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**IMPLEMENTATION OF THE BUSINESS MODEL**

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**Responsible Cabinet Member - Councillor John Williams, Leader**

**Responsible Director - Corporate Management Team**

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**SUMMARY REPORT**

**Purpose of the Report**

1. To update Members on progress in implementing the Business Model approved by Cabinet in November 2009 and used to inform the revision of the Medium Term Financial Plan (MTFP) in February 2010 and to update Members on future year financial resources projections.

**Summary**

2. This report explains how the Council is implementing the new business model and acknowledges that the scale of change required is the most significant the Council has faced; for this reason a robust, resourced programme management approach is being adopted which will impact on resources available for lower Council priorities.
3. The report includes updated financial resource projections following recent government announcements. It is estimated that the Council will need to reduce spending by a further £22m and initial proposals to reduce spending will be brought to a special meeting later this month.

**Recommendation**

4. It is recommended that :-
  - (a) The programme for implementing the new business model via the transformation journey – Darlington 2015 be noted.
  - (b) The resources required to progress change and the impact on low priority work be noted.
  - (c) A report be presented to a special Cabinet on the implications of the recent in year grant reductions and the revised financial projections.

## Reasons

5. The recommendations are supported by the following reasons :-

- (a) To update Members on progress
- (b) To advise Members of the resource implications
- (c) To allow Cabinet to review the MTFP.

**Ada Burns**  
**Chief Executive**  
**On Behalf of the Corporate Management Team**

## Background Papers

No Background papers were used in the preparation of this report.

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S17 Crime and Disorder	This report has no implications for crime and disorder
Health and Well Being	There are no issues which this report needs to address
Sustainability	There are no issues which this report needs to address
Diversity	There are no issues which this report needs to address
Wards Affected	There are no specific proposals contained within this report
Groups Affected	There are no specific proposals contained within this report
Budget and Policy Framework	This report does not represent a change to Council policy
Key Decision	The proposals do not represent a key decision
Urgent Decision	This is not an urgent decision
One Darlington: Perfectly Placed	This report does not seek to amend Sustainable Community Strategy
Efficiency	The report sets out a framework for delivering efficiency savings but there are no specific proposals within the report.

## MAIN REPORT

### Information and Analysis

6. Members will recall in November 2009, Cabinet agreed the implementation of a new Business Model which was developed in the context of significantly declining public sector resources with the specific aim of transforming the Council to ensure that Darlington continues to drive progress and deliver good outcomes for citizens of Darlington. The public sector generally and Local Authorities specifically will need to change significantly in the short to medium term and the early approval of the new Business Model paved the way for early work to commence on transforming the Council. The MTFP agreed in February 2010 was to build on the agreed business model which describes the future Council as :-
  - (a) Championing the interests of citizens and business
  - (b) Support strong partnership to set a vision and direction for the Borough and its services
  - (c) Promote the Borough to secure investment and support
  - (d) Ensure the provision of good quality services
7. Within the report the following was suggested as a possible description of the Council of the future although it was accepted that it is difficult to be definitive :-
  - (a) Strongly focussed on ensuring good overall outcomes for the public and the place than managing day to day service issues (these increasingly the responsibility of others but retaining ability to ensure they deliver)
  - (b) Clear and acknowledged leadership of “place” and facilitator of partnerships concerned with delivering One Darlington: Perfectly Placed
  - (c) Significantly smaller in terms of directly employed staff
  - (d) Many of its big budgets linked to contracts, or service level agreements or partnership delivery vehicles
8. It must also be faced that the services commissioned or delivered directly may be more modest
9. The MTFP was revised in February this year during a period of significant uncertainty about future funding levels for Local Government. Informed assumptions were used as follows:
  - (a) Council Tax increases 2011/12 1% 2012/13 and beyond 2%
  - (b) Formula Grant a 3% cash reduction for the next three years
  - (c) Area Based Grants and Specific grants a 3% cash reduction for the next three years
  - (d) Pay Awards

	%	
2010/11	0.5	Each 1% equals £600,000
2011/12	1.0	
2012/13	1.5	
2013/14	1.5	

- (e) Running Cost inflation 0% except contractual increases
- (f) No capital receipts assumed
- (g) Interest rates steadily increasing

