 2016/7 from the Transformation Programme. This is projected to deliver £12 million in savings. Process reviews and improvements within Citizens and Localities workstream are projected to deliver a further £4 million in savings. The restructuring across the Business and Support Services workstream is projected to deliver £9.1 million in savings, whilst the Channel Shift workstream is targeting a further £5.9 million. This equates to a reduction of 946 FTE in total across the three workstreams.
- 3.42 The savings are being delivered through reducing the number of management layers to a target of 5; increasing the number of staff managed by each manager by adopting a more consistent approach; and consolidating services under a streamlined management team.
- 3.43 Programme Business Case Updates
- 3.44 A summary of progress for each of the business cases within the Transformation Programme is provided below as follows:
- Business and Support Services
 - Citizen and Locality Services
 - Third Party Payments
 - Channel Shift
 - Asset Management
- 3.45 Further to this, the Activity Analysis (which is working across the whole Council to identify the baseline effort and to obtain and shortlist the opportunities) is now approaching conclusion and will provide the starting point for process improvement business cases.

Business and Support Services (BSS)

- 3.46 Currently the Council has business and support services within a number of Directorates as well as Corporate Governance. The ambition is to move to a full

'shared service' support model which brings together support provided to front line customers into one Directorate and one consistent model and to remove business support activity from service Directorates.

3.47 The workstream aims to move to this future state in three stages:

- **Consolidate** teams and reduce management overheads
- **Improve processes** and align ways of working
- Fully implement an **Integrated Support Services Model**

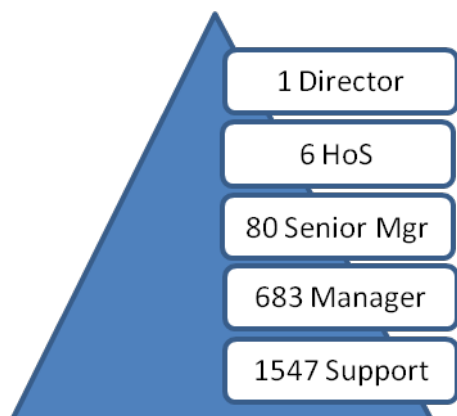
3.48 The consolidation phase of this project will bring together all staff whose role is primarily delivering support services into single teams under one management. It is anticipated that this will take place phases in order to minimise the risks and costs associated with large scale cultural change. The services in each phase are set out below:

- ICT, Performance, Strategic, Business Intelligence, Customer Services Pilot
- Legal, Commercial and Procurement, Audit and Risk, Information Management
- Committee and Member Services, Finance, Transformation and Business Change
- HR and Organisational Development, Reputation and Communications
- Business Support and Customer Services

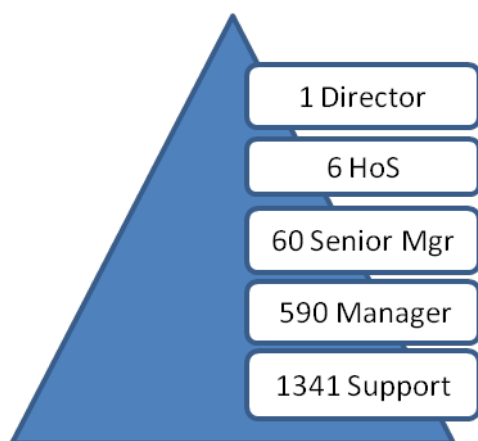
3.49 The project has identified savings across all levels of the organisation. The project business case has identified 11.5% reduction in current employee costs. Confirmation of potential additional savings will be completed over the next two months incorporating analysis from the current state assessment and high level organisation design phase of the project.

3.50 The estimated impact on the organisation design is set out below:

Current



Future



3.51 This equates to a 25% reduction at senior management level, a 14% reduction at management level and a 13% reduction at support level.

3.52 The proposed future state structure for BSS, the Integrated Support Services model, is set out in more detail in Appendix 4.

3.53 In the second stage, process improvement changes will come from the opportunities identified from the activity analysis process and will also include identifying and supporting the business support requirements from the Integrated Joint Board for Health and Social Care.

3.54 In the third stage, the new service model will be operational. This will include considering the opportunities to link up and jointly deliver business support activities to, or receive them from, other public sector providers.

Citizen and Locality Services (CLS)

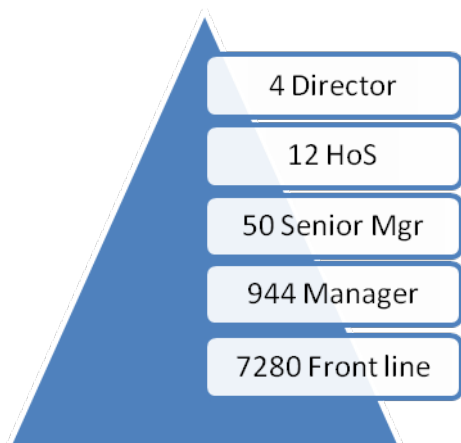
3.55 Currently there is no distinction between locality and city wide services, and a number of Directorates and services within Directorates work on different geographic areas. The ambition is to move to a common, four locality model that balances locality services that can be closer to the communities they serve with city wide services that for scale and risk reasons need to work across Edinburgh.

