

Our Journey



The Future of Corporate Support Services

Briefing Pack – August 2017



Version 0.2

The Decision



This is a pre-decision Scrutiny discussion to make recommendations to Cabinet on the decision to:

- Adopt Delt as the default vehicle for delivery of back office services for the Council. This will expand the services offerings that Delt can demonstrate to other prospective partners and clients.
- The list of services proposed for transfer is covered in this briefing, with each service to be subject to a more detailed analysis of the transfer when the business case and service specifications are developed.

Background



- At the outset of the PCC Transformation Programme in 2013 commissioning models and alternative service delivery vehicles were approved as an option for the Council
- In March 2013 the outline business case was approved
- In October 2013 the business case to create Delt was approved by Cabinet “to share in the first instance ICT”
- In October 2014 Delt started delivering ICT services to both the Council and the NEW Devon CCG
- In April 2015 Adult Social Care staff were TUPE transferred to Livewell
- In April 2015 CaterEd started trading following the decision to separate out the PCC school meal’s service into this new vehicle



Cabinet 12 Feb 2013



Approved the **outline business case** for a new model moving PCC IT service delivery to Delt in partnership with the NEW Devon CCG:

- “It is envisaged that the chosen operating model can be expanded at some future point to include other services should the desire and benefits be shown to be realisable.”
- “It is understood that while cost savings are vital from such an initiative there are other key drivers; economic growth. Therefore this project is expected to deliver reduced costs, improved service delivery, reduced risk and economic growth for the region.”
- Recognised an investment of circa £1.2m of set up costs

What is Delt?



- Delt was established in October 2014 as a publicly owned, not for profit, private limited company with the Council and the NEW Devon CCG as the shareholders
- Delt supports IT service delivery to the 2 shareholders and other contracted clients.
- Delt employs around 120 staff mostly based in Plymouth to deliver these services
- The business case for Delt assumed payback on the Council's investment within 3 years and this was achieved a year early



Cabinet 23 March 2014



Council's Transformation Programme

- “The Centre of Operations will provide PCC with a leaner, more agile strategic centre that has the right capacity and capability to provide leadership and direction setting for PCC”

Included within the programme was the CCO project with a brief that:

- HR, Finance & Corporate Services Project to investigate development of shared Transaction Centre: expansion of Delt Services to be considered as a potential ASDV for Transaction Centre for other operational support services

Cabinet 23 March 2014



Shared Transaction Centre

- “Set up Transaction Centre, shared with partners, for delivery of transactional services and routine business procedures, including:
 - Financial processing (accounts payable, accounts receivable)
 - Revenues & benefits (Council Tax, NNDR, cash collection)
 - Payroll and pensions administration
 - Transactional HR (HR sourcing & administration)
 - Ordering & distribution

Context

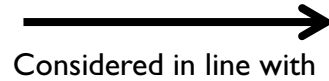


- The vision for TCC is “Making things more efficient and simpler for staff and customers”
- By the end of FY 17/18 we will have reduced the costs of Customer Services, HR and Finance by between 30 and 35% through transformation
- The future of Corporate Services is in this context recognising that efficiency is a product of:
 - Automation
 - Productivity and
 - Scale
- And that closer integration with the right partners around corporate services can support broader integration of public services

Why are we doing this?



Current Pressures



Core Values



More Opportunities

- Budget pressures
- Low resilience
- Silo working
- Customer demand

OUR PLAN
ONE CITY COUNCIL

CITY VISION
Britain's Ocean City
One of Europe's most vibrant waterfront cities where an outstanding quality of life is enjoyed by everyone.

OUR VALUES

- WE ARE DEMOCRATIC**
Plymouth is a place where people can have a say about what is important to them and where they can change what happens in their area.
- WE ARE RESPONSIBLE**
We take responsibility for our actions, care about their impact on others and expect others will do the same.
- WE ARE FAIR**
We will be honest and open in how we act, treat everyone with respect, champion fairness and create opportunities.
- WE ARE PARTNERS**
We will provide strong community leadership and work together to deliver our common ambition.

