Leicester
City Council

BUSINESS IMPROVEMENT PROGRAMME

CREATIVE SERVICES

BUSINESS CASE

Version 3
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Document Control

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Version 1	Reviewed by ISR/BIP Board 20 June 2006, Creative Services Project Board on 4 July 2006 and issued to staff on 10 July 2006
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Version 3	Review following consideration by Liaison Group on 25 August and 4 September 2006 by ISP/BIP Programme Board on 29 August 2006.

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1.   **Purpose**

The purpose of this Business Case is to identify the Creative Service activities performed and commissioned within the Council (both centrally and within service departments) which meet the varying business needs of the Council and to determine the most appropriate means by which each of these activities should be delivered to the Council.

2.   **Introduction**

The City Council is heavily dependent upon visual communications (text, graphics and images) to support the effective delivery of its services and business functions.

Such visual communications have long been delivered within the Council through a mixed economy - in-house, within Creativity Works as the centralised production unit and through devolved activities within user departments and through the procurement of a range of services, corporately through Creativity Works, but also through individual departments.

Technological change has, and with current developments, will continue to promote change in the provision and delivery of those business communications. Despite the rapid growth in such electronic media, the more tangible means of information provision (i.e. primarily 'hard copy') will continue to play a significant and core role in the Council's communications strategy for at least the next decade.

This business case examines each of the current communications components within the Creative Services function to consider how (if at all) they should be best delivered to meet the current and future business requirements of the Council having regard to the principal factors of cost, timeliness, quality and consistency (including the application of corporate standards).

The business case has been produced following an in-depth examination of the various components by an external technical resource (JMCL Ltd), including a detailed cost analysis, market appraisals including cost comparisons, analysis of business requirements for the various service departments of the Council and benchmarking of service costs through a range of service options (internal and external).

The final Business Case will be put before Members for approval.

3.   **Executive Summary**

Methodology

Leicester City Council initiated this review of Creative Services through the engagement of JMCL Consulting, a technical resource in the delivery of visual communications services. This Business Case summarises the work

undertaken both by JMCL and subsequently, including through staff liaison processes, to further validate those findings and makes key recommendations on future service provision.

The areas considered were initially Creativity Works but then, recognising the existence of these activities elsewhere in the organisation, the brief was extended to incorporate graphic design and print procurement carried out elsewhere in the Council.

The fundamental assessment criterion utilised in this review was cost, with the proviso, at all times, that service levels for end users would be maintained at acceptable levels.

Initially there were issues with data quality and availability. These, however, did not prove insurmountable and sufficient information was finally produced to allow a meaningful analysis.

Twelve key, largely autonomous, activity areas were identified. Options for the future provision of each of these was assessed on the basis of status quo, enhancements/alternative arrangements or outsourcing.

Having examined the work throughout and cost profiles and current asset and client base in detail, the options of external growth through of seeking third-party work, joint ventures or management buyouts were specifically excluded. This was because all of those options would result in the need for investment against the uncertainty of future commercial returns. This does not, however, preclude the possibility of partnership working in appropriate areas,, but that requires detailed examination within the implementation phase.

Key Recommendations

Of the key activities, it is recommended that:

(i)   **All the print aspects be outsourced, including ancillary typesetting activities;**

(ii)   **Print procurement to become a single central activity and all individuals throughout the Council procure through this;**

(iii)   **A reduced digital (black and white) copying facility be retained on site** (numbers and location of machines subject to future Council needs having regard to currently changing organisational arrangements). However, it is recommended that this be operated and managed by an outsource provider to enable fluctuations in service requirements to be managed in the most economic manner;

(iv)   **Bulk colour copying and digital colour printing to be outsourced;**

(i)   **New original photography, including associated image manipulation should be integrated into the in-house graphics capability, with requirements not able to be fulfilled in team carried out on an "as required" freelance basis through framework contracts or select lists.** In addition, the pro-active management of the corporate image library and access to external image libraries such as those maintained by EMDA and Leicester Shire Promotions should be managed centrally for the benefit of the authority as a whole and also ensuring essential aspects such as subject permissions, avoidance of over use of selective images, etc., are fully addressed.

(i)   **ID badge production to be undertaken elsewhere in the Council** where there is a direct service relevance in their production and availability;

(i)   **Citizenship gifts** – continue with the photographic gift utilising available in-house services with any unmet requirement procured externally;

(viii) **Paper sales should be undertaken directly with the ESPO supplier contracted**, which will remove the administrative overhead and increase management information;

(i)   **Photocopier management to be transferred to the Information Services Division and the future strategy considered as part of moves to the provision and use of local multifunction devices** (i.e. print, scan and photocopy devices), a strategy designed to leverage local print savings;

(i)   **Enveloping to be included within the transaction print function currently undertaken within ICT,** which itself may well need a review of delivery strategy in the light of the implementation of the current ICT Review;

(i)   **Graphic design to be centralised and rationalised according to identified need and to match a "base load" requirement. Peak levels of activity to be outsourced through the central function on an as-required basis using appropriate framework contracts.** All high level 'Blue Sky' creative graphics to be co-ordinated through the Central Graphics function, with the in-house offering competing with external providers. Criteria to be determined which would, where necessary, support out posting, whereby staff are managed centrally but located remotely in client areas where there is a demonstrable business case and cost efficiencies but also is able to address satisfactorily the key arguments for centralisation, i.e. full utilisation of staff, inbred lack of creativity through lack of work variety and isolation causing a stifling in the creative thought process. Also, the benefits of new technology to be utilised, for example by enabling web based

ordering of corporate stationery (letterheads, business cards, comp slips etc), whilst at the same time curtailing the currently unlimited use of 'Publisher' software within the Authority so that it is utilised for internal communications only; and

(i) **A central point to be established to ensure informed independent advice when procuring graphic design and to provide advice, take orders and manage the print function.** Work needs to take place in the implementation phase as to whether some or all of this is best outsourced or undertaken in-house (currently, in the short term, the in-house option has advantages of surety during a period of significant change). In determining the best way forward in this activity it must be recognised that this overall management function is pivotal to effective future organisational and operational arrangements and also to maximise the potential financial cost reductions which can be materialised. Such a provision would also ensure consistency of approach across the Council, with single corporate advice and also monitor closely client departments' operational interface with the commercial sector (repeated author's corrections [in reality changes] are, for example, a frequently utilised tool by the commercial sector to inflate their originally low quotations for work). It would also be responsible for ensuring independent advice in relation to the procurement of graphic design – when the in-house and external agencies may well both be putting forward submissions and act as a 'quality filter' for the totality of graphics work produced.

