

## Organisation Design

## Business Case

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# 1. Document History

Version	Author(s)	Change details	Publication date
0.1	Glenys Stacey Peter Nicholls	First draft	12 March 2009
0.2	Glenys Stacey	Second version incorporating changes to the Financial Case, section six.	20 January 2009

## 2. Introduction

- 2.1 This document presents the business case for the Standards Board Organisation Design project. It follows the current OGC business case template.
- 2.2 The project does not involve IT investment or investment in estates. It is a project to design the organisation so that it is best able to operate as a strategic regulator and to deliver the Board's plans for the period 2009-12 and beyond.

## 3. Strategic fit: the strategic case

- 3.1 Following its September 2008 Away Day, the Board has set out clear objectives and a confident development strategy for the organisation as a strategic regulator<sup>1</sup>. One of the agreed objectives is to continue to build business capability and effectiveness.
- 3.2 The structure of the organisation has evolved over several years. It is departmentalised, with five departments. Their size, structure and composition reflect largely the way in which the organisation has evolved, attempts to keep critical resource during the transfer to Manchester and the possibility of a shared services supplier emerging.
- 3.3 In view of the board's developing strategic thinking and with the agreement of the Chairman, the Chief Executive commissioned a short study to assess the fitness for purpose of the organisation's current organisation design, so as to help identify the priorities for development of the organisation. The review took place in December 2008.

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<sup>1</sup> See draft Corporate Plan 2009-12

3.4 A series of structured interviews were conducted with a cross section of Standards Board staff, and the Chairman<sup>2</sup> exploring the various dimensions of organisation design from their perspective. Key documentation (e.g. legislation, board papers, internal reports, QMS documentation) was reviewed. The review and the interviews that took place were structured around the recognised elements of organisational design, presented in figure one, below.

*Figure 1. The elements of organisation design*

The organisations rationale and desired outcomes	Value proposition	<ul style="list-style-type: none"> <li>• Stakeholders</li> <li>• Investment / return</li> </ul>
How the organisation is led to deliver the outcomes	Decision making framework	<ul style="list-style-type: none"> <li>• Strategy</li> <li>• Plans &amp; Tactics</li> </ul>
The organisation's boundaries, measures and interfaces	Organisation framework	<ul style="list-style-type: none"> <li>• Structures</li> <li>• Standards</li> </ul>
The organisations dynamic resources and how they work	Operations	<ul style="list-style-type: none"> <li>• Systems</li> <li>• People</li> </ul>

3.5 There was a large degree of consensus about the need for change, now that the organisation operates from a single site and as the Board develops and begins to articulate a clear and prioritised strategy for organisational development as a strategic regulator.

3.6 The review identified key strengths, for example a demand for the services of the Standards Board, a good reputation for providing guidance, good external events and events management, and the skills and knowledge of key individuals. The ability of many staff to build effective relationships and willingness of staff to be visible and reach out to the community they serve were also recognised as being valuable assets going forward.

3.7 At an individual level the organisation has many flexible, dedicated people who are keen to learn and grow. There is evident belief in the purpose of the organisation in staff of all grades and this is paralleled with a commitment and desire to see it successful and well regarded in its new role. People demonstrate a good understanding of the importance the work of the Standards Board has in underpinning the local government process and the democratic process more widely.

<sup>2</sup> The organisation's sponsor department CLG, SBE existing staff, Board members and operational partners are the main stakeholders for the Organisation Design project

- 3.8 The review also identified issues to address. These largely but not exclusively relate to structure and accountability in the organisation but also include issues of management effectiveness, resource balance, people strategies and knowledge management.
- 3.9 The review found that current structure and performance management systems do not drive accountability for delivering the strategic outcomes being set for the organisation from April 2009 onward. This is not surprising, as the organisation was developed to support a different core purpose. The organisation now needs to change its focus.
- 3.10 The review concluded that the current departmental structure does not focus delivery on the functions required by the Standards Board in its new capacity as a strategic regulator and with its new objectives for 2009 onwards. Equally it does not support appropriate resource balancing – that is, the comparative size of individual departments is out of kilter with our perceived requirements for the future.
- 3.11 The recommendations from the review are that the Standards Board should change its business model to focus on active evaluation of the regulated community, and, as a consequence, on more proactive intervention and promulgation of best practice.

