

10am, Thursday, 23 October 2014

Organise to deliver: the principles for change

Item number 8.1
Report number
Executive
Wards: All

Executive summary

The Council operates in a challenging environment with increases in demand for key front line services and continuing financial constraints which are anticipated will strongly influence our environment for the foreseeable future. The Council's commitment to delivering a comprehensive programme of transformational change to include continuous improvement in performance and productivity and, increased citizen/customer satisfaction and engagement will be better supported by the development of a revised delivery model which is unambiguously outcome focused and embedded where possible in local delivery. The aim is that this will be more

Links

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flexible than at present, will deliver best value and will be sustained with the constrained resource base.

The proposed revised model will enable elected member led policy and strategy to be prioritised in the city's neighbourhoods, reflecting local need within a clear strategic direction with clear roles, responsibilities and accountabilities across the organisation.

The Better Outcomes through Leaner Delivery ("BOLD") programme was established in late 2013 as an overarching approach to transformational change. The first phase of the programme has concentrated on cross cutting themes for developing budget proposals to ensure the delivery of a balanced budget in 2015/16 with £22m of BOLD themed savings being put forward.

Notwithstanding the savings and efficiencies that have to be achieved to deliver a balanced and sustainable financial position, the council still has substantial resources available to it, £1 bn gross, to commit to the delivery of services.

The proposed revisions to the delivery model lend themselves to collaborative working with other agencies, key strategic partners, with local neighbourhood partnerships and service users.

This report outlines the proposed direction of travel and a further detailed report is proposed to be brought back to the next meeting of the Council for consideration.

Recommendations

- 1.1 It is recommended that the Council:
 - 1.1.1 notes the drivers and principles for change at national and local level, including the implementation of the health and social care legislation which requires full integration of adult services ;
 - 1.1.2 notes the key principles that underpin the new delivery model; and
 - 1.1.3 agree to a further report to the next meeting of the Council in November 2014 which will outline the phased implementation and overall approach in more detail with indicative timescales and arrangements for consultation with elected members, officers and trade unions.

Background

- 2.1 The Chief Executive reported to Council in October 2013 to consolidate medium term changes to the management arrangements for the former City Development Department.
- 2.2 The key drivers for these original changes which had materialised in 2012, had been the need to heighten a clear focus on economic development, focussed on attracting and delivering quality development and investment as the city continued to address the pressures of the recession; to manage and remediate the impact of the substantial risks that had been realised in the property conservation service; to put in place more effective governance arrangements by separating the management of the functions of investor development and planning and to join up all of the functions relating to transport. The medium term arrangements had been both pragmatic and practical to address the immediate issues.
- 2.3 The decision of Council in October 2013 called for a report in twelve months time reviewing the operational effectiveness of these and other Council arrangements and addressing any disparities in the workload of the Directors or difficulties in cross functional working within the structure.
- 2.4 This report addresses the decision of Council in October 2013 and also identifies the need for greater transformational change. The medium term arrangements have served their purpose. The economic development function has thrived under the new arrangements with Edinburgh attracting consistent high levels of inward investment and particularly foreign direct investment. The city has been identified as leading in several areas by the Times FDI magazine. New and

growing businesses are supported through the revised Business Gateway arrangements. The Strategy for Jobs has exceeded its original targets and there are continuing strong signs of investor confidence. The single biggest inward investment in Scotland for many years is being delivered through the re-development of the St James Centre.

- 2.5 Services for Communities has continued to focus on service improvements in environmental services, housing, with the delivery of the first council led house building for many years, green space, with Edinburgh's parks and green areas winning numerous accolades; transport and planning. There have been a number of high profile areas for development including the cremation service at Mortonhall. The directorate has developed the initial approach to addressing the issues in property conservation and property repairs and this is now being taken forward by a discreet project team.
- 2.6 Whilst focussing on performance improvement and effectively serving our communities, elected members have continued to express concerns at the span of influence of the larger directorates and disparities of workload. This is not an altogether unusual scenario in local government where there is seldom an exact equity of workload between directors, and whilst the medium term arrangements have served their purpose it is timely and appropriate to review our delivery arrangements to more effectively meet the needs and aspirations of the city. The drivers for change are reflected in the recommendations of the Christie Commission which called for greater cooperation, co- production and partnership working – to deliver better outcomes with diminishing resources.
- 2.7 The Council continues to operate in a challenging environment with increases in demand for key front line services within continuing financial constraints. To continue to meet these challenges, the Council needs to drive forward a programme of radical transformational change, ensuring the alignment of both the strategic focus and the delivery model. In the context of the financial constraints the council has to address, the current arrangements are recognised as unaffordable and unsustainable. The current budget gap stands at £67m to 2017/18 and key drivers for change such as the public sector reform agenda, health and social care integration and community empowerment legislation are all taken into account in proposing a revised delivery model.
- 2.8 The proposed approach is outcome based, cuts across traditional service silos and is focused on citizens and customers to ensure the design and delivery of services aligns with the priorities that will make a real difference to those who live and work in Edinburgh. The proposed model would build on the existing neighbourhood partnerships within a governance structure that relates through four larger areas.

