

**DERBYSHIRE COUNTY COUNCIL**

**CABINET**

**27 November 2012**

**Report of the Director of Transformation**

**Changing the Way Derbyshire Works Programme  
(Leadership & Culture, Technology & Recycling, Finance & Management)**

**1. Purpose of Report**

To update Cabinet on recent progress relating to the Changing the Way Derbyshire Works (CWDW) Programme.

**2. Information and Analysis**

**Background**

The CWDW Programme was initiated in August 2009 with the intention of helping the Council to respond to increasingly demanding financial savings targets whilst seeking to minimise the impact on front line services.

The programme promotes new ways of working, using new ICT systems and technologies, it has implemented smarter travel initiatives and introduced a new approach to using office accommodation. A key aspect of delivering the programme is the need to engage and support employees to embrace change throughout the organisation.

The CWDW Programme Manager co-ordinates the projects that make up the programme and reports to a management board which includes all Chief Officers. The individual projects are managed by senior managers from service departments who have demonstrated exceptional commitment, enthusiasm and professionalism. Currently the programme is projected to deliver estimated total annual savings of £19.7m and capital receipts from property sales and acquisition cost avoidance of £22.6m.

**Scope of the Programme**

Initially the scope of the programme included accommodation, travel costs, procurement, Single Status and the replacement of core financial and personnel systems. Subject to completing the appeals process, Single Status is largely completed as is the project to examine how non-permanent staff costs are managed. The work on procurement has been incorporated into a strategic review of financial services activity as it links to on-going changes to working practices introduced by the new SAP system.

A series of reviews which look at similar activity that takes place in more than one department have commenced. These include Learning & Development, Business Services, Management Information, Public Relations and

Communications, Catering Services, and Facilities Management. The outcome of these individual reviews will be reported to Cabinet in due course.

### 3. Financial Considerations

A consistent approach to identifying and accounting for efficiency savings being delivered by CWDW projects is being followed and accordingly a common format for statements showing financial efficiencies achieved by service departments has been adopted.

The majority of savings delivered through the CWDW programme will fall directly to service departments and will therefore contribute towards meeting their efficiency targets. Work is underway to clearly identify further efficiencies up to 2016/17, including additional revenue savings and capital receipts from property sales, and revenue savings from increased application of smarter travel measures.

The figures shown in the table below demonstrate that the Programme will have generated revenue savings of £9.1m by March 2013 and is projected to generate a further £8.2m over the next four years making a total of £17.3m in annual revenue savings.

PROJECTED CWDW SAVINGS			
	2010/13 £m	2013/16 £m	Total £m
<b>Revenue Savings</b>			
Accommodation Project	1.052	2.936	3.988
Smarter Travel	5.435	2.322	7.757
Procurement	1.800	1.100	2.900
Core Systems Project	0.121	0.131	0.252
Finance Processes	0.100	0.500	0.600
Investment/Pension Management	0.200	0.800	1.000
Finance Restructuring	0.100	0.100	0.200
Printing	0	0.300	0.300
Catering	0.300	0	0.300
<b>Total Revenue Savings:</b>	<b>9.108</b>	<b>8.189</b>	<b>17.297</b>
<b>Capital Savings</b>			
Capital receipts from freehold properties sold	4.567		4.567
Capital receipts projected from identified freehold properties not yet sold	* 2.538	15.500	18.038
<b>Total Capital Savings:</b>	<b>7.105</b>	<b>15.500</b>	<b>22.605</b>

*\* Includes £1,330,000 for properties transferred to Extracare scheme, which avoid additional property acquisitions.*

The savings identified above, are summarised figures for each project area. Further details are provided in the attached appendix.

In addition there are a number of areas where savings have been identified by the programme but not included in the above table, such as the £400k per annum from Resources@Derbyshire and the £2m from the Business Services Review. The efficiencies and associated savings are being collected by all departments as part of ongoing service initiatives.

The total annual revenue savings generated by the Programme will therefore be £19.7m.

Also the Programme has generated capital receipts of £4.6m to date from vacated properties and it is expected to generate a further £18m from property sales and acquisition cost avoidance in the coming years making a total of £22.6m.

#### **4. HR Considerations**

The programme, individual projects and the cross cutting reviews are being supported by an organisational development theme which has evolved to include managing change, communications and engagement, workforce development and organisational efficiency. Activity relating to this organisational development theme has been incorporated into the HR Division's work programme.

