



*James Ellis*

Head of Legal and Democratic Services

**MEETING** : EXECUTIVE  
**VENUE** : COUNCIL CHAMBER, WALLFIELDS, HERTFORD  
**DATE** : TUESDAY 12 JULY 2022  
**TIME** : 7.00 PM

## **MEMBERS OF THE EXECUTIVE**

Councillor Linda Haysey	- Leader of the Council
Councillor Peter Boylan	- Executive Member for Neighbourhoods
Councillor Eric Buckmaster	- Executive Member for Wellbeing
Councillor George Cutting	- Executive Member for Corporate Services
Councillor Jan Goodeve	- Executive Member for Planning and Growth
Councillor Jonathan Kaye	- Executive Member for Communities
Councillor Graham McAndrew	- Executive Member for Environmental Sustainability
Councillor Geoffrey Williamson	- Executive Member for Financial Sustainability

**CONTACT OFFICER: Katie Mogan**  
**Tel: 01279-502082**  
**Email: [Katie.Mogan@eastherts.gov.uk](mailto:Katie.Mogan@eastherts.gov.uk)**

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## AGENDA

12. Transforming East Herts Update and Commercial Strategy (Pages 5 - 87)

## East Herts Council Report

### Executive

**Date of meeting** 12 July 2022

**Report by** Councillor Linda Haysey, Leader of the Council and Councillor Geoffrey Williamson, Deputy Leader of the Council and Executive Member for Financial Sustainability

**Report title** Transforming East Herts Update and Commercial Strategy

**Ward(s) affected** All

**Summary** - The purpose this report is to present the business case for the council's **Transforming East Herts** programme and highlight key elements of the programme which require the Executive's endorsement or approval.

Presented in this report is the Transforming East Herts business case along with proposals to transform the way in which we serve our customers by introducing technology investment by way of a Customer Relationship Management (CRM) system along with the implementation of other savings arising from the business case.

Also presented in this report is the Commercial Strategy that sets out the framework for embedding a commercial mind-set in the council and sets out an 8 stage process for potential new commercial income streams to be worked up from idea to being ready for the market. The Commercial Strategy is part of the Commercial work stream of the Transforming East Herts Programme. The Commercial

Strategy is the final building block, alongside staff competencies and the Fees and Charges Policy, which was agreed by Council in December 2021, to enable the council to start to embed a commercial mind-set.

## **RECOMMENDATIONS FOR EXECUTIVE**

- a) To endorse the Transforming East Herts Business Case
- b) To approve the Commercial Strategy

### **1.0 Proposal(s)**

- 1.1 The Executive received a detailed report on the launch of the Transforming East Herts programme at its meeting of 6th July 2021 and an update report at its meeting on 23 November 2021.
- 1.2 The Transforming East Herts Business Case sets out the stages identified to ensure we can:
  - 1.2.1 Deliver financial benefits
  - 1.2.2 Improve customer experience, including access through digitisation (Customer Relationship Management – CRM)
  - 1.2.3 Benefit from a flexible and skilled workforce
  - 1.2.4 Ensure a sustainable budget

The business case sets out that £1.95m needs to be found through savings and/or income generation in order for the council to work towards setting a balanced budget over the current medium term financial planning period. Potential

savings have been identified and will continue to be refined with the Executive over the current budget setting cycle. Should these identified savings not be viable, they will need to be replaced with alternative savings. It should be noted that most easily deliverable savings have already been realised. We are now at the point of having to make hard decisions in order to protect front line services and staff. The full report can be found at Appendix A and Executive is recommended to endorse it.

1.3 The Commercial Strategy sets out the council's framework for embedding a commercial mind-set in the council and sets out an 8 stage process for potential new commercial income streams to be worked up from idea to being ready for the market. The strategy sets out how we will encourage a commercial mind-set which will deliver:

- 1.3.1 continuous improvement;
- 1.3.2 the identification of potential new ways of working;  
and
- 1.3.3 new opportunities that will generate income which will improve the council's financial position and help maintain services.

1.4 However, in order to do that Members and Senior Officers will need to embrace that this new thinking involves identifying the right opportunities, broadening the council's risk appetite, taking some measured risks and accepting that some investments/projects will not succeed.

## 2.0 Background

- 2.1 The Transforming East Herts Commercial Work Strand set out to deliver:
  - 2.1.1 Fees and Charges Policy
  - 2.1.2 Commercial Strategy
  - 2.1.3 Commercial Staff competencies
- 2.2 The purpose of the Fees and Charges Policy is to provide a framework for how East Herts Council approaches the question of charging for its services to maximise consistency and ensure that wherever possible costs are recovered.
- 2.3 The Fees and Charges Policy was approved by Council on 15<sup>th</sup> December 2021. A new template approach to calculating charges has been agreed that sets an hourly rate per staff grade that fully recovers cost plus makes a contribution to the Corporate and Democratic Core costs.
- 2.4 New charges using the template, plus the experience of applying the new policy to RPZ permits indicates that there is likely to be a large number of charges set below cost recovery. As part of the MTFP and budget process all fees and charges will be reviewed against the policy and increases presented to Executive and Council for approval.
- 2.5 The purpose of the Commercial Strategy is to:



- 2.5.1 Provide a framework for how East Herts Council approaches commercial opportunities; and
- 2.5.2 Identify the skills that staff need in order to solve problems through a commercial mind-set.
  
- 2.6 The Commercial skills have already been rolled out to staff to optionally use in their Performance Development Reviews this year and are linked in to the Commercial Strategy.
  
- 2.7 The Commercial Strategy is at Appendix B and Executive is recommended to approve it.

### **3.0 Reason(s)**

- 3.1 To provide a framework for how East Herts Council approaches commercial opportunities; and to identify the skills that staff need in order to solve problems through a commercial mind-set.

### **4.0 Options**

- 4.1 Adopt the Commercial Strategy – **Recommended** – to provide the framework to develop income generating ideas from staff and change mind sets to solve problems and make staff think differently.
  
- 4.2 Endorse the Transforming East Herts Business Case – **Recommended** – We are now at the point of having to take hard decisions. The Transforming East Herts Programme continues to develop to protect front line services and staff.
  
- 4.3 Operate without a commercial strategy – **Not Recommended** – this will stifle innovation, creative thinking and lead to slower

cultural change as part of transforming East Herts.

4.4 Continue as is without addressing the budget shortfall. The council will risk the budget becoming unsustainable which may result in unplanned service and staffing reductions – **Not Recommended**

## **5.0 Risks**

5.1 In order to deliver the savings required as well as the rewards of being more commercial both Members and officers will need to change their attitude towards risk. The current culture is to avoid risk. We will need to change our risk appetite so that we accept risks that we have measured, and can manage, that lead to reward.

## **6.0 Implications/Consultations**

### **Community Safety**

No

### **Data Protection**

No

### **Equalities**

No

### **Environmental Sustainability**

No

### **Financial**

Yes – the central training budget will be used for commercial skills training.

The Commercial Strategy sets out an 8 stage process for ideas being taken through to market. The purpose of the strategy is to make the council more commercial to:

Deliver internal operational efficiency and continuous process improvement;

Identify new income streams and reviewing all current charges to ensure full cost recovery as the norm;

Identify and take to market new commercial products and services;

Be more commercial about the standard of service offered and where the service provided is of too high a standard, reducing that standard to the market norm (this is often described as providing a gold standard service when the market norm is bronze level). As part of this and, where legislation permits, the council may take a commercial decision to still offer the gold standard service at a premium price; and

Be more commercial about what is not “core business” and can be better done by others or not done at all, especially where there is no statutory or contractual requirement to provide services.

### **Health and Safety**

No

### **Human Resources**

Yes – Commercial skills training will be procured following the approval of the strategy.

### **Human Rights**

No

### **Legal**

No

## **Specific Wards**

No

## **Background papers, appendices and other relevant material**

### **7.1 Appendix A – Transforming East Herts Business Case**

### **7.2 Appendix B - Commercial Strategy**

## **Contact Member**

Councillor Linda Haysey, Leader of the Council and Councillor Geoffrey Williamson, Deputy Leader of the Council and Executive Member for Financial Sustainability [linda.haysey@eastherts.gov.uk](mailto:linda.haysey@eastherts.gov.uk)

[geoffrey.williamson@eastherts.gov.uk](mailto:geoffrey.williamson@eastherts.gov.uk)

## **Contact Officer**

Helen Standen, Deputy Chief Executive

Contact Tel. No. 01992 531405

[helen.standen@eastherts.gov.uk](mailto:helen.standen@eastherts.gov.uk)

Steven Linnett, Head of Strategic Finance and Property

Contact Tel. No. 01279 502050

[steven.linnett@eastherts.gov.uk](mailto:steven.linnett@eastherts.gov.uk)

## **Report Author**

Helen Standen, Deputy Chief Executive

Contact Tel. No. 01992 531405

[helen.standen@eastherts.gov.uk](mailto:helen.standen@eastherts.gov.uk)

Steven Linnett, Head of Strategic Finance and Property

Contact Tel. No. 01279 502050

[steven.linnett@eastherts.gov.uk](mailto:steven.linnett@eastherts.gov.uk)



# Transforming East Herts Business Case

Final- 04/07/2022

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# 1. Executive Summary

## Thorny problems

East Herts Council is facing two serious issues which, in large part, are intertwined.

- We have clunky systems that simply get in the way of customers interacting with us in an easy, 24/7 way. For example, why do we often make it so difficult to pay us, report a problem or track how we are dealing with something a resident has already raised? Currently so much contact with us is funneled to the telephone because our internet-based self-service offer is so limited. We need to free up resources so that we have the time to speak on the phone with those residents who really need to communicate with us in this way.
- We are facing a £2.6m hole in our revenue budget. If this wasn't bad enough, out-of-date systems which demand duplication of officer effort or positively act against collaboration mean we are wasting the resources we have on 'double-keying' information we elicit from our customers or responding to complaints that would never have arisen if we had 'single view of the customer' from the get-go.

Something has to change and that change has to be transformational.

## Transformational change

The Transforming East Herts programme aims to tackle the dual headaches of systems and process that are past their sell by dates and finances that don't stack up. At the outset, the objective was set for the Transforming East Herts programme to deliver at least £1m in savings to contribute to the overall need for £2.6m.

The private sector and growing numbers of public sector organisations understand that people are increasingly turning to online and mobile methods of communicating and conducting transactions. We, like all local authorities, are now facing increasing demands from residents and government alike to embrace digital technology. We need catch up and do so at pace.

The Transforming East Herts programme will enable the council to continuously improve the lives of our residents, businesses and visitors by delivering what they require in a way which suits them and provides best value for taxpayers. Research by the Office for National Statistics, published in 2021, shows that 93% of people in Hertfordshire used the internet in the previous three months in 2020 (the latest available figures). This figure is higher than either the East of England or UK-wide percentages of 92.2% and 92.1% respectively. Clearly, East Herts residents are major users of the internet in their everyday lives, although of course



a small number will continue to rely on telephone and face-to-face contact for a few years to come. We will not be dis-enfranchising any part of the community through the delivery of this programme. On the contrary, delivery of the programme will allow those who can to use the website for end to end transactions thereby reducing the volume of telephone calls to the council. This will mean that those who have to use the telephone will have their call answered quickly and the time spent on the call reduced because customer services staff will be using a single system instead of the current 15 systems.

Economic, demographic and technological pressures are forcing councils to re-think the way they deliver and this has left councils with difficult choices about reducing levels of service, increasing charges, changing and reducing their ambitions or innovating and changing what they do.

This business case sets out a detailed plan to re-model the council around customer outcomes and maximise self-service so that our specialist officers can focus on complex cases. It builds on the concept of blended and mobile working and creates a major opportunity for the workforce to work differently by removing unnecessary processes and organisational silos.

## **New ways of organising ourselves**

This report lays out a Future Operating Model (FOM) for the council, an implementation plan for a radical transformation of our technology architecture and a benefits realisation forecast to support the investment. This will be underpinned by significant people and culture change and the embracing of commercial aspirations.

## **Delivering financial benefits**

The current staffing numbers or FTEs (full time equivalents) posts have been mapped from activity analysis and a finance reconciliation of establishment and actual FTEs. As a result of this, a programme of staffing and service redesign has been assessed to enable transition to a FOM. As a result of this assessment, the number of FTE posts across the organisation would reduce by circa 10%.

In addition, a series of further service redesign and cost avoidance measures are proposed which do not impact on staffing changes. These amount to circa £440k. Furthermore, there are proposals for income generation in the region of totaling £250k.

Each of the figures has been rated as to the deliverability of the proposed benefits. For the purposes of the business case acid test, the aspirational savings, the most difficult to deliver, have been excluded for the purposes of ensuring the deliverable elements pay back the investment. The savings considered deliverable stand at £1.706 million. We have therefore

assumed that by 2025/26, the council will benefit from an improved annual revenue position of £1.706 million.

