

## Report for Decision

<b>Report to</b>	Executive 30 June 2010	<b>Item</b> <b>4</b>
<b>Report of</b>	Chief Executive	
<b>Subject</b>	Meeting the financial challenges - consultation on a blueprint for a lean City Council	

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### Purpose

To set out the projected efficiency savings needed to balance the City Council's medium term financial strategy, and to identify a draft outline "Target Operating Model" for a lean City Council, for consultation with staff, trades unions and elected members.

### Recommendations

Executive is asked to:

1. Note the estimated significant reduction in public sector funding, and the predicted implications for the Council's Medium Term Financial Strategy
2. Endorse a draft "Target Operating Model" for a lean Norwich City Council (Annex A to this report), and agree that it should be published for consultation with staff, trades unions and elected members
3. Note that work is underway to develop a range of potential areas for General Fund efficiency and cost reductions
4. Agree the outline timetable for the development of efficiency and savings proposals and consultation (Annex B to this report).

### Financial Consequences

The financial consequences of this report are significant.

The effects of the recession continue to impact on the City Council's income levels. In addition, the Government has already taken considerable steps to reduce public sector spending in order to repay the national debt. The emergency budget announced on 22 June set out some specific proposals to reduce public sector funding, including a reduction in spending by most Government departments by 25% over the next 4 years..

The Government is also expected to impose further funding reductions on local government as part of the Comprehensive Spending Review (CSR) in Autumn 2010. Projections put these reductions within a possible range of 20-30% reductions in funding.

In order to meet both existing funding reductions, and those projected for later in 2010, we currently estimate that the City Council will need to identify cost reductions of approximately £7.5m in its General Fund budget over the next 2 financial years, in order to balance its budget and achieve safe levels of reserves in 2010/11 and subsequent years.

Over the last 2 financial years the City Council has already reduced its General Fund spending by over £10m. This has been achieved with only a minimal effect on front-line

services. To deliver a further £7.5m of savings over the next 2 years will be a difficult task, amounting to approximately 15% of our controllable budget.

The financial situation continues to change on a regular basis, and this uncertainty means that things could improve or worsen. If the situation improves, then by identifying a range of potential savings options it may be possible to review and consider removing or deferring these as additional funding becomes available. If it worsens, this could mean that additional savings may also be needed in future years.

## **Risk Assessment**

The medium term future for local government is expected to be extremely challenging. Over the last few years the City Council has already been pursuing a comprehensive and radical improvement and efficiency programme, and the outcomes have affected all of the council's services.

So far the majority of cost reductions have been achieved from improved efficiency, with a minimal impact on front-line services. However, the scale of the reductions in funding now being imposed on local government mean that whilst we will continue to seek efficiency savings and cost reductions wherever possible, there are likely to be some impacts on services and to customers.

It is therefore vital that the overall programme is effectively managed, and that proposed service and structural changes are fully risk and impact assessed and prioritised in dialogue with residents and stakeholders.

## **Strategic Priority and Outcome/Service Priorities**

The report helps to meet the strategic priority "Aiming for excellence – ensuring the Council is efficient in its use of resources, is effective in delivering its plans, is a good employer and communicates effectively with its customers, staff and partners".

**Executive Member:** Councillor Waters - Corporate Resources and Governance

**Wards:** All

## **Contact Officers**

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## **Report**

### **The effect of the recession**

1. The economic downturn over the last 2 year period has had a significant impact on the country overall, as well as organisations, families and individuals. Local government has not been exempt from this, and Norwich City Council has been severely affected.
2. During such difficult times, local people often look to the City Council to provide additional support, and to stimulate opportunities for recovery. Despite growing pressure on limited resources, the City Council has therefore continued to deliver a range of vital services, such as increased support for financial inclusion work, and has achieved a number of significant improvements in performance during the year. The Council has increasingly refocused its activity towards making a difference for people most affected by the recession
3. Through careful management Norwich City Council has managed to reduce its spending by driving out significant efficiencies whilst maintaining improvements in front-line service delivery. Over the last 2 financial years the City Council has reduced its spending by approx £10m, but has also achieved significant service improvements in financial management, housing and planning.

