

Commercial AVDC – Programme Report November 2016

1. Purpose

- 1.1. The purpose of this report is to provide information about the Commercial AVDC programme, its progress and plans, governance and the risks being managed
- 1.2. The Audit committee is asked to note the contents of this report and share whether there are any areas where they would like further information.

2. Background

- 2.1. AVDC continues to build on the success of the changes it has delivered in recent years by developing an organisation with a sustainable funding model and commercial operating model driven by continuous improvement. Underpinning all of the programme's work is the pursuit of the economic, social and environmental wellbeing of the area.
- 2.2. Over the last six years through a wide range of initiatives Aylesbury Vale District Council has saved around £14 million despite losing 60% of the government grant.
- 2.3. The Commercial AVDC Programme has continued to focus on three primary strands of activity, a) focussing on driving returns from commercial activity from existing operations, b) reviewing Council Services to improve effectiveness and efficiency and c) improving the overall capability of AVDC's staff.
- 2.4. By 2020/2021, these Commercial AVDC programme activities will need to provide a contribution of £5m to the council's revenues, through a combination of increased income and reduced expenditure.
- 2.5. The programme operates alongside work led by Vale Commerce to drive long term returns from commercial activity in new areas. While the two initiatives are managed separately, they need to work to ensure they are aligned and the board provides oversight over Vale Commerce also.

3. Programme Governance

- 3.1. The programme board is accountable for delivering the programme's targets while maintaining operational stability. This group brings together the Cabinet Member for Transformation, the Chief Executive and Directors, the Programme Sponsor, one of the Commercial Sector Leads, Programme Manager and external challenge from the Chief Executive of IESE (Improvement and Efficiency South East).
- 3.2. Although the achievement of Vale Commerce's income generation goals are not within the scope of the programme, the programme board does give some oversight over the delivery of Vale Commerce objectives, and engages with Vale Commerce staff outside board meetings to gain assurance of progress.
- 3.3. Reports and recommendations are shared with Cabinet, Council, Council and Staff Committee, Scrutiny and Audit as appropriate and/or requested.
- 3.4. Responsibility for delivery of the programme is with the programme delivery group, made up of the programme manager and workstream leads. There is a workstream designed to improve each sector led by the sector leads, and some supporting workstreams covering programme management, finance, communications and organisational development (which covers people and culture).
- 3.5. Each workstream contains a range of projects (for example Transactional Services improvement and Customer Contact), and each project has a project manager responsible for delivery, reporting into the workstream lead. In a minority of project, where more in depth oversight and input is required, there is a project board with some delegated authority from the programme board (for example finance and

business intelligence/customer insight), but the programme board remains ultimately accountable.

- 3.6. The programme works with a Staff Engagement Group, Transition Board, Managers Group and with staff via forums such as “Let’s Get Talking” to engage and involve.

4. Performance monitoring and risk management

- 4.1. At programme board level there are monthly board meetings involve benefits and performance tracking / RAG review There is a programme level risk log with periodical risk reviews and discussions at board.
- 4.2. At workstream level, we have bi-weekly workstream reporting, with top down schedules tracking delivery of all projects. Workstream leads (who are sector leads and specialists in areas such as finance and OD) are responsible for workstream delivery.
- 4.3. At project level there is bi-weekly project reporting against detailed smartsheet plans, and project risk logs are maintained. The PMO tracks progress and guides on quality. Some, more complex projects (eg finance and business intelligence / customer intelligence) have their own boards to provide deeper oversight.

5. Progress to Date

5.1. Lifting and Shifting to a Sector Structure

- 5.1.1. In January 2016 the programme successfully delivered on an organisation wide restructure (called “Lift and Shift”) to create a new sector based structure as a launch pad for ongoing business improvements. These new sectors were led by interim leaders whose role include not only running the operation but driving the implementation of business reviews and improved capability in their sectors.

