WARWICK DISTRICT COUNCIL	**Executive – 17th March 2010**	**Agenda Item No.**

Title	Corporate Business Improvement Plan – Fit for the Future
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Service Area	Chief Executive's Office
Wards of the District directly affected	All
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006	No
Date and meeting when issue was last considered and relevant minute number	N/A
Background Papers	

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	Yes
Included within the Forward Plan? (If yes include reference number)	Yes

Officer/Councillor Approval		
With regard to officer approval all reports *must* be approved by the report authors relevant director, Finance, Legal Services and the relevant Portfolio Holder(s).		
Officer Approval	**Date**	**Name**
Deputy Chief Executive	2nd March 2010	Andrew Jones, Bill Hunt
Chief Executive	As above	Chris Elliott
CMT	As Above	
Section 151 Officer	As Above	Mike Snow
Legal	As Above	WCC
Finance	As Above	Jenny Clayton
Portfolio Holder(s)	As Above	Michael Doody
Consultation Undertaken		

Please insert details of any consultation undertaken with regard to this report. All members of the Senior Management Team All members of the Executive Further consultation is proposed with staff, unions, other Councillors, partners agencies	
Final Decision?	No
Suggested next steps (if not final decision please set out below) If the recommendations are agreed a final version of the Corporate Business and Improvement Plan will be brought to the Executive in April for agreement.	

1. SUMMARY

1.1 This report sets out the framework for a new Corporate Business Improvement Plan and which places lean systems thinking as its principle approach. A number of further experiments are planned and further reports are proposed to the Employment Committee to achieve greater staff flexibility, their training and development and on staff recognition.

2. RECOMMENDATION

2.1 That the Council adopts Lean Systems as its principle approach;

2.2 That the Council agrees to the new framework for its Corporate Business Improvement Plan as explained in this report and as illustrated in Appendices 2, 3 and 4;

2.3 That the full Plan be brought to the next Executive and Full Council for consideration and approval;

2.4 That the Council agrees to the 3 experiments as scoped at Appendix 5;

2.5 That the Council agrees to the experiment with the County Council as also scoped at Appendix 5;

2.6 That the Employment Committee be presented with reports on creating Job Groups, Training and Development and on Staff Recognition.

2.7 That the Scrutiny Committees be asked to consider their work programmes in the light of the new framework and to consider adopting the lean systems approach to scrutinising.

3. REASONS FOR THE RECOMMENDATION

Current Strategy position

3.1 In 2007 the Council adopted a Building on Excellence programme to carry forward the Council from its Corporate Strategy of 2003/2007. Most of the programme's actions have been implemented and the programme and vision of being World Class by 2012 was incorporated within the new Corporate Strategy 2008/11 adopted in 2008.

3.2 In 2009 in response to the worsening economic climate and the need to make significant savings but also improve services the Council adopted a Budget and Improvement Programme (BIP) and its vision and invested in a Programme Manager to co-ordinate and oversee the many projects that form the programme. The Council also embarked on a Building on Excellence Mark 2 in respect of the senior management structure which is now complete.

3.3 Also, in 2009 the Council adopted the Warwick District Sustainable Community Strategy. In April 2010 the Council is due to consider the Delivery Plan for the Sustainable Community Strategy.

3.4 The Council has a significant body of strategies and policies and reporting mechanisms usually quarterly though not the same quarter. However, they are rarely looked at as a whole. For example, risk is reported quarterly but separately from performance achievement which is reported separately from budget monitoring.

3.5 In addition, each service area has a service area plan and teams within the service areas also have team operational plans. Individuals have their own appraisals. All theses mechanisms have targets and reporting frequencies.