3.56 The workstream aims to move to the new model through three stages below:

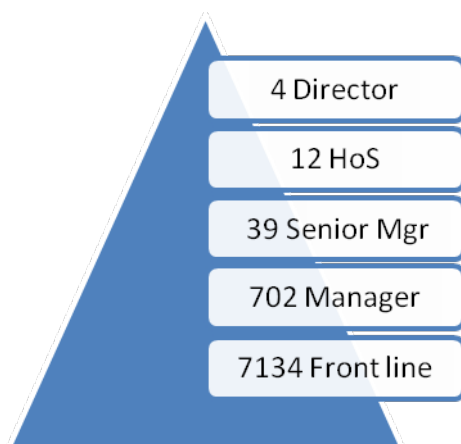
- **Consolidate** teams to the locality/city wide model and delayer management
- **Improve processes** and the integration of services within the Council and with partners
- Fully implement the **locality model**, including budgeting, planning and decision making

3.57 The consolidation phase for CLS will deliver savings through the reduction of management tiers and increased spans of control. It will also mean the removal from current services of customer contact and back office support activity. The estimated impact on the organisation design is shown in the diagram below.

Current



Future



Changed from 46 Senior Managers to 39.

- 3.58 This equates to an 22% reduction at senior management level, a 26% reduction at management level and a 2% reduction at front line level.
- 3.59 The proposed model is set out in more detail in Appendix 5.
- 3.60 Process improvement proposals for CLS are being developed through activity analysis and will be taken forward through business cases in 2015/16, to deliver full year savings in 2016/17.
- 3.61 Proposals for the future service model are being developed in parallel with the activity analysis and in line with the work on Health and Social Care integration. The future model – which determines how locality and city wide services will operate in practice – will be developed to ‘go live’ in the 2016/17 financial year and will include:
- Joint planning and budgeting arrangements with partners; and
 - Multi-disciplinary teams with single assessment and decision-making.

Payments to Third Parties

- 3.62 The scope this workstream is to reduce £10.8 million by 2017/8, from a total of £107 million. Currently these payments are made through one year funding arrangements, with little focus on outcomes, minimal scrutiny by Executive Committees and little co-production with partners.
- 3.63 The aim is to better tie the investment we are making in these areas to the outcomes the Council is seeking to achieve.
- 3.64 Proposed savings reductions for the financial year 2016/17 are being developed by Directorates and are being taken forward under existing governance arrangements.
- 3.65 The changes to how this function works in the future are set out below:
- 3.66 Consolidation - grants and contracts officers are currently managed in different locations across the Council and with different ways of working; the project is exploring co-location all officers in one Grants and Contracts Hub.
- 3.67 Process improvement - grants will be moved to three year agreements rather than annual and tied to new outcomes and focus on prevention and supporting vulnerable people.
- 3.68 Future model - all new contracts will be co produced, agreed by Executive Committees, with refreshed outcomes and providers by April 2018. They will be better linked to neighbourhood delivery and include space for third party consortiums to come forward with bids for contracts.

Channel Shift

- 3.69 The Channel shift workstream aims to reduce the cost of delivery of a wide range of Council services by shifting the channel used for customer contact to the most efficient and appropriate.
- 3.70 Channel shift is based on the following principles:
- A multi-channel approach to customer contact working from a single view of the customer;
 - Digital services available on any device;
 - One contact centre and one CRM (customer relationship management) system, handling all phone and digital contact;
 - Automated processes, built around digital, but available through other channels.
- 3.71 This workstream is based on a transaction-by-transaction change and has already seen significant benefits in delivering channel shift. To date, over 35,000 citizens have registered for a Mygovscot account and over 1,000 transactions are carried out each week. The new CRM system is now live in the contact centre and all neighbourhood offices.

- 3.72 The Channel Shift workstream has already delivered £355,000 of savings through a reduction of 17 FTE posts in 2015/16. This represents 100% of the Channel Shift savings which were assumed in the 2015/16 budget.
- 3.73 The services which will be targeted in the next financial year include: parking, licensing, public health, planning and building standards, housing, bereavement services, registrars and paperless billing.

Asset Management Strategy

- 3.74 A business case for Asset Management Strategy (AMS) is being developed as an additional workstream for the Transformation programme. This is being developed given the relative size of this function and the inability of the Integrated Property and Facilities Management (iPFM) programme to deliver the required savings which arose from a previous review of these functions.
- 3.75 The impact of failing to address this area is significant. Despite existing savings initiatives, property expenditure will exceed the Affordability Baseline by a total of £124 million throughout a 10 year baseline period set out in the AMS business case, as shown in the table below.

