
Report To:	Inverclyde Council	Date:	15 December 2011
Report By:	Chief Executive	Report No:	CE003/11/JWM
Contact Officer:	John W Mundell	Contact No:	01475 712701
Subject:	Operating Model Review		

1.0 PURPOSE

- 1.1 The purpose of this report is to advise the Council on the issues associated with the delivery of the Operating Model project which formed part of the Council's Transformation Programme and was one of the Council's 24 savings workstreams which had specific savings targets attached. In addition, the report makes recommendations on the most appropriate way for the Council to progress the modernisation of the Council's work in these service areas.

2.0 SUMMARY

- 2.1 The Council's Transformation Programme as outlined most recently to Members in September 2010 comprises four principle areas of work namely:-

- i) Financial Strategy;
- ii) Organisational Structure;
- iii) Asset Strategy; and
- iv) Operating Model.

Each of the first three areas of work are progressing extremely well and delivering successful outcomes for Council.

- 2.2 The Operating Model is a complex project and is one of the Council's 31 corporate savings workstreams of which 24 projects have specific cash targets. The Chief Officers with lead responsibilities for delivery of the Operating Model project were the Corporate Director, Organisational Improvement & Resources, Head of Customer Services & Business Transformation and the Head of Safer & Inclusive Communities. The specific project board for the Operating Model was the Operating Model Executive Implementation Group chaired by the Corporate Director, Organisational Improvement & Resources.
- 2.3 The Operating Model was designed to help the Council modernise its operations by simplifying standardising and sharing business processes and making more efficient use of its people, technology and property. In addition, improvements have been introduced to the Council's customer relationship management processes. The individual phases of the Operating Model were:-
- i) Value Chain Analysis (VCA Project);
 - ii) High Level Design (HLD) or Design Mandate;
 - iii) Detailed Design - Implementation of the Customer Services Centre (Release 1 of the Future Operating Model); and
 - iv) Integrating additional services into the Customer Services Centre (CSC) and creation of the Business Support Service (Release 2 and 3 of the Future Operating Model (FOM)).

Each of these phases has been explained in greater detail in this report.

Value Chain Analysis (VCA)

- 2.4 In 2008, VCA Project work was jointly commissioned following a competitive tendering process

by East Renfrewshire Council (as lead Authority) in conjunction with Inverclyde Council and Renfrewshire Council. The purpose of the consultancy work was to complete a diagnostic assessment of services across the Councils and to consider how service quality could be improved and efficiencies delivered. Following a comprehensive analysis of the tenders received, PriceWaterhouseCoopers (PwC) were awarded the contract.

- 2.5 The purpose of the VCA Project, which commenced in January 2008, was to assess the various aspects of work undertaken across the Council and consider how service quality could be improved and efficiencies delivered. This work was viewed as a precursor to the more complex detailed design stages for the development of a new Target Operating Model.
- 2.6 At the same time, a full review of the current position with regard to customer service practised across the Council was undertaken. The approach was to:-
 - i) examine all Customer Service contact points in the Council;
 - ii) focus on the Scottish Government's 40 Electronic Service Delivery targets;
 - iii) expand the scope to include the National Entitlement Card Scheme; and
 - iv) establishing a cross Directorate Business Transformation Team to collate information gathering from services and to develop in-house skills in business transformation techniques.
- 2.7 The costs associated with this work were to be met from the General Fund and the Modernisation and Efficiency Fund. At the meeting of the Policy & Resources Committee of September 2008 two separate reports were considered in relation to the VCA Project and the Customer Service Review. It was proposed to combine the findings of the Customer Service Review with the VCA Project into one discrete programme for the development of a new Target Operating Model for the Council.

High Level Design (HLD) or Design Mandate (October 2008 – May 2009)

- 2.8 The High Level Design (HLD) considered all Council services (excluding teaching staff) and took forward the opportunities, identified during the VCA Project, to the next level of detail through the implementation of a new organisational model. The first stage of this process was the creation of two new corporate layers to deliver Customer Management and to simplify, standardise and share common processes and internal services (Operational Support known latterly as Business Support Service).
- 2.9 The philosophy was to create a single point of contact for our customers; a consistent and professional customer experience; and give customers a choice in how they would interact with the Council. For our employees, this would develop competencies and capabilities; create more multi-skilled posts; change the Council's culture to be more customer centric and corporate; and increase staff motivation.
- 2.10 A range of workshops and discussions were undertaken with nominated staff across all Council service areas to develop the Future Operating Model (FOM) and a Customer Management Strategy through the analysis of transactions and channel usage.
- 2.11 The FOM was split into 6 releases spread over a 3 year period which was originally scheduled to be fully implemented by March 2013. Each phase was deemed to be of 6 months duration and by the end of the 3 year programme, a projected recurring annual benefit of £3.83m was forecast from an estimated reduction of 193.5 FTEs from across the Council.
- 2.12 In addition, an assessment of the Council's ICT landscape and projects that were in progress was also undertaken which helped identify where investment in technology was required to support the FOM and the proposed new ways of working. Rationalised operational property needs were also identified in parallel by the Asset Management Executive Implementation Group (EIG) led by the Corporate Director, Regeneration & Environment.

Detailed Design - Implementation of Customer Services Centre (Release 1 of FOM)

- 2.13 This phase resulted in the implementation of the Customer Services Centre (CSC) and all associated work. High level design details for each service included in Release 1 namely, Revenues & Benefits, Environmental Services and Switchboard, were also produced. Delivery of Phase 1 of the FOM progressed well with the launch of the Customer Service Centre on 19 October 2009.
- 2.14 Phase 2 of the FOM was recommended for continuation to provide an effective platform for operational support and focusing on the transactional services of Finance, Procurement, HR and Payroll. This Phase was also expected to support a number of other Customer facing activities including corporate complaints, licences and permits, planning application and building standard enquiries, environmental health enquiries and bookings and appointments, blue badges and education maintenance allowances. The Policy & Resources Committee of 17 November 2009 approved the next stage of development. In addition, other policy changes such as the management structure required to be taken into consideration when further progressing the FOM.
- 2.15 At a Special Council Meeting on the 19 November 2009, the Council approved a revised Corporate Management Structure which made provision for 4 Corporate Directorates. Consideration had been given by the CMT to a 3 Corporate Director structure but this option was deferred for further consideration at the next proposed restructuring phase scheduled for November 2011. This was to ensure there was sufficient management capacity to deal with the extent of the changes over the ensuing two years. The roles and responsibilities the lead Chief Officers for the delivery of FOM was also reinforced in the approved report.
- 2.16 The Corporate Management Structure report considered at the Policy & Resources Committee of the 19 November 2009 also obtained approval for the establishment of a Community Health and Care Partnership (CHCP) with NHS Greater Glasgow and Clyde. This development would be facilitated by the completion of a Scheme of Establishment with associated changes needing to be factored into the plans for the FOM.
- 2.17 The CMT reviewed the FOM with the lead Chief Officers for the project during December 2009 and January 2010. In parallel, the CMT also addressed other related issues, including the impact of the changes to the management structure, property requirements and operational issues such as re-phasing aspects of the project and technology needs.
- 2.18 The Policy & Resources Committee agreed the final scope of Phase 2 of the FOM in March 2010 including revised Governance arrangements outlined in section 5.0 of this report. Phase 2 officially commenced in June 2010.

Implementing additional services into the CSC and creation of the Business Support Service (Combined Release 2 and 3 of FOM)

- 2.19 This Phase of work combined releases 2 and 3 of the FOM and from this point on, the project was referred to as the Operating Model. A detailed programme plan; resource plan; programme governance arrangements; roles and responsibilities for various stakeholders; milestone plans; team structures and finally the Terms of Reference were all produced. A number of functions from Safer Communities, Environmental Services, Licences and Fines and Registration were reviewed and elements were to be transferred to the Customer Services Centre (CSC) by March 2011.
- 2.20 Given the extent of change in this phase of work, the Operating Model team undertook various change management activities with support and guidance from PwC. More detail of the work undertaken by PwC throughout the development of the Operating Model is shown in section 6.0 of this report. A key part of this phase was the organisation design and transition options where PwC worked closely with the Organisational Development (OD) Team. This work involved the identification of the affected staff and associated savings. The best use of the ICT systems to support the development of the Operating Model was also considered and indicative costs for

these developments were also obtained.

- 2.21 This release was designed to result in the creation of the centralised Business Support Service (BSS) and continue with the implementation of release 2 of the CSC. The three Chief Officers leading the OM Project met with the Chief Executive as necessary to provide an update on progress between March and October 2010. Throughout this period, the project was reported by the 3 lead Chief Officers as being “on track” to deliver the expected savings.
- 2.22 The last occasion when all three met with the Chief Executive was on the 7 September 2010, when he was again advised that the project was making solid progress and that despite a delay, corporate agreement with services through to the full “sign off” by the respective Corporate Directors was expected by the end of September 2010. Confirmation was also given at this meeting by the Corporate Director, Organisational Improvement & Resources that the overall savings of £3.83million would be delivered in full, within the project timeframe and that PwC should be finished their commission by the end of September 2010.
- 2.23 On 20 September 2010, prior to the meeting of the Policy & Resources Committee scheduled for the next day, the three lead Chief Officers for the Operating Model gave a briefing to all Members on the progress and the future work of the project and how the reshaped services would look. Positive progress was again reported at this briefing.
- 2.24 The Chief Executive next received a specific briefing from the Corporate Director, Organisational Improvement & Resources on 19 October 2010 following a written request from the Chief Executive. This meeting was requested following the failure of the Corporate Director of Organisational Improvement and Resources to provide the Chief Executive with information he had previously requested.
- 2.25 At this meeting, the Corporate Director Organisational Improvement & Resources advised that he had not yet met with his fellow Corporate Directors as previously intimated to reach agreement on the directly affected employee population. He advised that this would not now be achieved until the end of October on the basis that the two lead Heads of Service had not yet concluded the work required to identify the affected population. He also advised the Chief Executive that despite previous assurances by him, PwC would also not now be finished until the end of October 2010.
- 2.26 In addition, he confirmed that as a result of the delay, an adjustment to the phasing of the savings was necessary but notwithstanding this delay, he gave assurances that the overall savings would still be achieved and indeed, be surpassed within the overall project timeframe. The Corporate Director was instructed to prepare a comprehensive report for the CMT by the end of October.
- 2.27 In parallel with this project and other savings workstreams projects, the Council had also considered and approved revised pay protection arrangements in May 2010 following relevant consultation with the Trades Unions. As part of this consultation process, the Trades Unions had specifically requested an adjustment to the introduction of the new proposals to ensure that those employees directly affected by the implementation of the Operating Model had access to the more favourable and slightly longer salary protection arrangements.
- 2.28 However, as a result of delays outlined above, the revised timing for the approved pay protection policy was not met. This delay adversely impacted on the positive industrial relations and close partnership working between the CMT and Trades Unions locally.
- 2.29 Joint Budget Group meetings were held on the 27 October and the 9 November 2010. During these meetings the Corporate Director, Organisational Improvement & Resources gave assurances that the Operating Model project was still on track including compliance with the approved Pay Protection Policy. However, despite this statement, it was becoming clear that compliance with the revised Pay Protection timetable was no longer achievable. It was also evident that there were issues with the delivery of aspects of the Operating Model project against the planned targets.