Consideration, during implementation, should also be given to the benefits of all outsourced activities for print and copying, with the possible exception of Leicester Link, being carried out by a single service provider to reduce costs, ensure consistency of approach and maintain a single point of accountability. There could also be considerable benefits from including the photocopier and enveloping (with associated transactional print) activities in any outsource tender. This will require further detailed examination.

The transfer of outsourced activities would involve significant initial costs within the Council of setup, but thereafter a low ongoing overhead and substantial improvements in management information.

(i) **Background and Scope of Work**

4.1. Background

Prior to commencing this review utilising the 'triage' methodology several activities were undertaken to inform the process.

(i) Advertising Agency

It had previously been recognised, through both discussion with Corporate Personnel Managers and an examination of work volumes and value, that

recruitment advertising is both the largest single element of work within the in-house Advertising Agency and that there are operational synergies with other parts of the recruitment process, notably the Job Shop.

Prior to considering the organisational implications, it was, however, determined that financial viability of the in-house advertising provision (excluding advertising sales and sponsorship) should be compared to the financial provision and costs available within the commercial market place. To this end, detailed benchmarking data was shared by Eastern Shires Purchasing Organisation in relation to a directly comparable authority (with very similar monetary value in advertising spend) which had recently been exposed to the market place. The submissions of the successful tenderer were then compared to the current costs of the in-house provision (taking into account its accredited agency status). The findings were that there was no financial or significant service gain to be achieved through the commercial market place over and above that obtained through the in-house provision.

On that basis, it was determined that the authority should retain the in-house advertising provision, but that, as part of the currently ongoing support service reviews, consideration should be given to the transfer of that function to become an integral part of the transaction based corporate H.R. function, to take advantage of the potential synergies, notably with the Job Shop, which have been identified.

(i)   Creative Activities

In considering the best approach to undertaking the triage process for creative activities (at that point of time purely within in Creativity Works),there was also a recognition that the adoption of a particular methodology within the triage process could, of itself, influence significantly the decisions concerning options for future service delivery. As a consequence, following advertisement, and through presentations and exploration, four alternative approaches were considered, to identify the relative merits of each. The methodologies collated from these alternative approaches demonstrated clearly that there were alternatives to the current methods of delivering creative activities to meet the Council's needs and that, to varying degrees, these alternatives had the potential to reduce costs to the Council whilst, the same time, maintaining acceptable service standards and improving on such issues as corporate branding. This then informed a further exercise, through advertisement, to identify the selection of the technical resource engaged to formulate the proposals contained in this Business Case.

As will be noted within the Business Case, it was subsequently identified that the project scope needed to be expanded to cover not only transactions delivered through Creativity Works, but also similarly delivered items across the whole Council.

Arising from this triage process JMCL Consulting were engaged to undertake a review of creative services within the Council. Initially this had

a focus on the operations of the Creativity Works department but was subsequently extended to include wider creative services throughout the Council

(i)0. . . . . . .   **Scope of Review**

Three broad areas have been reviewed:-

- The core Creativity Works operation;
- Creative Services, particularly graphic design, throughout the Council; and;
- External print.

In addition, the review had a limited consideration of the interface with ICT print, which utilises a very similar digital print capability.

A further related function originally outside the scope of this Review is that of web design. There are, of course, some similarities in the skills set between Graphic Designers and Web Designers. The ISP Business Improvement Programme Board, when considering the draft Business Case, felt that web design should be included within the scope of the Review.

Certain Creativity Works activities were specifically excluded from the review, including media buying and advertising. However, these activities were assessed in the analysis as they involve shared assets, facilities and management and currently have strong interfaces with Creativity Works, especially in the design area.

(i)   **Overview of Current Creative Services within the Council**

(i)0. . . . . . .   **Current Service Provision**

(i)   Creativity Works

The Creativity Works organisation can be broken down into a number of key segments, with approximate annual costs for calendar 2005 as follow:-

~   Management / Admin (£385k)
~   Media (£255k; outside scope)
~   Internal "wet ink" print / finishing (£122k)
~   Print procurement (£547k)
~   Copying / Colour Laser (£372k)
~   Design (£232k)
~   Photographic (£58k)
~   ID Badges / Citizenship (£17k)
~   Ancillary: Paper Sales, Photocopiers, Enveloping (£470k)

Against total costs of £2,458k, income from internal recharges and external income was £2,775k giving a surplus for the year of £317k.

The operating structure comprises a service manager, who also acts as manager of the Media aspects, and two other managers with responsibilities broadly split between design / photographic and print. The print manager also has responsibility for the ancillary aspects.

(ii)   Other Graphic Design

It has not been possible to obtain definite figures for the total levels of Graphic Design undertaken elsewhere in the Council as the function is frequently incorporated into other job activities. Effort has, therefore, been concentrated where the graphics element comprises either the full or substantial element of the post's duties. As a consequence 5 FTE engaged in graphic design elsewhere in LCC have been considered.

(iii)   External Print

Following an intensive examination of various data sources, including FMIS, a spend of circa £550,000 per annum has been identified as being placed through Creativity Works. This comprised a range of activities from short run low complexity items to full colour glossy brochures.   An additional £564,000 was identified as being spent direct by service departments (other than schools based) without utilising the corporate print procurement mechanisms currently available within Creativity Works (see table below).   This figure incorporates an element of graphic design and typesetting undertaken by the printers (estimated at 15 – 20% of the total). In addition, as can be seen from the table, additional sums are also expended on reprographics, photocopying and photography.   (It is acknowledged that much of the photocopying expenditure is procured via ESPO contracts).

Department	Printing	Reprographics	Photocopying	Photographic
Chief Executive	19,329			
Education and Lifelong Learning *	95,095	30,783	74,887	3,284
Housing	126,089	318	55,109	55
Regeneration and Culture	228,856	4,383	46,235	22,216
Resources	88,417		9,106	1,409
Social Care and Health	6,368	22,388	41,752	
Total	564,154	57,872	227,089	27,065
* Printing excludes £250,000 for schools				

N.B.   The above are net figures after reduction by 20% to address miscodings, etc. (as determined by sampling techniques).