Financial Year		15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25
Affordability Baseline	(£M)	49.7	71.2	69.9	71.4	73.2	75.1	77.1	79.1	81.1	83.3
Prop. Expenditure Financial Baseline	(£M)	58.9	80.7	82.0	83.7	85.9	88.1	90.4	92.7	95.1	97.6
Surplus/(Deficit)	(£M)	(9.2)	(9.5)	(12.1)	(12.3)	(12.6)	(13.0)	(13.3)	(13.6)	(14.0)	(14.4)

- 3.76 Further, there are a number of challenges within this area that need to be addressed as a priority.
- 3.77 The Asset Management Strategy covers three main areas:
- Investment portfolio;
 - Estate rationalisation;
 - Asset and Service Delivery Optimisation
- 3.78 Within the estates rationalisation workstream, a number of key challenges have been identified, as follows:
- Implementation of the Future Operating Model will require further restructuring of the estate

- More could be done to make the most of opportunities to identify and deliver disposals and to maximise income generation and disposal receipts
- Although the office accommodation footprint has decreased, the size of the overall estate footprint is increasing rather than decreasing at present
- A large proportion of the estate is in poor condition with an increasing backlog of maintenance

3.79 Within the Investment portfolio workstream, the key challenges are:

- The Investment strategy is not clear and does not provide prioritisation
- The portfolio itself is very diverse compared with most investment portfolios
- The top 50 properties generate 79% of the total portfolio rental income
- A large number of concessionary rental agreements hiding true costs of awarded subsidies.
- Poor management information and outdated software systems

3.80 The key challenges within the facilities management workstream are:

- Annual costs in excess of industry benchmarks with little access to best practice
- Edinburgh Building Services (EBS) Non Housing Service is not demonstrating good level of service or value for money
- Cost data and management information is relatively poor
- Under investment in planned and lifecycle maintenance

3.81 A business case is being developed to identify and rank the options for addressing these areas, ranging from internal service delivery to consideration of an Enterprise-Wide Strategic Partnership.

3.82 The business case will be brought to Finance and Resource Committee in August 2015 following further engagement with the Capital Coalition.

Service Prioritisation

3.83 The Transformation Programme alone (as presently constituted) will not deliver the level of savings needed to close the funding gap. Further proposals to a value of at least £20 million in 2016/17, £34 million by 2018/19 and £51 million by 2019/20 must be identified.

3.84 These net savings requirements assume full delivery of all previously approved savings and management of significant current year pressures in both Health and Social Care and Corporate Property.

3.85 Although the Transformation Programme does not at this stage provide a full package of proposals to manage the entirety of the budget gap, it is still

considered essential that the already identified workstreams are progressed whilst proposals are being developed to close the remaining gap. The identified workstreams will deliver a streamlined and consolidated Council and provide a strong foundation for any future savings proposals to build on.

- 3.86 The Corporate Leadership Group has initiated, in consultation with relevant elected members, a service prioritisation-based approach taking account of key public engagement findings, in particular the relative priorities as expressed through the results of the budget planner. Directors have been instructed to develop proposals, capable of full implementation by April 2016, to a total value of £34 million.
- 3.87 These will be brought back to the August Finance and Resource Committee meeting.

Implementation Plan

- 3.88 The Transformation Programme has been designed as a single, integrated programme which pulls together all aspects of Council transformation. As such, there needs to be one single, co-ordinated implementation approach.
- 3.89 Delivering the changes safely, while reducing costs in line with the financial strategy each year and delivering the scale of transformation required, will necessitate an incremental approach where we move to the new model in three distinct stages.
- 3.90 Stage 1 is the consolidation phase which runs through the financial year 2015/16. This phase will involve the implementation of tiers 1-4 of the new management structure, with teams being consolidated and moved to the future operating model. The consolidation phase will also see a range of service prioritisation measures brought forward and reductions in payments to third parties.
- 3.91 The second stage will run through financial year 2016/17 and will involve process improvement. This stage will see the implementation of early adopter business cases and the development of further business cases for process improvement and service prioritisation. During this phase, the relationship between frontline and support functions will be strengthened and improved and the correct balance between locality and city-wide services determined.
- 3.92 The final stage is targeted for financial year 2017/18 and will see the full implementation of the new service model, with budgeting and planning arrangements in place and resources strongly focused on delivering outcomes.
- 3.93 The three stages of implementation and a more detailed roadmap for the next 12 months are set out in Appendix 6.

Implementation Resources

- 3.94 The scale of the Transformation Programme that the Council needs to undertake is considerable. It will require robust and sustainable programme management and transformation capability over the duration of the programme.
- 3.95 To date, the programme has been resourced from a mix of in-house staff, contractors and consultancy support. The aim is to build a sustainable, in-house team that is properly equipped to deliver the Transformation Programme for the Council and reduce reliance on third parties.
- 3.96 The functions within the programme are as follows:
- The core transformation team – containing the SRO, the Programme Director and the Programme Management Office
 - Cross cutting programme roles – containing organisation design and workforce, communications and finance
 - Workstreams teams – channel shift, payments to third parties, community and neighbourhood services, business and support services and asset management.
- 3.97 This transformation core team would provide the leadership, project support and project management, change expertise and corporate project reporting across all major projects. These projects will still need Senior Responsible Officers (SROs), input from Council professional functions such as Finance and the involvement of service and technical expertise specific to the project – which will on a case to case basis, require internal and external resources.
- 3.98 Council is therefore asked to note the proposed implementation plan along with the requirement to build a stronger in-house transformation capability, supported by external resource where appropriate.

Workforce Transition and Voluntary Release Terms

- 3.99 The size and scale of the transformation programme requires policies and processes which are affordable if the contribution to the £107 million cost savings is to be achieved. It is therefore proposed that the current Voluntary Early Release Arrangements (VERA) and Redundancy Procedures should be reviewed in order to facilitate a cost effective and timely reduction of the workforce, which will contribute to the overall savings required.
- 3.100 To help achieve the strategic objectives of the Council, the proposed policy has been developed around some guiding principles; it should create an incentive for employees to exit at the earliest stage if desired, therefore a time restricted and attractive package should be the first offer. The terms should then gradually reduce to encourage an earlier exit, thus saving costs on the salary bill. In line with some other Scottish Councils, those with access to pension would receive reduced terms, in order that there is no windfall, assisting financial viability. Equally, those on the lowest wages could benefit from a slightly improved and

affordable minimum payment (still to be determined on potential costings but likely to be circa £5,000).

