audit
commission

Review of Norwich Connect PFI

Norwich City Council

Audit 2006-2007

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles:

- auditors are appointed independently from the bodies being audited;

- the scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business; and

- auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998 and the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any member or officer in their individual capacity; or

- any third party.

Copies of this report

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0844 798 7070.

Contents

Summary report

Introduction

1 Norwich City Council has entered into a Private Finance Initiative (PFI) contract to increase capacity and transform the way that council services are delivered. PFI is a long-term contractual public private partnership under which the private sector takes on the risks associated with the provision of capital assets and the delivery of public services. This is in exchange for payments linked to agreed standards of performance.

2 In April 2002, the Council entered into a 15-year, £85 million PFI contract with Steria UK Ltd who brought in Atos KPMG consulting, BT web creators EPIC and Comino to supply software to manage customer contact. PFI funding of £17 million was secured to sustain the ICT programme. Additional funds from the Office of the Deputy Prime Minister (ODPM) were also accessed through the Norfolk Connect Partnership (NCP).

3 Councils need to ensure that their senior officers and members can take a broader and longer-term view of how the relationship with the contractor is being managed to ensure that the key objectives are being met and to secure continuing value for money. This review considered the performance management of the Norwich Connect PFI and how learning is being applied to enhance the working of the contract.

4 The Audit Commission's Code of Audit Practice requires auditors to assess audited bodies' arrangements in the following areas:

- the audited body's financial statements and its statement on internal control; and

- whether the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

PFI contracts, due to their size and complexity and the risks associated with them, have a bearing on both of these Code areas. This review will consider primarily the latter point.

Norwich City Council

Background

5   There are four elements to the Norwich Connect contract:

- a three-year Business Process Re-engineering (BPR) programme, providing a planned, programme of change with external expertise in the review and reconstruction of processes, systems and organisational structures to reduce costs and increase efficiency and effectiveness;

- new software for customer relationship management, workflow management and interactive web transactions. Software upgrades are contracted at latest release minus one;

- a managed Information Communications Technology (ICT) service, including replacement and refreshment of existing equipment, intranet, internet and software systems. The contract also provides for a remote Help Desk; on-site desktop and server support; local legacy application support; and infrastructure development; and

- new voice and data infrastructure capable of carrying scanned documents and other images.

6   The Council has put in place a contract governance structure involving all partners, including roles for both officers and members, and established the principles for the risk transfer of key risk areas.

7   Norwich Connect is being delivered by a joint team of Norwich City Council officers and Atos KPMG Consulting staff. Business Process Re-engineering (BPR) for some key front line services began in October 2002.

8   Previous Audit Commission work on customer access across all Norfolk councils concluded that Norwich Connect has ensured that ICT investments have delivered improved customer access in Norwich.

Audit approach

9　A review of Council reports and associated documentation was undertaken and the Council was asked to prepare a situation report to date. Relevant officers, staff, members and as partners, were interviewed and relevant financial information and Internal Audit reports reviewed.

10　The focus of this review is on the strategic rather than technical implementation of the Norwich Connect PFI, seeking to measure progress against the project's original objectives. The review sought to identify major successes and any major barriers to improvement and to draw out key learning points. The review centred on a number of key questions:

- Has the partnership met its planned objectives?

- What have been the improvements in service delivery and the impact on user focus?

- How effective are the performance management arrangements?

  - What is the continuing involvement of members?

- How successful are the partnership working arrangements?

- Is there adequate capacity for further improvements into the future?

- How effectively is risk transfer and risk management being addressed?

- How have the key learning points been shared?

11　It is not the role of the Council's auditor to provide legal or financial advice to the Council. It is the Council's responsibility to obtain and consider its own advice. The observations made and conclusions drawn in this review will be based solely on the information made available to us and are made solely for the purposes of the auditor's statutory function and should not be relied upon for any other purpose.

Main conclusions

12　The Norwich Connect project has met many of its planned objectives and changed the way that the Council responds to and deals with its customers. This has been achieved largely to the agreed timeline and within the agreed budget. A major programme of business process re-engineering for selected services has been completed and most customer contact is now managed through the Council's Customer Contact Centre (CCC). Significant investment in the ICT infrastructure has provided staff with better tools to track customer enquiries.

13   Target financial savings of £2.8 million recurring revenue reductions have been achieved. This has done by reducing the staffing establishment by 128 posts, using a 2002 baseline of employees. However the Council has not yet tested current value for money of Norwich Connect. There is an opportunity to do so in April 2008, when the partners carry out a benchmarking exercise as part of the five year contract review. Without up-to-date comparative information on performance and cost the Council is unable to demonstrate that Norwich Connect provides ongoing value for money.

14   Norwich Connect has improved customer access with a single point of contact for most enquiries. Customers can contact the right services first time and avoid duplication and delays. Improved workflow management has resulted in relevant issues being directed to the right person at the first time, avoiding duplication and delays in answering customer queries. There is effective tracking of who is dealing with the customer query as well as what stage it is at. This has generated responsibility and accountability with improved customer focus.

15   However, call response performance remains variable and resolution of user enquiries at first point of contact remains poor. The number of calls to the CCC has risen dramatically since 2002 but during 2007/08 the Council only managed to answer successfully: 72 per cent in quarter 1; 52 per cent in quarter 2 and 73 per cent in Q3. The Council is not meeting its target for average wait time or for the percentage of calls answered within its target 120 seconds. A recent survey undertaken by the tenancy service team shows that 92 per cent of customer who contacted the Council by telephone and 77 per cent of counter customers had found the service to be either excellent, good or fair. However, half the respondents who had contacted the Council on the telephone and six in ten who had contacted the Council on the counter had to contact the Council on more than one occasion for the same query.

