

From: **Paul Carter, Leader of the Council**
John Burr, Director of Transformation

To: **Governance & Audit Committee – 3 October 2014**

Subject: **Facing the Challenge Transformation Programme**
Governance Arrangements

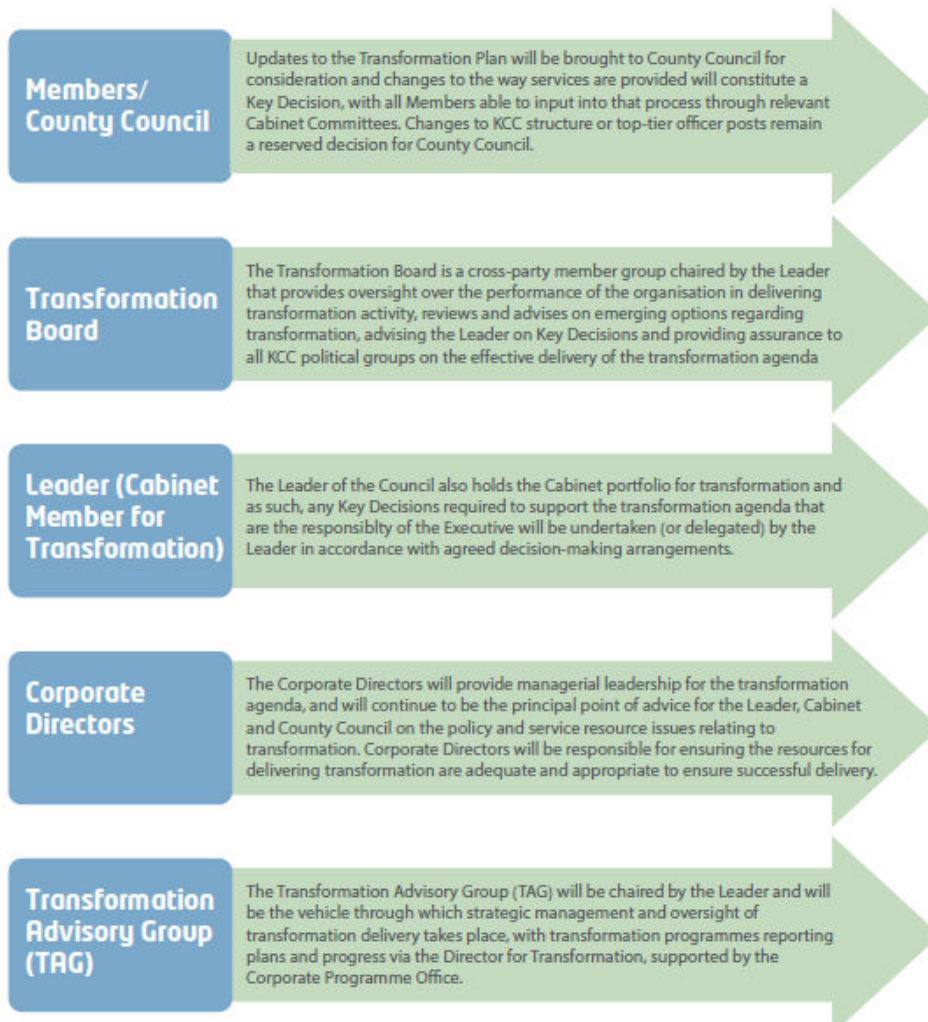
Classification: **Unrestricted**

Summary: This report seeks to present the current governance arrangements for the Facing the Challenge Transformation Programme and propose a governance framework for future companies in which KCC has an interest.

FOR ASSURANCE

1. Background

1.1 Facing the Challenge: *Delivering Better Outcomes* (approved by County Council in September 2013) identified five groups that will shape and drive the transformation agenda, ensuring that it is delivered effectively and efficiently, and meets the financial and policy objectives of the Council. The five groups include:



1.2 Throughout the Transformation Plan, individual change programmes may require Key Decisions given the financial or service implications of proposed transformation. These decisions will be taken through the existing decision-making process set out in KCC's Constitution, including through the relevant Cabinet Committees where possible. Once any necessary Key Decisions are made, they will be delivered by officers in line with the Executive Scheme of Delegations.

1.3 To support the Council manage change better Facing the Challenge: *Delivering Better Outcomes* proposed the creation of the Corporate Portfolio Office. The Corporate Portfolio Office's (CPO) role is to provide embedded assurance and report progress on the performance of the organisation in delivering the Transformation Plan. The CPO will undertake checkpoint reviews throughout the programme lifecycle, and as necessary escalate issues that are in exception and cannot be resolved within the programmes or portfolios themselves.

1.4 Facing the Challenge: *Delivering Better Outcomes* also outlined the Council's approach to meeting the financial challenges KCC faces through the establishment of the Market Engagement & Service Reviews. In Phase 1, the following services were identified to prioritise KCC's engagement with the market, where the markets were mature, there were opportunities for new delivery models and opportunities to maximise the Council's trading potential.