5.2. Organisational Development and Part 1 Consultation

- 5.2.1. In order to change the culture and skill level of the organisation to become more commercial, efficient and effective, a new behavioural and job family framework has been developed.
- 5.2.2. The framework will underpin all assessment and selection of staff into the new roles arising from business reviews that will affect all areas, as well as ongoing performance management and development. It has been developed in collaboration with staff and trade unions and there has been extensive engagement and familiarisation work to increase awareness and understanding. This has involved the sharing of behavioural resources on Connect and the running of staff development sessions in August 2016.
- 5.2.3. Part 1 consultation with trade unions and staff representatives which covers the overall restructuring approach commenced in August. This is largely closed at time of writing, subject to some minor adjustments that are agreed in principle.
- 5.2.4. Staff engagement surveys conducted at the beginning of the programme compared to those covered in September shows that engagement has remained level despite the level of change directly affecting staff across the organisation.

5.3. Business Reviews and Part 2 Consultation

- 5.3.1. The **Business Reviews** aim to assess each sector and service to understand who its customers are, what their needs are and how the service can best be structured to deliver those needs in the most efficient and cost effective way. Each review that leads to changes in team structures and roles will go through a

process called part 2 consultation with trade union and staff representatives prior to being finalised.

- 5.3.2. In **Community Fulfilment** a review of the communities team has explored how the funding available to the sector can be applied to best effect to Aylesbury Vale. The outcome of the review is that through increasing income generation and delivering efficiencies we can reduce our 1.7m commitment to community priorities by approximately £250,000 per annum whilst maintaining key statutory and policy priorities.
- 5.3.3. In **Customer Fulfilment** trials are underway to develop new working practices and structures in customer contact and administration. An interim structure based on customer delivery has been implemented, bringing similar functions together to increase efficiency and collaboration. Business reviews in the areas of waste, casework, services to residents are underway, as is a joint review of systems administration with Business Support and Enablement.
- 5.3.4. In **Commercial IP** a business review of the Sustainability function has identified that services delivered can, where required, be delivered in other ways such as through providing content online or by operational teams, delivering an annual saving of £88k. Should there be demand in the future for commercial sustainability services in line with Vale Commerce's offer, that service could be delivered by them at the appropriate time. This approach and is undergoing consultation with trade unions and staff representatives at time of report.
- 5.3.5. In **Commercial Property** a review of current assets along with the definition of systems requirements for the digitisation of asset information and records is underway.
- 5.3.6. In **Business Strategy & Governance** and **Business Support & Enablement** a joint review of finance has focused on delivering world class support, an effective control environment and lowest cost transactions. A new role of strategic finance manager has been created increasing the size of the team to deliver this improved service. The review is currently going through consultation with trades unions and staff representatives.
- 5.3.7. In **Business Strategy & Governance** reviews are underway in the areas of contracts/commissioning, business intelligence & customer insight, project management, business assurance and political governance.
- 5.3.8. In **Business Support & Enablement** a business plan has been agreed to invest in a trial of marketing the payroll commercial services, recognising that there is a large market of similar organisations and even securing a small market share would deliver profits. The first stage of service desk integration has been delivered with IT and finance services providing improved service and transparency of performance. A joined up review of transactional services including finance, payroll and rates & recovery is underway, as is a joint review of systems administration with Customer Fulfilment.

5.4. Contribution achieved to date

- 5.4.1. In year savings of £1.8m for 2017/18, which exceeds the target of £1.6m, has come from a combination of increased income from planning applications, amendments to funding structures and driving initial efficiencies around vacated roles.

6. Forward Plans

6.1. Target Operating Model

- 6.1.1. A target operating model and senior structure for the organisation is currently being finalised with a view to sharing with key stakeholders and consulting with

trade unions and staff representatives starting in November 2016. The model is based on the current sector based structure, with some alterations based on what has been learned from the 8 months of operations since January's "lift & shift".

