Committee:	**Council**
Date:	**23 November 2016**
Wards:	All
Subject:	**Strategic Objective Review – Corporate Capacity**
Lead officer:	Caroline Holland, Director of Corporate Services
Lead member:	Councillor Mark Allison, Deputy Leader and Cabinet Member for Finance
Contact officer:	John Dimmer, Head of Policy, Strategy and Partnerships

Recommendations:

A. That Council consider the content of this report.

1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

1.1 Council at its meeting on 2 March 2016 approved the Business Plan 2016-2020.

1.2 The Business Plan represents the way in which the council will deliver the Community Strategy, which is grouped into five strategic themes (sustainable communities, safer and stronger communities, healthier communities, older people, children and young people). Performance against these themes, plus an additional theme of corporate capacity, is monitored by Council. Each meeting of Council will receive a report updating on progress against one of these strategic themes.

1.3 This report provides Council with an opportunity to consider progress against the priorities that are to be delivered under the theme of Corporate Capacity.

2 DETAILS

2.1 **Background to the Corporate Capacity theme**

2.1.1 The Corporate Capacity theme is crucial to our ability to deliver against the business plan. The main work areas that fall under this theme relate to those delivered by the Corporate Services Department.

2.1.2 The main priorities under the theme are:

- our customers: we will engage with our customers to continuously improve and deliver services driven by their need;

- our people: we will have the right people, in the right job, doing the right things at the right time;

- our internal processes: we will work smarter to deliver sustainable performance and service improvements in a risk based environment; and

- our finances: we will manage our financial resources and with integrity.

2.1.3   This report broadly focuses on all of these priorities. Appendix 1 provides an update on progress in relation to this theme and performance.

3   **REPORTS OF OVERVIEW AND SCRUTINY COMMISSIONS/PANELS**

3.1   In July 2016 the Commission received a presentation from the Leader of the Council and the Chief Executive to set out the Council's priorities for the year ahead. Members asked a number of questions relating to corporate capacity, including questions about the council's efficiency programme.

3.2   At the same meeting the Merton Partnership Annual report was presented and Commission members asked questions about the future of the annual residents' survey and the council's apprenticeship scheme.

3.3   In response to requests from the financial monitoring task group, the quarterly financial monitoring reports now provide vacancy data, including vacancies covered by agency workers.

3.4   The Commission has continued to scrutinise the customer contact programme by receiving updates at critical points in the project. This has included information on the new website, customer accounts, technological infrastructure and redesigned business processes. On receiving the latest update in September 2016, members expressed disappointment that there had not been more progress but were pleased with the level of use of online services on the beta website. A further update is due in March 2017.

3.5   Last year the Commission established task group reviews of shared and outsourced services in order to examine and understand how different models of service delivery work. Mindful of the financial context, the task group made a small number of recommendations that could be implemented without a significant investment of time or money. The recommendations are intended to enable the Corporate Management Team to embed a stronger element of challenge to ensure that the council operates in a strategic and innovative way. The task group has recommended the production of a standardised business case that should include financial modelling to set out options and alternatives as well as details of other expected benefits so that vigorous challenge can be provided prior to a formal decision being made. The Cabinet response is due in March 2017, together with the action plan for implementation of the recommendations.

4   **CONSULTATION UNDERTAKEN OR PROPOSED**

4.1   None for the purposes of this report.

5   **FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS**

5.1   There are no direct financial implications arising from this report.

6   **LEGAL AND STATUTORY IMPLICATIONS**

6.1   There are no legal or statutory implications arising from this report.

7   HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

7.1   There are no direct implications arising from this report.

8   CRIME AND DISORDER IMPLICATIONS

8.1   None for the purposes of this report.

9   RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

9.1   None for the purposes of this report.

10   APPENDICES – THE FOLLOWING DOCUMENTS ARE TO BE PUBLISHED WITH THIS REPORT AND FORM PART OF THE REPORT

10.1   Appendix I – Update on Corporate Capacity

11   BACKGROUND PAPERS

11.1   None.

Appendix 1 – Update on Corporate Capacity

Introduction

As well as providing critical business systems for frontline services, Corporate Services is supporting the organisation to modernise to meet future business needs and to adapt to new financial constraints by delivering services more efficiently. Three major activities stand out as significant tasks – both in terms of the scale and complexity of the work itself and the benefits they will bring to the organisation.