To support the significant change envisaged, there are a number of implementation costs which are described in the business case. These include external partner support, potential redundancy and digital costs. These costs total £1.612 million. These are essential to delivering a new operating model to support the deliverable annual savings of £1.706 million and total potential savings of £1.937 million. This results in payback over 1 year once the council has transitioned to the future operating model. The Medium Term Financial Plan will be predicated on these estimated costs and savings. The savings totals do not include items which cannot yet be quantified and include:

- potential increases in income arising from reviewing charges using the new Fees & Charges Policy which will commence from August 2022 with revised fees being built in from 2023/24 subject to Council approval as part of the Budget and MTFP process
- potential Shared Service opportunities are being explored as part of the Service Review Work Strand but these are in the discovery phase. Should they progress from the discovery phase then this total will be increased by any savings that are identified in the outline business case
- potential income from leasing space at Wallfields has not been included at this stage whilst officers explore the potential to let space “as is”, which would only be attractive to a very small number of potential tenants, and ascertain the refurbishment costs to bring space up to a market lettable standard to judge payback on the improvements.

There are no real, deliverable alternatives to this approach other than a continued reduction of front line and back office services over the course of the next five years and beyond. The resulting retraction of services would undermine the council’s corporate priorities and members’ aspiration that East Herts remains one of the best places in the county to live, work and visit.

## 2. East Herts Context

It needs to be recognised that advances in technology and changes in customer and resident behaviour mean different forms of service delivery are now possible.

The business sector has started to embrace different ways of working and provide services through different routes. This has been embraced by parts of local and central government, such as the DVLA, and has been accelerated during the Covid pandemic with the introduction of, for example, electronic vaccine passes.

An important lesson from the business sector is that the full benefits of channel shift and new technology cannot be derived from simply bolting on a new system to existing business models and service delivery; the whole business and operating model needs to be reviewed and transformed.

East Herts' corporate plan 'East Herts: a place to grow' and the work of the Transforming East Herts programme to date, reported to the Executive on 6<sup>th</sup> July 2021 and 23<sup>rd</sup> November 2021, recognise many of these challenges:

### **Improving customer experience, including access through digitisation (Customer Relationship Management – CRM)**

The vision for the Transforming East Herts programme approved by the Executive on 6<sup>th</sup> July 2022 is *'By 2025 East Herts Council will be a customer focused, financially sustainable, effective organisation with flexible, empowered employees'*.

The council's corporate plan states, *'The way people work, interact, and access goods and services is changing rapidly... the council will continue to transform its own services so they are more customer responsive and maximise the use of digital technology'*.

In order to deliver key objectives of the Transforming East Herts Programme, implementation of a new CRM system is recommended, with a total of up to £487k funded from the council's £3m corporate reserve transformation budget.

Through the digitisation of processes across the council's services, efficiencies will be achieved to enable officers to focus on higher priority work and/or provide greater direct customer support to those who require it.

With CRM, ('My East Herts'), a full 360-degree view of the customer can be created, regardless of who in the organisation is liaising with the customer. It also provides the opportunity to:

- Personalise communication

- Offer relevant content and service
- Respond quickly to customer requests
- Gain customer satisfaction feedback
- ....and ensure that no question goes unanswered

By having modern 24/7 online self-serve functionality, customers will have greater accessibility to relevant council services, as well as delivering a significantly improved customer experience.

The implementation of a CRM system and resulting channel shift will be key to securing the anticipated cost savings in the separate Corporate Business Support hub transformation piece. The following way forward is recommended, as it avoids the greatest risks to achieving the anticipated cashable savings brought about through the development of a Corporate Business Support hub:

- Drive out inefficient processes through the implementation of a CRM system, funded from the council's corporate reserve transformation budget
- Improve the customer experience and journey
- Reduce avoidable contact – direct this time to those customers who need specific assistance or to higher priority work
- Analyse and use the intelligence gained through the rollout of the CRM system and efficiencies achieved to feed into the central support resource (Corporate Business Support hub) service review to inform required resourcing going forward
- Deliver an efficient and effective Corporate Business Support hub, meeting the needs of the council and its customers
- Realise significant anticipated year on year cashable savings
- Meet corporate priorities and objectives of the council's transformation programme

### **Benefitting from a flexible and skilled workforce**

The report to the Executive on 6<sup>th</sup> July 2021 introducing the Transforming East Herts programme outlined the potential to be derived from a more flexible and skilled workforce; *'Working remotely has become a way of life for many but it is recognised that better collaboration takes place face to face and it is recognised that not all officers or members have found the transition as easy as others. Through Transforming East Herts it is proposed that blended, flexible ways of working are adopted to help reduce the councils carbon footprint, supporting*

*sustainability, reduce the required office space'.*

The report to the Executive went on to explain that the Transforming East Herts programme provides an *'opportunity to review how the council services are delivered to the customer and what we can achieve as an organisation to serve our residents even more efficiently and effectively'.*

In short, through the Transforming East Herts programme staff will have the ability to work more efficiently for the customer and our workforce plan development will set out future requirements for the organisation. We will continue to develop our skilled workforce with more digital skills, agility and a more flexible, coordinated approach to working across services.

### **Ensuring a sustainable budget**

Crucial to the Transforming East Herts programme is that we ensure we are *a 'financially sustainable council by transforming the staff and operations of the council and the amount of office space required'.* Thus:

- we will ensure we have proper arrangements in place for securing financial resilience. The Medium Term Financial Plan details our financial position and the resources allocated to service areas and capital projects that will enable the council priorities to be delivered
- proposals to resolve potential short and longer-term deficits have been developed and will continue to be as integral means of achieving the overall aspirations of the Transforming East Herts programme. Invest-to-save projects will achieve efficiencies and generate income, supporting this organisation to become sustainable in future years, whilst retaining the optimum level of value for money.

Delivery of the Transforming East Herts programme's ambitious goals is built on the need for organisational transformation more than simply service improvement and therefore it is necessary to understand the difference between the two.

<b>Service Improvement</b>	<b>Organisational Transformation</b>
<ul style="list-style-type: none"><li>• Retain vertical service units (often termed 'silos')</li><li>• Improve efficiency in these verticals</li><li>• Line of business applications integrates more effectively with portal and customer management.</li></ul>	<ul style="list-style-type: none"><li>• Remodel around customer outcomes, maximise self-service, leave specialists to focus on complex/ vulnerable cases</li><li>• Data management drives delivery</li><li>• Relationships built and data shared across specialist areas that support</li></ul>

	customer requests to get things right first time (thus reducing avoidable contact)
<b>Benefits</b> <ul style="list-style-type: none"> <li>• Remove Waste</li> <li>• Reduce paper</li> <li>• Increase automation</li> <li>• Digitise end to end</li> <li>• Remove unnecessary approval processes</li> <li>• Improve access</li> </ul>	<b>Benefits</b> <ul style="list-style-type: none"> <li>• Use workforce differently</li> <li>• Remove unnecessary silos</li> <li>• Drive self-service and reduce other channels for simple cases</li> </ul>

At the heart of the council’s thinking is a drive to provide the best, most cost-effective services possible. This will require organisational transformation across the whole council.

### 3. Overview of the Future Operating Model

The over-arching ambition propelling the Transforming East Herts programme is to:

- embark upon a major programme to transform the way the council operates
- deliver services to customers in ways that more flexibly meet their needs and expectations
- deal effectively with the council's future service and financial challenges.

To do this, East Herts has developed the concept on a new Future Operating Model (FOM) that identifies a different way of working for the council.

The Future Operating Model (FOM) provides a model of how the council can deliver services to customers and how the customer will interact with the council. This provides the rationale for how the work is done and what types of roles are required to deliver the work.

Understanding the difference between the operating model and organisational model is critical in helping understand the scope of the work to be done:

- the **operating model** lays out the types of activities the council completes and how they relate to one another
- the **organisational model** provides an internal framework for how the council organises itself to deliver the operating model. This drives considerations of spans of control, levels of seniority within role families and management structures required.

Inherently there will be choices the council will need to make concerning the organisational model with regard to any further changes to teams and individuals' roles to respond to any changes in the other parts of the operating model with changes needed to move from the 'as is' situation to the 'to be' set-up.

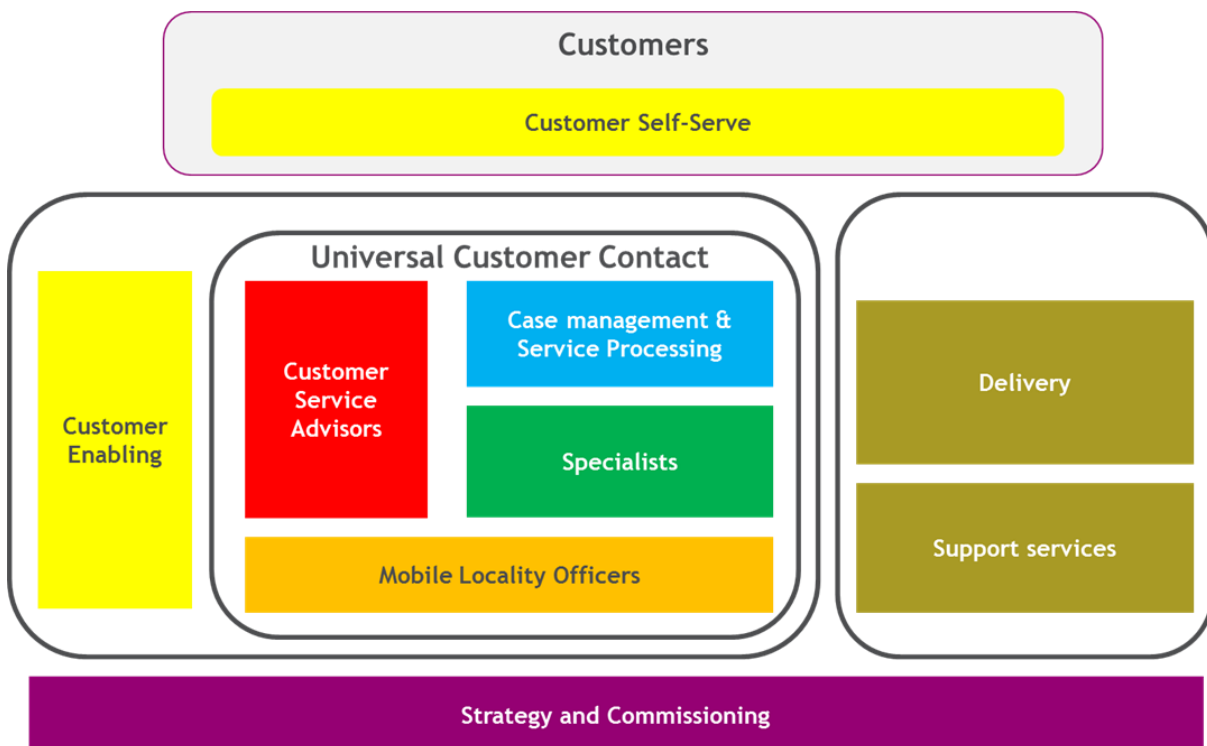
It is through the six key workstrands within the Transforming East Herts programme, first presented to the Executive at its meeting of 6<sup>th</sup> July 2021, that the shift from the 'as is' ways of working to the 'to be' structure will be delivered. The six workstrands are:

- Commercial approach
- Lean processes
- Modern workforce
- Modern workspace
- Technology

- Service reviews.

Experience gained in and from other councils indicates that a transformation programme across all these aspects is essential to release the full potential benefits of the FOM approach. Of course, the approach will need to be tailored to the East Herts context and it is recognised that based on the choices made, the organisational model will develop through detailed design aligned with our agreed design principles, local constraints and corporate ambitions.

The model as shown below has been gleaned from best practice across a number of local authorities.



The key components are:

- **Customers:** different customer groups access services in different ways. Some groups can be encouraged to self-serve online or draw on support from customer service staff only, whereas others may need to access the support of specialist staff more quickly
- **Strategy and Commissioning:** translates community/customer intelligence and political will and ambition into strategic direction, and commissions what's required to deliver this
- **Customer Enabling:** helps the community and customers to help themselves and in doing so reduce request for information and demand for services
- **Universal Customer Contact:** all activity associated with customer contact,



customer service, managing cases, resolving questions and issues (simple and complex), and scheduling input from others where required

- **Delivery:** delivery of core services, for example environmental health, waste collection, street cleaning
- **Support Services:** non-customer facing back office functions, much of which is transactional although some requires organisation-specific intelligence.

## 4. Implementation

### Moving into the implementation phase

Work is well underway on the Transforming East Herts programme. For each workstrand:

- a member of the Leadership Team has been assigned to drive forward the key actions
- a staff engagement session has been held to commence dialogue across the organisation and gather initial views
- regular check-and-challenge is provided by the council's Leadership Team.

Once this business plan has been approved by the Executive, the programme can proceed to the implementation phase.

### Change and engagement

The change and engagement work is about ensuring that all stakeholders of the programme are engaged, supported, involved and inspired. It ensures that the people of the organisation are kept informed and any potential negative views are heard and addressed.

To date, engagement has included:

- staff engagement sessions, open to all, have been held for each workstrand
- quarterly staff briefings give updates on the Transforming East Herts programme
- a 'change resilience' staff development programme has been delivered
- nine officers have been trained to the Six Sigma green belt standard to provide expertise within the lean process review programme across the council.

