Report

Report to:	**Performance and Review Scrutiny Forum**
Date of Meeting:	**18 May 2010**
Report by:	**Executive Director (Housing and Technical Resources)**

Subject:	**Homeworking – incorporating flexible and mobile working**

1. Purpose of Report

1.1. The purpose of the report is to:-

- ♦ Advise the Performance and Review Scrutiny Forum of progress against the approved Terms of Reference.
- ♦ Summarise the outcomes of the studies carried out by BT following award of contract for development of a Workstyle Management Business Case.
- ♦ Document the evaluations of the Leadership Development Group on the feasibility of adopting Alternative Workstyles, including flexible, mobile and home working within the Council.
- ♦ Set out the Leadership Group's recommendations on how implementation of Alternative Workstyles should be taken forward.

2. Recommendation(s)

2.1. The Forum is asked to approve the following recommendation(s):-

(1) Note the conclusions of the group and the detailed recommendations at Section 7.

(2) Note the recommendation that implementation of Alternative Workstyles, including flexible, mobile and home working should not form a standalone project

(3) Note that implementation of Alternative Workstyles must be assumed outcomes of other projects, including all property, employee, Best Value and Lean reviews

3. Background

3.1. On 29 July 2008, the CMT approved the terms of reference for the Leadership Development Group. The remit of the group is '*Homeworking – incorporating flexible and mobile working'.*

3.2. The primary objectives of the project are to
- identify areas of best practice in home, mobile and flexible working within the private and public sector;
- identify opportunities for extending or introducing these concepts within the Council;
- identify efficiencies and cost savings;
- identify costs associated with implementation;
- highlight potential improvements in service delivery and performance;
- identify strengths and areas for development.

3.3. Following an initial high level study undertaken by BT at no cost, and following a presentation of the initial Business Case, the CMT approved award of a contract, following tender, to BT. The objective of this contract was to undertake a series of detailed studies with a view to presenting a detailed business case into the implementation of Alternative Workstyles within South Lanarkshire Council.

3.4. This detailed study involved a number of tasks;
- Resource Workshops
- Space Utilisation Study
- Day in the Life of Study
- Property Review
- IT Review
- Preparation of a business case with variations

3.5. In addition to the work being undertaken with BT, other studies have been carried out by the Group into how other public sector organisations were approaching implementation of Alternative Workstyles. These have included;

3.5.1. Case studies from Project Nomad, specifically focussing on public sector examples. Project Nomad is an organisation comprised of representatives from public sector organisations tasked with promoting implementation of mobile solutions across the public sector.

3.5.2. Other local authorities, including Aberdeenshire Council, Fife Council, Dundee City Council, Leeds City Council and Surrey Council.

3.5.3. Internal flexible working schemes, including the Social Work Flexible Working Pilot in East Kilbride.

3.5.4. A Workstyle transformation presentation by BT, which highlighted how the transformation process was implemented within BT itself.

4. **Outcome of BT Study**

4.1. The studies undertaken by BT have delivered some positive results, and have indicated that there are potential financial and asset management benefits from implementation of Alternative Workstyles within future SLC projects.

4.1.1. **The Resource Workshops** indicated a high level of staff willingness (72%) amongst attendees to consider Alternative Workstyles. However it should be noted that the attendees at the workshops may not be fully representative of the Council as a whole.

4.1.2. **The Space Utilisation Study** showed that there is potential for a reduction in the number of properties used to deliver services, through property consolidation and adoption of different workstyles. The study was carried out in three buildings with an average utilisation of desk space of only 60%. The occupancy figures for each building are:

- Headquarters   63%
- Montrose House   54%
- Civic Centre   58%

4.1.3. **The Day in the Life of Study** showed significant levels of meeting attendance, working out of the office and working independently, indicating that there is a potential for adoption of Alternative Workstyles and increased levels of flexible working. This study identified a potential efficiency improvement of 10.94%, although there is no guarantee of achieving this level of efficiency gain over the Council as a whole.

4.1.4. In their final report BT present a base business case and two variations to the Council. All result in an estimated Return on Investment (ROI) which varies from 15% to 57%. This level of return is driven by four main factors; the number of employees adopting new styles of working (adopters), the adoption profile or speed of adoption, improved employee efficiency and the productivity profile namely the speed with which this efficiency could be achieved.