16   Member support and engagement with the Norwich Connect programme has been limited and low key. There has been member involvement in each of the phases but it has essentially been an officer led initiative. To date there has been no formal review or scrutiny of the contract by members.

17   New working methods as a result of the BPR exercises have helped to deliver a more efficient and responsive service. For example Nomad, a programme to design and pilot new forms of mobile working for parking attendants, highways and street wardens has enabled these mobile workers to download information, work requests and photographs through PDAs while out in the City. As a result, customer contact staff have up to date details and are well briefed to answer customer queries in relation to parking tickets issued.

18 Customer experience and satisfaction remains variable. BVPI survey data for 2006/07, showed 69 per cent satisfaction with ease to find the right person to deal with and 68 per cent satisfaction with length of time it took to deal with the person contacted. Satisfaction with the service provided has also improved, with 73 per cent satisfaction with information given, 77 per cent satisfaction with staff competence and helpfulness and just fewer than 70 per cent satisfaction with the final outcome. However, there has been a significant decline in the proportion of residents who feel they are informed by the Council about the services and benefits available to them.

19 Further, there has been a significant decline in the proportion of residents who feel the Council's performance has improved. According to a recent customer satisfaction survey, 79 per cent thought that the service they received the last time they contacted the Council was either excellent or good. However, 13 per cent rated the service received as poor. Detailed analysis reveals that whilst customers are satisfied with the initial contact with the Council, they are not happy with the performance of the service area. The Council is aware that the hand over from Contact Centre to back office is not always consistently successful.

20 Customer engagement in the redesign of customer contact arrangements has been almost exclusively limited to the established Revenues and Benefits user forum. The Council has relied on industry standard research on preferred methods of customer contact and acceptable waiting times. As a result, service delivery may not be consistent with local needs. The Council has recently tested public views on the suitability of access arrangements and the appetite for increased opening hours. The Council's Corporate Management Team (CMT) has only recently approved a Customer Contact Strategy, but this was not subject to public consultation

21 Staff have seen improvements as a result of the improved IT facilities and BPR. These include coherent systems and better interface between systems. Improved customer contact software and workflow management has given better access to customer contact details. All hardware and software needs are now assessed and procured centrally which ensures consistent evaluation but also builds in delays.

22 However, improvements in systems are not consistently visible to staff. The Council's Peer Review in May 2007reported some strong concerns that middle managers and frontline staff have about the new ICT systems. These included concerns about systems being cumbersome and labour intensive and contractor support being unresponsive. These views were mirrored during the course of this review.

23 Sound governance arrangements have been in place for the Norwich Connect project from the outset. The Contract Board was chaired by the Chief Executive Officer, meeting quarterly. The Programme Management Executive supervised the progress of planned Projects and the Managed Service Executive supervised the on-going provision and changes to the ICT Managed Service. Governance arrangements have been adjusted as the project has progressed to ensure they remain 'fit for purpose' and there is now an ICT Strategy Board.

24   The Council's approach to financial monitoring of to the contract is robust. A detailed spreadsheet showing up to date financial information is maintained enabling officers to keep a good overview of financial issues. Change control notices, where the Council requests additional works, as well as penalty contract notices, where the contractor fails to deliver, are also monitored. However, members' involvement in financial monitoring is limited to routine budgetary management reports, with no consideration of value for money issues.

25   The Norwich Connect partnership arrangements are successful. Both parties have always operated as partners rather than in more traditional client contractor roles. Governance arrangements provide adequate opportunities for challenge of contract performance in a constructive way. Day-to-day issues are resolved through weekly operational meetings and service improvements are discussed at board level meetings. The partners have a planned 'away day' to consider strategic issues for the future and to explore the opportunities to make step changes to deliver further service improvements.

26   The Council is making investments to increase its capacity to secure future improvements. This includes team briefs to provide direction and a framework for heads of service and explanation on the importance of the key performance indicators (PIs). The Council has agreed to create service champions to ensure that performance management is embedded across the organisation. The Service Improvement Team (SIT) now has valuable skills and experience in BPR, assists in the programme of upgrades and undertakes a continual review of processes. An example is the recent review within the planning service. The Council and its partners have system experts and are able to buy in consultancy support for specific projects to boost capacity.

27   However, there are strategic and operational capacity issues which threaten the continuous improvement of Norwich Connect. The Customer Contact Team experiences high staff turnover. There are also wider capacity issues within the Council, particularly at senior and middle manager levels with officers having to work long hours to manage the change and improvement agenda. The Council also experiences difficulty in recruiting professional officers like planners and environmental health officers. Member capacity is limited and as a direct result, a member development programme is being put in place. Poor performance of the City Care contract is having a prejudicial affect on the delivery of service and thus perceptions of customer service.

28   Risk transfer has been robust. The Council's partner took many of the risks in terms of the design of the programme, while the major risk for the Council was during the BPR phase, in particular achieving the required savings. A risk register has been in place throughout the contract and it has been updated as the contract has progressed. Disaster recovery and business continuity arrangements are clear and have been tested. However, these arrangements do not currently include telephony support for the Customer Contact Centre following the move of RST to City Hall and only interim arrangements have been put in place to ensure service continuity.

29 Risk management arrangements for the Norwich Connect project have been robust since its inception, largely as a result of the tools and methodologies available to the contractor. The Council as a whole has come relatively late to risk management with the recent establishment of its first strategic risk register. Although this is very comprehensive and prioritises risks it is not yet embedded across the Council.