- Community Learning & Skills
- Contact Centre
- EduKent Services
- External & Internal Communications
- Finance
- Human Resources
- ICT
- Kent Scientific Services
- Legal Services
- Libraries
- Property
- Residential Care Homes – Older People

1.5 In May 2014, the Facing the Challenge team identified the preferred option[s] for each of the 12 reviews included in Phase 1 for endorsement by County Council as presented in Facing the Challenge: *Phase 1 Service Review and Market Engagement Outturn Report*. The preferred options were as follows:

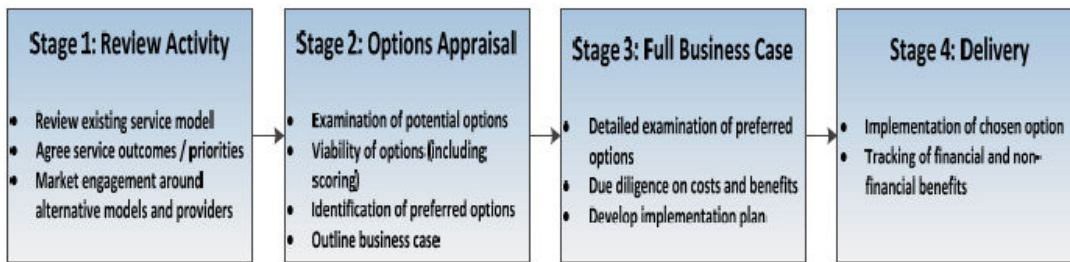
- **Community Learning & Skills review** - Local Authority Trading Company (LATCo)
- **Contact Centre review** – *Joint Venture (JV) Partnership*
- **EduKent Services review** – *JV Partnership and Charitable Trust for Improved Educational Outcomes*
- **External & Internal Communications review** – *External Communications to improve, optimise and include the technical elements in a JV partnership. No change to the Internal Communications arrangements*

- **Finance, HR and ICT review** – *Integrated Service Offer run with a JV Partnership*
- **Kent Scientific Services review** – *More commercial internal model (currently on hold until the publication of the Elliot Review)*
- **Legal Services review** – *Alternative Business Structure (ABS) vehicle with a commercial partner*
- **Libraries, Registration & Archives (LRA) review** – *Kent Trust*
- **Property review** – *Local Authority Trading Company (LATCo)*
- **Residential Care Homes – Older People review** – *On hold and decision should wait until the Accommodation Strategy and implementation plans currently being prepared by the SCHW Commissioning team are complete*

2. Facing the Challenge Transformation Programme Governance

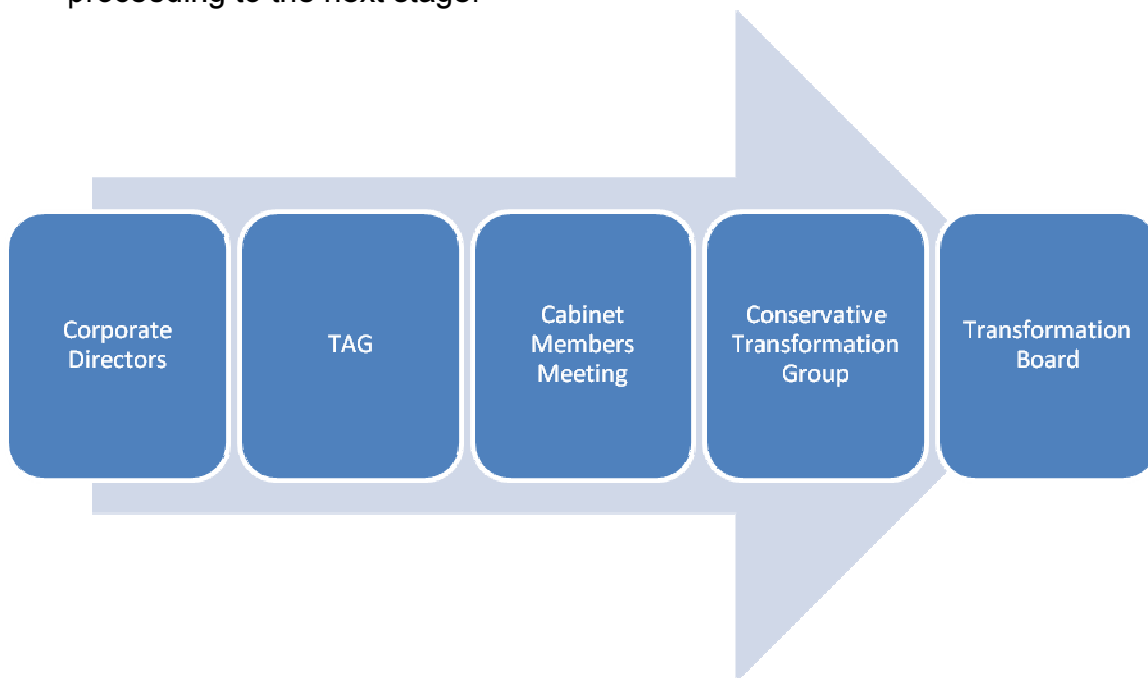
- 2.1 In October 2013, the CPO was established and tasked with establishing the four change portfolios identified in Facing the Challenge: *Delivering Better Outcomes*. Each change portfolio was assigned a Senior Responsible Owner (SRO) who is accountable for their respective portfolio to TAG and Transformation Board, including accountability for managing the risks to delivery.
- 2.2 The CPO currently report portfolio progress to TAG to provide assurance on benefits realisation on a monthly basis.
- 2.3 In compliance with the Council's approach to managing change through the programme lifecycle, the CPO established a Checkpoint Review process with particular focus on Checkpoint Reviews at the 'Formulation' and 'Initiation' stages. These provide assurance to the Leader and TAG that the business cases being developed run in line with KCC's strategic objectives and have clear scope and ambition, defined financial and non-financial benefits and identified milestones, indicators and resources.
- 2.4 Included in the Checkpoint Review process is a representative from the following teams:
- Finance
 - Internal Audit
 - Corporate Risk
 - Performance
 - Research and Evaluation
- 2.5 On 3 June 2014 it was agreed by TAG to introduce a separate Section 151 Report during the assurance of the Full Business Cases of the Market Engagement and Service Reviews. The Section 151 Report provides an independent view and assurance from the Section 151 officer on the Full Business Cases, in light that the decision relating to each of the reviews are hugely significant and could commit the Council to a long-term commitment of up to ten years and beyond. It was agreed the report would be embedded within the Checkpoint Review process during the assurance of the Full Business Cases.