- 3.101 The proposed changes include the provision of a Career Transition Service, which recognises the level of support individuals will need. The changes will enable people to make individual choices for the future within a timeframe which is cost viable.
- 3.102 The current terms and proposed future terms for VERA and Voluntary Redundancy (VR) are set out in Appendix 7.
- 3.103 As a responsible employer the Council is also making plans to introduce a Career Transition Service (CTS) to support employees. The aim of the CTS is to ensure that employees, through the service reorganisation, make the most appropriate choices for their future. People will have different aspirations and choices to make in line with their personal circumstances. The CTS will support people into new roles, with setting up a business, into further education, into retirement or on to other arrangements following a full consultative process around their personal aspirations.
- 3.104 The CTS will be managed by the Council and delivered in partnership with an external provider, which has extensive expertise in supporting out-placed employees. It is proposed that the CTS will be based in a purpose designed centre, which will provide access to a full range of support facilities including computers, telephones, printers, training and one to one support to help employees consider their options for the future. The approach aims to provide a positive step towards equipping employees for transition. The sensitive nature of career transition means that presentation and communication of the process and activities will require careful and effective stakeholder management.
- 3.105 The proposed terms identified in this paper should enable a smooth transition of employees within a reasonable timeframe, which is cost effective.
- 3.106 Council is therefore asked to approve the commencement of consultation on the revised terms outlined above.

Measures of success

- 4.1 The business cases have identified significant financial and non-financial benefits associated with the overall transformation programme.
- 4.2 The PMO will develop a clear financial and non-financial benefits framework and this will form the basis of bi-monthly reporting to the Finance and Resources Committee.

Financial impact

- 5.1 £34 million of additional recurring savings are being targeted through the Council's Transformation Programme over the period to 2019/20, including £11 million to be delivered in 2016/17. Work is ongoing to further develop proposals and update business cases and options will be presented in line with budget engagement timescales in August.

Risk, policy, compliance and governance impact

- 6.1 A risk register has been developed as part of the PMO and is reported monthly to the programme board and bi-monthly to Finance and Resource Committee.

Equalities impact

- 7.1 The recommendations described within this report are relevant to the Equality Act 2010 public sector equality duty. As such, all business cases have been subject to an equalities and rights impact assessment. In summary, these assessments indicate that the proposed move to a four area locality model will provide new opportunities to strengthen partnership activity and public services to improve rights related to safety, health, education, standard of living and the environment. The ERIA will be ongoing for the duration of the delivery of the projects with appropriate advice from equality and rights advisors. This will ensure:
- 7.2 New locality management arrangements and local community engagement arrangements take cognisance of the needs of equalities communities of interest in addition to communities of place
- 7.3 New grant and contract programmes are designed to ensure the protection of the most vulnerable communities, families and individuals to maintain equality of opportunity.
- 7.4 Face to face contact and other contact channels are maintained for individuals, families and groups that have difficulties when accessing new or IT based channels.

Sustainability impact

- 8.1 The recommendations of this report have been assessed in line with the public bodies duties described within the Climate Change Scotland Act (2009). In summary, a move to enhanced locality working will provide for new opportunities to strengthen the Councils work to mitigate against climate change, adapt to climate change and act in a more sustainable manner.

Consultation and engagement

- 9.1 The Council transformation programme has engaged with staff using a number of methods, including drop-in sessions, workshops, a dedicated e-mail address, ORB page, blog and communications updates.
- 9.2 A comprehensive customer and employee engagement plan will be developed for each of the workstreams with a dedicated overarching change plan, involving staff, elected members, partners and trade unions.

Background reading/external references

Alastair Maclean

Director of Corporate Governance

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Links

Coalition pledges	P30 - Continue to maintain a sound financial position including long-term financial planning
Council outcomes	CO25 - The Council has efficient and effective services that deliver on objectives
Single Outcome Agreement	SO1 - Edinburgh's Economy Delivers increased investment, jobs and opportunities for all SO2 – Edinburgh's citizens experience improved health and wellbeing, with reduced inequalities in health SO3 - Edinburgh's children and young people enjoy their childhood and fulfil their potential SO4 - Edinburgh's communities are safer and have improved physical and social fabric
Appendices	Appendix 1 – Scope of Transformation Programme Appendix 2 - Summary View of Operating Model Appendix 3 – Operating Model Corporate Structure Appendix 4 – Business and Support Services Structure Appendix 5 – Citizen & Neighbourhood Services Structure Appendix 6 – Implementation Plan Appendix 7 – Proposed Voluntary Severance Scheme

TRANSFORMATION PROGRAMME

The City of Edinburgh Council

25 June 2015

Appendix One

Transforming Council

The Transformation Programme covers a wide range of projects under one overall change agenda to maintain a consistent approach.

