

RESOURCES AND TRANSFORMATION PANEL – 25 JULY 2024

CABINET – 7 AUGUST 2024

TRANSFORMATION BUSINESS CASE - CUSTOMER & DIGITAL SERVICES (INCLUDING ORGANISATIONAL DESIGN) AND APPLETREE COURT

1. Recommendations

- 1.1 That the Panel provide feedback to the Cabinet on the content of this report and appendices.
- 1.2 That the panel note the following proposed recommendations to Cabinet:

That Cabinet (subject to the required Council approval to funding):

- I. Approve the Customer & Digital Services (including Organisational Design) business case at appendix A and adoption of the preferred future organisational design option Bv2.
- II. Support the intention to let out the south wing of Appletree Court (ATC) to third party tenants as set out in appendix B.
- III. Note the opportunity to further enhance ATC through works to the ground floor north wing, but these to be progressed subject to further approval (at additional cost), dependant on the success of the letting activity.
- IV. Delegate responsibility to oversee delivery of these recommendations to the Transformation Programme Board.

That Cabinet seek Council approval to:

- V. allocate £2.709m on an invest-to-save basis to deliver the necessary technology and organisational changes to deliver the preferred future organisational design option.
- VI. allocate up to £1.75m for improvements to the East wing of ATC on an invest-to-save basis, to facilitate the third party letting of the south wing and the generation of c£300,000 per annum in income.

2. Introduction and Background

- 2.1 The Customer & Digital Services (including Organisational Design) business case (appendix A) has been developed following the adoption of the transformation strategy, Future New Forest, in December 2023. It enables the implementation of the transformation programme by setting out a clear future organisational design for the council to leverage new technology, service and process redesign as well as looking at how some teams are structured in order to improve customer experience and the efficiency and effectiveness of the organisation. Organisational design is the structures, processes and roles needed to achieve the organisations objectives.
- 2.2 The Appletree Court business case (appendix B) considers options to exploit the commercial opportunities of Appletree Court and make better use of the currently underutilised office accommodation.

- 2.3 Assets and accommodation are 'out of scope' for the Customer & Digital Services (including Organisational Design) business case although they remain a significant aspect of the transformation programme and it is appropriate to consider the organisations accommodation requirements in line with any changes to organisational design.
- 2.4 The business cases appended support delivery of the four approved key objectives of Future New Forest to:

Customer & digital services

Redesign services to improve customer experience, make better use of technology and reduce manual effort. Services should be digital by design, irrespective of how customers contact us.

People & capabilities

Review how we organise and develop our people, making sure roles, structures, behaviours and skills evolve to meet new service designs and needs.

Assets & accommodation

Make better use of assets, improve sustainability and change the way we work. This includes spaces that staff work in and customers visit as well as the stores and depot.

Finance & delivery

Strengthen how we manage finance, strategy and performance. This includes how we manage the delivery of financial and non-financial benefits from transformation and how we develop a data-driven approach to strategy and performance.

3. Customer & Digital Services (including Organisational Design) Business Case - Options Appraisal

- 3.1 The Customer & Digital Services (including Organisational Design) business case (appendix A) takes the vision and objectives for transformation and assesses how different options might deliver those objectives, including the costs and benefits of each. It is closely aligned, and provides a delivery vehicle for, the Customer Strategy.
- 3.2 The options have been developed using the data collected and evidence gained over the past year, including opportunities arising out of customer research undertaken, activity analysis and the process design workshops. The preferred model outlined within the business case is specific to NFDC and has been determined by EMT through several organisational design workshops.
- 3.3 A number of options for the future organisation design have been considered from the continuation of a service led approach where services adopt their own technology and processes, largely in isolation, to a more cross cutting enterprise approach where all services adopt the same or similar technology and processes to maximise efficiencies. This is best illustrated in the transformation continuum diagram at Figure 1.

