

Committee: Overview and Scrutiny Commission

Date:

Wards: All

Subject: Target Operating Models (TOMs)

Lead officer: Sophie Ellis, Assistant Director of Business Improvement

Lead member: Cllr Mark Allison, Deputy Leader and Cabinet Member for Finance

Contact officer: Edmund Wildish, Head of Continuous Improvement

Recommendations:

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1. The Commission are asked to discuss and comment on the Target Operating Model planning process and methodology.
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1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1. This report describes Merton's Target Operating Model (TOM) process; the method by which the council undertakes long term strategic planning. It places the TOMs in context with other business planning activities (in particular the Medium Term Financial Strategy). It also gives an overview of some of the main themes emerging from the TOMs.

2 TARGET OPERATING MODELS IN METON

- 2.1. A Target Operating Model (TOM) is a high level description of a future operating state. It provides a framework for future planning in that it requires a service or process lead to think about how their service will operate in the future so that they can then plan for any necessary change to achieve that state.
- 2.2. Merton has been using TOMs to underpin strategic business planning since 2009. Each service is required to set out their TOM against a five-year horizon and refresh these biennially. This refresh is undertaken as a pan-organisation exercise. The current set of TOMs cover the period 2018-23 were refreshed between December 2017 and August 2018.
- 2.3. Each department is responsible for developing its own TOM(s). Children, Schools & Families and Community & Housing have both developed a single overarching TOM that covers their individual departments. Corporate Service have developed a TOM to covers its internal-facing services (e.g. HR, Legal, and IT) and a TOM to cover its external-facing services (e.g. Revenues & Benefits and Registrars). Environment & Regeneration have developed ten TOMs that focus on its individual business areas. The process deliberately provides space for each department to structure their approach to best suit their suite of services.
- 2.4. Directors and their Departmental Management Teams (DMTs) are responsible for monitoring the delivery of TOM action plans. Regular reports

on progress are considered by the Merton Improvement Board (which reports to Corporate Management Team (CMT)) to assure delivery.

- 2.5. To ensure that each service develops a TOM that takes account of all relevant factors, the authors are required to address nine different questions. Their consideration of these is set out in a separate chapter (sometimes referred to as a layer) for each. These are as follows:

Layer	Description
Customers	Who are our customers now and in the future, and what outcomes do they want?
Channels	How do our customers contact us and access services and how might this change in the future?
Services	What services do we currently provide and what will we provide in the future?
Organisation	What is the current and future delivery model? What does this mean for the way we organise and structure our business – for example a shared or commissioned service?
Processes	What business processes support our service delivery and are they fit for purpose? Could they be made more efficient?
Information	What information and data do we hold and what do you need? Is it accurate, available when needed and shared appropriately? Are retention arrangements right?
Technology	What technology, support and devices do we need to succeed?
Physical location	Which locations are services delivered from and might this change in the future?
People	Do we have adequate and appropriately skilled staff to deliver our services? If not, what do we need to do in terms of training or recruitment?

- 2.6. For each layer, the service is asked to set out:

- (i) What is the current operating model (COM)?
- (ii) What will the target operating model (TOM) look like?
- (iii) How are we going to get from the COM to the TOM?

- 2.7. Approaching the TOM in this way ensures that it provides a comprehensive planning process.

- 2.8. Whilst the methodology is designed to allow professional heads of service to bring to the planning process their expertise and experience and take responsibility for the future of their service, it is important that this takes place within the organisation's wider strategic context. To facilitate this, a professional lead is assigned to each layer – usually the officer with responsibility for the relevant corporate strategy. These are known as layer leads and they provide advice and guidance to TOM Authors throughout the process.

- 2.9. The layer leads also use the process to refresh their own corporate strategies. The discussions they have with authors through this process informs the ways in which these strategies flex to enable the ambitions of the organization to be achieved.

3 THE STRATEGIC CONTEXT

- 3.1. The TOMs are one part of the overarching planning process for the council. They sit in the context of the Medium Term Financial Strategy, the corporate Plan and individual Service Plans.