10. Based on the above assumptions additional savings as follows need to be made:

	£M's
2011/12	4.300
2012/13	2.600
2013/14	3.500
<b>TOTAL</b>	<b>10.400</b>

- 11. The savings are in addition to those approved in the revised MTFP (£11.1M) many of which are currently in the planning and implementation phase.
- 12. The Business Plan was developed in response to such a significant financial challenge acknowledging that a change in approach was required to deliver such savings whilst continuing to serve the public of Darlington in a sustainable way. The foundations of the Business Model are based on three simple questions :-
  - (a) HOW do we deliver services, can we be more efficient?
  - (b) WHAT services do we deliver, are they delivering outcomes and priorities the Council desires?
  - (c) WHO delivers services, can other suppliers deliver them more efficiently?
- 13. The revised MTFP acknowledged the HOW/WHAT/WHO approach, however, it was noted that much more work needed to be undertaken to deliver a programme of change.

### **Update on Financial Projections**

- 14. Since approval of the MTFP in February the financial horizon for Local Government has changed dramatically. First the Government announced in year grant reductions totalling £6.26bn across the public sector, Darlington has had £1.0M of 2010/11 grants withdrawn and told it will not receive the expected £1.1M performance reward grant. Secondly, the emergency budget indicated that funding for Local Government may reduce by 25% over the next four years which is significantly higher than our assumptions of 3% per annum.
- 15. The loss of in year grant is currently being considered by the Corporate Management Team (CMT) and proposals on how to compensate for the loss of grant will be subject to a report to a Special Cabinet meeting in late July.

16. The reduction in grants to Local Government highlighted in the emergency budget will have significant impact on the Council's plans for the future. Full detail of the implications will not be known until the Comprehensive Spending Review (CSR) is announced in October in relation to the exact reductions and the phasing of the reductions over the years, however, we must start to plan for what will be very significant reductions in our spending. Set out below are two possible illustrations of what different phasing of a 25% grant reduction may mean:

- (a) 25% grant reduction phased equally over the next four years

	2011-12	2012-13	2013-14	2014-15
	£Ms	£Ms	£Ms	£Ms
Savings Required <sup>1</sup>	7.5	12.0	17.5	22.0

- (b) A front loading of the grant reduction with 10% in the first two years and 5% in the third

	2011-12	2012-13	2013-14	2014-15
	£Ms	£Ms	£Ms	£Ms
Savings Required <sup>1</sup>	11.0	18.0	22.0	22.0

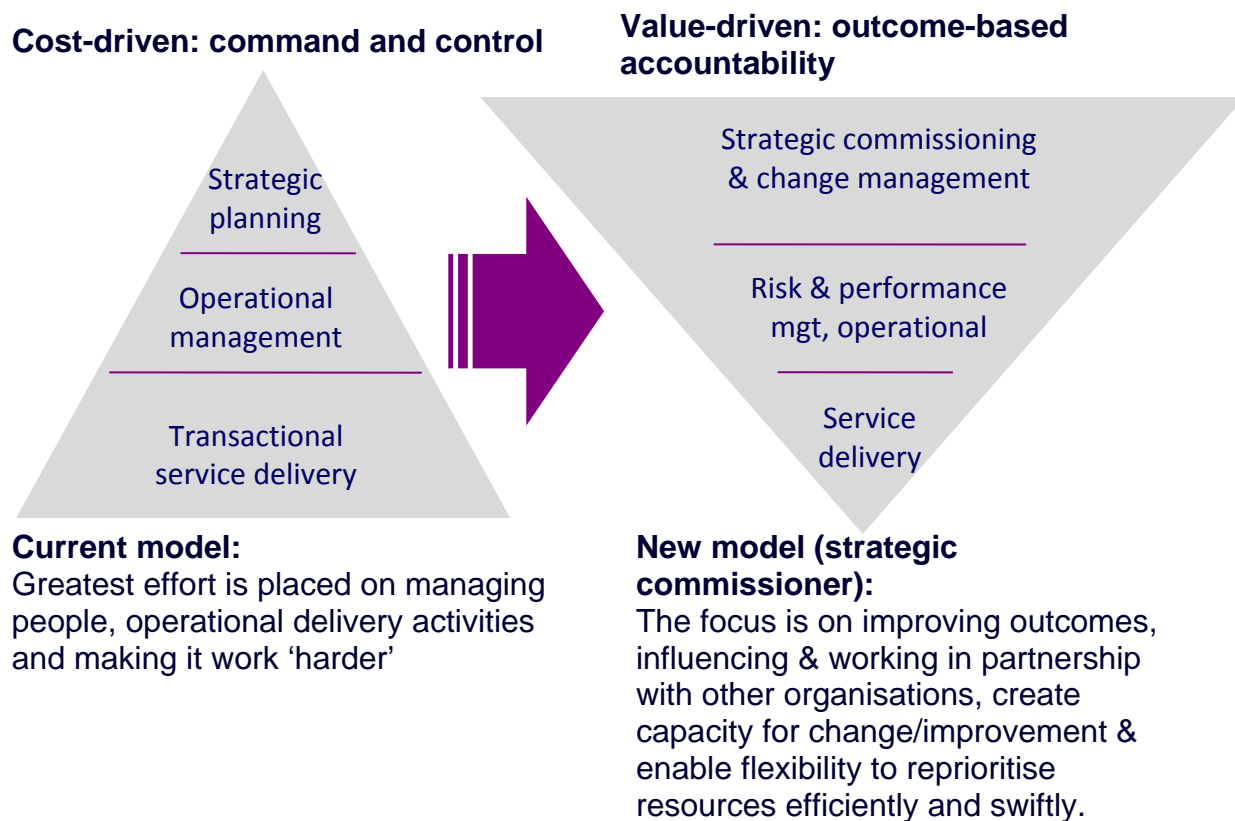
17. The above illustrates that we are looking at saving £22M from a gross controllable budget of £107M which means the Council will have to change significantly what it does, how it delivers services and who delivers services as described in the business model, however, the speed at which it needs to do this is much faster than previously planned. At this stage it would be sensible to start preparing plans that could deliver £11M of savings next financial year. The description of Darlington 2015 that follows in this report has not been updated to reflect the significantly changed financial environment and changes will be made as new proposals are developed, it is very possible that new programmes of change will need to be developed to deliver the more immediate savings.