1. We will champion and lead the delivery of a better customer experience and more efficient handling of customer requests through digital technology;

2. We will improve the transparency with which services we deliver are costed and recharged so that our internal customers have greater clarity over the cost/quality balance they strike;

3. We will move the organisation to category management through the implementation, in close collaboration with services areas, of a consolidated procurement function.

As the operating budget available to the Council continues to decrease, it is ever more critical that the services we provide offer excellent value for money. We will need to maintain a quality service and deliver the cost reductions set out in the MTFS. We intend to meet and, where possible, exceed the needs of internal customers in such a way that they are supported to deliver our aim to be London's Best Council by 2020. In the context of the on-going budget reductions this means that we must find ways to reduce the level of hands-on support our customers need by providing effective processes which are, where possible, automated.

The current structure of Corporate Services is set out below. We intend to undertake a department wide restructure, rationalising divisions down to four, with a primary focus on the needs of our customers and ensuring the right support is being delivered through the most appropriate medium. This in particular will reflect the reduction in size of the overall organisation as the Council staffing base continues to reduce.

Division	Key functions	Controllable Budget 2016/17 £000's
Resources	Financial planning and accountancy, Policy, Strategy and Partnerships	6,801
Infrastructure and Transactions	FM, transactional services, IT, Commercial Services and Health & Safety.	9,875
Business Improvement	Business systems and Continuous Improvement.	3,280
Corporate Governance	Shared legal services, internal audit, information governance, democracy services and Electoral Services.	2,663
HR Shared Services	Learning & Development, Payroll and HR Business Partners	2,231
Customer Services	Merton Link, Communications, debt collection, Revenues and Benefits	2,584

Business Improvement

The Customer Contact programme is using new technology and redesigned processes to meet the changing needs of our customers for access to services, and in particular for services accessed via the internet. The programme focuses on two key outcomes: firstly, to improve service users' experience of accessing council services, and secondly to reduce the cost of those services by encouraging people to self-serve, and by responding to customer enquiries the first time that they are raised.

The Customer Contact programme will deliver a new website that increases the potential for customers to request and pay for services online; the ability for customers to have an account that allows them to track their interactions in a single place, and a contact management solution that allows staff to manage and process service requests quickly. The introduction of customer contact technology alongside the roll-out of MS SharePoint and an Electronic Documents and Records Management system offers the opportunity to redesign transactional services from front to back.

The take-up of new automated online options for garden waste and bulky waste collections has been very rapid with online transactions accounting for over 50% of all transactions for our domestic, garden and bulky waste services. As a result calls to the contact centre have reduced by 2,700, equating on average to 19 hours per week for this one service. The project is also supporting the outsourcing of the waste service through integrating the supplier's system with our new technology.

Services which are currently being configured for digital delivery channels include:

- Highways;
- complaints, FOI, members inquiries;
- hall and leisure booking system;
- planning, property, building and development control.

The Council is also working on a new digital customer account that will pull together all resident and business transactions in one place facilitated by a CRM platform. This will allow residents and businesses to track all their interactions with the Council and support the contact centre to deal with customer enquiries. We will also improve and introduce more online payment options to make it easier to elect and process income/payments for all service areas.

Alongside the planned investment in systems we have continued to build resilience into our key business systems support team to improve the stability and performance of the key business systems upon which we rely – see chart below.

SP 339 % System Availability (Monthly)