### **Public sector funding cuts**

4. Looking forward, the next few years are likely to be even more challenging and uncertain for a number of reasons. Even if the recession improves, and some of the Council's income is restored, the Government has indicated its intent to significantly reduce public spending in order to reduce the national debt.
5. The Government has already taken a number of actions taken to reduce local government funding. For Norwich City Council the following significant impacts have already been announced:
  - 30% reduction in funding for Local Enterprise Growth Initiative (LEGI)
  - Freezing of Council tax in 2011/12
  - Reductions in a range of other grants
  - Suspension of other potential funding streams.
6. The emergency budget on 22 June set out a range of proposals which will impact on local government. The key relevant proposals seem to be:
  - To freeze pay for public sector workers earning over £21,000 for the next 2 years
  - A 25% cut in spending by all Government departments, except health, over the next 4 years
  - A freeze in Council Tax levels.
7. In addition, the Government has made it clear that it plans to make significant further reductions in public sector funding as part of the Comprehensive Spending Review (CSR) which will be announced in Autumn 2010.
8. Reductions of this scale will clearly have a substantial impact on our ability to

deliver services, particularly when they come on top of over £10m reductions in spending over the previous 2 years, and increased demands from customers as a result of the impact of the recession on families and organisations.

9. This means that the City Council will need to take a radical approach to reviewing what services it can afford to provide. The Government has made it clear that it expects the size of Government to be reduced, and that local communities will need to take on more responsibility through its “Big Society” proposals.
10. The scale of change needed, and of reductions in spending needed, is expected to be significant. It will therefore be vital that the City Council starts quickly to tackle the problem. Fortunately the City Council had already undertaken a fundamental review of spending as part of its major efficiency and improvement drive over the last 2 years. It will now be necessary to commence a second and even more radical programme, to meet the new Government’s challenges.

### **The Medium Term Financial Strategy (MTFS)**

11. In order to meet both existing funding reductions, and those projected for later in 2010 when the CSR is announced, we estimate that the City Council will need to identify cost reductions of approximately £7.5m in its General Fund budget over the next 2 financial years, in order to balance its budget and achieve safe levels of reserves in 2011/12 and subsequent years.
12. Over the last 2 financial years the City Council has already reduced its General Fund spending by over £10m. This has been achieved with only a minimal effect on front-line services. To deliver a further £7.5m of savings over the next 2 years will be a difficult task, amounting to approximately 15% of our controllable budget.

### **The “Target Operating Model” - a blueprint for a lean City Council**

13. During early 2009, the Executive set up a corporate improvement and efficiency programme (CIEP) to start the transformation of the City Council. Work on the CIEP has been progressing since then, and has already delivered significant savings and improvements.
14. Members will recall that the transformation review recognised that in future the City Council will need to live within reduced resources, but continue to be responsive and “fleet of foot”. It envisaged that the new Council would be :
  - Smaller (staffing and finances)
  - More flexible and adaptable to change
  - More responsive to customer needs
  - More efficient and streamlined
  - “One Council” focussed
  - Higher performing
  - Working to agreed standards and delivering
  - A learning organisation, continuously improving.

15. In order to formalise this approach, officers have now developed a “Target Operating Model” (TOM) for a lean City Council. This document sets out the guiding principles for how the City Council will be organised in future, and is built upon the core elements of customer focus, cost consciousness and continuous improvement.
16. A copy of a first draft of the TOM is attached as Annex A to this report. Executive is asked to endorse this for consultation with staff, trades unions and elected members. The consultation will aim to test the draft guiding principles within the TOM, so that the document can be confirmed in advance of starting formal work to identify efficiency proposals and transform the authority.

