



**Report of the Assistant Chief Executive (Planning, Policy and Improvement)
and the Director of Resources**

Executive Board

Date: 3 December 2008

Subject: Business Transformation in Leeds City Council – Report 1

Electoral Wards Affected:

Ward Members consulted
(referred to in report)

Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

Eligible for Call In

Not Eligible for Call In

(Details contained in the report)

EXECUTIVE SUMMARY

The publication of the Leeds Strategic Plan marks a positive shift in our ambition to provide quality services that will better meet the needs of the citizens of Leeds, both now and in the future.

At the same time, delivering on such a commitment has to be done against a backdrop of continuous demand for customer-focused service provision, efficiency and effectiveness, value for money and broader changes in how organisations need to function, interact and engage in an increasingly diverse, inter-connected, environmentally conscious and technologically dependent world.

The Council's recently published Business Plan sets out how this is to be achieved and provides a significant challenge to the organisation, should its ambitions be realised and the organisation transformed in the way that the Business Plan sets-out.

This report sets-out how the Council plans to ensure delivery of the Business Plan through the development of a Business Transformation agenda. Delivery of this agenda will have, as its focus, the Business Plan outcomes and delivery will be managed through the establishment of a Business Transformation Board and supported by associated programmes of delivery (the Business Transformation Programme). The Business Transformation Programme is a strategic programme of change that will transform our organisation (people, process and technologies) in order to support and deliver the Council Business Plan objectives and, thus, our Leeds Strategic Plan priority outcomes.

This report outlines the reasons behind the development of such an agenda in Leeds, the high-level scope of the proposed Business Transformation programme, the benefits that will accrue to the organisation and the proposed governance arrangements that will support delivery.

To ensure delivery moving forward, detailed bids for capital funding will be prepared to draw down resources from the Business Transformation allocation of the Strategic Development Fund agreed at Executive Board in October 2008. These bids will come forward for approval once detailed Business Cases have been prepared and in this regard, the first of these bids is included on this Executive Board agenda for Member approval.

1.0 Purpose Of This Report

- 1.1 The purpose of this report is to provide a high-level outline to Executive Board on the Council's developing Business Transformation Agenda. To do this, the report sets out:
- The reasons that lie behind the development of such an agenda in the Council;
 - The high-level scope of the programme of work required to start delivering on the Vision;
 - The initial benefits that will accrue from doing this work; and
 - The governance arrangements that are to be put in place to ensure delivery.
- 1.2 Further to the above, the report seeks endorsement from Executive Board to the development of this agenda along the lines proposed and to their agreement to receive Design and Cost Reports (DCR reports) to draw down capital funding from the Business Transformation allocation of the Strategic Development Fund agreed at Executive Board in October 2008.

2.0 Background Information

- 2.1 The publication of the Leeds Strategic Plan marks a positive shift in our ambition to provide quality services that will better meet the needs of the citizens of Leeds, both now and in the future. However, delivering on this commitment has to be done within a rapidly changing environment – socially, economically and environmentally.
- 2.2 Transforming the organisation so that it can work within this context is the strategic rationale behind the Council's Business Transformation agenda. It is a compelling rationale, especially when one considers this broader context in a little more detail:

- **Social drivers:** Society increasingly demonstrates a high degree of difference. On the one hand, you have high levels of division and divergence between needs and expectations, whilst on the other, there are far greater levels of inter-connectivity than have been seen before.

At a local level, this plays itself out through a myriad of different issues. From the need to 'Narrow the Gap' and address deep-rooted deprivation challenges on the one hand, to engaging and collaborating with an increasingly networked, technologically aware and highly mobile community on the other.

The impact of this on an organisation such as Leeds City Council is felt in its ability to act proactively and with agility when faced by a highly mobilised and potentially 'issue' specific group, community or organisation.

- **Economic drivers:** Recent events have clearly demonstrated the fragility that exists in what has to-date been perceived as a global economic infrastructure that has overseen a period of unparalleled stability. This fragility, it can only be assumed, will fundamentally change the nature of the local, national and international economy and how each operates in the future.

Alongside this, as a result of the internet revolution, the global economy is also witnessing a fundamental shift in the way that work (of whatever nature) is carried out. Traditional 'ways of working' are being replaced by new ways of working that embrace the power of the internet to integrate people and knowledge (in a geographically irrelevant way) to allow rapid collaboration and collective action on whatever people and businesses determine to be worthwhile.