5.2.   **Activities**

The following table gives an overview consideration of the strengths and weaknesses of the individual components of Creative Services throughout the Council (i.e. both the centralised unit and devolved activities):-

Area	Strengths	Weaknesses
Administration	Flexibility	Poor systems
Internal print	Speed of response	Asset base (some equipmen end of useful life)
Copying	Local, efficient	Asset base (machines at end of useful life and out run leases)
Colour Laser	Immediacy	Poor utilisation
Photographic	Flexibility	Cost/efficiency
I.D. badges	Flexibility	Inefficient use of expertise if undertaken by photographers
Citizenship Gifts	Availability	Cost
Paper Sales	Not Applicable	Non-core
Photocopiers	Not Applicable	Non-core
Enveloping	Not Applicable	Non-core
Design (Creativity Works only)	Customer/brand awareness	Poor utilisation
Print Procurement (Creativity Works only)	Customer knowledge	Scale economies
Design (Rest of LCC)	Immediacy	Quality of design
Print Procurement (Rest of LCC)	Perceived empowerment	Poor purchasing

6. Methodology

6.1. Overview

The analysis involved both qualitative and quantitative reviews.

The qualitative aspects included structured activity-based questionnaires and interviews with the majority of people in Creativity Works and semi-structured interviews with representatives within client departments. A total of 14 people from service departments were interviewed in this process. The list of interviews can be found at Appendix A The client and potential client interviews were effectively about the wider use of creative services within the Council, especially design, but they also provided direct feedback on Creativity Works.

The quantitative analysis was based around data gathered from the Council's financial systems (FMIS), Creativity Works' internal management information (Accura) and the outputs of the activity questionnaires.

6.2. Options appraised

Identification of feasible options and their analysis was based on identifying long-term solutions to the supply of creative services within the Council and the options which give best value for the Council from Creativity Works and ancillary creative functions. The options were also required to deliver cost savings at acceptable or improved future service levels.

Whilst each aspect was assessed on its own merits, the knock-on effects of any changes to other areas in the Council and Creativity Works were considered, e.g. on administration or management if an area were recommended to be outsourced.

In addition to future provision by third-parties, joint venturing, management buyouts and the prospect of "sweating the assets" by taking in third-party work were also considered. However, early in the evaluation these potential options were excluded. To make financial sense, each of these options would need to attract additional, external, work in order to become viable in future. As currently set up, the existing asset base and capabilities do not have sufficient capacity or wide enough service offerings to take on any additional work. The Council would have to invest heavily in the operation before taking its returns over the longer term. This would effectively be a cash investment in a non-core business at a time when cost reductions need to be considered and was therefore deemed unfeasible. Similarly, as an invest to save project, the skills and expertise do not mirror in all respects the commercial expertise available in the wider market place and the Council would be creating a fledgling business unit (albeit with a core business activity from the Council) in an external mature and extremely competitive market place.

This left the only viable options being "status quo" (base case), enhancements to the existing operation or outsourcing. As most of the operations are broadly independent, each option has been considered for each area.

In considering the potential for outsourcing at the implementation stage, an options appraisal also requires to be undertaken as to the relative merits (financial and otherwise) of combining procurement requirements with other key partners and public sector agencies (local authorities, health, etc.) through a procurement strategy involving either partnership working collaboration or through the use of a procurement agency such as ESPO or framework contracts.

6.3. Criteria against which the options were evaluated

The prime assessment criterion was overall cost, with the proviso that any alterations to service levels have to be acceptable to the Council. This approach recognises that there may be, in some cases, a raising of the bar in terms of standards and, in other cases, some degradation of service levels where the current provision/client requirement is unnecessarily high. It also acknowledges that some service levels may currently be higher than necessary, creating an artificial barrier to change.

It was acknowledged that many of the "softer" aspects such as customer service and design quality could not be assessed on an absolute or quantitative basis. These involve subjective assessment and value judgements which can never be totally robust. However, the aim was to be as "fair-handed" as possible, looking for the best overall solutions for the Council whilst seeking to understand the positions and views held both centrally and in departments.

6.4. Analysis

To ensure that all recommendations are supported by detailed and accurate data, a significant amount of time was spent trying to validate data by seeking to get consistency between Accura and FMIS outputs and then analysing that data. In the event, this had to be done on a transaction-by-transaction basis as there were no other accurate ways to get expenditure by operating area. To emphasise the detail and accuracy sought, this involved 34,000 lines of data from FMIS and well over 100,000 lines from Accura. All the working documents, data, spreadsheets, etc., have been supplied by JMCL in electronic form and also made available to staff. In addition, during the staff consultation stage, primarily through a 'Finance Sub Group', much of the financial data has been further appraised. This has included a re-validation of the basis of apportionments (specifically requested by the Trades Unions), additional benchmarking exercises (using ESPO actual tender submissions) and discussions with other comparator authorities

The fundamental aim was to get reliable costs and income for a meaningful set of categories in a format which would enable comparison and benchmarking with both the external market place and other options for service provision. FMIS currently reports on eight categories for Creativity Works, broadly on a departmental basis:-

~   Design
~   Photographic
~   External Design
~   Overheads
~   Media & advertising
~   Schools as clients (Media)
~   Internal Print
~   External print

Whilst this was a useful starting point (all income/recharges are held in these categories in FMIS), it was not sufficient as the bulk of the activities are held under "internal print".

Evaluation of the data, assessment of Creativity Work's capabilities and discussions with staff led to establishing 12 categories (as addressed in Section 7.4 below, to which advertising and media must be added for completeness and reconciliation with the budget. Overlaps clearly remain, especially involving the photographic and design areas. Further breakdown

was possible (e.g. print by type and graphic design vs. typesetting), but it was felt that this richness was unnecessary.

The most difficult task was trying to link costs to revenues, to gain a view of which aspects make positive contributions, and which do not. There is nothing in either the coding or job naming which allows this to be done directly. This is especially the case for external print, which is possibly the most significant spend category and generally one of the most appropriate for this to be done (one-to-one match between costs and revenues). Accordingly, this work involved the categorisation of over 8,000 jobs into meaningful groups which matched the 12 work categories.