Drivers for Change

- 3.1 The Council and its workforce have had to address significant challenges in the past several years with more challenges and opportunities undoubtedly expected to arise in future. Given this context, it is critical that the delivery model of the Council and its business plan is sufficiently robust and flexible to respond to present and future challenges.
- 3.2 In order to develop this understanding, a PESTLE approach (see Figure 1) was adopted to guide consideration of the issues which impact on the Council and its services. This approach is a business tool to support identification and analysis of the political, economic, social, technological, legal and environmental factors that can impact on an organisation.

Figure 1



- 3.3 Adopting the PESTLE approach, the following key pressures for Council service delivery and future workforce planning are highlighted:

3.3.1 **Political:** Major structural and transformational change programmes driven by the public sector reform agenda, pensions reform, Community

Empowerment legislation and Health and Social Care integration will all have a significant impact on the way the Council operates. The effective implementation of the health and social care legislation will be key in ensuring a care centric service which is not impeded by inter organisational structural issues. These interact with key local workforce policies such as the adoption of the Edinburgh Living Wage and the Council's no compulsory redundancy policy.

- 3.3.2 **Economic:** The transformational response needed to meet the financial challenges facing the Council requires significant changes in the way the Council operates. Alongside this, the Council operates in an environment of rising cost of living and wage pressures, high housing costs, and within a labour market where shortages have been identified in the key skills the organisation needs to develop. Edinburgh is a City that has a global competitive edge in certain areas and our forward strategy of being proactive in terms of investment and sustainable growth, as well as having an active 'talent' growth agenda is important in supporting high value growth.
- 3.3.3 **Social:** Edinburgh is the fastest growing local authority in Scotland, with much of this growth concentrated in among young people and residents of pensionable age. Demographic changes are strongly driven by high rates of in migration with increasing diversity in the ethnic mix of the population. At the same time, customer expectations of Council staff both in quality and responsiveness of service and pressure for greater openness and transparency, and greater demand for locally responsive services are increasing over time.
- 3.3.4 **Technological:** New ways of working among Council staff and new expectations among customers - including innovation in new equipment, new techniques, new methodologies, increased reliance on mobile devices and social media - are expected to increase the need for improved ICT skills, infrastructure and resources council-wide.
- 3.3.5 **Legal:** Council staff and workforce managers operate within a developing legal framework in which is important to maintain a high level of engagement and understanding of changes in service obligations and standards. Key areas include employment law, equalities and equal pay obligations, health and safety, consumer rights legislation, environmental legislation amongst others. The important current discussions about further devolution to Scotland are key considerations in terms of Edinburgh's role as Capital City. Whilst the constitutional issues are not core business of the council, we must ensure that we are ready to fulfil the key enabling and facilitating role that is expected of a Capital City.
- 3.3.6 **Environmental:** Legislative and social pressures are leading to increased awareness of environmental and sustainability concerns among Council customers and partners. Such pressures increase expectations of Council staff in both attitudes and working practices in all aspects of the Council's operations. Delivery models are changing and the role of the

council in, for example, facilitating the development of an Energy Services Company (“ESCO”) exemplifies why the council has a role in leading new business opportunities.

Council Delivery Model

3.4 In order to meet these challenges, the delivery model the Council adopts must be supported by a vision and strategic themes that are cross cutting and which all services share in order to provide integrated and efficient services to our customers and citizens. The model outlined in this report has been developed in line with a number of key considerations. The proposed Council model is outward looking and outcome focussed; is concerned with delivering activity that supports long term beneficial impacts and goes beyond seeing the structure of the council as an end in itself. The proposed delivery model:

3.4.1 is built from a clearly articulated statement of the Council’s vision and purpose with visible connectivity to the delivery of services;

3.4.2 promotes, enables and encourages efficient, effective service delivery;

3.4.3 creates an environment where the focus is on the delivery of outcomes;

3.4.4 is a platform for enabled and empowered, distributed leadership going beyond the team structure and builds on co-production with key strategic partners, communities and service users; and

3.4.5 assists the Council to achieve , performance improvement and increased productivity with diminishing resources.