- 2.30 The Chief Executive was scheduled to go on annual leave for a week commencing on the 13 November and immediately prior to this, wrote to the Corporate Director, Organisational Improvement & Resources raising his concerns on the management and delivery of the project instructing him to prepare a report for the CMT meeting on the 25 November.
- 2.31 Regardless of the failure to secure the internal agreements required and during the Chief Executive's leave, an Organisational Improvement & Resources Directorate Performance Report to the Policy and Resources Committee on the 16 November 2010 stated that the project continued to be "on track". The report confirmed "Design Build & Implement by the March 2011".
- 2.32 The Chief Executive was scheduled to return from annual leave on the 22 November but was hospitalised abroad over an extended period due to serious illness. However, he did continue to communicate as far as possible with the Council towards the end of his period of absence through the Corporate Director, Organisational Improvement & Resources (& now Acting Chief Executive). Specifically, he again instructed the Corporate Director to prepare a detailed update report for him by Wednesday 8 December 2010.
- 2.33 The Corporate Director, Organisation Improvement & Resources made the decision without consultation with the Chief Executive or Corporate Management Team that the Project was suspended on 6 December 2010 as a result of concerns regarding the delivery of the project. He also removed the Head of Customer Service & Business Transformation from the project. In addition, he instructed the Chief Financial Officer and the Head of Human Resources & Organisation Development review the Operating Model information and progress to date and then provide an assessment of achievable savings from Transactional Finance and Transactional HR. It is understood that the Council Leader was not advised of this.
- 2.34 At the formal meeting of the Council of the 14 December 2010, the budget strategy for the next two years was considered and it was reported that the anticipated savings from the OM project could be factored into the forward planning for future budgets. Despite suspending the project without consulting the CE or Leader of the Council, the Acting Chief Executive/Corporate Director, Organisational Improvement & Resources did not take this appropriate opportunity to inform the Council of the difficulties or associated risks which were his responsibility.
- 2.35 On the 16 December, two days after the Council meeting of the 14 December 2010, the Acting Chief Executive/Corporate Director, Organisational Improvement & Resources submitted a report to the Corporate Management Team. In his report, the Corporate Director, Organisational Improvement & Resources stated "it became apparent in mid to late August that there were a number of issues that had the potential to negatively impact the timeline for Phase 2 and achievement of savings". This is despite not having advised Council two days before. He further stated in his report, "despite frequent progress reports provided to Members, the Chief Executive, Corporate Director and CMT that Phase 2 would be delivered in line with the timeline agreed by Committee, it is clear that progress was not being made in these areas." The report also stated "It is also acknowledged that not adequately addressing the issues identified has potentially damaged the relationship with the Trades Unions on a number of fronts".
- 2.36 The Chief Executive returned to work on the 22 December 2010 and briefed the Council Leader on a number of key concerns surrounding the Operating Model project. He also advised the Leader that he would need to brief all Members as soon as practicable once he had a clearer picture by the New Year.
- 2.37 After careful consideration of the information available and after taking extensive human resources, internal legal and external legal advice on the most appropriate course of action, the Chief Executive, suspended a number of officers on a precautionary basis on 11 January pending a formal investigation. The disciplinary proceedings are dealt with in section 7.0 of this report. The Chief Executive briefed all Members on the circumstances surrounding the Operating Model on the afternoon of the 11 January 2011.

Governance Arrangements

- 2.38 In January 2010, a draft report regarding proposed project governance arrangements, prepared by the Head of Customer Service & Business Transformation was brought to the Corporate Management Team (CMT) by the Corporate Director, Organisational Improvement & Resources. The proposals were deemed inappropriate and overly bureaucratic because they would potentially involve up to 16 meetings per month for the Operating Model Lead Officers on this project alone which would be over and above other associated operational meetings.
- 2.39 The CMT therefore agreed that the report should be modified prior to submission to the Policy & Resources Committee in March 2010 to streamline the number of meetings for Officers and Members. In addition, it was agreed that the Corporate Management Team was the sovereign decision making body for project delivery and was therefore the most appropriate forum for consideration of the strategic and corporate aspects of the Operating Model consistent with other workstream savings and corporate projects.
- 2.40 It has become clear that the agreed changes were not made to the report as agreed at the CMT. As a result, the report presented to the Policy & Resources Committee on 30 March 2010, contained provisions that the CMT had previously discarded as both inappropriate and unworkable.
- 2.41 It is accepted that the frequency of meetings as outlined in the approved Committee report was not delivered. Nevertheless, sufficient opportunities existed for the Corporate Director, Organisational Improvement & Resources and other officers to raise issues of concern at the CMT or directly with the Chief Executive as and when required.

The work undertaken by Price Waterhouse Coopers (PwC)

- 2.42 In addition to the VCA work mentioned in paragraph 2.3 above, PwC were commissioned at various stages by Inverclyde Council to support the further development of the Operating Model. These additional phases were:-
- i) High Level Design (HLD) or Design Mandate;
 - ii) Detailed Design - Implementation of the Customer Services Centre (Release 1 of the Future Operating Model); and
 - iii) Implementing additional services into the Customer Services Centre (CSC) and creation of the Business Support Service (Release 2 and 3 of the Future Operating Model (FOM)).
- 2.43 The appointment of PwC for each element of the work undertaken by them on the Operating Model Project was formally approved by the relevant Committee at each stage.
- 2.45 It is evident that PwC have fully completed the work requisitioned by the officers associated with this project and the fees charged are in accordance with the work undertaken. All the early stages of the Operating Model project supported by PwC were delivered successfully. PwC were not specifically requisitioned to deliver the benefits realisation of the most recent phase of the project and this responsibility was attributed to the project lead officers.
- 2.46 A schedule has been prepared (see Appendix 1) showing the work requisitioned by the Council with PwC throughout the duration of this project between January 2008 and November 2010.

Disciplinary Proceedings

- 2.47 The Chief Executive issued precautionary suspensions to four officers on 11 January 2010 pending an investigation into the Operating Model. The Corporate Director Regeneration and Environment assisted by the Head of Organisational Development, Human Resources and Performance was asked to conduct a formal investigation in accordance with the Council's policy for such matters.

- 2.48 The investigation was complicated and time consuming and was concluded approximately 3 months later on the 14 April 2011 when the reports were submitted to the Chief Executive including the recommendations of the Corporate Director Regeneration and Environment.
- 2.49 The Chief Executive, after careful consideration and again having taken further extensive internal and external legal advice, decided to call disciplinary hearings for the three Chief Officers concerned in accordance with Council Policy.
- 2.50 The dates for the three Chief Officers' disciplines were set for May 2011 and would therefore have been concluded within a reasonable time period. In line with the Council's policy, the Chief Executive would have been required to serve as the Disciplining Officer and conduct the Hearings. However, the solicitor representing the former Corporate Director, Organisational Improvement & Resources challenged that procedure and sought an interim interdict to halt the process.
- 2.51 Without prejudice to the Council's position, and to prevent the process becoming mired in an expensive legal procedure and also to avoid any suggested bias, it was agreed between the parties in court that subject to formal approval of the Council via the use of Emergency Powers. An independent person would be appointed at the discretion of the Council's Monitoring Officer as an officer of the Council to act as the Disciplinary Officer in the circumstances of the case. The other two suspended Chief Officers were also subsequently offered this option and both accepted for their related cases. It should be stressed that the allegations of bias were not conceded in any way. It should also be noted that the Chief Executive wholly endorsed the proposed course of action which included the appointment of an independent Disciplining Officer.
- 2.52 This decision meant that the agreed timetable had to be rearranged and due to commitments from external legal representatives and affording time for the independent Disciplining Officer to become familiar with the details of the investigation and evidence submitted by the employees, the disciplinary hearings were not concluded until 28 July 2011 resulting in a delay of nearly 2 months from the original intended date of conclusion of the disciplinary hearings.
- 2.53 The outcomes of the disciplinary hearings were advised on 4 August 2011. The appeals process was then put in place with three appeal hearings being concluded on 28 November 2011. This appeals process has taken just under 4 months conclude and the delays have primarily occurred due to the availability of the appellant representatives, witnesses and other diary commitments of Elected Members.
- 2.54 In view of the various delays encountered in this complicated disciplinary case, it has become evident that a review of the Council's HR policies relative to disciplinary procedures is now required.

Financial Issues – Investment v Return

- 2.55 The Council set a corporate savings target of £23.326 million for the period between 2010/14 from 31 saving workstreams, of which 24 had specific cash targets including the Operating Model. To date, extremely good progress can be reported on this corporate objective with over 80% of the total savings target for the period up to the end of 2010/14 already achieved. The outstanding balance against this year (2011/12) is now only £4,000, with only £1.925m due to be delivered against the 2012/13 target, and for 2013/14, £2.489m. This level of performance on the delivery of savings places the Council in a strong financial position and the outstanding savings targets will be delivered.
- 2.56 Appendix 2 Page 1 summarises the overall investment and savings associated with the Operating Model and shows a payback period of 2.0 years. This is well within acceptable levels in the context of other Spend to Save proposals.
- 2.57 It should be noted that the Operating Model investment of £1.857 million on its own was not sufficient to generate the net savings of £1.257 million. To this end and to ensure a complete

picture, the investment of £623,000 in 4 core systems has been included.

- 2.58 The changes introduced by the Operating Model have resulted in some on going costs specifically relating to the creation of the post of Customer Services Manager and maintenance costs for the new applications procured to support the improvements delivered in Customer Services.
- 2.59 It can be seen from Appendix 2 Page 2 that the gross savings for the Operating Model over the period 2009/14 are now expected to be £1.403 million. This includes the application savings recently approved by the Policy & Resources Committee. These savings compare to the savings target of £3.83 million reported to the Policy & Resources Committee in April 2009.
- 2.60 The original Operating Model contribution to the overall savings workstream target was £3.83million which was reduced to £3.124 million (13%) following the matching of associated savings. The latest reported position is that despite the inclusion of the £2.427 million Operating Model shortfall, the overall Workstream Programme shortfall is now only £0.015 million (less than 0.1%) of the original target.
- 2.61 As can be seen from Appendix 2 Page 4 there are 9 Workstreams projected to exceed their original target by £2.412 million whilst 14 Workstreams are scheduled to meet their target. Therefore to date, the Operating Model is the only corporate savings Workstream that has failed to deliver at least the original savings target.
- 2.62 Appendix 2 Page 5 shows that £1.0 million of the Operating Model/Modernisation funding remains uncommitted and specific proposals will be brought back to the Policy & Resources Committee for Members to consider as part of the budget considerations for 2013/15.