- 3.2. Appendix A depicts how the TOMs fit within this and their relationship to these strategies and plans.
- 3.3. The council's strategic priorities are set out in the **Business Plan**. The Business Plan is refreshed annually. The Business Plan contains two elements: the **Corporate Plan** and the **Medium Term Financial Plan**.
- 3.3.1 The **Corporate Plan** sets out the main priorities for the council over the next four years and detailed objectives, indicators and targets that will measure progress. The key drivers for the Corporate Plan are the manifesto commitments of the incoming administration and the Community Plan. The Community Plan is drawn up by the Merton Partnership and sets out the long-term ten year vision for Merton as a place. The Corporate Plan is also informed by central government legislation e.g. statutory duties we must deliver.
- 3.3.2 The objectives set out in the Business Plan must be realistic and affordable within the council's financial remit. Resources available to the council, particularly via central government grant, have reduced significantly over the past few years and further reductions are planned. That is why the Business Plan also sets out the **Medium Term Financial Strategy (MTFS)**. Operating over a four-year horizon, it shows how the Council will fund its commitments right down to detailed operational budgets.
- 3.4. With the strategic direction set out in the Business Plan, each of the council's main service delivery areas then set out their operational plan / blueprint for how they will deliver these priorities in their **Target Operating Model (TOM)**. The TOMs are, therefore, informed and shaped by the MTFS; although they also inform and feed into the MTFS in that the operational changes that they set out underpin budgetary planning.
- 3.5. Departmental and corporate strategies sit between the Business Plan and the TOMs, providing a council-wide framework and guiding principles through which priorities can be delivered. These individual strategies have their own specific time horizons and refresh periods, and both inform and are informed by the TOMs. For example, a TOM might set out how a service will deliver the Local Plan, or Children & Young People's Plan; or the IT Strategy might be updated as a result of requests coming out of the TOMs.
- 3.6. Expanding on the TOMs, every year each service within the council produces a **service plan** which set out in detail how the service will be delivered, managed, measured and funded. At the most granular level of detail, staff objectives and annual **appraisals** set out how the annual service plans will be delivered in practice.

4 EMERGING THEMES FROM THE TOMS

- 4.1. The Commission has asked for an update on the emerging themes from the recent TOM refresh exercise.
- 4.2. The content of the individual TOMs are best understood through discussions with relevant Directors and authors since they relate very specifically to the service under consideration. At an aggregated level, however, some common themes can be identified as follows.

- *The need to manage and influence demand to protect services for the most in need*, for example through early intervention and prevention and encouraging self-sufficiency and self-service
- *The importance of working closely with partners and other sectors to deliver better value*, for example through physical co-location and multipurpose buildings, and joint commissioning and joint delivery
- *A business-like approach to providing services and focus on generating income wherever it makes sense to offset the cost of service provision*, for example through maximising income from physical assets and exploring new models of delivery
- *A commitment to adapting our organisation to equip and support a modern workforce*, for example through ensuring IT gives people the tools they need to do their job, and a strategic focus on learning and development
- *An ambition to bridge the gap and build a better, fairer Merton*, for example through regeneration, social care, housing and the physical environment.

5 ALTERNATIVE OPTIONS

- 5.1. Not undertake the TOM process.

6 CONSULTATION UNDERTAKEN OR PROPOSED

- 6.1. Cabinet Leads have been engaged in the process of developing the TOMs.

7 TIMETABLE

- 7.1. The TOM process commenced in December 2017. First drafts were received in April 2018, second drafts in July 2018, and final drafts in August 2018.

8 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 8.1. The TOMs are high level documents that set out the strategic direction that departments will take, and as such broadly cover finance, resources and property issues.
- 8.2. Detailed implications and appropriate actions will be considered through appropriate channels as any elements of work are taken forward.

9 LEGAL AND STATUTORY IMPLICATIONS

- 9.1. The TOMs are high level documents that set out the strategic direction that departments will take, and as such broadly cover legal and statutory issues.
- 9.2. Detailed implications and appropriate actions will be considered through appropriate channels as any elements of work are taken forward.

10 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

- 10.1. The TOMs are high level documents that set out the strategic direction that departments will take, and as such broadly cover equalities and community cohesion issues.
- 10.2. Detailed implications and appropriate actions will be considered through appropriate channels as any elements of work are taken forward.

11 CRIME AND DISORDER IMPLICATIONS

- 11.1. The TOMs are high level documents that set out the strategic direction that departments will take, and as such broadly cover crime and disorder issues.
- 11.2. Detailed implications and appropriate actions will be considered through appropriate channels as any elements of work are taken forward.

12 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

- 12.1. The TOMs are high level documents that set out the strategic direction that departments will take, and as such broadly cover risk management and health and safety issues.
- 12.2. Detailed implications and appropriate actions will be considered through appropriate channels as any elements of work are taken forward.

13 APPENDICES – THE FOLLOWING DOCUMENTS ARE TO BE PUBLISHED WITH THIS REPORT AND FORM PART OF THE REPORT

- Appendix A: Merton Golden Thread

14 BACKGROUND PAPERS

- 14.1. Executive Summaries of all TOMs can be found on the intranet pages, at <https://sharepoint.merton.gov.uk/teams/ci/TOM/Pages/default.aspx>.

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