



Cabinet

18 APRIL 2011

LEADER

Councillor Stephen Greenhalgh

REFORMING PUBLIC SERVICES THROUGH LEAN SYSTEMS THINKING

**Wards:
All**

This report seeks approval for funding from the Invest to Save fund to implement Lean Systems Thinking in the areas of H&F Direct and Business Support. In addition, Cabinet are asked to approve the decision making route to appoint and award a contract for targeted consultancy support.

CONTRIBUTORS

DFCS
ADLDS
ADRSD
ADH&F DIRECT
ADCT

Recommendations:

**HAS AN EIA BEEN COMPLETED?
YES**

- 1. That £208,000 be released from the Invest to Save Fund in order to fund two projects to implement Lean Systems Thinking in the areas of H&F Direct and Business Support. The two projects will deliver net general fund cumulative savings of £555,000 in 2011/12, £1,697,000 by 2012/13 and £2,197,000 in 2013/14.**
- 2. That approval be given to the award, via the Leader's urgent decision-making process, of a contract of up to £150,000 for external consultancy support.**

**HAS THE REPORT CONTENT BEEN RISK ASSESSED?
YES**

1. BACKGROUND AND CONTEXT

- 1.1 With a challenging MTFS to deliver, EMT, Assistant Directors and Heads of Service recognise that a renewed and co-ordinated focus on understanding and delivering the right services to our customers in the right way is required in order to deliver Political priorities of providing our residents with “More for Less” through:
- Lower taxes
 - Less Waste and
 - Better Services
- 1.2 Each department has outlined their savings proposals for the next 3 years. However, it is recognised that to achieve these savings in a sustainable manner (i.e. not ‘slash and burn’) there is a fundamental need to apply a different business lens to the way we deliver services. We need to design and manage our work in a very different way and this requires officers at all levels of the organisation to think and act differently going forwards.
- 1.3 In response to this, EMT and other Senior Managers view Lean Systems Thinking as an approach to interrogate current services and to redesign them as a whole to ensure that they are customer focused, fit for purpose and affordable for the future (whether we continue to directly deliver or commission services in the future). It is understood this is not about applying a toolkit or a roll-out of a training programme but a radical shift in the way we conceive, design and deliver services and ultimately outcomes for residents.
- 1.4 Taking a Lean Systems Thinking approach would enable the organisation to:
- Fundamentally challenge the core purpose of the service from a customer perspective;
 - Reduce costs;
 - Understand and manage customer demands;
 - Interrogate and improve key workflows;
 - Identify and address waste in the system;
 - Increase productivity;
 - Help to redesign whole services in an appropriate way that will meet the savings required;
 - Encourage continuous improvement
 - Ensure that services are fit for purpose and cost effective before pursuing alternative delivery models e.g. combined services with RBK&C and WCC or indeed outsourcing

2. SCOPE AND OBJECTIVES OF THE WORK

2.1 Consultancy capability and capacity is sought to support 2 strategic Lean projects. These have been selected by EMT, scoped through engagement with Assistant Directors and Heads of Service and informally agreed with the Leader of the Council. They have been selected on the following basis:

- They represent high spend areas (and therefore there is potential for significant savings) for the Council;
- They cover service areas where the application of a 'Lean Thinking' approach would be appropriate to fundamentally challenge the way that the service is provided
- They have the potential to drive and embed a culture of continuous improvement in key services that could be applied in other parts of the department and across the business.

2.2 The 2 key projects selected by EMT that are in scope for this work are outlined in the following sections.

2.3 Redesigning H&F Direct – FCS

Project Sponsor- Jane West

Business Change Manager- John Collins

The service has seen a 50% increase in demand over the past year and this is set to continue due to the economic climate. At the same time, the service needs to generate significant savings. A Lean Systems Thinking approach will be applied to create immediate efficiencies in the system (addressing failure demand and workflow issues) whilst also fundamentally reviewing the current operating model and redesigning it so that it is fit for the future. This will take account of both changing demographics and customer behaviour (e.g. more customers doing things online) as well as current Government thinking that Housing Benefit will be delivered by DWP going forwards.

2.4 Business support – Cross Council

Project Sponsor – Nigel Pallace

Business Change Manager- Jane West

It is recognised that a number of business support activities are undertaken across the organisation and that many of these have been developed over time and have become custom and practice. In line with organisation priorities to reduce the level of organisation back office/support costs in order to protect frontline services, this project focuses on a number of core areas and activities primarily but not exclusively in Finance and Corporate Services, namely:

- P.A. / Executive Support
- Complaints / Freedom of Information requests
- Committee Services
- Performance, Policy, Research and Information
- Procurement

- Post & Scanning

A Lean systems thinking approach will be applied to these areas in order to manage demand, remove waste and unnecessary bureaucracy (including duplication of effort, hand offs and skills misuse) and to redesign core activities to ensure that they are fit for purpose and affordable for the future.

3. FINANCIAL CASE

- 3.1 In order to deliver the 2 projects, Cabinet is asked to agree funding of £208,000 as set out in Table 1. This will deliver net general fund cumulative savings of £555,000 in 2011/12, £1,697,000 by 2012/13 and £2,197,000 in 2013/14 (Table 2). These are ongoing savings that have been accounted for in the MTFS.