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<sup>1</sup> The savings show are cumulative

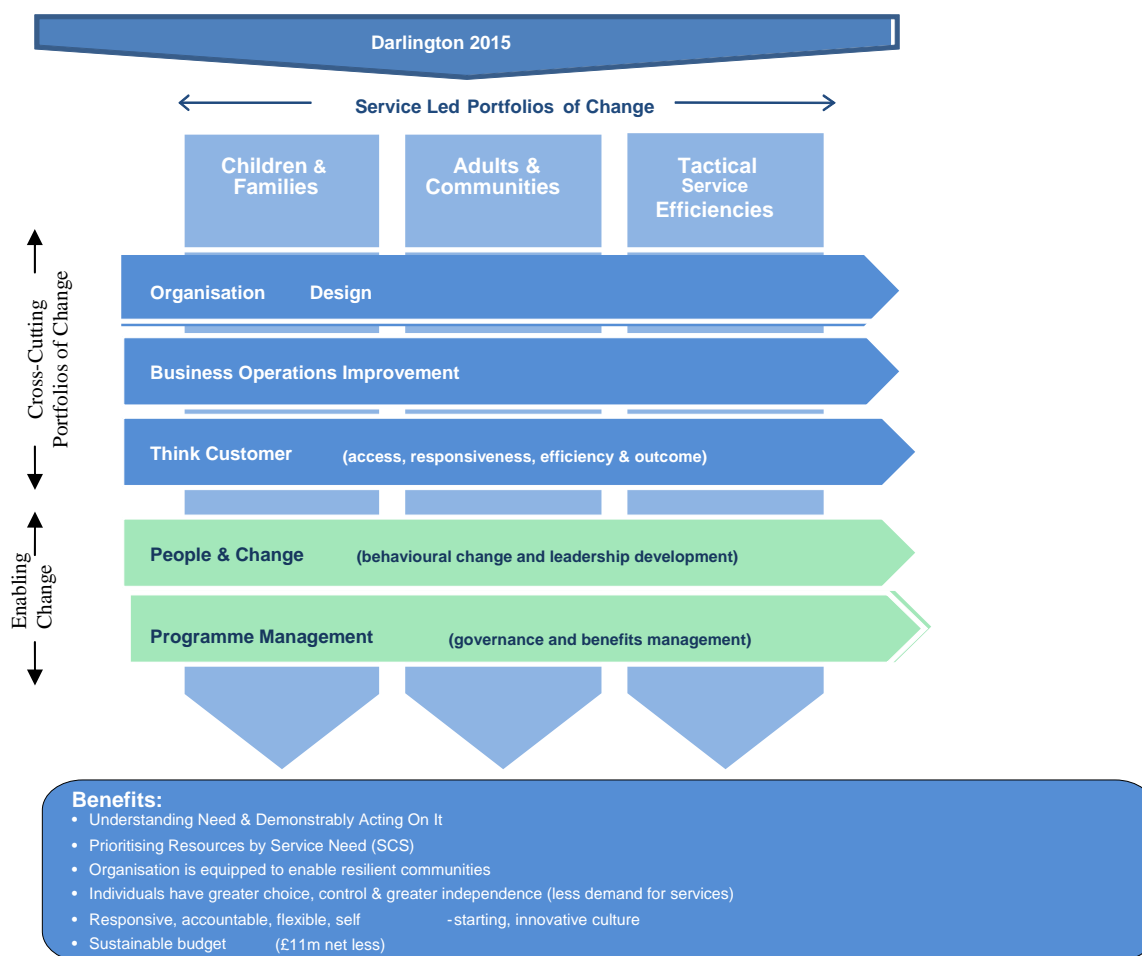
## Implementation of the Business Model – A Transformation Journey-Darlington 2015