Parallel work & proposals

- 2.63 With the exception of introducing further improvement work to the Customer Contact Centre and facilitating the relocation of the service into the Municipal building over the next few months and developing some associated aspects of the Council's modernisation work, the CMT consider it appropriate to continue to put the further progression of the remainder of the Operating Model work on hold. This will allow consideration of options from the Clyde Valley and Civica to be developed further in partnership with the Trade Unions via the Joint Budget Group.
- 2.64 In the middle of May 2011 Civica were appointed by use of Emergency Powers to provide an independent assessment of the ICT infrastructure, various applications owned by the Council and existing processes and identify future possible efficiencies and the best use of the remaining Operating Model earmarked reserves. The review took place in a short timescale (6 weeks) and the report's Executive summary identifies the potential for a range of significant recurring savings spread over a number of Council functions/processes by 2014/15.
- 2.65 Civica confirmed that the Council has a high standard of ICT infrastructure both in terms of architecture and applications. However, Civica also acknowledge that given the relatively small size of Inverclyde Council that it may not be possible to achieve benchmark productivity or unit rates due to the impracticalities of reducing very small teams even further.
- 2.66 Detailed discussions will be required with the Trades Unions regarding the Civica review and it is proposed that the development of the options identified should now be comprehensively considered via the Joint Budget Group in parallel with any Clyde Valley proposals as mentioned above. It recommended that firming up savings targets be progressed over coming months and reported back to Members as part of the 2013/15 budget process during 2012.

Conclusions

- 2.67 In the early stages, the development of the Operating Model progressed well. As a result, the Council has transformed its customer interface with the establishment of the Customer Contact

Centre and has further enhancements scheduled in this service area.

- 2.68 However issues and delays became apparent during Autumn 2010 which resulted in formal disciplinary proceedings during 2011 against four Officers of the Council when it became apparent that the Council, Chief Executive and three Corporate Directors had been misled on the degree of progress with the Operating Model project in the latter part of 2010 and on the level of future savings expected to be delivered. Intrinsicly linked with this, was that the project was not appropriately or successfully managed to ensure the proposed changes to the Council's business systems and processes were implemented on time or could deliver the necessary efficiencies and associated savings.
- 2.69 PwC delivered what was requisitioned from them and their fees were in accordance with the various contractual arrangements.
- 2.70 The original overall savings target for the Operating Model was £3.83million prior to the project being suspended and this total will not now be delivered in full by this project. The actual recurring saving delivered is £1.257million per annum following a corporate one off investment of £1.857million. Therefore, despite the failings of the Operating Model Project, the overall investment and savings associated with the project shows a payback period of 2.0 years. This is the only one of 24 corporate savings workstreams that has failed to deliver against objectives.
- 2.71 It should be noted that work continues on a range of associated modernisation projects which will deliver efficiencies and improve Service delivery.
- 2.72 The findings of the Civica report and the continuing liaison with Councils around the Clyde Valley Shared Services Project require careful consideration and will be the subject of more detailed reports at the appropriate time.
- 2.73 The formal investigation into this complex matter which led to the Council's Disciplinary process being invoked was completed by early April 2011 and took approximately 3 months to conclude. However the Council's appeals process was not concluded until; the 28 November 2011. The disciplinary process has been conducted entirely in accordance with the Council's policy and procedures. Therefore, it is considered appropriate to review the Council's disciplinary processes to ensure as far as practicable, a shorter period of time to complete proceedings.

3.0 RECOMMENDATION

3.1 It is recommended that Council:-

- i) note the content of this report;
- ii) Note the successful parts of the Operating Model are scheduled to deliver recurring savings of £1.257million per annum;
- iii) note that despite the difficulties with the delivery of the Operating Model, the overall workstream savings target for the Council is expected to be delivered in full;
- iv) note the suspension of the development of the Operating Model project until the outcome of the Clyde Valley Shared Services Project is known and in parallel, detailed and careful consideration of the findings of the Civica Report can be undertaken in partnership with the Trades Unions via the Joint Budget Group during 2012/13; and
- v) requires the Chief Executive to arrange for a review of the Council's current HR policies related to disciplinary and appeals processes and to submit a report to Policy & Resources Committee as soon as practicable for Members consideration.

4.0 BACKGROUND

4.1 The Council's Transformation Programme as outlined most recently to Members in September 2010 comprises four principle areas of work namely:-

- i) Financial Strategy;
- ii) Organisational Structure;
- iii) Asset Strategy; and
- iv) Operating Model.

Each of the first three areas of work are progressing extremely well and delivering successful outcomes for Council.

4.2 This report focuses on the development of the Operating Model which is a complex project and this section provides a summary of the stages of implementation and refers to key milestones of the project. The project is also one of the Council's 31 corporate savings workstreams of which 24 projects had specific cash targets. The Chief Officers with lead responsibilities for delivery of the Operating Model Project were the Corporate Director, Organisational Improvement & Resources, Head of Customer Services & Business Transformation and the Head of Safer & Inclusive Communities.

4.3 Inverclyde Council set out to modernise its operations by simplifying, standardising and sharing business processes and making more efficient use of its people, technology and property. In parallel, it was proposed to significantly improve customer relationship management. This modernisation was scheduled to be delivered through a number of phases. These were:-

- i) Value Chain Analysis (VCA);
- ii) High Level Design (HLD) or Design Mandate;
- iii) Detailed Design - Implementation of the Customer Services Centre (Release 1 of the Future Operating Model); and
- iv) Integrating additional services into the Customer Services Centre (CSC) and creation of the Business Support Service (Release 2 and 3 of the Future Operating Model (FOM)).

Each of these phases will be explained in greater detail below.

Value Chain Analysis (VCA Project) - 2008

4.4 In 2008, the Scottish Government wished diagnostic work to be conducted as the foundation for improving efficiency across all Local Authorities in Scotland. As part of this process, Inverclyde Council was awarded £150k by the Improvement Service from Scottish Government Funds to conduct a review of its operational effectiveness and efficiency. The work was jointly commissioned following a competitive tendering process by East Renfrewshire Council (as lead Authority) in conjunction with Inverclyde Council and Renfrewshire Council. Following a robust tender analysis of the tenders received, PriceWaterhouseCoopers (PwC) were awarded the contract.

4.5 The purpose of the VCA Project was to complete a diagnostic assessment of services across the Council and to consider how service quality could be improved and efficiencies delivered. The specific objectives of the review were to:-

- i) determine and clearly identify service areas where redesign, standardisation or sharing activity would lead to material efficiencies and/or service quality improvements;
- ii) inform the future direction of the Council's change programme;
- iii) align with the Council's existing Modernisation and Efficiency programme, the review of existing customer service provision within Inverclyde and identify opportunities with other initiatives within the Scottish Public Sector;
- iv) define the costs, benefits and method of implementation for identified opportunities

- and consolidate them in an overall business case for the council; and
- v) identify sustainable reduction in operating costs without directly impacting front line services.

- 4.6 The first phase of the VCA Project commenced on 11 January 2008 with a multi-service Project Team being established from within the Council. This work resulted in a proposed Target Operating Model (TOM) to reconfigure Customer Service and Operational Support Services with the aim of ensuring that the Council operated in a more effective and integrated way. A report to the Policy & Resources Committee on 23 September 2008 requested approval to develop a Design Mandate.
- 4.7 The methodology adopted for the Value Chain Analysis required the different types of work undertaken by all non teaching office based staff to be identified and recorded. Managers were required to record and allocate staff time across 36 business processes. Once collated, the time allocated against each of these process headings was calculated to identify the total equivalent staff number working on administrative and other duties across the Council. The totals identified were an aggregation of all the part days or days spent across the Council on each of these activities.
- 4.8 The base data accumulated and the associated totals were ultimately used to identify the corporate staff savings target for the Target Operating Model. This work was viewed as the precursor to the more complex detailed design stages. The costs associated with this work were to be met from the General Fund and the Modernisation and Efficiency Fund.
- 4.9 At the same time, a full review of the current position with regard to customer service practised across the Council was undertaken. The approach was to:-
- i) examine all Customer Service contact points in the Council;
 - ii) focus on the Scottish Government's 40 Electronic Service Delivery targets;
 - iii) expand the scope to include the National Entitlement Card Scheme; and
 - iv) establishing a cross Directorate Business Transformation Team to collate information gathering from services and to develop in-house skills in business transformation techniques.
- 4.10 At the meeting of the Policy & Resources Committee of September 2008, two separate reports were, considered in relation to the VCA Project and the Customer Service Review. It was proposed to combine the findings of the Customer Service Review with the VCA Project into one discrete programme for the development of a new Target Operating Model for the Council.
- 4.11 In summary, the Committee unanimously decided to:-
- i) proceed with the Design Mandate stage of the Value Chain Analysis project;
 - ii) use the Council's existing partners, PWC to assist with this stage of the project;
 - iii) fund the Design Mandate Stage with a transfer from the General Fund Reserve to the Modernisation and Efficiency Earmarked Reserve subject to a cap of £160,000; and
 - iv) agree to the development of Phase 2 of the Council's Modernisation and Efficiency Programme by combining the existing Modernisation and Efficiency activities with the results of the Customer Service Review and the VCA project into one Programme and that governance for the programme continue to be provided by the existing Modernisation and Efficiency Programme Board and Member Reference Group.

High Level Design (HLD) or Design Mandate (October 2008 – May 2009)

- 4.12 This phase of work resulted in the creation of the Target Operating Model (TOM). The High Level Design (HLD) considered all Council services (excluding teaching staff) and took forward the opportunities, identified during the VCA Project, to the next level of detail through the implementation of a new organisational model. The first stage of this process was the creation

of two new corporate layers to deliver Customer Management and to simplify, standardise and share common processes and internal services (Operational Support known latterly as Business Support Service).