Further work to support the programme includes or will include:

- a new set of staff competencies that lay out the behaviours the council expects its officers to exhibit. These have been aligned to the Transforming East Herts programme and, for example, including a commercial thinking competency
- a Leadership Team development scheme to build transform knowledge and capability within the programme and ensure organisational readiness for change.

### Human Resources

Given the likely amount and pace of change, Human Resources input and expertise is essential. As noted above, considerable work has already commenced to prepare officers for

upcoming change, however, a whole schedule of Human Resource work will be required to enable the process of staff changing from one role to another in a fair, legal and equitable manner, whilst ensuring the wellbeing of all staff is considered. Some of the key elements of this work will need to be to:

- introduce the principles and required approach to manage the magnitude of the change within a Future Model transformation
- develop and deliver a short-term action plan of activities that need to be completed to prepare for implementation
- develop a plan of HR/restructure activities for implementation
- put in place any interim arrangements in readiness for implementation.

## The scope for financial savings and income

The Transforming East Herts programme has identified three broad means of delivering financial sustainability for the council. These are:

- **staffing redesign** – realigning functions and consequently defining new teams and/or job roles
- **service redesign and cost avoidance** – making savings from changing processes or the way the service is delivered or within a service offer altering the existing service level to allow a new service to be incorporated whilst the overall cost of the new service offer remains the same; being more commercial in our approach to procurement to avoid or reduce costs
- **income generation**– increasing income derived from existing ‘charged for’ services by ensuring fees and charges levied at least cover the costs expended by the council on those services; and creating new sources of income.

## Service re-design

The Lean Processes and Service Review workstrands are concerned with the enhancement of existing, and the delivery of new, capabilities within East Herts to improve the service and experience of residents, members, officers and partners interacting with the council. To achieve this, service re-design will have some primary aims, these being to:

- eliminate processes that do not add value to the organisation or its customers.
- simplify processes as much as possible to give a good customer experience for customers and staff
- standardise processes where possible, to speed up the build of new technology and provide a consistent experience for customers and staff
- automate any steps and stages in processes that remove manual effort

- enable tasks to be conducted by generic officers or processes wherever possible, thus freeing up professional staff to focus on more complex tasks and issues.

Processes subject to lean process reviews need to be:

- the most frequently used services, thus maximising the benefits of service redesign to residents and officers alike
- re-designed in ways that makes it better and easier for colleagues to deliver services to citizens and colleagues
- aligned to the new organisation design, new roles and ways of working.

Getting the process redesign right is expected to yield the following outcomes:

- a reduction in customer contacts and complaints
- improvements in the morale of officers operating these processes
- a significant increase in the take up of self service capabilities, requiring less resources and thus resulting in the realisation of financial savings.

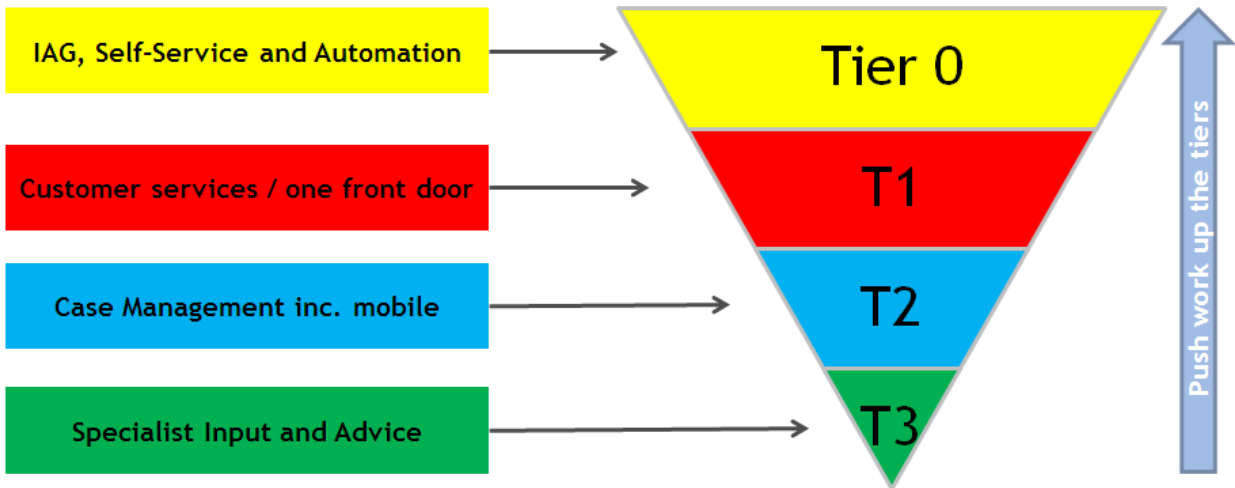
Central to the operating model is making sure the organisation and its processes are designed around the customer. To ensure the teams always have the customer at the forefront when redesigning a process, those leading lean process reviews will constantly refer to the design principles most aligned to the process on which they are working. They will utilise customer personas to understand and empathise with the proposed customer in order to design a process to meet the need of the customer.

Existing customer journeys will also be used to ensure the overall customer experience is enhanced. At the heart of the Lean Processes workstrand will be the testing of assumptions, solutions and redesigned processes with East Herts customers. This will allow the team to gain rapid feedback from the customer and learn quickly what will deliver an exceptional customer experience.

## **Technology assessment**

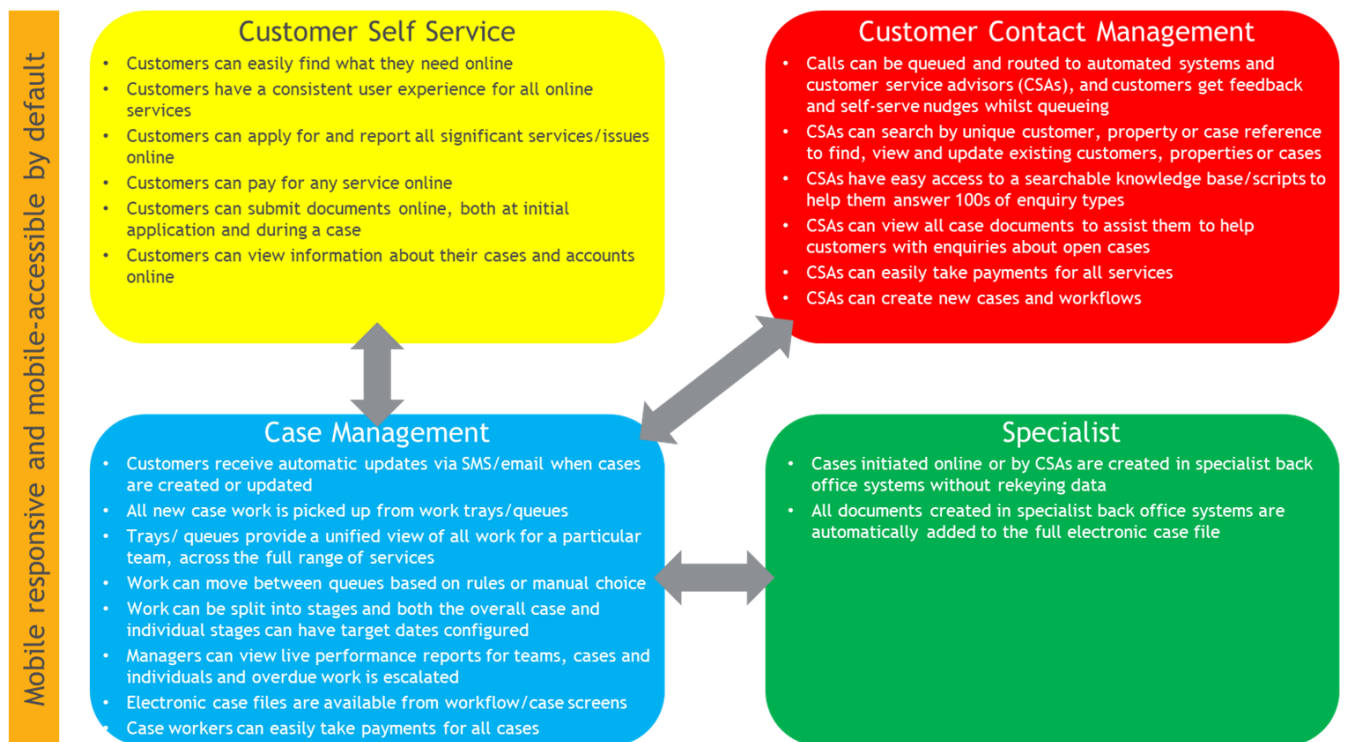
Improved and better integrated technology and systems are key to delivering the new ways of working advocated in the Future Operating Model. The specialist consultancy, Ignite, has provided the council with a detailed technology assessment.

Ignite has used service tiers to illustrate the concept that the more work an organisation can get done by the customer or by staff on the frontline at the first point of contact with the customer, the less that work tends to cost and the more control can be given to the customer. Different tiers are supported by different technology capabilities.



The table below highlights what the technology needs to be able to do for each tier of the core capabilities constituting the FOM activity types.

## Core Capabilities



## **Transition management**

Transition management is necessary to ensure that the 'lights are kept on' and services continue to be delivered while the council is transitioning and that skills, knowledge and contacts are handed over when appropriate. This also means making sure that staff moving into new roles are trained, engaged and supported to deliver the council services.

## 5. Business Case

### Summary of financial benefits to the council of the Transforming East Herts programme

The financial benefits deriving from each of the Transforming East Herts programme workstrands, and split into the different sources of financial benefit discussed above, are summarised in the table below.

The table lists the full year benefits to the council's revenue budgets. The profiling of the financial benefits across the coming three years is described in more detail in the subsequent sections of this chapter of the business case.

The invest-to-save costs that will need to be incurred by the council to deliver these financial benefits are laid out towards the end of this chapter.

Programme	£'000s			
	Staff redesign	Service redesign and cost avoidance (including staffing changes)	Income generation	Total financial benefit
<b>Target Savings</b>	<b>1,100</b>	<b>600</b>	<b>250</b>	<b>1,950</b>

Note 1 This does not include potential increases arising from reviewing charges using the new Fees & Charges Policy which will commence from August 2022 with revised fees being built in from 2023/24 subject to Council approval as part of the Budget and MTFP process.

Note 2 Potential Shared Service opportunities are being explored as part of the Service Review Work Strand but these are in the discovery phase. Should they progress from the discovery phase then this total will be increased by any savings that are identified in the outline business case.

Note 3 Potential income from leasing space at Wallfields has not been included at this stage whilst officers explore the potential to let space "as is", which would only be attractive to a very small number of potential tenants, and ascertain the refurbishment costs to bring space up to a market lettable standard to judge payback on the improvements

### Design principles

The over-arching design principles raised with the Executive on 6<sup>th</sup> July 2021 have been further developed as the Transforming East Herts programme has progressed. The following principles listed under each workstrand are seen as crucial to modern, cost-effective and

customer-focused approach.

<b>Workstrand</b>	<b>Design principles</b>
<b>Commercial approach</b>	<ul style="list-style-type: none"> <li>• Business-like behaviour</li> <li>• Being business-friendly</li> <li>• Promoting local economic growth</li> </ul>
<b>Lean processes</b>	<ul style="list-style-type: none"> <li>• Fewest number of steps for the customer</li> <li>• Professional officers freed from low level queries so they can deal with complex cases</li> <li>• Contact less and tell us once</li> </ul>
<b>Modern workforce</b>	<ul style="list-style-type: none"> <li>• Efficient blended and mobile working</li> <li>• Clear set of expected competencies</li> <li>• Use our skills and expertise effectively</li> <li>• Continuous staff development</li> </ul>
<b>Modern workspace</b>	<ul style="list-style-type: none"> <li>• Office design to promote collaborative working</li> <li>• Smaller, flexible, generic working spaces</li> </ul>
<b>Technology</b>	<ul style="list-style-type: none"> <li>• Digital by default so as to support customers to do more themselves</li> <li>• A single view of the customer</li> <li>• Seek to resolve customer's issues at first point of contact</li> <li>• Use of technology to help ensure compliance</li> <li>• IT solutions to underpin collaboration and communication</li> </ul>
<b>Service reviews</b>	<ul style="list-style-type: none"> <li>• Focus on the customer experience</li> <li>• Proactively prevent and shape demand</li> <li>• Openness to other service delivery models where this makes sense</li> <li>• Real time measurement and performance indicators to target areas for improvement</li> </ul>

These design principles will help the council make decisions that are consistent and in line with the benefits of the programme. These principles will assist East Herts to move forward as an organisation with a shared, common purpose, helping staff establish an understanding of 'business as usual' in the transformed organisation. These principles are already being used to support decision making and will continue to be utilised in this way.



## Benefit drivers

By embedding the design principles into the overall Transforming East Herts programme, each workstrand can be seen to contribute to the overall programme.

### Commercial

The Commercial workstrand is concerned with enabling the council to act in a more business-like and commercial way so as to increase revenues flowing into the council.

### Lean processes

The Lean Processes workstrand is concerned with driving out inefficient ways of working that hamper the council's ability to provide streamlined, easy-to-understand and easy-to-use processes from both the customer's and officer's perspective. This workstrand includes designing the staffing structure to enable nimble and lean back office systems.

