Building a Council of the Future

Proposal for a new Target Operating Model for Aberdeen City Council

August 2017

Contents

1.   INTRODUCTION

The environment in which Aberdeen City Council is operating is changing at a dramatic rate. Ongoing fiscal restraint, rapidly rising demand for key services, changing customer expectations and the emergence of a multitude of new technologies are combining to place an unprecedented level of pressure on the Council.

To date, our response to this situation has been to focus on tactical opportunities for efficiency and improvement. While this incremental approach has helped us to buy time and, in certain instances, has been effective, it is becoming increasingly clear that a more radical response is required.

We have moved forwards in many areas to improve collaboration, to improve outcomes and to work more closely together with our neighbours and with our partners in the city, but how we are organised, how we work day to day and how we serve our citizens is still inhibited by a series of outdated approaches. Our governance, technology, structure and our relationship with our customers reflect where we have been and must change in order to meet the challenges of the current environment.

Viewed this way our current challenges present us with an opportunity to build a different future for the City Council in Aberdeen. One that allows us to better exploit technology, focus our efforts on outcomes and, crucially, reinvigorates the passion of its workforce. One that is rooted in a more detailed understanding of the needs and aspirations of the people we serve and aligns everything we do, to make a difference for them.

This paper sets out a prospectus for taking advantage of this opportunity. It describes:

- the challenges the Council is facing in greater detail;

- the outcomes we will need to focus on to help the city become a more competitive and successful place;

- the current shape and performance of the Council and evaluates the extent to which we are set up to deliver improved outcomes, and to empower our communities and citizens to be more independent and self-supporting;

- a vision for a more effective and efficient council and proposes a target operating model we will need to adopt to achieve this (and the commitments that will need to be made);

- how leadership will need to change, both in terms of its role within the Council but also for the city as a whole;

- the cultural change that will need to be supported and the implications for the Council's workforce; and

- finally, it offers a roadmap for turning this vision into a reality.

The journey described in this paper is ambitious and represents a step change from anything the Council has done in the past. However, it is difficult to envisage how a more moderate response could be successful, such is the extent of the challenges we and the city are facing. We must better understand and embrace new ways of doing our business that meet modern needs - the way we think, the way we work, the way we design and deliver services and the way that we interact with customers and communities.

The residents, communities and businesses of Aberdeen deserve to live and work in an environment that helps them to achieve their ambitions. We have a significant role to play in establishing the underlying conditions that will enable them to reach their potential. To achieve this, we need to build a council that is agile, proactive, motivated and externally focussed on the issues that matter for its people and place.

2.   DRIVERS FOR CHANGE

2.1   Customer Demands

We know that demand for public services is increasing. This is largely being driven by demographic pressure - a growing and aging population with increasingly complicated social and health care needs. However, we are also witnessing rising demand from those impacted by the economic downturn.

Traditionally, public services have responded to these sorts of pressures in a fairly reactive way - we have tended to wait until problems manifest themselves in the form of increasing numbers of people coming through the front door before acting or seeking to address their underlying issues.

Evidence from reviews such as the Christie Commission have highlighted numerous shortcomings in the capacity of our public services to deliver better outcomes. Public service provision in Scotland could be considered to be somewhat 'top down' - unresponsive to the needs of individuals and communities. It lacks accountability and is often characterised by a short-termism that makes it difficult to prioritise preventative approaches.

The economic downturn as a result of the fall in the oil price is placing additional pressure on the Council services today. The demand from those who need us most is growing. Whilst overall levels of deprivation remain low, in 2016, 9 of the 283 datazones within Aberdeen were considered to be within the 15% most deprived areas in Scotland. Almost 30% of households in Aberdeen experience fuel poverty and 18% of children in Aberdeen are categorised as living in poverty.

Demographic trends within Aberdeen have the potential to be particularly problematic. The local pre-school age population is expected to grow considerably over the next two decades. In reality, we are already struggling to meet current demand for early education and child care services. While it is difficult to disagree with its objectives, responding to the introduction of Scottish Government's early education initiative will require the Council to double its provision for pre-school children, placing considerable pressure on accommodation, the workforce and the available funding.

Over 65s account for 15% of the population of Aberdeen, and projections are that the profile of the local population will continue to age. By 2037, the population of Aberdeen is projected to increase by 28%, while the number aged 65 or over is expected to rise by almost 56%. The proportion of over 75s is expected to increase by approximately 70%. While the presence of a significant older generation in a community does bring obvious benefits (there is anecdotal evidence that older people are more likely to volunteer, for example), this will place additional demand on some of our more high cost services.

If we fail to plan adequately for these projected increases in demand, we can expect to see our services being overrun. There is simply not enough flexibility within the organisation as it is currently constituted to cope with future demand. Furthermore, because of the interdependencies between the services we provide and those

provided by our key partner organisations, if we fail to cope the implications in other parts of the system (e.g. in local hospitals) could be equally catastrophic. We need to change how we are organised.

Our response needs to be part of system wide reform, with clear strategic place based leadership, focused on collective achievement of the outcomes that both prevent need and also reduce escalating levels of need.

2.2   Resources

The cumulative pressures the local government sector is facing mean the system is already under pressure. It is clear that simply doing more of the same will not be sustainable over the longer term - a more imaginative and innovative response is required. A recent report from Audit Scotland concluded that:

"Councils have managed their finances well but significant challenges lie ahead…. Councils need to change the way they work to deal with the financial challenges they face" Audit Scotland: Local government in Scotland Financial overview 2015/16
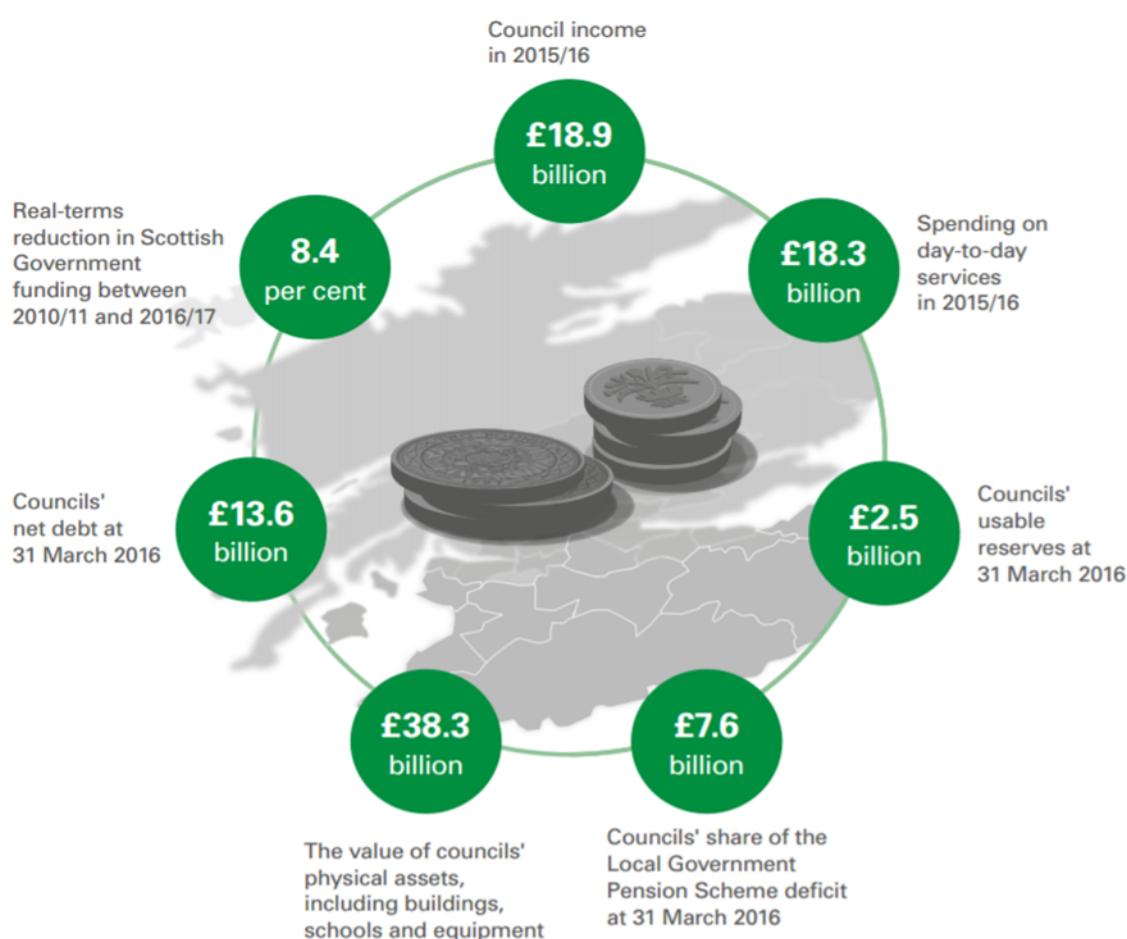
In Aberdeen City Council's case these financial challenges manifest themselves as a requirement to find savings of £125m over the next 5 years.

Cumulative Budget Deficit 2018/19 - 2022/23
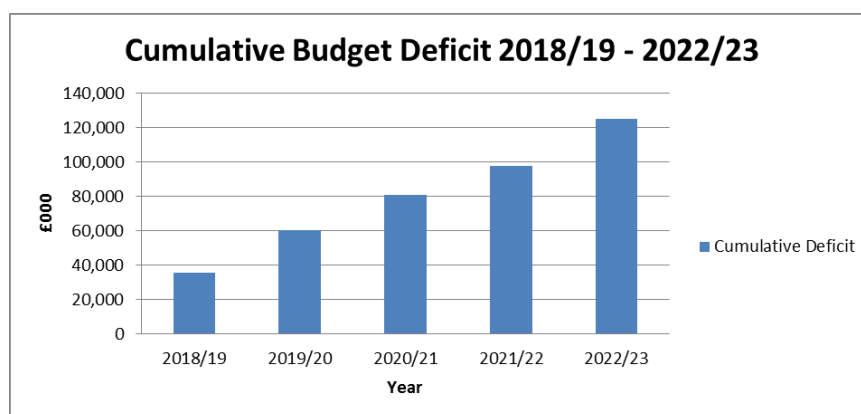
We have already taken steps to drive down costs and secure income, but shoring up our finances to the extent required will mean we need to make many more difficult decisions in the future. Continuing to make efficiencies will help to create financial stability in the short to medium term, but efficiencies will not bridge the gap sustainably. To achieve sustainable local public services across Aberdeen we need to think and work differently, with a system wide and regional focus. We must look to all participants from citizens, communities, third sector, to business and beyond.

Our finance function is well-regarded, award winning in innovation in reflection, in part, of our work on the bond. However, a number of reviews including internal and by CIPFA have highlighted the need to improve our approach to budget management and value for money. We have historically relied on service and directorate ownership of performance and budget to manage these two issues. We have managed within our existing budget constraints in recent years but this will not be sufficient where the size of the challenge goes beyond the rebalancing of activities within a particular service or directorate, where it needs more collaboration between services such as housing and social services, and where we need to make difficult choices about where we can and can't prioritise performance.   This is reflected further in how we approach capital and the £1billion investment in the city, where we risk delivery by fragmenting our capability and oversight of the whole.

2.3   Staff

The cost of staffing in Aberdeen City Council is one of the highest costs to the organisation. Like many councils, we employ staff to perform a range of specific functions. Our staff tend to specialise in one service area, perhaps having qualified into the field via a dedicated training course or qualification. Typically, our employees tend to work in their chosen field for the duration of their careers.

This model of employment requires to be modernised to allow us to use our resources flexibly and creatively, remove a culture of silo working, support our ability to innovate, offer greater opportunities for progression and, increasingly, provide the sort of dynamic careers the majority of our workforce actually want.

The results of the 2016 staff survey were a significant improvement on the 2014 survey. The areas of the Council which staff felt were working well included opportunities to progress, training and development opportunities, health safety and wellbeing and communication between managers and staff.

However, whilst staff engagement levels have increased by 7% since 2014, levels of engagement continue to be below the target. Of the 49% of the staff population that completed the survey, 41% of those felt they were partially engaged and 10% disengaged with the Council.

The survey showed the areas in which the Council needs to improve include aspects of equal opportunities; improving the value of performance reviews; building engagement levels; and building the confidence of staff in using new technology.

Levels of staff absence continue to remain high despite stricter controls being implemented by the maximising attendance policy. Aberdeen City Council's average is currently 10 days per employee per year with higher absences across front line services such as Communities, Housing & Infrastructure.
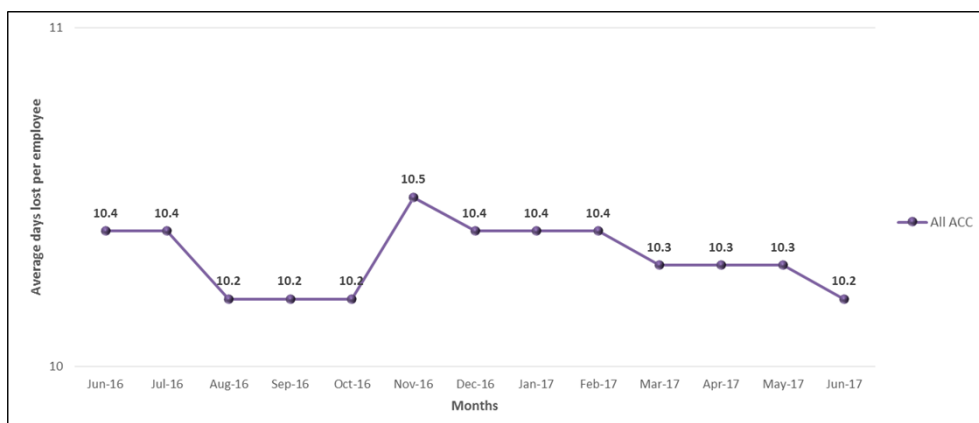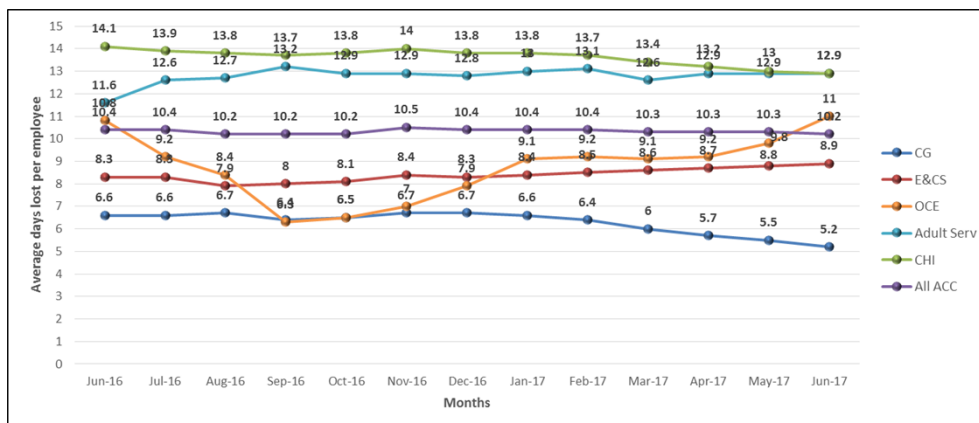
By improving staff engagement levels, continuing to implement absence management procedure and enabling staff to progress and develop, it is likely that the absence figures will continue to improve in 2017/18.

2.4   Legislative Drivers

The programmes of government and the associated legislative programmes of both the UK and Scottish Government have a direct bearing on the future duties and ways of working of council.

The Community Empowerment Act, which enables the empowerment of community bodies through the ownership of land and buildings, strengthens their voice in the decisions that matter to them. This presents an opportunity to look to them as partners in delivery, and therefore to build resilience into our services and communities. However, this requires a change in the way we work and think. We need to redefine our operational practices and governance model to ensure that local service providers work together even more closely to meet needs, and facilitate different models for democratic participation.