18. The Business Model sets out a direction of travel for the Council which can be summarised as the Council becoming a strategic commissioner of services, the change in approach is illustrated diagrammatically below :-



19. Such a summary, however, can do the level of change required an injustice, the change required is by far the most significant the council has faced since becoming a Unitary Council in 1997. Over the coming years no part of the Council will be untouched by the change demanded by the HOW/WHAT/WHO approach. To deliver such a wide ranging level of change it is essential that this is conducted in a planned and controlled manor and for this reason officers have been developing an approach and programme of change known as A Transformation Journey-Darlington 2015. Although 2015 is not a date that will see the end to transformation it will undoubtedly be a time by which much of the change required is implemented and therefore sets a timeframe for change.

20. Set out below is a diagrammatical illustration of Darlington 2015 :-



21. Each of the programmes will contain a number of projects which will deliver transformation and cost reductions to meet the priorities of the Community Strategy and the Corporate Plan within the resources available to the Council. It is expected that new service led programmes will emerge from the cross cutting programmes and the overall shape of Darlington 2015 will change on a regular basis as work is undertaken to develop business cases for change leading to implementation of change. Set out below are the design principles to be used when developing and delivering Darlington 2015 followed by a description of the nine programmes of change.

### Design Principles

22. We are going to reposition and redesign our Council to ensure:-

- Service provision is designed and prioritised based on the **evidence of need and what works**.
- We are a **strategic commissioner** of services to meet outcomes.
- Our services and Members promote and foster **self-reliant and resilient communities**.
- We provide consistent, high **quality customer service** and customer experience.

- (e) We have the **capacity and discretionary leadership** to enable transformation.
- (f) **Our organisational form**, competencies and values **enable the efficient delivery of outcomes**.

### **Children and Families Programme**

23. This programme will include the ongoing change within the service including the move to integrated service provision with the Primary Care Trust. Priority projects identified for business case developing include:
- (a) Increasing the number of Internal Foster Carers
  - (b) Reviewing Children's Homes and the provision for different client groups
  - (c) Development and implementation of strategic commissioning tools
  - (d) The provision of a 13-25 service to address transition for disabled young people

### **Adults and Communities Programme**

24. This programme will include the move to personalisation of care and the significant change this requires as well as the considerable savings programme already agreed within the MTFP. Priority projects identified for business case development include:
- (a) Project to align case management and financial data.
  - (b) Definition of the operating model for Adult Social Care.
  - (c) Finance project to focus on improving the efficiency and effectiveness of financial transactions with providers and clients.
  - (d) Workforce realignment to match the workforce needs.
  - (e) Joint Commissioning Unit with Children's and Families.

### **Tactical Service Efficiencies**

25. This programme will include the delivery of approved savings within the MTFP and will develop further options whilst large scale transformation will deliver medium to long term tactical savings will be key to delivering Darlington 2015 in the initial phase. Each programme will be driven initially by the need to deliver early savings as well as driving transformational change. The work currently underway with Stockton around reviewing who is best placed to deliver services, will feature in this strand.