Work on the Transforming East Herts programme to date regarding the council's provision of back office support and administrative functions has found:

- significant fragmentation of effort and no collaborative demand management
- high levels of manual processes and duplication within administration and frontline service teams
- a disproportionate amount of time and resource is being spent on business support activities
- work of a similar nature is carried out in all areas of the council without consistency and coordination in order to meet the demands of the customer and business
- staff engaged in support and administrative activities are often frustrated by lack of consistent systems, processes and development opportunities
- a high dependency on support staff to undertake low level tasks that could either be avoided altogether, such as 'double-keying', or could be replaced by more staff self-service, such as arranging meeting, taking notes in meetings.

Transforming the council's support and administrative functions is not a straightforward task that could be readily achieved by simply 'lifting-and-shifting' administrative staff distributed across the organisation into one single team. This alone would be address inefficient work practices or duplication of effort. Instead, a number of fundamental changes will need to be implemented in order to successfully deliver a more efficient, corporate administrative

operating model for support functions and the full amount of associated savings. A successful transformation requires:

- eliminating and simplifying policies and procedures across the full range of support and administrative functions in order to significantly reduce activity in this area where possible
- capturing significant amounts of information currently held by specialists across services within online portals and self-serve systems, thus improving information, advice and guidance to enable staff to self-serve easily and effectively
- expecting managers and staff to self-serve for a large number of simpler support service enquiries and activities that will be embedded into the council's intranet and automated, giving them enough guidance and support to ensure it becomes genuinely self-serve
- investing in modern, fit-for-purpose back office IT systems to enabling the redesign of the structure of the council's support and administrative function.

### **Modern workforce**

It is considered that the modern workforce workstrand is primarily concerned with 'facilitating' the transformation listed under the other workstrands rather than, of itself, delivering financial benefits. It is recognised that this workstrand is crucial to ensure the:

- separating out and defining the desired and necessary operational and strategic leadership and management activities and competencies
- provision of clearer more co-ordinated strategy, direction and priorities to better harness the efforts of the specialists in the council
- breaking down of any remaining silos in specialist teams and replacing them with communities of practice to encourage multi-disciplined teams to come together to address the priorities of the council.

### **Modern workspace**

This workstrand will deliver a number of significant benefits to the Transforming East Herts programme which can be broadly characterised as:

- ensuring the office space enables collaborative working
- ensuring the office space matches the Operating Model's expectation of blended working
- freeing up space within the council's existing offices that can be leased to others and/or hired out on an hourly basis in order to generate a revenue income stream.

It is recognised that in order to meet these aims, some investment will be needed in the Wallfields building to:

- improve its energy efficiency and in doing so reduce running costs
- maximise the attractiveness of the office space to prospective leases.

The council will seek out government grants wherever possible to support upgrades to the sustainability of the building.

## Technology

It is arguably self-evident that to transform the council to one built on a modern workforce, following customer-focused lean processes in modern workspaces, we need a fit-to-purpose IT platform and suite of interconnected software products. In 2021, the council invited the highly regarded IT consultancy, Ignite, to carry out an assessment of our overall approach to and use of technology.

Ignite's review found:

- in the absence of a strong strategic steer on the direction of the council's digital services, services have followed their own paths:
  - some have delivered standalone self-service solutions, for example, garden waste, housing options, council tax
  - others have struggled to make much progress without corporate support, for example environmental health, licensing
- the services that have standalone solutions are generally more satisfied, whereas those who have struggled to make progress are frustrated, both with suppliers and with the support received from the ICT service. Those that struggle often lack project management and business analyst support and look to the shared ICT service to provide this, but the skills and capacity do not exist there
- in adopting this approach, there has been little consideration of the impact on the customer or the council's customer services team. Both customers and customer services officers need to interact with many different systems and user interfaces
- the Transforming East Herts design principles suggest that the council wishes to move to a more customer-focused approach with a stronger 'one team' ethos, including a more efficient and empowered customer services team and integrated business support. This will require significant change over time.

Based on the above, it is apparent that the adoption of a 'single view of the customer' IT

system is fundamental to achieving the opportunities for customer-focused improvements and financial efficiencies presented by the Transforming East Herts programme.

The 'My East Herts' Portal will be a platform where customers can easily check their council tax, benefit payments, waste services and more, aligned to the following technology focussed design principles:

- **Technology**

- Digital by default so as to support customers to do more themselves
- A single view of the customer
- Seek to resolve customer's issues at first point of contact
- Use of technology to help ensure compliance
- IT solutions to underpin collaboration and communication

- **Lean processes**

- Fewest number of steps for the customer
- Professional officers freed from low level queries so they can deal with complex cases
- Contact less and tell us once

The Transforming East Herts programme will enable the council to continuously improve the lives of its residents, businesses and visitors by delivering what they require in a way which suits them and provides best value for taxpayers. We will ensure that those who are able to can take advantage of our self-servicing options allowing faster resolution for those customers who need to speak to us over the telephone or in person.

Latest Office of National Statistics (ONS) data highlight that 93% of people in Hertfordshire were users of the internet in 2020, with this figure no doubt rising as a result of the pandemic and increasing reliance on technology. Of course we will consider and make provisions for those who need telephone and face-to-face contact, to ensure our services remain accessible to all. So, regardless of the channel a customer is using to contact us, we need to have a culture of adding value to every transaction undertaken and seeking the root cause of a customer's issue, rather than just resolving the presenting need. This approach will always be hampered if the officer or the digital system being interacted with only has a partial view of the customer. We need to adopt a 'single view of the customer' (CRM) with the necessary IT infrastructure to support it. By having a system that can track every customer interaction with us, it is experience shows that a more efficient and improved service can be delivered to our residents. A 'single view of the customer' IT infrastructure will provide this.

The central component of a 'single view of the customer' IT solution is generally the creation

of a single shared customer database, allowing information to be collected once but used many times. The sharing of this customer data across the council, in conjunction with the functional tools provided by an IT solution, will allow the council to make the gains in both efficiency and effectiveness which are at the very heart of the Transforming East Herts programme. A 'single view of the customer' IT system could allow us to deal automatically with enquiries that originate over the web while also improving the ability of front line staff to resolve more complex issues at first contact.

Thus, the benefits to the Transforming East Herts programme of implementing a 'single view of the customer' system are:

- a single system to capture all customer contacts. This will enable the council to adopt a truly integrated approach to customer management which goes beyond simply traditional customer services function
- a swift capture of a customer's service record history of interaction with the council which would provide a mechanism for more effective handling of complaints, a proportion of which snowball as the complaint is passed around the organisation or because the customer is only provided with a partial response
- a single application for all customer service advisors to use as the primary system for capturing service user details and service requests
- improved performance management information and customer history. Deployment of a 'single view of the customer' system will automate contact record keeping and aid management reporting on individual service transaction volumes providing greater customer insight for future service improvements
- improved audit ability and security of transactions as the system's associated workflow and back office system integration will aid the recording of audit trails and provide and enhance security mechanisms outside the normal security functions within line of business systems
- consistent call answering processes because of the scripting capability of a 'single view of the customer' system whether applied to online, automated transactions, chatbots, online chat functions or telephone/face-to-face interactions. The system would ensure every transaction is delivered to the same consistent high quality
- increased call efficiency and value for money delivered by efficient service user and service request capture
- ultimately, increased customer satisfaction and improved reputation as we service customer requests more consistently and efficiently.

There are many applications on the market some of which lean heavily to the commercial

model and others than have been designed with local government working in mind. Equally, some of these applications will enable easier and cheaper integration with the council's back office data whereas others have not been designed with wider data integration in mind. In summary, the council's technology requirements to implement a 'single view of the customer' solution will have to be fully captured with the associated cost assumptions. Further review and validation will be needed before procurement.

Given the range of services we provide, the council's IT infrastructure will need to go beyond a 'single view of the customer' IT product, however, it is vital that the council maximises the functionality of the software it has already procured, such as MS 365 and Teams, and implements any new products within a 'single view of the customer' environment.

### **Current Position and the 'To Be' Customer Service Model**

In terms of customer experience, the council can make significant improvements from its current customer facing position by:

- Enabling a 'My East Herts' portal with online self-service functionality, to minimise the amount of avoidable contact with Customer Services and other services across the council
- Improving resolution of customer related transactional activity at the first point of contact, resulting in queries not being emailed to individual services for response
- Creating capacity released from reducing avoidable contact to direct officer time to where it is needed most. This may include improving council performance in a high priority or demand areas, such as current customer call answering rates, and/or provision of support and assistance to customers that require it

At present, approximately 75 processes across the council require manual intervention, whereby a customer enquiry or request is emailed to the relevant service for action.

There are currently three fully automated processes in place, i.e. replacement bin request, notification of a missed refuse collection and council tax (moving in/out) confirmation. A separate garden waste service was introduced early 2021 with a 92% online sign up, evidencing the demand for such customer self-serve digital functionality.

Through the implementation of a CRM system, current applicable processes (such as those that can be web form based) will move to fully automated end to end experiences, delivering a buy once and benefit many outcome to ensure the council's services continue to be relevant and represent value for money.

By introducing a CRM system it is possible to then look to bring all appropriate customer service-related activity into one place. This will create efficiency through economies of scale and cost savings through the separate Corporate Business Support hub business case.

Current (As-Is) customer service model (Figure 1)

As is illustrated, the current service model places demand and pressure on more costly specialist support teams and services resources, rather than the cheaper online option via customer self serve.

Figure 1



### Proposed 'To Be/CRM' customer service model (Figure 2)

In summary, a CRM system will:

- Drive channel shift to a lower cost more efficient customer self-serve model, with routine enquiries handled by either the customer or Customer Services, rather than the current 'as-is', whereby they are directed to specialist teams
- Deliver efficiencies by introducing leaner processes
- Improve customer call answer rates
- Increase accessibility to online council services
- Enable saved officer time to be redirected to those customers who require support/assistance
- Improve council customer information and data quality
- Enhance the customer experience and journey
- Lead the way to the development of a Corporate Business Support hub to realise cashable savings to the council
- Meet Corporate priorities and objectives of the council's transformation programme

The approach to be taken must support a move for the vast majority of customer contact to take place via the self serve portal. Ideally 90%+ of customer contact should be through the CRM self serve portal, including question/problem resolution. By limiting contact to the Customer Service team to more challenging or sensitive enquiries and contact to specialist support teams by exception for example professional planning advice, the greatest efficiencies and cost savings can be achieved.

Figure 2



### Outputs and outcomes

- Fully implement the govService CRM system and move the majority of customer contact to digital channels of communication
- Reduce current email, telephone and face-to-face customer queries received by Customer Services and council services

### The implementation of a CRM system will:

- Provide every council customer with the opportunity to self-serve, with their own Single Sign-On and online portal to track and view submitted service requests/queries/communications
- Achieve channel shift, by reducing the number of telephone queries to Customer Services and subsequent service areas across the council, by increasing online customer self-serve through the full launch of the CRM system
- Enable 24/7 access to services, e.g., bulky waste collections and other transactional services that are currently only available during office hours



- Direct officer capacity created to areas of higher, for example improving customer call answering rates
- Enable Customer Services to more easily assist the customer and view submitted service requests/queries/communications, increasing first call resolution
- Enable customers to pay for transactional services online (e.g., bulky waste collections) and make calendar bookings that will improve efficiency and the customer experience
- Reduce processing costs and manual intervention by council officers when carrying out transactional processes, which will release capacity
- Lead to the creation of a Corporate Business Support hub and unlock cashable savings
- Deliver greater customer satisfaction
- Meet corporate priorities and the objectives of the council's transformation programme

## Service reviews

A mature, confident organisation is one that embraces and indeed welcomes the opportunity to regularly review its services and challenge the status quo. This stance is at the heart of the council's approach to reviewing all its services.

Each head of service, together with their service managers, has been required to thoroughly analyse their existing structures and means of service delivery. The resulting service reviews have been subject to challenge by members of the Leadership Team and colleagues from across the council trained in the Six Sigma process review methodology.

In summary, each service review needed to examine current practices and address how to:

### **Enhance customer experience**

- improve the customer journey
- proactively prevent and shape demand
- encourage channel shift

### **Deliver organisational change**

- break down silo-working and/or support corporate organisational change by relocating/combining services across the council
- operate or explore operating through different service models, such as shared services

### **Identify financial savings**

- make cashable financial savings
- increase existing income streams and/or create new income
- avoid/minimise costs

**Benefit from continuous learning**

- identify the processes that should be prioritised for a lean process review
- continually make amendments to proposals stemming from the service review challenge sessions.

A wide range of new or amended ways of doing things have been identified which support the new Operating Model. Of note, service reviews have uncovered:

- simpler ways to access the data needed to perform jobs
- a recognition of which current process are most in need of more intuitive workflows and systems
- how better integrated technology providing a ‘joined up’ experience
- ways to remove duplication between teams and with delivery partners
- how in some cases we are doing too little of some tasks and too much of others
- how a failure to use the right systems for the right job.

