CABINET

Report subject	**Organisational Development – Design Outcomes**
Meeting date	13 November 2019
Status	Public
Executive summary	The proposed organisational design presents an opportunity to define the transformation programme for BCP Council. The ambition and scale of the proposed programme provides a level of benefits that is consistent with the challenges in the Medium Term Financial Plan.
Recommendations	**It is RECOMMENDED that Cabinet:** **(a) Adopt the proposed Operating Model as the basis of BCP Council's Transformation Programme, including the adoption of the "Single Council Hub" principle;** **(b) Establish a Working Group to consider the options for the development and/or location of a "Single Council Hub" and agree to receive a further report on this issue in January 2020;** **(c) Approve a programme of procurement exercises to assess and test the availability and costs of potential partnering arrangements to support the implementation of the Transformation Programme;** **(d) Authorise the S151 Officer to consider the potential impact of the costs and benefits of the High Level Business Case on future versions of the BCP Council Financial Strategy and Medium Term Financial Plan;** **(e) Agree to receive a further paper in April 2020 setting out the delivery plan and funding arrangements for the BCP Council Transformation Programme, underpinned by the adoption and implementation of the proposed Operating Model**
Reason for recommendations	To adopt a strategic vision and design for the organisation and establish a Transformation Programme to deliver.

Portfolio Holder(s):	Cllr Vikki Slade, Leader of the Council
Corporate Director	Julian Osgathorpe, Corporate Director Resources
Contributors	Cabinet All Senior Managers of BCP Council
Wards	All
Classification	For Decision

Background

1. Along with significant Place related ambitions, a key strategic driver behind the Local Government Reorganisation (LGR) process was the chance for a once in a life time opportunity to reimagine local government and its relationship with the community.

2. The extent of this opportunity was expressed during the LGR process. Local Partnerships estimated that c£27m in benefits could be achieved by transitioning to the new Councils. BCP Council's share of these savings have been achieved and were included in the Budget that was set for 2019 – 20.

3. In the Case for Change that was prepared by PWC on behalf of Dorset, and which formed the basis of the submission to Government, it was estimated that if the new Councils truly embrace the transformation opportunity, benefits of up to £66.3m could be possible across Dorset as a whole. Unlike the Local Partnerships estimates for transitions benefits, PWC did not apportion how the £66.3m could accrue to the two new authorities.

4. The need to fundamentally transform the new authorities is not only to support the continuing demands of our Medium Term Financial Plan (MTFP). While it has always been clear that if done appropriately transformation can deliver significant savings, it has always been equally clear that there would be an imperative to deal with the operational realities of disaggregating and reaggregating the preceding local authorities to BCP Council.

5. This strategy was clearly seen in, and successfully delivered by, the Programme adopted to deliver LGR which was formed of three principle phases:

   a. Phase 1 – Create the new unitary authorities through the Parliamentary process

   b. Phase 2 – Transition services safely and establish business critical structures and processes

   c. Phase 3 – Design and build the new organisation

6. As you will know, the time horizon for the successful delivery of Phases 1 and 2 of the BCP Council LGR Programme was extremely constrained. The current

assumption with regard to Phase 3 of the Programme, based on the experience from other organisations, is that a transformation programme of this scale and complexity will take 3 – 5 years to complete.

7. Over the last six months, and while we have been concluding the activities required to complete Phase 2 of the programme, we have also commenced the first stages of Phase 3. To support this, we have been working with KPMG to undertake the following activities:

    a. Current State and Vision for the organisation in terms of the legacy of the LGR process as well as the transformation opportunity that we have before us

    b. Development and consideration of options for a new Operating Model for the organisation

    c. High level assessment of the costs, benefits and outcomes from implementing a new Operating Model for the organisation

    d. High level view of the implementation programme that may be required to deliver it

8. In undertaking this work with KPMG, we made it clear that we wanted them to facilitate the development of a BCP Council specific view of the future, rather than a "cut and paste" from another local authority.

9. A significant focus of this work has been around what has been referred to as an "Operating Model". For the purposes of this report, an operating model can simply be viewed as the way in which any organisation chooses to develop and deploy certain critical types of resources and/or assets to support the delivery of its services. for BCP Council, we have chosen to use the following:

    a. Service

    b. Process

    c. Technology

    d. People

    e. Data

    f. Governance

10. The way in which we currently use these enablers is an expression of our current operating model. How we might transform or rearrange them to be more efficient and effective will determine what our new operating model is. Finally, the differences between these two states will help us express the value, costs and benefits of moving from one state to the other.