OUR VISION One team serving our city

| | | | |
|--|--|--|---|
| PIONEERING PLYMOUTH We will be innovative by design, and deliver services that are more accountable, flexible and efficient. | GROWING PLYMOUTH We will make our city a great place to live by creating opportunities for better learning and greater investment, with more jobs and homes. | CARING PLYMOUTH We will work with our residents to have happy, healthy and connected communities where people lead safe and fulfilled lives. | CONFIDENT PLYMOUTH We will work towards creating a more confident city, being proud of what we can offer and growing our reputation nationally and internationally. |
|--|--|--|---|

OUR THEMES

| | | | |
|--|--|--|--|
| <ul style="list-style-type: none"> Quality services focused on customers' needs Balancing the books New ways of working Best use of Council assets Working constructively with everyone | <ul style="list-style-type: none"> Quality jobs and valuable skills Broad range of homes Increased levels of investment Meeting future infrastructure needs Green and pleasant city | <ul style="list-style-type: none"> Focus on prevention and early intervention Keeping children and adults protected Inclusive communities Respecting people's wishes Reduce health inequalities | <ul style="list-style-type: none"> Council decisions driven by citizen need Plymouth as a destination Improved street scene environment Motivated, skilled and engaged workforce Setting the direction for the South West |
|--|--|--|--|

- More Job opportunities
- Career development
- Increased service resilience
- City growth opportunities
- Customer satisfaction
- Generate income

Strategic Options



1. Remain as is - PCC (Transactional) Service Centre
2. Optimise PCC Service Centre (add specialist services)
3. Optimise & move to new ERP/Systems solution
4. Joint Venture
5. Outsourcing
6. Single partner shared services
7. Multi partner shared services

Strategic Case



- Council vision for change:
 - Think digital
 - Think customer
 - Think smarter
 - Think simpler
- Sustainability & Transformation programme STP
- Joint local Plan
- Delt business Plan – vertical & horizontal growth linked to Cabinet decision of October 2013
- Risk that other partners don't join

Grow and develop what we already have

Seek further return on initial investment

Develop environment for member influence

Economic Case



- Local v regional v national v international
- Consideration of the impact of the proposal on the local economy
- An independent socio-economic report commissioned by Delt in 2016 highlighted that the a GVA of £7.5m from the company.

Maintain and grow the Plymouth economy

Commercial Case



- Delt set up to be a Shared Services vehicle
- Legally constituted to enable its shareholders to migrate and share services overtime
- Teckal compliant
- Delivered benefits including:
 - Delivered a return to PCC equivalent to 10% of cost of service
 - Deploys shared care records across NEW Devon, 90-% of GP practices with 665,000 health records available to out of hours clinicians
 - Investment in 3rd party cyber security monitoring – prevented recent attack
 - Extended opening hours
- Benchmarking to ensure value

Teckal
compliant

Proposition
for partners

Build on
original
investment

Financial case



MTFS savings target: £0.5m from creation of the Service Centre

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Opportunity to deliver savings through economies of scale

Delivers MTFS saving target

Platform for growth

Financial Outcomes

DELT^{LTD}
SHARED SERVICES



Moving to Delt with a new partner would result in:

- Additional net profit from sales resulting from the extra commercial support to services like payroll – in FY 18/19 this might be worth £15k rising to ~£40k in FY 19/20
- Consolidation of management and operational roles which would be dependent upon the services shared with other partners assuming significant overlap of services another 5% should be possible saving a further £650k
- Additional resilience in services
- Potential to share investment in automation going forward to achieve greater savings beyond 2019

Financial Outcomes



- This isn't a full or detailed business case – those will be developed on a service by service basis
- However, we know that Delt has delivered payback a year ahead of what was originally planned and that LGSS have reduced costs by 32% over their 5 years of operation and grown their headcount by 75% in the same time period
- Over the last 3 years PCC has achieved a similar % of saving in Customer Services and HR, and will achieve this in Finance too. Our payroll costs for back office services are currently ~£14.4m – and will be reduced during FY 17/18 further

Financial Case



| | 2017/18 Budget (£) |
|--------------------------|-----------------------|
| <u>Expenditure</u> | |
| Employee costs | 14,131,349 |
| Building costs | 8,747 |
| Vehicle costs | 37,254 |
| Supplies costs | 1,565,337 |
| Support Services costs | 967,734 |
| Total Expenditure | 16,710,421 |
| <u>Income</u> | |
| Grant income | -1,633,047 |
| Recharges | -2,357,666 |
| Revenue & other Income | -2,153,677 |
| Total Income | -6,144,390 |
| TOTAL | 10,566,031 |