## 6. Implementation Investment and Programme Payback

To deliver this scale of change, there is a need for a range of internal and external expertise to support the successful implementation of this operating model and technology solution. An initial assessment is described in the table below which show that these include implementation, external partner, redundancy and digital costs and total £1,603k. These are essential to delivering a new operating model to support the annual savings of £1,811k which results in payback after 1 year.

The Medium Term Financial Plan will include these estimated costs and savings. The costs will be met from existing reserves in line with the capital programme. Further options to meet the current budget savings requirement of £3.6 million are being developed for the council to consider. The net gain from this programme totals around £12.99million over a ten year period.

Title	Investment (£000)	Description
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<b>Title</b>	<b>Investment (£000)</b>	<b>Description</b>
<b>Interim East Herts Council resource</b>	185	<ul style="list-style-type: none"> <li>• Business and technology analysts to map processes and develop scripts</li> <li>• Additional IT capacity to support the implementation and change to systems</li> </ul>
<b>External Change and Implementation expertise</b>	128	<ul style="list-style-type: none"> <li>• Change management expertise to bring best practice approach to implementing such a complex multi-faceted change programme</li> <li>• Expertise to train, develop and support the wider team in technology implementation and includes implementation consultancy for new systems</li> </ul>
<b>Functional support</b>	100	<ul style="list-style-type: none"> <li>• HR, change and communications support to ensure the change processes are implemented and the workforce is supported through the change</li> </ul>
<b>Training</b>	29	<ul style="list-style-type: none"> <li>• Training and development to transition to new ways of working and to support the adoption of new technology</li> </ul>
<b>Technology including hardware and infrastructure</b>	260	<ul style="list-style-type: none"> <li>• To purchase of appropriate systems to enable digital service delivery, including: a 'single view of customer' system; replacement of the ICON income management and card payment system; upgrading the E5 Finance system to the cloud with simplified browser and mobile device access to enable self-service and workflow</li> <li>• Laptops and associated IT kit to enable blended working</li> </ul>
<b>Redundancy and pension strain Costs</b>	900	<ul style="list-style-type: none"> <li>• Costs associated with transitioning to the Future Operating Model</li> </ul>
<b>Total</b>	<b>1,602</b>	

## **Benefits realisation and timeline**

The financial savings realised through the programme will not be delivered all at once. Therefore, the order and timescales of the financial benefit realisation has been estimated based on the likely phasing of the programme. There is an assumption that the financial saving occurs at the end of each financial year. This assumption has been made as the majority of employees tend to leave at the end of the phase. However, financial savings are likely to be realised earlier in the process if employees leave earlier than expected.

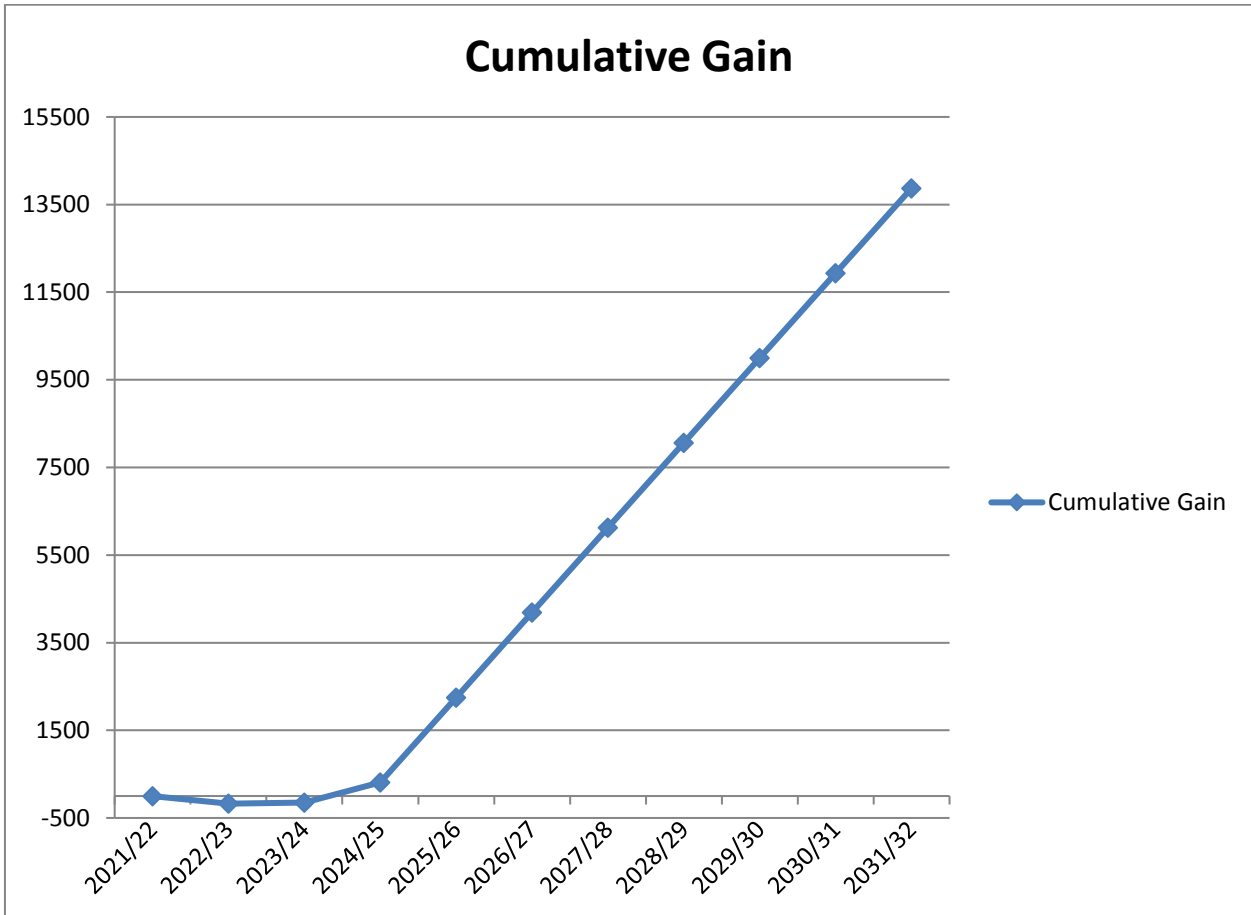
Financial benefits £000	Estimated financial saving in Year 2022/23	Estimated financial saving in Year 2023/24	Estimated financial saving in Year 2024/25	Total Estimated financial saving 22/23 – 24/25
Staffing redesign	150	450	500	<b>1,100</b>
Service Redesign		150	450	<b>600</b>
Income generation		250		<b>250</b>
<b>Total Savings</b>	<b>150</b>	<b>850</b>	<b>950</b>	<b>1,950</b>

## Programme payback

The above financial savings do not account for the costs of the programme. The table below outlines programme costs for which there is more detail in the implementation delivery in part above.

Costs of the Programme £000	Estimated costs in Year 2022/23	Estimated costs in Year 2023/24	Estimated costs in Year 2024/25	Total
Financial benefit	153	827	957	1,937
Invest-to-save costs	327	800	496	1,623
<b>Net benefits</b>	<b>-174</b>	<b>27</b>	<b>461</b>	<b>314</b>

Based on the figures in the two tables above, we have sought to model the net position in the below graph. This puts the financial savings against the various costs of investing in a large-scale transformation programme.



Our analysis shows the return on investment will be positive from 2024/25.

# 7. Implementation Plan

## Implementation approach

Key considerations from the FOM, organisational design, recruitment, process redesign and technology specification have been used to develop the implementation plan. These considerations drive the proposed high-level phasing of implementation.

The implementation plan has been developed based on best practice from other similar organisations and workstrand leads to ensure the plan is the best option for East Herts.

Implementation will be ordered in such a way that it:

- reduces reputational risks by transforming services that interact with the internal customer first, learning lessons from this before moving onto areas of the council that impact directly on the customer
- early identification of which officers will adopt the key leadership and management roles within the programme so that they can drive the change throughout the organisation and act as change champions for the programme
- allows transformation support and administrative functions to be underpinned by the right IT so that these officers are equipped to support the remainder of the organisation as it moves through its own transformation
- delivers key technology components and allows concepts to be thoroughly proven before they are deployed across the wider organisation
- builds the structures around customer interaction that will support the later phases of the programme in delivering the on-the-ground presence and customer enabling functions required to drive efficiencies and channel shift.

The implementation of the programme will be delivered in an agile manner. Some key agile principles are outlined below:

- programme and project goals are clearly and continuously aligned to business strategy
- benefits are realised incrementally and as early as possible
- governance focusses on creating coherent capability
- decision making powers are delegated to the lowest possible level.

A series of key activities to deliver the above objectives are already in place:

- a detailed programme plan with activities, dependencies and milestones which is kept up-to-date

- a programme risk and issue log
- the Leadership Team acting as the board for monitoring and assurance purposes
- a definition of the overall benefits and linked activity within the overall programme plan and financial savings
- Transforming East Herts programme meetings conducted in a professional and focused way
- development of an agile reporting process that is value add across the programme.

## Risk management

In creating the implementation plan for this significant change programme, risks have started to be considered at both the programme and service level. There is in place a risk-register for the programme which identifies the key risks and their mitigations. It includes:

- delay in programme implementation timetable
- not meeting the financial efficiency savings
- IT delays
- disruption to staff
- disruption to customers and business as usual.

In addition to these, there are a number of other key risks currently captured and tracked on the risk register.

## Governance

Governance through a Transformation Delivery Board has been established and the six work streams have been further focused to more closely align with our Corporate Priorities: We already have an established vision and set of corporate priorities that the transformation programme should align to. Our vision is that **'By 2025 we will be a customer focused, financially sustainable, effective organisation with flexible empowered employees'**. We will achieve this by putting **'Sustainability at the heart of everything we do,'** **'Enabling our communities,'** **'Encouraging economic growth,'** and being **'Digital by Design.'**

The Delivery Board will take the corporate priorities and pivot them to provide a structure to provide governance and oversight across its change and transformation programmes. The alignment provides consistency, clear communications of change and integrated with performance KPIs, a basis to deliver change that is understood by all staff.



Figure 1: EHC Corporate priorities

The Be Agile and Sustainable workstream refers to the ability of the council to be quick, resourceful, and adaptable to enable it to continue over the longer term.

Aligning to the corporate priorities also means that the workstreams have a life beyond the current transformation programme and can easily transition into continuous improvement activities as the transformation programme ends. Having a strong governance structure in place that has a life beyond the programme means that it reduces the risk of failure to maintain the integrity of transformed end-state and provides a clear approach for continued improvement.

In our 'future state' through transformation we will....		
Be Agile and Sustainable	Be Commercial	Be Digital
We will make changes to how the council manages its own premises, people, and services, by ensuring we are agile, efficient, financially sustainable, and modern in our approaches.	We will be business-like and develop new sources of income by being entrepreneurial innovative and creative.	We will make our digital services easy and the first channel of choice, becoming digital by default - freeing up time for customers with the highest need or those at risk
We will design our services to be quick, resourceful,	We will maximise existing revenue streams to ensure that we can continue to provide value for money services to customers.	We will use technology to modernise and simplify the



and adaptable.		way we work.
We will have sustainable premises to work from, and an agile sustainable workforce and approach to service delivery that is future proofed for years to come		We will maximize the use of data and technology to provide customers with a smooth customer experience.
<b>Enable our communities:</b> By focusing on the above corporate priorities our fourth priority to 'enable our communities' will be effectively supported by improving the customer experience and enabling us to move towards being a truly customer focused organisation.		

### Governance of change that reflects our Corporate Priorities

The Corporate Priorities provide a solid foundation for our change activities and aligning them will give a more transparent line of sight to organisational change. Often transformational change requires input, engagement, and cooperation from across organisations to achieve shared outcomes and outputs beyond traditional organisational line management boundaries. The Corporate Priorities provide a clear themed scope.

The priority workstream approach to governance will provide–

- **A clear line of sight** between change and outcomes against the priority workstreams.
- **Visible leadership** for each priority workstream to lead at the delivery group level to drive success and change across the organisation. All workstream delivery group members are expected to champion and be a vocal advocate across all priority workstreams.
- **Clear Communications.** Communicating change and outcomes for projects and change will become easier organised around our priority workstreams to support focused messages and be consistent with our overall communications promoting our Corporate Priorities.
  - New proposals for change and existing projects will become more accessible and clarify the outcome and **project benefits** sought.
- **Rebalance the programme of projects.** Provide better insight into projects and programmes or refocus and develop new thinking on how to deliver against our priority workstreams. Any gaps can be quickly addressed as a result.
- **Performance financial savings and KPIs.** By providing a clear link between priority workstreams and our savings and performance and KPI data, EHC will be able to address issues and have intervention plans to address poor KPIs or even where

KPIs trend analysis indicates an early intervention is required. EHC will become more agile and responsive to our performance data.

