



Geared for transformation

How Customer Service Direct is delivering sustainable improvement

Foreword

I welcome this report, which provides a reassuring independent confirmation that our hard work and risks taken in establishing CSD have been worthwhile. This is a truly innovative project and is still the only example of fully integrated front office and back office services in a two tier setting. CSD has overcome the challenges posed by a highly rural setting and has transformed our services. This has made a significant contribution to Mid Suffolk becoming the most efficient council in the country. This report is a useful endorsement of the journey we have undertaken and provides valuable pointers on how to sustain and build upon these achievements.

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Our Strategic Partnership with BT and Mid Suffolk District Council - Customer Service Direct - is maturing into a beneficial arrangement to both councils. It has brought much needed investment into support services, improving processes and outcomes together with access to a pool of additional skills and capacity. The more commercial approach to service delivery is also bringing transformational change to the Council's approach to how it does business for the benefit of its customers/clients. This 'Benefits Review' is timely and demonstrates the positive aspects of the Partnership as well as areas for further improvement and consolidation.

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1. Introduction

This report provides an independent assessment of the benefits delivered by Customer Service Direct, BT's joint venture with Suffolk County Council and Mid Suffolk District Council. While it covers the achievements in the early years of its existence, the sections below look mostly at the steps that CSD has taken to produce a *sustainable* vehicle for performance improvement and service transformation. In this sense, the report's focus is on the organisational arrangements needed to deliver value for money enhancements in both the near and longer term.

1.1 Remit of the benefits review

CIPFA's¹ commercial services have been invited to examine a number of BT projects and initiatives in the field of public services. In each case the focus has been on the key business and customer benefits that have resulted. The aim of the review is to provide an independent assessment of the nature of these benefits and the factors that contributed to their realisation.

In the Case of CSD, the remit for the current study was the role of the Joint Venture Company (JVC) as a vehicle for continuous improvement. Instead of looking at the individual parts in detail, the report covers the corporate systems and structures that have been put in place to enable ongoing performance to be managed and augmented across the whole organisation.

1.2 How the review was conducted

The review combined desk-based research with individual and group interviews. These were then analysed to produce a narrative of the key benefits. Supplementary evidence was then sought, leading to the production of draft reports. These were circulated among CSD staff, to check the veracity of facts and conclusions, with a final report being produced once feedback was received.

1.3 Key findings

The main insights and conclusions that the benefit review has identified include the following:

- CSD has played a critical role in delivering better customer services and improving access to those services. In doing this, it has met (and in some cases exceeding) its contractual obligations and targets – some of which are increasing over time
- It has put in place an infrastructure that will allow for further improvement in corporate performance, but which also lays the foundations for business expansion
- Across senior and middle management there is an ambition for growth, in terms of increasing client numbers and service

¹ CIPFA is the Chartered Institute of Public Finance. Its commercial services operate under the umbrella of IPF, the Institute of Public Finance

volumes. This is thought to hold the key to future security and investment funding

- In short, CSD is developing the business capabilities that should allow it to sustain its performance, meet its efficiency and profitability goals, and expand its business into new areas and to new clients.

1.4 Structure of the report

The report starts with the **background** to CSD – why it was set up and what it was expected to accomplish. This is followed by a discussion of **improvements in core services** in its early years.

The next part looks at **building for sustainable improvement** - how the organisational arrangements put in place provide a vehicle for transformation and change in the longer term.

The report concludes with a discussion of some **lessons learned** and additional **management and staff benefits** to the ones discussed in the main part of the report.

2. Background to CSD

CSD's origins go back to 2001, when Suffolk County Council (SCC) and Mid Suffolk District Council (MSDC) began the search for a new joint approach to back office services (including HR, ICT and Finance), as well as several customer-facing services.

In May 2004, and following an open procurement exercise, a 10-year contract was duly signed with BT to create a Joint Venture Company (JVC), with BT as the majority shareholder (at 80.1%) and SCC and MSDC as minority shareholders (with 16.4 and 3.5% of the shares respectively).

The contractual agreements provided the JVC with an index-linked monthly fee based on the budgets of the in-scope council services at that time. This represented some £330m over 10 years with a further £52m of investment funding provided by BT over this period. All staff of in-scope services were subsequently seconded to CSD.