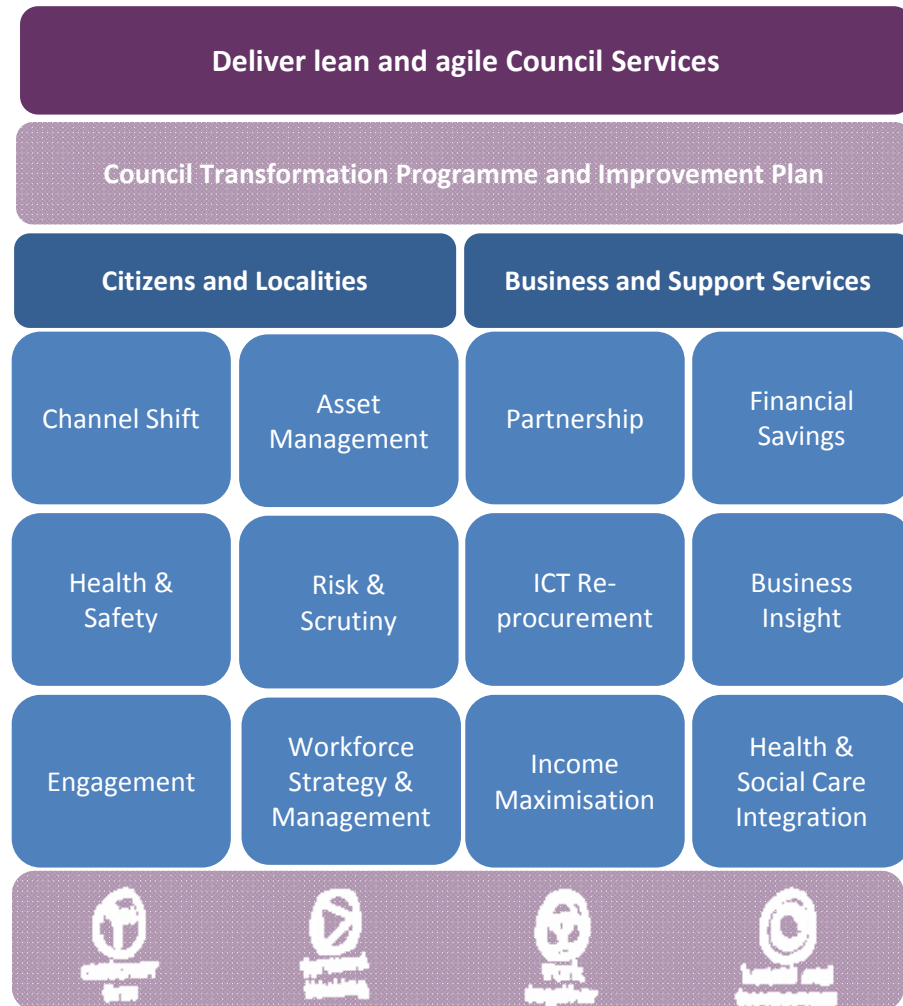
A core priority for the Council during 2015-18 is the delivery of transformational change across the organisation. This is a programme of change aimed at building an organisation centred on customers, services and communities.

The **Council Transformation Programme** sets out an integrated programme of projects pulling together all aspects of transformation.

The plan comprises two core projects, supported by a number of cross-cutting workstreams.

- **Citizens and Localities:** This project will deliver a new operating model for the Council in which services have an enhanced focus on local communities. The project will improve local control over services and priorities, reduce bureaucracy and deliver more resources to the frontline.
- **Business and Support Services:** This project will deliver a new model for the provision of central support for Council services. The project will provide a strong strategic centre to support frontline delivery, streamline processes and help move towards a 'right first time', customer focussed approach.

These projects are supported by a range of initiatives aimed at improving customer outcomes and providing best value for money. To bring these together into one view of the future Council, the Future Operating Model has been produced.



TRANSFORMATION PROGRAMME

The City of Edinburgh Council

25 June 2015

Appendix Two

TRANSFORMATION PROGRAMME

CEC Future Operating Model

Improve quality of life

Ensure economic vitality

Build excellent places

Deliver lean and agile Council services



Citizens, businesses, parents and pupils, visitors, commuters

Customer and Community Contact

Bringing together the first point of contact from our customers, supporting increased use of digital channels, providing first time resolution.

Signposting, triage and referrals onwards to services where needed

Localities Four geographic areas where resources that directly support communities are organised and joined up around the citizen

City-wide Services where it is not appropriate to split the resource into four localities but where the service provided is 'shaped' based on understanding locality priorities and needs

Business Services

Bringing together all support activity to one consistent *service, reducing duplication and allowing more flexibility. As with our customer services, supporting staff to be more independent and 'self-serve' and bring driven by customer need.*

Information

(including business intelligence, analytics and insight)