2.6 In accordance with the agreed governance arrangements the Market Engagement and Service Reviews are going through series of assurance checks prior to progression to the next stage of the review process (as illustrated below).



2.7 The CPO have conducted Checkpoint Reviews of all the Phase 1 Full Business Cases and reported the key observations to TAG for consideration prior to endorsing the business cases to proceed to the next stage of the review process.

2.8 The Market Engagement & Service Reviews have additionally developed a comprehensive engagement process at the end of each stage of the review process for additional assurance as presented below. Each channel was required to either approve or endorse the review stage output before proceeding to the next stage.



2.9 Following the delivery of the Full Business Cases to TAG and in line with the 'Protocol for companies in which KCC has an interest', each review that recommends setting up a company will present their proposals to the Governance and Audit Trading Activities Sub-Committee for consideration. This will take place before any formal or Key Decision is made on setting up a company.

2.10 Following conversations between the Facing the Challenge team, Finance and Democratic Services it has been agreed that the first reports be presented to the Sub-Committee in January 2015.

2.11 In May 2014, the Facing the Challenge Risk Management Strategy was endorsed by TAG. The strategy identified that the Director of Transformation and Corporate Risk Manager, with support from the CPO are responsible for assuring arrangements for the collation and management of the overall Facing the Challenge risk register.

2.12 The strategy outlined that the CPO in conjunction with the Corporate Risk Team will:

- Assure that all major risks within portfolios are recorded, that the risks are clear, have appropriate Risk Owners and that adequate mitigation actions are identified.
- Challenge portfolios/ programmes on their progress against mitigation actions, escalating concerns where this impacts other programme deliverables or milestones.
- Discuss with portfolio / project managers and agree any risks that need to be escalated or shared within the wider transformation programme where they may impact delivery
- Include appropriate escalated risks on the overall *Facing the Challenge* risk register and monitor these closely on behalf of the Transformation Advisory Group.

2.13 Weekly updates are provided to TAG by the Director of Transformation and Facing the Challenge team where local risks to programme delivery are raised and mitigations agreed [if applicable].

3. Proposed Governance Arrangements for Future Companies in which KCC has an interest

3.1 Information on the proposed governance arrangements for future companies in which KCC has an interest is currently being drafted and will be shared at the next Governance & Audit Committee.

4. Proposals

4.1 To continue with the engagement process outlined in section 2.1 for the reviews included in Phase 2 of the Market Engagement & Service Reviews.

4.2 To report programme progress to Governance & Audit Committee at agreed timescales on programme governance, risks and controls.

5. Recommendation[s]

Recommendation[s]:

Members are recommended to:-

- note for assurance the governance arrangements adopted during the Market Engagement & Service Reviews.
- note that full Business Cases will be presented to the Governance & Audit Trading Activities Sub-Committee for consideration whenever it is proposed to set up a new company;
- agree to receive regular update reports on the progress of the Transformation Programme.

6. Contact details

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