2.1 Rationale for the shared service

In creating a shared service vehicle in partnership with a commercial company, the councils were keen to leverage both financial resources and access to fresh skills and thinking. For both councils, CSD held out the promise of:

- Improved access to services – particularly in the more rural parts of Mid Suffolk – through a more joined up “front office”, supported by a network of shared service centres and a common call centre
- Improvement in the quality of internal and customer facing services, backed up by service level agreements (SLAs)
- Securing much needed investment in corporate infrastructure, particularly around technology platforms
- A guaranteed improvement in operational efficiency
- A more coherent approach to service provision and planning, overcoming the fragmentation caused by service silos
- Innovative, commercially-driven thinking, with built-in incentives to trade the JVC's services with other public bodies.

2.2 Governance and contract management

CSD is run by a partnership board containing 4 BT representatives and the leaders of SCC and MSDC. Service levels are managed by a series of SLAs, which specify a set of quality standards and improvement targets over the lifetime of the service.

A series of service improvement programmes (SIPs) have also been set up to drive improvement across service areas. These cover:

- **ICT** – This delivers the infrastructure for transformation, including the core business systems

- **Finance** – Providing new software and improved information, including access to more accurate and timely accounting data
- **HR** – Including a unified helpdesk and range of online support
- **Public access** – Providing a single first point of contact across channels, for all in-scope services
- **Revenues and benefits** – addressing customer service delivery, processes, skills and technology support.

3. Improvements in core services

CSD's contractual obligations and service improvement programmes led to a series of projects that redesigned services, introduced new IT support and generally improved the quality of outputs to the end customers. This covered ICT, Finance, HR, Revenues and Benefits and Customer Access.

3.1 ICT services

Early on in the life of CSD a multi-million pound investment programme was initiated, creating a common platform for the 270 network sites. The intention here was to create a more agile way of working across the organisation, with a single IT strategy supported by a standard and integrated technology infrastructure. Particular benefits of this included:

- A standard technology stack with a single data-centre (replacing 100 different servers) and equipment managed in one place
- Improved resilience of critical business systems. Business continuity is now more robust, with operations having been unaffected despite a number of power failures
- New contact centre, CRM and workflow technology, allowing for calls to be taken - and contact made - in the front office, and work to be triggered and monitored in the back-office
- A standard desk top PC, with refreshes every 3 years, backed up by service level agreements for desk-top support
- Enablement of flexible working across sites, including at home and on the move, supported by remote actioning of problem resolution
- Standard processes and change controls for handling work requests, providing greater control and consistency of client support
- Movement towards recognised external standards, such as PRINCE and ITIL
- £1.8m in revenue savings in IT management
- 25% reduction in IT personnel

Because of the above, IT is now in a position to support improvement more generally across CSD, with broader developments in business functionality not waiting for IT upgrades as in the days in the council. As one IT manager described the situation, "IT is no longer a barrier to the journey...it's not on the critical path".

3.2 Finance

Financial integrity and reporting has been improved, supporting better information provision and improved decision-making. Project

Matrix, as it's called, has involved a re-engineering of financial processes, backed up by server replacement and the implementation of new software, including Oracle e-Business Suite. Prior to CSD, financial services often laboured under obsolete IT, causing severe problems for financial management. Without CSD, finance managers argue, they would have struggled to resource and make the change necessary.

Benefits of the new systems include:

- More reliable and timely financial reports
- Closure of monthly accounts within 3 days, allowing eligible budget holders to view and use up to date information
- Greater self-service, allowing for better drill-down of data
- More rigorous change management and acceptance testing procedures
- Better budgeting and planning
- Improved transactional efficiency, with easier document handling
- A reduction in headcount from 200 to 170 (through natural wastage and voluntary redundancy)
- Better monitoring arrangements (which show, for instance, that 99.8% of invoices are now registered within 5 days of receipt for the County and 100% for the district)

As processes are redesigned (on both CSD and the council sides) finance staff are spending less time in 'reactive' mode, as users increasingly have the data and analytical tools they need at their finer-tips. Instead, more time is available to provide professional advice and support to customers.

As one senior manager said, "CSD has genuinely delivered a step-change in financial services," adding, "I now have financial reports I can rely on."

For the district, CSD has also provided access to a significantly increased reservoir of experts: instead of being supported by a team of less than 10, managers at the council now have access to some 200 staff, including specialist professionals in a number of key areas.