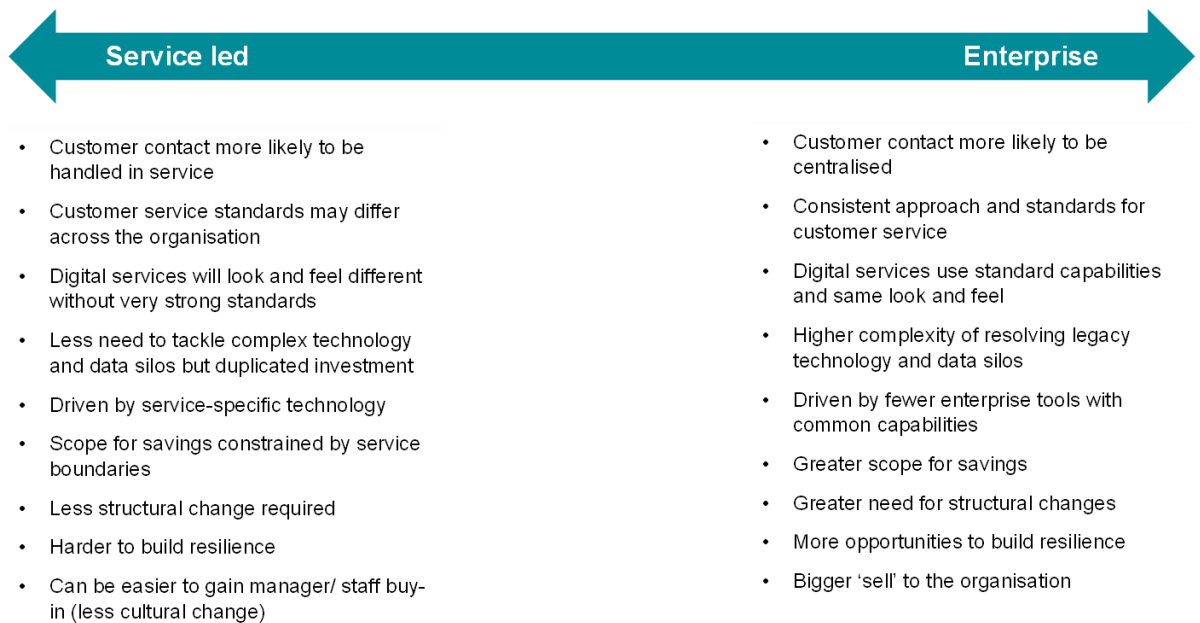


Figure 1: The transformation continuum

3.4 The current vertical service led model means that there is an inconsistency in customer experience and technology depending on which service is being used. Phone and email are the main channels used with multiple published email addresses and phone numbers available to customers. Figure 2 is a high-level illustration of the current model.