4.1.5. The summary of the three developed BT business cases is:

	Investment Required	Efficiency Gain	Other Savings	Total Savings	%age affected (Impact rate)	Adopters (Adoption Rate)	Return on Investment
Base Case	£10.8m	£11.2m	£2.0m	£13.2m	42%	1658 (33%)	22%
Best Case	£11.0m	£15.3m	£2.0m	£17.3m	42%	1658 (33%)	57%
Minimum Acceptable Case	£8.8m	£8.6m	£1.5m	£10.1m	32%	1278 (26%)	15%

4.2. The main cost elements which account for approximately 60% of total investment are desk moves, broadband provision and IT on-line support and infrastructure. The primary saving is employee time derived from improved efficiency rates ranging from 7.5% to 9.5%. Efficiency gains account for between 85% and 88% of all savings with property savings mainly making up the balance. Refer to Appendix One for a summary of the main drivers and the impact these have on business case costs, savings and returns.

4.3. The key elements of the BT base business case are:

- 4990 employees in total were identified as being within scope for consideration as suitable for potentially adopting Alternative Workstyles. Within the base business case 2073 were identified as being affected by the potential implementation, an impact rate of 42%.
- 2073 employees affected by the change of which 1658 would adopt flexible, mobile and home working styles. The balance are fixed workers who nevertheless attract a cost
- FTE adoption rate of 33%
- An efficiency improvement of 7.5%
- Full efficiency gain by year 4 of a 5 year programme
- Total cost £10.8M and total savings £13.2M to provide a net return of £2.4M over 5 years namely a 22% ROI

Refer to Appendix Two for a phasing of the base case over five years. This base case was varied to reflect an ambitious productivity profile with full gains accruing by year 3 rather than year 4 to form a best case scenario. A minimum ROI of 15% was set to generate a minimum acceptable business case. The Leadership Group has

evaluated the variations presented in the BT report and has decided that the 15% ROI case best reflects the balance of benefits against risk associated with the potential gains available.

4.4.   Although a full Property Review was not undertaken by BT due to the internal work underway on Asset Management, information was provided on property costs to inform the preparation of the BT business cases and final report.

4.5.   A programme is currently underway within IT Services to assess business requirements, options and costs for implementation of Alternative Workstyles. A full IT review was not undertaken by BT as part of the remit agreed, however outline costs for IT infrastructure required to support implementation were passed to BT to enable the business case report to be developed.

5.   Evaluation of BT Study
5.1.   The opinion of the Leadership Group is that implementation of Alternative Workstyles is not viable as a standalone project.

5.2.   The Group does not consider that either the base or best case as defined by BT is achievable as neither business case fully considers all of the factors involved, including IT costs. Furthermore, an assessment of the risk attached to the base business case presented by BT indicates a high level of risk in taking it forward in isolation of other work. For example, a variance in the estimated costs and anticipated savings of 10% or more completely erodes the ROI of 22%. See Appendix One.

5.3.   The identified potential ROI in the BT business case can only be achieved if efficiency gains can easily be translated into post savings. This would require a fundamental change to existing working practices and structures to allow individual disparate employee efficiency gains to be consolidated into common posts. It is felt that the Council would be unlikely to accrue the full level of post deletions required to fully achieve the potential financial savings through efficiency gains.

5.4.   The developed BT business case does not take into account the pending loss of posts from the management and clerical/ admin diagnostic so there is a risk of double count nor does it allow for the cost of redundancy which creates a risk of underestimated costs. If a conservative redundancy cost risk is built in to even BT's best case scenario the 57% ROI would also be eroded over the five year programme. Full savings from posts are assumed to accrue after five years. It should be noted that property sale values have also been excluded from the business cases. Appendix Three lists a further suite of risks which increase the concern over implementation of Alternative Workstyles as a stand alone project.

5.5.   One of the reasons for involving BT was that the organisation had experience of actual implementation of Alternative Workstyles within its own structure. This has been of significant benefit during the process, but it is also clear that the implementation within a private sector organisation may be more straightforward than in the public sector, although it is the opinion of the Group that the Council could accrue significant benefits from implementation within the scope of existing or future projects.

5.6. In order to be able to measure the achievement of efficiency gains, it is important to know the starting point. To achieve this, part of each review where Alternative Workstyles is being considered, an assessment of existing performance and efficiency measures is required, in addition measurable outcomes are required to enable any actual efficiency gains accrued to be identified over an agreed period

5.7. There are a number of other reviews underway that have an implication on working practices. It is the view of the Group that implementation of Alternative Workstyles as a project could impact on how the outcomes of these other Reviews are implemented and that there is a danger of double counting in respect of potential efficiency savings. These other Groups include:

- Asset Management
- Management Structures
- Customer Contact
- Finance Management Review
- Clerical and Admin Review
- Strategy and Policy Review
- Core and Non-Core Services.