It is important to recognise that our plans and strategies fit within a national and regional performance framework. The Council and the Community Planning Partnership (CPP) make a valuable contribution to a range of sub-regional (North East) and regional strategies. For example, the recent announcement regarding educational reforms which will not only see the increase in powers given to head teachers over the curriculum, the hiring of staff, and in closing the attainment gap. It will establish the creation of "regional improvement collaboratives" which will see councils share resources to support schools as well as the appointment of a regional director. The Northern Alliance is seen as an exemplar of this and perhaps heralds a model that can be applied beyond education, given the range of arrangements already in place to support the regional delivery of services.

2.5   Technological Drivers

Separately, but no less significant, the way in which councils are beginning to use digital and data is also worthy of more detailed consideration. Digital is disrupting the way that we consider public service provision. Increasingly, citizens expect services to be digital by default. However, the leading councils are going further, using digital to support community participation and engagement and promote independence.

Councils have always held vast quantities of information. However, recent advances in our ability to analyse and present data is affording new opportunities to generate insight. The leading councils are already developing their analytic capabilities to take greater advantage of the information they hold and, in the most advanced cases, anticipate and manage demand for services more effectively.

Digital councils have greater potential to innovate at pace not only because their technology is knitted into the fabric of a digitally enabled future, but also because their business operations are agile enough to adapt to change quickly. They also, typically, gather data on and understand their customers, and create ecosystems to build additional value and services. In order to survive, digital "laggards" need to rethink the investments they make today to digitally enable their business and improve their capacity for innovation.

Existing directorate fragmentation is reflected in our supporting IT. There are currently over 300 systems within the Council and approximately 19,000 access databases. Each line of service has a system which is highly specific to its particular needs, but in many cases has grown to become an inseparable part of the service itself. Some IT systems are the only ones we have ever used in certain areas and we are highly reliant on external suppliers.

We have made strides towards self-service and automation, but we lag behind others, particularly in requiring a high amount of manual processing between a number of our systems which do not interface directly (such as between line of service systems such as CareFirst and corporate systems like Covalent and e-Financials).

Currently eligibility assessments tend to be carried out via a mix of telephone and face-to-face interactions. These enable personal judgments to be made about the extent to which a customer or client meets a set of predefined criteria. In many other walks of life, algorithms, artificial intelligence and machine learning are being used to make similar determinations - it will not be long before this type of capability matures to the point that we will be able to consider its use. We must be ready to take advantage of these types of opportunity as they appear.

2.6   Organisational Design

Our organisational structure reflects our services and the statutory duties we have to deliver. Related and complementary activities are grouped together, but we have a relatively hierarchical management structure with at least five layers of management - with more in some areas.

Our leadership roles and responsibilities are described through the lens of directorates, the titles of which do not reflect the outcomes we are trying to achieve. The coordination of activities either within directorates or within teams is focused on discharging the duties relevant to that directorate. The coordination of activities across directorates is less structured or clearly defined.

We are beginning to take more corporate ownership of what has hitherto been a largely devolved model. Similarly, in finance there is a need for increased clarity of responsibility and accountability for spend against budget given the challenging financial position.

However, our alignment of spend against priorities as expressed in the LOIP is well behind our ambitions. We do not budget against outcomes and we find it hard to see our portfolio of investments, income generation and subsidies in one place, let alone in the context of the outcomes they are intended to support.

Our structure, systems and skills reinforce a single-service approach to management, monitoring and control rather than being outcome or person-centred. In common with other public bodies, we struggle to share data and truly work as an integrated team with other CPP entities, even where the IJB has been created to better enable this level of joint working.

The impact is that we are less well equipped to adapt our processes and ways of working to a more outcome-centred, joint way of working, both within the Council itself and in partnership with others.

Although we have created a corporate customer contact function and an enhanced Council website, we are some way away from even having a single entry point to the Council and as such we are not well equipped to understand the existing demand, drive consistency in the customer experience and take measures to support self-service.

2.7   Processes

We know our processes are overly complex and that much of our activity is fragmented and/or duplicated. Phase 1 of our Business Support Review involved carrying out an "activity analysis" to assess these issues. It found our costs are high in relation to other public sector organisations (this is particularly the case in some of our back office support functions). The proportion of "service delivery" we undertake is relatively low when compared with other councils (which is counter-intuitive given that a higher than average proportion of our services are delivered "in-house"). Although the costs of our customer facing activity is broadly in line with other councils, these costs are highly distributed across the organisation. There is a relatively low degree of consolidation and standardisation across our departments. Fragmentation is high across the organisation, with many teams covering a range of customer, middle office, support and strategic activities. Finally, our general administration, HR, management and supervision, data management and health and safety costs are particularly high when compared to others.

2.8   Governance: Accountability

The relationship between the Council as the "responsible authority" for particular functions and the various models and organisations which actually deliver services is a mixed picture. In some cases the delivery body is an external part of the Council, such as Sport Aberdeen, or a third party supplier. In these cases, the distinction between the responsibility for "commissioning" and the responsibility to deliver a service is clear. This allows the commissioning function to focus on what is required to support priority outcomes, whilst placing the responsibility for delivering to a financial and performance specification clearly with the "supplier". The relationship between the functions supports strong strategic leadership, scrutiny of performance and accountability.

For internal services, there is not the same clarity. Services have responsibility for both "commissioning" what is to be achieved and for planning and managing its delivery. These arrangements mean that scrutiny and challenge of strategic commissioning and the contribution which actions, performance and expenditure make to delivering priority outcomes and the LOIP can be less sharp.

In addition, the current directorate structure is not explicitly aligned to the LOIP outcomes. This can create cross directorate barriers to a whole system focus on planning to and delivering those outcomes. The existing committee structure and scrutiny mirrors the directorate structure rather than the agreed outcomes. Whilst a

"Golden Thread" is in place, tracking the delivery of LOIP outcomes through each Directorate, the planning, delivery and accountability is primarily aligned on a directorate and committee basis rather than on the outcomes themselves.

The involvement of key stakeholders, other than elected members and officers, is not well developed in the existing governance arrangements. In particular, the Community Empowerment Act requires a far broader and deeper role for customers and communities in local authority decision making.

2.6   Conclusion

Whilst the context that we operate within may appear stark, it also creates an opportunity for significant and meaningful change; a change that will see us become financially sustainable for the longer term. In summary it is clear:

- The financial challenge means we need to fundamentally change how the Council operates;

- The demand challenge means we need to rethink how we understand and respond to demand in new ways;

- The sectoral and legislative drivers towards an outcomes focus, collaboration and community empowerment need to be reflected in the shape of the future council;

- The ability of technology to support the new shape of the Council and to allow us to innovate and transform how we work is a key dependency;

- The range of organisations which are commissioned to deliver, and the workforces which support them, need to be fully aligned to this new way of working and will need to change in order for the Council to get the best from them and them to get the right support from the Council.

To respond effectively to the circumstances described above, we need to examine our entire 'operating model'. This should include a review of our overarching organisational design, our approach to leadership and governance, the capabilities of our workforce, our approach to dealing with customers, our processes and performance, how we use technology and information and our relationships with our partners. Whilst change is underway, its pace and reach is not sufficient for addressing the financial gap identified in this report. So incremental change of the nature underway will be insufficient for ensuring a financially sustainable organisation. We need to fundamentally redesign the operating model of council.

However, the foundation for this new operating and governance model is our collective vision for the future of Aberdeen and our understanding of the outcomes we need to address as articulated in the Local Outcome Improvement Plan (LOIP).

3   OUR STRATEGY: COMMITMENT TO PRIORITY OUTCOMES

Working with our partners through the Community Planning Partnership (CPP), we have developed a city wide Local Outcome Improvement Plan (LOIP) which has established the priority strategic outcomes for the City.   These have also been embedded within the Council's Strategic Business Plan.

The LOIP is based on an analysis of the key issues across four themes: economy, place, children and adults. It is supported by three locality plans, which provide further detail on how we, collectively, plan to achieve our strategic ambitions.

The vision included in the LOIP is of Aberdeen as: 'A place where all people can prosper'.

3.1   Working together

As individual organisations, the CPP partners do their best to serve and protect the public. However, the CPP has recognised that they will not be able to address the city's underlying structural issues working in isolation. Through the CPP, the partners are testing new ways of working - doing things which haven't been done before to deliver real and lasting transformational change for our communities.

The overarching CPP ambition is to tackle some of the more deep rooted inequalities present in Aberdeen, flipping those communities where this is an issue from a cycle of deprivation to one of prosperity:

Figure 1: Shifting from a cycle of deprivation to a cycle of prosperity
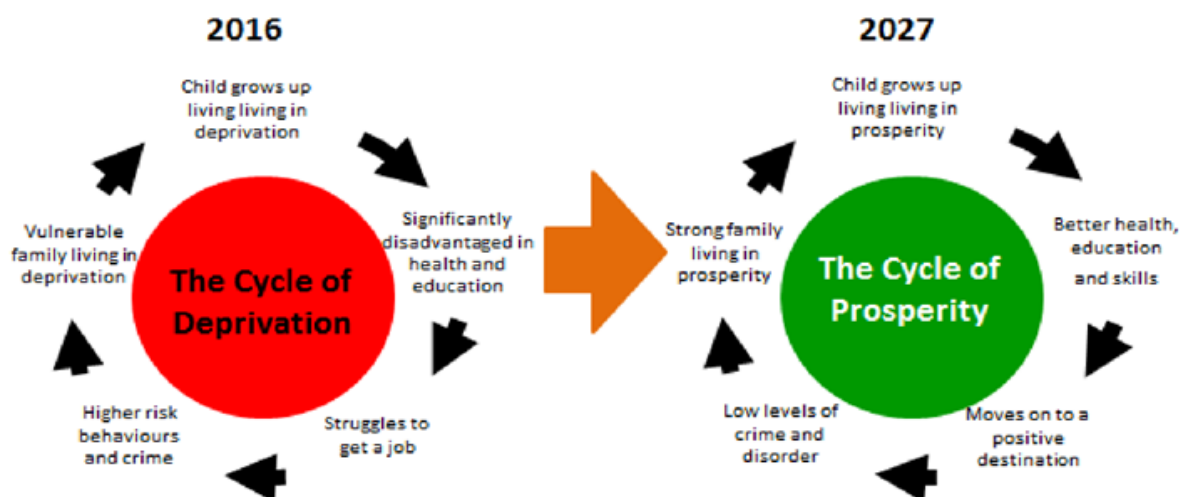
This focus must remain a key driver for the Council as it moves forwards. The transformation of its operating model must be pursued with the aim of realising this ambition.

3.2   Our priorities

To help achieve the CPP vision and the step change for communities described above, four high level thematic priorities have been identified, along with a fifth cross-cutting and enabling priority. These priorities are as follows:

1. *Aberdeen prospers*

2. *Children are our future*

3. *People are resilient, included and supported when in need*

4. *Empowered, resilient and sustainable communities*

5. *Creating a digital place*

Figure 2: Local Outcome Improvement Plan priorities
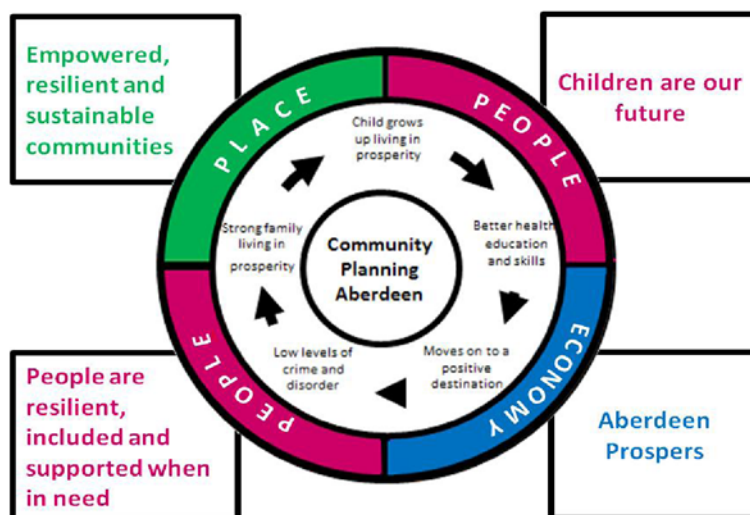
Through the CPP, and as an organisation, the Council has been using these priorities to galvanise and focus our collective efforts. In particular, we have been examining how best to facilitate a shift of resources towards early intervention and prevention, with the overall aims of tackling equality, unemployment, crime, violence and poor health that has existed in some families for generations.

The priority for creating a digital place recognises the key enabling role digital can play in helping to establish innovative and integrated public services.

The Council needs to be able to translate the LOIP into practice. This means having a clear, 'golden thread' between the outcomes we are prioritising, the decisions we make about where to invest our resources, and the choices about who delivers what services to realise positive change in these outcomes. Establishing the right service in the right place.

At its most logical this, therefore, means being able to take more of these choices on a partnership basis and having the flexibility to move resources within, or outside of, any one institution to where it will have the greatest impact.

It also means being able to demonstrate that the process of setting outcomes and objectives is driving the subsequent budgeting and service planning activities, and not the other way around. This means being able to align budgets and activity to the outcomes being sought rather than retrospectively aligning what had been planned anyway, against a set of disconnected outcome objectives.

3.3   Conclusion - our strategy and outcomes

The articulation, through the LOIP, of the vision and strategic outcomes that we seek as a Council will form the foundation that determines the new operating model that will best equip us to deliver against them. The vision and outcomes create the following requirements:

- If we truly wish to focus on the Council's priority outcomes we will need to work with others with a shared interest and ability to influence these outcomes;

- The future operating model will, therefore, need to prioritise the delivery of outcomes and the ability to work with others, as distinguished from ongoing management of operational services;

- The Council needs to play its part in a complex chain of public sector delivery that will continue to evolve, and so will need to be agile as this develops.

In conclusion, the future operating model needs to clearly deliver against these requirements. We, therefore, need to establish the principles against which any future operating model proposals can be tested which should be based on an agreed understanding of the limitations of the existing operating model.

4. PRINCIPLES FOR THE TARGET OPERATING MODEL FOR THE COUNCIL OF THE FUTURE

4.1 Design Principles

In redesigning our target operating model we need to consider:

a. **Customer Service Design** – we need to define how we deliver customer service.

b. **Organisational Design** – we need to define the organisational structures; roles, responsibilities, skills and capabilities; role performance measures.

c. **Governance** – we need to define the governance arrangements and reporting requirements to run the organisation in an efficient and effective way.

d. **Workforce** – we need to define the level and capability of people required to contribute positively to outcomes and to serve our customers. How many people do we need? How do we remunerate them? What skills and knowledge are required? What ways of working and what culture do we need? Promote equality in the workplace.

e. **Process Design** – we need to define the functional and business processes to support the business objectives, while ensuring we consolidate and streamline common activity.

f. **Technology** – we need to identify what technology is needed to deliver services to our customers whilst ensuring we use the technology in a person centred way.

g. **Partnerships & Alliances** – we need to define how we collaborate with public, private, third sector and communities to achieve successful outcomes.

a.   Customer Service Design

The Council needs to redesign its approach to customer engagement to fulfil customer needs. The future model must focus on early resolution and problem solving to help customers to become more self-sufficient and resilient, not only understanding and reacting to need but also understanding the source and managing demand positively. To deliver this holistic approach to prevention and demand reduction, we will bring services together – having the household / family view in mind at all times. This approach will fundamentally change the way we deliver services, with a move to online and digital service provision, streamlining customer access and working with people to give them advice and support.