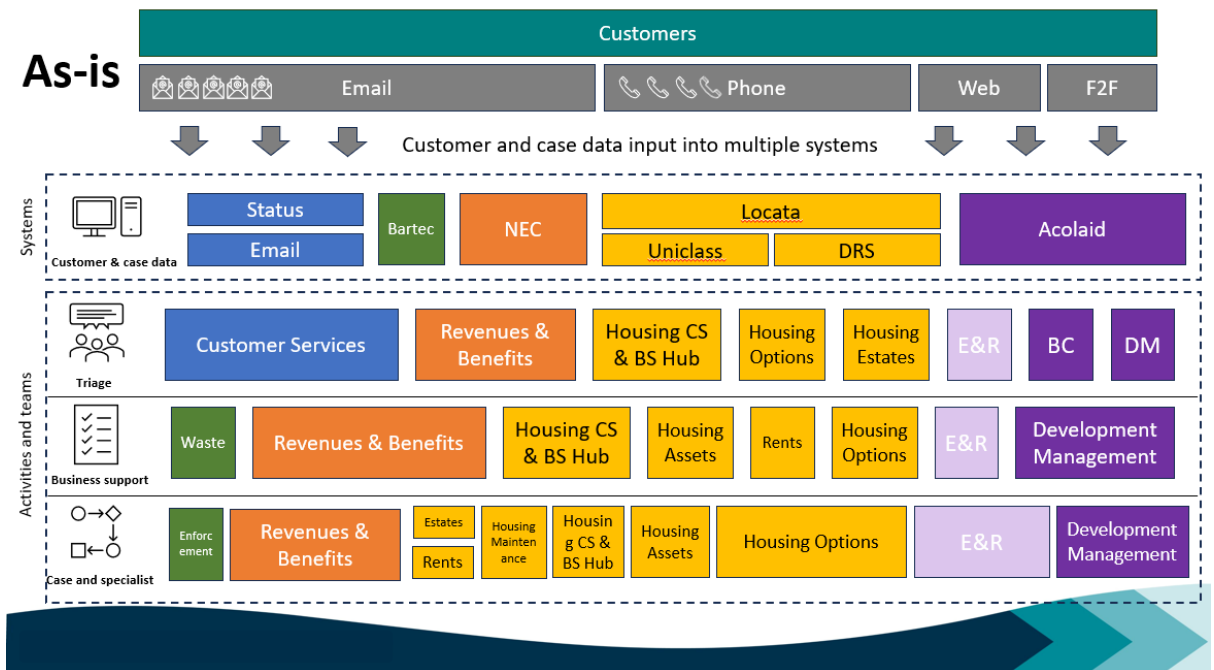


Figure 2: As-is organisational design model

3.5 EMT has collectively agreed that the approach should be somewhere in the middle of the continuum, where efficiencies can be gained from deploying the same technology and processes to improve the customer experience with some structural changes in support. This option as illustrated in Figure 3 is ambitious in support of the strategic

outcomes for transformation and allows for further future opportunities to do things differently whilst maintaining a level of stability by managing the pace of change.

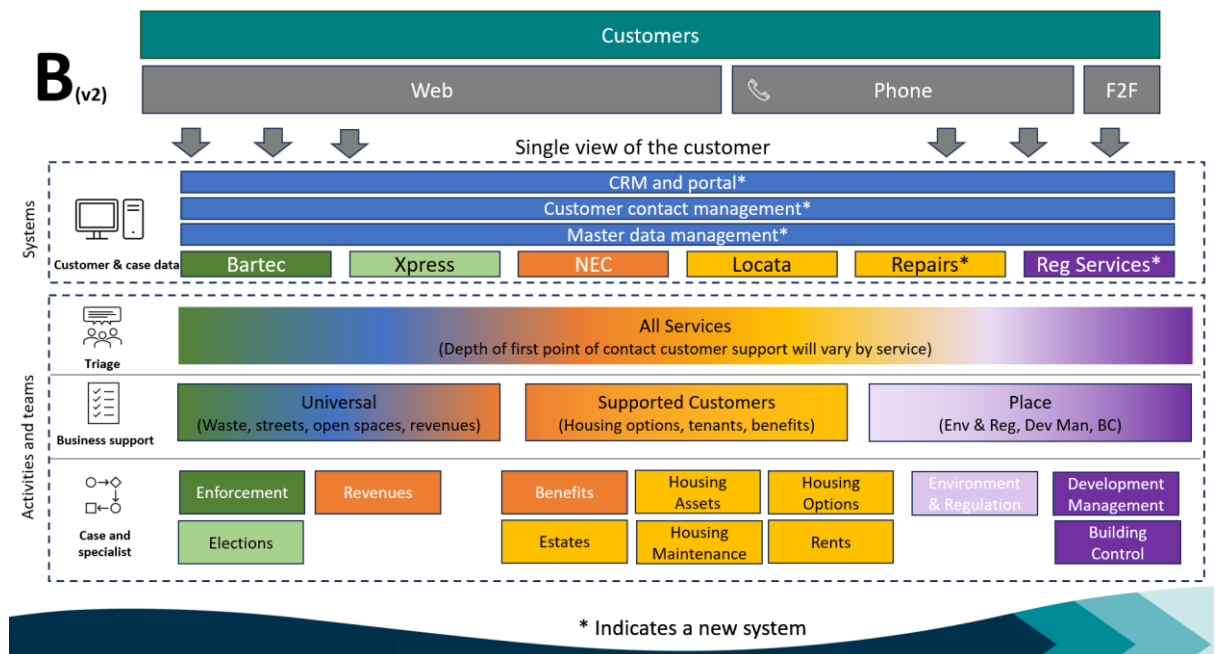


Figure 3: Target organisational design model

3.6 In brief the preferred option B(v2) for the target future organisational design includes:

- Enterprise technology capabilities applied to all services i.e. a single view of the customer through one CRM (Customer Relationship Management) and customer portal, customer contact management and master data management.
- A single customers services team, dealing with most enquiries for some services and smaller subsets for others.
- Aggregated business support functions into three teams aligned to universal, supported and place services.
- Leaving case management and specialist activities largely unchanged.