11. In addition to the core elements in & above, we elected to also undertake a high level analysis of our key office locations in order to better understand the opportunities that may be available to us in supporting the wider transformation of the Operating Model.

12. KPMG's report setting out their analysis and findings is attached at Appendix 1 and this will be reviewed and explored in more detail through the rest of this report in order to assist Cabinet in considering the recommendations contained above. In doing so, it is not the intention of this report to repeat or reproduce the contents of the KPMG report, but to interpret and draw out the salient issues and factors with regard to the recommendations above.

Current State and Vision for the new Organisation

13. A range of activities has been undertaken to help develop a better understanding of where we are as an organisation. Some of these have been backward looking and based on statistical data, while others have been more future focussed and involved engagement and discussion with members and Officers. Examples of the key activities are:

    a. Desktop review by KPMG of key organisational information and metrics

    b. Engagement with the c130 most senior officers of the Council to assess our current self perception of our strengths and weaknesses and how we want to develop these in the future

    c. Engagement with the Cabinet and the c130 most senior officers of the Council to think about the key principles that we should use to guide our transformation journey

    d. An Activity Analysis covering every role in the organisation in order to understand how we currently deploy our time in the delivery of services

    e. An analysis of our third party spend as a Council

    f. Our current office estate and the issues and opportunities that may exist

14. These activities have helped produce an evidence based view of the current state of BCP Council as an organisation, i.e. the operating model that we currently use to deliver our services. It is important to understand that this is a strategic level analysis and therefore there are likely to be some specific areas of the organisation that do not recognise the findings as being representative of their team or activities.

15. At their highest level they reveal that BCP Council

    a. Has inherited a legacy of multiple, complex ways of working (e.g. assets; ICT Systems; processes and practices etc) from the preceding authorities, many of which are either at, or approaching, end-of-life

    b. Has a significant amount of duplication of effort in completing common processes across the five Service Directorates

    c. Has no consistent approach to the management and use of data to drive decision making and organisational improvement

16. At first glance this can appear alarming and raise difficult questions. However, it must be remembered that BCP Council is the aggregated product of 4 preceding authorities, each of which had their own separate cultures, priorities, leadership and decision making processes. Furthermore, each one of those preceding authorities had lived through nearly a decade of austerity.

17. It is therefore not surprising that the current state analysis has produced the strategic overview that it has. However, the value in this overview is not in the issues and difficulties that it has identified but the potential that exists in redesigning the organisation to correct them. If we do this well, there is significant opportunity to improve the effectiveness and resilience of our services while materially reducing the cost base of the organisation at the same time.

18. Finally, the current state analysis makes it abundantly clear that as an organisation there is no alternative to embarking on a large scale programme of transformation, as our current state is not sustainable.

A New Operating Model for the Organisation

19. At the outset of the design process, it was thought that there could be more than one potential option for us to consider. However, as the process developed there was very clear consensus about the core characteristics of the organisation that Members and Officer aspired to create.

20. This consensus, along with the clear imperative expressed in the "Current State Analysis" above, to exclude "Do Nothing" as an option in any appraisal methodology, has lead to a single proposed Operating Model option. It is illustrative of the "Co-Design" principle which has underpinned our relationship with KPMG, that their facilitation has resulted in a single, Council owned view of the optimum way forward for the organisation.

21. This is set out in detail in the KPMG report, but the following key characteristics are important to draw out

    a. The model is clearly correlated to the vision for the BCP area as expressed in the Corporate Strategy adopted by Cabinet in September 2019

    b. It is predicated on responding to demand as effectively and efficiently as possible. This will mean understanding and engaging with potential future service users before their needs become acute. It may also involve us more effectively sign-posting potential service users to other organisations or support networks that are better suited to respond to their needs

    c. Where demand presents itself to the organisation, we will ensure that we respond to it in the most appropriate manner to meet the requirements. While this inevitably involves dramatically improving our digital self service offering, we will do so in order to divert some of the capacity and capability that enhanced self service will release to ensuring intensive face to face

support is available for our customers who have complex and ongoing needs

d. All of our services, whether "front" or "back" office, will be technology enabled and supported in a way that is consistent with a 21st Century organisation. Our way of working will support the work being done wherever, however, and whenever is optimal. This will extend to our use of buildings/assets

e. The proposed Operating Model allows significant reduction in our ICT Enterprise Architecture by focussing our relationships on a small number of more strategic technology relationships within different parts of the model, e.g. single technology platform for the "front door" and the same for the enabling/back office functions

f. We will use data alongside strong relationships with key external stakeholders to create an entirely new and enhanced level of understanding of our communities and their needs. This will allow us to engage and support them more effectively than ever before

g. We will use the process of delivering this transformational change to ensure our commitment to the Council's pledge to become Carbon Neutral by 2030. The consolidation of council office locations will reduce the carbon footprint of our estate, while the new ways of working will reduce work related travel by our staff both through fewer meeting related journeys but also in reducing regular or unnecessary commuting