These fundamental economic changes: of increased instability, competitive advantage through rapid integration and collaboration of people and knowledge and the dissolution of 'traditional' hierarchical models of organisation are both a real opportunity and a real threat to public bodies.

The efficiency agenda is also a significant economic driver. All public bodies are being driven to make year-on-year efficiency savings in back-office and support service areas in order to maximise investment in front-line services. Leeds City Council has made great strides in this regard in recent years, however, we recognise that much more can be achieved utilising the benefit of technology and changing the way that we work. The Business Transformation programme will provide the basis for making significant efficiencies for redirection to front-line services which would otherwise not be achieved by the traditional incremental change approach.

- **Environmental drivers:** There is little else that can be said about the impact of Climate Change that hasn't already been said. The threat is recognised, real and growing. It is something which is played out locally, nationally and internationally and each change at each level is mutually dependent on changes at the other levels.

Given this, the role of public bodies in addressing Climate Change is significant. On the one hand, as leaders and place shapers, public bodies are accountable and responsible for ensuring that all is done locally to address the issue and minimise the impact. On the other hand, as a major employer and service delivery organisation, we have a particular duty of care to the locality to minimise our own environmental impact.

The Business Transformation Programme will enable us to reduce our impact on the environment through more efficient ways of working and through shrinking our physical size, reducing our levels of consumption and promoting new ways of working that are more sustainable in the medium to long-term.

- 2.3 For Leeds City Council, the above context is made real through the changing public policy agenda that we are having to meet and deliver. Therefore, issues around community leadership, collaboration and partnership, engagement and participation, sustainability, personalisation and choice, reducing carbon emissions, efficiency and effectiveness and the need to become an employer of choice, are all real examples of how the global 'context' is being played out locally in Leeds. And, the reality is there are many more such demands that the Council and its partners will face in the future.
- 2.4 Furthermore, this changing context and the emerging public policy agenda that supports it, is not going to go away and, therefore, the Council needs to ensure it is 'fit' to live within it. It is for this reason that there is a need for the Council to have a focus on business transformation, as without such focus, the organisation is unlikely to remain 'fit for purpose' in the medium to long-term.
- 2.5 In order to enable Leeds City Council to operate effectively within this context, a focus on business transformation is required that will deliver:
- An appropriate, timely and iterative understanding of 'need' (individual, customer, community, strategic) to drive intelligent commissioning and service design;
 - The cultural and technological capacity to facilitate greater integration and collaboration of people and knowledge in the pursuit of better outcomes for local people;
 - The development of an organisational model based on well-connected networks of people and knowledge to replace the traditional hierarchical model of delivery;
 - Trust, empowerment and accountability to allow the right people to deliver within this well-connected network model;
 - A participation and engagement framework that encourages self-determination amongst individuals and communities;
 - A delivery framework which works with individuals and communities rather than simply for them, and;
 - A reduction in our environmental footprint through shrinking our physical size, reducing our levels of consumption and promoting new ways of working that are more sustainable in the medium to long-term.
- 2.6 To achieve this will require a fundamental look at our organisational design (people, process and technology) - as a 'fit for purpose' Council will be one that engages and transforms now to enable greater agility and responsiveness in the future. It is for this reason that the Council is progressing the development of a Business Transformation agenda.

3.0 Delivering our Organisational 'Vision' – The Business Transformation Programme

3.1 The Council's Business Plan clearly articulates our organisational "vision for the future":

"Ultimately we want to be an organisation that ensures the delivery of improved outcomes for the city of Leeds and its people; has a strong culture of one council represented through the behaviours of our colleagues and forges effective partnerships for the good of the city and its citizens. In order to achieve this we will need to embrace new ways of working, make best use of technology, innovate and collaborate, continuously improve and deliver real customer focus."

3.2 The last sentence clearly places transformation at the heart of delivering the Business Plan. Without it, we will not achieve transformational change; we will not proceed in a 'One Council' way; we will not make the best use of technology, and; we will not deliver real customer focus. Therefore, it will be through such transformation that greater agility and responsiveness will be delivered within the organisation.

3.3 Given this, it is felt the development of a Business Transformation Programme is critical to achieving this vision for the future. Work has already been done on the likely scope of the Business Transformation Programme and based on this work it is proposed that such a programme is established on the basis of three workstreams:

- **An Enabling Workstream** – the fundamental governance, technology, process and cultural change that is required to support the delivery of major transformational change;
- **A Business Workstream** – the major organisational wide business changes that are identified with the Council Business Plan, and;
- **Service Workstreams** – the major service based transformation activity that is dependent upon the two workstreams above being delivered.