3.7 This modernised approach and use of technology is consistent with many other organisations, public and private. Page 17/18 of business case at appendix A details the technology assessment undertaken.

3.8 The business case itself has been drafted by Ignite Consulting Ltd. in conjunction with NFDC and brings together the extensive work undertaken over the past 18 months into a clear, evidence-based proposal. It provides the justification to invest in new technology and organisational changes to deliver a future operating model. It does not define the detailed delivery of the programme but enables the organisation to mobilise the programme with the necessary resources secured to start implementing changes.

3.9 Some of the technology investment identified within the business case is required irrespective of the transformation programme as legacy systems in housing maintenance, regulatory services and the existing CRM approach the end of life and require replacement. Bringing all these systems under the umbrella of transformation enables their procurement and implementation to be considered in line with the

transformation objectives and exploits any cross-cutting opportunities and integration that exists.

- 3.10 A detailed assessment of the options, their costs and benefits is detailed in the business case at appendix A.

4. Appletree Court Business Case – Options Appraisal

- 4.1 The accommodation review of Appletree Court is the first element of a wider piece of work to consider the strategic use of our assets and accommodation. It is an important aspect of meeting our future working aspirations in terms of service, staff and cultural needs in line with Future New Forest. This scheme will also support revenue generation towards the MTFP, through rental income, in line with the commercial mindset objective of the transformation strategy.
- 4.2 Appletree Court remains a suitable location within the district from which to deliver services and provide back-office support. It provides an attractive and pleasant working environment for staff and Members. However, due to the change in working patterns since the pandemic the building is underutilised, reaching a peak occupancy of 40%. This has now reached a stable level and has not significantly increased in the last two years.
- 4.3 In September 2023 Cabinet approved a budget of up to £100,000 to carry out a feasibility study to identify how the office accommodation at Appletree Court could be adapted to best suit the hybrid method of working now adopted by the majority of staff, explore the opportunities to utilise the entire building and inform the wider development of the Council's accommodation requirements as part of its transformation agenda.
- 4.4 Subject to refurbishment and the continued adoption of hybrid working, whereby one desk per member of staff is no longer a requirement, there is sufficient capacity within the East Wing (and latterly, potentially the North Wing) from which to provide Council services, freeing the South Wing for revenue generating external lettings.
- 4.5 Working with consultants Peter Marsh Consulting (PMC) the original feasibility brief required a report detailing the suitability and works required for selected areas to create open plan office space, for approximately 200 members of staff at any one time. The brief required a similar standard to that of the offices in the south wing of the building, containing both standing and seated desking, break out & meeting space, office storage and staff welfare facilities. Costings received, together with an updated marketing appraisal of the South Wing, did not offer an agreeable payback period on which to offset the investment.
- 4.6 PMC were asked to apply some value engineering and de-risking approaches, to produce a scaled back option that would still meet the desired look and feel, with less significant structural and MEP interventions. This exercise resulted in 2 further options.
- 4.7 Following an officer steering group workshop, PMC returned with additional options, tabled as 5 and 5a, of which 5a is the recommended approach. The costs were reduced in these areas by excluding from the scope offices, breakout spaces and meeting rooms that were already refurbished, in whole or part, as part of the South Wing refurbishment project that took place prior to the Covid pandemic. This was developed with a critical view of the common parts and underused spaces, to introduce a higher number of breakout, touch down, and collaboration zones. In addition, the consultant proposed areas along each longitudinal corridor in the East Wing where sections of wall would be replaced with full-height glass partitions, to create a more open plan aesthetic with additional natural light.

4.8 Assuming that good progress is made with securing a tenant for the South Wing (in whole or part), a Phase 2 scheme may see additional investment made in the Ground Floor, North Wing. Preliminary designs and costings have outlined that for an investment of c£500k, the existing space can be opened up to make a large, flexible collaboration zone. Staff feedback has indicated the preference for additional medium and large meeting rooms, training suites, refurbished interview rooms, and departmental 'hubs' where external visitors can be brought for meetings and appointments. This model also has potential to be used as a letting stream, by allowing local organisations and partners to lease meeting space.

