

KENT LEGAL SERVICES



Evolution

[eev-uh-loo-shuhn] - noun

A process of formation or growth; progressive change or development

Efficiency

[ih-fish-uhn-see] - noun

The accomplishment of something with the least waste of time and effort

Enterprise

[en-ter-prahyz] - noun

Project, esp. one requiring boldness, originality or adventurous spirit

End of Project Report 2012 – 2015

INTRODUCTION

Just as all divisions within the council are tasked with difficult challenges to re-imagine their service, Governance and Law used the process set out in this paper over a period of three years to take Legal Services to the next level, through a combination of evolution, efficiency and enterprise.

By 2012, it was apparent that KCC and the public sector generally were going through a period of unprecedented change. At the same time, the legal services market was experiencing some of the most significant changes for a generation. These two major factors meant that the time was right to examine what it was that Legal Services did and how it delivered its services, both internally and externally. This gave rise to the *Evolution, Efficiency, Enterprise* project, a bold and innovative 3-year change programme, designed to make Legal Services fit for the future.

BACKGROUND

Kent Legal Services is uniquely different from other in-house legal departments, whether in local government or the commercial sector. It is designed and managed to run along private sector lines and as such:

- Is set up as a fully-traded operation with an income generation budget to deliver
- Receives no internal subsidy
- Has no guaranteed work or tied clients
- Competes for work in the open market
- Operates a full trading account
- Earns every penny of its budget through charging for its services
- Has sold its services to over 600 other public sector bodies nationwide
- Generates a surplus each year that is returned in its entirety to KCC

It is important to understand that Legal Services was not broken and did not require fixing on a grand scale. It was already a highly successful, effective and efficient award-winning and internationally-recognised leader in its field. *Evolution, Efficiency, Enterprise* was all about taking the next steps to keep Legal Services ahead of the game and lead it to the next level.

This involved looking at every area of the business, including issues such as:

- Challenging overheads and actively reducing them
- Introducing technology to improve performance and reduce cost
- Critically examining our relationship with KCC and how we could help our colleagues reduce their legal risk and cost
- Looking at the appropriate vehicles for the provision of legal services, including the exploration of Alternative Business Structures
- Ensuring that Legal Services meets KCC's needs now and is prepared to meet those of the future
- Embracing and delivering new and different ways of working

We promised to deliver:

- Significant cost savings
- Increased income from a growing list of external clients
- Improved ways of working
- Greater corporate resilience

EXECUTIVE SUMMARY

This report details the journey taken by the *Evolution Efficiency Enterprise* project over the past three years, recognising the successes and achievements made, and the benefits felt across the whole council. It summarises the results reported quarterly during that period to the Policy & Resources Cabinet Committee.

From April 2012, the Legal Services management team carried out a root and branch review of what it is that they did and how they did it. It involved critical challenge and radical review, aimed at reducing costs whilst, at the same time, increasing income and improving quality, corporate resilience and good governance.

It has proved to be far more than a theoretical, salami slicing exercise or corporate comb-over. It is practical and tangible. It has coincided perfectly with the preparation and delivery of the *Facing the Challenge* review of Legal Services. Here are just a few of the highlights that have prepared Legal Services – and the council – to be fit for the future, whatever that future might look like.

WE PROMISED	WE DELIVERED
Cashable and non-cashable savings of £3million	Savings of over £4 million
Reduced external legal spend	External legal spend reduced by £2million; now delivered more efficiently in-house
Increased in-house advocacy instead of using external counsel	Hundreds of court and tribunal hearings each year now handled by KCC lawyers instead of barristers
Introduce technology to deliver services more efficiently	New case management system delivers streamlined workflows, seamless billing and a paper-light office
Provide comprehensive legal training to KCC staff	Over 200 hours of legal training delivered on a wide range of council activities
Closer working with internal colleagues and external partners to get results	The time taken for care proceedings slashed by 60%, improving outcomes for children and reducing costs for KCC
Improve billing processes	Timeframe for billing clients has significantly reduced and joined up with Collaborative Planning
Maintain market leader status in terms of external income	Despite challenging market conditions, Kent Legal Services remains one of the most profitable local government legal teams in the country for external income generation
Greater involvement in key corporate initiatives	Increase in legal advice being obtained on key issues by Cabinet and CMT
Create professional career opportunities for local people	Creation of 20+ legal assistant posts, 5 trainee solicitors and numerous apprenticeships
Build and enhance outstanding reputation	Awards and recognition from the Financial Times, The Law Society, the British Legal Awards, Legal Week, The Lawyer and Legal Business
Reduce environmental impact	Significant reductions in paper/ink usage, mileage and travel

DELIVERY STRANDS

Legal Services charges for its work at extremely low rates, especially when taking into account the experience and knowledge of the in-house lawyers compared with their counterparts in the private sector. This project nonetheless critically evaluated opportunities for doing things differently and at even lower overall cost.