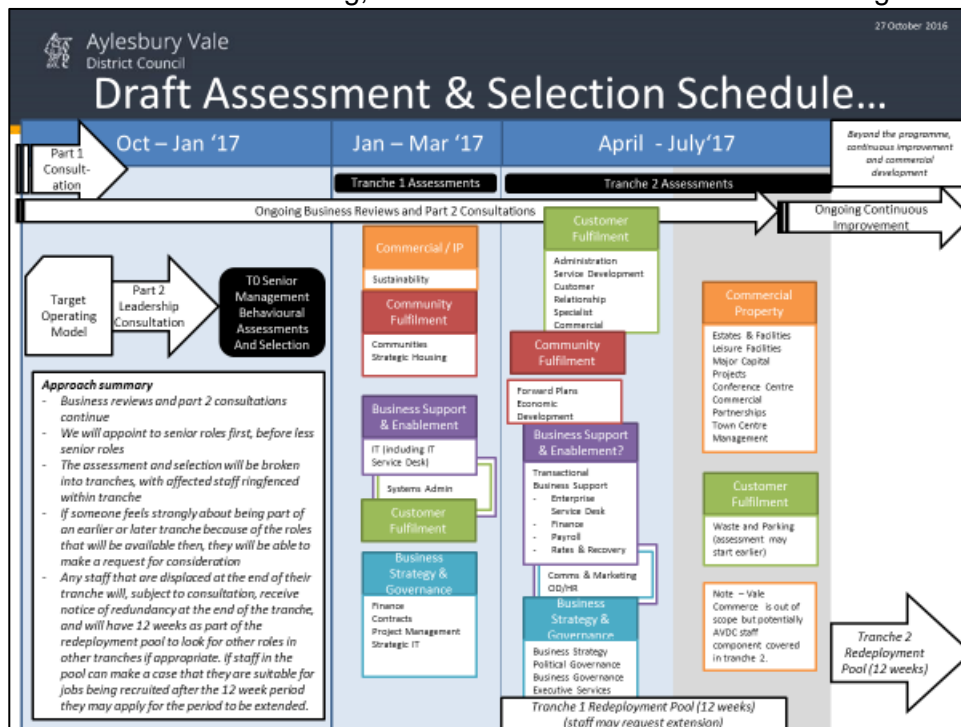
- 6.1.2. It is expected that the leaders of these sectors will be appointed in January 2017, where those leaders have been successful in the new assessment and selection processes based on the behavioural framework.

6.2. Organisational Development

- 6.2.1. The behavioural framework's implementation requires assessment and selection process and tools to be in place. Their design will complete in October, with external assessors assigned and trained, ready to start assessing in January 2016. Across all of the reviews, role profiles will be developed and evaluated through Hay panels. All roles will change through individual profiles being refined or developed, and the behaviours incorporated.
- 6.2.2. Following the implementation of the behavioural assessments and role selection approach, the performance management framework will be completed so that we can manage performance to get best from our people and that they are working on the right things. A personal development strategy will focus on developing staff to meet their full potential, enable effective communication and challenge with succession planning. It will include the implementation of a personal development portal to support staff development.
- 6.2.3. In addition, we will focus on an improved recruitment strategy, ensuring that we get the best people joining AVDC and making the organisation the employer of choice for ambitious and most talented individuals.

6.3. Ongoing Business Reviews and Restructuring Tranche Rollout

- 6.3.1. The programme's activities will now focus on completing reviews, consulting on them and then implementing new structures in a series of 3 to 4 month tranches. At time of writing, the draft schedule is as shown in the figure below.



- 6.3.2. The first tranche will take place in January to March 2016. Having appointed to the leadership roles for the sectors, the first set of areas will go through assessment and selection. The second tranche starts in April 2016, with two

areas, Commercial Property and Waste aiming to start as soon as possible, likely to be May.

- 6.3.3. As each area completes role selection they will need to plan for implementation of any structures, processes, systems and business continuity plans. At that point they are ready for an ongoing process of continuing improvement where they deliver further people development, commercial development and operational efficiency.