5. Consultation Undertaken

- 5.1 EMT, the Transformation Programme Board and the Member Steering Board have been consulted on the options within the business case and briefings have been held with the wider leadership team, staff and all members in respect of both business cases.
- 5.2 The options considered have been informed by the extensive customer research undertaken during 2023.
- 5.3 Teams and individuals will be further engaged and consulted ahead of any changes.

6. Financial Assessment

- 6.1 The Medium Term Financial Plan identifies a savings target of £1.75m arising from the transformation programme. The business cases appended propose options to support delivery against this target and the wider transformation objectives as detailed.
- 6.2 The Customer & Digital Services (including Organisational Design) business case details the costs and benefits of each option considered, summarised below:

Option	Est. one-off costs	Est. benefit	Net recurring costs	Net benefit	GAP to MTFP
Option A	£1,959,000	£900,000	£376,000	£524,000	-£1,226,000
Option B	£2,034,000	£1,610,000	£406,000	£1,204,000	-£546,000
Option B(v2)*	£2,109,000	£1,260,000	£406,000	£854,000	-£896,000
Option C	£2,109,000	£1,890,000	£406,000	£1,484,000	-£266,000

*preferred option

- 6.3 Option B(v2) requires one off funding of £2.109m and is estimated to contribute a net £854,000 annually to the identified MTFP gap. The estimated one-off costs are identical for options B(v2) and option C as the technology investment is the same for both options. Making this initial investment allows the implementation of B(v2) as a phase 1 approach with an option to move closer to option C and release further savings in the future as required.
- 6.4 It is expected that the financial benefits will be delivered through a combination of mechanisms, including FTE staff reductions where improved technology and processes release capacity. This is covered in greater detail at 3.3.5 of Appendix A at page 31.

- 6.5 The costs presented exclude provision for contingency and it is proposed that a contingency sum of £600,000 is set aside to cover additional funding, including third party support, outplacement costs and any unplanned programme costs to boost capacity.
- 6.6 The financial outturn position for 2023/24 enabled the establishment of a Corporate Plan Priorities reserve, and it is proposed that this reserve be used to contribute £1.5m to the funding requirement.
- 6.7 The ICT work programme (£625,000 annual revenue budget) already makes provision for some of the technology replacement and infrastructure identified in the business case and it is proposed that this existing revenue budget be used to contribute £1m to the funding requirement.
- 6.8 The Appletree Court works require invest to save funding as follows:

Option	Primary project cost (A)	Cost per sq ft	Fees and additional works (B)	Total (A+B)	+ / - 10% cost range	Payback (years)
Option 5a* 181 desk spaces	£1,581,916	£154	£170,000	£1,751,916	£1.4m to £1.8m	6-7

*preferred option

- 6.9 A breakdown of all options is contained within appendix B. The fees and costs column above allows for professional fees for further design work up to tender stage and circa £80,000 of estimated costs for sub-division works associated with the south wing.
- 6.10 The predicted revenue for South Wing as a lettable model is as follows:

Floor	Area sq.ft	Rent per annum (furnished)	Est. Business Rates liability per annum (£90p/sqm)	Total per annum based on furnished
Ground	3,003	£55,558	£25,110	£80,668
First	3,358	£62,130	£28,080	£90,210
Second	3,305	£61,134	£27,630	£88,764
TOTAL	9,666	£178,822	£80,820	£259,642

- 6.11 Option 5a requires one-off funding of up to £1.75m and contributes up to £300,000 annually (including recoverable Service Changes) to the identified MTFP gap via rental income of the South Wing. Making this initial investment allows the implementation of 5a as a phase 1 approach with an option to invest in improvements to the North Wing Ground Floor, at an estimated cost of £500,000, at a later date. All options are inclusive of contingency at 9%. The recommended option is subject to variance at tender stage.
- 6.12 The overall total one-off funding requirement is £4,459,000 and the resultant estimated net annual financial benefit (saving) is £1,154,000.