We already delivered a wide-range of services equivalent to a medium sized law firm but from a considerably lower cost base. The project considered how to reduce those costs still further, whilst at the same time improving the quality and timeliness of that service.

Overheads

The challenge to reduce costs cannot be under-estimated. Unlike many authorities, we had already gone through the process of reviewing all our costs and overheads, cutting them to a minimum with external legal spend already limited. So we needed to think radically and imaginatively about the remainder.

This strand was designed to specifically consider tangible costs, which include training, third party suppliers, computer licences, staffing, etc, and establish whether these could be procured and delivered more cheaply, in a leaner way, or not at all.

The savings and efficiencies account below shows just how much we achieved in this area.

External Income

This is, and will continue to be, a central part of our business strategy. We are currently a market leader and a key brand within the legal sector, and want to stay that way. This delivery strand needed to develop our existing client base and continue to grow our external business in the face of growing competition, deregulation of a highly competitive market and shrinking public sector budgets.

We needed to increase market share and enhance profitability. It was important to retain our existing business advantages and build new opportunities using innovative delivery mechanisms, including considering Alternative Business Structures (ABS) and the creation of a regional hub. It was important, however, that any changes in delivery mechanism continued to provide best value to the council and our KCC service users.

These issues were largely absorbed into and overtaken by the *Facing the Challenge* review of Legal Services.

Corporate Alignment

We needed to look at how we were joined to KCC. What was Legal Services' role within the council? What did KCC want from its lawyers and, crucially, what did it need from them (but not necessarily want)? This strand considered how we actually plugged into the broader council and what our role was - and could be. It resulted in us taking a lead role in organisational learning, contributing to strategic and operational risk management and helping the council to deliver savings through suppressing demand for legal services.

There was a key overlap between the "Overheads" delivery strand and this one. We explored ways of delivering a reduced spend on legal advice for our KCC clients. We helped suppress demand, encouraged prudent budget management and ensured efficient service delivery. The savings and efficiencies account below shows just how much we have saved in this area.

Review External Legal Spend

Despite the presence of the in-house legal team, KCC still spends millions of pounds each year on external legal services. We needed to establish exactly what the council spent on external legal services and why. Because of the way Oracle is set up, this proved extremely difficult to ascertain and quantify, but from what we were able to find, there were significant opportunities for cost-saving alternatives, including handling the legal aspects of many of KCC's insurance claims.

Technology

It is vital that Legal Services embraces technology to help it to deliver services differently and as efficiently as possible. We have already delivered a new case management software system during the project, which forms the first stage of a wave of further technological advances. Further investment in the rapidly advancing and enabling field of legal technology is required if we are to keep pace with the market leaders and client demand.

This requires a step-change in thinking and service delivery to become a digital business that happens to do law, rather than a legal business that happens to use technology. This is discussed in further detail later in this report.