Introducing new ways of working and the associated changes to working practices is a major change project which directly impacts on employee relations. Accordingly protocols have been developed on introducing new ways of working, and implementation blueprints and project management checklists have been developed to support the overall management of the projects.

As part of wider communications and engagement initiatives a CWDW Programme-wide Communications Plan being has been developed, there is on-going dialogue with the Trade Unions, increasing use of locally based roadshows, articles in Workforce and use of the employee panel for consultation purposes.

#### **5. Other Considerations**

In preparing this report the relevance of the following factors has been considered: legal, property, prevention of crime and disorder, equality and diversity, environmental, health considerations.

#### **6. Key Decision**

No

#### **7. Call-in**

Is it required that call-in be waived in respect of the decisions proposed in the report? No

#### **8. Background Papers**

Held by the CWDW Programme Manager Jeff Wheatley (Extn 38503)

#### **9. Recommendation**

It is recommended that the contents of the report be noted.

**David Hickman**  
**Director of Transformation**

## **Appendix**

### **Progress on Work Streams, Projects, and Cross Cutting Service Reviews**

#### **Accommodation Project**

- a. The early focus of the project was on establishing policies and protocols to give the programme a transparent foundation and methodology, and these were incorporated into a Framework Agreement which was approved by Cabinet in July 2010. This has enabled the introduction of new ways of working which involves greater mobility of staff, increased utilisation of office space and more access to ICT facilities.
- b. Following extensive consultation with stakeholders, Cabinet agreed a report in March 2011 outlining an overall strategy for managing “back office” accommodation. This involves disposing of the multiplicity of inefficient costly buildings and creating local hubs which would be more efficient to run and provide better support for service provision.
- c. A business case approach for approving accommodation moves/relocations was adopted to assist the management and control of office moves, which incorporates financial costs/benefits as well as operational benefits. It includes a check list of technical matters to be considered, a financial statement and a flow chart, and the scale and complexity of the business case content reflects the size and potential cost of the move/relocation.
- d. The table of vacated properties (below) includes a number of larger properties/sites which have been vacated but not sold, some of which would be suitable for major redevelopment, and some of which are being considered as potential Extracare facilities. Three sites have been identified as potential Extracare sites at an assessed value of £1,330,000 and have been included as cost avoidance items. Properties identified as Extracare sites will not generate direct sales receipts, but do offer substantial cost avoidance opportunities for the Council.

#### **Number of properties vacated to date**

##### **Freehold properties vacated**

Properties sold	18
Vacated not yet sold	23
Total freehold vacated	41
Leasehold vacated	14
Total properties vacated	55

##### **Number of additional properties identified and still to be vacated**

Freehold properties	33
Leasehold properties	17
Total	50

- e. As a consequence of vacating the properties 809 staff have moved into properties operating the new flexible ways of working, and it is anticipated that a further 4000 (approximately) will move to the new working practices over the next three years.
- f. An additional major challenge has been the need to incorporate the implementation of MAT teams across the County area, as well as dealing with the management of the properties transferred from Connexions in April 2011 and the need to accommodate Public Health staff from April 2012.
- g. A helpful factor in managing the transfers of teams to new locations has been joint working with local councils and the opportunity to have shared use of some of their properties. Examples of joint working arrangements include South Derbyshire and Bolsover District Councils.
- h. Within the Council's agreed strategic context, any opportunities for quick building disposal or vacation are being considered to drive the progression of the Project, which involves the targeted disposal of buildings with imminent lease end dates, expensive leases, or buildings which offer attractive sales potential.
- i. The market for selling properties, and the strategy for disposal, largely dictates when consequential revenue savings are likely to occur, and therefore when the savings are scheduled to appear in the programme.
- j. By the end of the current financial year, minimum net savings of £1.052m will have been made from annual property revenue budgets, and also a reduction of £4.174m in the outstanding property repairs and maintenance liabilities.
- k. The challenging nature of selling properties in the current property market means that the work of the project is likely to continue until 2016, with final revenue savings and capital receipts from some properties sold not being fully realised until 2016/2017. It is estimated that a further £2.936m in net revenue savings will have been made by this date, making a total of £3.988m for the life of the project.
- l. It is also estimated that in addition to the £4.567m capital receipts in the period up to 2012/13, a further £18.038m in capital receipts from property sales and acquisition cost avoidance will be generated in future years.
- m. Included within the overall revenue savings in section k is a £27,582 reduction in the Council's carbon tax credits, which equates to a reduction of 2,298.5 tonnes of carbon.
- n. In addition, a further reduction of £7.905m will have taken place in the outstanding property repairs and maintenance liabilities, making a total reduced liability of £12.08m.
- o. Work is underway to develop a corporate facilities management approach for buildings within the Accommodation Project which will include corporate management of buildings, and pooling of existing budgets to provide facilities to a common standard.
- p. The next four years will be a substantial challenge for the Project, which will require continued focus, and a frequent review of project priorities to achieve a very ambitious programme of work.