6. General Evaluation Points

6.1. Contact with other Councils, which has formed a major element of the work of the Leadership Group, has shown that to date there is no local authority implementing Alternative Workstyles on an authority-wide scale. Very few other local authorities are much further advanced than SLC in implementation of Alternative Workstyles and most are adopting a cautious approach, linking implementation to establishment of new Headquarter building, incorporating Alternative Workstyles into other projects already identified or proceeding with small pilot projects.

6.2. The studies indicate that the potential for savings on property costs is more easily achieved through implementation of Alternative Workstyles. The extent of the savings is limited and overlaps to some extent with savings being identified through other work streams under National Diagnostics. Alternative Workstyles however, have to be seen as an enabler to efficiency and property savings, and its implementation should be employed to maximise the use of buildings and free up properties for disposal. This should be deployed where appropriate through Accommodation Strategy and Asset Management projects to enable savings to be made.

6.3. The culture change involved in implementing Alternative Workstyles should not be underestimated. The changes involved for both employees and management are significant and will involve development of clear guidance, policy and management style development. The impact on employees adopting Alternative Workstyles should not be underestimated. Trade Union involvement and cooperation will be central to any implementation.

6.4. The IT infrastructure required to support Alternative Workstyles is now industry standard and available, although at this time not fully tested within the Council. However to support Alternative Workstyles, significant front-end investment would be required. In addition factors including existing and ongoing leases for hardware, and the potential requirement to replace desktop equipment with laptops and other portable devices would have to be taken into account when estimating the potential for savings. It is likely to have a significant impact on ongoing support resources within IT Services.

6.5. There is a possible risk of performance dipping initially following implementation of Alternative Workstyles before efficiency gains begin to accrue. This factor should be considered when assessing and evaluating the success of any implementations.

6.6. In order to calculate efficiency gains it is vital to have clear and accurate Performance and Productivity Outcomes defined for all aspects of the business. In addition it is important that operational management reports are available to enable clear understanding of objectives and outcomes. A key element of implementation will involve a review of existing processes through Business Change to identify efficient and effective business processes capable of supporting Alternative Workstyles.

6.7. It is advisable to implement collaboration and appropriate communication tools to provide a framework for effective Alternative Workstyles. These enable sharing of information between workers, and also help managers and colleagues to have a clear picture of where employees are, who is available for contact and what employees are working on at any point in the day.

6.8. Management trust is a key element of effective implementation. This again highlights the need for effective performance outcomes and measures to be in place.

6.9. The final report to CMT on the Social Work Flexible Working pilot in East Kilbride recommended assessing opportunities across the Council for implementation of other flexible working projects. There are a number of examples of examples of this being taken forward including the implementation of mobile working within Housing and Technical Resources but overall there has been no major uptake of this type of project. To try to ensure that the benefits of this type of review are undertaken in the future it is recommended that Alternative Workstyle is embedded in all future reviews. This principle is expanded within section 7 of this report.

6.10. A strength of adoption of Alternative Workstyles is that it is seen by employees as a benefit in that it improves the work/life balance as well as improving employee morale.

7. Recommendations

7.1. The objective of the Group was to identify whether there were any potential benefits to SLC in the implementation of Alternative Workstyles. From the studies undertaken and evidence from other public Sector organisations it is accepted by the Group that this is indeed the case, and that there is potential for some efficiency savings and service improvements through implementation.

7.2. All future Property Reviews should presume that Alternative Workstyles are possible and will be implemented unless a clear and approved business case is presented outlining why this cannot be achieved. Property Evaluation Project documentation should be amended accordingly to set this out as a standard approach for all projects. **Responsibility: All Executive Directors and Asset Management within Housing and Technical Resources.**

7.3. All Employee/Workforce Reviews should include an assumed outcome that Alternative Workstyles could bring efficiency and financial benefits to the Council unless a clear business case demonstrates why this is not possible. This should form a standard part of the remit and terms of reference of all such studies. **Responsibility: All Executive Directors and Corporate Personnel Services.**

7.4. All Best Value and Lean Reviews should include an assumed outcome of implemented Alternative Workstyles as part of the terms of reference and remit. Guidance should be amended accordingly to set out how this will be incorporated into the review process. **Responsibility: All Executive Directors and the Continuous Improvement Unit**

7.5. All reviews of IT systems and solutions should include as part of the remit an evaluation of how Alternative Workstyles can be implemented or accommodated as part of any implementation, with an assumption that this will be the outcome. The IT Checklist should be amended to include this requirement. **Responsibility: Head of IT Services.**

7.6. In addition to the above formal review processes, Alternative Workstyles should be assessed whenever appropriate, for example when approaching the end of lease for a building. **Responsibility: All Executive Directors**.