CUSTOMER SERVICE DESIGN PRINCIPLES
Consolidation: We will consolidate all our (internal & external) customer engagement activity;
Being Digital: We will use our website and other digital technologies to promote and encourage self-service at all points in the life cycle of our customer. We will recognise that the digitally excluded & other customer groups may need support and will deliver this through our network of access channels;
Demand Management: We will put in place effective avoidable contact strategies and encourage staff to understand interdependencies, impact of their decisions and the need for enhanced joined up service delivery;
Prevention and Early Intervention: We will design services to focus on upstream prevention and early intervention to reduce costs while improving outcomes for individuals and families;
Data-Led: We will use both qualitative and quantitative data, ensuring an evidence-led approach to evolving and improving service design;
Customer Insight: We will adopt a whole system approach to customer feedback and will use customer intelligence proactively to inform service design and to anticipate customer needs;
Co-design: We will design our services with input from our customers to better meet their needs;
Customer Centric: We will offer a personalised, sensitive and proportionate approach throughout, whether initial access online or more in-depth support, ensuring our staff are highly trained and take personal responsibility to meet customer needs;
Locality Based: We will encourage community self-sufficiency & signposting to preferred partners;

Collaboration: We will support the various teams in the Council and partners to work together and collaborate effectively, through training and support for learning and improving together. We will coordinate and co-create joined up opportunities and support around the customer;

Promote independence and inclusiveness: We will support people with multiple needs to live ordinary lives and be as independent as possible.

b.   Organisational Design

The Council needs to modernise and meet increasing customer expectations for how we will do business. Whether they are individuals, families, businesses or visitors they expect to be able to deal with us at a time that suits them, in ways that personalise the service and that empower them over their own lives.

As a Council we need to move beyond seeing the customer function as part of every service to a specialist function in itself, able to help the customer to do as much as possible by themselves. This means that individual services and specialisms all work within a consistent customer journey and experience that challenges any paternalistic or professional silo behaviour. This means removing any 'directorate' specific communication and engagement with customers, in favour of a relationship with the Council as a whole.

Part of the story for the Council of the future will be how it uses the improved data that comes from this consolidation and professionalisation of the customer function to learn continuously and adapt its services based on the information obtained. This means having the capability to collect, analyse and act on the customer information provided.

What this means in practice is being better equipped to understand and forecast and, in the longer term, reshape demand on a whole-Council basis rather than within individual services. This includes understanding the distinction between avoidable, preventable and failure demand and how they can be intercepted and negated.

It also means moving away from being a 'delivery agent' of particular services to a passive population, to offering ways to connect individuals and communities to do more themselves and with each other. This includes aspects of public services such as participatory budgeting, personal budgeting and community self-help. For example, the Council can have a role in bringing together parents of children with special educational needs or brokering between suppliers of care products and those with personal budgets, rather than always being the provider itself.

In the longer term, we need to move towards seeing the Council as more of a 'platform' through which many different types of interaction take place. The Council has a key role to play in brokering arrangements between different groups, as much as it has being a provider of services itself. It is likely, if not inevitable, that in the not too distant future, the majority of these interactions are processed automatically or are facilitated via online self-service arrangements.

This is consistent with the wider strategic direction of seeing ACC as part of the regional and city delivery agenda and in the longer term will mean having a consistent customer journey across the public sector rather than focussed on ACC as an institution.

The separation of commissioning and delivery into exclusive functions is a vital ingredient to ensuring there is a challenge and distinction between the focus on the strategic outcome and the selection of the services to deliver against them (commissioning) and the execution of the services towards that outcome (delivery).

The above principles push ACC towards a structure which is more flexible, less hierarchical and better able to flex larger pools of resource to address complex challenges. It, therefore, drives a future state in which the workforce is organised in fewer management layers and is less 'static' to one particular role or service, instead moving where resources are needed and with the expectation of ongoing learning and change throughout their career.

ORGANISATIONAL DESIGN PRINCIPLES
Customer Centric: The organisational design will be centred around the customer and will support the empowerment, independence and self-serving ability of our customers. The design will create functional teams borne out of outcomes expressed through customer relationships with the Council as a whole rather than specific service areas. We need to accelerate and extend our plans to bring together customer activity within ACC to encompass all services and to challenge on an ongoing basis the cut-off points between the customer and service delivery function. We need a single point of accountability for the customer experience empowered to make this happen and to drive more customer centric behaviour from ACC.
Outcome Led: We will commission services organised around the LOIP outcomes we seek to achieve and will separate this commissioning function from delivery. We will align our budget setting process with the commissioning cycle so we can demonstrate how our resources are aligned to outcomes and are better able to make joint decisions with partners.
Enabling: The design will support the positioning of the Council as a "platform" through which many different types of interaction can take place, thereby enabling us to become the broker of arrangements as opposed to always being the provider.
Accountable and transparent: Customer standards and the customer journey will be transparent and measured regardless of who provides the service on our behalf.
Adaptive: The organisational design will follow and adapt to technology rather than dictating how technology comes into the operating model. The organisational design will be more flexible and less hierarchical thereby enabling resource to be moved to where it is needed.
Intelligence Led: The organisation will develop its services based around demand management information.

c.   Governance

The Council agreed a "Local Code of Corporate Governance" in March 2017. The Code includes "core principles" for governance which reflect CIPFA and Solace guidance for underpinning good governance.   The following governance / accountability principles for the target operating model are a summary of those agreed in the Code.

Governance and accountability within the proposed target operating model must ensure that structural arrangements support the commissioning of "services" which will deliver the priority outcomes agreed through the LOIP. Commissioning may be single system or on a shared basis and will include procurement, contract management and setting of standards.

Accountability for performance in the delivery of services will be clear and distinct from strategic commissioning. Scrutiny and challenge will be applied against defined specifications and standards and in the context of the contribution to improved outcomes.

The business of the system of committees should be explicitly aligned to the LOIP outcomes.

In response to both legislative drivers and changing expectations, stakeholders, including staff, customers and communities, should be more directly involved in decision making and scrutiny.

Governance structures must be data rich, intelligence led and flexible allowing effective decisions to be made when needed.

GOVERNANCE PRINCIPLES

Transparent: the decision making process should make clear the priorities of decision makers in deciding what we do and how we do it, to drive the LOIP outcomes; the roles and responsibilities of each individual involved in making a decision; the basis and evidence on which decisions are made.

Informed: decisions should be made having given consideration to: available options, an assessment of impact, an assessment of risk, the views of stakeholders, and how these decisions will be implemented, including performance and improvement measures.

Accountable: The network of delivery bodies will be accountable to the council through the proposed strategic commissioning board and the delivery board.

We will distinguish the organisational responsibility and accountability for the strategic choice about what we do and who does it, from the responsibility for delivering. This intentionally creates a relationship between the team 'specifying' what will be delivered and team accountable for delivery.

Inclusive: the decision making process should allow all stakeholders to feel that they have a mechanism for being heard, and promote community involvement in decisions and result in decisions which place more ownership in the hands of the communities, for instance, promoting models like self-directed support.

Flexible: the decision making process must be capable of taking decisions when needed and not incurring any material loss/disadvantage because of delays, in balance with the principles listed above. This should also reflect the focus of the organisation on outcomes and the shift from service to functional leadership.

d.   Workforce

These principles drive us towards a model of employment which enables staff to work across functions, to develop their skills in a range of disciplines and to become problem solvers as much as they are service deliverers. A move to more generic responsibilities will be needed to act in the new model in which we will resolve a much higher proportion of requests and enquiries without needing to concern our technical specialists, freeing up their capacity to focus on the more complex issues that require specific expertise.

We also need to move to a more agile way of working (facilitated by an investment in mobile technology). This means establishing the physical environments that will enable staff to work more flexibly, reduce their requirements for physical space and make new connections with colleagues in different parts of the business. This may require a modest investment in our estate, but this would be more than outweighed by the benefits it would help us deliver and the gains we can achieve through the release of surplus property.

We need to consider how we empower our workforce. We are too reliant on traditional notions of leadership - on command and control. Our hierarchical structure has evolved over time, but we now need to consider how we can distribute leadership right across our workforce. We need to build a culture in which our colleagues feel they have the freedom to make a difference, to be entrepreneurial and to take appropriate risks - put simply, we need everyone we employ to be a leader.

In requiring staff to adopt a different approach to their work, we will also need to consider our approach to reward and recognition. It may well be the case that the balance of remuneration currently will not help us achieve some of the objectives described above. We will need to assess the extent to which a more detailed review of these arrangements will be required.

As the nature of the workforce changes so too must the nature of leadership and the nature of the relationship between staff and leaders. With a smaller, leaner workforce that relationship must shift from supervision to empowerment. Future leaders will connect people to the purpose of the organisation, agree outcomes, trust and empower their teams to deliver those outcomes and hold them to account for that delivery. Future leaders will be confident and authentic. They will not see leadership as their sole preserve but will devolve leadership to all levels and will support this through a coaching/ mentoring/ enabling style. They will engage with others and will seek to involve the workforce in shaping the future. Future leaders will develop trust by operating in a spirit of openness and transparency. They will practise sound governance and from that foundation will seek opportunities to improve and transform the way their services are delivered. They will not be hindered by the traditional boundaries of their service area and will regard themselves as leaders of the organisation and of the place. They will seek to work in partnership with others – for example with unions, members and staff to improve management across the organisation; and with local and national partners in improving outcomes for the city.

A Leadership capability framework will identify the skills, knowledge and capabilities required at each level of management. It will provide a means of identifying and addressing skills gaps, will inform the management and leadership development programmes, identify and address under-performance and assist with succession and career planning. Similar frameworks will also be developed for specific roles, such as business support and customer management.

Culture is simply about how staff behave and how we behave as an organisation. Expectations around behaviours are already captured in our core behaviours of communication, respect, professionalism and customer focus. These are well known and are a sound foundation for what we seek in our staff. However, as we continue to transform as an organisation there is a need to redefine and re-interpret these in light of the digital agenda and its implications for our workforce; we need also to be mindful of our duty to protect the vulnerable in our society so the behaviours will also reflect the increasing need for soft skills such as empathy.

At the same time the rapid and radical changes we are making to how the organisation does business require a shift in employees' personal approach to work. This will require an approach which is active (initiators, self-starters, willing to experiment, willing to learn and share learning, data informed); adaptive (change ready, flexible, agile, resilient, future focused); and accountable (delivering outcomes, seeking and providing clarity, holding self and others to account).

The revised behavioural framework will clearly set out what we expect of staff in both the core behaviours and in how we expect people to approach work going forward. This will, in turn, help inform how we recruit, induct, develop and manage our future workforce. Our future development programmes will be based on the future workforce profile and our behavioural and leadership framework.

We also must look at how we can further strengthen our relationships with trade unions particularly in terms of building staff governance standards, but also in terms of management and trade unions supporting our staff to adapt to the transformation of the Council.

The creation of a staff governance committee within the formal governance structures of Council will play a critical role in enabling trades unions to be at the heart of policy setting. Each policy will need to be reviewed in line with an evolving Council and the digital age and provide the empowerment to the organisation through self-service and self-management. Technology will play a key part in supporting self-service through digital channels of self-help and negate the requirement for HR intervention.

The inclusion of all trades unions within the transformation programme structures will ensure that trade unions are at the heart of all the change programmes and therefore will be well placed to ensure that the impact on staff of proposed changes is understood.

WORKFORCE PRINCIPLES

Flexible and Agile -   A professional workforce for the 21st century based on a profile, i.e. digital, adaptive, connected, open, data informed, and future focussed.

A workforce that is better placed to resolve a much higher proportion of requests and enquiries, thereby leaving the technical specialists to focus on complex issues that require specific expertise.

As we transition from the existing operating model to the new model, the offer of fixed term posts should be prevalent throughout with limited posts being offered as permanent. This will enable a nimbleness of the Council leadership and workforce and as the Council continually transitions towards a leaner workforce, the skills base of the staff will be aligned to the specific skills required at that point in time. In addition, career breaks can be utilised to support the re-skilling of staff, where appropriate.

A workforce that works in a more agile way, facilitated by an investment in mobile technology.

There will always be a requirement for human intervention in employee relations situations but digitalisation will consume a large number of queries from managers and employees to allow the HR professionals to concentrate solely on these situations. Therefore, a centre of excellence for employee relations for these specific instances will be located in the revised restructure of HR.

Empowered and Accountable   -   A model of management that shifts from supervision to empowerment of staff.

A model of performance measurement and management which ensures alignment of staff objectives to the LOIP outcomes spanning from the CEO to all staff and accountability for the associated deliverables.

A clear leadership capability framework in place that supports our leaders.

A revised behavioural framework that clearly sets out what we expect of staff in both the behaviours and in how we expect staff to approach work going forward.

Technology will play a key part in supporting self-service through digital channels of self-help and negate the requirement for HR intervention.

Rewarding -   A consideration of our approach to reward and recognition and how we package work in terms of working week in order to support a 24/7 access model for our customers.

Open and Co-operative -   Engaging with staff to continually develop the workforce to meet the demands of the 21st Century.

A modern and progressive partnership to underpin our industrial relations.

e.   Processes

The Council needs to modernise its business and functional processes to support the business objectives.

Responding to the "activity analysis" from Phase 1 of the Business Support Review, the future model must remove fragmentation and duplication through the consolidation of processes and activities. Increasingly technology will be used to enable both self-service and automated processes.

This approach will fundamentally change the workforce requirements which currently support our processes. Staff will work more flexibly with broader knowledge base and different skills. This approach will both ensure that processes are designed to meet the needs of customers and that they are increasingly efficient, with costs being reduced.

PROCESSES PRINCIPLES
Understand what people need – We will work with our customers to understand their needs and to make the processes fit for them.
Use data to drive decisions – We will use existing data to drive our initial process design decisions, not hunches or guesswork; we will build measures in to our processes and use the data to monitor and improve the processes over time.
Address the whole experience, from start to finish – The process is only as strong as its weakest links, therefore to best meet the needs of our customers we need to address their whole experience, from start to finish.
Make it simple and intuitive – We will build processes that are simple and intuitive enough that our customers succeed the first time, unaided; to do this we need to test our processes with real customers.
Be consistent, not uniform – We should use the same language and the same design patterns wherever possible. This helps people get familiar with our processes, but when this isn't possible we should make sure our approach is consistent.
Security and privacy by design – In designing a new process, we should engage the appropriate privacy, security, and legal officer(s) to discuss the type of information collected, how it should be secured, how long it is kept, and how it may be used and shared.
Make things open: it makes things better – We should share what we're doing whenever we can. With colleagues, with customers, with the world. Share designs, share ideas, share intentions, share failures. The more eyes there are on a process the better it gets — errors and inconsistencies are spotted, better alternatives are pointed out, the bar is raised.

f.   Technology

The speed with which technology and processing power is evolving and the sheer quantity of data available to us presents some significant opportunities. Some of these opportunities will relate to how we receive, process and record requests for service. Others will be more geared towards helping our staff to work more effectively. The advent of cloud computing is changing the role of in house IT in many organisations. The cloud is making it more cost effective for organisations to withdraw from system ownership. Data, rather than the systems that hold the data, is being viewed as the key asset in most organisations. The focus of our IT function in the future must be on the use and security of that data rather than the development and maintenance of outdated systems.

The data we hold could help us transform our approach to decision making as well as recasting our relationship with the communities we serve. We need to develop the business intelligence capabilities that will help us to understand and influence patterns of behaviour, forecast demand for services, help us to allocate resources more effectively and provide us with the insight we will need to plan for the future.

The Council's approved digital strategy distinguishes between emergent technologies such as artificial intelligence, 3D printing and remote and deliberate technologies. Other organisations are already using sensors. Our utilisation of such existing technologies is practically non-existent and yet the technologies have the potential to unlock capacity within the organisation which could become vital as the funding available to us continues to reduce.

Customers, partners and suppliers will be able to use any service digitally. They will be able to access services more easily and receive a more consistent level of service. We need to provide customers with a choice of channels, and make sure whenever they do contact us their experience is seamless.

Staff will be able to work from anywhere, with anyone and at any time. This will ensure that they have the right tools and training to do their jobs. We can automate our administrative tasks. Our investment in technology will deliver savings and allow us to work better with our partners. In delivering this we will seek to minimise costs by exploiting existing frameworks, sharing programmes either locally or nationally and using our existing capabilities better.

TECHNOLOGY PRINCIPLES

Customer and Data Centric: We will enter a new relationship with the technology sector and specifically enter into a partnership with a provider to give us access and capability to a digital platform that is customer and data centric, as opposed to being focussed on applications and processes.

We will withdraw from system ownership. Our IT function will instead be focused on the security of data in the cloud rather than the development and maintenance of outdated systems.

Flexible and Agile: We will continually embrace new ways of doing things based on emerging technologies. We will be flexible to change how we do things as the underlying technology and digital capability changes. This will mean looking at things through the lens of how technology can be exploited to unlock further capacity in the system.