3.6 There is then a welter of documents covering various aspects of the Council's operations and activities few of which are connected. This is a significant point and one that the report will return to.
Context

3.7 The Council is facing in many respects the equivalent of a "perfect storm":

1. The impact of the recession has reduced income streams but also increased demand on certain services;
2. The expectation is that after the General election any Government will reduce public expenditure and so it is likely that the revenue support grant will be reduced. The Council's Medium Term Strategy forecasts that £2.8 million will need to be saved by 2013/14 rising to £3.1 million by 2014/15.
3. Increasing expectations of the public – who across the piece are expecting more for less, especially in a recession and especially of public services.
4. Increasing population – it is likely that the district will be home to as many as 30,000 more people by 2026. This will have a quantitative impact on the demand for services.
5. Changing population – not only will the population increase but the demographic profile will be one with a larger proportion of more elderly people. This will have an impact on what and how services are delivered.

3.8 In other words the Council will have more to do, will have to do it differently but with much less money. Such a scenario requires a radically different response than the Council has developed previously if it is to be ***Fit for the Future***.

Lean Systems Thinking

3.9 Two projects within the BIP – Housing Repairs and Benefits are lean systems based interventions. The basics of lean systems thinking are as follows:

1. Taking the customer's perspective
2. Measuring what matters to the customer
3. Understand demand – value and failure
4. Design against demand
5. Variation is normal
6. Clarity of purpose in customers terms
7. Consider the whole system – end to end
8. Understand flow – value and waste
9. No targets – seek perfection
10. Don't ignore the people

3.10 It is not just a technical process, it is as much cultural since it requires a different mindset and it requires active and continuous learning in order to continuously improve and gives staff the opportunity to shape the way in which they work. It is also not target based but relies on measures which are meaningful for and to the Council's customers.

3.11 The Housing Repairs experiment is expected to be the normal way of working cum April 2010 having started in August last year while the Benefits experiment is continuing and expanding into other areas of work. The results are significant. Performance wise the average time taken to deal with a normal house repair has fallen from around 30 days to around 6. Costs are expected to fall as vacant posts will probably not need to be filed. Equally, in Benefits the average time taken to complete a new benefits claim – over the phone using the voice recognition system, is now around 1 day. Previously it was about 3 weeks. The performance outcomes and the beneficial financial indications demonstrate that the experiments have been successful.

3.12 Additionally in both cases, of the total demand experienced between 60 to 70 % was found to be of no value to the customer but was created because of our system, not getting it right first time, poor communication and simply not understanding sufficiently the customer's actual needs. These levels are not untypical across the country. Reducing such levels is what the lean systems approach is about.

3.13 In the course of the experiments it also became apparent that if this approach was to be successfully deployed elsewhere then there was a question of leadership, of the cultural change elements in particular. The organisations' leaders need to understand and be part of the process not simply impose it on others and lead as before. As a result a Leadership Development Programme for all of the Senior Management Team (including the Chief Executive and two Deputies) and the Executive was developed which in effect put all involved through a lean system intervention but one looking at the whole Council and indeed across the Council.

3.14 This work often involved following a customer's journey through and across the organisation and looking at things this way it was also possible to see how some people and organisations and issues "hit" the

Council and indeed other public sector agencies but because our system is not designed to deal with them coherently or effectively (our operations are within silos) it means that there are considerable costs incurred. More preventative work could therefore help to reduce costs but that means taking a different perspective on organisational design. Likewise, trying to capture and eliminate all of the waste demand for work will also give the Council a different shape and ethos. The lean systems thinking approach offers the Council and more importantly the local community the opportunity to reduce costs and improve services.

3.15 The conclusion of the Leadership Development Programme in simplistic terms is to put lean systems thinking at the heart of how we do things and so a set of organisational design principles (Appendix 1) and an organisational picture were devised. The picture is simple and is shown below:

<table>
<tr><td colspan="2">Leadership/Strategy</td></tr>
<tr><td colspan="2">Core Services</td></tr>
<tr><td>Place</td><td>People</td></tr>
<tr><td colspan="2">Support Services</td></tr>
</table>

Leadership

3.16 The Leadership/Strategy element is about being clear about the overall purpose of the Council. In this case its proposed to be the vision of the Sustainable Community Strategy – ***To make Warwick District and great place to live work and visit***. In other words it is about enabling a good quality of life for all. That clarity of purpose must therefore inform everything that the Council does and everybody who works for it. It is still the ambition to be a World Class organisation but how that is achieved changes.