### **Efficiency and savings – broad areas for exploration**

16. Whilst transforming the city council is the overall goal, the first priority must be to close the £7.5m budget gap. The basis of the new organisation also needs to be sufficiently flexible to cope with uncertain funding in future years.
17. In order to make early progress, officers are now beginning to develop a range of potential areas where efficiency and savings might be secured, and should be further explored. It is proposed that a 3 year approach is needed in order to ensure flexibility in case additional funding cuts are required in the future. Likely areas where savings will be sought will include the following broad areas:
- Shared services
  - ICT
  - Back office and support services
  - Strategic services
  - Democratic processes
  - Organisational and management structures
  - Direct services volumes
  - Accommodation and working styles
  - Income maximisation and collection
  - Systems thinking reviews.
18. In accordance with the TOM, a real focus will be placed on driving out efficiencies wherever possible. However, due to large scale of the funding cuts, and the speed at which they need to be delivered, inevitably it is anticipated that some reductions in front-line services may need to be considered.
19. This working list of savings options will be continuously developed, and will be amended as a result of consultation. It is anticipated that that final decisions on savings and reductions will not be taken until later in the year, once consultation is complete, and full account has been taken of the CSR announcement. Decisions at that time will then underpin the budget for 2011/12.

### **Overall timetable**

20. In view of the scale of savings that we anticipate may be needed, the sooner that savings can be made, the quicker the proposed efficiencies and cost reductions will start to impact on our spending. However, given that many of the proposals will need further work, and that many need to be consulted on, the lead-in time for implementation of some changes could be significant. Any

delays to implementation will reduce the savings potential, and may create a need for additional savings.

21. It is proposed that, following full consultation, the Executive agrees final savings proposals by Autumn 2010 to allow sufficient time to implement proposals and secure savings by 31 March 2011. These decisions will then feed into the 2011/12 budget setting process in February 2011.
22. The proposed overall timetable is shown in at Annex B. Executive is asked to agree this.

**DRAFT - Summary of projected key milestones/decision points**

<b>Milestone/decision point</b>	<b>Timescale</b>
Executive formally agrees for Target Operating Model (TOM) to be consulted on with staff and elected members	30 June 2010
Consultation carried out with staff and elected members on TOM (3 weeks)	1 – 19 July 2010
Executive reviews consultation responses and formally signs off TOM	21 July 2010
Work to develop business cases for savings opportunities in line with TOM to form proposed package of savings for formal consultation carried out	22 July – end August 2010
Executive signs off proposed package of savings for formal consultation	8 September 2010
Formal consultation period with staff and UNISON commences	9 September 2010
Scrutiny and member review of proposals starts	9 September 2010
Dialogue starts with the public and partners	9 September 2010
Executive reviews consultation responses and gives approval for assessment and selection to begin: 27 October	27 October 2010
Staff assessment and selection carried out	November 2010
Outcomes notified to staff and redeployment process begins	Week commencing 6 December 2010
Scrutiny Committee to consider annual budget proposals	20 January 2011
Executive to agree proposed budget (for recommendation to full Council)	2 or 16 February 2011
Full council to approve 2011/12 budget and council tax	22 February 2011
Implementation of all new staffing structures and savings completed	1 April 2011

# Norwich City Council – *focused & flexible*

## *Re-positioning for the future as a Lean City Council*

**Establishing the principles for change**

June 2010

**DRAFT**





# Purpose of this document

This document has been developed as a 'Start Point' for Norwich City Council in it's future as a Lean City Council.

This document sets out:

- 1.A high level illustration of the outline operating model for a Lean Norwich City Council.
- 2.The guiding design principles for the authority to base its future operating model upon. As such, it will act as a 'working aide' for those who will be re-designing services and structures for the Council.

This document does not:

- Provide the detailed design for individual services or stifle the ability to be innovative and creative in designing the future.
- Replace the political priorities or vision for Norwich City Council;

# Context and Political Vision

## Context

Local government is entering a period of unprecedented financial pressures. The new government have signalled that large cuts in the funding available to local government and its public sector partners are inevitable. At the same time the new government have put in place new requirements they expect local authorities to comply with and have indicated that they will encourage local authorities to take on a different role including facilitating more community lead delivery. These combined pressures, particularly financial, will mean council's are going to need to transform the way they operate.