Technology will enable our workforce to work from anywhere, with anyone and at any time.

Intelligence Led: We will be a data and intelligence led organisation meaning we will be able to better predict, understand and respond to customer needs.

Engaged: Technology will be used to re-cast our relationship with the communities we serve by enabling more citizen engagement and participation.

Open: Make things open: it makes things better.

g.   Partners & Alliances

It is evident that the delivery of the LOIP priority outcomes will require strong and broad collaboration with communities and across the public, private and third sectors.

To achieve this collaboration across key stakeholders we need to be thoughtful about leadership of the City and the broader region as well as the leadership of the institution of ACC.

Appendix 1 to this report, "A Distributive Leadership Model to Underpin a New Approach to Urban Governance", sets out a detailed vision and approach to developing a modern collaborative approach to place leadership. The report highlights evidence which shows that cities which embrace collaboration and distributed leadership are most likely to be the ones to succeed in future and deliver sustainable competitiveness.

Urban leadership is increasingly dependent on the ability to manage horizontal relationships across a range of often fragmented organisations and stakeholders and the challenge is how to bring together those exercising decision making power for communities with other "placeless" leaders ("placeless" in the sense that they are organisations not concerned, explicitly, with the geographical impact of their decision making).

For city leaders (elected members and officials of local government) this means striving to the see the bigger picture beyond the boundaries of the local administration in order to identify the influential actors in and for the city.

Under a distributed urban leadership model, local administrators should move from exclusively implementing and controlling to guiding and influencing. The new urban leaders need to ensure the vision for a place is owned by all stakeholders.

A central element of this approach is effective community engagement which builds a strong involvement in place making from the people who live and work here. The notion of local authorities as a hierarchical power and service provider must give way to an approach where "authority" comes from a broad distributed leadership, which has its roots in the community.

Further engagement with all key stakeholders, including communities, is proposed on collaboration and place leadership. Reports will be prepared for elected members' consideration in due course.

PARTNERS & ALLIANCES APPROACH

Shared vision and values: While recognizing and respecting differences – and welcoming dialogue and debate – sufficient common ground must be found for our partnerships and alliances with others to be viable.

Complementarity of purpose and value added: The emphasis will be placed on identifying the common outcomes to which we are working, whether in long or short-term relationships, looking to build on the distinctive contribution of all parties, and ensuring that our combined efforts bring about change.

Autonomy and independence: While there must be some commonality in vision and values in order for the partnership to be viable, we accept that partners may not share all our views. The right of each partner to determine their own institutional identity, directions and priorities should be respected.

Transparency and mutual accountability: In working towards a common outcome there will be transparency and mutual accountability to one another, our customers and other stakeholders.

Clarity on roles and responsibilities: We will discuss our understanding of roles with partners, clarify the ways in which we will work together and determine who is best placed to deliver what, both as we start the relationship and as the relationship evolves over time.

Commitment to joint learning: We should have upfront agreement on how we can learn from our joint work, and from each other, with the aim of incorporating learning, communications and knowledge-sharing into the relationship.

4.2   Implications for the Council of the Future

In summary, there a large number of implications arising from these design principles:

- Customer Service Design - The future model must focus on early resolution and problem solving to help customers to become more self-sufficient and resilient. Services will be brought together, with a move to online and digital service provision.
- Organisational design - the future model will need to explicitly separate commissioning and delivery roles. It will need to have an enhanced role for a customer lead empowered to take ownership of the customer platform and drive a consistent set of customer standards. It will have fewer management tiers.
- Governance - the future model will require an overall governance framework which supports the focus on functions rather than organising round particular services or professions. The governance model will need to have a stronger link between the overall LOIP, target outcome objectives, and ultimately individual contribution.
- Workforce - the model will need to accommodate new skills and experience particularly in areas such as commercial behaviours, incubation, data analytics and commissioning. We will also need to rethink our approach to less hierarchical career path development and recognition.
- Processes - the future model will need to support the consolidation of common processes and activities and help remove the service/departmental approaches. It will need to be reinforced by a structure that makes it easier to work flexibly to meet the demand for the skills required and technology that will support more of our processes being delivered on an automated basis, removing them from services altogether.
- Technology - the future model is highly dependent on improved technology and accessing skills and knowledge which we struggle to attract and retain in sufficient depth in ACC. We will therefore need to seek a strategic partnership in this area to provide the capacity and capability needed and a shift to cloud-based, service contracts that reduce our need for in house expertise and support.
- Partners & Alliances   -   the future model will require engagement with key stakeholders on collaborative and distributed leadership for the city and region.

4.3   Conclusion

In this section the link between the context, our ambitions for Aberdeen, and the design principles that will shape the future operating model has been used to understand the future characteristics of the organisation.

The following section translates this into the 'sum of the parts' - what does the overall target operating model look like and how is management and governance best organised to lead it?

5.   BUILDING THE RIGHT ORGANISATION

In the previous section the key characteristics of the future operating model, adhering to and building upon our established design principles, has been set. In this section the overall picture for what this will look like is set out.

5.1   Blueprint for the Council of the future – "Target Operating Model"

The blueprint for the future aims to set out the key functions for the future operating model and how they will be organised.

The blueprint for the future is that there will be a shift away from directorates based on services to a more 'functional' model in which our capability is organised by function. This does not mean the structure will directly reflect the functions set out below but that ACC will have co-ordinated, single resource pools delivering these functions in standard ways.

This means four key functions in the new model:

1. Customer - covering both the single customer platform and physical and telephony based contact. This will include providing a customer contact point within our physical infrastructure such as libraries and community centres, which offers the same breadth of services as in our main customer contact function.

2. Commissioning - this will replace the existing dispersed strategic planning arrangements and create a new function, holding Operations to account for delivery against targeted outcomes. The commissioners will hold the budget and take responsibility for how ACC fulfils its commitment to delivering the LOIP. This function includes the procurement, contract management and setting of standards as well as the capability to manage ACC joint investments in commissioning activity.

3. Operations - covering the whole suite from community provision, in house service delivery, delivery by bodies within the ACC group such as 'Bon Accord Care' and external delivery bodies. These functions will be 'commissioned' by the Council and delivery bodies will be required to deliver against a specification and to define how they will support the priority outcomes.

4. Resource management - this will cover corporate services including finance, people and management of assets and enabling technology. This will include the provision of corporate services to the ACC 'group' and could also include provision to other councils on a shared basis. Equally, this will be the 'client' function for suppliers to ACC as an institution such as supporting the move to cloud technology, as well as being the key relationship manager with the London Stock Exchange.

This is set out more clearly below.

Appendix A
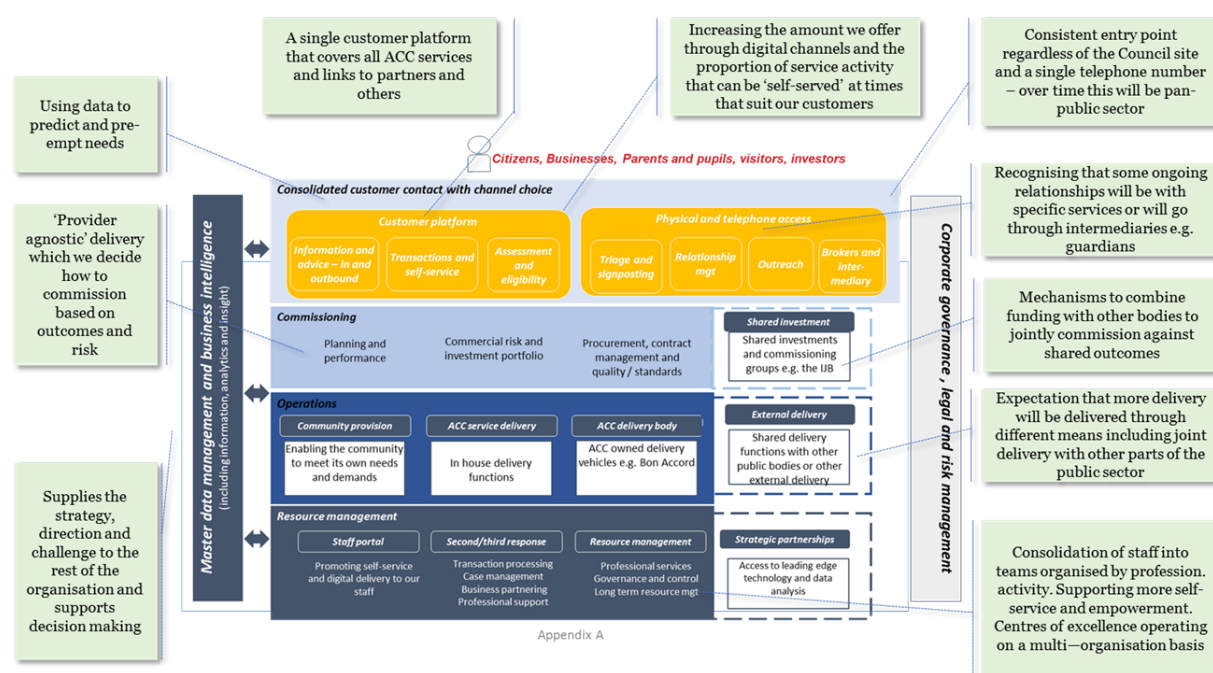
5.2 Leadership for the Council of the Future

The maxim 'form follows function' means that the organisation structure and the leadership positions should be determined by the form of the operating model, not vice versa.

The blueprint clearly establishes a new set of organisation demands on the Council than currently exist. It requires a fundamental shift in leadership positions to reinforce and drive the new organisation towards this target state, rather than pull it back into the current organisation model and the silos that result.

The future leadership structure is therefore bold and represents a fundamental shift from how we have organised our people and decision-making to this point. The proposed leadership model for the future maps to our key functions whilst respecting the operational and statutory demands placed upon the Council.

In summary, the current directorate model will be entirely removed in favour of a leadership team which is bound by functional responsibility, but that can only deliver on our priorities and ambitions by working together.

The future leadership will:

● Align delivery to outcomes, breaking down directorate and service silos;

● Retain a consistency and focus on agreed outcomes, but agility around the choice of delivery model;

● Create organisational capacity to enable an external and strategic focus to contribute to shaping Aberdeen as a place, and in terms of regional public services recognising the need for multi-disciplinary/ multi organisational responses to challenges, and facilitating a response;

- Enable the investment decisions to be made about the best use of the collective Aberdeen pound;

- Put customers at the heart of operations, and creating a culture of customer excellence and community empowerment;

- Create an environment to support a 'self-sustaining' and sustainable future, enabling us to live within our means;

- Support a 'one Council' approach and avoiding silos and boundaries, reducing hierarchy and reinforcing a shared approach to delivery.

The diagram below shows how the leadership team work together in the commissioning cycle:
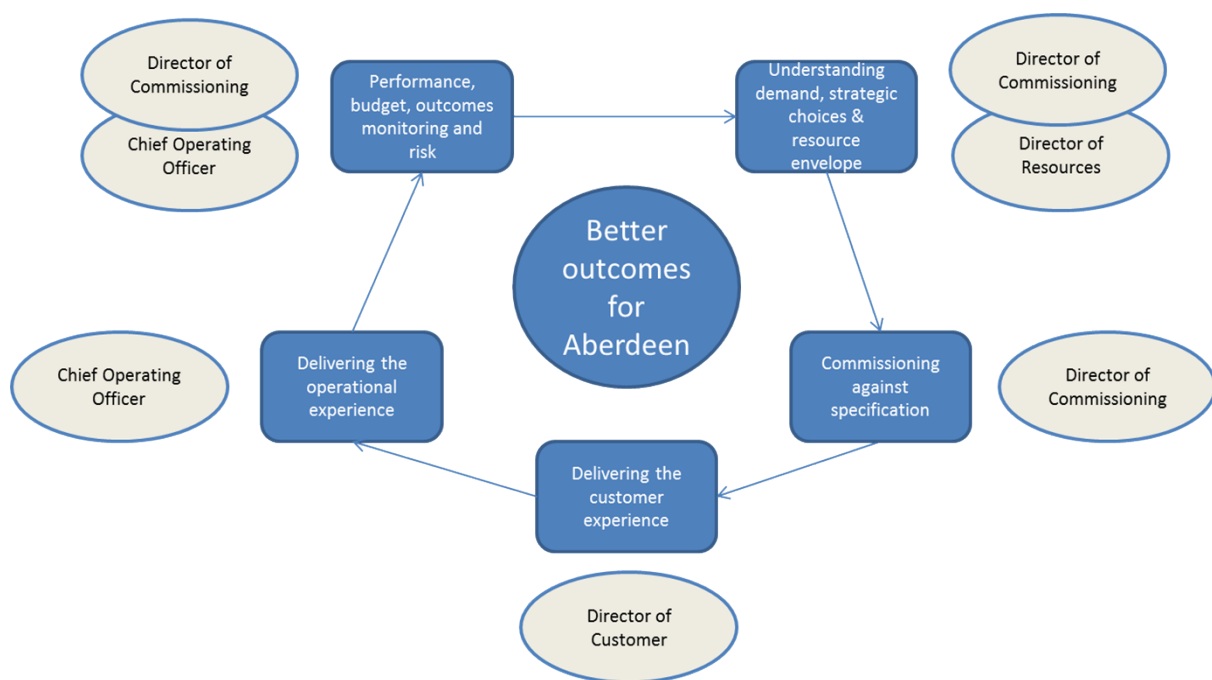
An overview of each function is as follows:

Director of Customer

This role is responsible for the management of the ACC customer 'platform', consolidated customer functions and has the duty of dealing with the first point of enquiry, assessment, managing demand and only interfacing with operations where this is necessary. The Director must be focused on helping individuals and communities to help themselves, where appropriate, as part of the whole system overview of demand which the Council is facing.

The Director role is there to create the conditions for more of our service offer to be delivered through digital means, to enforce customer standards and to over time build deeper and broader services directly through to customers and communities and away from 'services'. The role is highly reliant on the IT and business intelligence functions and the owner of the Strategic Digital partner.

Director of Commissioning

This role is responsible for the allocation of resources from budget to delivery on the Council's contribution to the LOIP. This means they have the budget and accountability for choosing how to allocate resources in order to make a contribution to the performance measures and other indicators of progress towards the outcome.

In practice this role will start by inheriting a largely in-house provision, existing contracts and a complex network of delivery bodies. Their role will include constraints such as whom they will commission and the resource envelope allocated to them. Over time they will have greater flexibility as our existing contracts come to an end, as they work with the Customer and Operations to reshape what we do to deliver against outcomes.

Chief Operating Officer

This role brings together the leadership of the ACC 'in house' delivery functions. It is deliberately aimed at the removal of service specific silos and behaviours and charged with joining up our delivery, adapting to meet demand and continuous operational improvement. The Chief Operating Officers manages a significant amount of Council employees but is 'commissioned' through the function of the Director of Commissioning. In practice this means they need to agree the contribution they are making to the outcome the commissioner is charged with delivering and agree a budget, specification and target performance against which they are held to account.

Over time this function may reduce as more of our services are delivered through community self-help, or negated through improved demand management, or are delivered by other parties within and outside of the ACC group.

Director of Resources

This function is responsible for our People Management, Financial Management, and the client function for IT. It will also have responsibility for both the Council owned assets, and separately, the delivery of the Council capital programme.

The Director's role will be to support the Council's credit rating and to manage our relationship with our investors through the bond to ensure we continue to meet the requirements of the London Stock Exchange regulatory framework.

5.3   Key Components of our Digital Programme

Digital enablement is not simply about implementing a technology solution. Moreover, it is a combination of technology, culture and processes that come together to disrupt existing operations and enable a new way of working through providing a set of core, reusable capabilities.