Values

Honest and Transparent



Work together



Customer first



Forward thinking



TRANSFORMATION PROGRAMME

The City of Edinburgh Council

25 June 2015

Appendix Three



TRANSFORMATION PROGRAMME

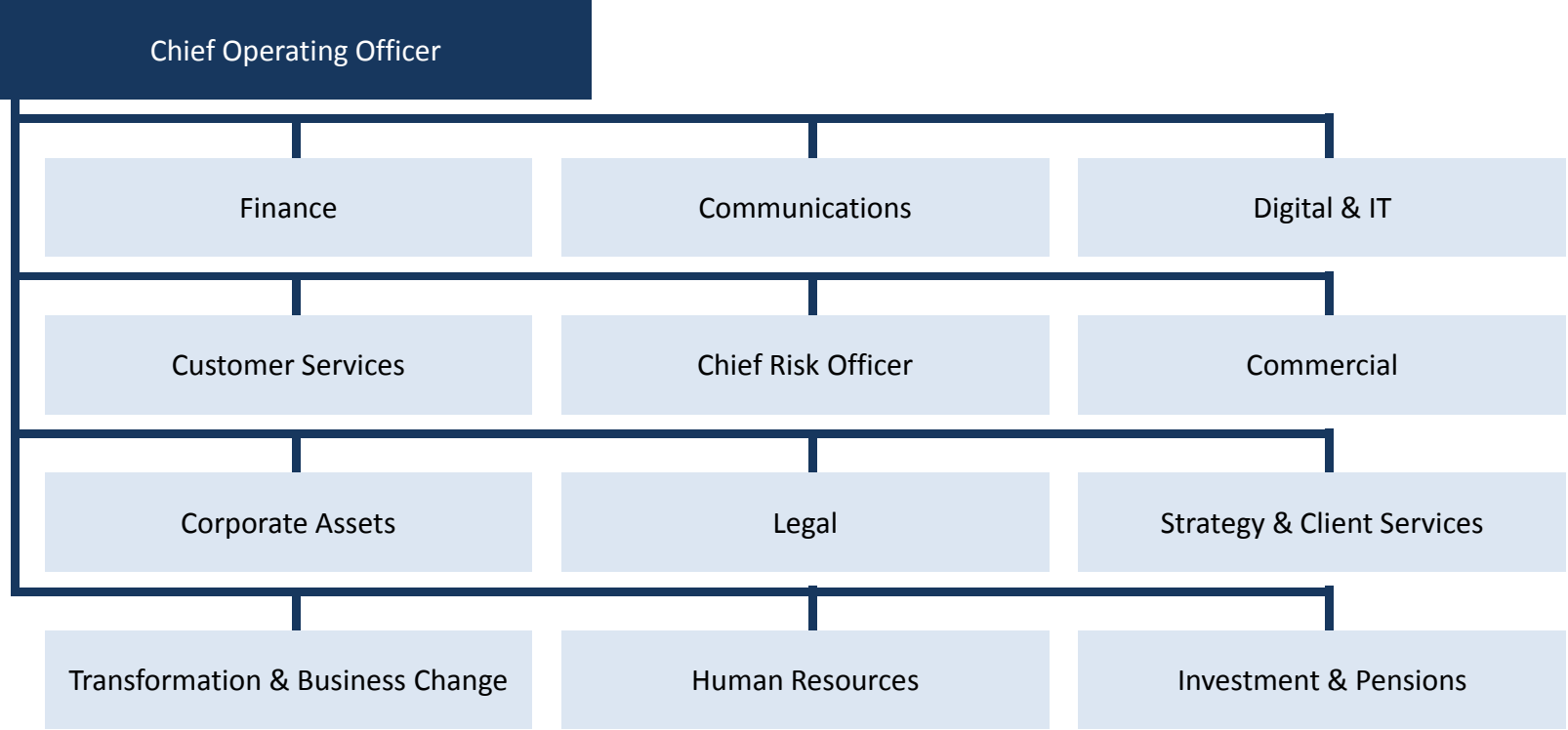
The City of Edinburgh Council

25 June 2015

Appendix Four

TRANSFORMATION PROGRAMME

Business and Support Services

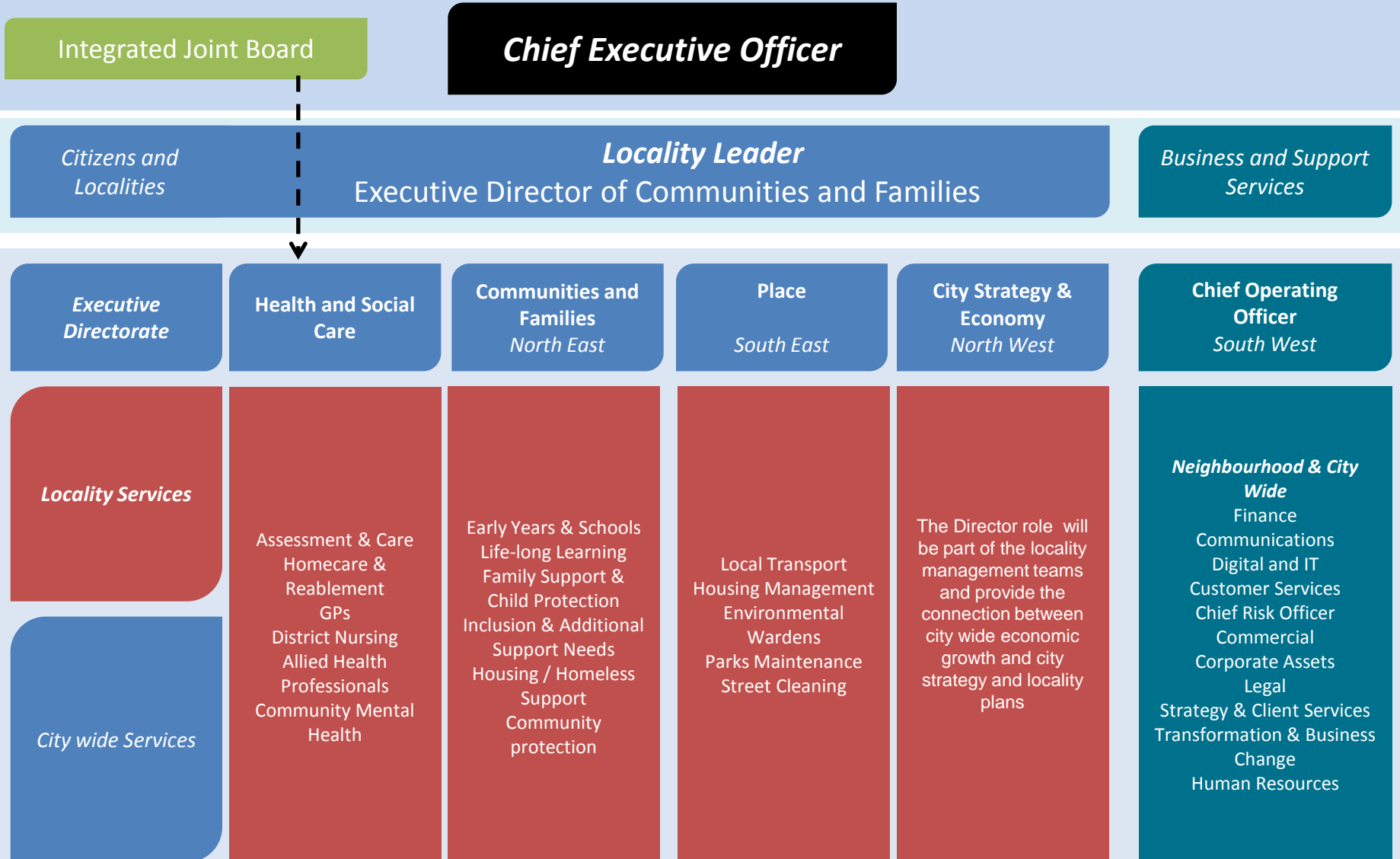


TRANSFORMATION PROGRAMME

The City of Edinburgh Council

25 June 2015

Appendix Five



Integrated Joint Board

Chief Executive Officer

Citizens and Localities

Locality Leader

Executive Director of Communities and Families

Business and Support Services



<i>Executive Directorate</i>	Health and Social Care	Communities and Families <i>North East</i>	Place <i>South East</i>	City Strategy & Economy <i>North West</i>	Chief Operating Officer <i>South West</i>
<i>Locality Services</i>	Telecare & Telehealth Physical and Learning Disabilities Continuing Care & Care Homes Rehabilitation & continence, Astley Ainslie Smart Centre Long term condition pathways Mental health and substance misuse (national and regional role)	Looked After Children Children with Disabilities Special Schools	Planning and building standards Housing development Waste Housing maintenance Private Housing Environmental Health Licensing Transport assets and travel	Labour Market Shaping and Talent Development Investment and Enterprise Cultural and Economic Infrastructure City Leverage National and Global Positioning Cultural and Event Development Equalities Community planning and Edinburgh Partnership Human rights	<i>Neighbourhood & City Wide</i> Finance Communications Digital and IT Customer Services Chief Risk Officer Commercial Corporate Assets Legal Strategy & Client Services Transformation & Business Change Human Resources
<i>City wide Services</i>					