HIGHLIGHTS

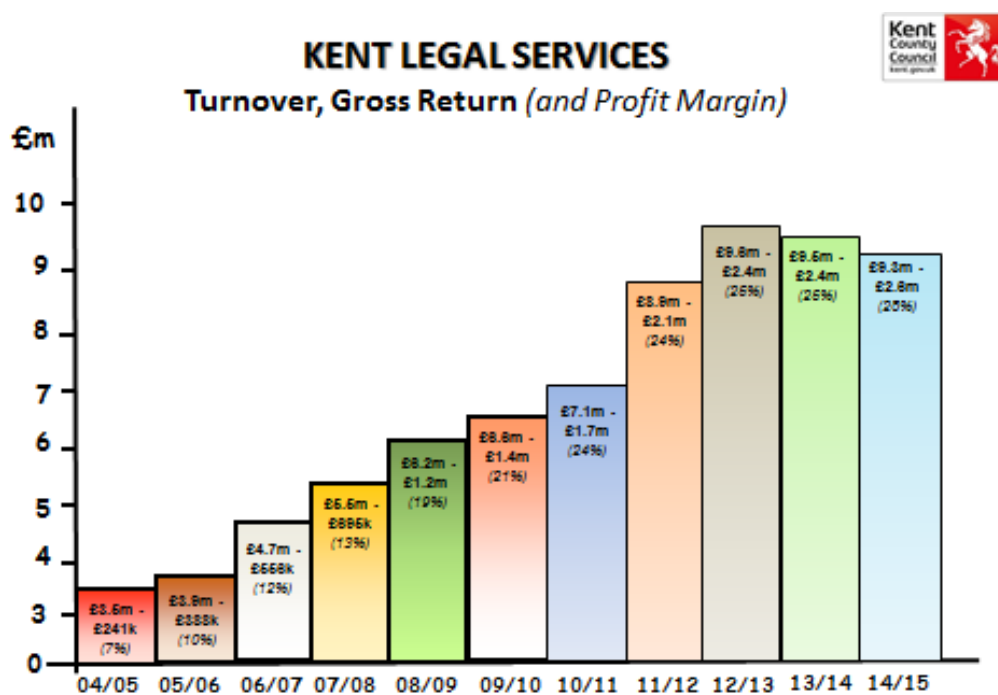
Savings & Efficiencies¹

	2012/13	2013/14	2014/15	Grand Total
	£	£	£	£
<u>Cashable Savings & Income Generation</u>				
Reducing the cost of service provision to KCC	157,500	400,000	559,000	1,116,500
Advice on projects which would otherwise require external advisers	55,750	184,000	170,000	409,750
New external clients	57,319	91,985	94,851	244,155
Training initiatives & schemes	43,500	45,000	66,264	154,764
Total	314,069	720,985	890,115	1,925,169
<u>Non Cashable Savings & Efficiencies</u>				
Initiatives and activities to suppress/avoid costs to KCC	1,076,250	777,600	526,000	2,379,850
Grand Total	1,390,319	1,498,585	1,416,115	4,305,019

¹ Full details are shown in Appendix 1

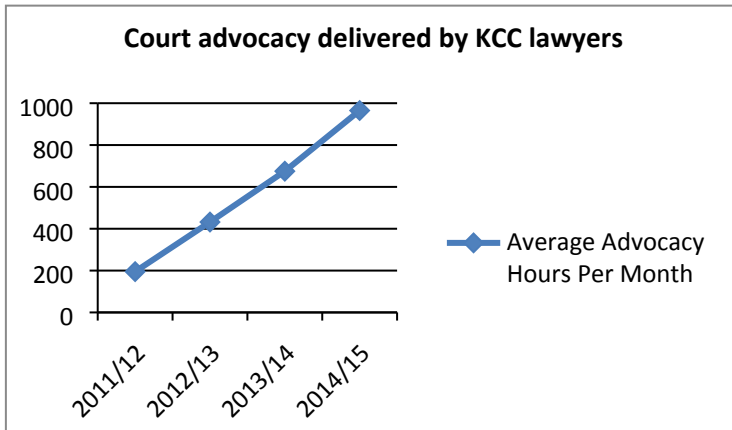
Income & Expenditure

	2012/13	2013/14	2014/15	Total
	£k	£k	£k	£k
Internal Income	8,602.6	8,537.1	8,327.9	25,467.6
External Income	980.1	1,075.4	971.6	3,027.1
Expenditure	7,174.1	7,227.4	6,604.1	21,005.6
Net Surplus (Excluding Disbursements & Corporate Overheads)	2,408.6	2,385.1	2,695.4	7,489.1
New external client income	57.3	92.0	94.9	244.2
Number of new external clients	68	80	58	206

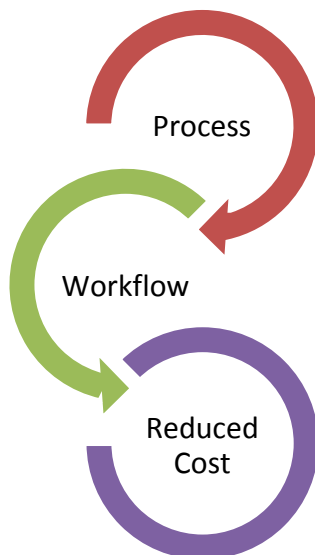


During the 3-year *Evolution Efficiency Enterprise* project:

- Gross Return grew by over 8%
- Turnover reduced by 3%
- Profit margin rose from 25% to 28%
- £7.5m surplus returned to KCC