Finance staff are also in a position to be proactive in asking those customers what other service enhancements they would like to see. In addition, there is a major training programme to ensure the continuous improvement of financial management across CSD's customer base.

3.3 Human Resources

Better support and advice is now provided to the 27,000 staff and managers. This has allowed for:

- A central HR helpdesk, taking 100,000 calls a year, with an abandoned call rate of only 5%
- Greater self-service, allowing staff to view their records and payslips electronically
- Online booking of leave and training courses
- Staff to be able to update their details when circumstances change, ensuring more accurate personnel records
- Early use of online job applications, enabling 20,000 fewer jobs packs to be sent by post each year

3.4 Customer access

Customer contact has improved, with 480 county and district services now accessible via a single phone number, over a unified website and via a range of walk-in centres. For internal services too, there are now HR and IT helpdesks and enhanced online services.

This has been made possible by pooling some 120 public access staff into a single front office. These are supported by new CRM,² contact centre and workflow technology. This provides an infrastructure for Public Access to 'own' and manage the front office element of customer contact, from information and service request, through to post-fulfilment communication. In addition, the workflow element (gBiz) allows for work to be triggered and managed in the back-office, with Public Access staff able to check the status of cases and liaise with customers accordingly.

Taken together these changes have helped to ensure:

- The vast majority of the population are now just a few minutes drive from the nearest service centre
- That over 80% of citizen queries are now dealt with at the first point of contact
- A continued improvement in customer satisfaction – with 98% polled in 2007 saying they were satisfied, up from 82% in 2006
- Enhanced monitoring of customer volumes, allowing for better demand management

For internal customers too, there is greater consistency in handling service requests. This includes two 20 seat helpdesks for IT and HR support.

3.5 Revenues and Benefits

Revenues and Benefits has seen a transformation in customer service delivery, processes, skills and culture. Its Service Improvement Programmes covered four areas of change:

² Customer Relationship Management

- Improving customer service and accessibility by delivering front office services via a corporate contact centre and one stop shops
- Delivering management training for Local Taxation and Benefits Managers
- Documenting and redesigning back office Benefits processes
- Upgrading and re-integrating the core Local Taxation application

As part of these changes, Revenues and Benefits is now fully supported by IBS software. This is an integrated solution that is more user-friendly for staff, requires less manual intervention - as its interfaces are automated - and speeds up reconciliation across the system modules.

Staff have also had more opportunities to engage in training, both within the JVC and externally: pre-CSD there was very limited budget, particularly on the district side, and especially for formal training. Of the 20 FTE staff, 6 staff are now professionally qualified (via the Institute of Revenues, Rating and Valuation).

These changes have helped to invigorate staff commitment, leading to consistently high performance in Revenue collection, with Benefit Claim Assessment turnaround now upper quartile, having been bottom quartile at the time the service came into CSD. Accuracy of Benefit Claim Assessment is also upper quartile, with the Benefit Fraud Team now able to deliver high levels of Fraud Prevention and Detection. As a consequence, income to the Council is being maximised, whilst Benefits are being paid, to those who need them, quickly and correctly.

Being part of CSD has also provided a range of *management* benefits. Given the increased scope and investment opportunities provided by service sharing, senior managers have been able to develop their skills and professional responsibilities, allowing them to take on broader management roles.

As with other areas of CSD, Revenues and Benefits is now on a more sustainable footing, with access to skills, advice and resources needed to support and drive continuous improvement.

3.6 The transformation journey - beyond service silos

It is clear from CSD that transformation³ is more about developing *strategic capability* than simply implementing a series of improvement programmes. As such, it needs to be recognised that CSD is going through a *maturity* cycle, from an erstwhile silo-based set of activities within the councils, to a free-standing entity with joined-up systems and a vision for expansion.

The process followed here involved bringing common activities together across silos to create *professional business units* with a *corporate view* of customer needs. This was particularly the case in

³ As encapsulated in the notion of 'Transformational Government'

IT where staff and resources had previously been fragmented and organised as a “bolt-on” to different council departments (as one IT manager described it).

In this sense, CSD represented a sharing of services at two levels – both across departments in the erstwhile council structure and across the two councils themselves.

For both internal services (such as HR and IT) and citizen-facing contact, a simpler and more consistent approach was possible for accessing services, with unified call centres and online services.