The diagram below outlines the core components of a digital platform that, once implemented, help break down traditional barriers and encourage participation and collaboration, based on trusted data and insight.
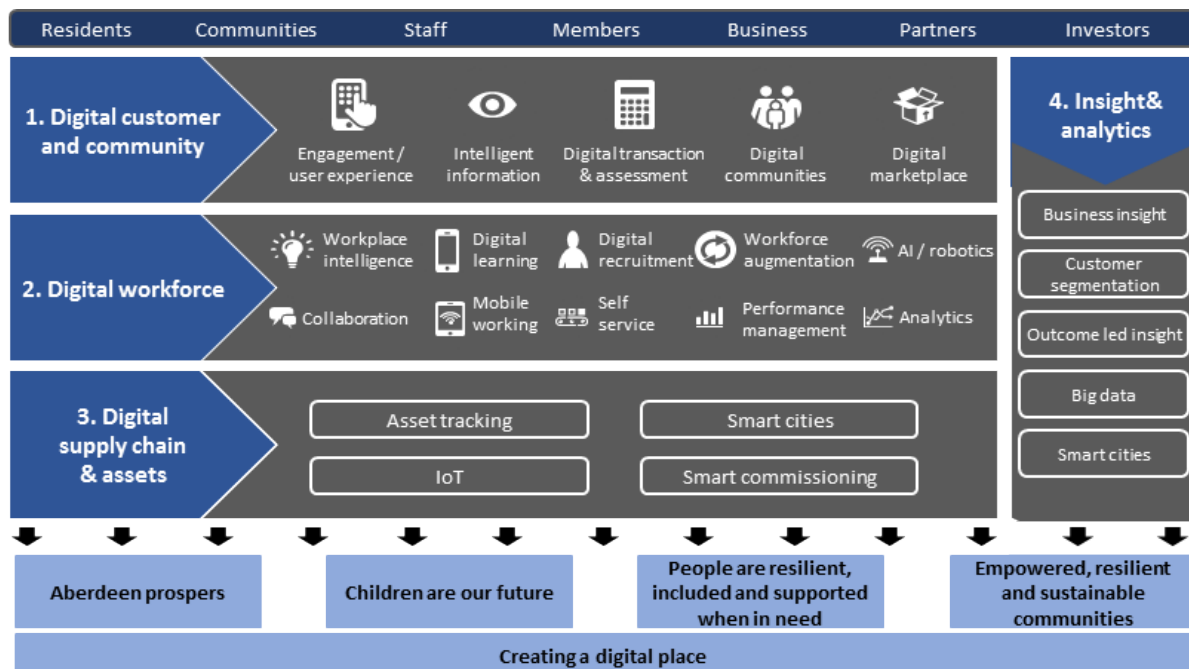
Technology and digital has a significant part to play in the delivery of changes to Council and Customer, and is a key enabler of this change in the following ways:

Digital Outcome	What this could mean	Key considerations
1 **Outcomes focused delivery models, underpinned by Digital platforms**	• Using digital solutions to enable Services to become a 'broker', matching customer need with supply, rather than delivering the service itself e.g. Homecare. • Enabling collaboration around a family, using digital solutions to draw key data into a single place and allow professionals (cross-organisation) to work securely together to deliver better outcomes	• Do we encourage and reward customer driven service delivery? • Are we ready to implement new business / delivery models? • Where will these new models deliver most value?
2 **digital customer interface** that activates and enables customers to self-manage, self-assess, and provides a single point of access to services	• Increased adoption of self-service and participation in democratic processes through marketing tools ('gamification', campaigns) • Use of "chat bots" to provide information advice and guidance and to sign post to other providers where appropriate, and use of rules based automation to enable customer to self-assess • Single online financial assessment process	• Are we clear how we best drive adoption based on our customers' needs? • Do we have the requisite skills and tools in place to enable us to better predict and manage demand?
3 **Anticipatory services enabled by data, AI and machine learning**; data that is integrated and made visible through the use of Digital solutions.	• Use of predictive analytics to identify high risk customers with the potential for escalating needs, as targets for prevention • Use of smart outbound communication in anticipation of future contact, and also as a means of activating behaviour change • Consolidated application processes that combines a number of related services and area based on shared process and evidence (proofs)	• Do we have the foundation of data sharing and collaboration in place within the organisation and with our partners? • Is the organisation and our partners ready for the type of service co-ordination that this will require?
4 **A digitally enabled workforce**, fit for the future, with automation and operational efficiency at the core	• Staff accessing the right info at the right time from anywhere, enabling them to be more efficient and deliver better outcomes • A digitally skilled workforce that is able to innovate and interpret data in a way that enables them to better support customers • Automation of administrative tasks allowing staff to focus on more complex and rewarding work	• Do we have the right tools and policies in place to enable our workforce to work more flexibly? • Do we 'practice what we preach' when it comes to self-service or are staff hamstrung by technology?
5 **mart Aberdeen, creating Aberdeen City as a Digital Place**	• Use of digital assets e.g. street lighting controls to help automatically report issues • Operational sensors managed at a control centre, along with smart parking management to help with congestion	• Do we have a clear and integrated strategy around a smarter Aberdeen? • What strategic partnerships are required to make this a reality? • How do we make sure 'Smart Aberdeen' requirements are

5.4   Strategic Digital Partner

On 19th April 2016 the Finance, Policy & Resources Committee approved 'Building a Digital Future' and 'Digital Connectivity Strategy' followed by the "Digital Strategy" on 20th September 2016 and 'Master Data Management' on 3rd December 2016. These papers were approved, with a budget of £4.5m, and lay the basis for Aberdeen City Councils transformation into a digital authority that empowers the majority of its customers and citizens to manage their own affairs while enabling the Council to focus on supporting and providing for the vulnerable in the city.

To enable the Council to realise its digital transformation there is recognition that the Council will need a 'digital partner' to support it achieve its outcomes. A digital partner will enable access to three key capabilities:

- Senior, strategic advisory support – a highly experienced support who provides periodic, strategic input into the digital portfolio as it delivers the transformation.

- Digital consultancy support – subject matter experts who work closely with the Council, in teams, in areas such as business case development, process re-design, customer experience mapping and design, digital supply chain re-engineering, change management etc.

- Digital technical support – digital specialists who know how to build customer technology interfaces eg. mobile applications, websites, social media campaigns, digital advertising etc.

Whilst these are distinct roles, the role of the partner is the ability to provide access to all of these capabilities, as an when required and to work with the Council for the delivery of digital outcomes (eg successful adoption by customers of a new means of accessing services), rather than the delivery of specific technical solution. This requires a broad range of skills and technical capabilities from the initial analysis, through to the technical delivery and the adoption/marketing strategy (eg the use of gamification as an approach to drive up adoption).

A digital partnership will provide us with access to expert knowledge or skills, offer a pathway to a new customer markets (enterprising council), or lend itself to a more agile approach. Essentially, it allows us to focus on our core expertise while supplementing it with digital expertise.

We will be looking for our digital partner to work with us to refine our goals. We will be seeking a partner whose analytics capability will help us:

- decipher our data
- turn our enterprise into a nimble, cloud-based operation
- deliver the technology to improve customer service
- improve user experience
- access a greater data pool
- save money

Refining our goals may require us to pursue more than one alliance depending on criteria.

Before we start engaging with prospective partners, we will make sure we have our high-level objectives in place. It will be vital to establish timeframes, agree on milestones and put deliverables against our long-term goals. However we need to bear in mind that the nature of the relationship changes over time, and we will need to take this into account when plotting objectives.

Once we establish a strong, trust-based partnership then our strategic partner can help us refine a more detailed roadmap. Partnerships must be agile. They need to share information quickly, respond and ramp up in an instant if they need to. Again, this relies on forming the right structures and accountability. It also demands that we have suitable tools in place – we are currently considering collaboration tools and

apps. Also, forming a partnership outside of your industry or capability presents an opportunity to challenge the status quo. Approach things differently and make the most of the insights that your new partner has to offer.

5.5   Approach to Commissioning our Digital Partner

The procurement is for a strategic digital partner to work with services within the new target operating model to identify digital outcomes; there would then be further procurement to facilitate the technology to achieve the outcomes.

It would be the intention to utilise those existing and accessible public sector procurement framework agreements to engage a digital partner to work with services to determine digital outcomes.

6.   A SUPPORTING GOVERNANCE FRAMEWORK

6.1   The previous section of this report proposes an officer leadership structure to support a new target operating model, based on the key functions of:-

- Customer
- Commissioning
- Operations
- Resources

This section looks at how decision making and participation within a supporting governance framework can be designed to support this leadership structure.

6.2   As highlighted above, the existing council committee structure mirrors the directorate structure. If the directorate structure is revised to reflect the above functions, it follows that the committee structure should also be reviewed.

6.3   Section 4 above describes principles for governance and accountability which should set the foundation for a governance, namely:

- Behaving with integrity
- Open and engaged
- Outcome led
- Develop capacity and capability
- Manage risks and performance
- Transparent and accountable

6.4   Building, then, on both the identified key functions and the principles of governance and accountability, the institutional framework for the Council should include the following.

Council   -   the Council is the statutory body to which statutory powers and responsibilities are vested. All other local authority decision making bodies (e.g. committees) do so on the basis of formal delegation from the Council.   Delegation can be removed, subject to standing order provisions.

Regulatory Decision Making   -   local authorities have a formal regulatory role in determining Planning and Licensing applications. Local authorities also have a prescribed statutory role in public protection, including child protection, adult protection and local resilience but currently these three areas of public protection have no local democratic oversight.

Institutional Decision Making   -   the design of institutional decision making should reflect the functions and principles of the organisation. Therefore, in the light of the proposed organisational structure for the Council this, suggests functional committees be established with responsibility for:-

- **Strategic Commissioning** -   including in house, "group" i.e. ALEOs, and external delivery models;
- **Operational Delivery** -   focussing on delivery to customers
- **Policy and Resources Management** -   including, finance, asset management, ICT
- **Strategic Transformation** -   to oversee the delivery of service improvements and savings in line with the Council's Transformation Objectives

All local authorities have other prescribed institutional decision making functions. These relate to:-

- **Audit** -   an audit committee is required to oversee the Council's accounting processes; corporate governance; internal and external audit (including Best Value); the system of risk management; and other policies including Fraud. Bribery and Corruption.
- **Health & Safety, Appeals and Joint Consultative committee** -   currently elected members directly manage staffing matters through the Joint Consultative Committee; Health and Safety Committee; and the Appeals Committee. Following the best practice of NHS Scotland, it is proposed that a staff governance committee be formed which incorporates functions of the 3 aforementioned committees.

Participatory Involvement -   there is a clear need for broader and deeper engagement of communities and other stakeholders in decision making. The Community Empowerment Act commits local government to engage with, listen to and respond to communities. The Act aims to increase opportunities for communities to participate in and influence decision making and this has to be facilitated and supported by local authorities and their partners. Communities, both of interest and of place, should be formally represented with the Council's institutional governance arrangements and, in addition, the Council will be represented on partnership locality boards established by Community Planning Aberdeen.

6.5   In light of the above, it is envisaged that a revised supporting governance framework for the Council could have an indicative structure of 9 committees; three "regulatory" – Planning, Licensing and Public Protection; 6 "institutional" – Strategic Commissioning, Operational Delivery, Policy & Resources, Staff Governance, Audit and Strategic Transformation.

6.6   Further detailed work is required not only to establish the Terms of Reference for the Council's revised committees but also to develop the most appropriate arrangements that see each of the committees actively engage with relevant citizen/customer, community and stakeholder groups on an ongoing basis to ensure that decision-making is open and responsive. Mechanisms to be explored will include for example locality boards, advisory panels, on-line platforms as well as the potential for the membership of committees themselves being expanded to include stakeholder representatives.

7.   ROADMAP FOR BECOMING A COUNCIL OF THE FUTURE

7.1   Implementation approach

Our Transformation Journey will touch every part of the organisation over time. There are a number of projects already underway and these projects will result in changes to the organisation within this financial year.

Implementation of new digitally enabled ways of working will require careful planning and consideration to make sure it is set up for success and does not adversely disrupt the business. The diagram below provides an indicative roadmap which has been aligned with the Council's wider transformation activities and is underpinned by a number of key principles:

• **An agile approach** will be used to implement core digital solutions, allowing the iterative development and release of functionality;

• **Significant support will be required from external partners** to accelerate delivery timescales. These partners will be procured as a part of the transition to a Strategic Partnership Model

• **Appropriate Council resources will be made available** to support the delivery of transformation activities, both centrally to drive and manage the change and from individual Services to engage with the transformation; and

• **The transformation will be supported by new, robust governance and decision making** processes that facilitate the rapid and agile delivery of transformation activities.
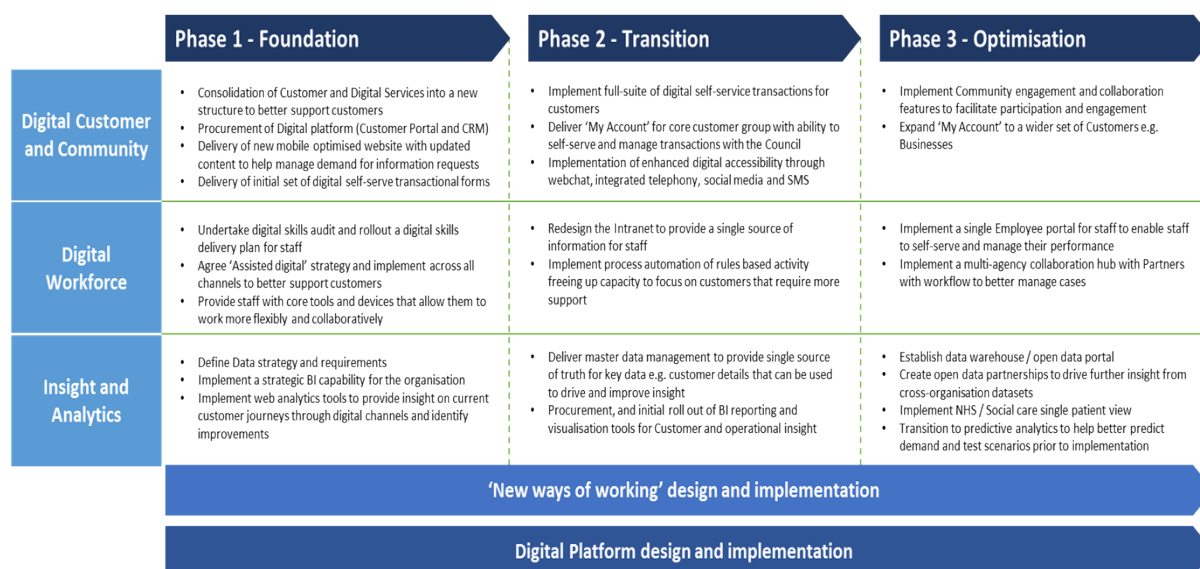
7.2   <u>Programme Management</u>

To deliver the transformation objectives a portfolio governance structure has been put in place that will enable the wider transformational work to begin with the strong decision-making, control mechanisms and oversight needed to deliver the ambitious digital transformation and shape the work ahead. A robust governance process has been put in place to manage and approve future service designs and the supporting business cases and ensure all portfolio work meets the design criteria and delivers the objectives laid out. See governance structure organisation chart below.

The proposed governance structure is organised into a three tier hierarchy, consisting:

- Strategic Transformation Committee: The Committee manages Transformation Activity; provides strategic direction to the Transformation Portfolio; monitors progress; and makes key decisions on business cases and proposals and cases for change.
- Control Boards: Review and ensure design, business cases and implementations adhere to designs; costs; realise benefits and meet outcomes.
- Delivery Boards: Develop business cases and future service designs; manage the delivery of programmes.

For programmes to access funding and have authority to proceed with change their proposals will need to be reviewed by the control boards before presentation to the Strategic Transformation Committee for authorisation to access funding or proceed with change.

Appendix 1

URBAN GOVERNANCE

A DISTRIBUTIVE LEADERSHIP MODEL TO UNDERPIN A NEW APPROACH TO URBAN GOVERNANCE

Page

1.   Introduction

1.1   The Drivers for Change

Aberdeen City and Aberdeenshire has a strong reputation as a powerful regional economy. Productivity within the region has been high, earnings and disposable income have been consistently higher than the national average, largely as a result of the region's status as a global oil and gas centre. The economic shock to the local economy created by the fall in oil price has affected the region as evidenced in a range of recently published statistics.