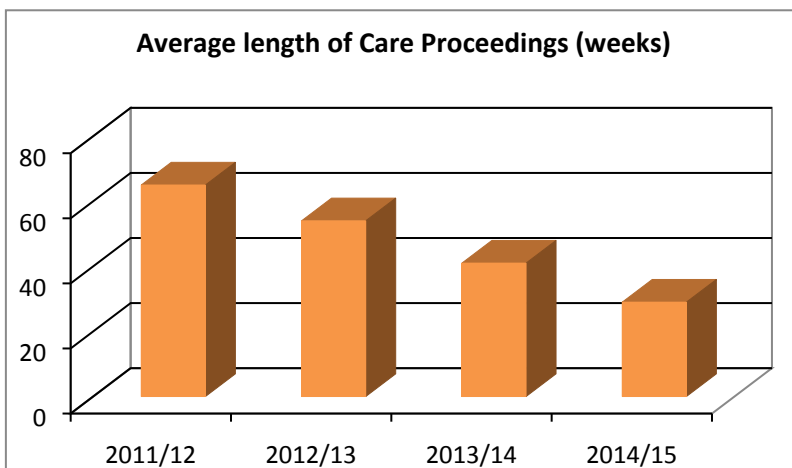


Over the past three years, Legal Services has developed a team of specialist advocates who have replaced external barristers in representing the council in family courts, employment tribunals, civil courts, criminal courts and even the Court of Appeal. We are now delivering five times as much advocacy as when the *Evolution Efficiency Enterprise* project began.

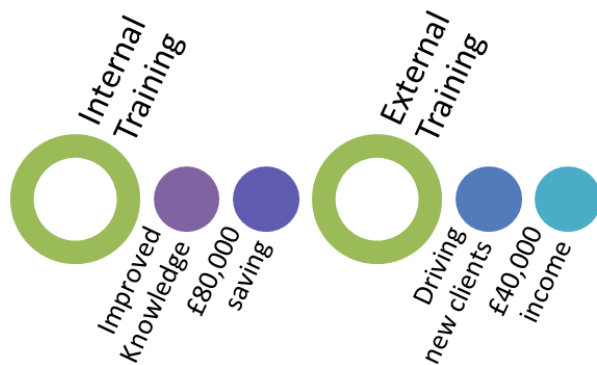


Legal Services has developed a series of workflows that automate the delivery of legal advice in areas such as stopping up orders, empty home loans and secured lending. Both time and money are saved in the process.

The methodology is now being applied to more complex areas, such as care proceedings, which cuts significant time and cost, meaning that more precious resources are available to deal with frontline issues.



Through joint working between Legal Services, Specialist Children's Services and external partners across the Family Justice Board, the timeframe for care proceedings has reduced from over 64 weeks in April 2012 to just 27 weeks in April 2015.



Legal Services' extensive training programme has improved the education and development of KCC staff, whilst delivering savings to the council and reducing legal risk.

At the same time, we have delivered training conferences to a wide pool of external clients, increasing income and driving new business into KCC.



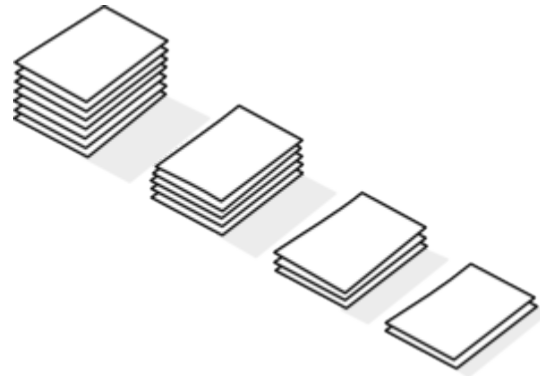
Legal Services have added over 200 new external clients to their list of 600+ public sector bodies nationwide to whom they have delivered advice and assistance. From as far afield as Devon and Yorkshire and everywhere in between.

Introduction of E-billing

	2012	2015
Time taken to bill clients:	6 weeks+	5 days
Payment authorisation:	Up to 12 months	80% < 1 month

**2012**

1 million+ documents printed

**2015**

< 100,000 documents printed

WHAT DOES THE FUTURE HOLD?

Great care has to be taken to ensure a cost effective and high quality legal service continues to be provided to the council, but at the same time develop that service to ensure that, in an increasingly competitive and demanding environment, efficiency improves and client satisfaction increases.