Norwich City Council has calculated that based on an estimate of the likely funding shortfalls that it will need to save at least £7.5 million over the next two years (against a gross controllable spend of £57million). This will be made all the harder as the council has already had to deliver £10million of savings in the last 2 years. As such, Norwich City Council fully recognises that to meet these financial challenges it will need to completely transform its operating model. The objective of this transformation is to deliver the required level of financial efficiencies whilst creating a lean city authority which is able to respond efficiently to changes in the future. The restructured authority will be focused on serving the citizens of Norwich but flexibly in the way in which it does so.

## Political Vision

The political vision is for a council that:

- Supports the city's economic recovery and future prosperity
- Protects and provides high quality frontline services
- Provides service directly and in neighbourhoods where it is efficient to do so
- Supports the most vulnerable in society

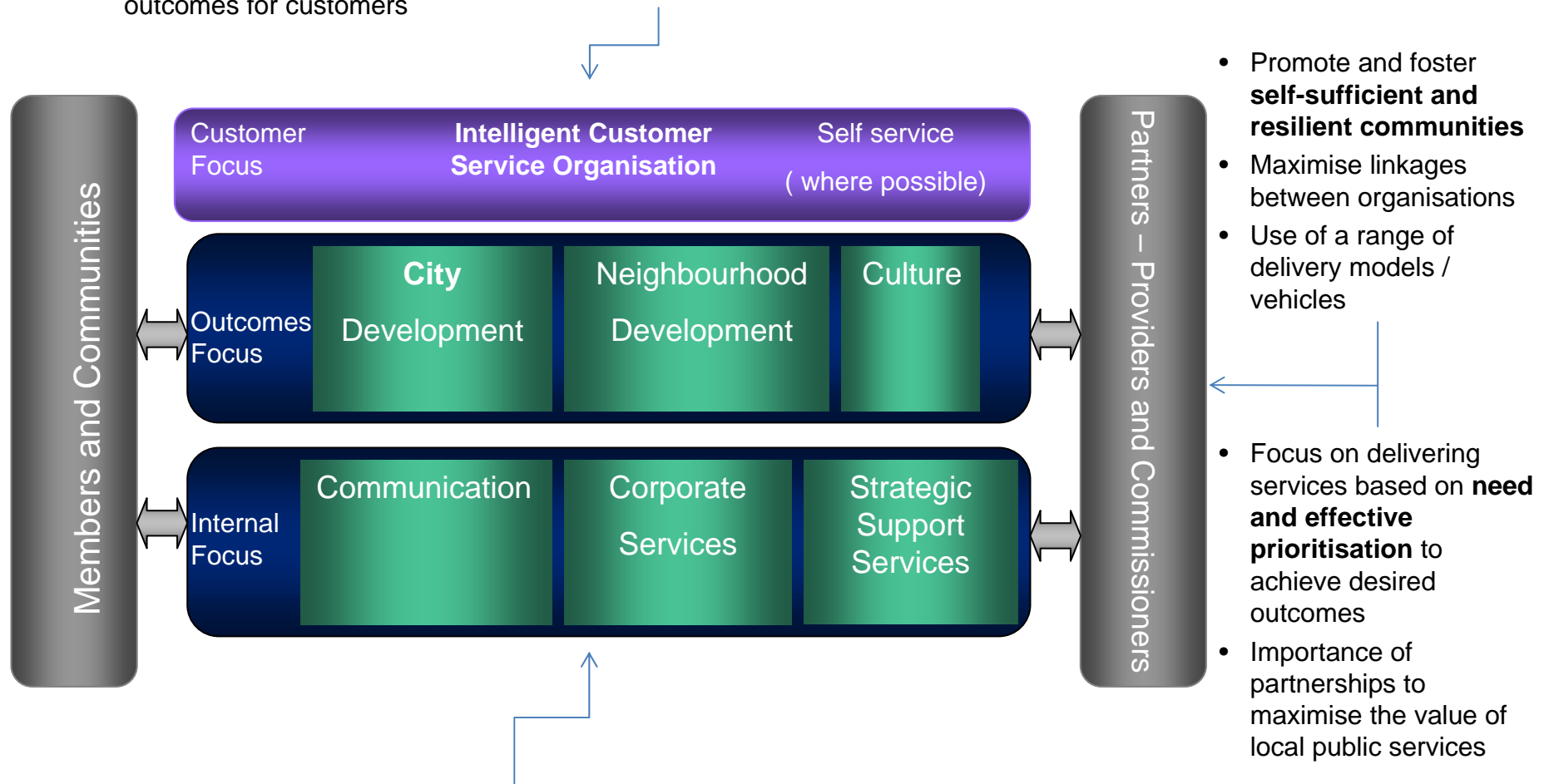
# Overarching Principles

The following overarching principles should be considered across every layer of transformation:

- Leadership – The leadership role of the council will be crucial in the emerging financial climate. Implicit within this is the assertion that it is the council's responsibility to lead and prepare its citizens for the future; reduce avoidable dependency on council services and promote self-sufficiency and empowerment.
- Engagement – The council will take opportunities to engage with stakeholders (citizens, partners, suppliers, peers) when it is appropriate to do so, and in particular to inform decision making on service prioritisation and change impact.
- Openness – Management should be open to every possibility during the design stage. There should be no sacred cows, all possibilities should be considered and decisions taken by members to reflect political priority and value for money.
- Transparency – The transformation of the council will build on the process developed for Unitary implementation and continue to engage and involve members from all parties in the realization of the future lean City Council model.

# The Outline Target Operating Model

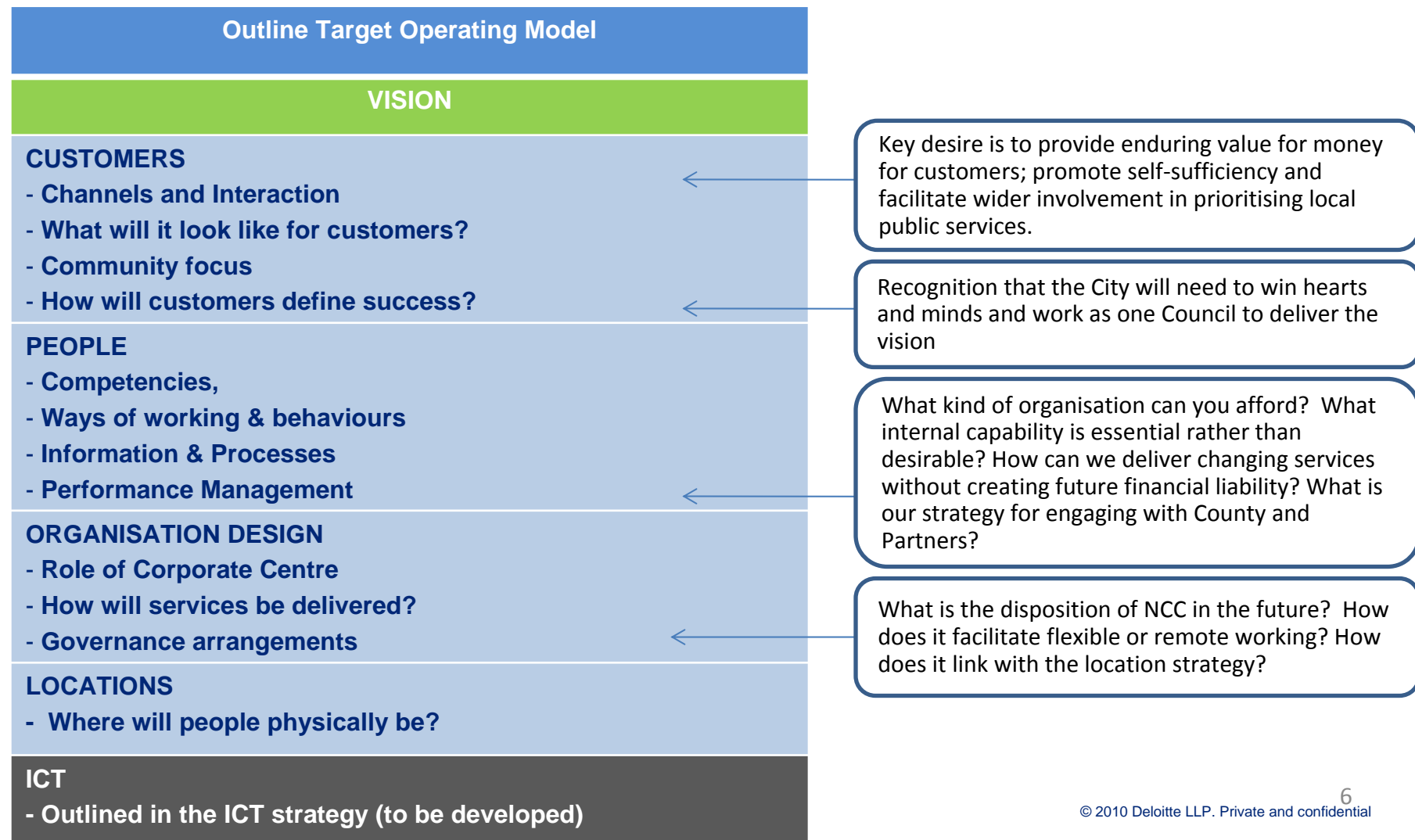
- Providing **high quality & consistent customer service**. Customer contact / access is integrated through a single front office, which maximises all opportunities for self service and enables fulfilment of consistent outcomes for customers