30 There is no formal mechanism for the dissemination of learning from the project to the wider Council. As a consequence some opportunities have been missed. For example Norwich Connect has provided good models of programme management, project management, a change monitoring framework and a corporate change map and risk management, but the Council has only recently developed a corporate approach to each.

31 There have been some good examples of learning during the Norwich Connect project within the project teams. The SIT meets weekly with the Systems Support Manager to discuss learning and issues identified and there are monthly meetings with the customer contact team. As projects end the SIT stage 'wash up' meetings to collect key learning points. However, these internal mechanisms were not adequate to prevent problems in the first week of the Tenancy Services Team (TST) when a standard rent arrears letter was issued by Housing Services. Housing Services did not advise TST that this would generate a high volume of calls. The unexpected volume of calls led to a dip in the performance in the TST and a temporary loss of confidence in the team. Learning from other councils' development of customer centres had not been sought and internal learning from setting up of previous customer contact teams was not transferred by the Council or the consultant.

Recommendation
R1 *Develop a user engagement strategy to enable customers to influence the future design of customer contact. This should include policy and procedures for active user engagement in developing targets and performance monitoring.*

The expected benefits of this recommendation are:

- customer views and expectations will become central to the way that services are delivered and reflect local circumstances;

- the development of targets which match local expectations; and

- these channels can be used to influence customer service and customer contact standards.

The implementation of this recommendation will have high impact with medium costs. This should be implemented by October 2008.

Recommendation
R2 Enhance the capacity of the customer contact centre to enable it to consistently deliver the Council's own minimum standards for call response and successful conclusion of customer enquiries.

The expected benefits of this recommendation are:

- better service resilience and performance;
- better and more consistent customer service; and
- a better equipped platform for future developments in customer contact.

The implementation of this recommendation will have high impact with medium costs. This should be implemented by April 2008.

Recommendation
R3 Ensure effective member scrutiny and performance management of the Norwich Connect Project: • *clarify roles and responsibilities of executive and scrutiny members;* • *improve the knowledge and understanding of members to enable them to provide more effective challenge; and* • review the outcomes of *the benchmarking exercise, the development of the ICT Strategy and assessing value for money.*

The expected benefits of this recommendation are:

- increased accountability; and
- a focus on sustained continuous improvement.

The implementation of this recommendation will have high impact with medium costs. This should be implemented by April 2008.

Recommendation
R4 Introduce systematic learning mechanisms which can ensure that key lessons and good practice on a range of topics are spread more widely throughout the Council.

The expected benefits of this recommendation are:

- better access for all staff to the tools and techniques which have been made available to the Norwich connect project staff by consultants and contractors;

- better ability to identify levers for continuous improvement; and

- a better understanding by council staff of what can and cannot reasonably be expected from the contractor, which should ease current frustrations.

The implementation of this recommendation will have high impact with low costs. This should be implemented by April 2008.

Recommendation
R5 Develop permanent disaster recovery arrangements for the customer contact centre.

The expected benefits of this recommendation are:

- better service resilience and continuity; and

- mitigation of business and reputational risks.

The implementation of this recommendation will have high impact and medium costs. This should be implemented by June 2008.

Detailed report

Has the partnership met its planned objectives?

32 The Norwich Connect project has been delivered to budget and to the revised timescales. The project has not been delivered to the original time-line which would have seen business process re-engineering (BPR) completed in 2005 rather than 2006. However, changes to the timeline were mutually agreed by the Council and the Contractor using the accepted 'change control notification' (CCN) methodology. This change was reported to and approved by members.

33 The target financial savings of £2.8 million recurring revenue reductions have been achieved. These savings are predicated upon the Council's ability to reduce the staffing establishment, within the scope of the BPR, by 13.5 per cent or 128 posts, using a 2002 baseline of employees. It was originally envisaged that all of these savings would be achieved from the contract alone. However, in 2005 the Council and the Contractor mutually agreed to adjust the figure to £2.4 million using the CCN methodology. This reduction was justified because the Council had reduced the scope for the contractor to achieve target reductions as a result of restructuring services within the Council, which enabled compensatory savings to be made. This change was approved by members.

34 Cost reduction is a feature of the contract and the unitary charge reduces on an annual basis until the end of the contract. The unitary charge reached its peak in 2005/06, and is designed to steadily reduce to less than 50 per cent of this by the end of the contract term. The agreed unitary charge is subject to a retail price index (RPI) increase on the anniversary of the contract. Private Finance Initiative (PFI) Credits are paid annually and £1,428,000 will be paid during 2007/08. Payment of the Unitary Charge is monitored through the Council's normal budgetary management framework.

35 Key drivers for this project have been partially met with further work required before the step change required is achieved. The Key drivers achieved include:

- to redesign and refocus the Council; BPR has been largely completed and customer contact centres have been established. Workflow management has been introduced leading to accountability and improved customer access;

- to achieve recurring reductions in staffing costs and increase efficiency, while improving service resilience; new styles of jobs and new organisational structures have been created resulting in a reduction of 128 jobs and £2.8 million savings but high staff turnover within the contact centre means service resilience issues persist;

- to create multiple access channels for customers and provide choice on how to access the Council, thereby improving the customer experience; The majority of customer contact is now handled by the customer contact team on one number. Telephone remains the predominant method of contact but customers have a limited ability to self serve on the internet;

- to resolve service requests at the first point of contact. The majority of transactions are completed by self-service or with assistance of a Council employee at the first point of contact. Where enquiries and transactions are more complex they are passed on to specialist staff;

- to enhance the Information Technology (IT) infrastructure and make the best use of it; hardware has been upgraded, software upgraded including the recent roll out of Windows XP and limited mobile working enabled for some staff, for example parking wardens and neighbourhood housing officers;

- to have the ability to track the progress of service delivery; the workflow system enables queries to be transferred accurately and quickly to the appropriate point of contact, and enables progress to be monitored;

- to improve understanding of customer needs; the Council is beginning to gather activity data to understand patterns of activity and is at the very early stages of getting good qualitative feedback on customer contact satisfaction; and

- to promote internal self service for staff. The Council's HR system is available on line for booking leave, recording sickness, and dealing with a range of sharing information.