## **Smarter Travel**

- a.** Following a review of the scope and range of travel issues within the Council a programme of work was developed to cover a number of primary areas, including Public Transport, management of Council vehicles, use of officer's personal vehicles, and other contracted transport.
- b.** A number of Passenger (Public) Transport proposals were approved by Cabinet in March 2011, including the removal of funding for 42 local bus services and for 73 under-distance school bus services, increasing the contribution of b\_line service holders towards their fares, the introduction of a £1 flat rate fare for single dial a bus journeys for Gold Card holders, and the withdrawal of half fare local train travel concession for Gold Card holders. These actions will generate savings of £2,430,000 by 2015.
- c.** A vehicle rationalisation programme as part of the overall management of the Council's core fleet is underway, which will review its size, utilisation and financing, and will generate revenue savings of £680,000 by 2015.
- d.** Enhanced management of the use of officers personal vehicles will produce savings of £1,010,000 which will be generated through the provision and use of pool cars, and from reducing the number of miles undertaken.
- e.** Changes to travel arrangements for non-employees covering home to school transport for entitled and non-entitled children, provision of taxis etc for special needs children, and adult care services utilising a wide range of vehicles will generate savings of £1,410,000.
- f.** Other travel issues including initiatives to investigate the wider use of audio/video conferencing suggest that some savings in travel and officer time could be achieved, although these schemes are still at an early stage.
- g.** Further proposals are being prepared which will expand the current programme of work and generate a further £2,000,000 by 2015 through the extended rationalisation of the use and number of Council vehicles, expansion of the successful pool car scheme, and further savings from route and contract management of passenger transport.

## **Single Status**

- a.** The Single Status project progressed in line with the project plan and was implemented in April 2010, although there is still some residual work to complete.
- b.** Implementation of the changes to employment terms and conditions covered by the Derbyshire Package were instrumental in generating savings which contributed to offsetting the costs of introducing Single Status.
- c.** The project also provided the basis for further development as part of the organisation development work streams e.g. job families. This has supported improved service delivery and formed the basis of other work on organisational efficiency and workforce development.

### **Costs of Non-Permanent Staff**

- a. An examination has commenced on the additional costs of employing non-permanent staff, covering relief and temporary contract arrangements, consultancy costs, and also the costs of overtime and additional hours.
- b. Detailed information extracted from SAP has been analysed to identify the levels of agency spend in departments, as well as trends across different work groups and service areas.
- c. The analysis indicated that an internal business services agency employing staff rather than utilising agency workers would produce savings against current departmental spending of £400,000 pa.
- d. The agency, called Resources@Derbyshire, was created in April 2012, and has been utilised to deal with departmental business services needs, and also to support employees at risk of redundancy.
- e. As the implementation of Resources@Derbyshire was an enabling project, the efficiencies and associated savings will be collected by all departments as part of ongoing service initiatives, and will be included within the Efficiencies Programme.

### **Procurement**

- a. Following the implementation of SAP, an opportunity existed to integrate the finance and strategic procurement functions, with a view to generating efficiencies. This was based on the relationship between the initial procurement process of product selection and ordering, and the consequential operation of the financial systems for payment purposes via the SAP system.
- b. A Capgemini report on benefits realisation published shortly after SAP was implemented identified potential efficiencies related to the end to end process of procurement, maximising the use of electronic purchase orders, ensuring timely and accurate goods receipting, and centralising invoice receipts from suppliers.
- c. Also there are potential long term benefits possible from a reduction in the number of interfaces between SAP and other systems such as the schools accounting package and the Property job costing system.
- d. Some efficiencies will inevitably flow from such a rationalisation, but there are also significant potential internal control benefits from the use of SAP as the source of all income and payment transactions.
- e. By the end of the current financial year, savings of £1.8m will have been made from improved contract management arrangements and reduced utility costs. A further £1.1m savings are anticipated by the end of the project.