- **Provide more cross-group collaboration and thinking.** By bringing together senior leaders from across EHC around the priority workstream themes, better collaboration and innovative thinking can be promoted. The workstream delivery groups are encouraged to establish other project task groups for further cross-collaboration into specific areas under specific priority workstream issues.
- **Better oversight and reporting.** By coalescing around our priority workstreams the reporting and management will become more transparent around key themes, financial savings and performance KPIs. In addition, we will be better able to report to the Programme Board progress against each priority workstream.
- **Scaling the transformation.** Transformation and change require active participation from across EHC with all employees. The proactive engagement across our senior leaders delivering the consistent message is essential and with the priority workstreams we will be better positioned to provide any change management and communications. An inclusive one team EHC participatory approach is required if not vital to embed the change.
- **Remove team barriers.** Creating organisational-wide change requires cross organisational boundaries. The priority workstream delivery groups will have scope and mandate to drive change to pursue the priority workstream seeking to solve problems independent of service or team boundaries.

The development of our Corporate Priorities set the blueprint for what success looks like and our aspiration to be a strong, modern, efficient, commercial organisation delivering financial savings and a smooth digital experience for our customers. The corporate vision has set the foundation and the proposed priority workstreams show how they can be leveraged for change across EHC as outlined below

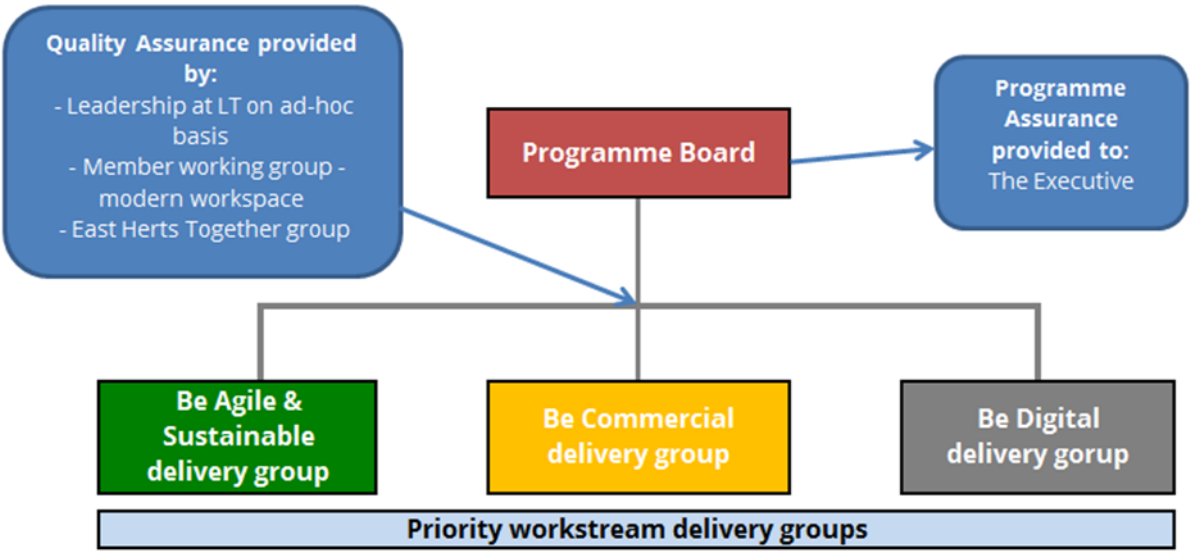
The Transformation **Programme Board** is required to oversee the strategy, overall prioritisation and strategic decision making for change across EHC. Those who sit on the programme board must have authority and decision-making capacity proportional to the board objectives. For the purposes of balanced decision making there must be more than two members of the board.

The board is chaired by the Senior Responsible Officer (SRO) otherwise known as the Programme Sponsor, who takes executive responsibility for decisions relating to the programme. For best practice governance, there must be distinction between those who make decisions and sit on the Board and those who report to it. Specialist advisers can contribute critical items and advise the board to aid decision making.

Programme Board membership;

<b>Name</b>	<b>Position</b>	<b>Role on Board</b>
Helen Standen	Deputy Chief Executive	Chair (SRO)
Richard Cassidy	Chief Executive	Board member
James Ellis	Head of Legal and democratic services	Board member

Steven Linnett	Head of strategic finance & property	Specialist advisor
Simon O'Hear	Head of HR and OD	Specialist advisor
Lindsey Creed	Communications manager	Specialist advisor



## 8. Conclusion


The Transforming East Herts programme aims to achieve service improvements and genuine efficiency savings rather than purely a reduction in service provision and simply scaling back the council's ambitions. It will ensure that the council is a forward thinking and agile organisation which better addresses future challenges and opportunities.

Not changing means standing still while the world changes around us. Failing to do this now means a greater risk that services will not be sustainable in the future, risking a continued reduction of frontline and back office services over the course of the next five years and beyond.


# Commercial Strategy

**Transforming East Herts**



 @Eastherts

 EastHertsDC

 easthertscouncil

01279 655261

[www.eastherts.gov.uk](http://www.eastherts.gov.uk)





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# Introducing our commercial strategy

## Introduction

The Transforming East Herts Programme has created the opportunity for East Herts to explore new ways of working and undertake activities which produce an income to support the council's statutory functions and other priorities. Successfully being more commercial will better position the council to protect frontline services for our community.

In recent years the council has been very successful in improving its financial position by undertaking procurement exercises in partnership with other local authorities, using capital investment to reduce running costs and providing services to other councils. The council also established Millstream Property Investments Limited which, through the provision of good quality private rented properties at or near the Local Housing Allowance rent, provides a revenue stream of around £160,000 a year to the council

This commercial strategy aims to address the financial challenges currently facing the public sector, which are unlikely to change in the near future. Therefore, it is important that the council reviews the way it performs its statutory and discretionary functions by investigating and implementing new ways of working to improve the council's financial position. This includes staff thinking in a more commercial way and the council empowering officers to take appropriate decisions as close to the customer as possible. The traditional hierarchical unit with decisions being made "up the line" is not sufficiently agile or cost effective for public services in the 21<sup>st</sup> Century.

This strategy is intended to provide a consistent approach and guidance, for officers and councillors to work within, in taking potential income generating ideas through to



a successful commercially product. The strategy is underpinned by commercial competencies for staff and managers and training will be delivered to ensure that these new competencies are embedded in the first year.

The Commercial Strategy will be supported by an annual delivery plan detailing the specific work programmes and projects that will help achieve our commercial ambitions.

## Why have a Commercial Strategy?

The Commercial Strategy has been drawn up as part of the Transforming East Herts Programme. The Programme's key aim is to make the council financially sustainable by modernising the way the council operates through investment in technology and investment in our staff. The council recognises a key part of this is for the council and its staff to become more commercial in its operations and the way that staff think. This involves embracing a different commercial culture in terms of how we think and act to ensure our services are provided as efficiently and effectively as possible.

This Commercial Strategy sets out how we will encourage a commercial mind-set which will deliver: continuous improvement; the identification of potential new ways of working; and new opportunities that will generate income which will improve the council's financial position and help maintain services. However, in order to do that Members and Senior Officers will need to embrace that this new thinking involves identifying the right opportunities, broadening the council's risk appetite, taking some risks and accepting that some investments/projects will fail.

### Need for culture change

Traditionally, commercialism and income generation are not concepts associated with local government. The Localism Act 2010 gave local authorities more freedom to generate income through commercial activities, such as charging and trading, as long as it is in line with their existing powers and not specifically prohibited by legislation. Although legislation now encourages commercial behaviour, local authorities do not necessarily have a mind-set whereby acting entrepreneurially to create new revenue streams is a driving force. Local authorities are responsible for taxpayers' money and are democratically held to account for their actions and, as a result, Members and officers tend to be very risk averse in their attitudes. A change in risk appetite to

accept carefully evaluated risks is required in order for the potential rewards to be delivered.

East Herts recognises that this needs to change and this strategy seeks to provide the focus to instil a more commercial culture amongst council staff and Members, alongside accepting that risk is not something to avoid but to understand and manage and that failure will occur and will be seen as a learning opportunity and not used to demotivate staff or make staff risk averse through fear of reprimand. Whilst reviewing service areas, evaluating performance or setting targets, officers at all levels will need to consider opportunities to generate income and make efficiency savings as one of their priorities. Ensuring that all service areas are as productive and efficient as possible can play an important role in bridging the funding gap. In line with this, we will continue to adopt a 'user pays' approach as outlined in our Fees and Charges Policy adopted by Council on 15 December 2021. The Fees and Charges Policy introduced the requirement to always calculate a price that recovers the full cost of the service being provided before consideration is given to marketplace prices or concessions. A standard full cost recovery hourly rate has been calculated centrally by Finance for teams to use in their pricing calculations. There is clear evidence in the fees and charges set locally that the council has set its prices below full cost recovery which any commercial organisation would not do other than deliberately as a time bound "loss leader" to gain market share, often in new markets.

East Herts already has a good track record of making efficiency savings by sharing services, shared procurement of major outsourced services (e.g. Refuse, Recycling and Street Cleansing) and creating wholly or jointly owned companies to trade. The current financial outlook for local authorities makes it necessary for the council to

continually strive for cashable efficiency savings and income generation to maintain a balanced budget. Thus, East Herts must adopt a more commercial approach to:

- internal operational efficiency and continuous process improvement;
- identifying new income streams and reviewing all current charges to ensure full cost recovery as the norm;
- identifying and taking to market new commercial products and services;
- being more commercial about the standard of service offered and where the service provided is of too high a standard, reducing that standard to the market norm (this is often described as providing a gold standard service when the market norm is bronze level). As part of this and, where legislation permits, the council may take a commercial decision to still offer the gold standard service at a premium price; and
- being more commercial about what is not “core business” and can be better done by others or not done at all, especially where there is no statutory or contractual requirement to provide services.

# What being commercial means for East Herts Council

Put simply, being more commercial means helping to safeguard and develop frontline services by:

- providing a positive contribution to the council's financial position by
  - creating extra revenue
  - avoiding unnecessary costs
  - increasing efficiency
- developing staff to provide new skills which can be applied to council service delivery
- transforming the council into an innovative workplace which continuously learns and improves, and
- bringing benefits to the local economy and supply chain.

Any commercial operations will be:

- focused on delivering a social return on investment rather than on profit alone
- compatible with the principles, values and commitments set out in our Corporate Plan
- limited in the geographic extent of their operations to the boundaries of the administrative county of Hertfordshire (express permission may be granted by Full Council to increase the geographic extent of a venture on the recommendation of the Executive)
- designed to fill gaps in the existing market or be the sole or main provider in a market that is under developed in Hertfordshire, and
- where a company is formed: limited by shares; formally held accountable by the Annual Shareholders Meeting; independent in their operations with no Member or officer acting as a shadow director at any time; and part of a group

of East Herts wholly owned companies to limit the number of required Directors drawn from Leadership Team and to speed up the formation of new companies as and when required.

### **From strategy to action**

This new approach will require officers and members alike to look at our duties, powers and, importantly, opportunities and risk in a new way.

We will put a commercial approach into actions in four key ways:

- creating a more commercial culture – ensuring members and officers have the relevant skills, experience and mind-set to generate new revenue streams and make efficiency savings for the council;
- undertaking new, or, expanding existing income generating projects which will provide a social return on investment as well as a financial return;
- change our risk appetite so that we accept risks that we have measured and can manage that lead to reward, including accepting the risk of failure which we will embrace as a learning opportunity; and
- projects will be selected to provide a diverse portfolio of investments in terms of risk and market segmentation. Due to the council's current investments in property related funds and Millstream Property Investments Ltd, no projects that involve property will be taken forward until the current investment levels in property have been significantly reduced.

### **Social return on investment**

East Herts will target commercial activity towards offering community, environmental or local economic returns on investment, as well as financial benefits for the council.

Unlike most private organisations, we will not necessarily seek the highest profit generating opportunities but will pursue projects with win-win benefits that create new revenue streams and meet corporate objectives.

East Herts will set out to illustrate that it is possible to pursue profit, whilst also having the best interests of our residents at heart. This principle has the added advantage of helping to manage reputational risk, in the sense that if a commercial project fails to make a profit, it will have at least contributed to the community in other ways.

## **New attitudes to risk**

An integral part of becoming more commercially minded and creating new revenue streams involves changing attitudes amongst staff and members to risk and failure. This strategy encourages an appetite for calculated risk taking and embracing the learning from initiatives that fail to achieve expected outcomes.

Understandably, local authorities have historically been risk averse, as they are responsible for taxpayers' money and are democratically held to account for their actions. The reality now faced by councils up and down the country is that if we do nothing to increase our income, the services we provide for our residents will be unsustainable at current levels. New opportunities to raise revenue always come with risks, but, by accepting, where appropriate, and managing those risks then the rewards from investing will be delivered for the benefit of East Herts taxpayers.

## **Mitigating and controlling risk**

The council will encourage its staff to take risks based on informed decisions that identify and assess the potential costs, benefits and the likelihood of success of a commercial project. Corporate tools such as a standard business case and risk register can be used to ensure that all potential outcomes are considered and any appropriate mitigation measures are taken. Exit strategies will also be put in place, to ensure the council can pull out of projects that may not be delivering expected outcomes. These risk management techniques are already in use by the council's wholly owned housing company, Millstream Property Investments Ltd, and the council's own major capital investment projects. Having these mitigation measures in place will assist the council in becoming risk aware as opposed to risk averse. Appendix 1 to this strategy sets out the process for taking commercial ideas from conception to market. The process has "gateways" at the end of each stage to ensure that all the points have been addressed and challenge will ensure optimism bias is not leading to inappropriate risk taking.