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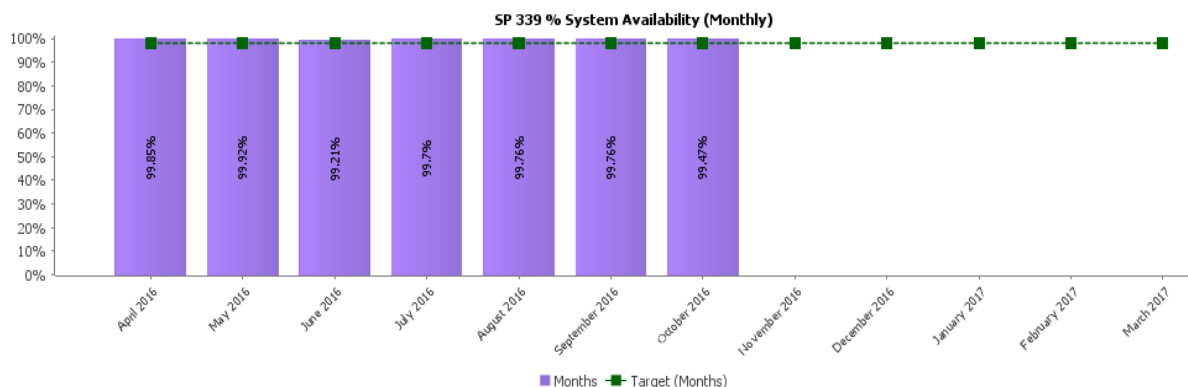
Alongside these new business systems we provide support to services looking to redesign their key processes and champion Lean systems thinking across the Council. We have co-ordinated the update of Target Operating Models for all departments and we support the Council's wider improvement programme to become London's Best Council by 2020.

Communications, Community Consultation and Engagement

The Communications team is responsible for delivery of campaigns, events, public relations, advertising and reputation management. We have both an external and internal facing role.

Within the organisation we are responsible for events that support a positive culture within the organisation, such as the staff conference and staff excellence awards, and ensuring that our officers are well informed through regular bulletins and change campaigns. As an example, we work closely with the Flexible Working project to ensure staff are well informed about, and engaged with, the move to new ways of working within the building.

By far the majority of our time, though, is focused on keeping our residents well informed and maintaining Merton's strong reputation. Each year we deliver a series of campaigns that keep residents informed about changes to services, for example "Keeping Merton Moving" aims to inform motorists about why it is important to keep Merton roads safe and clear from traffic congestion. We also aim to generate interest in areas where we are looking for more resident involvement, for example fostering. We promote the many positive things about the council's services through a range of different channels. Each year we publish around 300 stories on the council's digital news room and on social media, resulting in over 90% positive coverage. The quarterly publication of My Merton magazine is also a key vehicle through which we work to ensure Merton's residents feel well informed about, and engaged with, the work of the council.

As with all council services, we are continuously looking for ways to improve our service and ensure it remains fit for purpose in an ever changing world. With this in mind, we are expanding our skill set to ensure that we have the knowledge and experience to communicate with residents and service users through social media. We will also, over the coming year, look to support services to develop their own capability to market their own services, in order to ensure we are using highly skilled resources within the team in the most efficient way.

The Community Consultation and Engagement function is tasked with ensuring the organisation has a strong understanding about its residents and service users and discharges this responsibility through the coordination of community forums and an annual residents survey. The organisation as a whole draws on the team for professional advice on consultation, engagement and research methodologies.

Corporate Governance

The South London Legal Partnership (SLLP) launched in 2013 is a partnership with five other boroughs to provide legal services. The SLLP is hosted by Merton Council and includes Richmond, Sutton, Kingston and most recently Wandsworth Council who joined in October 2016. As a result of this shared arrangement the Council's budget for legal services has fallen by 16-20% and the hourly rate of £63.
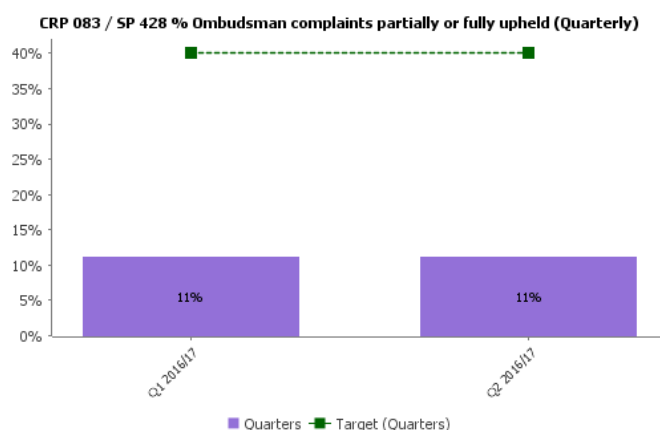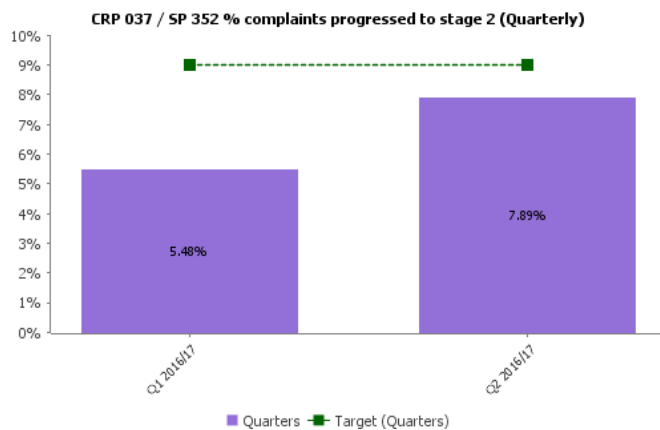
The SLLP has pioneered the use of digital technology to streamline and speed up court proceedings. In 2015 it launched the first entirely digital process for care proceedings in partnership with the West London Family Court. This paperless system is quicker and more efficient – the cost of a digital case is around £400 compared to £1200 for the paper based