### The organisation's role as a strategic regulator

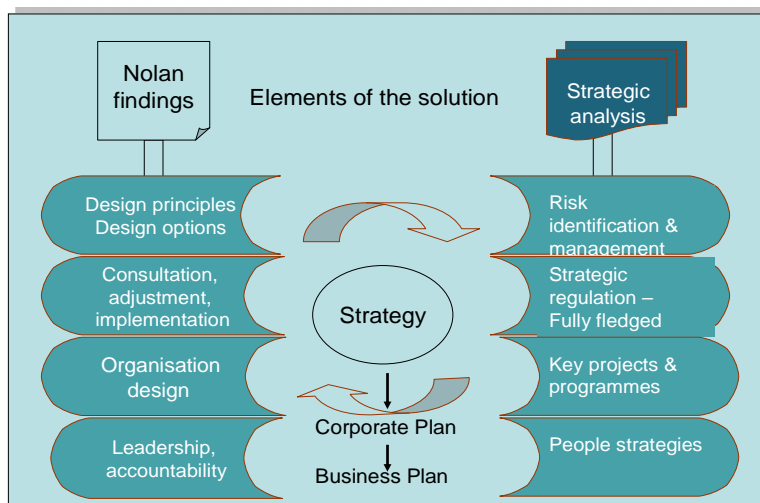
- 3.12 The Board's strategy is to develop the organisation as a fully-fledged strategic regulator. The SBE is a strategic regulator, working in the field of standards, conduct and values for those participating in local public life in England. The SBE supports all local authorities in England as well as the Greater London Authority and other relevant authorities (such as police or national parks authorities) as they manage risks to standards, conduct or the wider public sector values that underpin specified standards and conduct requirements. In its draft corporate plan for 2009 onwards the board sets out the organisation's three main roles:
- 3.13 **Pre-emption:** The SBE maintains the local standards framework, which sets out expected standards of conduct, beckons elected members to comply with these standards, and sustains a local network to apply them in a variety of local settings.
- 3.14 **Prevention:** The SBE evaluates and assesses risks to standards and values in individual authorities. We focus on situations where there is reason to believe that expected standards are either at risk of breaking down or are starting to break down. The SBE advises, guides and intervenes where necessary, to prevent the undermining of expected standards of behaviour and to reduce consequential risks.
- 3.15 **Protection:** The SBE investigates misconduct allegations against individual elected members that, for one reason or another, are

unsuitable for local resolution. In certain circumstances, the SBE also intervenes in an authority to protect local democratic arrangements and to restore appropriate standards. Protecting public decision-making, protecting the victims of breaches from further damage and stopping infringers from continuing inappropriate behaviours are the aims of our protection work.

### Integrated strategy to meet the future needs of the organisation

- 3.16 The board's corporate and business planning for April 2009 onwards brings together its commitment to act on the review findings and to develop the organisation's business capacity and capability in one integrated strategy, as shown in figure two, below.

*Figure 2. integrating strategy 2009*



### Design principles: key success factors

- 3.17 Design principles have been agreed to guide organisation design for the future. They represent the key success factors for the project. They are:

- 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
- The need for flexible, skilled people
- The need for corporate assurance

- 3.18 The project will design and implement a new organisational structure for the Standards Board, aligned with the board's strategic objectives and accepted by the people of the organisation. Specifically the project will:
- Deliver a revised organisation design that delivers key benefits. The new design will:
    - Closely support and deliver our strategic outcomes
    - Improve our management capacity and capability
    - Increase responsibility and accountability
    - Optimise flexibility of resources so that we can respond to threats and opportunities
    - Be congruent with our stated organisational design principles
    - Ensure an efficient balance between the operational and support functions
  - Ensure that change management is properly applied to those people affected by the project.
- 3.19 The benefits of the project will be measured in a number of ways:
- The extent to which the organisation delivers its strategic objectives, as set out in the corporate plan 2009-12;
  - The extent to which the organisation meets its key performance indicators for the period 2009-12;
  - Comparative staff survey data and information on leadership in the organisation, year on year for the period 2009-12;
  - Comparative internal and external audit reports

## **Key risks**

The risks in Table One (overleaf) have been identified and will be included as part of the ongoing risk management of the project.