- 4.13 The philosophy was to create a single point of contact for our customers; a consistent and professional customer experience; and give customers a choice in how they would interact with the Council. For our employees, this would develop competencies and capabilities; create more multi-skilled posts; change the Council's culture to be more customer centric and corporate; and increase motivation through job satisfaction.
- 4.14 A set of overarching design principles were created which were to underpin all business process improvements throughout the programme. A range of workshops and discussions were undertaken with nominated staff across all Council service areas to develop the Future Operating Model (FOM). The FOM included details of functions and services performed within each layer, which were Customer Management, Operational Support, Corporate Core and Discipline Specialists. It also identified an indicative headcount for each function, which were at that time based on the VCA Project data produced previously.
- 4.15 A Customer Management Strategy was also developed through the analysis of transactions and channel usage. This provided information on both the number and the location of customer face-to-face access points; channels and communications. It also identified Customer Services Representative skill needs. Furthermore, an assessment of the Council's ICT landscape and projects that were in progress was also undertaken which helped identify where investment in technology was required to support the FOM and the proposed new ways of working.
- 4.16 The FOM was split into 6 releases spread over a 3 year period which was originally scheduled to be fully implemented by March 2013. This also highlighted when planned benefits should be realised and dictated the profile of required investment (e.g. new technology, support for process re-engineering, etc). Each phase was deemed to be of 6 months duration and by the end of the 3 year programme, a projected recurring annual benefit of £3.8m was forecast from an estimated reduction of 193.5 FTEs from across the Council.
- 4.17 The ICT infrastructure requirements and the indicative property needs were also identified as part of the design process. It is important to note that the full property requirements for the Council, including the FOM, have been progressed via the Asset Management Executive Implementation Group (EIG) led by the Corporate Director, Regeneration & Environment.
- 4.18 The High Level Design Work Carried out between September 2008 and May 2009, identified a number of key issues which are summarised as follows:-
- i) no corporate view of the Customer;
 - ii) silo based/ federal operation of services;
 - iii) significant duplication of effort, particularly in back office support;
 - iv) no guarantee of Service delivery from customer perspective;
 - v) business resilience concerns resulting from single person dependencies in services;
 - vi) inconsistency of service across the Council from customer perspective;
 - vii) poor measurement of performance/customer satisfaction;
 - viii) little structured hand off/referral;
 - ix) too many points of Contact (72 published contact numbers; 6 public receptions in close proximity);
 - x) too many premises (28 operational buildings; 6 leased);
 - xi) too many barriers and protocols; and
 - xii) too many software packages, spreadsheets and databases (457 separate applications; 135 business critical).

From the analysis, it was proposed that significant service improvements could be delivered to ensure more effective customer relationship management and experience whilst delivering associated efficiencies. It is important to note that property related issues were being addressed as part of the Asset Management Plan which was being led by the Corporate

Director, Regeneration & Environment.

4.19 In May 2009, a report was submitted to a special Policy & Resources Committee highlighting these findings and proposing that the FOM could improve Customer Services by imposing consistency in service standards and service delivery and in identifying relevant contact points. In addition, the FOM was expected to reduce overhead costs and to enhance support to front line services. The development phase of the project and progress was regularly reported to Committee. Financial issues were also considered which identified both the costs and savings and once again these indicated recurring savings of £3.83m at completion of the project as mentioned above. The report was deferred for consideration until the Policy & Resources Committee of the 14 May 2009

4.20 It was agreed at the Policy & Resources Committee of 14 May 2009 that:-

- i) the new Programme Governance Structure outlined in the report be approved;
- ii) approval be given to the establishment of the Core Programme Team;
- iii) the timeline and content of Phases 1,2 and 3 as set out in Appendix 3 to the report be agreed;
- iv) authority be delegated to the Chief Executive to make appropriate arrangements to fill the remaining posts within the Core Programme Team, in consultation with the Head of Organisational Development & Human Resources, as soon as practicable;
- v) agreement be given to the reconfiguration of the Wallace Place Contact Centre and minor works to 7/8 Clyde Square to meet the requirements of Phases 1,2 and 3;
- vi) the Committee agree, in principle, to the conversion of the ground floor frontage (Clyde Square) of the Municipal Buildings to form a new Customer Contact Centre, incorporating a new corporate reception area, and authorise the appropriate design work, specification and issuing of tenders for this;
- vii) the extension of the existing support contract with PricewaterhouseCoopers to assist with the implementation of Phase 1 and the detailed design for Phase 2 be noted;
- viii) it be noted that the proposals considered within the report can be progressed from within existing budgets; and
- ix) it be noted a further report will be submitted to the Policy & Resources Committee in November 2009 providing a detailed Financial Model, associated property solutions and timescales for the implementation of the Future Operating Model, including Phases 4, 5 and 6.

Detailed Design - Implementation of Customer Service Centre (Release 1 of FOM)

4.21 This phase resulted in the implementation of the Customer Services Centre (CSC) and all associated work. High level design details for each service included in Release 1 namely, Revenues & Benefits, Environmental Services and Switchboard, were produced. A key output was the detailed design specification. This phase comprised of organisational design work; business process re-engineering and associated detailed specification documents; technology design and build of support systems (e.g. Lagan Enterprise Case Management Solution and all associated integrated technology solutions such as Uniform, Northgate, Multivue, Opentext etc).

4.22 On the 22 September 2009, a report was submitted to the Policy & Resources Committee recommending the creation of a new permanent post of Customer Service Manager as part of the planning and development for the FOM. It was recognised that the success of the Project was important to the Council and as such the Manager of the Customer Service Centre was in a key position to shape and influence proposals. The Committee decided to approve the creation of the post.

4.23 On the 17 November 2009, a progress report provided a further update to the Policy & Resources Committee. It confirmed that on the whole, delivery of Phase 1 of the Future Operating Model progressed well with the launch of the Customer Service Centre on 19 October 2009. Phase 2 of the Future Operating Model was recommended for continuation to provide an effective platform for operational support as previously reported in May 2009 and

focusing on the transactional services of Finance, Procurement, HR and Payroll.

- 4.24 Phase 2 also supported a number of other Customer facing activities including corporate complaints, licences and permits, planning application and building standard enquiries, environmental health enquiries and bookings and appointments, blue badges and education maintenance allowances. The report noted that in addition to progressing Phase 2, there was a need to undertake further detailed work to ensure the effective integration of the Operating Model Programme with the overall Budget Programme.
- 4.25 The P & R Committee of 17 November 2009 decided unanimously:-
- i) that the Committee note the progress made by the Core Project Team in delivering Phase 1 of the Future Operating Model over the last 4 months including the successful launch of the Council's Customer Service Centre;
 - ii) that it be agreed that the Council should develop and implement Phase 2 of the Future Operating Model, as agreed in May 2009, and it be noted that the implementation of Phase 2 will result in the delivery of savings identified in the 2010/11 Budget of £261,000;
 - iii) that it be agreed that further work be undertaken to ensure the effective integration of the Release Schedule for the FOM with the overall Budget Programme, particularly the new management structure and asset management proposals; and
 - iv) that it be agreed that a further report on progress with the implementation of the Future Operating Model be submitted to a future meeting of the Committee.
- 4.26 At a Special Council Meeting on the 19 November 2009, the Council approved a revised Corporate Management Structure which made provision for 4 Corporate Directorates. Consideration had been given by the CMT to a 3 Corporate Director structure but this option was deferred for further consideration at the next proposed restructuring phase scheduled for November 2011. This was to ensure there was sufficient management capacity to deal with the extent of the changes over the ensuing two years. The roles and responsibilities the lead Chief Officers for the delivery of FOM was also reinforced in the approved report.
- 4.27 The Corporate Management Structure report considered at the Policy & Resources Committee of the 19 November 2009 also obtained approval for the establishment of a Community Health and Care Partnership (CHCP) with NHS Greater Glasgow and Clyde. This development would be facilitated by the completion of a Scheme of Establishment with associated changes needing to be factored into the plans for the FOM.
- 4.28 The CMT reviewed the FOM with the lead Chief Officers for the project during December 2009 and January 2010. In parallel, the CMT also addressed other related issues, including the impact of the changes to the management structure, property requirements and operational issues such as re-phasing aspects of the project and technology needs. Proposed revisions to the Governance arrangements were also considered and these are detailed in section 5.0 of this report.
- 4.29 The Policy & Resources Committee agreed the final scope of Phase 2 of the FOM in March 2010 which mainly involved the establishment of the Business Support Service. Phase 2 officially commenced on the 4 June 2010 and work started on this Phase when internal and external resources became available. More detail of the work on this part of the project is provided below.

Implementing additional services into the CSC and creation of the Business Support Service (Combined Release 2 and 3 of FOM)

- 4.30 This phase of work combined releases 2 and 3 of the FOM and from this point on, the project was referred to as the Operating Model. This phase commenced with planning the necessary development work and the identification of the required resources. This generated a number of outputs – detailed programme plan; resource plan; programme governance arrangements; roles and responsibilities for various stakeholders; milestone plans; team structures and finally

the Terms of Reference.

- 4.31 Given the extent of change in this phase of work, the Operating Model team undertook various change management activities with support and guidance from PwC. More detail of the work undertaken by PwC throughout the development of the Operating Model is shown in section 6.0 of this report.
- 4.32 A number of functions from Safer Communities, Environmental Services, Licences and Fines and Registration were reviewed and elements were transferred to the Customer Services Centre (CSC). This was in addition to improving CSC operational performance where PwC were required to provide the Council with their expertise. This part of the scope was delivered largely by Council resources with some support from PwC.
- 4.33 This Phase also included the design, build and implementation of the centralised Business Support Service (BSS). This entailed reviewing the current business processes in HR Payroll and Finance in conjunction with experienced officers from within the relevant services. Given that the organisation had not undertaken this type of work previously, strategic guidance and advice was received from PwC who applied experience gained from comparable work in other organisations.
- 4.34 A key part of this phase was the organisation design and transition options where PwC worked closely with the Organisational Development (OD) Team. This work involved the identification of the affected staff and associated savings. During this phase, the team led by the Head of Customer Service & Business Transformation carried out detailed work in developing pilots around ordering; self-service; timesheets. Various discussions were also held with Consilium (the suppliers of the Council's financial management system FMS) and Frontier (for the Human Resources System - Chris 21). The purpose of these discussions was to establish the best use of the systems to support the development of the Operating Model. Indicative costs for these developments were also obtained.
- 4.35 This release was designed to result in the creation of the centralised Business Support Service (BSS) and continue with the implementation of release 2 of the CSC. The three chief officers leading the OM Project met with the Chief Executive as necessary to provide an update on progress. Throughout this period, the project was reported as being on track to deliver the expected savings by the 3 lead Chief Officers.
- 4.36 The last occasion when all three met with the Chief Executive was on the 7 September 2010, when he was again advised that the project was making solid progress and that despite a delay, corporate agreement with services through to the full "sign off" by the respective Corporate Directors was expected by the end of September 2010. Confirmation was also given at this meeting by the Corporate Director, Organisational Improvement & Resources that the overall savings of £3.83million would be delivered in full, within the project timeframe and that PwC should be finished their commission by the end of September 2010.
- 4.37 On 20 September 2010, prior to the meeting of the Policy & Resources Committee scheduled for the next day, the three lead Chief Officers for the Operating Model gave a briefing to all Members on the progress and the future work of the project and how the reshaped services would look. Positive progress was again reported at this briefing.
- 4.38 The Chief Executive next received a specific briefing from the Corporate Director, Organisational Improvement & Resources on 19 October 2010 following a written request from the Chief Executive. This meeting was requested following the failure of the Corporate Director of Organisational Improvement and Resources to provide the Chief Executive with information he had previously requested. Immediately prior to this meeting with the Chief Executive, it is understood that the Corporate Director attended a meeting with the Head of Customer Service & Business Transformation and the Head of Safer & Inclusive Communities to receive an update from them.
- 4.39 At this meeting, the Corporate Director Organisational Improvement & Resources advised that

he had not yet met with his fellow Corporate Directors as previously intimated to reach agreement on the directly affected employee population. He advised that this would not now be achieved until the end of October on the basis that the two lead Heads of Service had not yet concluded the work required to identify the affected population. He also advised the Chief Executive that despite previous assurances by him, PwC would also not now be finished until the end of October 2010.