High Level Cost/Benefit Impact of the Proposed Operating Model

22. KPMG have set out their assessment of the potential financial benefits of successfully adopting the new Operating Model in their report. At its highest level, their view is that the net benefit range is £22 - £36.8m.

23. A range has been used to illustrate that in the event BCP Council moves to implement the new operating model, there will still be very many detailed design considerations that we will need to assess and reach a conclusion on how ambitious we wish to be in our solution design and benefits realisation processes.

24. The range of benefits is comprised of three core components

a. A reduced number of employees over time (this will be discussed in more detail in "Human Resources Implications below)

b. Efficiencies and greater purchasing power within our third party spend based on our new scale

c. Improvements in our cost recovery activities through harmonisation and benchmarking of our Fees and Charges

25. KPMG have also set out their assessment of the possible implementation costs of delivering the proposed Operating Model. At its highest level, their view is that

the cost range is £20.5 - £29.5m. The costs are made up of a mix of capital and revenue, and one-off and ongoing commitments.

26. A range has been used for the same basic reasons as set out in paragraph 20 above, i.e. there will be choices to make during the implementation process and those choices will impact on final costs. However, this range of costs includes estimates for all major cost components that we are likely to have to incur should we elect to move forward, including external implementation support and new technology with increased licensing requirements in key areas.

27. The view expressed by KPMG, and which is represented by the values outlined above, is that there is a strong business case behind the adoption and successful implementation of the proposed Operating Model for BCP Council.

The Asset Base and Supporting the Transformation of the Organisation

28. It has been believed for some time that one of the most significant barriers to the successful creation of a "One Council" way of working and culture will be the extremely diverse, for such a constrained geographical footprint as the BCP area, asset base – perhaps most importantly the principal office locations.

29. The KPMG assessment, supported by the in-house Corporate Property team, shows that from 1st April 2019 there are a significant number of these. Moreover, an assessment of utilisation rates within the core buildings shows an average occupancy rate of c40%. This represents significant issues for our achievement of

   a. Reductions in our carbon footprint

   b. Harmonised and agile ways of working

   c. Reducing the maintenance costs of our asset base

   d. Reducing the time and environmental impact of staff travel between sites

   e. Cost and complexity of supporting ICT networks

   f. Realising capital receipts to support the Financial Strategy of the Council

30. Based on the adoption and successful implementation of the proposed Operating Model, an assessment has been made of the potential to significantly rationalise our use of our core office estate. This currently suggests that while it is ambitious and will require strong leadership, implementation and leading edge ways of working and space utilisation, it is possible to accommodate the majority of BCP staff within a single "Council Hub".

31. Clearly, as the full estates architecture and strategy develops there will still be a requirement for buildings other than the Council Hub, e.g. "spokes". These could take a variety of different forms such as Depots, Libraries, Community Centres or co-location with partner agencies, and it will be important that any such additional facilities and community presences are supportive and reflective of the ethos embodied within the new Hub.

32. It is also important to recognise that KPMG have asserted a critical link between the successful adoption and implementation of the proposed Operating Model and the consolidation of our current asset/estates model.

33. The final output from the KPMG work package on our assets and estates will be available shortly. Cabinet are asked to consider establishing a Working Group to review the output from this and receive a further report in January 2020 to outline the options available for the creation of the Council Hub.

Summary of financial implications

34. The costs of undertaking this design work have been fully met within the resources allocated to the delivery of Phases 1 and 2 of the BCP Council LGR programme.

35. While the analysis shows a clear and compelling business case for the adoption and implementation of the proposed Operating Model, there is no doubt that should the Council elect to adopt the model as the basis of its future transformation programme there will be significant financial challenges that will need to be overcome.

36. The implementation programme will require multiple funding streams but it is not proposed at this stage to consider these in any detail (see Proposed Next Steps, below). In addition, benefits identification, estimation and realisation on this level of transformation programme will be challenging and the leadership of the organisation will have to maintain discipline and focus over the entire implementation journey if we are to succeed.