Table One: identified project risks

Initial Risks				
Description	Impact	Level	Mitigation	Level
Resistance from staff results in difficulties in implementing and embedding the new structure.	The process to take longer and reduce the effectiveness of the changes.	M	Engage our people at every stage, focussing particularly on consultation and communication. Put effort into managing the change effectively throughout the project.	L
Staff leave the organisation during the process due to uncertainty or lack of clarity about their positions.	Results in loss of key skills, experience and expertise.	M	Ensure that clear messages are passed on about the changes and timescales. Plan effectively so that there is minimal time between specific role design and the filling of new positions.	L
Once the new model is designed in detail, we find that there is a mismatch between the level of skills and experience of people currently and with what is needed.	This may result in the model being untenable due to people issues and costs.	H	The project has to take into account the current situation in the design process to ensure that there is a viable transition from the 'as is' to the 'to be'.	M
Delays in recruiting the senior positions.	Knock-on delays to the project.	H	Use the range of tools in our recruitment arsenal to increase the chances of success at this stage. Start the recruitment process as soon as possible.	L
Lack of resource and expertise devoted to the project.	Delays in project delivery.	H	Identify resources from within the organisation and agree the time that they will devote to the project. Put other routine work on hold to facilitate this if necessary. Supplement this with external temporary resource if it is necessary.	L

## 4. The economic case

- 4.1 This section of the business case considers options to meet the identified needs of the Standards Board that are to be met by this project.
- 4.2 Four options have been considered: do nothing, redesign, outsource, merger.
- 4.3 They are compared in table two, overleaf.
- 4.4 The recommended option is redesign. The redesign option has the potential to incorporate elements of outsourcing. Further work will be done in the project to identify the costs, benefits and risks associated with outsourcing some of the functions of the organisation.

Table two: comparing options

Option	Cost	Benefit	Risk	Comment
Do nothing	As now plus inflation	Stability	Unable to effectively undertake statutory role as strategic regulator	The Board has set out a strategy that requires the organisation to change in order to deliver The organisation's sponsor department has expectations of the organisation as a strategic regulator. Government has legislated for it
		Certainty	De-motivated staff Under-achievement and consequential reputational and political risk	
Redesign	See below	See key benefits	See risk table	The organisation's staff have asked for change and wish to be part of a confident and respected strategic regulator The organisation's sponsor department approves of this option  Redesign provides opportunities for outsourcing and also for keeping things 'as is' where that is what is best The organisation operates in a niche area. Some elements of work could be outsourced, for example, misconduct investigations, elements of corporate services, legal advice in case investigations, direct engagement work with local authorities The redesign option can result in a hybrid model that includes elements of outsourcing
Outsource	Not known	Potential for increased efficiency and effectiveness  Simplicity	Poor quality or reliability of provision, inadequate controls  Lead-in times for set up  Inability to find providers with sufficient expertise	
Merger	Not known	Certainty	Instability	There are no suitable partner organisations willing to consider merger. The organisation's role is unique The function is likely to be diminished in the lead up to or through merger Legislative change may be needed  Pre- election, future government policy on standards is uncertain, making merger at this stage not a viable proposition
	Could involve significant redundancy costs		Staff losses Diminution of function	

## 5. Commercial aspects: the financial case

5.1 At this stage of the project it is not clear what commercial arrangements may be part of the design solution. The business case will be revisited periodically if elements of the design solution involve commercial arrangements – for example, outsourcing functions and tasks.