The benchmark measure used in the *Facing the Challenge* Legal Services review when assessing the external market, is whether it is “Better, Cheaper and More Profitable” than the in-house team. To this list I would now add “Faster”.

We are currently the market leader in the provision of specialist local government and public sector legal advice and want to stay that way. But it won't happen if we simply continue to do what we do now or at the pace we do it. The *Evolution* project has achieved a great deal in the past three years, but further change is both inevitable and necessary.

Regional Hub

We need to protect what currently works well, whilst evolving to provide a service of even greater efficiency and more enterprise. At the same time, we need to continue to find ever more innovative ways of influencing and leading the public sector legal market. This might include the creation of regional hubs (perhaps using the SE7 or South East LEP groups of authorities as bases).

There is a real opportunity to remove waste and duplication in the operation of back-office services across the whole of the public sector by establishing Kent as a regional hub for the south-east, into which literally dozens of public sector bodies (not just

councils, but health bodies, educational establishments, charitable bodies, NGOs, etc) could each transfer their legal work.

Whilst this would depend on political and administrative co-operation amongst a coalition of the willing and require a move away from the 'profit centre' approach previously adopted by KLS, all those involved would be able to reap the benefits of economies of scale, high quality standards and significant savings, through locally delivered and centrally managed services.

Alternative Business Structures

Whatever route is chosen by the council, serious consideration must be given now to the creation and use of an alternative business structure (ABS) in order to service the increasingly diverse range of externally commissioned local government services, as well as local SMEs and other private sector clients, for whom Legal Services are currently prevented from working.

The current statutory and regulatory restrictions governing in-house local government lawyers seriously restrict the types of client that Legal Services can work for and trade with. For example, Legal Services can trade at a profit with councils without restriction, but we can only work for charities whose objects relate to Kent (not those outside the County). Similarly, we can act for companies, but only where KCC is a shareholder. We cannot, for example, act for a non-charitable trust or mutual set up by the council to run its services and cannot act for a private sector company or even one run by another council. We can act for schools outside Kent, but not academies.

Following widespread criticism of their restrictive nature, the regulations governing the work that local government lawyers can do are about to be reviewed. However, this is unlikely to result in any change before 2017 and, even then, will not necessarily result in a lifting of the restrictions currently in place.

Therefore, in order to be able to act now and with certainty, full trading freedom is only possible through the medium of an ABS company, either solely-owned by the council or in conjunction with a partner.

Market Conditions

Some would say there are more lawyers than needed. That would be true if they were serving the under-served. Instead, they are primarily focused on a shrinking share of the "top tier" legal work and cannot afford to provide services to the poorly served at rates the clients can afford.

Unfortunately, whilst there is currently an enormous legal market, it is served so expensively and with such complexity that it has become inaccessible for 80% to 90% of the population.

In the USA, numerous surveys reveal that 4 out of every 5 individuals and business entities will "go it alone" rather than have their legal needs met by a lawyer. In the UK

that ratio is 9 out of 10. Simultaneously and ironically, hundreds of lawyers are unable to find clients.

Over 80% of divorce actions are handled without lawyers. That amounts to an amazing amount of post-divorce issues in child support, access and taxation that never have the benefit of legal advice. Whole sections of the population in criminal and civil matters cannot be served due to the paucity of legal aid and pro bono services. As public sector lawyers, we have a greater duty than most to solve this “Access to Justice” issue and to do more than move the needle only slightly. The way to do this is through disruptive innovation and investment in technology.

Technology

Law is something that is set to be radically reshaped by the emergence of technology that, at its heart, is about the management and manipulation of data on an entirely new scale. This is a characteristic that has only recently shown up in law in a significant fashion, but it is due to transform the sector beyond recognition. E-discovery has been a forecaster of things to come. Previously, the high-end review of documents related to litigation was done by lawyers at a significant cost to clients. This manual and expensive legal service has been replaced by the technology of information management, which produces superior results, more quickly, at vastly reduced prices.

As technology continues to be developed to provide other means of support to provide “better, faster, cheaper” legal services, clients and those providing legal services will innovate the legal workplace.

Some economic forces are too great to be ignored, dismissed or regulated. An industry ripe for disruption will be disrupted. Tsunamis cannot be stopped. The only thread that ultimately saves the industry is the thread of disruption. All others have broken.

In future, we will no longer have a legal business that happens to use technology. Instead, it will be a digital business that happens to do law. It is not yet a tsunami, but the surf is retreating and we must be ready for the advance of the coming disruption. To do that requires investment now to make savings in the future. Whether that investment comes from within the council or externally remains to be determined.