36 Contract administration is well managed. The Council's internal audit report notes that performance monitoring; procedures for checking and payment of invoices, variation of charges each financial year, compensation payments as a result of non-performance and procedures adopted for change control notices were robust. This shows that the Council is managing the contract well.

37 Within the scope of the original contract Norwich Connect is currently providing adequate value for money. However, it is difficult for the Council to make comparative value for money judgements relative to the current marketplace. At present the Council can only make such judgements if and when new projects are proposed, for example the current cost benefit evaluation of a proposed corporate GIS system. As a result the Council cannot be certain that the contract is offering on-going value for money.

38 The Council is making adequate preparations to complete a benchmarking exercise which will provide a better insight as to whether the contract represents value for money. This benchmarking exercise must be complete prior to 12 months before the seventh anniversary of the contract ie by April 2008. The Council has attended a Treasury Task force seminar to consider PFI benchmarking issues, and initial research and discussions have already been held between the contractor and the Council's Head of Contracts and Procurement to agree a workable approach. Three options have been identified for consideration. A workshop is planned with all Senior Management early in 2008. A robust benchmarking exercise using industry comparators will enable the Council to make value for money judgements and provide evidence for contract negotiations.

What have been the improvements in service delivery and the impact on user focus?

39 Norwich Connect has improved customer access with a single point of contact for general enquiries and Contact Centre staff are able to deal with a high proportion of queries at first contact. Calls to the Council have increased from 29,000 in May 2004 to 76,000 in March 2006 and 109,000 in September 2008. Workflow management is ensuring that relevant issues go to the right person at the right time and provides an audit trail so staff know who is dealing with an issue and what stage it is at. This has generated responsibility and accountability.

40 The Customer Contact Centre's performance in answering calls is inconsistent, with the Council not meeting its own targets. Following the establishment of the Customer Contact Teams, there was an immediate increase in the percentage of calls successfully answered from 42 per cent to 73 per cent. This level of performance was fairly consistently maintained until the second quarter of 2007/08 when the percentage successfully answered dropped to 52 per cent, before rising again to 73 per cent in quarter 3. This is set against a target for 2007/08 of 80 per cent.

41 The Council's target of 85 per cent of calls to be answered within 120 seconds, based on national research on acceptable waiting times, is not being met. In quarter one of 2007/08, 83 per cent was achieved but by the end of quarter 2, this had slipped back to 72 per cent. Similarly, the Council's target for an average answer delay time of 45 seconds has been missed in both quarters of 2007/08 and was never achieved during 2006/07.

42 Average waiting time on telephone calls is poor. In quarter 2 of 2007/08 it was 94 seconds. In order to manage expectations, the Council has recently publicised its expected standard waiting time of two minutes. The Council is reliant on call centre industry data on acceptable waiting times and has to date not sought user feedback on this issue. The length of waiting time and cost of calls has a direct impact on users with modest income. The Council's own benchmarking research shows that its response times are not much better or worse that the comparator group of 14 other public bodies. However, it is not clear how the Council has ensured user engagement in the process.

43 Service delivery remains poor. The hand over from the Customer Contact Centre to the back office staff is not always effective and the City Care contract, which deals with housing and property maintenance issues, has been a particularly intractable obstacle. The Council recognises this problem and the reputational risk it poses. It has begun negotiations to take customer contact for the City Care contract back into the Customer Contact Centre.

44 Customer perception of service delivery and improvements is poor. The 2006 BVPI survey data shows that improvements in customer service and experience have not yet been realised for all customers:

- only 34 per cent of customers agreed that the Council was performing well, with a third satisfied with the way in which their complaint was handled;

- only 27 per cent were satisfied with their face to face contact with services;

- 69 per cent satisfaction with ease to find the right person to deal with; and

- 68 per cent satisfaction with length of time taken to deal with the person they contacted.

Overall there was a slight decline in satisfaction with Council performance and a significant decline in the proportion of residents who feel the Council's performance has improved. There was also a significant decline in the proportion of residents who feel they are informed by the Council about the services and benefits available to them.

45 However, satisfaction with the service received once contact has been made is better:

- 73 per cent satisfaction with information given;

- 77 per cent satisfaction with staff competence and helpfulness; and

- just under 70 per cent satisfaction with final outcome.

46 According to the Council's own customer satisfaction survey from autumn 2007, 79 per cent thought that the service they received the last time they contacted the Council was either excellent or good. However, 13 per cent thought the service was poor and indicated that they were not happy with the performance of the service area concerned (the back office) as opposed to the service provided by the Customer Contact Team. While the Council does undertake customer satisfaction surveys it has not yet engaged in 'mystery shopping' to test the quality and appropriateness of customer contact responses.