- 4.40 In addition, he confirmed that as a result of the delay, an adjustment to the phasing of the savings was necessary but notwithstanding this delay, he gave assurances that the overall savings would still be achieved and indeed, be surpassed within the overall project timeframe. The Corporate Director was instructed to prepare a report for the CMT by the end of October 2010 confirming that the affected employee population had been agreed with each service and "signed off" by his fellow Corporate Directors. Concern had also been expressed by Unison at the JBG at the delay with progress on this project particularly in relation to the identification of the affected population.
- 4.41 In parallel with this project and other savings workstreams projects, the Council had also considered revised pay protection arrangements. These were approved at the Policy and Resources Committee of 25 May 2010 following relevant consultation with the Trades Unions via the Joint Budget Group. As part of this consultation process, the Trades Unions had specifically requested an adjustment to the introduction of the new proposals to ensure that those employees directly affected by the implementation of the Operating Model had access to the more favourable and slightly longer salary protection arrangements.
- 4.42 However, as a result of delays outlined above, the revised timing for the approved pay protection policy was not met. This delay adversely impacted on the positive industrial relations and close partnership working between the CMT and Trades Unions locally.
- 4.43 Joint Budget Group meetings were held on the 27 October and the 9 November 2010. During these meetings the Corporate Director, Organisational Improvement & Resources gave assurances that the Operating Model project was still on track, and that the affected population would be agreed in sufficient time for full compliance with the revised pay Protection Policy. This was a critical factor which needed to be delivered for the project to move forward successfully. It was clear that despite the assurances given by the Corporate Director, Organisational Improvement & Resources, compliance with the revised timetable was no longer achievable. It was also evident that there were issues with the delivery of aspects of the Operating Model project against the planned targets.
- 4.44 The Chief Executive was scheduled to go on annual leave for a week commencing on the 13 November and immediately prior to this, wrote to the Corporate Director, Organisational Improvement & Resources raising his concerns on the management and delivery of the project instructing him to prepare a report for the CMT meeting on the 25 November after the Chief Executive's planned return. The report was necessary to allay the concerns of the Chief Executive and also to brief the CMT in respect of the Operating Model Project.
- 4.45 Regardless of the failure to secure the internal agreements required and during the Chief Executive's leave, an Organisational Improvement & Resources Directorate Performance Report to the Policy and Resources Committee on the 16 November 2010 stated that the project continued to be "on track". The report confirmed "Design Build & Implement by the March 2011.
- 4.46 To comply with the project timeframe, a number of actions were required to be completed and fully implemented by the end of March 2011. This work included:-
- i) the affected population being identified and signed off;
 - ii) the redesign process being completed;
 - iii) the redeployment/voluntary severance process undertaken so that employees were not adversely affected by the reduction in the pay protection period at January 2011; and
 - iv) the formation of the Business Support Service (BSS).

In addition, following the re-phasing of the savings timeframe and confirmation received from the Corporate Director, Organisational Improvement & Resources, it was confirmed that £900k of savings would be identified by the 31 March 2011 to ensure that the full year Operating Model savings would be fully achieved for the 2011/12 financial year.

- 4.47 The Chief Executive was scheduled to return from annual leave on the 22 November but was hospitalised abroad over an extended period due to serious illness. However, he did continue to communicate as far as possible with the Council towards the end of his period of absence with the Corporate Director, Organisational Improvement & Resources (& now Acting Chief Executive). This was to ensure that the necessary corrective action was being taken with respect to the Operating Model and the appropriate factual information was being supplied promptly to both the CMT and Elected Members.
- 4.48 The Corporate Director, Organisation Improvement & Resources made the decision without consultation with the Chief Executive or Corporate Management Team that the Project was suspended on 6 December 2010 as a result of concerns regarding the delivery of the project. He also removed the Head of Customer Service & Business Transformation from the project.
- 4.49 In addition, he instructed the Chief Financial Officer and the Head of Human Resources & Organisation Development review the Operating Model information and progress to date and then provide an assessment of achievable savings from Transactional Finance and Transactional HR. It is understood that the Council Leader was not advised of this.
- 4.50 At the formal meeting of the Council of the 14 December 2010, the budget strategy for the next two years was considered and it was reported that the anticipated savings from the OM project could be factored into the forward planning for future budgets. Despite being aware of difficulties with delivery of the OM project, the Acting Chief Executive/Corporate Director, Organisational Improvement & Resources did not take this appropriate opportunity to inform the Council of the difficulties or associated risks.
- 4.51 On the 16 December, two days after the Council meeting of the 14 December 2010, the Acting Chief Executive/Corporate Director, Organisational Improvement & Resources submitted a report to the Corporate Management Team. In his report, the Corporate Director, Organisational Improvement & Resources stated "it became apparent in mid to late August that there were a number of issues that had the potential to negatively impact the timeline for Phase 2 and achievement of savings". This is despite not having advised Council two days before. He further stated in his report, "despite frequent progress reports provided to Members, the Chief Executive, Corporate Director and CMT that Phase 2 would be delivered in line with the timeline agreed by Committee, it is clear that progress was not being made in these areas." The report also stated "It is also acknowledged that not adequately addressing the issues identified has potentially damaged the relationship with the Trades Unions on a number of fronts".
- 4.52 The Chief Executive, who was still on sick leave, was sent a copy of the final CMT report by the Corporate Director, Organisational Improvement & Resources on the afternoon of the 17 December 2010. Immediately after reading the Corporate Director's report on 18 December, the Chief Executive contacted the Council Leader directly to advise him that he had received a report confirming problems with the delivery of the Operating Model and that he would have to examine the financial implications prior to advising the Leader of the detail. The Chief Executive returned to work on the 22 December 2010.
- 4.53 Following separate discussions with the Corporate Director, Organisational Improvement & Resources and the Chief Financial Officer on the Chief Executive's return on the morning of the 22 December, the Chief Executive briefed the Council Leader on a number of key concerns surrounding the Operating Model project. He also advised the Leader that he would need to brief all Members once he had a clearer picture and in recognition of the imminent Christmas and New Year holiday period, arrangements would be made by the Chief Executive for a briefing as soon as practicable.

- 4.54 Over the Festive period and in the first working week in January, the Chief Executive examined the information available to him and took extensive human resources, internal legal and external legal advice on the most appropriate course of action given preceding events. After very careful consideration of the concerns and issues surrounding the Operating Model project and how it had been inaccurately reported, it was deemed necessary to suspend a number of officers on a precautionary basis on 11 January pending a formal investigation. The disciplinary proceedings are dealt with in section 7.0 of this report.
- 4.55 The Chief Executive briefed all Members on the circumstances surrounding the Operating Model on the afternoon of the 11 January 2011.

5.0 GOVERNANCE ARRANGEMENTS

- 5.1 As part of the second phase of the Corporate Management Structure approved by Council in November 2009 and with the full agreement of the Officers involved, job descriptions were changed to reinforce the specific responsibilities for the Chief Officers with actual responsibility for delivery of the Operating Model project. These officers were the Corporate Director, Organisational Improvement & Resources, Head of Customer Service & Business Transformation and the Head of Safer & Inclusive Communities.
- 5.2 In January 2010, a draft report regarding proposed project governance arrangements, prepared by the Head of Customer Service & Business Transformation was brought to the Corporate Management Team (CMT) by the Corporate Director, Organisational Improvement & Resources. In the context of the other 24 savings workstreams being delivered by the CMT, the proposals were deemed inappropriate and overly bureaucratic because they would potentially involve up to 16 meetings per month for the Operating Model Lead Officers on this project alone which would be over and above other associated operational meetings.
- 5.3 The CMT therefore agreed that the report should be modified prior to submission to the Policy & Resources Committee in March 2010 to streamline the number of meetings for Officers and Members by deleting the Members Reference Group and using the existing Strategic Leadership Forum when required. The frequency of the proposed Transformation Board Meetings which were to involve the Trade Unions was also to be reduced to 2-3 times per annum.
- 5.4 In addition, it was agreed that the Corporate Management Team was the sovereign decision making body for project delivery and was therefore the most appropriate forum for consideration of the strategic and corporate aspects of the Operating Model consistent with other workstream savings and corporate projects. It was also open to the Corporate Director, Organisation Improvement & Resources to bring a report to CMT whenever he deemed it appropriate. Furthermore, the Chief Executive continued to keep a weekly diary slot available if required over the term of the project for key issues to be discussed by the lead Corporate Director and the two lead Heads of Service.
- 5.5 It has become clear that agreed changes were not made to the report by the Corporate Director, Organisational Improvement & Resources or the Head of Customer Service & Business Transformation as agreed at the CMT. As a result, the report presented to the Policy & Resources Committee on 30 March 2010, contained provisions that the CMT had previously discarded as both inappropriate and unworkable.
- 5.6 It is accepted that the frequency of meetings as outlined in the approved Committee report was not delivered. Nevertheless, sufficient opportunities existed for the Corporate Director, Organisational Improvement & Resources and other officers to raise issues of concern at the CMT or directly with the Chief Executive as and when required.

6.0 THE WORK UNDERTAKEN BY PRICEWATERHOUSECOOPERS (PwC)

- 6.1 As outlined in paragraph 4.4 above, Inverclyde Council was awarded £150k by the

Improvement Service from Scottish Government Funds to conduct a review of its operational effectiveness and efficiency, in parallel, with this type of work being undertaken across all other Councils in Scotland. This work was commonly described as Value Chain Analysis (VCA).