The analysis identified a number of problems with the data, including multiple descriptions and inconsistent costings for the same work in different Accura tables. Problems with data transfer from Accura to FMIS were also uncovered and corrected, some of which were of a material extent (£100k).

Having established a reasonable basis for incomes (92% by value allocated), a similar exercise was undertaken for costs. Direct costs were generally taken from FMIS and allocated as appropriate. Direct overheads (e.g. floor space) were apportioned using reasonable measures. Salaries costs were apportioned based on the questionnaire outputs. The remaining "internal" overheads of management and admin were apportioned on the basis of area headcount, income and invoicing activity.

7. Findings

7.1. Information Quality

The overall quality of digitally-accessible information for analysis purposes was poor and the majority of the data relates to Creativity Works.

The Accura system in Creativity Works tends to be used primarily as an invoicing tool. Its use in providing quotations, job costing or data capture was limited and sporadic. There is little consistency in use, with different operators using their own styles. Final invoiced amounts are often overwritten manually with underlying amendments not always recorded. Overall, therefore, there are inconsistencies in the data contained within Accura.

Accura was provided with a number of pre-written reports which each provide good information. However, most of these reports are in PDF format which cannot be read and analysed electronically. Creativity Works does not have a reporting or data extract tool for Accura, and the only available database interrogation tool (Access) cannot read the key Quotes and Invoicing tables. Accordingly much effort was spent on extracting and linking key data from other tables.

Creativity Works provides a very broad and disparate range of services. However, there is no logic within the naming or numbering conventions to allow these to be assessed clearly and individually.

The other main source of data was the accounting system, FMIS. This has been set up to provide detailed cost data for the City Council. It was available digitally allowing easy access and manipulation. It can be easily interrogated by cost centre and by cost code. The main constraints in the FMIS data are based on the fact that it is a council-wide system and that the cost codes were not designed for a manufacturing based service provider. Other crucial issues are that it has been designed to report on spend and does not provide readily accessible "profit and loss" type information where both costs and revenues, and their interactions, need to be seen.

Accordingly for a department having costs and revenues, its reports are not easy to understand, especially if only reviewed on a monthly basis. Again, as a spend-based system, timing of expenditure is not critical, and so transactions are recorded in the month they fall which will not necessarily be the same time period as the revenue so that costs and revenues are not matched.

Whilst Accura is the main invoicing tool, some jobs bypass it and are entered directly into FMIS. As in Accura, there are no clear naming conventions and the only textual field is free-form and open to operator flexibility and error.

7.2. Perceptions

A total of 15 qualitative interviews were undertaken by JMCL with key service users/providers throughout the authority. Details of these interviewees are at Appendix A.

In summary, these qualitative interviews yielded the following perceptions:-

- Creativity Works make reasonable use of a poor asset base;
- Certain core activities need to be on-site or close by – these are bulk photocopying and corporate design;
- Core customers praise Creativity Works whilst peripheral customers, with smaller budgets, are concerned about Creativity Work's charges and their client communications;
- There is a recognition of recent improvements but the name of Creativity Works carries negative connotations from past failings; and,
- There is room for improvement in quote turnaround and client liaison.

Certain areas had their own, existing design capability replicating the services Creativity Works offers; they wanted to keep their own capability but recognised that this capability was part of the review.

7.3. Financial Summary, with commentary

(i)   Creativity Works

The following table summarises the results of the exercise:-

Overall Summaries 2005, £k	Management	Admin	Media	Print/Fin	Copying	Colour Laser	Design	Photo	ID Badges	Citizenship	External Print	Paper Sales	Photocopying	Enveloping	Total
Staffing Costs	75	133	63	56	38	13	173	36	10	6	21	2	2	2	630
Direct Costs (Supplies & Services)	5	6	173	26	193	102	40	5	5	4	525	131	138	195	1,548
Direct Overheads	164	10	19	40	18	8	19	8	1	0	1	0	0	0	288
Management/Admin Apportioned	(243)	(142)	42	60	71	19	61	13	7	2	64	20	15	10	(1)
Income	0	0	(634)	(234)	(341)	(135)	(231)	(34)	(38)	(9)	(555)	(146)	(211)	(207)	(2,775)
Profit/Loss	1	7	(337)	(52)	(21)	7	62	28	(15)	(3)	56	7	(56)	0	(310)

Note that the income was not factored back to remove the surplus (i.e. overall cost-neutral to the Council). As can be seen the surplus essentially arose from the media activities which are outside the scope of the evaluation.

It can be seen that overall the Creativity Works pricing results in costs broadly being covered, although there are clear mismatches between areas. It is very important to note that this does not provide any indication as to whether the charges are in line with the external market; this is commented upon below.

A separate analysis of the relevant expenditure/income for both Creativity Works and other spend elsewhere in the Council has been undertaken within Financial Services and is shown at Appendix C.

This verifies the data on which JMCL have based their analyses.

7.4.   **Summaries by Activity**

(i)   Management/Admin

The management function is broadly appropriate for the current operation. However, it would need to be reviewed in the light of any future changes to the operation.

Administration is weak with far too much manual intervention. Insufficient use is made of the current systems and when they are used it tends to be on an inconsistent basis. Management information is extremely poor, with FMIS relied on for all financial reporting, which can be several months out of date.

(ii)   Internal Wet Ink/External Print Procurement

The "traditional" internal wet ink print function relies on manually-intensive assets which are, at least in part, outdated. The area makes a positive

contribution, but only as a result of high charges for work. There are also severe constraints on the style of output: as the presses are single colour and do not easily allow printing to the edges of the paper, the Council is constrained in the quality of its output.

A basket of items, representing a cross section of work undertaken by Creativity Works, was exposed to market testing (i.e. benchmarking) utilising actual costs from within Creativity Works compared to prices in the commercial sector (this utilised data via framework contracts processes utilising data obtained from JMCL and from ESPO and also approaching the marketplace direct.)

This benchmarking of commodity (i.e. routine) print, such as corporate stationery and forms including NCR, indicated various levels of savings of up to 30% by outsourcing. (This assumed that the direct and indirect overheads ascribed to these functions could also be achieved.) Likely savings will only increase if the existing, fully-depreciated, presses have to be replaced.