37. However, and notwithstanding the considerations above, the high level business case for the adoption and implementation of the proposed Operating Model represents the most significant contribution currently available to the successful delivery of BCP Council's MTFP.

Summary of legal implications

38. There are no legal implications arising from the information set out above. However, please refer to "Proposed Next Steps", below.

Summary of human resources implications

39. There is no escaping the fact that both austerity and the LGR process have been predicated on reducing the number of staff and therefore the cost base of the organisations. All of the preceding authorities to BCP Council have a track record of managing the consequences of such reductions sensitively but effectively and it is anticipated that this will continue to be the case.

40. The adoption and implementation of the proposed Operating Model will continue to place an emphasis on reducing the number of staff employed by the Council. KPMG have estimated that the number of roles that could potentially be removed from the organisation is in the range 421 – 624. It is assumed that this reduction will take place over the full extent of the implementation period which is assumed

at between 3 – 5 years. It is also anticipated that with annual turnover of staff currently running at c10% a significant proportion of this reduction in headcount could be achieved by careful and proactive vacancy management across the Council.

41. Should the Council decide to adopt and implement the proposed Operating Model we will need to ensure that a range of staff engagement and welfare arrangements are put in place in order to minimise the number of compulsory redundancies during the implementation process.

42. To support this, we will be developing and implementing a people focussed change methodology. It will be aimed at significantly improving the way in which we engage and communicate, prepare people for the changes to come, and support them to adapt and thrive in the new environment.

43. As well as the impact on staff numbers, it is recognised that any decision to consolidate staff into a single site may be challenging for some staff. This may be made even more difficult by the prospect of potentially moving more than once in the medium term in order to accommodate any building or renovation activity. However, the impact of a change in office location must be viewed in conjunction with the benefits that will be offered by the introduction of flexible and modern ways of working which will reduce the need to commute and/or travel for meetings.

44. A critical consideration in respect of the human resources implications of this proposal is that if implemented, it will be largely contemporaneous with the impact of the Pay & Reward Strategy approved by Cabinet in September 2019. The combined effect of these two key strategic work programmes is absolutely critical to the future success of the organisation, but it does mean that staff and the organisation will have a number of very significant impacts to deal with at the same time.

Summary of environmental impact

45. There are no direct environmental impacts arising from the content of this report.

46. However, in the event that the Council adopts and implements the proposed Operating Model and the accompanying transformation effort, it is very likely to make a significant contribution to the delivery of the Carbon Neutral by 2030 commitment.

Summary of public health implications

47. There are no direct public health implications arising from this report.

Summary of equality implications

48. There are no direct equality implications arising from this report.

49. However, in the event that the Council adopts and implements the proposed Operating Model there will need to be robust assessment and management of

the equalities implications of the process for individuals both inside and outside the organisation.

Summary of risk assessment

50. At this stage in the process (i.e. High Level Design and Business Case) a full risk assessment is not required or appropriate. However, in the event that the Council adopts the proposed Operating Model and moves into implementation at a later date (see "Proposed Next Steps" below) a full risk assessment and management methodology will be adopted.

Proposed Next Steps

51. Implementing a transformation programme on the scale indicated in the KPMG report is a significant undertaking. It will not be possible to do so without obtaining support in terms of both capacity and capability from a delivery/implementation partner(s).

52. In the event that Cabinet are prepared to support the findings contained in the KPMG report there are some significant packages of work that need to be undertaken before it is possible to present a more developed implementation plan with associated costs.

53. It is proposed that the majority of the effort in this regard should be focussed on validating or adjusting the key assumptions and/or anticipated costs for the significant components within the delivery model, specifically

   a. The costs of an implementation partner(s) to support the delivery of the core transformation programme

   b. The costs of an implementation partner(s) to support the delivery of strategic ICT components to underpin the proposed Operating Model

   c. The costs of anticipated technology "placeholders" to underpin the proposed Operating Model

   d. The costs of developing the Council Hub design and build to support the proposed Operating Model

54. In addition to this work, and as more definitive views of costs emerge as a result of it, the S151 Officer will need to asses the anticipated cost and benefit realisation requirements and profile thereof in order to come to a view on the appropriate funding strategy for the transformation programme.

55. In order to provide the information to support 50 a – d above, it is necessary to undertake a small number of market tests and/or procurement processes. At this stage, no delegation to award contracts is being sought, and it is proposed that the outcome from these exercises will be reported back to Cabinet at a later date.

Background papers

None

Appendices

Appendix 1 – KPMG Report