Option	Est. one-off costs	Est. benefit	Net recurring costs	Net benefit	Payback (years)
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Customer & Digital Services (including Organisational Design) business case					
Option B(v2)	£2,109,000	£1,260,000	£406,000	£854,000	Year 5/6
Contingency	£600,000				
ATC business case					
Option 5a	£1,750,000	£300,000	-	£300,000	Year 5/6
Total funding requirement					
	£4,459,000	£1,560,000	£406,000	£1,154,000	Year 5/6

6.13 If approved this will be funded from

Funding stream	
Corporate plan priorities (earmarked reserves)	£1,500,000
ICT Digital Work Programme Funding (revenue)	£1,000,000
Supplementary budget (reserves)	£1,959,000
	£4,459,000

6.14 The latest MTFP allows for annual funding of £250,000 (covering 2023/24 – 2025/26) towards core transformation team resources. Less has been spent in year 1, and to align resources with the delivery of the programme the annual budget is required up to and including the 2027/28 financial year.

7. Conclusions

- 7.1 The proposed organisational design model (Bv2) supports the strategic outcome of putting our customers at the heart of what we do. The investment in technology, improved processes and structural changes will ensure customers are kept informed on progress and instil confidence in service delivery with better and more timely feedback. Investing in data tools and skills will help us better understand the needs of our customers and communities and design our services accordingly, and increasing the number of services available online, whilst maintain telephone and face-to face contact for those who need it most will provide customers with the option to access services at the time which suits them best.
- 7.2 Implementation of the organisational design and ATC accommodation works proposed in the respective business cases will also provide the opportunity to identify and release net financial benefits. Notwithstanding the financial return both business cases also support the wider transformation objectives including significant improvements to the customer experience, using our assets to support the efficient and effective delivery of our future service provision and enhancing their financial contribution through commercial opportunities.
- 7.3 There are significant risks of not transforming including a continued service-by-service approach resulting in re-work, duplicated investment and fragmented customer experience, not achieving the £1.75m MTFP target and improvements being piecemeal and superficial. Staff would also continue to need to deal with high demand, capacity and a lack of cultural change.

8. Risk Considerations

- 8.1 Both business cases involve complex change projects which will alter ways of working and the organisation's culture. Appendix A includes the risks associated with not

transforming and a change impact assessment which considers the significance and management of the proposed changes. Other risks include:

Risk	Mitigation
Failure to deliver digital projects	Technical and project resources identified and included in the business case. All projects to be run through the discipline of the transformation programme management office and reported on through the governance arrangements in place.
Payback period not met	Regular monitoring and reporting will identify slippage at an early stage and steps taken to mitigate impact.
Financial benefits not realised	Detailed benefit tracking will be established to monitor the achievement of all transformation objectives. Regular monitoring and reporting will identify slippage at an early stage and steps taken to mitigate impact.
Lack of buy in to support changes	Organisation development and change management expertise will ensure regular staff communication and engagement.
Letting opportunities for ATC not realised	Works to be undertaken on a phased basis.

9. Financial Implications

- 9.1 The financial implications are set out in the body of the report, explicitly within section 6. The business cases propose invest-to-save projects totalling £4,459,000, aimed to positively contribute to the Council's MTFP with an estimated net ongoing annual benefit of £1.154m.

10. Environmental Implications

- 10.1 Climate and sustainability is one of the four key drivers of transformation and meeting national and local targets to reduce emissions and support nature will require changes to the way we use resources and deliver services. The business cases will ensure a clear strategic focus on future environmental sustainability of the council by enabling customers to contact us differently, staff to work in different ways and making better use of our assets.

11. Equality and Diversity Implications

- 11.1 A change impact assessment is included in appendix A and a detailed equality and diversity impact assessment will be undertaken as plans emerge to understand and mitigate any adverse impacts to customers and staff of service delivery changes.

12. Data Protection Implications

12.1 None arising directly from this report. Changes impacting the collection and use of personal data will be appropriately assessed and taken under advisement of the Council's Information Governance team.

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Background Papers:

Cabinet 6 December 2023 -
Transformation Strategy

Cabinet 6 September 2023 – Feasibility
Study to deliver Long Term Value from
Appletree Court, Lyndhurst