Facilitate a change of culture, values and behaviours to enable **leadership** that has the capability and capacity to deliver the Norwich vision  
 Create **corporate capacity** to strategically co-ordinate and support change across the whole organisation  
 Invest in our people to have the **competencies** we need to deliver priority outcomes.

# Defining the operating model layers

The outline operating model has been defined through establishing key principles across five key layers.



# Design Principles – ‘Customers’

The ‘customer layer’ provides guiding principles around how the new Council will interact, determine need and deliver services to and with its customers and communities.

## Guiding Principles

- Processes and services will be designed from a detailed understanding of the customer’s needs and perspective with services targeted on areas of greatest need with a clear focus on achieving specific ‘outputs and outcomes’ for customers.
- Processes will be lean and not over-engineered. They will be based on the 80:20 rule with staff empowered to deal effectively with non-routine customer requirements.
- Customers will be able to receive services through a single interaction where possible. ICT infrastructure will be reviewed to support this.
- Customer access for each service is to be driven through the least expensive channel whilst ensuring fair access for customers with special requirements. Customers will be encouraged to self serve using the web wherever it is appropriate. This will be supported by an effective fully transactional website.
- An open, honest and transparent culture of customer service shall be adopted and instilled across the authority (including partners where possible) and not simply be required of the customer contact team.
- Shared customer access points (e.g. one stop shops) both across services **and** with other local public sector services will be developed where practical to provide clarity of access routes to services in line with the council’s location strategy.

## Examples / Implications

- The council will develop a new customer experience strategy to guide the new approach and supported by effective training and development to enable staff to develop the new skills required to deliver it.
- All services will be reviewed to deliver channel shift to ‘self serve’ on the web wherever it is appropriate.
- Over time all council processes will be subject to lean review to drive out waste.
- Where services are provided on a locality basis it will be through the agreed four neighbourhood areas within Norwich, or an aggregation of them.
- General information, communication and ‘signposting’ of services needs to be continuously updated and consistent across the organisation to support the focus on reducing avoidable contact and achieving channel shift.

# Design Principles – ‘People’

The ‘people layer’ of the target operating model has defined guiding principles for service design that set the framework for the culture and way of working the authority is aiming to establish.