3.5 Figure 2 outlines a business model to meet these requirements. The model is built around one shared vision and three strategic themes which drive the work of all Council services.

3.6 As the implementation plan for the revised model is developed, the future effectiveness of the organisation will be assessed against a number of key tests.

3.7 A successful delivery model will support innovation, be a beacon for a positive vision for the city and will:

Ensure customer focus and improved performance / service delivery

(a) have a focus on customer service / outcomes;

(b) be able demonstrate clear alignment to council commitments;

(c) continue to build transparency of all aspects of performance;

(d) be designed to drive corporate behaviours and discourage silo working;

(e) within the context of the strategy and policies set by elected members, create an environment where innovation and the use of initiative is encouraged;

(f) ensure compliance and the delivery of best practice;

(g) ensure the Council keeps strength and depth in key places;

(h) enable corporate direction / decisions to be implemented in the required timescales; and

- (i) facilitate the measurement / benchmarking of both unit costs and service performance with other Local Authorities but also external sources.

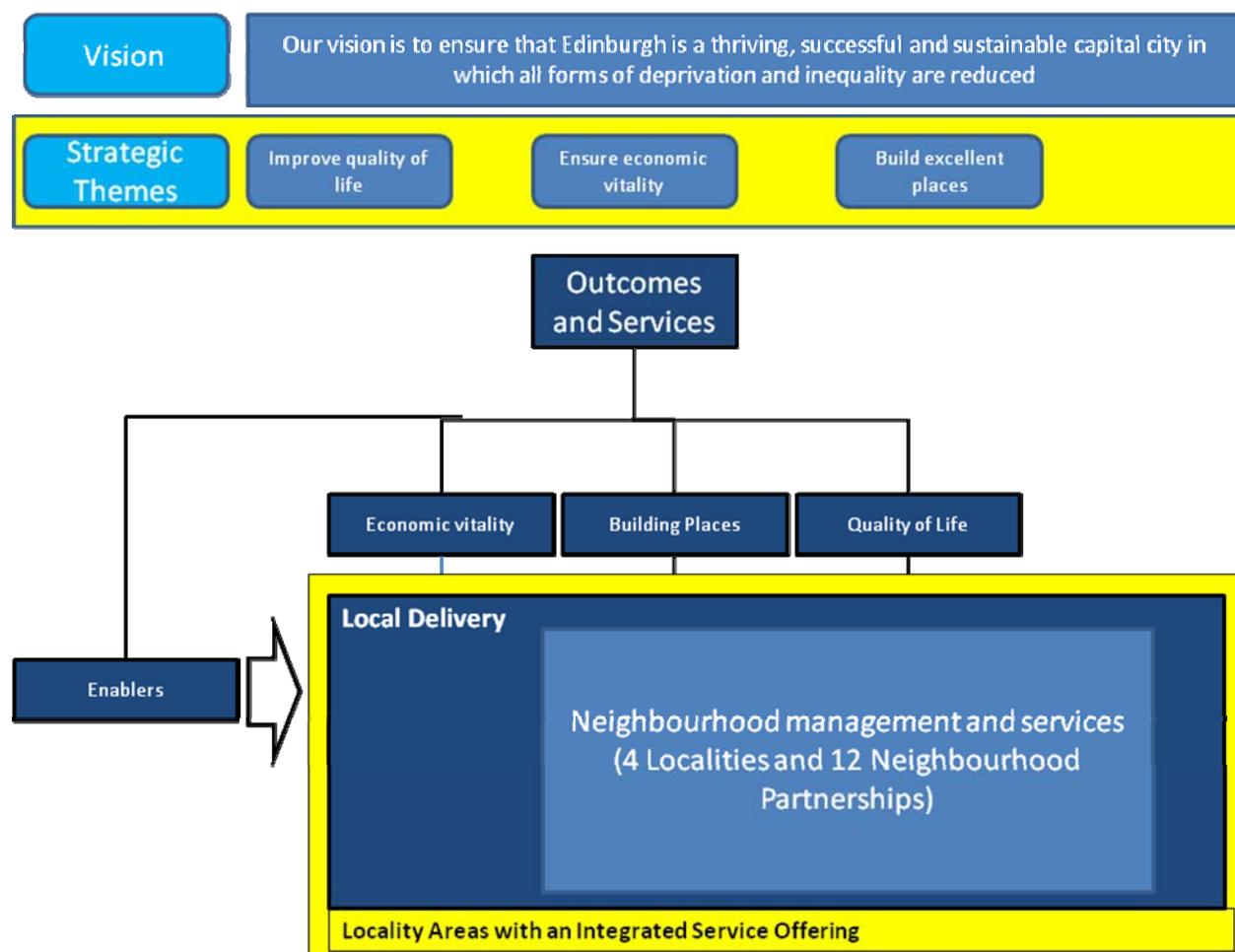
Improve efficiency

- (j) be leaner and deliver substantial savings; and
- (k) be operate a delivery model which drives continuous cost savings over time.

Improve employee performance and engagement

- (l) drive empowerment and support distributed leadership throughout the organisation and with co producers;
- (m) help create a culture that desires / drives change and performance improvement; and
- (n) create a healthy tension between cost reduction and customer needs.

Figure 2: Indicative future council delivery model



- 3.8 In delivering the vision, strategic direction and policies which are set by Elected Members, implementation would be ensured by an executive group lead by the Chief Executive, with shared responsibility for delivery of all Council services and achievement of key outcomes. Taking account of the health and social care legislation which is currently being implemented, a fourth area of strategic theme and which is jointly responsible and accountable to the council and NHS Lothian is being established and that largely relates to the quality of life outcomes area.
- 3.9 Future directorates should be supported by a strong corporate centre, focussing on clear strategic priorities that have been set by elected members and which focus on the strategic themes set out in Figure 2 and support a matrix delivery model which supports direct services as well as city wide services.
- 3.10 The model incorporates an enhanced element of local service delivery. This involves the movement of operational functions to a cross cutting model of four city localities, each having responsibility to manage and deliver services for their area. Neighbourhood management teams are responsible for delivery of specific outcomes, within each locality, set and measured by the Council's executive group.