## 6. Affordability: the financial case (updated January 2010)

- 6.1 The project is affordable within known budget provision for 2009-10 and expected budget provision for 2010-11. Budget provision for 2011 onwards is uncertain (there is no formal cause for concern, but we live in uncertain times).
- 6.2 Certain elements of estimated ongoing costs were stated in the original financial case as 'uncertain at this stage of the project'. They were dependent upon:
- the extent to which redesign includes outsourcing
  - the extent to which new functions (Risk, Standards) and existing functions are resourced
  - the cost of any changes to the staffing profile
- 6.3 Provision was made for the project costs to be incurred during its lifetime. A breakdown of the estimated costs (based on best estimates) was provided in the Table three, set out below.

*Table three: estimated costs*

Estimated Project Costs	08/09	09/10	10/11	11/12
Description	£,000	£,000	£,000	£,000
Change Manager recruitment	15			
Change Manager employment costs (inc. all on costs)	10	70		
Project resources (other consultancy)		30		
Significant employment changes <sup>3</sup>		38	25	26
Opportunity costs <sup>4</sup>		25		
Office physical reorganisation		46		
Other recruitment, sundry costs and contingency		50		
<b>Total</b>	<b>25</b>	<b>239</b>	<b>25</b>	<b>26</b>
Estimated ongoing costs				
Senior positions recruitment <sup>5</sup>		70		

<sup>3</sup> This is an estimate of any potential charges the Standards Board has to charge to costs attached to re-organisation

<sup>4</sup> These costs cover any resource time, dedicated or otherwise, from Standards Board staff

<sup>5</sup> Costs include media development, media placement, recruitment process including assessment centre

Ongoing Employment costs changes <sup>6</sup>	(100)	(111)	(255)
Senior Salaries take out of the organisation currently	(85)		

### Estimated Return on Investment

- 6.4 The return on investment were estimated from anticipated efficiency savings, made by planned reductions in employment costs of £752,000 and other efficiencies.
- 6.5 Estimated ongoing costs are affected by the extent to which the new Directorates are resourced – see section 6.2 above. In practice the Directorates are staffed to affordable levels, with the ratio of front line staff to support service staff changing to favour the front line.
- 6.6 Payroll and temporary staff costs for the year 2009-10 are estimated at £4,100k. For 2010-11 the estimated cost is £4,400k (including £215k temporary staff provision. This is affordable within budget provision, and ensures the direction of as much available resource as possible to the front line. Staffing cost assumptions for 2010-11 do not include vacancy rates, and we anticipate starting the year with a number of vacancies.

## 7. Achievability: the project management case

- 7.1 The Project Task Board will accept that the project is complete when the following criteria have been met:
- A completed and delivered change that is fully in place and accepted (or on its way to being accepted) by the organisation;
    - the changed design will be implemented in 2 concurrent phases as defined in the project plan.
  - The Project Design Board will accept that the project is implemented within the constraints of affordability when:
    - the Project Task Board has confirmed that affordability has been managed effectively.
    - it is in line with the tolerances set out within Section 9.
  - The key dependencies this project has on others that are ongoing are evidenced and managed. Dependencies include:
    - the delivery of key outcomes of other projects on time
    - Making sure that deliverables in each project maintains stability within the organisation