## **Guiding Principles**

- The council will embed a shared culture across all its staff and members, acting and behaving as ‘One Council’ which is customer focused, continuously improving and costs conscious.
- The council will balance the need for corporate action and decision making, with the need for local discretion and empowerment by providing clarity of roles, responsibilities and decision making powers.
- All staff will be expected to be completely flexible in their role and activities so that work can be easily moved between teams and posts as resourcing levels reduce.
- The council will implement a corporate and consistent approach to staff management that supports the new operating model and enables staff flexibility including a common competency framework, job families for staff, generic job descriptions, consistent training and development, performance management and reward.
- Staff will conform to the highest standards of ethical and professional behaviour, respecting equality and diversity at all times.
- External recruitment will be only be used where it is essential for the effective delivery of frontline services and/or to fulfil statutory requirements.

## **Examples / Implications**

- Services will all operate within the same performance management framework and staff will have a common competency framework and job descriptions, based around ‘job families’.
- The ‘way of working’ within individual services will facilitate corporate working and development of joint teams with others services and partners where beneficial.
- The council will develop and retain outstanding public service managers in roles that are clearly defined in terms of competence across different dimensions: Generic management; Technical / professional responsibility and Corporate contribution.
- Compulsory redundancies will be avoided wherever possible. All vacancies in future will be rigorously reviewed for potential deletion and the opportunity for the work to be stopped, moved to another post or team or the process redesigned. Where this is not possible freezing of the post for redeployment and / or internal recruitment will be carried out. External recruitment will be rare.

# Design Principles – ‘Organisation Design’

The ‘organisation design layer’ provides guiding principles around how services should be structured and formed within the Council.

## **Guiding Principles**

- Management, Corporate Services and Strategic Support Services will be delivered through shared / partnership arrangements where appropriate. The Council will have a corporate approach to the management and delivery of corporate and strategic services (including business support).
- The council will move to a position where back office support services (corporate and strategic) represent less than 10% of the organisation’s total controllable budget (HRA and GF).
- Outcomes will be at the core of service design and organisational form and structure will enable the efficient delivery of outcomes
- The council will deliver services directly where it is most efficient to do so. All service designs will consider alternative service delivery models in the following order of priority; direct provision, public sector lead shared services; joint delivery models (e.g. community trusts and social enterprises), third sector commissioning, outsourcing. Final service designs will be selected on merit and appropriateness.
- The council will prioritise the work it carries out based on customer and organisational priorities. Low priority activity across the council will be challenged and stopped as appropriate.
- All partnership structures will be reviewed and the council will only resource those which can clearly be shown to add value to the organisation’s priorities.
- Staffing structures will conform to best practice layers (5 - 6) and spans of control ( 1/ 4 -8).

## **Examples / Implications**

- The council will actively explore the establishment of shared service arrangements for back office and support services with other partners.
- The council will review all its organisational structures in line with the best practice layers and spans of control.
- The council will review all the work it carries out with the aim of significantly reducing non value adding activities.
- The requirement for each post in the council will be driven by a defined business need or customer requirement, with roles being designed to ensure the most efficient approach is taken.



# Design Principles – ‘Locations’

The ‘Location layer’ provides guiding principles about ‘where’ services will be delivered from and how the asset base will be used to ensure effective and efficient operations.

## **Guiding Principles**

- The council will maximise the efficiency and effectiveness of office accommodation through co-location / sharing of teams and, where strategically aligned, co-location with partners.
- The council will fundamentally review the need and makeup of all its current office accommodation including City Hall, with the aim of reducing its overall asset base, as part of developing a location strategy which will ensure the council has the most efficient and effective mix of accommodation for the future.
- The location strategy will support the delivery of ‘new ways of working’, supporting the development of a customer-centric culture and corporate working within the variety of services the Council delivers.

## **Examples / Implications**

- The council will aim to sell off or release excess assets over time and support investment into the core properties of the council.
- The council will aim to utilise public sector partner’s physical assets and locations to create ‘one stop-shops’.
- The council will carry out a work styles review to support the new location strategy including implementation of flexible working patterns and ‘hot-desking’ to maximise asset utilisation and support new ways of working.
- Common ICT platforms and systems will be put in place to allow new ways of working (mobile working, remote working etc.)