- 6.2 The work was jointly commissioned following a competitive tendering process by East Renfrewshire Council (as lead Authority) in conjunction with Inverclyde Council and Renfrewshire Council. A comprehensive analysis of the tenders received was undertaken by representatives of the three Councils and as a result of this process, PriceWaterhouseCoopers (PwC) were considered to have the most competitive compliant tender and were therefore awarded the VCA work.
- 6.3 In addition to the VCA work, PwC were commissioned at various stages by Inverclyde Council to support the further development of the Operating Model. These additional phases were also described in detail in section 4.0 of this report. These were the:
 - i) High Level Design (HLD) or Design Mandate;
 - ii) Detailed Design - Implementation of the Customer Services Centre (Release 1 of the Future Operating Model); and
 - iii) Implementing additional services into the Customer Services Centre (CSC) and creation of the Business Support Service (Release 2 and 3 of the Future Operating Model (FOM)).
- 6.4 PwC had a pivotal role in guiding the Council through the early stages of the design of the FOM based on their reported experience elsewhere in the UK. They also worked extensively throughout the project up to November 2010.
- 6.5 The Chief Executive has engaged with and challenged PwC at a senior level in relation to their involvement in the Operating Model project and it should be noted that they have fully and willingly cooperated by responding promptly to enquiries and by providing extensive supporting documentary evidence on the work undertaken and associated fees charged.
- 6.6 The appointment of PwC for each element of the work undertaken by them on the Operating Model Project was formally approved by the relevant Committee at each stage.
- 6.7 It is evident that PwC have fully completed the work requisitioned by the officers associated with this project and the fees charged are in accordance with the work undertaken. All the early stages of the Operating Model project supported by PwC were delivered successfully. PwC were not specifically requisitioned to deliver the benefits realisation of the most recent phase of the project and this responsibility was attributed to the project lead officers.
- 6.8 A schedule has been prepared (see Appendix 1) showing the work requisitioned by the Council with PwC throughout the duration of this project between January 2008 and November 2010.

7.0 DISCIPLINARY PROCEEDINGS

- 7.1 The Organisational Improvement & Resources (OI&R) Directorate Performance report submitted to the Policy & Resources Committee on the 16 November 2010 stated that the various elements of the Operating Model continued to be "on target". The report confirmed that the "Design Build and Implement" of the related phases would be completed by March 2011. It was also expected that an additional £900k of savings within the overall Operating Model target would be delivered by the same deadline following the identification, full agreement, sign off and implementation of the affected staff. In addition, the redeployment/voluntary severance of the affected staff was to be completed by December 2010 to ensure that they would not be adversely affected by the reduction in salary protection which would take effect from January 2011 and that the redesign of the related business processes was also to be completed by the 31 March 2011 deadline.
- 7.2 Difficulties with the project were known to the Acting Chief Executive/Corporate Director, Organisational Improvement & Resources which resulted in him removing the Head of

Customer Services & Business Transformation from the role as project lead on the 6 December 2010. At the full Inverclyde Council meeting on the 14 December 2010, the Council's Budget was considered for the next two years and the reports considered, in effect reinforced that the proposed Operating Model savings were included in the overall corporate savings target and no reference was made by the Acting Chief Executive/Corporate Director to any difficulties with the project despite this being known. Elected Members were therefore not informed of the problems or known risks with the Operating Model project.

- 7.3 Two days later on the 16 December 2010, the Acting Chief Executive/Corporate Director, submitted a report to the CMT which had been in preparation the previous week and which stated that the project had failed and that the savings would not be delivered.
- 7.4 Following on from the report of the failings of the Operating Model by the Corporate Director, Organisational Improvement & Resources to the CMT on the 16 December 2010, the Chief Executive consulted the Head of Legal and Democratic Services and the Head of Organisational Development, Human Resources and Performance, and took external legal advice from MacRoberts regarding the implications of the report.
- 7.5 Thereafter, the Chief Executive issued precautionary suspensions to four officers on 11 January 2010 pending an investigation into the Operating Model. The Corporate Director Regeneration and Environment assisted by the Head of Organisational Development, Human Resources and Performance was asked to conduct a formal investigation in accordance with the Council's policy for such matters.
- 7.6 The investigation was carried out by interviewing relevant officers, taking signed statements, which took some time for the employees involved to confirm, preparing four individual reports and a summary report for the Chief Executive. The investigation was complicated and time consuming and was concluded approximately 3 months later on the 14 April 2011 when the reports were submitted to the Chief Executive including the recommendations of the Corporate Director Regeneration and Environment.
- 7.7 The Chief Executive, after careful consideration and again having taken further extensive internal and external legal advice, decided to call disciplinary hearings for the three Chief Officers concerned in accordance with Council Policy. He therefore set down the disciplinary charges which he saw as potentially arising from the Investigating Officer's reports. The fourth officer was called to a disciplinary hearing by the Head of Regeneration and Planning.
- 7.8 The dates for the three Chief Officers' disciplines were set for May 2011 and would therefore have been concluded within a reasonable time period. In line with the Council's policy, the Chief Executive would have been required to serve as the Disciplining Officer and conduct the Hearings. However, the solicitor representing the former Corporate Director Organisational Improvement & Resources challenged that procedure and sought an interim interdict against the Council and Chief Executive to halt the process on the basis that the Chief Executive could not impartially judge the case for their client.
- 7.9 Without prejudice to the Council's position, and to prevent the process becoming mired in an expensive legal procedure and also to avoid any suggested bias, it was agreed between the parties in court that subject to formal approval of the Council via emergency powers, an independent person would be appointed at the discretion of the Council's Monitoring Officer as an officer of the Council to act as the Disciplinary Officer in the circumstances of the case. The other two suspended Chief Officers were also subsequently offered this option and both accepted for their related cases. It should be stressed that the allegations of bias were not conceded in any way. It should also be noted that the Chief Executive wholly endorsed the proposed course of action which included the appointment of an independent Disciplining Officer.
- 7.10 The Council's Standing Orders were followed by the Council's Monitoring Officer to commission the Disciplining Officer to undertake the functions which would otherwise have been carried out by the Chief Executive.

- 7.11 This decision meant that the agreed timetable had to be rearranged and due to commitments from external legal representatives and affording time for the independent Disciplining Officer to become familiar with the details of the investigation and evidence submitted by the employees, the disciplinary hearings were not concluded until 28 July 2011 resulting in a delay of nearly 2 months from the original intended date of conclusion of the disciplinary hearings.
- 7.12 The outcomes of the disciplinary hearings were advised on 4 August 2011. The appeals process was then put in place with three appeal hearings being concluded on 28 November 2011. This appeals process has taken just under 4 months to conclude and the delays have primarily occurred due to the availability of the appellant representatives, witnesses and other diary commitments of Elected Members.
- 7.13 In view of the various delays encountered in this complicated disciplinary case, it has become evident that a review of the Council's HR policies relative to disciplinary procedures is now required.
- 7.14 The Council's external auditors were consulted as appropriate and kept informed throughout the various stages of the disciplinary process.

8.0 FINANCIAL ISSUES – INVESTMENT V RETURN

- 8.1 Prior to considering the specific financial position of the Operating Model, it is important to understand the context of the Operating Model saving shortfall and its impact on the Council's budget and associated savings from the many other corporate workstreams.
- 8.2 The Council set a corporate savings target of £23.326 million for the period between 2010/14 from 31 saving workstreams, of which 24 had specific cash targets. To date, extremely good progress can be reported on this corporate objective with over 80% of the total savings target for the period up to the end of 2010/14 already achieved. The outstanding balance against this year (2011/12) is now only £4,000, with only £1.925m due to be delivered against the 2012/13 target, and for 2013/14, £2.489m. This level of performance on the delivery of savings places the Council in a strong financial position and the outstanding savings targets will be delivered.
- 8.3 The financial analysis of the Operating Model is complex due to interdependencies with a number of Council budgets including the Capital Programme, earmarked reserves and the core revenue budget.
- 8.4 Appendix 2 Page 1 summarises the overall investment and savings associated with the Operating Model and shows a payback period of 2.0 years. This is well within acceptable levels in the context of other Spend to Save proposals and as an example, the recent Clyde Valley Shared Support Services Business Case which had a payback period ignoring early release costs of 3 years.
- 8.5 It should be noted that the Operating Model investment of £1.857 million on its own was not sufficient to generate the net savings of £1.257 million. To this end and to ensure a complete picture, the investment of £623,000 in 4 core systems; HR/Payroll, Document Scanning, Electronic Forms and Income Management has also been included in the investment costs. In addition, it should be noted that internal staff time has not been quantified or included in the overall investment costs which is consistent with the treatment of all the other corporate savings workstreams.
- 8.6 The changes introduced by the Operating Model have resulted in some on going costs specifically relating to the creation of the post of Customer Services Manager and maintenance costs for the new applications procured to support the improvements delivered in Customer Services.
- 8.7 It can be seen from Appendix 2 Page 2 that the gross savings for the Operating Model over the period 2009/14 are now expected to be £1.403 million. This includes the application savings

recently approved by the Policy & Resources Committee. These savings compare to the savings target of £3.83 million reported to the Policy & Resources Committee in April 2009. Proposals indicating how it is envisaged further savings could be made are included in proposals contained within section 10.0 later in this report.

- 8.8 As mentioned above, the shortfall in the Operating Model workstream saving needs to be seen in the context of the overall Workstream Programme. The 24 different Workstreams were collectively envisaged to deliver £23.236 million savings between 2010/14. The original Operating Model contribution to this target was £3.83million which was reduced to £3.124 million (13%) following the matching of associated savings. The latest reported position is that despite the inclusion of the £2.427 million Operating Model shortfall, the overall Workstream Programme shortfall is now only £0.015 million (less than 0.1%) of the original target.
- 8.9 As can be seen from Appendix 2 Page 4 there are 9 Workstreams projected to exceed their original target by £2.412 million whilst 14 Workstreams are scheduled to meet their target. Therefore to date, the Operating Model is the only corporate savings Workstream that has failed to deliver at least the original savings target.
- 8.10 Appendix 2 Page 5 shows that £1.0 million of the Operating Model/Modernisation funding remains uncommitted. Based on information in Section 10.0, the Proposals section of this report, it is clear from the opportunities identified by Civica, that scope exists to achieve further savings and deliver more improvements in service delivery. Specific proposals will be brought back to the Policy & Resources Committee for Members to consider as soon as practicable.
- 8.11 **Financial Implications - One-off Costs/(Savings)**

Cost Centre	Detail	Year(s)	Cost/ (Saving) £000	Virement	Comments
Earmarked Reserves	Operating Model	2008/11	1196	-	£0.497 million remains unspent.
Capital Programme	ICT Capital	2008/11	1281	-	£0.504 million remains unspent
Capital Programme	Property Capital	2009/10	153	-	
Earmarked Reserves	Operating Model	2008/11	(150)		Government Grant
Earmarked Reserves	Various Modernisation	2011/12	1001	-	Proposals to be brought back to Committee

Financial Implications - Recurring Costs/(Savings)

Cost Centre	Detail	Year(s)	Cost/ (Saving) £000	Virement	Comments
Various	Employee costs	2009/14	(1403)	-	
BT & CS	Employee costs	From 2009/10	62	-	
BT & CS	Systems Maintenance	From 2009/10	84	-	

9.0 PARALLEL WORK & PROPOSALS

Clyde Valley Shared Support Services

- 9.1 Following the Arbutnott Report published in November 2009 and subsequent partnership work into the potential for the shared delivery of services across the Clyde Valley, Members considered a report at the Council meeting on the 29 September 2011, on the key findings

from the Detailed Business Case for Clyde Valley Shared Support Services. The report included details of the investment required, potential benefits, risks and staffing implications for Inverclyde Council. The report also provided details of alternative savings developed internally which are now being progressed for implementation following the decision of the Policy & Resources Committee on the 15 November 2011.