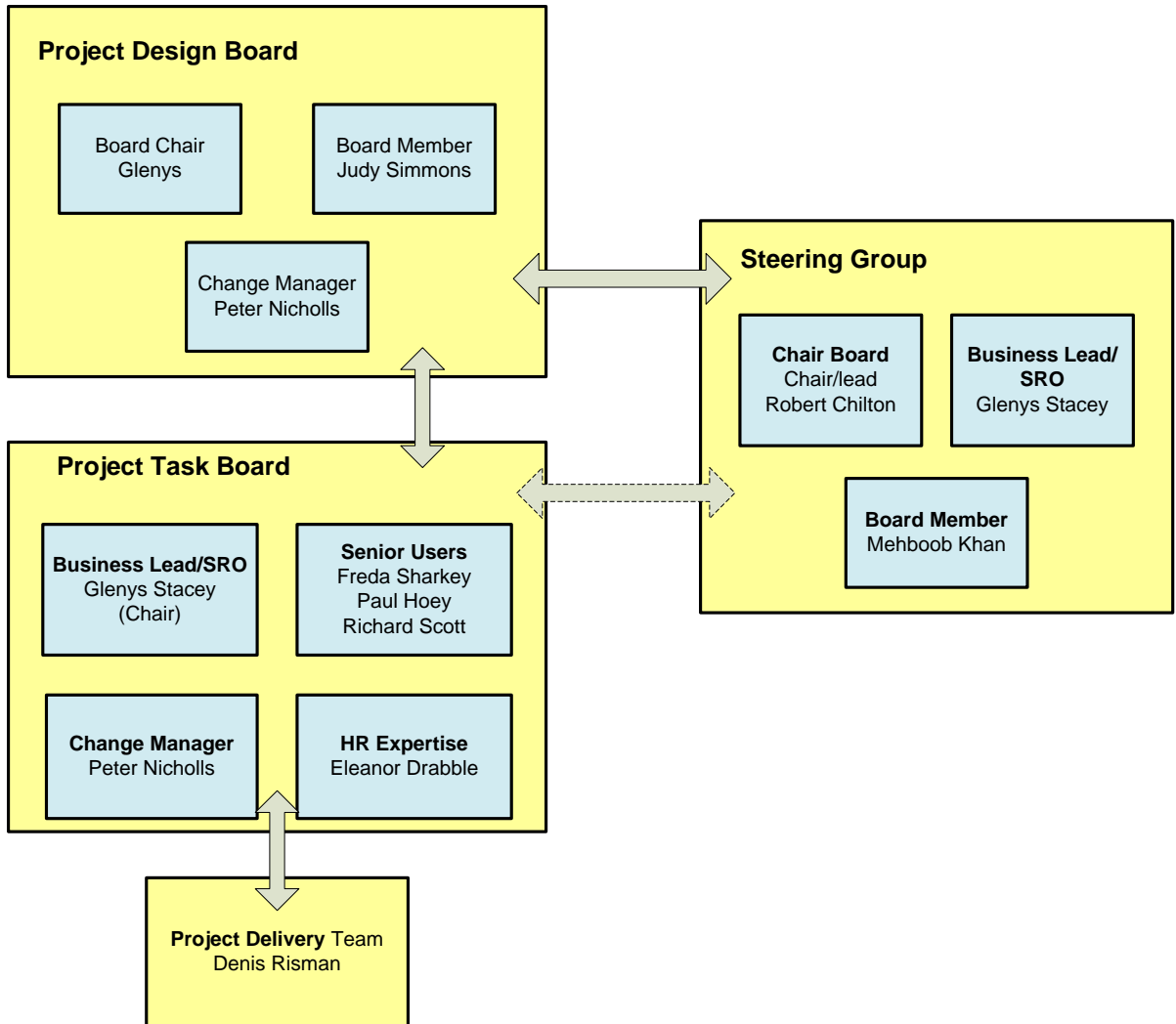
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<sup>6</sup> 09/10 reductions include APE transfers. Any other ongoing costs (salaries etc.) resulting from the project e.g. new directors will be offset by other efficiency savings. Other one-off costs may be incurred as a result of employment terms and conditions, these will be added to the cost of the project where they occur. 08/09 salary reductions appear as a saving in 09/10 and so on.

- Proposals for design coming from the projects match those in the outline functional design of the organisation
- 7.2 To make sure this project and others that align are delivered in a way that is congruent with each other, we have invested in a programme director and a project manager within the project office. Their role will be to support the Project Task Board in its decision making and approval. Investment has also been made in a Project Manager for the Organisation Design who brings with him some experience of the discipline critical to its success.
- 7.3 This group of people report to the Chief Executive as the Senior Responsible Officer who will chair the Project Task Board and also champion to delivery of the project. The CEO will also chair the Project Design Board, made up of the CEO, the Deputy Chair and the Change Manager, who will take responsibility for the final design and any issues deemed sensitive such as Senior Appointments. The chairman of SBE's board will act as chair of the steering group. He will also act as the project's ambassador for the board. A board member (Mehboob Khan) to sit on the steering group and a separate board member will sit on the Project Task Board.
- 7.4 The project plan sets out the following key outcomes to be delivered by the project. They will be delivered in 2 concurrent phases:
- Phase one:
    - Agreed strategic outcomes and functional components
    - Collated and published results from the internal consultation
    - Proposition document on the resource requirement capabilities and volumes to feed into workshops to develop a detailed structure
    - Proposition document for the job/role analysis results
    - Recruited directors
    - Detailed implementation plan for phase one
    - Successful delivered implementation of phase one (including acceptance of the change by the organisation)
    - Communications strategy
    - Requirements and plan for further work required within directorates following this project
  - Phase two:
    - Proposition document for structural design and roles based on the results of the analysis
    - Collated and published results from the internal consultation
    - Detailed implementation plan for phase two
    - Successful delivered implementation of phase two (including acceptance of the change by the organisation)
    - Clarity that our people understand all the roles and responsibilities within the organisation and their place within the structure