These developments had a number of further benefits:

- Economies of scale could be exploited, enabling greater investment in technology and training than would have been the case in a decentralised structure
- A global view of corporate needs was possible, backed up by a shared vision and strategy of how these needs should be met, including a common platform
- The development of a deeper professional skill set and ethos, in the areas of customer access, IT, HR and Finance
- A broader planning horizon, allowing for investments to be considered over the longer term and with a greater understanding of the total costs of ownership

Such developments also made possible the introduction of shared and improved service standards, including:

- A common catalogue for equipment, with refreshes scheduled on a more regular basis (something which also helped to improve procurement efficiency)
- Consistent processes for managing work requests and dealing with change controls. In the IT context this allowed for work to be handled in a more standard way and with greater visibility created around the nature of work requests
- The introduction of recognised external standards, such as PRINCE and ITIL

4. Building for sustainable improvement

The contract between BT and the two councils provides an incentive to create efficiencies in the way CSD is run. After all, profits will only be forthcoming once costs are brought below the level of fee income and the amortized costs of up-front investment. For these reasons – in addition to its contractual obligations – CSD has witnessed a considerable amount of process re-engineering since its inception, supported by a range of new technologies and support systems.

Of particular interest to the benefits review, however, was not simply whether efficiencies (or profits) were being made and obligations met. Attention was also paid to the *nature* of the changes taking place and the extent to which CSD was being future-proofed for longer-term improvement challenges. This invited a number of questions:

- Were the improvements being put in place sustainable – and could they be built upon?
- Were the foundations being laid for a real ‘transformation’ in the way services were organised and provided to customers?
- Would CSD be able to respond to new government policies, additional budgetary pressures and future market developments?

In answering these questions, the review sought evidence of embedded *structural* and *cultural* change that would provide for ongoing enhancements in cost efficiency and service quality. In other words, were the *business capabilities* being put in place to deliver improvement beyond initial projects and programmes.

In studying CSD, this evidence was found in the following areas:

- Creating a commercial discipline
- Improving cost control and transparency
- Instilling a performance culture
- Implementing an infrastructure for improvement.

These are each described, together with the contributions they provide to sustainable improvement capabilities.

4.1 Creating a commercial discipline

A pervading principle across managers spoken to was the way the operating context of CSD was shaped by the need for commercial rigour. This was not so much about the need to produce profits and keep shareholders happy, however. There was a recognition that CSD would only have customers in the future if it was delivering sufficient value in both cost and performance terms. As one IT

manager put it, “we are only here if we keep costs down and get revenues in”.

The commercial mindset was not simply limited to ‘survival’. More positively, several managers also noted the virtue of commercial trading in terms of the benefits of *growth*. The key rationale here was that, by expanding the customer base, increased revenues and resources would be available for developing skills and infrastructure and thus for spreading the costs of investment.

These sentiments were evident in Finance, for instance: as one manager put it, “If you stay as you are you’ll just have to keep doing things cheaper”.

Put another way, by developing efficiency and high quality services that could be traded, there would be opportunities for business expansion, providing additional investment and added job security.

Taken together, the new commercial operating context had led to new staff values and behaviour, including a greater concern with customer value and recognition of the need to seek out new business opportunities. CSD has “changed people’s thinking around what’s important”, as one finance manager said.

4.2 Improving cost control and transparency

A key ally in developing commercial discipline was the attention paid to understanding and managing costs. A number of issues needed to be recognised here:

- Most of the services CSD delivers are provided at a fixed price agreed in the original contract. It was therefore important to understand the cost base and the demands made on services and ensure that resources and attention were applied appropriately. As one senior manager noted, “You know you’ll not be bailed out if you’re overspent”.
- Indeed, by transferring services to CSD a number of “hidden costs” had come to light that would not have been detected in conventional, “budget-driven” council departments
- Unless such costs and demands were understood, it was difficult to build a business case for improvement, and thus to judge the cost-benefits of particular changes and investments
- Without good cost data it was also impossible to judge what fees should be charged for new work or services (e.g. to a department or another council). Without this, it was difficult to know whether such work/services would be profitable
- Transparency of costs and associated benefits was a further aid to changing customer mindsets when it came to commissioning new work. For example, were a manager in one of the council department to request a particular IT enhancement, he or she could be presented with accurate costs and financial benefits, allowing a more informed judgement as to whether the change would represent value for money

- More generally, better cost data, together with improved volumetrics on customer demand, has enabled a better dialogue with clients in the council departments, supporting better decision-making on areas of spend and priorities for improvement.