process. The SLLP with its private sector IT partners has established "Digital Courtrooms" to provide this service to other local authorities and it is now used by 8 London Boroughs with interest expressed from across the south east.

The Council joined the South West London Audit Partnership in October 2015. Internal Audit and fraud investigation work are now delivered by this shared service which covers Merton, Kingston, Richmond, Sutton and most recently Wandsworth who jointed in October 2016.

The Council's key meetings are moving online. Many of the Council's main committees have agendas and reports online and the intention is to roll this out to all committees by the end of 2018. The introduction of online technology makes it easier for both committee members and the public to view papers. It also significantly reduces printing costs and the time taken to distribute papers.

Information on corporate complaints and Ombudsman enquiries is set out in the charts below.

CRP 037 / SP 352 % complaints progressed to stage 2 (Quarterly)

	Q1 2016/17	Q2 2016/17
Quarters	5.48%	7.89%
Target (Quarters)	9%	9%

CRP 083 / SP 428 % Ombudsman complaints partially or fully upheld (Quarterly)

	Q1 2016/17	Q2 2016/17
Quarters	11%	11%
Target (Quarters)	40%	40%

Human Resources

The Council had a long-standing shared service arrangement with Sutton Council that came to an end in 2016. This arrangement had allowed the two councils to streamline the HR operation from 130 staff down to 90, and reduced the cost of the service by 45%. The shared service ended in May this year with 33 staff transferring to Merton, and some services being provided by Kingston. In 2015, for London as a whole and when HR services are compared like for like, there was 1 FTE of HR resource for every 76 non-schools

employees. The ratio for Merton is now 1 to 95. The true ratio is actually lower once schools are factored in. A national survey indicated ratios 1:63 for private sector and 1:75 for public sector (ratios will vary dependent on outsourcing arrangements).

There has been a smooth transition to an interim structure pending the development of new HR arrangements by 2018. We will in future look to establish new delivery arrangements in collaboration with other boroughs to facilitate an efficient, high quality HR service at the lowest cost.

As the organisation's workforce modernises, we anticipate a different kind of internal customer by 2020 – one that is more likely to self-serve and who operates autonomously. We have a dual role here. Firstly, through our HR service we will support and enable this workforce transition through a comprehensive learning and development offer and excellent recruitment procedures. Secondly, by ensuring that our processes, policies, systems and practices enable and encourage this increased self-sufficiency. HR will support the implementation of the Council's TOM particularly the output of the people layer and different delivery models as well as advising on the complexities of TUPE out and in of staff in Merton. We have an on-going program to introduce and maintain a comprehensive modernised set of HR policies linked to culture change and behaviour.