47   The quality of service experienced by customers who contact the Council by telephone and face-to-face via the Tenancy Services Team is varied as shown in the survey conducted in March 2007:

- the average waiting time on telephones is less than two minutes;

- the average waiting time on the counter is fourteen minutes;

- 58 per cent of users stated that they waited longer than this;

- 34 per cent stating that their wait was over five minutes;

- 51 per cent of those who used the telephones and 59 per cent of those who used the counter service stated that this was not the first time they had contacted the Council with the query;

- 92 percent telephone customers felt that the person handling their call was helpful and polite. This dropped to 46 per cent for customers visiting the counter; and

- 92 per cent of telephone customers and 77 per cent counter customers found the service to be either 'excellent', 'good', or 'fair' overall.

48   Customer engagement in the redesign of customer contact arrangements has been almost exclusively limited to the established Revenues and Benefits user forum. The Council has relied on industry standard research on preferred methods of customer contact. As a result, service delivery may not be consistent with local needs. The Council has recently conducted a public consultation event to test the suitability of access arrangements and test the appetite for increased opening hours. The Council's CMT has only recently approved a Customer Contact Strategy, but this was not subject to public consultation.

49   Staff have seen improvements as a result of the improved IT facilities and BPR. These include coherent systems and better interface between systems. Improved customer contact software and workflow management has given better access to customer contact details. All hardware and software needs are now assessed and procured centrally which ensures consistent evaluation but also builds in delays. The IT infrastructure is now more fit for purpose and there is an established methodology for making service requests.

50 However, improvements in systems are not consistently visible to staff. The Council's Peer Review in May 2007 reported that 'Middle managers and frontline staff in particular have concerns about the new ICT systems that have been introduced to the Council over the past two years.' There are strong concerns about:

- apparent incompatibility of some of the systems that have been put in place, which means that some things have to be done manually;

- some systems that have been put in place which are described as being 'cumbersome' and 'labour intensive';

- some systems are not sufficiently 'customer friendly' because they were designed without reference to those with an understanding of customer needs;

- inadequate skills and expertise of those responsible for operating the new systems, which meant some work was needed to rebuild systems as the requirements had;

- the roll out of BPR across the organisation; there does not appear to be much learning from one area to another; and

- apparent inequality of the relationship between the Council and the contractor which was described as the 'tail wagging the dog'.

51 This mirrors some of the qualitative feedback received from staff during this study that while the contractor's performance indicators are positive this does not always match the internal users' experience. System support provided by the contractor is not always effective. Support Staff are not always regarded as helpful and there is a perception that the contractor's procedures build in delays to the resolution of problems. Fault calls are answered quickly but problems are often resolved more slowly. The transition to a smaller number of centralised multi-functional devices is not regarded as a success by staff.

52 Internal communication has improved as a result of use of improved ICT. Staff feel better informed, with more people receiving corporate messages. Communication vehicles include message through email, improved newsletter and better cascading of information. Staff also feel encouraged to contribute to system development. As a result staff are able to provide clear information to users.

53 The Service Improvement Team has engaged effectively with staff users during the BPR project. Staff have been encouraged to contribute to system design and have been involved in developing appropriate scripts for customer queries. There have been arrangements to 'hand off' projects with service areas, the customer service team and front line staff to agree respective roles and responsibilities. The Council's engagement with external customers to shape service design and contact arrangements has been much less direct and effective.

How effective are the performance management arrangements?

54 The Council has had sound governance arrangements for the Norwich Connect project from the outset. This included quarterly Contract Board meetings and an Executive Sub-Group meeting informally: a Programme Management Executive to supervise the progress of planned Projects; and a Managed Service Executive to supervise the on-going provision and changes to the ICT Managed Service. Following completion of the BPR phase the partnership revised governance arrangements and has established an ICT Strategy board which is attended by the Deputy Chief Executive, the Head of Finance, representatives from the Service Improvement Team and the contractor's business manager.

55 The governance arrangements for the project are 'fit for purpose'. The Council and the contractor have reviewed and adjusted governance arrangements as the project has progressed. For example, the Strategic Steering Group (SSG) was established, initially, to shape and develop the BPR programme, but now monitors and assesses the effectiveness of the BPR programme and intranet development. During the implementation phase, an Implementation Forum was established to assess progress against the BPR timescale and to identify and address any blocks to progress. The Work Requests meeting is the forum where any requests for work outside of the scope of the managed service contract is assessed and approved or not. This has ensured that the contract is well delivered with agreed managed developments.

56 Officer level engagement in performance management following completion of the BPR is strong. The Service Review Board, chaired by the Deputy Chief Executive, monitors contractor performance. It also considers areas for improvement. This is supplemented by regular meetings at service level where issues are discussed and resolved. As a result, improvements are identified and issues resolved.

57 The Council's approach to financial performance and payments to the contract is robust. This includes a dedicated member of staff to review and check invoices, keeping a record of the budget and the change control notices as well as working of the penalty contract notices. This provides for a detailed spreadsheet showing up to date financial information enabling sound financial control.

58 Performance monitoring arrangements between the Council and its partner are effective. Both partners meet on regular basis to monitor delivery and proactively identify areas for improvement. The contractor provides monthly performance reports on responsiveness on user enquiries, service requests, escalation procedures, systems availability etc. These reports show that the contractor is mostly performing at, or about, target. However, Council employees interviewed reflect some customer dissatisfaction, especially on response to customer requests and fault fixes.