6.4. Forecasting

- 6.4.1. The requirement for this programme is to deliver £5.1m contribution to the bottom line, a combination of increased income and reduced cost to serve by financial year 2020/2021, where £2.7m is required in the first two years – 2017 to 2019.
- 6.4.2. At time of writing, the reviews are still in development and need to complete consultation before any firm forecasts can be made. That said, there is an initial indication of possible contribution of £3m in those first two years, and £4.2m for the whole period. This indicates that the short term requirement should be covered by the current programme's activities, and that continuous improvement in the period up to April 2019 should provide opportunities to identify and implement the rest of the contribution required by March 2021.

6.5. Risks to be managed

6.5.1. Corporate Risk Register #1 –Achieving savings and efficiency gains

- *Programme targets.* The programme's target of £5.1m savings/income will be achieved through a) focussing on driving returns from commercial activity from existing operations, b) reviewing Council Services to improve effectiveness and efficiency and c) improving the overall capability of AVDC's staff. There is no dependence on new and innovative income sources such as Vale Commerce to achieve this goal. At this early stage of the programme's design, we have identified possible savings for 2017/18 and 18/19 that exceeds the target for those years, and overall £4.2m. We expect the remaining £0.9m can be achieved through continuous improvement after the current programme's activity has been concluded, if not before.
- *Programme budget.* The programme's budget and resourcing is currently on track for the current schedule of work. The ongoing continuous improvement process and any further change programmes are likely to require a level of investment which should be evaluated closer to 16/17 financial year end.
- *Supplier management.* In order to provide subject matter expertise and change capacity, the internal team needs to be supplemented by supplier and contract/agency resource to deliver the change. It will continue to be important to manage supplier performance rigorously and ensure that knowledge is transferred to internal resources, so they can drive ongoing commercial development and service improvement.

6.5.2. Corporate Risk Register #2 – Commercialisation and income generation

- *Vale Commerce.* While the commercial AVDC programme focusses on driving internal commercial development, culture change and operational improvement, one of the risks assigned to the programme's board to manage is related to Vale Commerce. The risk relates to whether it will meet its long term income generation goals.
- Currently Vale Commerce is testing the market and is building on initial interest in its products – the board will be continuously checking in to see that it is

carrying out the right activities in the short term to deliver on their long term objectives.

- When it comes to selling internal services to the wider market, it will be important to ensure that those services have a level of maturity that allows successful internal delivery as well as high quality delivery to customers.

6.5.3. Corporate Risk Register #3 – Cultural change

- *Behavioural framework.* The vision for AVDC is dependent on having the right people, in the right roles, living the right behaviours. Designing the framework, raising initial awareness and assessing all who would work in AVDC against that framework is only a first step. It will be vital that that leaders ensure that behaviours are properly considered in selection decisions and that all AVDC people hold themselves and each other to account for continuing to live those behaviours, both informally and through ongoing development and performance management.
- *Employee relations.* The programme has established excellent relationships, collaboration and healthy challenge with trade union and staff representatives, which has led to improvements in the quality of solutions and engagement with staff. As the programme moves into more detailed part 2 consultations followed by staff assessment and role selection, this collaboration should be continued and challenges addressed in partnership.

6.5.4. Corporate Risk Register #17 – Service Delivery and Risk Management

- *Pace versus resilience and quality* AVDC is ambitious to continue to build momentum and deliver at pace - it will need to stay constantly focussed and ready to adapt should organisational resilience be threatened, the wellbeing / capacity of resources be pushed too far or quality of delivery affected.
- *Operational Standards and Maturity* To achieve the commercial and operational ambitions of AVDC, the level of maturity in areas such as change delivery, customer insight and business intelligence will need to continue to be invested in and developed. In addition, operational resilience and risk management relies on maturity in these areas. There is a project in place to drive this forward which will require continued focus and attention as the broader organisation goes through restructuring.
- *Role changes and business continuity* Handing staff transitions effectively and proper knowledge transfer will be vital as staff move to new roles and exit the organisation. Ensuring that each area is sufficiently resourced and setup to deliver services effectively is part of the business review process. In addition, as the role selection decisions are made, transition plans will need to be put into place. Business continuity plans will be produced for each area by those taking on responsibility for those areas to ensure ownership and focus.