### **Core Systems**

- a. After intense activity leading to “go-live” in April 2010, the SAP system for Finance, Procurement and HR business processes, was implemented with a second stage being executed in July 2010. This involved developing a close working partnership with both Capgemini and SAP.
- b. As the implementation programme is now largely completed and the old mainframe systems have been decommissioned, the



stabilisation/consolidation phase has commenced, and an operational team to drive the system forward and realise the operational benefits from the system, has been established.

- c. System performance and optimisation work has been undertaken along with implementing Asset Accounting functionality which went live in April 2012, whilst increased use of SAP Orderpoint for purchasing is occurring.
- d. Approval was given to pilot SAP as a replacement for the “end-of-life” Derbyshire Schools Administration System (DSAS) in June 2012, and the results will be subject of a further report to Cabinet.
- e. The Council’s objective to become “self-sufficient” in the maintenance and development of the SAP system is progressing, with dependency on Capgemini the Council’s systems integration partner for 2<sup>nd</sup> line support diminishing rapidly as the in-house team becomes increasingly capable and confident in day-to-day operational management and maintenance of the system. The process has continued with a programme of knowledge transfer from Capgemini being well advanced, formal training for over 5,000 members of staff has been completed, and a number of specialist training initiatives are underway.
- f. An assessment of the prospect of migrations of further associated feeder systems onto SAP is also being investigated, which could open up opportunities for improving both service improvements and efficiencies. A cost/benefit/risk analysis, resourcing requirements, and timetabling will be required as part of the business case.
- g. The Core Systems project will generate savings in ongoing project management of £121,000 in the current year, and £252,000 over the life of the Project. However the implementation programme is a major enabling project and the bulk of the efficiencies and associated savings derived via improvements to business processes, streamlining of organisational structures, and enhanced business intelligence reporting will be collected by all departments as part of service initiatives, which will be included within the Efficiencies Programme.

### **Financial Services**

- a. A review has been undertaken of how best to reduce the use of non-SAP finance systems and minimise the expensive interfaces between SAP and other finance systems, by further utilising SAP modules. The first area being considered is the roll out of SAP into schools.
- b. There are a number of finance related transactional processes which require interaction with SAP and take place across the organisation, and utilising SAP offers the opportunity for better management of these processes with more reliable and timely reporting direct from the system without the need for extensive off-line manipulation or time spent on corrective processes. It is hoped these could save around £600,000 across the Council. Progress will be closely linked to a review of how the Council procures its goods and services from “cradle to grave” and will incorporate many of the key recommendations made in the recent Improvement and Scrutiny Report on Procurement.
- c. In addition, an exercise is to be undertaken to determine the range and appropriateness of standard management information reports to assist managers with their reporting needs and improve the timeliness and

quality of budget monitoring. This will be based on a reduction in unnecessary off-line manipulation of data, which will allow standardised reporting, and make consequential efficiencies. It will involve a review of data structures to ensure the required data exists in the correct format, and the reports will address the requirements of budget managers by minimising analysis undertaken off-system. A key part of progress on this issue is dependent on the decisions made around the options for the provision of management information generally.

- d. A recent review of alternative options for Pension Fund Investment management has been completed and a report accepted by Cabinet on 24<sup>th</sup> July. This will involve changes to the management arrangements in respect of the Council's pension fund and investment responsibilities and a revision to the staffing structure within the Pension and Investment Sections of the Finance Division. This will generate £200,000 in 2012/13 and a further £1.7m in the longer term of savings to the Pension Fund, of which £1m in total will accrue to the County Council. This saving is dependent upon the successful recruitment of suitably qualified staff.
- e. A review of the structure of the overall finance function is near to completion, which will incorporate the lessons from re-engineering the procurement processes, and take into account better utilisation of SAP functionality. It is proposed to re-structure the Division to better meet the changes necessary to reflect the SAP way of working and to meet the opportunities presented by recent staffing changes. Initial savings from the Corporate Finance re-structuring are likely to be in excess of £200,000 spread over 2012-13 and 2013-14.