59 Member engagement in performance management is limited. Contractor performance is reported monthly to the Managed Services Executive at the commencement of the contract and service review meetings, which does not have elected member engagement. The contractor's report feeds into the performance monitoring reports, which goes to the Executive. Financial performance is reported through the normal budget monitoring to the Executive. Scrutiny Committee has recently begun to monitor the contractor performance reports and the performance of the Customer Contact Centre.

60 Contract variation procedures are robust. These require sign off by both the partners. CCN are in place for new service requests as well as activities where support is no longer needed or is stopped. A supporting business case is attached and signed off by senior officers. Where services do not have a budget provision, this is reported to members for a decision. These arrangements ensure robust analysis of process and lead to informed decision making.

61 Project and Programme management has been effective throughout the BPR phase ensuring that there was limited slippage. The contractor has supplied a robust project methodology (based on Prince2) which has been embraced and adapted by the Service Improvement Team. The Service requests process has also imposed the rigour of a business case methodology. This has helped to make the best use of limited resources. However that learning has not spread across the Council and only now has a corporate a project management methodology been developed for use within the Council. Similarly business case methodologies are now beginning to have wider use throughout the Council.

62 The Council does not have a formally adopted ICT strategy. Strategic development is, in practice, embodied with the projects contained within Norwich Connect and this has shaped strategic development to date. The Council has developed a draft IT Strategy and the Council's Corporate Management Team (CMT) has a planned joined meeting with the contractor in December 2007 to evaluate options and develop a joint approach which is affordable and deliverable. This meeting will be attended by senior managers from each side and key Members.

63 Performance management across the Council is not consistently effective. The Chief Executive has re-emphasised the focus on both strategic and service performance and a revised performance management framework is still bedding in. The Leadership Group, comprising heads of service and CMT, had an 'away day' in September 2007 to finalise the practicalities around the Aiming for Excellence Programme and to ensure that heads of service understand the performance management framework. The Leadership Group will seek the engagement of all staff, working with managers so that they understand the new scheme and are able to make effective links with the overall corporate priorities. The Council is also moving to three-year service plans for 2008-2011. A more consistent focus on performance should enable more consistent customer service delivery.

64   Service planning arrangements for 2008-2011 requires that proposed service improvements explicitly take account of IT requirements or any implications on the IT Strategy and the IT budget. This ensures that all likely work requests can be identified as part of the budget cycle and adequate provision made.

What is the continuing involvement of members?

65   Member support and engagement with the Norwich Connect programme has been limited and low key. The programme has had a broad party political support. In the early days, whilst there was some disagreement about the expense of the contract, there was a cross-party working group to influence design and implementation and cross-party support for the project. There was member representation on the Norwich Connect Working Party, which met regularly throughout the BPR phase to review progress and provide direction.

66   Member engagement in monitoring partner performance is limited. As part of the quarterly performance report, members receive an update on the contractor's performance. This feeds into an annual report. Contractors do not attend member level meetings and there has been no such request, although senior council officers and members discuss contract performance, such as impact of service centres, at their regular meetings. There have been no specific reviews where contractors have been asked to provide evidence since the contract started. Further no such review is planned for the future. To date there has been no specific scrutiny review undertaken on this long term £85 million PFI project and the Council cannot be sure that the project is continuing to provide value for money.

67   On going member engagement with Norwich Connect programme has been limited. There was clear member engagement during the implementation process which subsequently lapsed. Only over the last two years, has there been more engagement, following the setting up of the Tenancy Services Team (TST) and its initial performance failings. The e-bulletin for all members includes performance figures.

68   Members have not seen an explicit evaluation of the setting up of various contact service teams. With TST, officers and members observed the poor performance compared with other call centres, and took action jointly to make improvements. Performance reports (unaudited) for the first quarter of 2007/08 indicated that performance had improved as a result. However, second quarter performance dipped significantly again which emphasises the need for members' continuing vigilance and challenge.

How successful have been the partnership working arrangements?

69   The Norwich Connect partnership arrangements have been successful to date. Both parties consider that they have always operated as partners rather than as more traditional client contractor roles. Governance arrangements provide adequate opportunities for performance managing of the contract and that challenge is applied in a constructive way. There is process driven governance in the contract and it is strictly adhered to. At each level there are board meetings and nothing is done without a process to approve and evidence it, for example service requests and change control notices. This has been rigidly applied because each party has had separate responsibilities to deliver. There have been some tensions around delivery of particular phases but there has been an outcome focused approach.

70   Partnership working arrangements are robust. Day to day issues are resolved through weekly operational meetings. Service improvements are discussed at board level meetings. The Council and its partner have planned an 'away day' to consider strategic issues for the future and to explore the opportunities to make step changes to help deliver corporate objectives and the Council's ambition of neighbourhood working which will require greater collaboration and improved integration of services.

71   There is a strong commitment to partnership working. This extends to joint working to focus on priorities, developments and longer term ambitions. The contract is coming up for its five-year review and the Council is preparing for a joint benchmarking exercise prior to entering into further negotiations with the contractor. This is an open book contract and there has been an honest dialogue from the outset and a problem solving approach. A dispute resolution mechanism in place but to date it has never had to be used. There are also escalation procedures and these have been effectively used jointly by both partners on one occasion to pull a third party contractor into line.

72   The relationship between the Council and its partner is effective. The Council's Service Improvement Team works well with contractors, ensuring liaison between service areas and the contractor as well as making sure service requests are well co-ordinated. In addition, there are weekly operational, planning and improvement meetings between the contractor's Business Manager and the Head of the Service Improvement Team where most operational issues are discussed and addressed. However, there remain unresolved issues of staff's perception about the quality and responsiveness and effectiveness of the support and service provided by the contractor.