## New mind-set, new skills – investing in our people

The adoption of this commercial strategy is the first step in instilling a commercial culture within the council. The next steps are to ensure that staff and Members have the relevant skills and expertise to make a success of commercialisation and embed a more commercial mind-set and a more commercial culture into the council.

Staff competencies have been identified and are now included in the Personal Development Review process so that officers understand how commercial skills assist the delivery of the Corporate Plan and development needs can be reviewed annually. These commercial competencies are shown in Appendix 2.

We recognise that we will need to develop and implement a commercial skills training programme to develop and embed the types of skills that are required to ensure all staff and councillors are better positioned to operate in a more commercially minded council. Training and development programmes are likely to cover:

- Market analysis
- Understanding the supply chain
- Developing a business case
- Commercial risk management
- Cash flow training
- Financial modelling and forecasting
- Business accounting
- Legal vehicles for Council commercial activities
- Commercial target setting
- Marketing

- Specification writing
- Contract management
- Duties of Company Directors

A selection of courses could form a 'Commercial Council' training pathway with formal accreditation from an appropriate provider. This would emphasise the importance East Herts attaches to these skills and will be explored as part of the procurement of the skills training.

### **Learning from others**

As the council proceeds along its commercial journey, it will be important to learn from others. We highly value the opportunity to be involved with, and gain additional knowledge and support from, other public, private and voluntary sector organisations.

We will seek out opportunities for learning from others through professional networks and events, whilst ensuring that any financial outlay is fully justified. Additionally, the council will explore the possibility of developing a peer learning group with other local authorities in Hertfordshire to share best practice and potentially identify opportunities to join up existing commercial ventures or create new ones co-owned by a number of authorities such as Hertfordshire Building Control Ltd.

## How the council can deliver new opportunities

The council can deliver new opportunities in different ways. The right way will depend on the opportunity and any legislation that requires the council to act in a particular way.

### As a council service

This involves providing a service that the council already provides or is ancillary to a service it provides, for example trade waste, and marketing it towards existing or new customers in order to achieve business growth.

This is usually the least risky growth strategy as the council already has processes in place to provide the service and the spare capacity to deliver it. It is, however, a limited market solely within its administrative boundaries and needs to be carefully managed so that the council does not distort the market through price advantage – for example we must set trade waste prices at above full cost recovery for trade waste as commercial operators must charge 20% VAT whilst the council has a specific legislative exemption from doing so.

### As a council to other councils and public sector bodies

This involves providing the service to other public sector organisations either within our administrative boundaries, for example town councils and parish councils, or outside of East Herts, to other local authorities or defined public sector bodies.

The Local Authority (Goods and Services) Act 1970 permits the council to enter into agreements with public bodies for the provision of goods, materials, and administrative, professional and technical services, for the use of vehicles, plant and apparatus, and for the carrying out of maintenance work for other local authorities.

### Direct to the public

This involves trading either through existing council structures or through a Local Authority Trading Company (LATC) to provide a service to the public. If the service is delivered through the council structures then the service must be: limited to within

the council's boundaries only; and on a cost recovery basis only and it cannot set out to make a profit. To compete over a wider area or to trade for the purposes of profit then a LATC is legally required.

### **Trading at a profit**

Trading at a profit or outside the administrative boundaries of East Herts requires the establishment of a LATC. Any commercial proposals will need to be backed up by a robust business case, be an investment that pays back within 10 years and with detailed risk management arrangements that includes an exit strategy. It is essential that all commercial proposals follow the procedures set out in Appendix 1 before being submitted for approval by the Executive. This will allow Members to be assured that the proposals have reduced or mitigated any risks and ensure there is every possibility of success in the commercial venture.

### **Investing to save - support to deliver commercial proposals**

Clearly the council would not, and indeed could not feasibly, pursue all opportunities in established market sectors. Ideas will be requested from staff and Members at least annually but more probably every 6 months. These ideas will then be reviewed by the Heads of: Strategic Finance & Property; Operations; and Housing & Health and a list of no more than 6 ideas will be approved for detailed evaluation. The evaluation will then follow the process in Appendix 1 that sets out a step-by-step guide to using the commercial framework to assess commercial opportunities and plan a response.

The council will need provide officers involved in commercial proposals with support in areas such as sales, marketing and business development to ensure that we are able to maximise opportunities. In staff engagement on the commercial strategy there were a number of suggestions for new income streams that merit further investigation but there is not currently capacity within the council to take that work forward. We will consider how best to strengthen our capacity, which may include

redeploying and reskilling existing officers, buying in specialist expertise from time-to-time or creating new commercially-focused posts.

## **The trajectory for generating income**

The council's commercial approach is not a 'quick fix' solution to a challenging financial position. It is a medium to long-term programme that should deliver lasting financial and social benefits for the district, throughout and beyond the next decade. The commercialisation approach is open to all council services (or elements of services), therefore it is important that all services continue to investigate ways of improving their services and explore ways of introducing commercial opportunities to improve them financially. As ideas are taken through the evaluation process and on to market the council recognises the need to invest in these ideas and that with start-up costs and lead-in times before income is generated, it is likely that there will be relatively modest financial returns in the early years. As with many new businesses, as confidence in our ability, capacity and capability develop, it is anticipated that the financial returns will grow.

## **Annual Action Plans**

The Commercial Strategy will be supported by annual plans and reviews that will be incorporated into the council's annual budget setting and MTFP process. As discussed above, all new initiatives will be fully explored and robustly challenged and if the outline business case demonstrates the initiative is worth pursuing a detailed business case will be produced. If the proposal is approved by members, outputs will be measured against those included in the approved business case.

Measuring the success of this commercial strategy within the council is not straightforward – additional income can be easily recorded but costs avoided or efficiency increases are less easy to see and record. Even more difficult to baseline and measure changes in are staff approaches to approaching work and redesigning

processes. The commercial strategy is intended as an enabler of aspects of the Transforming East Herts Programme, particularly lean processes, service reviews and how we use our investment in technology such as Microsoft 365.

## **Links to other East Herts strategies and policies**

The Commercial Strategy has been designed to align with and complement other key documents that contribute towards the overall success of East Herts. In particular, this strategy has been aligned to:

- East Herts Corporate Plan – SEED, A Place to Grow
- Medium Term Financial Plan
- Transforming East Herts Programme.

## A Guide for Using the Commercial Framework

This guide is designed to help you use the Commercial Framework to develop a business case. It includes questions that you need to think about and answer in the business case as well as links to other resources that you might find useful.

### Stage 1 – The idea

Questions to answer	Guidance
Describe the commercial idea you have...	What is the purpose or vision for your business? What will it look like in five years' time? How much will it be turning over? How much profit will be generated? How many staff and customer will be involved?
What are the proposed benefits?	How does this add value to your customer? What problem would it solve for them?
What is the purpose or vision for your business?	
What features should it have?	
What is the social return on investment?	These are the non-financial returns your idea will generate. How does it link to corporate SEED objectives? Does it add social value as well as achieving business objectives?
What other benefits are there?	

## Appendix 1

### Useful resources:

Advice on how to easily explain your idea...	<a href="http://www.startupdonut.co.uk/blog/2011/10/how-easily-can-you-explain-your-business-idea">http://www.startupdonut.co.uk/blog/2011/10/how-easily-can-you-explain-your-business-idea</a>
Article on selling value, not just features and benefits...	<a href="http://www.inc.com/geoffrey-james/how-to-sell-value-benefits-or-features.html">http://www.inc.com/geoffrey-james/how-to-sell-value-benefits-or-features.html</a>
Defining vision (and beyond...)	<a href="http://www.strategicmgmtresources.com/DevelopingYourCo.html">http://www.strategicmgmtresources.com/DevelopingYourCo.html</a>
Informative article on Value Proposition and links to more analysis tools	<a href="http://www.forbes.com/sites/michaelskok/2013/06/14/4-steps-to-building-a-compelling-value-proposition/">http://www.forbes.com/sites/michaelskok/2013/06/14/4-steps-to-building-a-compelling-value-proposition/</a>
Definitions of Business to Business (B2B) and Business to Consumer (B2C)	<a href="http://www.marketingterms.com/dictionary/b2c/">http://www.marketingterms.com/dictionary/b2c/</a> <a href="http://www.marketingterms.com/dictionary/b2b/">http://www.marketingterms.com/dictionary/b2b/</a>
East Herts Council Social Value Policy	



## Stage 2 – the operating environment

### Questions to answer

Analyse the future operating environment using PESTLE analysis

#### **P - Political**

What political factors impact our organisation, the market and potential customers?

Consider:

Trading policies;

Funding, grants and initiatives;

Home market lobbying/pressure groups;

Local authority rules/ local bylaws etc.;

International pressure groups;

Wars and conflict;

Governmental leadership; Government structures Government policies; Government term and change; Elections;

Inter-country relationships/attitudes;

Terrorism;

Political trends;

Internal political issues;

Shareholder/ stakeholder needs/ demands

#### **E - Economic**

What economic factors impact our organisation, the market and potential customers?

Consider:

Home economic situation; Home economic trends;

Overseas economies and trends;

General taxation issues;

Taxation changes specific to product/services;

Seasonality/weather issues;

Market and trade cycles;

Specific industry factors;

Market routes and distribution trends;

Customer/end-user drivers;

International trade/monetary issues;

Disposable income;

Job growth/unemployment;  
Exchange rates;  
Tariff and Non-Tariff barriers;  
Inflation;  
Interest and exchange rates;  
Consumer confidence index;  
Import/export ratios;  
Production level;  
Internal finance;  
Internal cash flow

### **S - Social/Cultural**

What factors in society or cultural issues impact our organisation, the market and potential customers?

Consider:

Consumer attitudes and opinions;  
Media views;  
Law changes affecting social factors;  
Brand, company, technology image;  
Consumer buying patterns;  
Major events and influences;  
Buying access and trends;  
Ethnic/religious factors;  
Advertising and publicity;  
Ethical issues;  
Demographics (age, gender, race, family size,);  
Lifestyle changes;  
Population shifts;  
Education;  
Trends versus Fads;  
Diversity;  
Immigration/emigration;  
Health;  
Living standards;  
Housing trends;  
Fashion & role models;

Attitudes to work;  
Attitudes to people doing certain types of work;  
Leisure activities;  
Occupations;  
Earning capacity

### **T - Technological**

What technological factors impact our organisation, the market and potential customers?

Consider:

What's happening technology-wise?

What could change?

What could impact our organisation, the market and potential customers?

Technology is leaping every two years, is your product related to technology that has no discernible future (think how fast CRT televisions got replaced by LED flatscreens)?

Are there barriers to entry in given markets?

Will technology make changes to financial decisions like outsourcing and insourcing?

### **L - Legal**

What legal factors impact our organisation, the market and potential customers?

Consider:

What legal issues should be considered?

Is anything changing that we know about?

How could this impact our organisation, the market and potential customers?

Current legislation domestic market;

Future legislation;

European/international legislation;

Regulatory bodies and processes;

Environmental regulations;

Employment law;

Consumer protection;

Industry-specific regulations;

Competition regulations

### **E - Environmental**

What environmental factors impact our organisation, the market and potential customers?

Consider:

- International; National; Local; Environmental regulations;
- Customer values;
- Market values;
- Stakeholder/ investor values;
- Staff attitudes;
- Management style;
- Organisational culture;
- Staff morale;
- Staff engagement;
- International market and product factors

Can you operate within the circular economy and if not how are materials sourced and waste minimised?

The business should reach net zero by 2030 – what are the barriers?

Water management plan as water becomes a scarcer resource

Can production be scheduled to take advantage of overnight cheaper electricity prices?

### Useful resources:

Link to Pestle (US) analysis of Starbucks	<a href="http://www.slideshare.net/phongv/starbucks-pestle-analysis?next_slideshow=1">http://www.slideshare.net/phongv/starbucks-pestle-analysis?next_slideshow=1</a>
Prezi - mind map with examples of Pestle analysis	<a href="http://prezi.com/s-9c8ri3yo-n/?utm_campaign=share&amp;utm_medium=copy&amp;rc=ex0share">http://prezi.com/s-9c8ri3yo-n/?utm_campaign=share&amp;utm_medium=copy&amp;rc=ex0share</a>
Blog on Coca Cola	<a href="https://cypplc.wordpress.com/2014/02/09/macroeconomic-factors-affecting-coca-cola-pestle-anyabolotaeva/">https://cypplc.wordpress.com/2014/02/09/macroeconomic-factors-affecting-coca-cola-pestle-anyabolotaeva/</a>
Political, Economic, Social, Technological, Legal, Environmental (PESTLE) analysis for Coca Cola	<a href="http://www.scribd.com/doc/18975870/Pestal-Analysis-of-Coke#scribd">http://www.scribd.com/doc/18975870/Pestal-Analysis-of-Coke#scribd</a>
Example of McDonalds PESTLE	<a href="http://mcdonalds600.weebly.com/pestel-analysis.html">http://mcdonalds600.weebly.com/pestel-analysis.html</a>

## Stage 3 – Meeting the threshold

Questions to answer	Guidance
What are the 'threshold' and competency expectations of the market?	Put yourself in the shoes of your customers... What do they absolutely expect from you in terms of your resources and competencies?
Can you deliver the resources threshold? What resources do you have?	Resources are buildings, equipment, staff
What resources don't you have?	Resources are buildings, equipment, staff
Can you deliver the competencies threshold? What competencies do you have?	Competencies are knowledge, skills and processes
What competencies don't you have?	Competencies are knowledge, skills and processes
What resources or competencies do you have that are unique?	Challenge yourself, or find a 'critical friend'.... Are these really unique? <b><u>Are they really!?</u></b>
How much does it cost to maintain/offer that uniqueness?	
How does the uniqueness add value?	What problem does it solve for the customer? Does this pass the 'So What?' test?