### **Learning & Development**

- a. Following a report to Chief Officers outlining the aims and key deliverables for a review of Learning and Development, an implementation plan was agreed in March 2012, which also identified key financial information relating to the review. This included training budgets and staffing costs, both by department and job family which have provided essential baseline, financial and staff information for the review, and which reflect the focus of CWDW projects contributing towards efficiencies.
- b. The implementation of the review will cover a number of project strands agreed by the CWDW Board in October including generic training, professional and technical training, developing a workforce development plan/strategy, leadership and management development, and replacing the current learning and development system with a SAP based system.
- c. In a period of reducing budgets, there is a greater need to ensure that the learning and development function is effective, that the existing learning and development structure has greater cohesion, and that it offers an efficient service. A review of organisational structures will ensure that "form follows function" at the end of the review.
- d. It also presents an opportunity to ensure that staff will continue to retain a positive view of the Council in relation to its investment in learning and development, to maintain as much investment as possible

in developing the Councils employees and to improve their view in the next Employee Survey about developing them for future roles. This is in the context of a challenging climate for employees, ie no pay awards, end of single status protection and workforce reductions, which requires more of the Councils remaining employees.

- e. The focus of the review will be to improve the effectiveness of learning and development, ensuring that it clearly supports the Councils strategic plans, continues to support staff development, and provides maximum value out of available training budgets.

### **Management Information**

- a. This review is undertaking an assessment of the opportunities for savings from the management information “back office”. A business case and cost benefit analysis is being prepared which will inform a decision on a likely technical solution.
- b. Arrangements have made for the production of a Business Case for the introduction of a corporate business intelligence platform based on SAP. The modules could include Business Objects, Budget Planning & Consolidation, and Strategy Manager:
- c. Business Objects would provide a corporate analytics, reporting and presentation toolset for use by both departmental and corporate management information teams, and managers. Budget Planning and Consolidation would provide a corporate financial planning, monitoring and consolidation toolset for use by both departmental and corporate finance and accountancy teams and managers. Finally Strategy Manager would provide a corporate strategy management toolset for use by both departmental and corporate information teams, colleagues with particular responsibility for overall departmental and corporate performance management and managers.
- d. A project group to take the overall project forward and lead on the development of a business case has been established including the technical leads for the areas of Finance, HR, Performance Management, Management Information and SAP Business Warehouse.
- e. Consultation with departmental representatives has begun with a number of workshops being held to provide an overview of modular functionality and identify the business benefits in relation to the proposed modules. An outline business case has been developed with the content currently being reviewed and refined by the relevant business leads.
- f. During the course of 2012/13 confirmation will take place of the definitive technical and legal requirements, the detailed costings, and a final version of the business case will be produced for consideration.

### **Printing**

- a. An examination is being undertaken of a specialist method for managing the Council's printing, called Hybrid Mail. This should enable much corporate printing to be printed cheaper offsite, and should generate up to an additional £300,000 pa savings from 2013/14 onwards. It will also give facilities for mobile and home workers to

arrange the printing of documents from wherever they may be working. This approach will support staff implementing new ways of working.

### **Catering**

- a. The review focussed on options for catering services within County Hall, CAYA and Adult Care, considered the operational performance, and options to improve service levels and efficiencies.
- b. The service contracts for service were revisited, improved procurement processes implemented, and staffing levels reviewed, also improving the range and quality of catering supplied.
- c. The subsidy for County Hall service was withdrawn and joint arrangements between Adult Care and CAYA have generated savings of £300,000 which were collected by the departments as part of their service initiatives.

### **Public & Client access/ Communications & promotional issues**

- a. A number of areas have being identified where opportunities for savings on PR/publications could occur, including a better analysis of budget/spend which will make the cost information more transparent and help with reducing waste.

### **Business Services**

- a. The implementation of the Business Service Job Family across departments was completed in October 2010 facilitating a reorganisation of business services activities within service departments. This has identified prospects for organisational rationalisation, the development of new operational structures, and the placement of apprentices.
- b. Reducing the numbers of Business Services staff across the Council as part of departmental restructurings, will result in departments saving £2m pa by 2015. As the review of Business Services was an enabling project, the efficiencies and associated savings will be collected by all departments as part of ongoing service initiatives, and will be included within the Efficiencies Programme.
- c. There is a correlation between the implementation of the Business Service Job Family, and work which has been undertaken to implement changes to procurement, ordering and financial processes, HR systems, bespoke technical systems, and Resources@Derbyshire.