

Organisation Design Business Case Update

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Confidentiality: **Open**

1. Issue

- 1.1 To advise the Board on minor changes and updating to the Organisational Design business case, and to update the board on progress in developing the operating model for support services.

2. Recommendation

- 2.1 The Board is asked to review and endorse revisions to the business case, and note progress.

3. Consideration

- 3.1 The Board agreed the original business case on 24 March 2009. The proposition was based on proposals made to the Board in December 2008.
- 3.1 Phase one of the project (establishing the new directorates) was implemented on time and to budget. Phase two of the project makes changes to the organisation's arrangements for the delivery of support services. Phase two will be completed in April 2010. Implementation has taken longer than originally anticipated, in part because recently introduced Cabinet Office protocols required an extended period of consultation.
- 3.2 The business case has been revised to show minor changes to the cost profile of the project. The detail is set out in **Table one** within the Risks and Financial Considerations section below for the Board to review and endorse. The main cost increases are in ongoing employment costs and transition costs (voluntary redundancy payments). The main cost decreases are in phase one physical office reorganisation. Expenditure overall is within the agreed tolerances for the project.
- 3.3 The original proposition had been to outsource finance transactions. However, we have developed other solutions which allow us to keep our finance provision within house but

at lower cost. Finance and HR systems have been simplified and updated to make sure that the original design has been maintained.

- 3.4** Key areas of simplification have been made to enable us to implement the first three design principles:
- The need to drive accountability for key outcomes through the organisation's structure
 - The need for management authority alongside accountability
 - The design must support and drive the delivery of the strategic regulator role and delivery of operational services
- 3.5** Support Services have been rebalanced to enable accountability to be driven through the organisation. This includes systems support for the business to make purchase and budget decisions using data they own and can use for their own reporting. In a similar fashion, we have made the use of HR data to manage resource availability and the cost of employment more reliable.

4. Risks and Financial Considerations

- 4.1** The return on investment of £109,000 in year 2010/11 will be seen through efficiency savings made by planned reductions in employment costs. Employment cost savings are offset somewhat by increases in employment costs in 2009/10 resulting from rebalancing the structure and the introduction of new directors. Actual savings in employment costs are £126,000 in year 2010/2011 when compared to 2009/10.

Table one – Financial Case

Project Costs	08/09	09/10	10/11
Description	£'000	£'000	£'000
Change manager recruitment	15		
Change Manager costs (inc. all on costs) ¹		105	
Project resources (other consultancy)		70	17
Opportunity costs ²		25	
Physical office reorganisation at phase one ³		5	
Total	15	204	17

¹ In this version of the Project Definition we have shown an increase in this cost due to the extension in use of the Change Manager

² These costs cover any resource time, dedicated or otherwise, from SfE staff

³ The cost of moving desks, cabinets, telephony and IT as a temporary measure – until Phase two is implemented.

Table one continued

Changes to Employment and Costs	08/09	09/10	10/11
Description	£'000	'000	£'000
Senior positions recruitment ⁴	10	60	
Other recruitment ⁵ sundry costs and contingency		45	
Severance costs inc pension		166	
Added supply costs (systems and outsource) ⁶		35	
Salaries ⁷		(257)	(126)
Total	10	49	(126)
Total costs	25	253	(109)

- 4.2** There continues to be a risk that, having put itself in a position to realise savings as from 1 April 2010, the organisation will be asked to make additional savings over and above what might otherwise be asked.
- 4.3** There is a risk that staff morale will dip after the changes have been implemented. Those remaining in the organisation will continue to be supported through change. Staff members are already involved in an engagement programme that will enhance their contribution to the organisation.
- 4.4** There is a risk that front line and back office delivery will suffer: we are mitigating this by introducing simpler systems.
- 4.5** Standard and established project risks are stated and managed within the Organisation Design project

5. Appendices and attachments

5.1.1 None

⁴ Costs include media development, media placement, recruitment process including assessment centre.

⁵ The redesign has presented a number of roles that were not envisaged at the initial business case stage. This figure represents costs of recruitment.

⁶ This includes an estimate for outsourcing purchase to pay processes. If the solution adopted does not include outsourcing then the £35,000 will become £15,000, the total employment and operational costs reduces to £29,000 and the total cost in 2009-2010 is £233,000.

⁷ Increases represented by employment costs of new directors, other front facing roles such as relationship managers offset by reductions in salaries of back office.