3.17 However, scrutinising the various strategies that the Council has is that what we have might be good in their own individual terms but the Council does not develop, manage, implement and monitor them with its overall purpose in mind nor are they managed as one system, as inferred in paragraph 3.6. In adopting a lean systems approach it also throws into question the approach that we have taken to service plans and team operational plans.

3.18 If the Council is to adopt a lean systems thinking approach then it needs to manage the Council as one system and therefore its corporate strategy and subsidiary strategies and measuring mechanisms need to be brought together. Attached at Appendix 2 is the proposed framework for a new Corporate Business Improvement Plan – Fit for the Future. If agreed this will be filled out and brought to the Executive in April 2010

for agreement. Also at Appendices 3 and 4 are proposed new formats for the key subsidiary strategies and for service plans. The latter will also serve as the format for Team Operational Plans.

3.19 In operational terms the plan and its measures will be reported monthly where possible to the Executive and the Scrutiny Committees and internally to the Senior Management Team. That will allow continuous scrutiny of progress or delay and to allow Councillors and senior managers to manage the Council's business as one business or system though it will be important not to make the new management approach bureaucratically painful.

3.20 It will also mean that judgements can be made more easily about whether activities, services projects do help to fulfil our purpose and are part of the Council's value demand, or not. It will help to prioritise. It will also allow issues such as strategy, risk, budgets, projects and performance to be linked more openly. It also means, very simply, there is just one plan with a clear line of purpose for the organisation as a whole, to service areas to teams and to individuals – the proverbial golden thread.

3.21 There is an active role for Councillors outside of the Executive in this approach. If Scrutiny adopted the lean systems approach it may help scrutiny to contribute to the Council's purpose whilst still challenging what, how and why the Council does things. Member's views on this are sought.

Core Services

3.22 Alongside the Leadership/Strategy element, the Leadership Development Programme was able to see the Council's services as being either about place or People, though it is acknowledged some are about both. Based on the success of the 2 service based lean systems interventions, the approach is proposed to be tested via further 3 more experiments though these are cross cutting in nature. The scoping documents are attached at Appendix 5. The experiments are proposed as follows:

1. Financial Inclusion
2. Neighbourhood working
3. Noise nuisance

3.23 In parallel an experiment in joint working with Warwickshire County Council is proposed. The scoping document for that is also at Appendix 5, though it has still to be completed. This experiment proposes to look at the area of the District south of the river Leam, as far south as Bishop's Tachbrook and east from Whitnash Brook to Castle Park.

Support Services

3.24 The Executive has previously agreed to undertake a review of the Council's Support Services and it is proposed that that be done on a lean

systems basis. This will mean that all parts of the Organisational picture will be subject to leans systems interventions.

4. ALTERNATIVE OPTION CONSIDERED

4.1 The Council could decide not to change. In view of the circumstances being faced our traditional approaches are not likely to deliver sufficient savings to avoid having to simply cut services. Whilst that situation may not be wholly avoided by adopting lean systems thinking as an approach it is less likely.

4.2 The Council could decide to meet its budgetary challenges by cutting services both in range and quality. Such an approach has greater potential to conflict with the Council's priorities and flies in the face of the evidence from the local community of not wanting reduced services.

4.3 The Council could consider other shared services as another approach. Whilst this may have the capacity of save money, experience to date shows that alone it is often limited in the financial savings it can bring and would be insufficient by itself. It is an additional component not an alternative one.

4.4 Greater sub regional or county wide joint working may also be seen as an alternative approach, particularly based around the concept of Total Place that has emerged recently. Whilst this may have potential benefits it will take time to develop and in any case will be better served if the Council is more understanding of its customers and how it can serve them better in the first place by having adopted the lean systems thinking approach. This is probably not an alternative but an additional component.

5. BUDGETARY FRAMEWORK

5.1 The Council faces a significant financial challenge of needing to find £3.2 million of on-going savings by 2014/15 on a net revenue spend of £18.2m, and this could be greater if a new Government decides to reduce the Revenue Support Grant by a larger sum that is currently being estimated (2% per annum). The Budget Report presented to members in February of this year identified circa £550,000 of further potential savings which have yet to be incorporated into the Medium Term Financial Forecast. Clearly significantly more than these are required.