- 9.2 The work on the development of options for the Clyde Valley Shared Support Service continues to be progressed in accordance with the Council decision on the 29 September 2011 and the additional work will not be ready for detailed consideration by participating Councils until June 2012 at the earliest. This work potentially affects areas which formed part of the Operating Model.
- 9.3 With the exception of introducing further improvement work to the Customer Contact Centre and facilitating the relocation of the service into the Municipal building over the next few months, the CMT consider it appropriate to continue to put the further progression of the remainder of the Operating Model work on hold. This will allow consideration of options from the Clyde Valley and Civica to be developed further in partnership with the Trade Unions via the Joint Budget Group. A summary of key aspects of the Civica report are considered below.

Civica Report

- 9.4 In the middle of May 2011 emergency authority was achieved to appoint Civica. Their role was to provide an independent assessment of the ICT infrastructure, various applications owned by the Council and existing processes and identify future possible efficiencies and the best use of the remaining Operating Model earmarked reserves.
- 9.5 Civica commenced their review at the end of May 2011 with initial scoping workshops and this allied to discussions with the Chief Executive and the Chief Financial Officer agreed the scope of the areas to be reviewed. The scope included: -
- i) customer service including back office re engineering;
 - ii) asset management and mobile/flexible working;
 - iii) Revenues and Benefits, corporate debt and Single Financial Assessment;
 - iv) procurement;
 - v) HR/payroll transactional;
 - vi) Finance transactional;
 - vii) ICT Services; and
 - viii) service administration and added value operation areas outside the above scope.
- 9.6 The review took place in a short timescale (6 weeks) and involved numerous meetings with Managers, Heads of Service plus presentations to the Corporate Management Team. A mid point report was produced, a draft final report was produced and in the middle of August the final report and associated backing templates were delivered to the Council.
- 9.7 The report's Executive summary identifies the potential for a range of significant recurring savings spread over a number of Council functions/processes by 2014/15.
- 9.8 Civica attempted as far as possible to get agreement from the relevant Senior Officers regarding the achievability of the savings outlined within their report and achieved a high level of consensus regarding the areas identified if not the actual savings targets outlined. It is therefore recommended that firming up savings targets be progressed over coming months and reported back to Members as part of the 2013/15 budget process during 2012.

- 9.9 Civica confirmed that the Council has a high standard of ICT infrastructure both in terms of architecture and applications. However, Civica also acknowledge that given the relatively small size of Inverclyde Council that it may not be possible to achieve benchmark productivity or unit rates due to the impracticalities of reducing very small teams even further. This is something which will have to be borne in mind when finalising savings targets.
- 9.10 The method adopted by Civica in their review differs from the approach recommended by PwC as outlined in 4.7 of this report. Civica identified future efficiency and related savings opportunities by reviewing all processes which support the delivery of a specific service and thereafter based the calculation of any employee reductions only on the number of employees employed within that specific service.
- 9.11 It is acknowledged within the Civica report that the Clyde Valley Shared Support Services decision will impact on some of the savings identified. It is however encouraging to note that the alternative savings generated by Officers of the Council have a high degree of congruence with the savings identified for those areas by Civica.
- 9.12 Detailed discussions will be required with the Trades Unions regarding the Civica review and it is proposed that the development of the options identified should now be comprehensively considered via the Joint Budget Group in parallel with any Clyde Valley proposals as mentioned above. The findings of the Civica report are considered in full as a separate item on the Agenda of this Council meeting.

10.0 IMPLICATIONS

Financial

- 10.1 See Section 8.0 above

Legal

- 10.2 There are no specific legal implications arising from the recommendations contained within this report.
- 10.3 Further appeals may be lodged via the Employment Tribunal or the Civil Courts associated with the formal proceedings attached to the Operating Model project.

Human Resources

- 10.4 There are no specific HR implications arising from the recommendations contained within this report. It is worth noting that the disciplinary process associated with the Operating Model has been conducted in full compliance with the Council's policy.
- 10.5 However, Members should be aware that the formal investigation into this complex matter which led to the Council's Disciplinary process being invoked was completed by early April 2011 and took approximately 3 months to conclude. Despite the fact that the Council did not in any way concede the challenges lodged via the courts which created further delays, the overall process has been protracted for a number of reasons. Therefore, it is considered appropriate to review the Council's disciplinary processes to ensure as far as practicable, a shorter period of time to complete proceedings.

Equalities

- 10.6 The process has been conducted in full compliance with Council policy and therefore there are no known equalities issues associated with this report.

11.0 CONCLUSIONS

- 11.1 The Council set a corporate savings target of £23.326 million for the period between 2010/14 from 31 saving workstreams of which, 24 had specific cash targets. To date, extremely good progress can be reported on this corporate objective with over 80% of the total savings target for the period up to the end of 2010/14 already achieved. The outstanding balance against this year (2011/12) is only £4,000, with £1.925m due to be delivered against the 2012/13 target, and for 2013/14, £2.489m. This level of performance on the delivery of savings places the Council in a strong financial position and the outstanding savings targets will be delivered.
- 11.2 In the early stages, the development of the Operating Model progressed well. As a result, the Council has transformed its customer interface with the establishment of the Customer Contact Centre and has further enhancements scheduled in this service area.
- 11.3 However issues and delays became apparent during Autumn 2010 which resulted in formal disciplinary proceedings during 2011 against four Officers of the Council when it became apparent that the Council, Chief Executive and three Corporate Directors had been misled on the degree of progress with the Operating Model project in the latter part of 2010 and on the level of future savings expected to be delivered. Intrinsicly linked with this, was that the project was not appropriately or successfully managed to ensure the proposed changes to the Council's business systems and processes were implemented on time or could deliver the necessary efficiencies and associated savings.
- 11.4 PwC delivered what was requisitioned from them and their fees were in accordance with the various contractual arrangements.
- 11.5 Whilst the Operating Model project was originally suspended by the Corporate Director, Organisational Improvement & Resources in December 2010, the Council should note that work continues on a range of associated modernisation projects which will deliver efficiencies and improve Service delivery. These projects continue to be reviewed via the Modernisation Executive Implementation Group which meets monthly and provides updates to both the CMT and the Transformation Board.
- 11.6 The findings of the Civica report and the continuing liaison with Councils around the Clyde Valley Shared Services Project require careful consideration and will be the subject of more detailed reports at the appropriate time.
- 11.7 The original overall savings target for the Operating Model was £3.83million prior to the project being suspended and this total saving will not now be delivered in full by this project. The actual recurring saving delivered is £1.257million per annum following a corporate one off investment of £1.857million. Therefore, despite the failings of the Operating Model Project, the overall investment and savings associated with the project shows a payback period of 2.0 years. This is well within acceptable levels in the context of other spend to save proposals.
- 11.8 The formal investigation into this complex matter which led to the Council's Disciplinary process being invoked was completed by early April 2011 and took approximately 3 months to conclude. The disciplinary process has been conducted entirely in accordance with the Council's policy and procedures.
- 11.9 Despite the fact that the Council did not in any way concede the challenges lodged via the courts which created further delays, the overall process has been protracted for a number of reasons. Therefore, it is considered appropriate to review the Council's disciplinary processes to ensure as far as practicable, a shorter period of time to complete proceedings.

12.0 LIST OF BACKGROUND PAPERS

- 1 Policy & Strategy Committee Report – Programme Governance & Funding Model - 3 April 2007
- 2 Policy & Resources Committee Report - Modernisation & Efficiency (M & E) Programme Progress Report. - 25 Sept. 2007
- 3 Policy & Resources Committee Report - M & E Programme Progress - 20 Nov. 2007
- 4 Policy & Resources Committee Report - M & E Programme Progress - 1 April 2008
- 5 Policy & Resources Committee Report - M & E Programme Progress - 27 May 2008
- 6 Policy & Resources Committee Report - Value Chain Analysis Progress - 23 Sept. 2008
- 7 Policy & Resources Committee Report - Customer Services Review Progress - 23 Sept. 2008
- 8 Policy & Resources Committee Report - M & E Programme Progress -18 November 2008
- 9 Policy & Resources Committee Report - M & E Programme Progress - 3 February 2009
- 10 Inverclyde Council Report – General Fund & Capital Budgets - 12 February 2009
- 11 Policy & Resources Committee Report - M & E Programme Progress - 31 March 2009
- 12 Policy & Resources Executive Sub Committee Report – Delivering the Future Operating Model - 5 May 2009
- 13 Policy & Resources Committee Report - Changing the Shape of the Council - 14 May 2009
- 14 Policy & Resources Committee Report - Protection Arrangements - 25 May 2009
- 15 Policy & Resources Committee Report - Future Operating Model, CSM Post - 22 Sept. 2009
- 16 Policy & Resources Committee Report - Implementation of Future Operating Model – Progress Report - 17 November 2009
- 17 CMT Briefing - Operating Model Presentation – 21 January 2010
- 18 Policy & Resources Committee Report - Transformation Programme - Implementation of the Operating Model - 30 March 2010
- 19 Policy & Resources Committee Report - Revision of Finance Strategy - 17 August 2010
- 20 Member Briefing - Operating Model Presentation – 20 September 2010
- 21 Policy & Resources Committee Report - Operating Model Progress - 21 Sept. 2010
- 22 Policy & Resources Committee Report - Directorate Report - 16 November 2010
- 23 Inverclyde Council Budget Report - Inverclyde Council's 2011/13 Revenue Budget - 14 December 2010
- 24 Corporate Director, Organisation Improvement & Resources Report to CMT - Operating Model Update - 16 Dec. 2010
- 25 Policy & Resources Committee Report - Operating Model Review - Appointment of Consultants Ratification - 16 August 2011
- 26 Civica - Inverclyde Corporate Review and Service Transformation Report - August 2011
- 27 Policy & Resources Committee Report – Budget Reduction Proposals - OI&R - 15 November 2011