73   The contract contains adequate provisions to support innovation and continuous improvement. It requires the contractor to recommend and, where agreed, provide other advice and innovation and work proactively with the Council to meet its changing requirements. The contractor provides additional services to support further developments, for example the development of a corporate Geographical Information System (GIS). The contractor is required to keep the Council informed on general trends in technology good practice so that business cases can be developed jointly if there is scope to generate a business benefit.

Is there adequate capacity for further improvements into the future?

74   Capacity to make further service improvements is limited. There are capacity issues within the customer contact teams which are exacerbated by the high turnover of customer contact staff. These roles are seen as a stepping stone to jobs in council services, where skills and knowledge can be developed before individuals move on to better paid jobs within the Council. As a result customer contact teams are constantly recruiting and this is having an impact on delivery of front line service.

75   Capacity has recently been enhanced to improve customer engagement. The Council has recently recruited a Head of Customer Contact. The Head of Customer Contact has begun to strengthen customer focus by bringing the three customer service teams under one manager. This is beginning to develop the process of sharing best practice as well as make further service developments for the future. However this is recent and the impact of these changes have not yet materialised in terms of consistent improvement in customer satisfaction. The most recent customer contact data is erratic indicating that structural changes are not delivering consistent results.

76   Opportunities for customers to self serve are not well developed. The Council is seeking to create even more capacity by aiming to lower transaction costs in the provision of access. Customer self service through the greater use of websites by residents is seen as a tool to achieve this aim. The Council recognises that the success of this service will be dependent on how it continues to encourage take up by residents and different communications methods are going to be utilised to ensure the Council engages with all potential users.

77   The SIT provides valuable skills and experience to undertake BPR, assists in the programme of upgrades and undertakes a continual review of processes, in response to demand. Examples include a recent review within the planning service. This has enabled improvements in the services. The Council and its partners have system experts and are able to buy in consultancy support for specific projects, for example the installation of multi functional devices.

78   The use of assessment centres for customer contact staff has significantly improved the quality of staff recruited for the customer contact teams.

79   The Council has increased its internal Human Resources staffing to focus on capabilities, change management and organisational development. A new Head of Human Resources and Learning has recently been recruited. This is in direct response to a previous staff survey finding that staff did not believe that senior managers managed change effectively. The Council has also improved its approach to performance appraisals in 2007 which has led to 85 per cent of staff having completed a performance appraisal interview by September 2007, whereas previously, only a third of staff had received performance appraisal interviews.

80   Systematic training programmes to enhance skills and capacity are not in place. Staff have had some training on new systems, but there is not always refresher training which is needed by staff that do not use the systems daily. Following system upgrades, systematic training is not made available to all staff, so some find it difficult to use revised and improved systems. Staff feel that on going training has been neglected. However, there are better arrangements for front line staff to receive on the job training from back office staff or to shadow back office staff. This has led to a better understanding of respective roles and pressures.

81   The Council has not effectively utilised the training and development days available to it within the contract. An Internal Audit report identified that there was an allocation of 150 training days set out in the Contract for the 2004/05 financial year. Only 63.5 of these days were used. The remaining 86.5 days were lost representing a loss to the Council of £69,200, although the Council continue in discussions with the contractor to try and recover this value. The Council is monitoring the use of training and development days more effectively this year and has taken steps to ensure that it improves the availability and suitability of IT training. The contractual allocation of 150 training days has been dedicated to providing a half-day course to every member of staff on best practice in Outlook, to coincide with the rollout of XP and Outlook 2003. This better equips staff to optimise use of the technology available. Progress on use of training days is now reported in the contractor's monthly performance reports.

82   There are capacity pressures on middle and senior managers which have direct impact on further improvement. Managers report that they are regularly working significant additional hours each week. Further, the Council has recruitment and retention difficulties in key service areas such as planning, environmental health and private sector housing. There are also a number of relatively new and inexperienced members of staff. The Council is aware of this problem and realises that it limits its ability to make further improvements in the future. The issue has been discussed at the Leadership group. There are as yet no clear plans to address this although the Council has taken concerted action to reduce levels of staff sickness.

83 The Council is putting in building blocks to extend its capacity. It has put together a leadership group which includes members of the CMT and heads of service. This group meets monthly and provides a focus for the heads of service to help contribute towards corporate objectives and enable improved cross cutting working. This group draws upon a range of skills and pooling of resources. The Chief Executive has moved away from the former approach, where heads of service were simply briefed. There is now a genuine desire to engage with heads of service and ensure that they are working with CMT. This engages heads of service on the improvement agenda and the 'Aiming for Excellence' programme and provides a platform for increased capacity.

84 Capacity for future improvements has been enhanced within the policy, partnership and improvement team. The Council has recently recruited a Policy and Improvement Manager and a Partnership Manager. Improvements have been made on three-year service planning, with the policy team provided more guidance, help on target setting and a challenge process, which is mainly an officer led process to help focus on performance and on developing satisfaction targets. Given the Council's large improvement agenda rigour and clarity on priorities is necessary to ensure that staff are working effectively.

85 Members have not effectively participated in the performance management of the Norwich Connect project or an evaluation of its successes and failures. Members' ability to take a strategic overview of the project has at times been constrained by their mixed knowledge and experience. There are plans to put in place a Members' Development Plan and research is being undertaken to identify training and development needs.

How effectively is risk transfer and risk management being addressed?