3.4 The Enabling Workstream is the critical basis required to support the delivery of any Business Transformation programme. Without it, transformation will not take place. In recent years we have had numerous transformation related ambitions (e.g. single view of the customer; managers' desktop; electronic document and records management etc.) however, we have, hitherto, not been able to fully realise these ambitions due to the absence of key enablers which are required to support such significant change and investment in such a large organisation. The enabling workstream is essentially the bed-rock of our Transformation Programme – without it, transformation in reality will not be achieved.

3.5 The Business Workstream represents those Council-wide business critical projects that are identified within the Council Business Plan for delivery over the course of the next three year period. Not only will these projects bring about significant change in the way the organisation works and functions; they will help deliver better outcomes for local people e.g. better intelligence, personalisation, choice, commissioning, service delivery, performance management etc.; whilst delivering significant financial savings e.g. speedier access to information, reduced accommodation needs, reductions in support and process costs.

3.6 The Service Workstream will include significant service based transformation programmes that are critically dependent upon the Enabling and Business Workstreams identified above being in place to fully realise the benefits associated with the transformation being sought.

3.7 Together, the three workstreams identified above, provide a coherent programme of transformation work that will help the Council deliver on its business and strategic ambitions. Within each workstream, there are a number of programmes and projects identified for delivery and subject to the agreement of Executive Board on progressing the Business Transformation Programme in the manner set out above, detailed bids for capital funding will be prepared to draw down resources from the Business Transformation allocation of the Strategic Development Fund agreed at Executive Board in October 2008.

3.8 These bids will come forward to Executive Board once detailed Business Cases have been agreed and in this regard, the first of these bids is on this Executive Board agenda for Member approval.

3.9 Appendix 1 details a list of indicative programmes and projects of activity that are likely to form the first phase of the proposed Business Transformation programme, subject to appropriate Business Cases being prepared and approved..

4.0 Implications For Council Policy and Governance

4.1 The establishment (within the Officer Governance structure) of a Business Transformation Board has been agreed by Corporate Leadership Team. This Board will provide strategic direction and leadership to the Council's organisational wide business transformation activity. The first meeting of the Board took place in November.

4.2 The Assistant Chief Executive (Planning, Policy and Improvement) will provide the strategic lead for this agenda, with key resources from Planning, Policy and Improvement being focused on the delivery of the Business Transformation Programme. This team will be supplemented by resources from other areas of the Council, most notably the Resources Directorate. As the Transformation Programme is the key delivery vehicle to achieve the aspirations within the Council Business Plan, core capacity and support covering service improvement, ICT, Business Process Reengineering (BPR), HR, Finance, and Communications resources will be required to ensure the delivery of this agenda.

4.3 This is clearly a cross-council effort and the Assistant Chief Executive (Planning, Policy and Improvement) and Director of Resources will work in partnership to ensure the Transformation Programme is effectively led and that appropriate resources are allocated to support delivery. Furthermore, delivery and management of the Programme will follow national best practice guidance on the management of organisational programmes.

4.4 The Executive Member (Central and Corporate Functions) will be regularly briefed on progress in delivering the Business Transformation agenda and reports will be submitted to Executive Board at key milestones and for the approval of key business transformation related projects.

5.0 Resource (Cost/Benefit) and Legal Implications

5.1 One of the key benefits of driving through organisational transformation as proposed here is that it will accrue tangible and significant cashable benefits to the organisation. There is clear evidence from other public sector organisations that such cashable savings can be realised.

5.2 Given this, whilst it is difficult at this stage to provide a full and comprehensive cost/benefit analysis for the overall Business Transformation Programme, what we do know is that the main enabling and business programmes will in themselves deliver significant financial benefit that outweigh the cost of the initial investment required. A cost benefit analysis has, therefore, been produced in regard to the costs associated with delivering the key enabling projects (see report 2) and this is summarised below:

	2008/09 £000s	2009/10 £000s	2010/11 £000s	2011/12 £000s	2012/13 £000s	2013/14 £000s	2014/15 £000s	Total £000s
Capital Investment	£1192	£3360	£1834	£615	£182	-	-	£7184
Revenue Implications:								
Capital Repayment	£30	£191	£456	£590	£631	£642	£642	£3182
Other Revenue	£26	£601	£1140	£1586	£1745	£1816	£1861	£8775
Cashable Benefit	£0	£0	£3675	£5311	£6690	£8653	£9407	£33736
Net Annual Benefit	-£56	-£792	£2079	£3135	£4314	£6195	£6904	
Cumulative Benefit	-£56	-£848	£1231	£4366	£8680	£14875	£21779	