Direct cost
of services
considered
in scope
£15.7m

£2.1m of
earned
income

Management Case



- Phased transfer of in scope services following detailed business case analysis
- Service specification and benchmarking
- Transfer improved services (TCC transformation programme)
 - Phase 1: Transform – Modernise and Upgrade
 - Phase 2: Consolidate – Collaborate & Share
 - onto Phase 3: Opportunity fulfilment ‘Maximising our value through Partners via collaboration, alternative sourcing & sharing
- “Empty wallet principle” i.e. invest to save
- Transition in and transition out capacity
- Joint PCC/Delt solution

Council
retains
control

Greater
opportunity
for members
to influence

Further
improve
service
quality &
customer
experience

Services considered in scope



- **HR**
 - Payroll (now in Service Centre)
 - Recruitment (now in Service Centre)
 - Organisation Development
 - Health and Safety
 - HR Advisory
 - HR systems team (now in Service Centre)
- **Finance**
 - Assurance services
 - Procurement
- **Transformation**
 - Portfolio Office (all staff)
- **Customer Services**
 - Digital team
 - Service Centre
 - Contact Centre
 - Shop
 - Service Improvement
- **Legal**
 - Operations
 - Business Services (in Service Centre as of 1 Sept.)

This represents a maximum number of just over 400 Full time equivalent staff

All the above would be subject to Full business cases

Staff engagement



- A programme of face to face “roadshows” has briefed staff on the proposal – these were delivered in August and were recorded to be available for staff unable to attend in person
- Discussions with Trade Unions have been started
- An ongoing programme of communication and engagement with both PCC and Delt staff will continue (assuming approval of the decision proposed)

Outcomes Proposed - Mandatory



- Improved customer/patient experience
- Delivery of savings through lower cost to process transactions
- Greater operational resilience
- Delivery of savings through lower cost annual cost to serve a customer
- Meet service standards
- Positive business case – at each stage of the journey

Desirable outcomes and other criteria



Desirable outcomes:

- Jobs and investment retained on the peninsular
- Partners are based in the public or VCS sectors
- Income generation

Additional Criteria

- Speed to outcomes
- Affordability
- Scale of benefits
- Delivery risk – ours and partners

The Decision



We are approaching a cross roads :

1/. Straight on takes us to a destination where PCC continue to manage support service delivery in house, the budget is balanced by cutting services and service levels

2/. A left turn would take us to a new vehicle (Delt) to deliver these services for us, the budget is balanced by increased levels of automation and commercialisation with less cutting of services and service levels



3/. A right turn would take us to a new vehicle (Delt) to deliver these services for us and at least one other sizeable partner, the budget is balanced by economies of scale, increased levels of automation and commercialisation

The Decision



- By the end of FY 17/18 we will have reduced the costs of Customer Services, HR and Finance by between 30 and 35% through transformation
- Benchmarks suggest that this is about the limit before further savings compromise service delivery
- Delt's commercial focus has delivered external sales of IT services to the likes of:



- The wider Devon STP is considering their back office functions in order to reduce costs
- Other local authorities on the peninsular are also looking at public sector shared sourcing models to also balance their books

The Decision



- This is a strategic decision recommending that the future of our back office services is in a publicly owned shared service vehicle designed to support service integration across public services in the peninsular
- That over the course of the next 2 years cases and service specifications will be raised to cover almost all of the T&C directorate to move the services they deliver to Delt
- This decision reconfirms the decision taken to create Delt – when IT was seen as the first of many services to be delivered by them

The Decision



Full business case to include:

- Cost v investment of ongoing business as usual
- Benchmarking of cost and quality
- Definition of service standards and KPI's
- Protection of Terms and conditions
- Governance arrangements including: role of Members, Board, Officers
- Risk and reward
- Strategic direction of Council working with partners

Next steps



- **6th September** – Place and Corporate Overview and Scrutiny Committee to review our proposals about our shared services journey
- **26th September** - Cabinet will receive recommendations from Scrutiny and make decision about the future direction
- Following that detailed business plans will be developed and shared