According to the Core Cities outlook report[1], 13 cities saw reductions in their private sector employment, and in 5 cities, it dropped by more than 2% (Aberdeen dropped by 5.4%. This equates to a net loss of 7,900 jobs). A further indication of the impact of the oil price shock is on house price growth. The annual growth between 2015 and 2016 was -8.2%. Within the PWC Good Growth for Cities index for 2016[2], while Aberdeen remains in the top 10, unlike Edinburgh which has maintained its position as the 3rd highest placed city, Aberdeen is now out of the Top 5.

In addition to the economic shock created by the oil price fall, the city, along with the whole of the UK, will also feel the impact on trading relationships between the UK and the EU as a result of triggering article 50. The EU is by far the biggest destination for exports from British cities. According to the Centre for Cities report Cities Outlook, Aberdeen's share of exports to the EU was 61% in 2014.

Exports matter because exporters tend to be the drivers of productivity growth as a result of their greater ability to generate and absorb new innovations. So encouraging export growth is important, but made more challenging, potentially, as a result of Brexit. Based on 2016 data, Aberdeen continues to be in the top 12 of UK cities in terms of exports per job and productivity levels. Understanding the opportunities and challenges presented by Brexit is essential. Our policy focus must be on helping already successful businesses to expand into new markets in order to support higher exports, thereby ensuring high levels of productivity. But we can't afford to be complacent in terms of those successful companies that are already here. We must equally be focused on attracting new high value business investment.

Brexit will bring new risks and opportunities for Aberdeen. We need to understand our strengths and weaknesses in a post EU landscape and develop a prioritised action plan.

The region has a strength in productivity and innovation which are drivers of long run economic growth. Gross Value Added (GVA) is a proxy for productivity and Aberdeen sits within the 10 cities with the highest GVA per worker based on 2015 data. Patent data is widely used to measure innovation and although it has some limitations, the data does still offer some insight into where innovation occurs across the UK. Aberdeen sits within the top 10 cities with the highest number of patent

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[1] http://www.centreforcities.org/publication/cities-outlook-2017/

[2] https://www.demos.co.uk/wp-content/uploads/2016/11/Good_Growth_For_Cities_2016.pdf

applications published. Skills levels are also critical to the success of a city economy. Those cities that have a high proportion of graduates tend to have stronger economies than those that have a large number of people with no formal qualifications. Aberdeen sits within the top 10 cities with the highest percentage of high qualifications within the working age population.

Increasingly, both the UK and Scottish government approach to economic growth is being founded on a place based approach. To ensure a place based industrial approach is successful for the Aberdeen region then, a new and more equal relationship between both national governments and the region is required. All layers of government must work together to ensure the future prosperity of this region, which has historically been a significant economic engine room. In a post Brexit world, we need clear and visible leadership for the city and the region for brokering trading relationships around the world whilst also ensuring that we continue to create the conditions for businesses to succeed. International connections are going to be critical in a post Brexit world. As a global oil and gas centre, the city already has a far reaching international presence. This must be capitalised on.

The 2016 edition of PWC's Good Growth for Cities report highlighted a number of key areas for cities wanting to deliver good growth:
- Balancing investment in growth and public sector reform and delivering outcomes through whole system working;
- Identifying priorities for investment for growth, focusing on both social and physical infrastructure;
- Building distributed leadership across a place, drawing on global research on enabling sustainable city competitiveness through distributed urban leadership.

This paper attempts to set out a new paradigm embracing a more distributive approach to the leadership of the city, which is focused on achieving the outcomes set out in the Community Planning Partnership's Local Outcome Improvement Plan.

1.2　What are the Outcomes we are Seeking to Achieve for the City?

As a community planning partnership, we have made significant progress in the development of our first city wide Local Outcome Improvement Plan along with our 3 locality plans for our defined localities (a statutory requirement of the Community Empowerment Act). Underpinning both sets of strategies, are substantial strategic assessments which have produced an analysis on a city wide and locality basis, over the outcome themes of economy, place, children and adults. The vision captures the long term economic, environmental and social gains for the city and its people.

<u>The Community Planning Aberdeen Vision</u>

'A place where all people can prosper'

Our vision for Aberdeen City is of a place where all people can prosper. This reflects our desire to help all people, families, businesses and communities to do well, succeed and flourish in every aspect. To achieve this vision we are committed to tackling the issues that exist in our society which prevent equal opportunity for all to lead a happy and fulfilling life.

As individual partner organisations we do our best to serve and protect the public. Added value comes from Community Planning Aberdeen working together as a Partnership to test and do things we haven't done before to deliver real and lasting transformational change for our communities.

There are problems faced by our City which have endured for decades and have been stubbornly resistant to improvement. Our evidence confirms what we already know; that inequalities in health, education and employment opportunities are passed from one generation to another.

We are clear that our focus going forward is on helping disadvantaged families and communities to escape this cycle of deprivation by creating the conditions for prosperity."
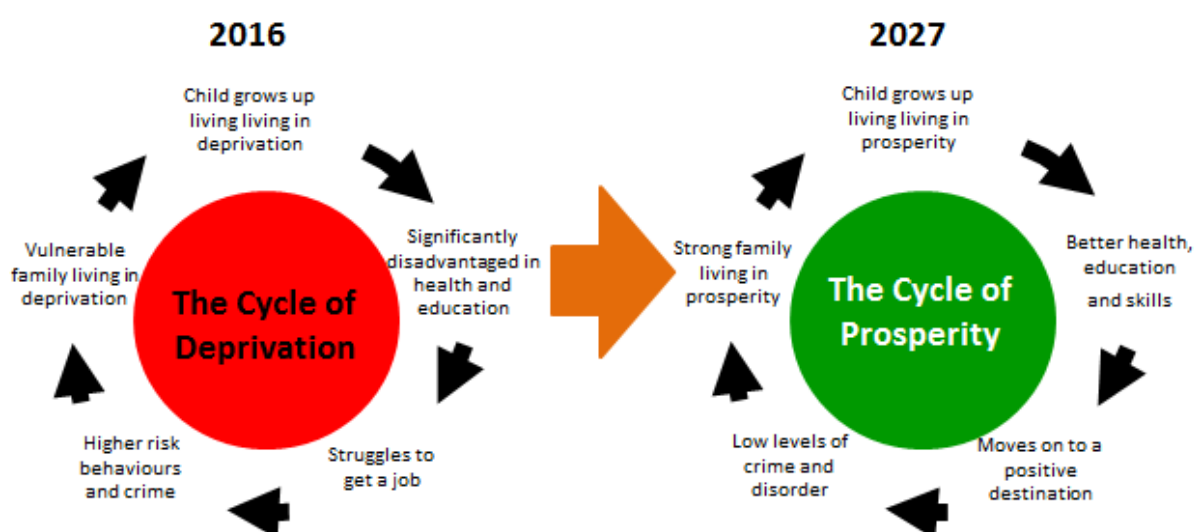
1.3   The Aberdeen Context

i.   Our Economy

Aberdeen is one of the most competitive, innovative and economically productive cities in the UK, and provides Scotland with 15% of its Gross Value Added (GVA). Much of the success of Aberdeen has been built on the traditional oil and gas sector; it also has a successful small business economy. Since the end of 2014, the local economy has suffered as a result of the global oil price decline. Business growth is slowing and, while this downturn is not the first of its kind, it highlights a growing and urgent need to diversify the economy to ensure economic sustainability.

Due to the historical success of the City, workers in Aberdeen benefit from average salaries that are almost **£4,500 higher** than the Scottish average, and unemployment levels are low. Some of the most affluent areas of Scotland are within Aberdeen City, but equally within the City boundaries are some of Scotland's most deprived areas. Overall, levels of deprivation remain low. In 2016**, nine** of the 283 datazones within Aberdeen were considered to be within the 15% most deprived areas in Scotland. Despite low headline deprivation figures, almost **28%** of households in Aberdeen are in fuel poverty, **18%** of children in Aberdeen are living in poverty. The **majority** of children that are living in poverty are living in a working household.

ii.   Our People

The population of Aberdeen City has risen sharply over the past decade, and in 2016 was estimated at **228,840**. Our population is projected to grow by **17% by 2039** which is the 5th largest growth of all Scottish local authorities. In 2014 there was 105,287 households in the City; it is projected that by 2039 there will be in excess of 130,000 households. Given the current economic climate and recent political developments, these projections may change.

Aberdeen City has a very diverse population, with 15.9% not born in the UK compared to 7% of the population across the country.

Children (0-15) make up **15%** of Aberdeen's population and education is provided to more than **22,100** pupils. Demand for early learning and childcare is high in Aberdeen City and there is a shortage of available funded provision, with **536** children on the waiting list in June 2016. In July 2016 there were **553** looked after children in Aberdeen City, a rate similar to the national rate.

People in Aberdeen are living longer. **The over-65s account for another 15% of the population of Aberdeen**, and projections are that the population will continue to age. An older population brings many benefits and challenges. Older people are more likely to suffer from multiple and complex care needs, and therefore the demand for all services will shift.

1.4   Themes, Priorities and Drivers

We will achieve our vision through the delivery of three themes: **Economy** – central to ensuring a high quality of life for the people of Aberdeen; **People** – the key life outcomes of the people of Aberdeen; and **Place** – how people experience Aberdeen as a place to invest, live and visit.

Under these themes, Community Planning Aberdeen will focus on four priority areas for strategic partnership working:
- **Aberdeen prospers**
- **Children are our future**
- **People are resilient, included and supported when in need**
- **Empowered, resilient and sustainable communities**

Our focus is to tackle inequality in these areas at the root causes of low income and health inequality to break the cycle of deprivation, inequality, unemployment, crime, violence and poor health that has existed in some families for generations.

Through the delivery of the Local Outcome Improvement Plan, Community Planning partners will push our joint resource investment toward early intervention and prevention to secure the future of our economy, people and place in all communities.

A fifth priority of **Creating a Digital Place** has also been identified, which cuts across all priority areas as a key enabler of innovative and integrated future public services.
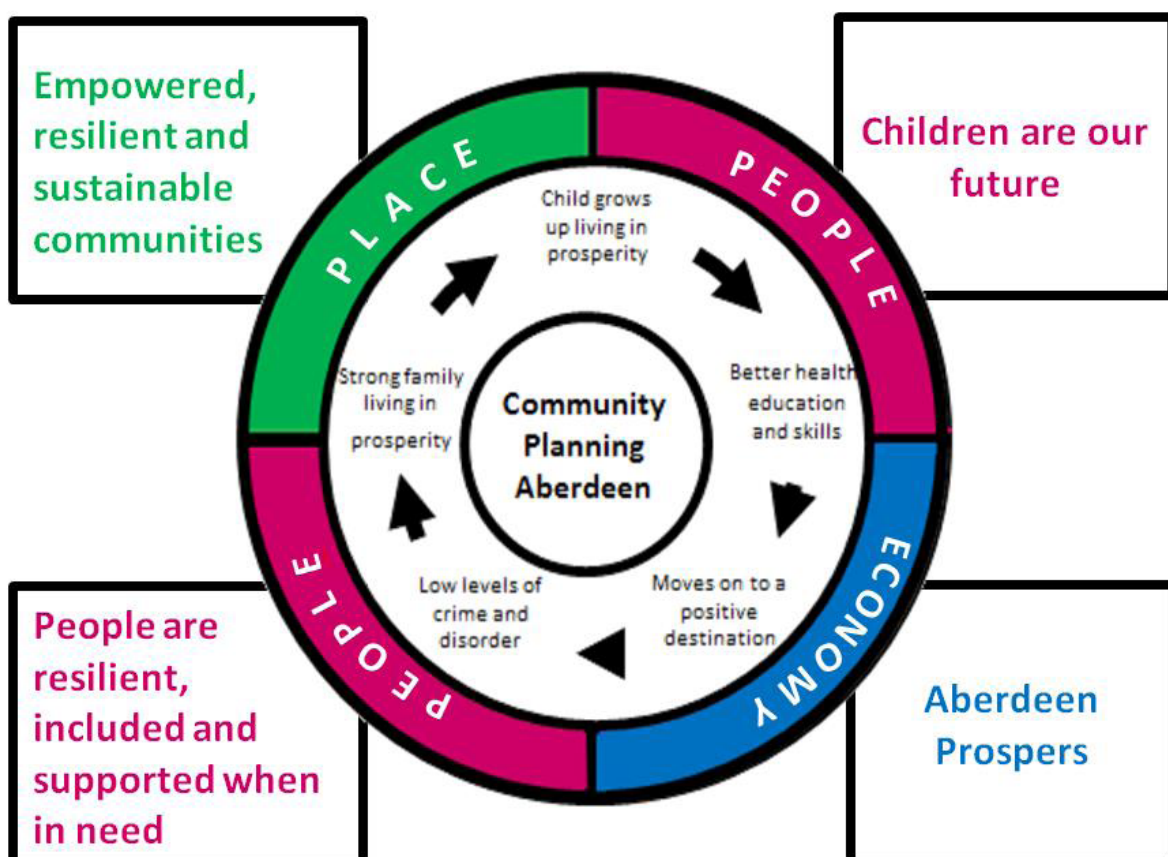
The Local Outcome Improvement Plan identifies the primary and secondary drivers which will drive improvement in these priority areas and includes improvement measures which will be monitored to ensure we are making the impact intended. Locality Planning is fundamental to our approach to ensure the city wide aspirations outlined in the plan are delivered at a local level to secure better outcomes for communities which historically have experienced poor outcomes due to socio-economic disadvantage. Our 3 recently approved locality plans will be given equal attention to the LOIP.

The Community Planning Aberdeen partnership has a board in place which has oversight of the LOIP and the 3 locality plans and has outcome focused supporting structures underneath to support it achieve its stated outcomes. Aberdeen City Council has fully aligned its own Strategic Business Plan to the LOIP and is currently reviewing what else needs to be aligned to the place outcomes.

1.5   Conclusion

There is a clarity of place outcomes now as a result of the LOIP and Locality Plans. These outcomes are underpinned by significant strategic assessments and, importantly, are now being underpinned by recognisable improvement plans based on the (Institute of Health Improvement methodology). The challenge we now face is to make sure we take a whole system approach to the delivery of these outcomes, as envisaged by the PWC Good Growth for Cities research.

2.   Leadership of Place

Whilst place outcomes for the City are clear, it is recognised that delivering those outcomes will require strong collaboration on a broader regional basis. Therefore, we need to be thoughtful about the leadership needs of the City, the broader region, as well as the leadership needs of the institution of ACC.

From PWC/Euricur research, it is becoming clear that cities which embrace distributed leadership are most likely to be the ones to succeed in future. By fostering collaboration across key stakeholders in a place, new urban leaders can enable sustainable city competitiveness. Within the Scottish Government's recently published report on the Enterprise and Skills Review (report on phase 2) there is a recognition of the importance of collaboration by the inclusion of it as a fifth aim for the new Strategic Board to be created. The paper recognises the need for a step change in the collaborative culture across the enterprise and skills agencies but also with partners in the broader enterprise and skills system.

One challenge to be faced is how to bring together those exercising decision making power for communities with other "placeless" leaders in the sense that they are organisations not concerned with the geographical impact of their decision making.

For city leaders, (elected members and officials of local government) this means striving to the see the bigger picture beyond the boundaries of the local administration in order to identify the influential actors in and for the city.

Under a distributed urban leadership model, local administrators should move from exclusively implementing and controlling to guiding and influencing. The new urban leaders need to ensure the vision for a place is owned by all stakeholders.

Urban leadership is increasingly dependent on the ability to manage horizontal relationships across a range of often fragmented organisations and stakeholders. For example, the economic crisis in Dublin led to the formation of the so called Creative Dublin Alliance (a governance platform involving municipalities, universities and private companies) to pool resources and jointly run economic initiatives.

So what actions can urban leaders undertake to organise and steer policy and delivery networks into place? There are 5 inter-related processes.

1. **Awareness raising**
   A key role is drawing the attention of others to key place issues in an engaging way. It involves providing other actors with a context for their strategies e.g. raising awareness about the city's economic challenge and key actions needed to forge new growth paths.