**7.5 The following organisational structure has been agreed to facilitate the effective governance of this project**

**Governance overview**



**7.6. Role Descriptions**

**7.7 Project Task Board**

The Board has responsibility for

- agreeing the definition of the project
- agreeing that pre-determined key stages of the project have been achieved and that the project may progress to the next stage
- establishing whether affordability is being managed
- making reference to the Board where any major risk to the reputation the organisation is identified

- proposing the final organisation design to the Project Design Board

The Project Task Board does not accept reports on sensitive matters such as senior appointments.

## 7.8 Project Design Board

The Board has responsibility for:

- presenting the steering group with the organisation design for sign off
- agreement to establishing senior posts within the design
- disestablishing senior posts previously maintained
- dealing with sensitive issues the Steering group and the Senior Responsible officer deem to be matters that must be the subject of consideration before the Steering Group accepts reports on such matters.
- presenting the steering group with their considerations on sensitive matters

## 7.9 Steering Group

The Steering Group represents the board of the organisation. It is responsible for making sure:

- project objectives are met;
- they are congruent with the strategic objectives of the organisation;
- it will not adversely affect the reputation of the organisation;
- advising the Senior Responsible Officer and Project Board on direction;
- signing off the organisation design

## 7.10 Project Controls

### 7.11 Reporting and controls

The project manager will be required to complete and submit a brief highlight report every two weeks to the Programmes Director. They will also raise any likely exceptions or proposed changes to the project outside the allowed tolerances, to the Project Board.

Project Board meetings will be held at key stages as agreed, or can be called by any member of the Board if there are any exceptions or potential exceptions to the project.

### 7.12 Project tolerances

The project is permitted tolerances of two weeks and £10,000 on delivery of the overall project, without an exception being raised to the Project Office and agreement from the Project Board.

A running total and prediction of external costs will be kept and monitored by the Project Manager.

The Board will be considering progress in the project in more detail at its Away-day event in March. Briefly, the project is being delivered in phases. In the current (first) phase, the detailed scope of the project and the governance arrangements are being agreed, and the outline organisation design for the core functions has been fleshed out. Lead objectives, lead KPIs and lead projects have been aligned to each of the proposed new Director posts, to begin to drive down accountability and responsibility in the organisation. Consultation, union engagement and senior staff recruitment for the core functions are underway, and plans for the design of the rest of the organisation and for evaluation of support services are developed. An experienced change manager, Peter Nicholls had been appointed and is working full time on the project.

This paper is concerned with the business case for the project. The benefits attached to the case for change within the operating model hinge on the justification for our overall strategic direction. In short the business case is that the organisation needs to change and develop its operating model in order to deliver effectively as a strategic regulator.

The proposed development of our organisation design has cost implications. Firstly, the project itself is being resourced by a combination of internal and external resources, and the project budget is shown at page 10. Secondly, the new organisation design will change our staffing profile for the future, and that has ongoing costs implications.

Expenditure incurred within this project will be related the engagement of expertise to support the effective development of the structure and the recruitment of senior personnel for the organisation to move forwards. Some of this will be mitigated by the retirement of senior managers and reductions of headcount in some areas where the new operating model shows this is needed – in which case, our initial intention would not be compulsory redundancy.