TRANSFORMATION PROGRAMME

The City of Edinburgh Council

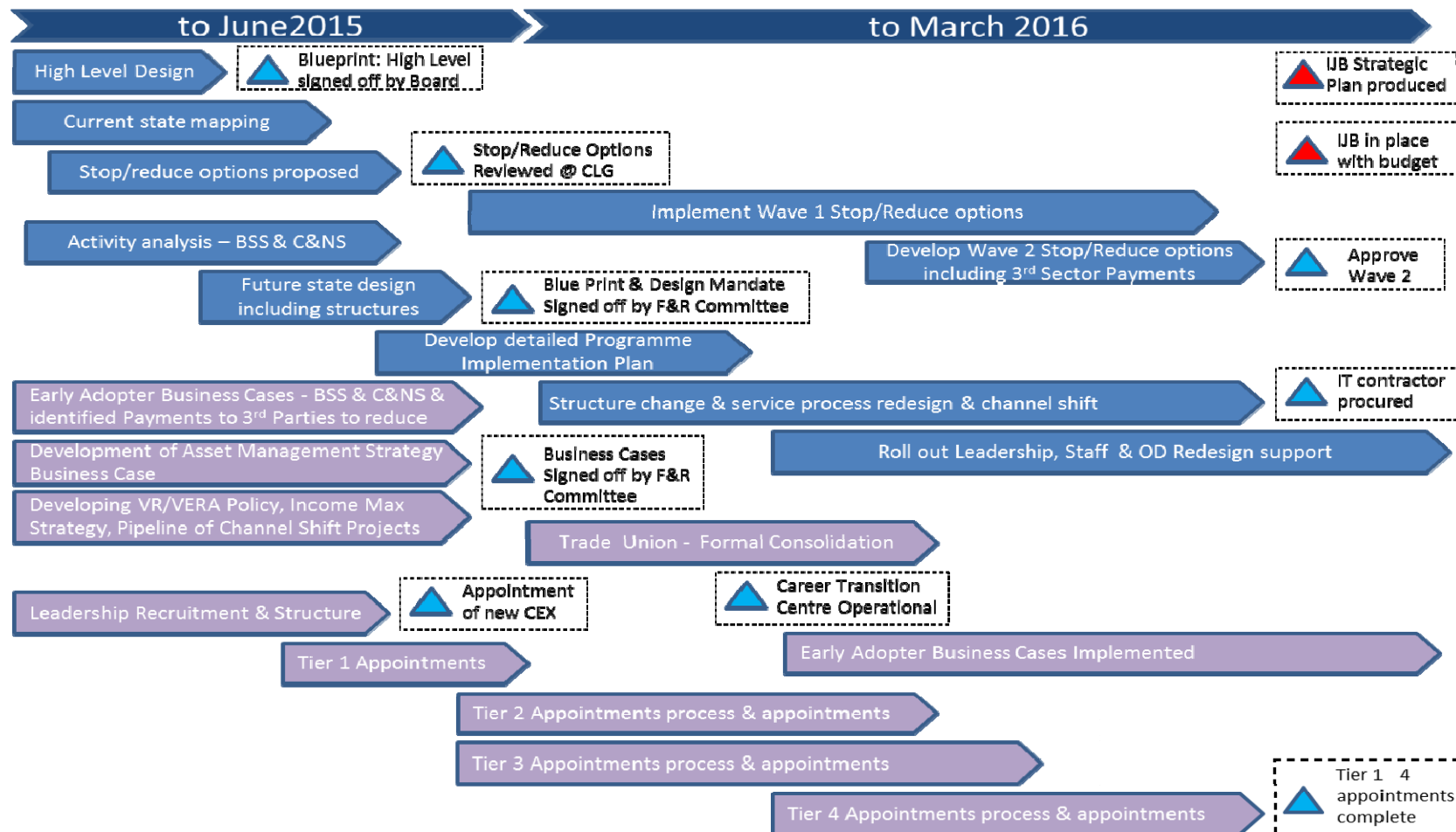
25 June 2015

Appendix Six

TRANSFORMATION PROGRAMME

ROADMAP FOR NEXT 12 MONTHS

Key: Workstream activity Programme activity Milestone External milestone



TRANSFORMATION PROGRAMME

The City of Edinburgh Council

25 June 2015

Appendix Seven

Current Voluntary Release Terms

Statutory Redundancy Terms

- An employee who is redundant and has at least 2 years' continuous local government service will be eligible for a redundancy payment
- The statutory redundancy payment is calculated on the basis of age and completed years of service (up to a maximum of 20 years)
- half a week's pay for each full year you were under 22
- one week's pay for each full year you were 22 or older, but under 41
- one and half week's pay for each full year you were 41 or older
- Pay is capped at £475
- The maximum amount of statutory redundancy pay is £14,250.

Stage	Current Procedure	Enhanced Terms
Can be offered to whole of or targeted areas at any time prior to organisational review procedure	VERA	<ul style="list-style-type: none"> • Exit package of no. of years completed service x weekly salary x 1.5 • Subject to maximum 30 years service (45 weeks pay) • Subject to a cap of £30k • Subject to cost savings test and manager discretion
Any time from commencement of organisation review	VR	<ul style="list-style-type: none"> • Statutory number of weeks x actual salary x 2.2 • Subject to a cap of 66 weeks pay • Subject to cost savings test and manager discretion • If redundancy terms not accepted and with a no compulsory redundancy pledge, employees would enter redeployment • The Council continues to pay salary for the staff member whose role has disappeared and the Directorate accrues this cost as a pressure

Proposed Voluntary Severance Scheme

Stage		Proposed Enhanced Terms
One	Can be offered to whole of or targeted areas at any time prior to organisational review procedure	<p>Available for any period prior to Organisational Review</p> <ul style="list-style-type: none"> • Use statutory redundancy payment as the base line for enhancements to be applied and continue to use actual weeks salary • For those without access to pension, employee's actual weeks salary will be multiplied by a factor of 2.0 • For those with immediate access to pension, employee's actual weeks pay will be used with no multiplier • A time limit will be introduced by which an employee can accept the offer and exit the organisation • The cost savings test will remain in place
Two	Commencement of - Organisational Review Process, Consultation and Career Transition	<p>First offer - available for first 4 weeks</p> <ul style="list-style-type: none"> • Where employee has no Access to Pension; employee's actual weeks salary will be multiplied by a factor of 2.2 • Immediate access to pension; employee's actual weeks pay will be used with no multiplier • Introduce a minimum redundancy payment <p>Second offer - available for remaining 8 weeks</p> <ul style="list-style-type: none"> • Where employee has no access to pension; employee's actual weeks salary will be multiplied by a factor of 1.5 • Where employee has Immediate access to pension; 0.75 of employee's actual weeks pay will be used
Three	Redeployment options exhausted and no previous offer accepted	<ul style="list-style-type: none"> • Case referred to Executive Director for consideration for redundancy on minimum statutory terms (maximum of 30 weeks pay capped at £14,250) • Length of service is capped at 20 years and weekly pay is capped at £475. The maximum amount of statutory redundancy pay is £14,250.