The benchmarking of external print also showed effective buying on the "high profile" and long-run jobs such as Leicester Link magazine and the Diwali guide. On other, more routine, print benchmarking indicated room for savings. Whilst this area needs further consideration through further market testing before definitive savings can be identified, additional discounts could be achieved if the internal print volumes were included in any tender.

In addition, the analysis of the print work currently commissioned elsewhere in the Council and not being procured through Creativity Works, amounts to £564,000 per annum. Whilst to meet the requirements of Finance Procedure Rules such work will have been procured after the receipt of three quotations, this does not take account of the additional savings which can accrue through a centralised procurement process and the utilisation of framework contracts. Experience of other local authorities who have utilised this approach and not used the expertise available, for example, in Creativity Works, show a realistic saving (excluding associated overheads) at a minimum of 10%. In addition, it is anticipated that the utilisation of such processes would also leverage a further 5% savings in the work currently procured via Creativity Works.

(iii)   Copying

The existing black and white copiers are in severe need of replacement for two reasons: firstly they are old and unreliable and secondly because the contracts they are operating under are no longer cost-effective.

Although this area covers its costs, it is only because internal copy charges are some 40% higher than can be achieved by outsourcing. The core problem is that the contract fixed costs are based on inclusive copies, which are at least 25% higher than necessary. The authority's future requirements in this area also need to take into account the impact of new

technology, whereby more and more people are accessing their information requirements direct from web based applications.

(iv)   Colour Laser

From a financial point of view, taking into account full costs, the colour laser is not cost-effective. Whilst the minimum quantities associated with the rental agreement are more than fulfilled, taking into account the indirect costs and amount of time expended by graphics staff and the associated lost income generation opportunity costs whilst they are operating the machine, a mixed economy, through changed in-house provision and use of commercial outlets, will offer up cost reductions.

(v)   Design

The analysis of the Creativity Works design team showed that it is not currently cost-effective. Although its chargeable hourly rate is broadly in line with the market, the area does not cover its costs: effectively a combination of underbilling and poor utilisation. This is due, in part to process issues, client departments being insufficiently focussed in defining their requirements, leading to unnecessary redesign and a disproportionate amount of authors corrections, all of which are not being recovered. No direct data was available for design carried out in other LCC departments, which equates to a further 5 FTE (2FTE in each of Housing and Museums, with a further 1 FTE fragmented across the organisation). Whilst (like the central Graphics Section) all these staff are fully occupied, there is no reason to suggest that they do not experience similar client issues to those experienced centrally.

It also showed that currently advantage is not being taken of available web / intranet based software for the typesetting of standard corporate needs such as letterheads, comp slips, business cards etc. Similarly, the use of 'Publisher' software on P Cs around the organisation for design work which is put in the public domain is neither a cost effective use of staff time nor creates or maintains a professional corporate image of the Council to the public.

(vi)   Photography

The evaluation of time spent on different activities and income generated showed the split of work (by income) as follows:-

		£
2004/05	Photography	34056
	I.D. Badges	38069
	Citizenship Gifts	9195
2005/06	Photography	32471
	I.D. Badges	22043
	Citizenship Gifts	12457

Within the photography, the largest single commission (£16,404 in 2004/05 and £13,326 in 2005/06) related to work for the Corporate Communications Section, notably images for Leicester Link and Face.

Developing and processing reduced from 7.5% of the new photographic work in 2004/05 to 2% in 2005/06 reflecting the change to digital photography. As will be seen from the financial data, despite the requirements of both I.D. badges (undertaken in the main by clerical staff) and Citizenship Gifts, which in both years generated in excess of 50% of the income, the Section was unable to generate sufficient income to cover its costs. This clearly demonstrates that there is insufficient photographic work to support two full-time photographers.

Any proposals for change must, however, both ensure the ongoing and proactive maintenance of the corporate image library – a considerable corporate resource – and also the effective addressing of photographic permissions (e.g. when images of children are used) and avoidance of over-use of 'popular' images. In addition, there should be co-ordinated access to related image libraries, such as those maintained by EMDA, Leicester Shire Promotions and photographic students.

(vii)   ID Badges

This work is actually mainly undertaken by the admin staff, except where the equipment is taken off site when, for ease, the Photographers take the equipment in their cars and deliver the service. It is a necessary corporate activity which is profitable on an internal trading basis, but is not a core activity associated with Creative Services. The biggest issue with this area is the manual administration associated with it (all data manually transcribed for billing purposes) and the lack of any backup to the PC which houses the data.

(viii)   Citizenship Gifts

This is a service provided to the Registration Service of the Council whereby each Citizenship conferee is offered a photography of the ceremony as their gift from the Council. As a gift, this is seen as a model of good practice. However, the Photographic Section has undercharged the full cost of this activity to retain the work. The continuation of the service needs to be considered in the light of full cost recovery.

(ix)   Paper Sales

The administrative burden of paper sales is not recovered through its costs: paper sales require substantial manual intervention. However, there is no reason why these have to be undertaken by Creativity Works: the delivery is undertaken by the nominated contractor and they are geared to take and deliver individual orders directly and can supply all necessary management information direct. Particular ESPO contracts have been set up for the bulk supply of paper for Creativity Work, which are more

competitive than the standard ESPO contract offerings. However, these savings are more than dissipated by the handling costs, including associated administration.

(x)   Photocopiers

Creativity Works has responsibility for managing the majority of the existing photocopier fleet, notably within the Central Administrative Buildings. This makes a significant contribution as there are few true costs associated with it. Further, charging of units is no longer based on current activity rather than historical data so there is no feedback to ensure appropriate behaviour. If managed proactively as part of a distributed print strategy, this could result in substantial cost savings, both through a reduction in number of distributed printing/copying/fax devices currently supported and also through a more cost efficient and effective delivery of reprographic requirements direct to service areas, thereby both saving time and reducing handling costs.

(xi)   Enveloping

Creativity Works also has responsibility for the interface between ICT print and the commercial envelopers. Although costs are covered, there is no logic to the process being in Creativity Works. There are also speed and service advantages through operating with a single integrated supplier, which are also likely to generate savings (through the avoidance of transportation costs, etc.)

(xii)   Non-Creativity Works

The principal relevant activities undertaken are the procurement of external print (£564,000 approx per annum) and graphic design, notably within the Housing Department and Museums Services (for two dimensional work).