4.3 Instilling a performance culture

A strong argument was advanced that individual and corporate performance was easier to manage in CSD, compared to days of council operations. This was clearly helped by the discipline instilled by a commercial operating context, which together provided for a range of features and dynamics:

- The general need to meet explicit SLAs and contractual requirements provided a clear set of obligations. As one manager put it, “a clear line of sight” from individual performance, through workgroups and out to the service recipient. One senior manager, for instance, talked of the “clear sense of purpose” that now existed in CSD and the “buzz” generated by meeting targets.
- While performance management and SLAs do exist within conventional council settings, there is a strong sense that the commercial context of CSD makes for added improvement impetus. It was thought to be easier to maintain energy around performance management, given that staff were aware of the consequences of under-performance
- While this did mean there was a “constant need to push yourself”, as mentioned by one staff member, it also had its upside. The greater clarity of mission, he suggested, combined with a better link between effort and reward, meant that “stress levels were probably falling”

4.5 Implementing an infrastructure for improvement

Steps have now been taken at CSD that provide for continuous attention to operating performance and the growth of trading opportunities:

- CSD now has a project and programme management capability that ensures new initiatives are delivered in a coordinated and controlled way. This has benefited from the skills and experience brought in by BT personnel, but has also led to a more structured approach to dealing with work more generally. As part of this, project and programme management across CSD is being brought together in one programme office
- A number of account manager roles have been introduced, to provide the key interfaces between CSD and its clients in different subject areas. Having a more structured approach to client liaison is also helping to produce a more joined up understanding of client needs and benefits

- There are now standard processes in place to deal with the sign-on and off of work taking longer than 3 days. This is helping to ensure greater rigour in the way that work is priced, agreed and scheduled, allowing for improved visibility of work demands and better business planning
- A training programme is in place to improve commercial awareness of clients in the council. This will allow up to 500 managers and staff members to engage in a more effective business dialogue with CSD as a service provider, with decision-making about work projects more likely to be based on sound business cases and better cost-benefit analysis
- In addition to this, there is now a *consulting infrastructure* in place to pursue new commercial opportunities with both existing clients (SCC and MSDC) as well as new customers. This is intended to support a better understanding and packaging of CSD's capabilities and improvement of the dialogue between CSD and the market place

5. CSD – work in progress

CSD is still very much on a maturity curve, evolving new ways of working and developing new management systems and structures. It is building on the lessons learned so far and perusing the new opportunities it has created. In concluding this report, it is worth reflecting on the key issues here.

5.1 Lessons learned and issues raised

In the light of experience, there is agreement that some things would have been done differently.

One key area here concerns skills and partnership working. Some managers suggested that CSD could have engaged more with BT, to benefit from skills and capabilities. As part of this, more attention could have been paid to knowledge transfer, allowing for skills to be passed on to CSD staff from BT and other experts.

The nature of staff employment – by secondment rather than TUPE⁴ – is also something that needs consideration. How sustainable this is in the longer term, particularly if and when other organisations' staff are rolled in to CSD is a major question.

There is a general acceptance that keeping customers happy is a never-ending challenge. For example, in improving access to citizen services satisfaction levels have soared. However, it is recognised by customer access managers that expectations have now been raised, with citizens (and internal customers) likely to be ever more demanding.

5.2 Management and staff benefits

As it matures CSD looks less and less like a conventionally organised council support arm. This is providing a range of additional benefits to staff and managers:

- New career routes were opening up, allowing staff to move more easily between professional silos than in the council days. In addition, new jobs were being created, such as in business analysis and service development, which did not exist in days gone by
- There is also openness among CSD managers to encourage staff development along new professional routes – for example, allowing call centre staff to move into back office areas that attract their attention and match their skills
- The new technology platform is enabling more flexible forms of working, giving staff more options in how work is carried out, as well as the ability to manage workspace more efficiently
- The way in which CSD has been set up and is managed (particularly in the form of contractual obligations and SLAs)

⁴ Transfer of Undertakings (Protection of Employment)

means that there is less political interference in the way work is carried out. Moreover, as one senior manager put it, the fact that there are clear agreements on 'what' is expected of CSD, the organisation is very much left alone in deciding 'how' this should be done – something that gives managers more freedom in planning and decision-making.