5.2 By adopting a lean systems approach, there is likely to be most impact on staff as the experience has shown that fewer people will be needed. However, it is not a good motivational implicit message to give to staff in undertaking this approach – change the system and lose your job, especially when the leans systems thinking is so dependent on staff being given the ability to design the system rather than have it imposed on them.

5.3 However, it is considered that by putting staff into generic job groups (e.g. Administration Officers) rather than say Admin Clerk Planning or Housing Admin Officer, staff within a job group could be moved to where they are needed. The basis for this is that members of staff work for the Council not a service area. This does not compromise staff's salaries or other terms and conditions but does mean that by using vacancy control to greater effect staff can be kept employed even if not in their original position. This should mean that assuming a 10% turnover of staff (at the bottom of the market as happened in 2009) – 50 to 60 jobs a year will become vacant. If half are not filled because of the lean systems work then over the next four years then the Council will save approximately £3.4 million, of which £3m is in respect of the General Fund. See table 1.

5.4 This will mean though that staff will need training and development in order to be more flexibly deployed. It should also be accompanied by a package of measures to recognise staff achievements and efforts (non pay). It needs to be stressed that the approach advocated cannot be said to absolutely avoid redundancies but it will help to minimise that the necessity for that course of action. Reports to Employment Committee should be brought for consideration on the creation of job groups and on the training and development and the recognition package. The unions are aware of this approach.

5.5 However, it is recognised that even this is not enough. Other areas for attention are as follows:

1. Procurement – the Council procures goods and services worth £29 million a year. As indicated in another report on this agenda investment in an officer to aid the Procurement Manager should help deliver £700,000 of savings and to seek a significant sum off the next tender of the major contracts which might reduce costs by £400,000;
2. Income – especially by seeking to increase recycling levels could net the Council in the region of £200,000 per annum;
3. Shared Services – if Members decide to proceed with a joint management team with Stratford District Council it could save the Council between £300,000 to £500,000 a year. The mid-point of these sums has been assumed in table 1.
4. Supporting the economy – many of the Council's income streams are dependent on the level of economic success in the area – e.g. car parking income; planning application fees, etc. The Council could help itself indirectly by encouraging the local economy which will then feed back into its own finances via various income streams.

5.6 The total of all of these efforts as shown in table 1, would achieve £5.5 million of on-going savings, with £5m of these benefiting the General Fund. This is considerably more than the current forecast savings needed. This approach though acts as a safeguard. It should not be assumed that all of the forecast savings or income be earned and there may be delays or additional costs incurred in achieving such. The Medium Term Financial Forecast is being continuously updated and there may be

additional cost pressures which have not been identified at the point in time. For instance, a further 1% reduction in Government Support over and above the 2% in the current forecast would result in an additional £100,000 of on-going savings required every year. It also gives a possible opportunity to reinvest in areas that the Council decides requires more investment, however the long term financial implications would need to be clearly understood before doing so.

5.7 It should be noted that some of the savings within table 1 are optimistic on the premise that the Council needs to aim beyond saving only £3m. There are significant risks attached to the savings in the table. These risks would need to be closely monitored and managed. As there continues to be uncertainty about the savings, the Council should not commit to additional recurring expenditure ahead of significant on-going savings having been achieved and it being certain that the Council is on track to have turned the projected deficit into a surplus.

5.8 The savings detailed in Table 1 (£5m), and the £550k of BIP projects yet to be incorporated into the Medium Term Budget Projections, will be closely monitored. When they become robust and achievable they will be factored into these Projections with a degree of prudence.

6. POLICY FRAMEWORK

6.1 The Corporate Business Improvement Plan (For for the Future) for the Council will provide for the policy framework for the whole Council. In doing so all subsequent Executive reports will have to demonstrate how they contribute towards the fulfillment of the plan or set out reasons why it does not make a contribution or indeed conflicts with it.