Central co-ordination of print procurement leads to savings through economies of scale as well as administrative efficiencies and consistencies in production. There seems little argument to do anything other than a co-ordinated procurement of all Council print through framework contracts.

Pulling Graphic design within the authority into a central unit has benefits of cost savings, flexibility and consistency of approach and brand. This can be offset to an extent by the immediacy of the facility within user departments. In addition, the 2D design provision within the Museums Service has the added issue of remote geographical location.

Consideration needs to be given to the organisational benefits of all graphic design being centralised within one organisational provision, but with an examination of any particular business cases as to why any particular service provision should be located alongside front line service provision.

(xiii)   Web Design

Web design is currently undertaken within the Corporate ICT Web Team. The skills set of the Web Team includes web design, which has direct linkages to the corporate brand image.

The utilisation of these synergies has not yet been achieved. However, the development of electronic media (and notably the Council's web presence), which has developed into a core business activity, means that the electronic and paper based communications need to interface more closely together in order that any design brief can relate to either electronic or paper based media, with each then addressing their respective technical and usability issues.

This facet also needs to be addressed as part of the Creative Services implementation plan.

8.   **Recommendations**

In undertaking the analysis, whilst some recommendations are relatively straightforward, their impact on other areas still needs to be considered.

(i)   **Paper sales, Photocopiers and Enveloping** (Low Impact)

These are ancillary areas that do not really belong within Creativity Works as currently set up: The paper sales add too much administration (with no corresponding reporting or MI); photocopiers need to be considered within the overall ICT/print strategy and ideally replaced with multifunction devices; and the enveloping activity needs to be linked with the corresponding print activity. This latter point is part of a much wider issue relating to ICT Printers.

The main effect of removing these areas would be to reduce overall administration within Creativity Works. However, it would also remove a £45k contribution to overheads within Creativity Works.

(ii)   **ID Badges and Citizenship** (Low Impact)

The current ID Badge operation generates income for the Photography Section, but through activities which are primarily undertaken by admin staff. It is a necessary activity but one that could effectively be carried out by any department. It would benefit from having less manually-intensive systems, but as it is a low-cost operation, this may not be necessary until the existing systems need replacement.

The citizenship photography is not cost-effective. It is understood that it was set up to make use of spare time (which was effectively free). Depending on what happens to the wider photographic activities, if the need for citizenship photographs remains, it should be fully costed or acknowledged as being subsidised.

(iii)   **Digital Copying** (Medium Impact)

The excessive costs associated with the current digital equipment, and the desperate need for an equipment refresh, needs urgent attention. In addition to the cost aspects, there is a strong need for an on-site service for volume photocopying. Relocating these off-site would add considerably to the complexities of logistics which are likely to outweigh the economies of scale. This would also have a negative effect on service levels.

The most appropriate balance of cost and service is likely to come from having a single, new, photocopier on site (or, subject to the Council reorganisations and future needs, one on each of two core sites), with a service contract with a third party for additional volumes and contingency. Whether this is retained by the Council or part of a wider outsourcing will be dependent on what happens in other areas.

There appears to be no business or financial need for on-site bulk digital colour printing. The evaluation indicated that much of the print is not time-critical, with the machine being used in part as a proofing tool and in part for limited run full colour productions. Regardless of other options, and unless machine costs fall substantially, the contract should not be renewed. The effort spent in operating this printer needs to be reviewed, as most of it comes from the Creativity Design team.

(iv)   **Wet Ink Print** (High Impact)

The existing facilities are, in part, at the end and in part at the latter end of their useful lives. They are inefficient and take up substantial resources (especially effort and floor space). Unit print costs are currently not cost-effective. If there were funds available to replace the assets, it is unlikely that an investment in new presses would result in savings unless they resulted in a massive increase in capabilities to gain scale economies, but there is insufficient work within the Council to guarantee this.

Overall, the only sensible option would be to outsource this area entirely. This would reduce unit costs and have the benefit of purchasing leverage by increasing overall external print spend.

The current print operations (including external purchases) make expends annually of circa £120,000, including direct overheads. Hall of this could be directly saved by closing the operation (assuming floor space can be reused), with the potential for further savings in management and administration. There would also be savings to clients departments from lower unit costs and better procurement.

It is also recommended that the Council takes a firmer stance on the procurement of print, with over £O.5m being spent outside Creativity Works. It should be made clear that all external print should be procured through a central function.

(v)   Photography (High Impact)

The existing photographic operation is far from cost-effective. New photography only occupies just under one out of 2 FTE, with the bulk of the balance occupied with design related tasks of image manipulation along with Citizenship gifts. There is a perception that much of the new photography may not strictly be necessary, based on capacity push rather than demand pull.

Given the negative contribution this area currently generates, it is likely that the service could be undertaken more cost-effectively integrating a reduced level of photographic provision (one FTE), with associated image manipulation, in the core graphic design function, and by using freelance photographers whenever required to address issues of excess capacity.

(vi)   **Design** (Mixed Impact)

The current Creativity Works activities do not appear to be cost-effective as there are insufficient chargeable hours for the staff complement. Therefore, there is either systematic under-billing, significant inefficiencies in the department or a combination of both.

There is no hard data (FTE, costs or utilisation) for designers within the wider LCC, but these are estimated at 5 FTE (2FTE in Housing, 2FTE in Museums and 1FTE fragmented across the Authority). There are many benefits to bringing all design together within a central team, including cost savings, contingency, flexibility and consistency of approach and brand. In so doing, the current use around the Council of 'Publisher' software also needs to be limited to internal use only, with its use prevented for work with an external audience (including partnerships).

Typesetting needs to be considered separately in the context of externalised print. If the wet ink aspects are outsourced, most outsource providers have very cost effective typesetting and forms management capabilities. This could reduce the overall design requirement by as much as 2 to 3 FTE. In addition, use needs to be made of web based software, located on the Council's intranet site, through which standardised corporate stationery, business cards, comp slips etc can be requisitioned and input direct without further manual intervention.

The proposed centralisation of the design function has undoubted benefits for the Council in terms of corporate branding. To ensure that these benefits are not dissipated, it is important to also ensure that all commissioning of graphics work throughout the authority is centrally co-ordinated. This also needs to be achieved in an independent manner to ensure that the authority's graphic design requirements including 'blue sky work' are appropriately sourced, whether through the in-house provision or using external resources. Likewise, the ad hoc production of material for external consumption, including partnerships, via PC software such as 'Publisher' should be addressed, including by the corporate control of future acquisition of such software and instructions to cease the use of such resources, particularly where there is an external audience.