2. **Mobilisation**
   A key role is to selectively activate and enrol actors in a place with relevant resources for urban development e.g. knowledge, time, finance and energy. Urban leaders should be able to involve unusual suspects and progressively embed new players with new ideas in these networks, mobilise them to act and co-implement solutions. The entrance of new players in policy and

delivery networks may destabilise previously formed coalitions. It is the role of leaders to sense and understand the strategies of many actors, mobilising the right players and forging the most appropriate coalitions for different projects.

3. **Framing**
   This is the ability to organise co-ordination spaces for conversation, discussion and interaction between stakeholders. Leaders should frame conversation spaces around topics that are seen as of common interest in which the vision and strategies of the many stakeholders can progressively converge around common frames and not compete with each other. Framing requires openness and disclosure which is challenging because some governance arenas can involve opportunistic behaviour, suspicion and secrecy, with many participants over emphasizing short term results.

4. **Co-ordination**
   This involves the reconciliation of interests among different leaders and stakeholders.

5. **Visioning between visions**
   Leaders need to value others' views and not just pay them lip service. This means finding ways to include important elements of different visions in urban development processes and help transform them into specific projects.

The next section of this paper will examine the actions to organise and steer policy and delivery networks within the City and across the region which are currently in place.

3.   Leadership Arrangements

3.1   Existing Leadership Arrangements

There are a range of regional strategies and associated voluntary regional structures in place, at both a north east of Scotland and broader north of Scotland level, which have a bearing on the city outcomes. These structures are acting as co-ordinating vehicles on matters that need to be planned and managed at a regional level. In addition, there are a range of arrangements in place which support regional delivery of services. These existing strategies and structures have been identified below and shown against the relevant city wide outcomes.
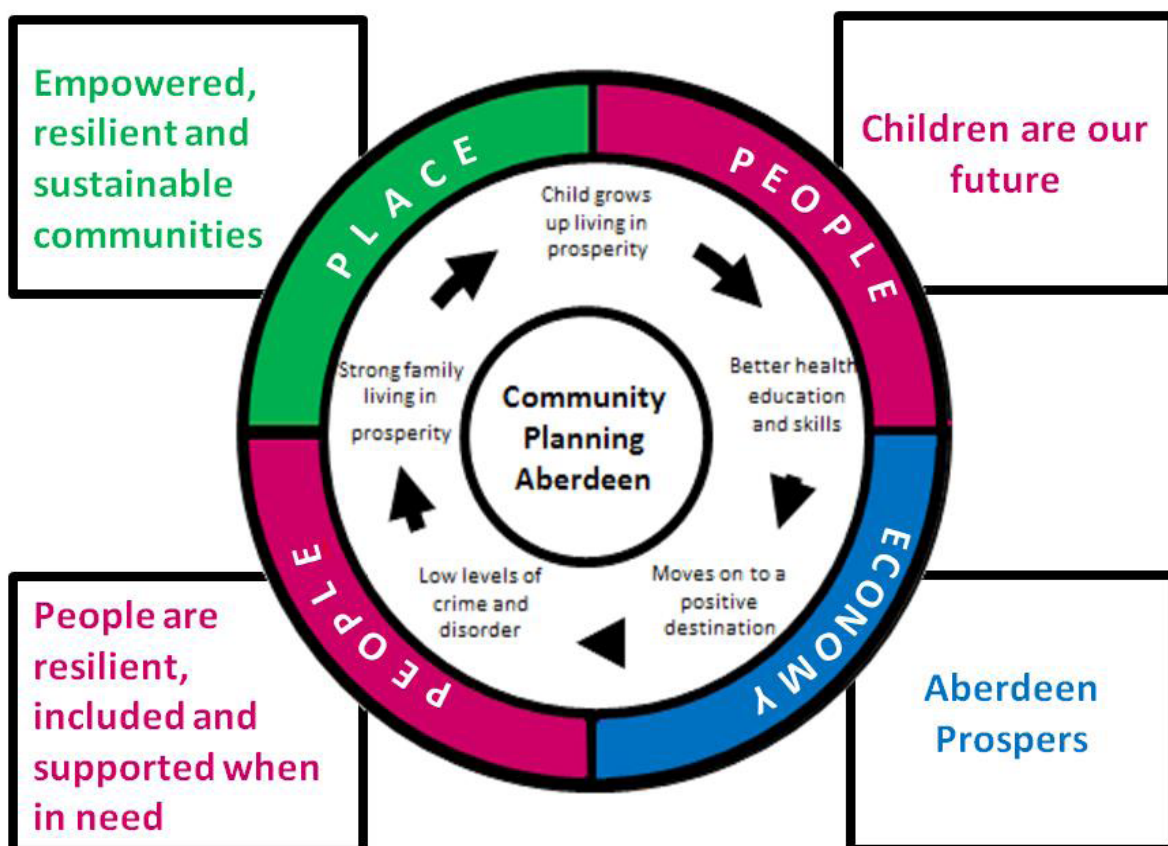
i. Aberdeen Prospers

LOIP primary driver	Relevant Regional Strategies	Regional Structures
Economy	Regional economic strategy Regional skills strategy (under review)	Opportunity North East Regional Advisory Board Regional Economic Strategy Group
- *Investment in infrastructure*	Nestrans Regional Transport Strategy 2013-2035 City Region Deal	NESTRAN CRD Joint Committee Strategic Development Planning Authority
- *Innovation*	Business cases within CRD for an oil and gas technology centre; bio-pharmaceutical	CRD Joint committee
- *Inclusive economic growth*	Regional Skills Strategy	Developing Young Workforce Grampian Board Northern Alliance
- *International-isation*	Inward investment plan Outward trade Tourism Partnership Strategy	Inward Investment Board North East Scotland Trade Group Visit Aberdeenshire

ii.   Empowered, Resilient And Sustainable Communities

LOIP primary driver	Relevant Regional Strategies	Regional Structures
Safe and resilient communities		Grampian Local Resilience Partnership Grampian Contest Board
People friendly city	Strategic Development Plan 2014	Strategic Development Authority North East Property Group North East Local Authority & Bus Operators Forum (LABOF)
	Energy/Waste (no existing regional energy/ waste strategy)	Energy from Waste Plant Project board
	Flood Risk Management Plan	North East Flood Risk Management Group

iii.   People Are Resilient, Included And Supported When In Need

LOIP primary driver	Relevant Regional Strategies	Regional Structures
People and communities are protected from harm		
People are supported to live as independently as possible–		North East Strategic Partnership Group (brings the 3 IJBs across Grampian together)

iv.   Children Are Our Future

LOIP primary driver	Relevant Regional Strategies	Regional Structures
Children have the best start in life		Northern Alliance
Children are safe and responsible		North East of Scotland Child Protection Partnership
Children are respected, included and achieving		

v.   Creating A Digital Place

LOIP primary driver	Relevant Regional Strategies	Regional Structures
Digital Connectivity	CRD/Memorandum of Understanding	CRD Joint Committee Programme Board
Data		Grampian Information Sharing Group (recently formed)
Digital Innovation		
Digital Skills and Education		

3.2   Emerging Regional Strategy/Structures

Within the Scottish Government's health and social care delivery plan published in December 2016 it is clear that the government intends to create a national public health body with some form of regional structure in place for which there is an emerging opportunity to design.

The 3 chief officer group across the North East have been working collaboratively to review the whole approach to public protection in the North East and agreement reached on what regional collaboration could look and feel like. Work is underway to devise an implementation plan for introducing these new regional arrangements.

LOIP primary driver	Relevant Regional Strategies	Regional Structures
People and communities are protected from harm *Children have the best start in life*		Local public health boards being proposed in the health and social care delivery plan published in 2016. No local response developed yet.
Children are safe and responsible; *people and communities are protected from harm*		Recently agreed to move forward with a North East public protection regional leadership structure

These are some shared delivery arrangements already in place across the region, other areas which are being actively planned currently and other areas that are at the early stages of exploration, but it is fair to say these are limited in volume and scale.

3.3   <u>Conclusion</u>

- relatively strong alignment between the city place outcomes and the existing regional co-ordinating structures – so good examples of "visioning between visions" i.e. the city's outcomes sitting comfortably alongside the visions of others in regional strategies;

- incremental growth of these structures and strategies rather than as a product of a deliberate strategy, however, with some good examples of framing and co-ordination in place;

- the structures are largely populated with local authority officers (and little, if any involvement of Scottish Government officials, including Scottish Enterprise, Skills Development Scotland) and there is a limited involvement of local political leadership and practically no civic leadership/participation – perhaps some limitations in the extent of current mobilisation;

- there is no structure in place to provide strategic direction and oversight of the scope for shared service delivery for those services that lend themselves to be delivered regionally either between neighbouring authorities in the region or by national authorities.

4.   Developing the Existing Leadership Arrangements into a Broader Distributed Leadership Model for Underpinning a New Approach to Urban Governance

Returning to the 5 inter-related processes (set out in section 2) required to organise and steer policy and delivery networks, let us consider the aspects of mobilisation and framing a bit further.

4.1   Mobilisation

In a paper developed by Robert Hambleton in 2015 entitled "Place-based Collaboration: Leadership for a Changing World"[3], Hambleton identifies five realms of place-based leadership (see diagram 1) reflecting different sources of legitimacy. These are political leadership, public managerial/professional leadership, community leadership, business leadership and trade union leadership. He argued that all are important in cultivating and encouraging public service intervention and that crucially they overlap. He described the areas of overlap between these different realms of leadership as innovation zones – areas providing many opportunities for inventive behaviour. This begins to answer the question of who needs to be mobilised.
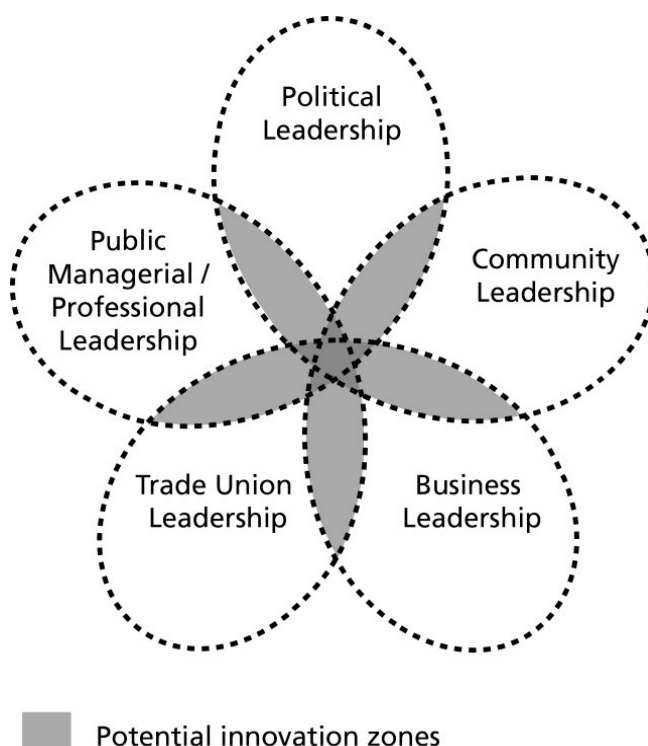
The realms of placed based leadership:

Potential innovation zones

Diagram 1

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[3] http://iclrd.org/wp-content/uploads/2015/04/Robin-Hambleton.pdf

4.1.1 Mobilising Civic Leadership

Hambleton believes that civic leadership has a critical role in creating the conditions for different people to come together – people who might not normally meet – to have a creative dialogue, and then to follow through on their ideas. He goes on to say that wise civic leadership is critical in ensuring that the innovation zones are orchestrated in a way that promotes a culture of listening that can, in turn, lead to innovation.

According to Hambleton common features of successful place based leadership include:

1. The leadership sees itself as leading the place not leading the council or the local authority bureaucracy. This enables leaders to tap into the energies emanating from all of the five realms of leadership.

2. Effective leadership is multilevel. It is misguided to believe that only those in senior positions are able to exercise local leadership.

3. Imaginative leaders make an emotional connection with citizens and, in particular, they cultivate civic pride. Feelings of local loyalty, which tie in with feelings of place based identity, are an important resource for progressive leaders.

4. Effective local leaders articulate a clear vision for their locality, one which advances social justice and promotes care for the environment and the public realm.

Within the City Council, the Lord Provost would be recognised as the civic lead and is supported in this role formally through the Depute Provost, the Ballies, the Burgesses and the Incorporated Trades. In addition, the city continues to have Community Councils which are   supported by the Council. The Civic Forum is a formal voice of citizens which participates in the City's Community Planning Partnership structures. The City Council facilitates "City Voice" – a panel of 1,000 citizens who are regularly surveyed to provide the citizens' voice. Finally, the Community Planning Partnership has established 3 Partnership Boards to support the delivery of the locality plans. These comprise 50% representation from the community, and the other 50% comprises ward members, GPs, Head Teachers and police inspectors.

At the moment, the pillars of civic leadership, including community, business and trades unions, are effectively operating in isolation from each other as well as from the political and executive leadership of the City Council. There are currently no co-ordinating structures across the 3 different strands of city leadership i.e. civic, political and executive.

If place based leadership is to be successful in turning global challenges to local advantage, civic leaders need to be much more outgoing than in the past and need to be supported by better designed institutional structures.

There is an opportunity to improve the design and operation of the existing civic structures whilst also considering how to modernise our approach to broader civic participation through the use of technology. For example, others are exploring how you develop a more collaborative approach, rooted in the internet culture, to develop new paradigms of on-line collaboration to undertake urban planning in terms of the design of a city. For the Trans Bay redevelopment project, San Francisco appointed a citizens advisory committee and has held 3 large facilitated workshops to gather local input on the design of the development.

Responding to the public demands for different forms of civic participation, as envisaged in part through the Community Empowerment Act, will support a renewal of local democracy, thereby ensuring that we respond to the changing demographics and values across the City. Equally, the civic engagement of business leaders and local workforce would provide important perspectives and "legitimacy". Ultimately, civic participation needs to find a way into the decision making structures of all public institutions and we need to consider how to facilitate this.

Whilst it is important that we reach and connect with our local community, it is also important that we reach and connect "civically" to our global neighbours, many of who are wrestling with the same place and people challenges we are. Robin Hambleton recommends that international cities connect through city to city policy exchanges in order to learn about each other's innovations.

4.1.2 Mobilising Political Leadership

The Comparative Urban Governance[4] report recognises that senior governments have a critical role in enabling the success of cities. We need to focus on what will be the conditions for this region's continued success. National governments across the world are increasingly recognising the central place of cities in national economic prosperity. We need to recognise and accept the role that national government can play in the success of this region. The role of national and sub-national governments in urban governance varies but there is generally a focus on

- intergovernmental coordination;

- infrastructure and local investment;

- equalisation for fiscal differences;

- incentives for inter-municipal cooperation and governance innovation; and

- in some cases, direct regional service delivery.

Later in this report, I set out proposals for enhancing the interaction and co-ordination across a range of stakeholders in order to create the conditions for success. All local political groups within council could, and should in my view, be active participants in these structures and sit together with their local political neighbours as well as alongside national politicians.

In light of expected continued reductions in public finance, there is a financial imperative to move to deliver some services on a regional basis. At the same time,

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[4] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/360420/14-810-urban-governance.pdf

some services are very local and benefit from more local provision and response. Political leaders across the relevant neighbouring councils and national bodies need to create a vision for regional service delivery which is grounded in a financial business case rather than leaving it to the executive leaders to determine scope and pace for such regionalisation of service delivery.