7.7. Resources should also consider the benefits of Alternative Workstyles outwith the formal review process e.g. best value, lean thinking as opportunities may exist to implement this at local levels without major disruption or costs providing improved service delivery or financial efficiencies. **Responsibility: All Executive Directors**

7.8. Management guidance should be amended by Corporate Resources to highlight the role Alternative Workstyles can play in delivering financial savings and efficiency improvements This should form part of Management Development and training, with a particular emphasis on cultural change and management style in respect of managing employees operating different workstyles. This should include a focus on performance and productivity outcomes as a means of assessing targets and service delivery. Corporate Resources is best placed to take this forward and to identify how it should be presented, for example within the Management Development Programme, management guidance, training, etc**. Responsibility: Employee Development within Corporate Resources.**

7.9. A review of performance measures should form a key element of the remit of all projects where implementation of Alternative Workstyles is being considered to ensure that effective outcome-based models are implemented. **Responsibility: All Executive Directors**

7.10. The Group recommends that the principle of Alternative Workstyles be mainstreamed into all projects as outlined above with work on this commencing from April 2010.

8. Employee Implications

8.1. The employee implications arising from this report are dependent on the approach adopted following presentation of this report and the extent to which the findings are taken forward.

8.2. Implementation of Alternative Workstyles, will involve consultation with senior managers, Trade Unions, employees and Executive Directors across South Lanarkshire Council.

8.3. There are likely to be further employee implications if the approach adopted is to consider Alternative Workstyles, as part of other reviews, either already underway or carried out inn the future.

8.4. If projects go forward with identified efficiency savings this will need to be translated into a reduction in posts if savings are to be accrued.

9. Financial Implications

9.1. There are significant financial implications in taking forward implementation of Alternative Workstyles, as a standalone project

9.2. All projects where implementation of Alternative Workstyles forms a key project task, or is deemed appropriate and suitable, will require to include detailed costs and potential savings as a section in the business case.

9.3. In BT's base case there would be no return until year 3 of the project and to achieve a full return of 22%, an investment of £10.8m would be needed over 5 years. This financial position together with the high risk nature of the project led the Leadership Group to conclude that this base case scenario is not the most likely outcome. PRSF is advised that a more likely outcome would be a maximum return of 15% for an investment of £8.8m over 5 years. This is less attractive and still carries the risk that productivity gain may not fully translate into cash savings. For these financial reasons the project is not recommended as a stand alone initiative.

10. Other Implications

10.1. It is important to consider the potential impact on the reputation of the Council through implementation of Alternative Workstyles. This should take account of the perception of the public in respect of council employees adopting home working or flexible workstyles.

10.2. An IT programme has recently been established to evaluate options for implementation within SLC of appropriate technologies to support Alternative Workstyles including flexible working. This programme is split into 6 specific technology areas with a project lead for each responsible for evaluation and recommendation of appropriate technology solutions. The programme timescale is intended to coincide with the introduction of Alternative Workstyles through identified projects. It is likely that investment proposals for implementation of corporate solutions will be identified and included in reports emanating from this group and will require approval and associated budgets in order for implementation to proceed.

10.3. In order to minimise costs and to ensure effective support of new technologies it will be critical to adopt standard technologies in any hardware and software implementation supporting Alternative Workstyles. Where possible, proprietary solutions using non-standard technologies should be avoided. This will help ensure economies of scale are achieved.

11. Equality Impact Assessment and Consultation Arrangements

11.1. Consultation by group members has taken place as follows:
- SLC Social Work Resources
- SLC IT Services
- National Diagnostic Team
- Other Local Authorities
- BT
- JTUC

11.2. There will be a requirement for consultation with employees, Trade Unions, Resources and Elected Members should long-term development plans be taken forward by the Council.

11.3. Equality Impact Assessments on any updated policies and procedures would need to be undertaken by the Council and Resources.

Executive Director (Housing and Technical Resources)

9 February 2010

Link(s) to Council Objectives

- Improve the quality of services
- Promote sustainable development
- Efficiency and effectiveness
- Modernise Services
- Maximise Resources
- Excellent Employer

Previous References

- None

List of Background Papers

- Leadership Development Programme Agreed Terms of Reference 29th July 2008
- Proving Efficiencies – mini case studies from Nomad – developed in conjunction with local authorities 2006 (www.projectnomad.org.uk)
- Work Style Transformation South Lanarkshire Council – Doug Tonner BT September 2008

Contact for Further Information
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