### **Organisational Design Programme**

26. The programme will assess what Darlington 2015 means for the Council's organisation design in particular what becoming a strategic commissioner means. Key projects will include:
- (a) Developing a target organisational design
  - (b) Reducing management and overhead costs



## **Business Operations Implementation Programme**

27. This programme will develop standard approaches to operations ensuring the most efficient and effective approaches are used in a standardised way across all services. Examples of areas that may be reviewed initially are:

- (a) Procurement
- (b) Procure to Pay
- (c) Income Payment Options
- (d) Charging Policy
- (e) Property Maintenance

## **Think Customer Programme**

28. This programme is all about putting the customer at the centre of all we do, whilst this will increase customer satisfaction it will also reduce cost by “getting it right first time” thus reducing the need for avoidable contact on behalf of customers and by reducing the handling cost of requests by getting the request to the deliverer of the service as efficiently as possible. This programme will include the existing customer services improvement project and will oversee the development of a Customer Strategy. Examples of projects within this programme are:

- (a) Business Process Re-engineering Customer Contact
- (b) Review of existing customer contact
- (c) Web enablement of services
- (d) Customer technology review

## **People and Change Programme**

29. This programme is seen as an enabler to all programmes it will assess the changes required in the skills and capabilities of our workforce as we move forward. It will focus on the changes required to engage more effectively with communities and the third sector with the aim of developing more resilient communities.

## **Programme Management**

30. This again is an enabling programme that sets out how we will manage Darlington 2015. Programme management at its simplest is explaining how we are going to manage the change from our current state, Darlington 2010 to our future state Darlington 2015, but such change is not simple and we need to ensure that we do the right things at the right time to ensure most efficient and effective use of scarce resources to deliver the best results. A toolkit on how we manage the programmes is being built on our existing methodology and set out at **Appendix 1** is diagrammatic illustration of our approach. The key messages are:

- (a) The Chief Executive will be the overall sponsor for Darlington 2015
- (b) CMT will operate as the Board for Darlington 2015
- (c) The Board will make recommendations to members where changes to policy are required
- (d) The overall Strategic Programme Director will be the Director of Corporate Services

- (e) Each programme will have a CMT Sponsor and Peer Sponsor highlighting the strategic importance of Darlington 2015
- (f) Each programme will have a Programme Manager and each project a Project Manager
- (g) Dedicated resources will be needed to deliver Darlington 2015

### **Resource Implications of Darlington 2015**

31. The human resource to deliver such significant changes are considerable. CMT and other senior managers will need to “free up” time to deliver programmes and projects this will mean increased delegation to more junior managers and foregoing low priority work. In terms of direct employment on Darlington 2015 there is the need to recruit Programme Managers, Project Managers, Business Analysts and Project Support Officers. At the time of writing this report adverts are being placed internally with a view to offering secondment opportunities to existing employees with the express aim of not increasing the number of permanently employed staff, however, it does mean that we will not be recruiting staff experienced in the roles so extensive training will be required. In terms of the Project Manager roles where we estimate the need for six we are advertising externally at the same time as internally in case there are not sufficient quantity in-house applicants. The existing MTFP includes a provision of £500K to fund the implementation of Darlington 2015 for 2010/11 and this budget will be utilised to fund back filling costs of secondees where appropriate and to fund external support when needed.

### **Governance of Darlington 2015**

32. Darlington 2015 will mean developing and delivering a range of projects over a number of years and Members will want to be assured that it delivers the outcomes they desire. The programmes will produce short term tactical savings of which many will be capable of being actioned under delegated powers and reported retrospectively, however, many will require Member approval. Where a Member approval is needed it will be as a result of proposed policy changes or amendments to service levels and for Members to undertake these decisions in a considered manner they will undoubtedly wish to review proposals collectively rather than individually to enable prioritisation of the proposals. Currently the process for this is the annual review of the MTFP and a similar approach is felt appropriate, however, it may become necessary to do this bi-annually.

### **Conclusion**

33. Darlington 2015 is the most significant change agenda the Council has faced since becoming a Unitary Council. The Council must change WHAT it does, HOW it does it and WHO delivers it if it is going to be able to serve the citizens of Darlington well in a very different economic climate beyond 2010. Programmes of change have been identified and each programme will need to be suitably resourced. The resourcing of Darlington 2015 will mean significant management time and staff resources will need to be dedicated to it to ensure successful delivery which will mean lower priority work will have to be postponed. Governance for Darlington 2015 suggests the need to consider policy and service level changes either annually or bi-annually

### **Outcome of Consultation**

34. There has been no consultation on the contents of this report.

APPENDIX 1