5.3 Overall it is estimated that the level of cashable savings to be delivered through the implementation of the enabling and some of the business programmes over a seven year period will be an estimated £34million. By year seven (2014/15), we estimate that there will have been a net cumulative revenue saving of £21.8m (after taking account of the expenditure required to deliver the core enabling projects as detailed in the next report on this agenda), with an annual recurring saving of £6.9million per annum thereafter. Such savings will accrue from a range of areas including:

- (a) the reduction of our overall staffing needs through business process automation and better access and use of information;
- (b) significant reduction in our office space through providing anytime, anywhere access to information for all employees and significantly reducing hard copy storage space;
- (c) cost avoidance in that the ICT Applications Infrastructure will provide modern technology components that will be reused again and again to deliver multiple projects in future, quicker and at lower cost, and;
- (d) the delivery of savings through better processes, decision making and use of resources informed by good business intelligence.

5.4 The table above includes cashable benefits that will be delivered through the enabling projects detailed in the next report on this agenda plus a further report that is currently being finalised in regard to implementing a Document Records Management Facility. It was hoped that this separate Design and Cost Report would also be on this agenda for Member's consideration, but further work is required to ascertain accurate capital requirements and this will, therefore, be the subject of a further report to Members of Executive Board in early 2009. As these capital costs are not currently included in the above calculation, the overall benefit will reduce slightly. A revised cost/benefit analysis will, therefore, be provided when the next Design and Cost Report is brought forward for Members consideration.

5.5 Any new revenue resource implications will be highlighted alongside capital requirements within the Design and Cost reports, although they will be dealt with through the Council's annual budgetary considerations as new pressures as appropriate, most likely on an invest-to-save type basis.

5.6 There are no specific legal implications arising from the proposals contained herein.

6.0 Conclusions

6.1 If the Council is to deliver on its ambitions as detailed in the Strategic Plan and Business Plan, the proposals outlined here for a focus on Business Transformation are fundamental to achieving our aspirations given the changing context and public policy agenda we are asked to live in and deliver.

6.2 Therefore, the Business Transformation Programme will in the first instance, deliver those enabling and business projects which have been identified as necessary to provide both the infrastructure and the key business solutions identified to make us 'fit for purpose' and deliver on our ambitions.

6.3 Whilst the costs of delivering this programme are significant, the benefits identified are expected to more than cover the costs and return an annual net positive cashflow after year 7 equating to at least £6.9m per annum on current calculations. Furthermore, the expected benefits identified are minimum expectations with further benefits expected.

6.4 Given the above, delivery of the enabling and business projects needs to commence as soon as possible if we are to achieve our ambitions within the timescales we have set ourselves.

7.0 Recommendations

7.1 Executive Board are asked to consider the contents of this report and to endorse the establishment of an organisational wide Business Transformation Programme along the lines proposed.

Background papers:

- Leeds City Council Business Plan (2008 - 2011)
- Information Governance Framework - Executive Board - 5th November 2008
- Applications Infrastructure (software) for the Council [Microsoft Partnership] - Executive Board - 16th April 2008

**Outline of Programmes/Projects Likely to Form the Business Transformation Agenda
(Subject to Preparation and Approval of Business Cases)**

Enabling Workstream	Business Workstream	Service Workstream
Intelligent Organisation <ul style="list-style-type: none"> ▪ Information Governance ▪ Document and Record Management ▪ Business Intelligence ▪ Collaboration and Learning 	Managers Self Service Customer Insight Strategic Intelligence Corporate Performance Management Changing the Workplace	Sport for the Future – Technology Modernisation Adult Social care – Access and Personalisation Adults – ICT Modernisation Children’s – ICT Modernisation
Core Application Infrastructure <ul style="list-style-type: none"> ▪ Integration ▪ Enterprise Workflow ▪ Portal ▪ Master Data Management 	City Card Offer	Others as proposed by the Business Transformation Board
Enterprise Search	Others as proposed by the Business Transformation Board	
Customer Strategy/E-Service Delivery		
Government Connect		
City Card Technology		
Flexible Working Technologies		