With the pace of transformation in the organisation and the vision to be London's Best Council, Human Resources will be a key and driver of change. The Workforce Strategy Board oversees the workforce planning program: recruitment and retention, organisational workforce development and morale health and wellbeing - HR will ensure that it supports and leads on the workstreams which support the London's Best Council ambition. The workstreams include: Leadership development, Induction, 'the Merton offer', review appraisal process, develop new behaviours and a review and refresh of the workforce strategy will be in place for April 2017.
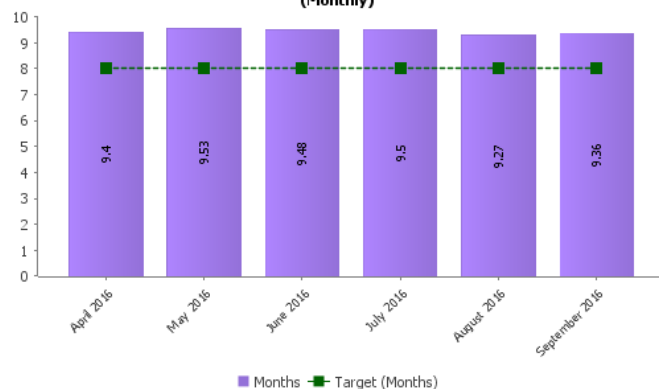
Comprehensive work has been undertaken to ensure that established workforce numbers are budgeted and reconciled with the use of agency/interim covering vacant posts – see table below. The use of interim and agency workers remains a focus for the Council and high cost placements are reported to Standards and General Purposes Committee on a quarterly basis. There are instances where interim staff are essential for project work where the specialist skill is not present in the Council or for services where it is harder to recruit e.g. social workers and lawyers.

Department	Budgeted FTE Establishment	FTE Employees	Vacancies: Budgeted FTE less FTE Employees	FTE vacancies covered by agency workers	Unfilled vacancies
Corporate Services	559.60	424.82	133.78	74.60	59.18
Children Schools and Families	566.72	447.89	118.83	87.00	31.83
Community and Housing	429.13	341.20	87.93	35.47	52.46
Environment and Regeneration	700.85	537.30	163.55	59.57	103.98
Total	2256.30	1751.21	504.09	256.64	247.45

The Council's sickness level is currently 9.3 days in the rolling year to October 2016 against the Councils target of 8 days. HR continues to work closely with managers ensuring referral to Occupational Health at an appropriate stage and that sickness is managed through effective return to work interviews, stage one attendance reviews and monitoring.

CRP 080 / SP 413 No. of working days per FTE lost to sickness absence excluding schools (Monthly)

April 2016: 9.4
May 2016: 9.53
June 2016: 9.48
July 2016: 9.5
August 2016: 9.27
September 2016: 9.36

■ Months ■— Target (Months)

Human Resources is responsible for ensuring that the development needs of members are met. There are three aspects of development: prospective candidates, induction and continuous development. Development can be based on individual, generic and statutory requirements.

Corporate property and transactional services

We are in the process of reducing the Council's property footprint through the introduction of flexible working practices and new technology. The Flexible Working programme has enabled a much higher ratio of people to floor space, particularly in the Civic Centre. We have moved from one person to one desk to a ratio of 10:8. Digital archiving has reduced significantly the amount space given over to filing cabinets. As a result this has allowed the Council to release a number of other buildings either for sale or other uses. We have vacated 11 locations and achieved operational savings of approximately £2 million p.a.
As well as reducing the Council's overall property footprint, the efficient use of existing office space within the Civic Centre has also allowed 2 floors of the Civic Centre to be emptied with a view to renting them out with a forecast income of £280k p.a.

Further efficiencies are planned with the introduction of mobile working as part of Phase 2 of the Flexible Working programme. Mobile technologies alongside EDRMS and a new social care case management system will allow frontline staff to spend more time delivering services within the field with the ability to access and update information remotely. This will improve the service that we are able to offer residents e.g. by completing transactions in the home in the case of older residents, and reduce the travelling time of staff to and from Council offices.

We are currently exploring options available to improve and refurbish the Customer Centre on the ground floor of the Civic Centre. The process will develop a response to our customer strategy that all customers should manage to self-navigate and self-serve to achieve their requirements in a welcoming and responsive space. This will be achieved in 2017/18.

 In addition to this is a requirement to consider an increase in the provision of meeting space for customers and allow for an increase in social work conferences on the ground floor. This is also aligned to other organisations using space within the Civic Centre and meeting their requirements for meeting rooms on the ground floor.

Council Tax, Business Rates and Housing Benefits

In these challenging financial times it is critical that we collect the income due to the Council to sustain the delivery of frontline services. In 2015/16 we collected 97.49% of Council Tax and 97.71% of business rates (currently the Council retains 30% of business rates with the balance going to central government and the GLA).