- 3.11 Development of the delivery model aligns with the Council's agreed BOLD transformational change framework, across the following key areas:
- 3.9.1 Neighbourhoods;
 - 3.9.2 Channel shift;
 - 3.9.3 People and Culture;
 - 3.9.4 Property; and
 - 3.9.5 Partnership.
- 3.12 The business plans for each element of the transformation programme will align in terms of timescales and savings with the implementation plan for the Council's revised delivery model.

Next Steps

- 3.13 The programme required to deliver the Council's new delivery model is, by necessity, complex and will be interdependent on the delivery of elements of the BOLD transformation portfolio. The delivery model outlined in this report will be implemented via a phased transformation process, led by the Chief Executive. A phased approach to transformation is necessary to ensure that important services that are critical to customers continue to be delivered efficiently and effectively during the change process.
- 3.14 A further report to Council in November will outline the phased approach in more detail, including the financial model and clarity about roles, responsibilities and the spans of activity within the delivery model. This report will also provide indicative timescales and arrangements for consultation with elected members, officers, trades unions and key delivery partners.

Measures of success

- 4.1 Relevant measures include:
- Development and operation of an affordable and sustainable business model that is aligned to the Council's priority outcomes and facilitates consistent financial savings to be delivered.

Financial impact

- 5.1 The alignment with the transformational workstreams identified through BOLD are to allow the Council to deliver better outcomes at a reduced cost and to

ensure that the Council operate a sustainable budget and business model going forward. The revision of the delivery model is partly in response to the financial constraints that the Council are faced with.

Risk, policy, compliance and governance impact

- 6.1 This report is being provided primarily for elected members' information and to develop discussion around the direction of travel, as a result, there is no direct relevance to the recommendations at this stage.

Equalities impact

- 7.1 There is no direct impact of the report's contents and recommendations to the three Public Sector Equality Duty general duties, nor to the ten key areas of rights set out within the Council's Equality and Rights Framework.

Sustainability impact

- 8.1 There is no direct relevance of the report's contents to sustainability-related issues. A carbon impact assessment will be undertaken on individual workstream proposals.

Consultation and engagement

- 9.1 Subject to approval of the recommendations contained in this report there will be a programme of consultation with employees and trade unions as future phases of the delivery model are developed and implemented.

Background reading/external references

Sue Bruce
Chief Executive

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Appendices