Schedule of Work Completed By PwC & Associated Timeline

Inverclyde Work Done & Timeline

January 1998 to Nov 2010

Date	Engagement	Award Arrangement	Requisitioned Work	Outputs	Other initiatives discussed
January 2008	Organisational Opportunities Council Wide - Diagnostic Review	Joint Council Competitive Tender - Organisational Opportunities CE/07/221	<ul style="list-style-type: none"> Conduct Diagnostic review (VCA) Support Business case approach for Diagnostic Report Facilitate identification of Departmental Budget Savings 09-11 	<ul style="list-style-type: none"> Diagnostic Review (VCA) Report Consolidated Data collection Detailed list by Directorate of £9.2million identified budget savings for 2009/10; 20010/11. 	
October 2008	High Level Council Wide Design & Corporate Customer Contact Centre Implementation plan	Continuation under CE/07/221 Organisation – Catalyst MDC contract	<ul style="list-style-type: none"> Council wide high level design mandate Design for Corporate Contact Centre & Implementation approach Review of Data Centre requirements Review of Administrative and Clerical Support 	<ul style="list-style-type: none"> Council wide high level design mandate for potential future operating model Design & Implementation plans for Corporate Contact Centre release 1 Data Centre requirements report Administrative & Clerical Support Report 	VAT Reclaim opportunity for leisure activities
April 2009	Support Requirements for release 1&2 of Council's Operating Model	Single Organisation tender under Catalyst MDC and as per Council's procurement procedures. (Contract No. 00243462001)	<p>Support the Council to:</p> <ul style="list-style-type: none"> The delivery of the customer management requirements for release 1 The templates for construct & Implement for release 1 Information Governance review The implementation plan for delivery of Operation Support in release 2 <p>Assist with further refinement of business case where appropriate</p>	<ul style="list-style-type: none"> Design & Implementation support (including appropriate templates) for Corporate Contact Centre release 1 Information Governance Report Implementation planning for the creation of the Operational Support function during release 2 CMT FOM Buy-in, CEO Workshop 	<p>Revenue Improvement Optimisation Initiative</p> <p>Commissioning, collaboration 3rd sector and total place initiatives presented to the Council</p>

Date	Engagement	Award Arrangement	Requisitioned Work	Outputs	Other initiatives discussed
February 2010 Dated 4 th February 2010	Define Scope for Phase 2 and Exec Buy in to Operating Model	Engagement letter to cover specific activities during March & April 2010, Catalyst/MDC model contract	Services to assist the Council to: <ul style="list-style-type: none"> • Shape thinking in Wider Council Team • Define Transactional Shared Services (TSS) • Assist on development of resource plan • Assist preparation of Council activity plan 	<ul style="list-style-type: none"> • Overall approach and scope to help shape thinking in the wider team • ECMT workshop to share thinking and gain input from Council extended leadership team • Hr & Finance Staff workshop to define scope of TSS • Design & Implementation resource estimates • Critical path activity plan 	
March 2010	Provision of Independent External Advice to Support the Implementation of The Council's Future Operating Model – Framework Contract	Catalist Framework Contract - ITQ/001/ITC2		<ul style="list-style-type: none"> • ITT Response 	Accelerated Benefits initiatives shared due to potential concern on benefits realisation delays
May 2010	Information Governance and Management	Work Order under Framework Contract (ITQ/001/ITC2/001)	Provide services to assist in developing Inverclyde Council's Information Governance Framework document.	<ul style="list-style-type: none"> • 2 One to one meetings • Telephone based support 	
May 2010	Change Management	Work Order under Framework Contract (ITQ/001/ITC2/002)	Provide services to assist developing effective arrangements to coordinate, monitor and evaluate impact of change management activity.	<ul style="list-style-type: none"> • Change management plan • Leadership Behaviours approach defined • Change team responsibility and actions • Support to help identify affected population 	

Date	Engagement	Award Arrangement	Requisitioned Work	Outputs	Other initiatives discussed
May 2010	Customer Management Phase Two	Work Order under Framework Contract (ITQ/001/ITC2/003)	Providing Services to assist Inverclyde Council's delivery of Release 1+ Customer Management Augmentations.	<ul style="list-style-type: none"> • Customer Service Operational Analysis capability • Business Analyst and SME training On Council Design and implementation tools and techniques including Lagan Configuration • Design for the customer aspects of Environmental Services (Safer Communities) • Design for the customer aspects of Environmental Services (Registrars) • Design for Electronic Benefits Solution (Victoria) 	
May 2010	Transactional Shared Services	Work Order under Framework Contract (ITQ/001/ITC2/004)	Providing services to assist to construct and implement the TSS Function for Finance, HR and Payroll.	<ul style="list-style-type: none"> • Definition of vision, scope and phasing of the Council's TSS Function • Design of the TSS function for Finance, HR & Payroll • Support for detailed process construction for R1 Finance, HR and Payroll (in scope TSS processes) • Benefits management planning • Challenge session with Council Project team to test viability of implementation 	

Overall Financial Summary
As at 30th November 2011

Recurring Costs/Savings	£000	Notes
Savings Expected	(1,403)	Appendix 2 Page 2
Software Maintenance	84	Includes £23k EDRMS
Customer Services Manager	62	
TOTAL	(1,257)	

One Off Costs	£000	Notes
<u>OPERATING MODEL</u>		
Government Grant	(150)	3 Council Review
Customer Service Centre Refurbishment	153	
Lagan Application and Associated Development	493	Appendix 2 Page 3
Ancillary ICT Spend	145	Appendix 2 Page 3
PwC	847	Appendix 2 Page 3
Temporary Employees	193	Appendix 2 Page 3
Other Costs	176	Appendix 2 Page 3
SUB TOTAL	1857	

Related System Investment	623	Appendix 2 Page 3
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TOTAL	2480	
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Note 1 - Excludes one off early release costs

Note 2 - On the basis of the above figures it can be seen that the payback is 2.0 years.

AP/CM
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Operating Model - Savings Achieved/Targets

1/ Savings Target Evolution

	<u>2009/10</u> £000	<u>2010/11</u> £000	<u>2011/12</u> £000	<u>2012/13</u> £000	<u>2013/14</u> £000	<u>TOTAL</u> £000
Original Target (April 2009)	170	830	1630	1100	100	3830
Revised Target (Feb 2010)	330	606	1190	704	1000	3830
Revised Target (Oct 2010)	330	606	900	1000	994	3830
Approved Budget (Feb 2011)	330	606	200	50	?	1186
Revised Target (Nov 2011)	330	606	189	82	196	1403

2/ Savings Scored against Operating Model

	<u>£000</u>	
a) February 2009 Voluntary Severance Trawl	330	
b) February 2010 Voluntary Severance Trawl	460	
c) Corporate Directors - Secretarial Review	56	
d) Creation of Finance Hub & Spoke	90	
e) 2011/13 Workstream Target (Alternative Savings Proposals)	250	£189k already achieved
f) OI&R Savings - November 2011 P&R	217	To be achieved over 2012/14. Excludes £25k relating to e) above.
TOTAL	1403	

Note - Savings target for 2011/14 reported via Workstreams is £2.894 million which is £3.83 million less 2009/11 achieved savings (a to d above).

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Payments/Commitments to 30th November 2011

	£000 Revenue	£000 Capital
OPERATING MODEL		
a/ <u>Lagan Application & Development</u>		
Application/Hardware	-	250
Development	-	227
Multivue Customer Data Intergration	-	16
		493
b/ <u>Ancillary ICT Investment</u>		
Line of Business Applications	-	48
Business Intelligence/Knowledge Management	-	28
Integration	-	20
Mobile Working Pilot	20	25
Telecoms	-	4
	20	125
c/ <u>PwC</u>		
Value Chain Analysis	136	-
High Level Design	211	-
Release 1 (Customer Service Centre formation)	257	-
TSS/CSC Phase 2	243	-
	847	
d/ <u>Temporary Employees</u>		
Business Analysts	79	-
Recharge Costs - HR	48	-
- Other	26	-
Lagan Configuration Officer	-	40
	153	40
e/ <u>Other Costs</u>		
Training	33	
Civica Review	43	
Legal/External Costs - Disciplinary Process (est)	100	
	176	
SUB TOTAL	1196	658
RELATED SYSTEM INVESTMENT		
<u>Enabling System Investment</u>		
HR/Payroll System	-	270
EDRMS	-	252
e-forms *	-	60
Income Management Upgrade	-	41
TOTAL		623
OVERALL TOTAL	1196	1281

* £22,000 spent to date but further plans developed to spend the balance

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		<u>Nov-10</u> <u>£000</u>	<u>Nov-11</u> <u>£000</u>	<u>Movement</u> <u>£000</u>
1/	a) Sen Management Restructure	438	598	160
	b) 3rd/4th Tier Restructure	600	600	-
	c) Committee Review	50	50	-
		1088	1248	160
2/	Transformation	3124	697	(2,427)
3/	a) FM Review	300	320	20
	b) Utilities	200	200	-
	c) SEMP	500	500	-
	d) AMP	0	400	400
	1000	1420	420	
4/	a) Procurement Cat A/B	500	500	-
	b) Procurement Cat C	200	500	300
		700	1000	300
5/	37 hour week	700	900	200
6/	Commissioning	1000	1000	-
7/	a) Homecare Service Review	300	300	-
	b) Planning Service Review	100	100	-
	c) LETS Service Review	100	100	-
	d) Early Years Service Review	200	200	-
		700	700	0
8/	a) Inflation (Pay)	5703	5703	-
	b) Inflation (Other)	1800	2300	500
	c) Top Slice	3600	3626	26
	d) FSF	1000	1000	-
	e) Roll Reduction	500	612	112
	f) Other	1000	1694	694
		13603	14935	1332
9/	a) Concordat	400	400	-
	b) Policy Areas	471	471	-
	c) Policy Priorities	450	450	-
		1321	1321	0
OVERALL TOTAL		23236	23221	(15)

Modernisation Budgets - Remaining Sum

<u>Description</u>	<u>Available</u> <u>1/4/11</u> <u>£000</u>	<u>Commitment</u> <u>30/11/11</u> <u>£000</u>	<u>Balance</u> <u>Remaining</u> <u>£000</u>	<u>Notes</u>
MGF	117	-	117	
Operating Model Revenue	460	80	380	Civica, HR Recharge & Mobile Working.
Operating Model (Capital)	528	40	488	Lagan Upgrade Recharge ICT & Mobile Working.
EDRM Backscanning Balance (Capital)	6	-	6	
Chris 21 (Capital)	10	-	10	
	1121	120	1001	

Note

1. This excludes £38,000 unspent for e-forms which is part of the ICT Capital Programme.

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