Table 1

FUNDING REQUEST	2011/12
External consultancy support	£150,000
2 x Project Managers	£58,000
TOTAL	£208,000

Table 2

CASHABLE MTFS SAVINGS			
	2011/12	2012/13	2013/14
H&F Direct (FCS)	£155,000	£847,000	£1,047,000
Business support (FCS)	£400,000	£850,000	£1,150,000
TOTAL	£555,000	£1,697,000	£2,197,000

4. PROCUREMENT ARRANGEMENTS

- 4.1 In February 2011, the Leader of the Council gave his permission to formally test the market for external support to deliver the projects outlined in section 2.3 and 2.4.
- 4.2 Council officers decided to embark on an open tender process to fully test the market. A registration phase for expressions of interest was published on the Council website and the London Tenders Portal and all tender documents were subsequently released to interested parties with a deadline of 14th March 2011.
- 4.3 During the registration phase, 112 suppliers expressed interest in working with the Council.
- 4.4 A Tender Appraisal Panel has been established and will be chaired by Jane West, Director of Finance and Corporate Services.

4.5 Cabinet will be fully briefed on the outcome of each stage of the procurement as set out in section 4.7.

4.6 It is assumed that the procurement process will be successful and that an Officer decision will be made on 8th April 2011. On this basis, approval is sought from Cabinet to award a contract of up to £150,000 via the Leader's urgent decision-making route in late April 2011.

4.7 The procurement timetable for the work is outlined below.

1.	Post Contract advertisement to the Council's website and the London Tenders Portal to secure expressions of interest	8 th February 2011
2.	Suppliers invited to submit Pre Qualification Questionnaires (PQQ) and Invitations to Tender (ITT)	14 th February 2011
3.	Last date for suppliers to query or request for information regarding the PQQ or ITT via the e-tendering portal	4 th March 2011 17:00 hours.
4.	Deadline for submission of PQQs and ITTs	14 th March 2011 03:00 hours
5.	Cabinet Briefing report requesting approval for the final contract award to be made via the Leader's urgent decision route	21 st March 2011
6.	Evaluation of PQQs and ITTs	14 th March– 1 st April 2011
7.	Taking up supplier references	14 th to 23 rd March 2011
8.	Cabinet briefed on Officer decision of 3 highest scoring tenderers to be invited to present to the tender assessment panel (NB. This report will be tabled as an Officer decision will not be reached until 6pm on 1st April 2011)	4 th April 2011
9.	Presentations for shortlisted tenderers	6 th /7 th April 2011
10.	Officer decision re preferred supplier	8 th April 2011
11.	Cabinet Briefing report setting out the outcome of presentations and Officer recommendation re preferred supplier	18 th April 2011
12.	Cabinet report requesting approval for the final contract award to be made via the Leader's urgent decision route	18 th April 2011

	(further to Cabinet Briefing on 21 st March 2011)	
13.	Cabinet decision to appoint and award contract via the Leader's urgent decision making route	26 th April 2011
14.	Award contract to successful supplier	27 th April 2011
15.	Work commences	May 2011

5. TENDER EVALUATION

- 5.1 Tenders will be evaluated by the Tender Appraisal Panel in accordance the publicised price/quality ratio.
- 5.2 The 3 top-scoring suppliers (as evaluated at the ITT stage) will be invited to make a presentation based on their written submission. After the presentations and subsequent question and answer sessions original quality marks will be moderated and an Officer decision will be reached.

6. APPROACH TO COMMERCIALS

- 6.1 The Invitation to Tender and draft contract outlines that a 'payment by results' approach to commercials will be applied. Payments will only be made to the supplier on the satisfactory achievement of key outcomes (including financial outcomes).

7. RISK MANAGEMENT

- 7.1. Risks associated with the procurement of this work will be managed by the Tender Appraisal Panel in the first instance. Upon contract award, key risks will be managed by the Business Change Manager and Project Sponsors outlined in section 2.3 and 2.4 and ultimately by EMT.

8. EQUALITY IMPLICATIONS

- 8.1 There are no immediate equality implications relating to the delegated authority for awarding a contract. Further Equality Impact Assessments will be completed once the projects are underway and service redesign options are being considered.

9. COMMENTS OF THE DIRECTOR OF FINANCE AND CORPORATE SERVICES

9.1. The outlined pathfinder projects are planned to deliver on-going net general fund annual savings of £0.555m in 2011/12, increasing to £2.197m by 2013/14. One-off cash funding of £208,000 has been requested to deliver these efficiencies and it is proposed that this be made available from the Invest to Save fund. The current uncommitted value of the fund is approximately £1.2 million.

10. COMMENTS OF THE ASSISTANT DIRECTOR (LEGAL AND DEMOCRATIC SERVICES)

10.1. The AD (Legal and Democratic Services) agrees with the recommendations in this report.

11. COMMENTS OF THE ASSISTANT DIRECTOR PROCUREMENT

11.1. The Corporate Procurement Team has provided support and guidance throughout this process. The value of the contract is below the statutory thresholds set out in the Public Contracts Regulations 2006 (as amended) and is therefore not subject to the EU procurement rules.

11.2. Consequently, the AD agrees with the recommendations contained in this report.

LOCAL GOVERNMENT ACT 2000
LIST OF BACKGROUND PAPERS

No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location
1.	High Level Business case	Marie Snelling x4288	Resident Services
2.	Tender specification	Marie Snelling x4288	Resident Services
CONTACT OFFICER:		NAME: Marie Snelling EXT. x4288	