(vii) **Web Design** (Low Impact)

The linkages between Web Design and Graphic Design, particularly at the briefing and branding stages, need to be exploited by a closer liaison between the two activities, thereby ensuring a common feel between electronic and paper based communications. This will need to be addressed within the implementation phase of the Project.

(viii) **Management and Administration** (High Impact)

Notwithstanding the issues with Design, the other recommendations will have a dramatic impact on Management and Administration. The main effects will be lower direct headcount within Creativity Works. The recommendations also will result in far less transactions elsewhere in the Council when all print and design are managed centrally, resulting in a reduction in Management and Administration staffing levels. The move of certain aspects such as ID badges to another area will have a marginal impact.

It should be borne in mind that Creativity Works currently provides a valuable order taking and advice service, which needs to be a key consideration should aspects be outsourced. Similarly, as well as this advice function, the procurement processes, including subsequent monitoring, will require appropriate resource.

9. **Implementation Timetable for Key Activities**

(i) Linked to the publication of the draft Business Case, with the potential staffing implications arising from the recommendations, a formal Organisational Review of Creative Services was declared on 10 July 2006 in accordance with the Council's agreed Protocol on Organisational Reviews. A copy of the Terms of Reference for that Review are contained at Appendix C.

(ii) Cabinet Approval – 25 September 2006 (to allow adequate time for staff consultation, having regard to the potential TUPE and staff redundancies).

(iii) Savings on Colour Copying – in process to cease current provision by 31 October 2006.

(iii) Partnership working and/or E.U. procurement of copier/duplicating activities – 30 June 2007.

(iv) Framework procurement contracts for external print – 30 June 2007.

10. **Management of Risk**

The proposed way forward, like all change, contains a number of risks, some more or less likely and some with a greater or lesser potential impact. Such risks are more likely to occur if the changes are not well

managed and implemented. The consequence is the non-achievement of the savings and/or a deterioration of service. The following table identifies the key risks and measures to address/mitigate those risks:-

No.	Description	Impact	Probability	Counter Measures
1	Continuity of staffing, notably in graphics, advertising and photography	High	Possible	Provide clarity of roles, responsibilities and proposed organisation structures as rapidly as possible. Maintain list of external resources, mainly graphic designers, to address any potential interim staffing shortfalls.
2	Equipment failure due to age of equipment	Xerox Equipment - High Wet link - low	Possible Feasible	Liaison with Xerox re contingency provision
3	Lack of staff to implement procurement strategies	High	Possible	Identify specific resources dedicated to task
4	Length of time to implement framework contracts	High	Possible	Reduction in savings. Identify specific staffing resource.

11. Budgetary Implications

<u>Savings – Full Year</u>

(i)   Print (based on current volumes):-

- Creative Works Internal (wet ink)	23,000
- Creative Works External (procurement)	25,000
- Corporate Procurement of other External Printing not currently through Creativity Works	55,000
- Scale economies (Framework Contracts)	35,000

(ii)   Reprographics

Black and white	138,000
Colour	32,000

(iii)   Design and Photographic
Assume cost neutral / breakeven

(iv)   Ancillary (Paper, I.D. Badges, Citizenship, Enveloping)   <u>20,000</u>

Gross Savings	328,000
Less Client/Contract Management	<u>120,000</u>
<u>Net Savings</u>	<u>208,000</u>

NOTE Management/Admin overhead savings have been incorporated into the above savings.

12. Other Issues – Outside the Scope of Review

Although not within the scope of this Creative Services Review, there are several other key activities within Creativity Works which also require specific attention if the overall long term benefits to the City Council are to be maximised.

(i) Media Buying

The media buying function within the corporate in-house Advertising Unit has already been the subject to a 'triage' review. This has confirmed the cost effectiveness of the in-house Agency when compared to external provision. The Agency has also led on work to migrate recruitment advertisements within local media to a sign-posting content style, with consequent financial cost reductions to the Authority. Further aspects are also currently under consideration.

The volumes of work associated with recruitment advertising, linked to the synergies with the human resource transactional activities within the Council, are such that media buying functions of the in-house Agency should be transferred, in organisational terms, to the Business Improvement Division. This transfer needs to be addressed pro-actively as part of the current Resources Divisional Organisation Reviews if the ongoing management of the Agency is to be uninterrupted.

(ii) Sales, Distribution, Sponsorship and Other Developmental Opportunities

Within the in-house Advertising Agency there are also small, but effective, revenue generating activities associated with advertising sales (e.g. advertising space in Leicester Link) and sponsorship (e.g. major events within the city).

It is recognised that these currently small activities nevertheless have significant growth potential (which would be a net income generator for the Council) if further resourced.

Having regard to the current organisational arrangements, the most logical location for these services would appear to be within the newly formed Information Services Division, with the future strategy for these developing services being considered as part of the Communications and Marketing Review.

Summary of Interviewees

Charles Poole, Service Director (Democratic Services)
Creativity Works staff
Nita Beeson & Lisa Cattanach, Marketing staff, Regeneration and Culture
Carol Mackerness, Team Leader, Policy & Resources, Education and Lifelong Learning
Dave Pate, Resources Services Director & Hannah Georg, Marketing Communications Manager, Housing
Jon Evans, Publications Manager Communications, Chief Executive
Maggie Shutt & Sylvia Wright, Festivals & Events, Regeneration and Culture
Paul Morley, Recruitment Co-ordinator, Fostering & Adoption, Social Care and Health
Paul Suter, Marketing Officer, Libraries, Education and Lifelong Learning
Rebecca Oakley, Marketing, Policy & Communications Unit, Education and Lifelong Learning
Tony Billings, Communications Officer, Performance and Business Support, Social Care and Health
Shaun Knapp, Marketing, Regeneration and Culture
Anjani Ghelani, Museums, Regeneration and Culture
Mark Bentley, Communications Manager

CREATIVE SERVICES REVIEW
TERMS OF REFERENCE

1.   **Background**

The City Council's overall aim is to 'make Leicester more attractive for our diverse communities to live, work and invest in'. In that context, there is a need, across the Council, for visual communications (text, graphics and images), both with the public and within the Council, in a creative, targeted, appropriate and cost effective manner. Despite technological change, these tangible means of communication provision will continue to play a significant and core role in the Council's communication strategy for at least the next decade.