86 Risk transfer has been robust with the Council's partner taking much of the risk in terms of the design of the programme. Advisers from the Treasury task force reviewed risk and risk transfer processes at the initial PFI bid stage. The majority of risk was during the BPR phase, in particular with savings mechanisms. However, the identified savings have been achieved and the process worked effectively. A risk register has been in place throughout the contract and it has been updated as the contract has progressed and the risk profile has changed.

87 The business continuity risk sits with the contractor. The contract is very clear about this in that the contractor is required to sustain the level of infrastructure. This understanding is well shared between the partners who accept their respective roles in the process. Disaster recovery and business continuity arrangements are clear and have been tested, most recently this year. The most recent disaster recovery exercise identified issues to be addressed but for the most part the test it proved that systems can be restored. However disaster recovery arrangements between the contractor and the Council do not currently include telephony for the Customer Contact Centre and only interim arrangements have been put in place to ensure a service can continue to be provided.

88 There have been robust risk management arrangements for the Norwich connect project since its inception, largely as a result of the tools, expertise and methodologies supplied by the contractor. However, the Council as a whole has come relatively late to risk management. There is a risk register dated February 2007 and the Council has established its first Strategic Risk Register from September 2007. This is very comprehensive and prioritises risks, but as it is recent, risk management is not well embedded across the Council.

How have the key learning points been shared?

89 There are no formal mechanisms for the dissemination of learning from the project across the Council. As a consequence some opportunities have been missed. For example Norwich Connect has provided good models of programme management, project management, a change monitoring framework and a corporate change map and risk management, but the Council has only recently developed a corporate approach to each.

90 However, there have been successful learning points for those more closely involved with BPR. For example:

- the SIT worked closely under the direction of experienced programme manager during the implementation phase - learning to effectively manage implementation projects and identify risks;

- improvements to the Council's recruitment processes and the adoption of assessment centres as a means of getting staff with appropriate skills and attitude;

- the three discreet customer contact teams now working under one manager and developing common working practices, eliminating as far as possible differences in approach and seeking to share good practice and increase service resilience by having a multi-skilled team;

- the use of contracted training days has been revised to ensure that the council uses its full allocation and achieves value for money. Contractor resources are to be used to observe the customer contact teams working processes and suggest efficiencies, to develop better team working;

- learning is being applied in developing scripts for the planned transfer of customer contact and call handling from City Care to the customer contact Centre handling of calls; and

- the need to have a newsletter to keep staff informed and engaged. The 'One' (City one Council) newsletter.

91 Shared learning within the SIT is sound. For example there is an e-grapevine newsletter weekly which includes top tips; there is a customer contact focus group and monthly meetings with the customer contact team; SIT do quarterly customer surveys and have adopted 'Flash Reports' and 'learning brainstorms' at the end of each day. The SIT meets weekly with the Systems Support Manager to discuss learning and issues identified and as projects end the SIT stage wash up meetings to collect key learning points.

92 The Council learned from the first rollout of new hardware at the beginning of the contract which caused confusion, frustration and user dissatisfaction. For the next refresh there was more careful planning, co-ordination and communication. Information was published regularly on e-grapevine, schedules were kept up-to-date on iSite, staff were issued with a guidance booklet when the roll-out took place, and managers were asked to review and authorise applications in use. The contractor provided floor-walking support to users. This ensured that there was no repeat of the earlier mistakes.

93 However, problems have still occurred which might have been avoidable if learning had been sought or shared. For example the launch of the Tenancy Services Team was marred by the issue of a standard Rent Arrears letter, by Housing Services, in the first week. Other councils who have launched similar contact centres may have experienced similar issues but that learning or experience was not sought by the council or the consultant. The result was a dip in the performance in the TST and a temporary loss of confidence in the team.

Action Plan

Norwich City Council

Audit 2006/07

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles:

- auditors are appointed independently from the bodies being audited;

- the scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business; and

- auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998 and the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any member or officer in their individual capacity; or

- any third party.

Copies of this report

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0844 798 7070.

Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	R1 Develop a user engagement strategy to enable customers to influence the future design of customer contact. This should include policy and procedures for active user engagement in developing targets and performance monitoring.	3	Tina Bailey - Head of Customer Contact	Yes	Also to include support from the Policy and Improvement Manager.	October 2008
	R2 Enhance the capacity of the customer contact centre to enable it to consistently deliver the Council's own minimum standards for call response and successful conclusion of customer enquiries.	3	Tina Bailey - Head of Customer Contact	Yes	Budgetary provision has been made for enhanced telephony and the Project Plan for the implementation of this will be in place by 31 March 2008. In addition, discussions with all services will be held to improve phasing of proactive work.	April 2008
	R3 Ensure effective member scrutiny and performance management of the Norwich Connect Project: • clarify roles and responsibilities of executive and scrutiny members; • improve the knowledge and understanding of members to enable them to provide more effective challenge; and • review the benchmarking exercise, the development of the ICT Strategy and assessing value for money.	3	Anton Bull - Head of Procurement and Service Improvement	Yes	A report will be prepared for the Executive for June 2008 setting out the roles and responsibilities (June 2008 is the first available date.)	June 2008

Norwich City Council

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	R4 Introduce systematic learning mechanisms which can ensure that key lessons and good practice on a range of topics are spread more widely throughout the Council.	2	Glenda Bennett - Head of HR & Learning	Yes	Service Improvement Team and HR and Learning are working together to identify opportunities and methods for sharing best practice.	April 2008
	R5 Develop permanent disaster recovery arrangements for the customer contact centre.	3	John Jones - Head of Legal & Democratic Services	Yes	This work is already underway with Steria.	June 2008

Norwich City Council