The way we deliver these services is also changing. Last financial year 58% of Council Tax payers paid by direct debit and 11% received electronic bills. For businesses, 43% paid by direct debit and 31% receive electronic bills. Our aim is to push these figures higher to make it easier for tax payers and automate services where possible.

We aim to operate an efficient Housing Benefit service to minimise delays. In 2015/16 we processed 9,259 new claims taking on average 21.1 days. In 2016/17 we have reduced processing times down to 15.4 days. The chart below shows the average time taken to process Housing Benefit change of circumstances in 2016/17.

CRP 087 / SP 412 Time taken to process Housing Benefit change of circumstances (Monthly)
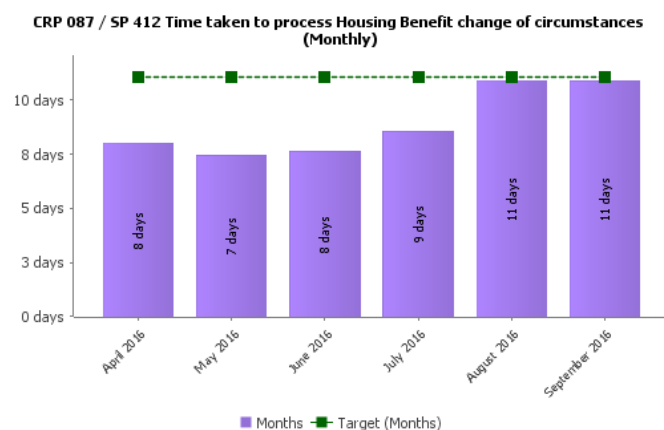
In January 2016 Universal Credit (UC) was implemented for all single claimants in Merton. At the end of March 2016 the "full service" was rolled out to families and all claimants in the SM4 post code (note that pensioners are not affected by UC). Since January 2016 we have seen a 4.2% reduction in our housing benefit caseload and this is expected to continue. We do not know yet when the full service for UC will be rolled out for the rest of the borough but it will not be before April 2017.

Commercial Services

We believe that there are considerable efficiencies to be gained through the effective use of procurement across the Council. We are seeking to consolidate the Council's procurement function and introduce a category management approach. Category Management is a strategic approach which organises procurement resources to focus on specific areas of spend. This enables category managers to focus their time and conduct in depth market analysis to fully leverage their procurement decisions on behalf of the entire Council. The results can be significantly greater than traditional transactional based purchasing methods. By implementing a consolidated procurement function, Commercial Services will be able to focus on the following areas over the coming months:

- the introduction of category management and strengthened supplier relationship management;
- Review the Council's 'top 50' largest areas of spend and undertake analysis to drive out savings through consolidation and collaboration;
- undertake make/buy/share reviews of all services in collaboration with Directors to ensure these are prioritised where they are likely to have most impact;
- initiate the delivery of a targeted supplier engagement programme. This would involve engaging with the Councils 'Top 100' suppliers by spend to address £56m of Council spend;

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- develop a programme to deliver a significant reduction in the number of council suppliers.

Resources

The LGA Peer Challenge in 2015 recognised the strength of Merton's medium term financial planning which is coordinated by the Resources team. This includes the production of the business plan which sets out and profiles income and expenditure of Council departments over a four year period. They also recognised the role that members play in both setting out achievable priorities and scrutinising delivery of the business plan. However, they highlighted the challenges of increasing demand for services along with reducing resources and funding from central government that will require difficult decisions going forward.

A number of financial systems are reaching the end of their operational lives including Proactis (financial reporting and budget management), FMIS (general ledger) and ASH (debt recover and recording). We are nearing the go-live for a new suite of systems for financial management. This will have a very significant beneficial impact on financial and management accounting, enabling staff in the finance teams to spend less time manipulating data and more on added value advice and sophisticated reporting and analysis. The coding structure will be radically changed and simplified to reduce the numbers of cost centres and subjective account codes.

Recharges are being reviewed at the moment. Where it is feasible, direct charging utilising timesheets will be introduced. This will enhance transparency. Time sheeting is particularly appropriate where a jobbing basis is used e.g. internal audit, elements of IT and facilities management. It is not always appropriate where the support is generic and a team is dedicated to a service.

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