Through its Business Improvement Programme, the Council is reviewing all its support services to ensure they are both fit for purpose and provided in the most cost efficient and effective manner.

Following a review, conducted by an external resource, of the present methodologies for delivering the Council's current creative service needs, a draft business case has been produced which recommends the most appropriate way forward for each of the creative services currently provided to the Council.

Having received the Draft Business Case, it is appropriate for there to be an Organisational Review, in accordance with the Council's Protocol for Organisational and Staffing Change, to consider the recommendations put forward, including with appropriate staff input and consultation, with a view to the Council introducing new arrangements to meet its future organisational needs.

2.   **Terms of Reference**

(i)   To identify the best configuration of functions and arrangements to support the delivery of Creative Services to the Council in the most appropriate and cost effective manner.

(ii)   For each of those services, whether it is determined they are best delivered directly within the Council or for which appropriate procurement and contract monitoring arrangements are put in place, that the most appropriate new structures be determined.

(iii) To formulate, as necessary and in accordance with both City Council and national/EU procurement requirements, arrangements for the future delivery of those services the final business case

determines should be provided other than by the use of in-house provision, including associated monitoring arrangements to ensure compliance.

(iv)   To ensure that, at each stage, staff at all levels, Trades Unions and relevant stakeholders are properly consulted on the changes and to conduct an Equality Impact Assessment of the review.

3.   **Review Team**

The Review Team should comprise:-

(i)   Service Director (Democratic Services)
(ii)   Head of Creativity Works
(iii)   Personnel Adviser
(iv)   Finance Adviser
(v)   Legal Services Adviser
(vi)   Procurement Team Representative
(vii)   Trades Union Representation:
                UNISON
                GMB
                AMICUS

In view of the numbers of staff involved, it has been agreed that all potentially affected staff should have the opportunity to attend Review Team Meetings.

(In addition, a Finance Sub-Group made up of (i) to (vii) above and interested employees is also working to the main Liaison Group.)

4.   **Indicative Timetable**

Review meetings are being held as follows:-

14 August, 9.00 a.m.
25 August, 9.00 a.m.
5 September, 9.00 a.m.

The timetable reflects the option of the Final Business Case being considered by Cabinet at their meeting on 25 September 2006.

OVERALL DIRECT COSTS 2005/06 – CREATIVITY WORKS AND WORK UNDERTAKEN/COMMISSIONED ELSEWHERE IN THE COUNCIL

	Management	Admin	Media	Print/Fin	Copying	Colour Laser	Design	Photo	ID Badges	Citizenship	Ext Print	Paper Sales	Photocopiers	Enveloping	Total	Less Media	Adjusted Total
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	
Staffing	48,071	141,527	60,275	72,107	48,892	14,044	193,196	13,497	13,262	6,476	20,323	2,501	1,851	1,202	637,225	60,275	576,950
Less : Emp Insurance	(739)	(2,177)	(927)	(1,109)	(752)	(216)	(2,971)	(208)	(204)	(100)	(313)	(38)	(28)	(18)	(9,800)	(927)	(8,873)
Total Staffing	**47,332**	**139,351**	**59,348**	**70,998**	**48,140**	**13,828**	**190,225**	**13,289**	**13,059**	**6,377**	**20,011**	**2,463**	**1,823**	**1,183**	**627,425**	**59,348**	**568,077**
Direct Costs																	0
Direct Materials	5,107				12,647		3,602								21,356	0	21,356
External Design							29,916								29,916	0	29,916
External Printing					27,493		33,313	79			552,971				613,856	0	613,856
Media Cost			6,224												6,224	6,224	0
Paper				11,541	32,699	1,923						146,186			192,350	0	192,350
Photos								9,884							9,884	0	9,884
Photocopier Maint													38,850		38,850	0	38,850
Photocopier Rental					163,323	99,819							108,891		372,033	0	372,033
Postage														248,444	248,444	0	248,444
School Ads		116,135													116,135	116,135	0
Total Direct Costs	**5,107**	**0**	**122,359**	**11,541**	**236,162**	**101,742**	**66,831**	**9,963**	**0**	**0**	**552,971**	**146,186**	**147,741**	**248,444**	**1,649,048**	**122,359**	**1,526,688**
Direct Overheads																0	0
Floorspace																0	0
Other Fixed																0	0
Other Variable																0	0
Miscellaneous	67,614		5,890	3,888			2,512	1,487			40				81,432	5,890	75,542
Total Direct Overheads	**67,614**	**0**	**5,890**	**3,888**	**0**	**0**	**2,512**	**1,487**	**0**	**0**	**40**	**0**	**0**	**0**	**81,432**	**5,890**	**75,542**
External Income		(534,815)													(534,815)	(534,815)	0

	C1	C2	C3	C4	C5	C6	C7	C8	C9	C10	C11	C12	C13	C14	C15	C16	C17
Total CW	120,052	139,351	(347,217)	86,427	284,302	115,570	259,568	24,739	13,059	6,377	573,021	148,648	149,564	249,628	1,823,090	(347,217)	2,170,307
Incurred outside RAD - Note1																	
R&C Staff							52,000								52,000		52,000
Housing Staff							52,000								52,000	0	52,000
Multipart - Note2												20,134			20,134	0	20,134
Photocopying					192,887										192,887	0	192,887
Photographic - Note3								20,037							20,037	0	20,037
Printing							174,959				524,876				699,834	0	699,834
Repographics					23,145								179,400		202,545	0	202,545
Total	0	0	0	0	216,032	0	278,959	20,037	0	0	524,876	20,134	179,400	0	1,239,437	0	1,239,437
Total	120,052	139,351	(347,217)	86,427	500,334	115,570	538,527	44,776	13,059	6,377	1,097,897	168,782	328,964	249,628	3,062,527	(347,217)	3,409,744

Notes

1. All non employee spend has been adjusted for miscodings

2. Spend by IT on 'Printing Stationary'

3. Supplies only (does not include staff time)

4. Printing split : 75% Printing 25% Graphics