### Useful resources:

Example of Starbucks threshold...	<a href="http://research-methodology.net/starbucks-strategic-capabilities/">http://research-methodology.net/starbucks-strategic-capabilities/</a>
Blog on threshold resources	<a href="http://www.innovationforgrowth.co.uk/Blog/what-are-resources-and-competences/">http://www.innovationforgrowth.co.uk/Blog/what-are-resources-and-competences/</a>
Article on Unique Selling Proposition (USP)	<a href="http://www.convinceandconvert.com/digital-marketing/5-ways-to-develop-a-unique-selling-proposition/">http://www.convinceandconvert.com/digital-marketing/5-ways-to-develop-a-unique-selling-proposition/</a>

## Appendix 1

Short video - 'So What' test - stop watching at 01:44 to avoid the advert!	<a href="https://www.youtube.com/watch?v=rUVf_oQQn44">https://www.youtube.com/watch?v=rUVf_oQQn44</a>
Example of McDonalds PESTLE	<a href="http://mcdonalds600.weebly.com/pestel-analysis.html">http://mcdonalds600.weebly.com/pestel-analysis.html</a>

## Stage 4 – Knowing the customer

Questions to answer	Guidance
Who are your top 5 customer segments?	<p>No <b>one size fits all</b> or <b>silver bullet answers!</b></p> <p>Define your customers into meaningful groups, this will vary for different business/service types.</p> <p>Could be based on: age; income or budget; demographic, geography; skills and qualifications and/or their level of needs (deprivation, rural sparse v urban dense)</p>
Describe your target customer(s)?	<p>It can help to give them a name e.g. “Rural retirees”.</p> <p>Do they vary by Product/service?</p> <p>What are their demographics?</p> <p>What do they watch and read?</p> <p>Where do they ‘hang out’, especially online?</p>
What are their needs?	<p>This should be backed by evidence. Anecdote is not evidence.</p>
How are you going to solve a problem for them?	
How much do they currently buy?	
Whom do they buy from?	
How much do they pay?	
Are they in contractual agreements?	
How many customers are there?	
How much of the market do you expect to win?	

## Useful resources:

Slideshare on McDonalds - customer segments slide 13-14	<a href="http://www.slideshare.net/pmpuneetone/mcdonalds-10448554">http://www.slideshare.net/pmpuneetone/mcdonalds-10448554</a>
Article on customer segmentation	<a href="http://www.innovationforgrowth.co.uk/Blog/what-are-resources-and-competences/">http://www.innovationforgrowth.co.uk/Blog/what-are-resources-and-competences/</a>
Different ways to understand customers' needs...	<a href="http://www.marketingdonut.co.uk/marketing/customer-care/understanding-your-customers">http://www.marketingdonut.co.uk/marketing/customer-care/understanding-your-customers</a>



## Stage 5 – knowing the competition

Questions to answer	Guidance
Which are the main forms of competition?	<p><b>Budget Competition</b> – budget spent in two separate ways to meet separate needs (e.g. I choose to pay for an annual season ticket instead of spending the money on a car personal contract)</p>
	<p><b>Generic competition</b> – same product delivered in a different way (e.g. I can take the dog to be groomed at the shop or I can have the dog groomed at home by the mobile groomer in her van)</p>
	<p><b>Brand competition</b> – consumers purchase almost identical products at almost identical prices but choose based on the producer brand (e.g. Ariel or Persil washing powder)</p>
Is there anything else you can think of which would affect competition?	<p><b>Internal substitution</b> – consumers produce their own rather than purchase in the market (e.g. I make packed lunch at home and eat that at work instead of buying lunch )</p>
What are the strengths and weaknesses of the competition?	
How much do the main competitors charge?	

### Useful resources:

Using SWOT Analysis in your plans	<a href="https://www.youtube.com/watch?v=F61jgtEZLsA">https://www.youtube.com/watch?v=F61jgtEZLsA</a>
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## Stage 6 – Cost, price and profit

Questions to answer	Guidance
What will it cost to deliver the idea?	Include both capital costs and revenue costs
What's the breakeven point?	How many units must you sell in order for your income to equal costs
To make a profit how will your costs compare to the competition and customer expectations?	
What is the expected return on investment over a three year period?	Divide profit by costs and multiply by 100
What is your pricing strategy?	

### Useful resources:

Article on cost benefit analysis	<a href="http://www.brighthubpm.com/project-planning/58181-writing-a-cost-benefit-analysis/">http://www.brighthubpm.com/project-planning/58181-writing-a-cost-benefit-analysis/</a>
Article on pricing	<a href="http://www.referenceforbusiness.com/small/Op-Qu/Pricing.html">http://www.referenceforbusiness.com/small/Op-Qu/Pricing.html</a>

## Stage 7 Product, Position, Price, Promotion

Questions to answer	Guidance
How will you position yourself in the market?	<b>Attribute positioning</b> – something that you do others don't
	<b>Benefit positioning</b> – a benefit you create others don't
	<b>Competitor positioning</b> – how you are better than your competitors
	<b>Quality positioning</b> – how your quality is better than others
	<b>Price positioning</b> – how you are better value than others
What's your Unique Selling Point (USP)/Unique Value Proposition (UVP) ?	Complete the brand positioning statement below
<p>For [Target customers]            Who [Have the following problem]            Our product is a [describe the product or solution] That provides [cite the breakthrough capability] Unlike [reference competition],            Our product/solution [describe the key point of competitive differentiation]</p>	

### Useful resources:

You Tube video example of coffee shop and Innocent brand	<a href="https://www.youtube.com/watch?v=AZ5INph02_0">https://www.youtube.com/watch?v=AZ5INph02_0</a>
What's a brand?	<a href="https://www.youtube.com/watch?v=k5016fh7TgQ">https://www.youtube.com/watch?v=k5016fh7TgQ</a>
Innocent Marketing	<a href="http://www.slideshare.net/petyang/innocent-marketing?qid=934e7cf2-82ea-4daf-b7c1-ce93a5307d9a&amp;v=default&amp;b=&amp;from_search=1">http://www.slideshare.net/petyang/innocent-marketing?qid=934e7cf2-82ea-4daf-b7c1-ce93a5307d9a&amp;v=default&amp;b=&amp;from_search=1</a>
Coca Cola 4 Ps - Product, Place, Price, Promotion	<a href="http://www.slideshare.net/AmitavaSengupta3/coca-cola-4-p-s-28156663?related=1">http://www.slideshare.net/AmitavaSengupta3/coca-cola-4-p-s-28156663?related=1</a>
Positioning Statement	<a href="https://www.thebuzzfactoree.com/how-to-write-a-kick-butt-brand-positioning-statement/">https://www.thebuzzfactoree.com/how-to-write-a-kick-butt-brand-positioning-statement/</a>

### Stage 8 – Managing Risk

Create a risk register for this idea using the Corporate Risk Register standard format.

Identify each risk that could cause the idea to either make a loss or would it stop it getting to market or would cause its sale to be withdrawn.

The risk should be scored on the basis of likelihood and impact as it is on the date of scoring taking into account all the controls and mitigations in place. It is not necessary to provide a raw risk score and a residual risk score after mitigations and controls, just put the residual risk score. These are scored out of 4 on each scale. An even number has been chosen deliberately as people tend to choose the middle score when odd numbers are used e.g. on a scale of 5 the majority of scores would be 3 as people tend to score in the middle. An even number scale forces a more accurate assessment of likelihood and impact as people will not want to say the risk is higher unless it is and they also want to avoid under appreciating risk scores. The risk profile of individual ideas will be scored independently by the reviewers before they look at the scores from the team developing the idea. This will ensure that that the risks evaluated by the idea team is sound and provides confidence that they will manage risk going forward.

The trigger is that event which causes the risk to occur. For example, if the risk of an unsafe product being on sale could cause the failure of this scheme, then this event would be triggered by The Office for Product Safety and Standards issuing a Product Safety Recall or a Product Safety Report or a Product Safety Alert.

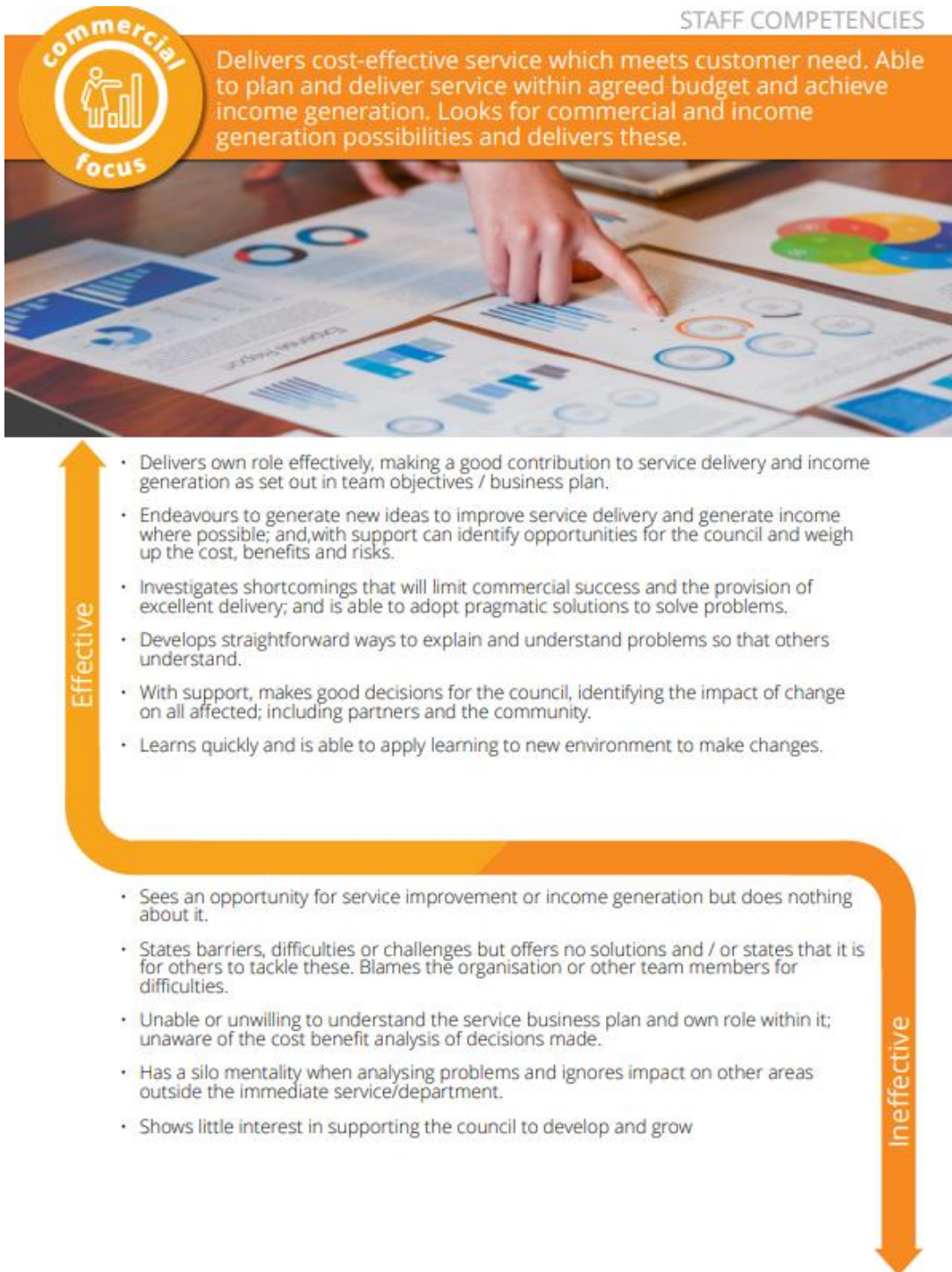
Consequences are where you describe what happens as a result of the risk having occurred. For product safety that would be: loss of confidence and future sales; loss

## Appendix 1

of revenue through having to refund money; costs of writing down stock and disposing of it; jeopardises going concern judgement; potential litigation from customers; depending on nature of product and impact this may be subject to a public enquiry.

Mitigations and controls are what you have in place to eliminate or reduce the risk.

## Staff Commercial Competencies



## Manager Commercial Competencies