4.1.3 Mobilising Executive Leadership

Leadership of Outcomes

Currently, the senior leadership of ACC is trying to contribute to regional leadership, city leadership with partners and then organisational leadership within ACC, which includes operational accountability for functions. The reality is that leadership of place and leadership of function result in the senior leadership team being too stretched. It feels appropriate to de-couple operational delivery from strategic leadership of place outcomes. The creation of the Chief Operating Officer will facilitate this. With strengthened oversight of ACC's delivery commitments, the CEO and Director of Commissioning can be focused on not only ACC's contribution to place outcomes but supporting other "actors" to make a contribution. So who else is appropriate to be part of this new "city Executive team"? And does the traditional model of executive teams populated by personnel on permanent contracts suit the ambition of place "executive" leadership or is there a different model to consider? Some alternatives to explore:

- If we start to acknowledge the role of both governments in helping to create the conditions for success in the city and the region then consideration can be given to how senior civil servants, including both UK and Scottish Governments, can contribute effectively to the leadership of outcomes at a city and regional level, perhaps by being full or virtual members of the city and or regional Executive team. Interestingly, the Scottish Government are participating in the work of the Northern Alliance – a potential model for how national leadership can be brought into a region. This experience within the Northern Alliance presents an opportunity to develop the relationship between the 2 layers of government within Scotland much further than the existing Scottish Government locality manager role will ever be able to. And thought should be given to the reserved matters that are pertinent to the city and the region's prosperity, which it would be useful to have regular contact with the UK Government in these areas. Such an approach would be a real departure from the existing separation model between national policy setting from local delivery.

- Within academia there are significant specialisms which are hugely relevant to modern cities, much of which goes untapped. The inclusion of some of this expertise into the city Executive team also feels like it could add real value.

- Whilst a small city in comparison with our national and global peers, there is much to be gained by reaching out to other cities in order to understand how they are tackling many of the issues we face as a city. It would be helpful to form a network of cities who share the characteristics of Aberdeen as a place

and economy in order to have a regular exchange of ideas, learning and support. This will also help with the global positioning of Aberdeen.

- The expansion and contraction of oil and gas in this region has resulted in the extremes of an over-heated economy and then a substantial under-performing economy against past performance. It's important that business leaders are engaged in the governance of the city and region more broadly in order to understand the full demands on a city with a view to helping prioritise what is actually critical investment in order to ensure the competitiveness of business.

These 4 alternatives enable renewal of membership within the Executive team based on a current sense of contribution and added value in light of what the city's needs are, which can obviously be changed in light of emerging needs. Of course, a balance will need to be struck between flexibility and some element of constancy. Constancy would be achieved through the City Council CEO and Director of Commissioning.

Accountability for Outcomes

The distinction in the ACC organisational structure between operational functions and their delivery and the much broader agenda of place leadership, needs to be mirrored in the governance structures of the council. The governance structures of council need to continue to enable accountability for the statutory duties of the council.

A broader set of urban governance structures, hosted by the council given the local democratic mandate of council, centred around the place outcomes will enable a broader participation of organisations, and must be characterised by engagement with the public. These additional structures would enable all members of council to participate in both the institutional arrangements (as set out in section 6 of the main report) as well as the broader urban governance structures.

4.2   Framing

"Framing" was defined previously as the ability to co-ordinate spaces for conversation, discussion and interaction between stakeholders. Leaders should frame conversation spaces around topics that are seen as of common interest in which the vision and strategies of the many stakeholders can progressively converge around common frames and not compete with each other.

We need to consider how we maximise inter-governmental framing. The Aberdeen City Region Deal was a good example of the 3 layers of government coming together with the private sector for the benefit of the region but more needs to be done in terms of developing this inter-governmental framing.

Of course, the framing will be required at both a local Aberdeen City level and Aberdeenshire local level, as well as for the north east region as a whole. And, therefore, it would be important to consider how to improve inter-governmental framing etc. within our regional co-ordinating structures too.

There are a number of areas where **s**tructures to enhance discussion and interaction would be welcome both at regional and city level (see appendix 1 which incorporates these proposals). These opportunities should be directly linked to the place outcomes as expressed in the LOIP, and importantly must feature the things which businesses are looking for – skilled workers, good transport, housing for their employees and a planning system that supports growth. The following section of this report looks at these priority outcomes and discusses the potential for further developing structures.

Aberdeen Prospers (economic growth)	Unusually for a Scottish city, Aberdeen has 621 FDI businesses located in this region. Scotland and the North East need to retain these businesses and ensure that it continues to remain easy to do business in the city, region and Scotland. The engagement and support offered to these business is critical to ensuring they stay and continue to locate here and it's important that again, arrangements are in place across the 3 layers of government to manage these 650 companies, which in a post Brexit economy, are critical to hold onto. We need to consider the distinct role which the political, civic and executive leaders within ACC can play in relation to these companies as well as the role of partners.
Aberdeen Prospers (Investment In Infrastructure)	There is currently no co-ordinating structure across all the public institutions in terms of capital investment in the city or indeed across the region. The Scottish Government's planning review recommends that underneath a structure like the regional Strategic Development Planning Authority, there should be a co-ordinating structure to support all the capital investment which then ensures the infrastructure is in place to enable the vision of the Local Development Plan to be implemented. Therefore, there is an opportunity to improve co-ordination at a city or regional level. Hub Co north could be a key partner in such a co-ordinating vehicle, but would clearly need to include other bodies for example, Transport Scotland, Scottish Water, SFT, BT and the private utilities. The earlier stock take of existing structures identifies that there is no effective structure in place to co-ordinate housing provision – a key priority for the area. The creation of a Housing Investment Board or a Regional Housing Authority (as envisaged within the CRD), for example, would provide the opportunity to bring together key decision makers from ACC, RSL's and Scottish Government, Homes for Scotland. The focus could be on creating new delivery models, easing the development process and tackling financial barriers. Digital infrastructure and the exploitation of that capability is, in part, co-ordinated through the Aberdeen City Region

| | Deal Joint Committee, as well as through the Digital Strategy for Place Board. We need to strengthen the place leadership around the digital agenda. Public, private sector and community leadership already underway needs to be co-ordinated on behalf of the city and the broader region. A city which drives a vision for being a smart city will demand that its public institutions equally follow the smart city agenda and we will find ourselves being pushed to adapt technology by this place leadership. The co-ordinating structures for digital infrastructure are fairly light and could do with development. Examples from elsewhere include:-

o Digital district is an ambition of the Swansea Bay city region which is seeing investment in digital infrastructure that will revolutionise the way services like energy health and social care are delivered;
o "Bristol is Open" is a joint venture between the city council and the university – it is being led by the Chief Scientific Officer and is seeing a new operations centre housing CCTV, traffic and emergency service under the same roof.
o Manchester – "cityverve" – is an internet of thing demonstrator.

If the existing regional transport partnerships are to be continued, then there is a need for the partnership to be strengthened. The city's global transport connections are critical if we are to continue to support the existing 621 FDI's, and their workforces and families which are registered in the city, and these connections are important for attracting more global businesses. Whilst this region completes the creation of a regional by-pass road around the city, at the same time we need to be focusing on how we connect people from the Aberdeenshire sub-urban residential location to the sub-urban employment node of Aberdeen city without actually putting more people onto the roads.

Is there scope to develop the Strategic Development Authority further? Examples:-

o The City State of Berlin and the surrounding state of Brudenburg have created a joint organisation (a joint spatial planning department) which lays out land policies and transportation guidelines for the whole region, which are followed by the 2 states own planning organisation. |
| **Aberdeen   Prospers** | There are 2 strands to this – supporting and fostering |

(Innovation)	innovation within the private sector, but also considering how the required public sector innovation to address wicked place issues could, in itself, be used to stimulate private and public sector entrepreneurialship as well as intrapreneuralship. Within the city and the region there is an opportunity to run multiple innovation flows and accelerators - hubs supporting the creation of clusters of companies. Both layers of government above the local authority have initiatives underway e.g. Scottish Government has Civtech. There is an opportunity to drive this innovation both in terms of achieving better outcome for the economy, but also in terms of citizen outcomes. There are no existing co-ordinating structures focused on innovation and, in fact, no regional or city innovation strategy other than that expressed within the regional economic strategy. Despite two universities and a strong STEM base as a result of OIL and Gas, the region wouldn't have a reputation for being at the edge of science and technology in the way Manchester is positioning itself or other global cities e.g. Stavanger.
Aberdeen Prospers (Inclusive growth)	The co-ordination of skills, education and employability could be improved across the current skills providers in the region along with national bodies. Phase 2 of the national Enterprise and Skills Review reinforces that regional approaches will be important as a new national model is implemented. At the moment, a regional learning partnership is being explored. This could mirror the Bristol Learning Partnership which is UNESCO accredited – the first learning city in England, which is chaired by the Mayor. The Bristol partnership focuses on learning in education, learning for and in work and learning in communities. The strength of the Bristol learning partnership is that it is fostering engaged citizenships. It has 130 community learning ambassadors.
Aberdeen Prospers (internationalisation)	Tourism represents a sector with potential for growth within the regional economic strategy. The creation of Visit Aberdeenshire, as a regional destination marketing function, is useful for supporting this growth ambition. Whilst the board of Visit Aberdeenshire brings together the right local partners, have we we've got the appropriate bodies from the two layers of government involved in focusing on the region in a co-ordinated and focused way. Equally, the administrative authorities across the region, have no structures to co-ordinate cultural activities across the region, including working with the strategic UK and Scottish cultural bodies. Inward Investment: An inward investment plan was recently approved for the city and region, endorsed by

	Opportunity North East. The need to re-energise investment promotion is critical in light of the oil price downturn and efforts to join up activities across the local authorities, business bodies, and the national bodies of both governments. This would build on the existing local north east trade group. Such a structure (an Inward Investment Bureau) co-ordinating the region's pursuit of trade deals in a post Brexit world, is necessary if we are to ensure economic resilience. Branding: Continuing the current work by the Chamber of Commerce to create a brand for the city region is important as part of efforts to actively encourage and promote inward investment opportunities. Export Support: Improving efforts to increase export activity from this region is critical and a focused export partnership would be helpful. The Enterprise and Skills Review Phase 2 states that following the local/regional export partnership pilots, government will consider the potential for local export support/mechanisms to be rolled out nationally to allow for equitable support across Scotland. Again, it's important to maximise the contribution and co-ordination of civic, political and executive leadership in this area.
Empowered, Resilient and Sustainable Communities (safe and resilient communities)	The stock take reveals there is no existing regional energy strategy or regional structures in place, other than the project structures created to support the energy from waste project. The creation of an Energy Hub, could offer scope for better co-ordination and, potentially, innovation. A city brand which is based on oil and gas could be diversified into a city with energy more broadly, if innovation could be supported in the field of local carbon energy. A focus on the development of an energy strategy for the city/region, the development of a pipeline of investable low carbon projects and a joined up focus on clean air would add value. Both layers of government would add value here. For example, the heat network delivery unit (part of the UK dept business and energy) is supporting Birmingham to expand its heating network. The north east of Scotland's Local Authority and Bus Operators Forum (LABOF) have been reviewing the current voluntary Quality Partnership with the potential to create a more substantial and governed Statutory Quality Partnership focusing on specific transport corridors in order to achieve meaningful benefits and improvements for passengers.
People are resilient,	The recent review of existing public protection

included and supported when needed (People and communities are protected from harm)	arrangements within each of the administrative authorities within the north east region, has revealed the opportunities to improve the co-ordination within each of the 3 specific areas as well as proposed structures at a regional level. Current proposals include the creation of 2 regional fora which, again, it would be very helpful to have officials involved from Scottish Government and its agencies.

The focus so far has been on improving the co-ordination across the 3 layers of government and the private sector. In addition to the above, we also need to have an explicit focus on improving the framing of local services for businesses delivered by local public sector partners. According to PWC/Euricur Research[5] place leaders are starting to acknowledge that the debate over who is responsible for component service is less important that the discussion about what they are trying to achieve as a whole. This is driving them to participate with their stakeholders across public sector and encouraging them to focus on re-engineering systems to deliver a broader set of outcomes.

All of the above proposed structures are predicated on the full involvement of appropriate individuals from 2 layers of government above the city council as both contribute to creating the conditions for success. And of course, the full involvement of politicians and officials from relevant neighbouring councils (mirroring the approach taking to date with the northern alliance). Within the Manchester combined authority, the practice adopted has been that the most appropriate organisation/individual take the lead on these place issues rather than Manchester City Council take the lead on everything. This is in recognition of the inter-dependency between the urban centre and sub-urban surrounding area. This approach has helped set an appropriate tone within the collaboration and I would recommend we follow their lead. The appointment of chairs to our structures would need to be determined following discussions with all the key stakeholders as well, of course, on the suggested structures themselves.

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[5] http://www.pwc.com/gx/en/psrc/publications/assets/harnessing-public-private-cooperation-to-deliver-the-new-urban-agenda.pdf

5. NEXT STEPS

The process of implementing a distributive leadership approach and structure is crucial to successful outcomes for this region. All the relevant stakeholders will need to be included in the early stages of the development of the concept and the move to implementation.

Awareness raising

It will be important that the civic, political and executive and private sector leadership start drawing attention to the city's key issues in an engaging way. It must involve providing these other actors with a context for their strategies e.g. raising awareness about the city's economic challenge and key actions needed to forge new growth paths. As an initial first step, it would be important that the political, civic and executive leadership of ACC engages with the 2 layers of government above the council to explore and test a willingness to work in this different way. Engagement would also be required with neighbouring councils political, civic and executive leadership to test whether there's a willingness to build on our collaboration to date.

Mobilisation

If the proposals for a set of co-ordinating structures for conversation and dialogue contained on Appendix 1 are agreed then a key next step will be to selectively activate and enrol actors with relevant resources for urban development e.g. knowledge, time, finance and energy. Consideration needs to be given to involve unusual suspects and progressively embedding new players with new ideas in these networks, mobilise them to act and co-implement solutions.

This mobilisation stage needs to involve a re-examination of the membership of those existing structures which it is proposed to continue with in order to ensure the right membership and leadership. It must also be worth re-examine the ambition within the existing strategies. For example, the city of Chicago set a target that 75% of resident homes should be within walking distance of public transport. Are our strategies being sufficiently ambitious?

Framing

Urban Leaders should consult on whether the structures set out in Appendix 1 are the right structures for framing conversation spaces and whether the topics are agreed as the most important for the city.

APPENDIX 1

DISTRIBUTIVE LEADERSHIP FRAMEWORK

Aberdeen Prospers

LOIP primary driver	Existing regional structures	Proposed additional structures
Economy **(new strategy – prioritised action plan for grasping the opportunities in a post EU landscape**	Opportunity North East	621 FDI forum The fiscal policy panel created by the city to support the conditions of the Bond, becomes a forum for the consideration of fiscal levers Inward Investment Bureau
Investment in infrastructure	NESTRAN CRD Joint Committee Strategic Development Authority	Regional/city housing investment board and/or regional authority Regional/city digital infrastructure forum Regional Co-ordination of Capital Investment Group Strategic Utilities Group
Innovation		Innovation flows and accelerators hub
Inclusive economic growth	Developing Young Workforce Grampian Board Northern Alliance	Regional learning and skills partnership
Internationalisation	North East Trade Group Visit Aberdeenshire	Investment promotion agency and export partnership Co-ordination of development and launch of a city region brand and narrative Collaboration around events and culture

Empowered, Resilient and Sustainable Communities

LOIP primary driver	Existing regional structures	Proposed additional structures
Safe and resilient communities	Grampian Local Resilience Partnership Grampian Contest Board	
People friendly city	Strategic Development Authority North East Property Group	
	Energy from Waste Plant Project board	Broader Energy Hub
	North East Flood Risk Management group	Broader Water, Sewerage and Flood forum

People Are Resilient, Included and Supported When In Need

LOIP primary driver	Existing regional structures	Proposed additional structures
People and communities are protected from harm		Regional public health structure Regional public protection structure
People are supported to live as independently as possible–	North East strategic partnership group (brings the 3 IJB's across Grampian together)	

Children Are Our Future

LOIP primary driver	Existing regional structures	Proposed additional structures
Children have the best start in life	Northern Alliance	Regional public health structure
Children are safe and responsible		Regional public protection structure

Children are respected, included and achieving		

LOIP primary driver	Existing regional structures	Proposed additional structures
Shared regional delivery of services		As the regionalisation policy agenda continues, government will be considering how to bring existing national service delivery down into regional levels; and of course, there is scope for more regional delivery of services across local public delivery structures. There's a need for some over-arching structure to create a direction of travel – perhaps a cabinet