One thing is certain - maintaining the status quo is not an option if Legal Services is to continue to innovate, make progress and enjoy the success of the past 10 years.

Geoff Wild

Director of Governance & Law

July 2015

APPENDIX I**Evolution Efficiency Enterprise Account 2012 - 2015**

Year	2012/13
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Cash/non Cash	Heading	Reported Efficiency Saving	Narrative	Total £	
Cashable & Generation	Reducing the cost of service provision to the council	Counsel reduced rates	Renegotiation of counsel rates	87,500	
		Proceeds of Crime Act recoveries	Proceeds from complex criminal litigation. Now part of KLS business	33,000	
		CPD savings	Efficiency saving from running in-house training sessions (Child Care Conferences etc)	12,500	
		Costs awards	Other side ordered to pay our costs	7,500	
		Legal Assistant/Apprenticeships (employing)	Decision to take on lower cost staff and train the lawyers of the future	7,500	
		Iken Efficiency savings	Automation of work processes	4,750	
		Trainee Solicitor savings	Decision to take on lower cost staff and train the lawyers of the future	4,750	
	Reducing the cost of service provision to the council Total				157,500
	New External Clients	New External Clients		Additional income from marketing initiative	57,319
	New External Clients Total				57,319
	Advice on projects which would otherwise require external advisers to be retained	Complex litigation work savings vs private practice		Previously delivered by external providers	50,000
		Superannuation Fund litigation		New work stream	5,750
	Advice on projects which would otherwise require external advisers to be retained Total				55,750
Training initiatives & schemes	Other training savings		Previously delivered by external providers	27,950	
	Community Care Conference savings		Previously delivered by external providers	10,000	
	Property and Planning Conference savings		Previously delivered by external providers	2,800	

		HR lunchtime employment law briefings	Provided in house	2,500
		Free legal update service	Previously delivered by external providers	250
	Training initiatives & schemes Total			43,500
Cashable & Generation Total				314,069
Non Cash Saving/ Efficiency	KLS initiatives and activities to suppress/avoid costs to KCC	PCT litigated recovery	Debt that KCC would have not recovered as part of the sudden DoH announcement to wind up PCTs	421,000
		Increased use of internal advocacy	Gate keeping initiatives with SCS	225,000
		Inflationary savings price freeze	Non-cash part of KCC efficiency savings. Rates unchanged/did more for the same	110,000
		Improved and more efficient partnership with SCS	SCS reduced demand through gate keeping initiatives	90,000
		Self-funding TCP/cost of living rise	Non-cash part of KCC efficiency savings to deliver no impact on the budget line for the council	65,000
		Supplies and Services savings	Suppression of costs for clients	54,000
		Improved working with courts	Reducing care proceedings towards 50 weeks (now around 26weeks)	33,000
		Advocacy savings on employment matters	Gate keeping initiatives with SCS	15,000
		Premises savings	Suppression of costs for clients	11,000
		Highways & Planning – flexible workforce deployment	Suppression of costs for clients	10,000
		Work with Procurement on Standard terms & conditions	Suppression of costs for clients	10,000
		Crown Court trial/education savings for KCC	Suppression of costs for clients	8,500
		Transport savings	Suppression of costs for clients	8,000
		Office relocation/New Ways of Working	Suppression of costs for clients	7,500
		Transcription savings	Suppression of costs for clients	4,250
		Tenancy at Will precedents	Suppression of costs for clients	4,000
KLS initiatives and activities to suppress/avoid costs to KCC Total				1,076,250
Non Cash Saving/ Efficiency Total				1,076,250
Grand Total				1,390,319

Year	2013/14
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Cash/non Cash	Heading	Reported Efficiency Saving	Narrative	Total £
Cashable & Generation	Reducing the cost of service provision to the council	Reduction of counsel fees and other disbursements	Estimated saving on reduction in spend to 2012/13 on like for like basis	400,000
	Advice on projects which would otherwise require external advisers to be retained	Advice on projects which would in the past have required external advisers to be retained. Estimated savings against external firm rates	Previously delivered by external provider	184,000
	New External Clients	New External Clients	Additional income from marketing initiative	91,985
	Training initiatives & schemes	Bespoke training courses carried out for KCC by KLS. Estimated savings against cost of using external trainers	Previously delivered by external provider	45,000
Cashable & Generation Total				720,985
Non Cash Saving/ Efficiency	KLS initiatives and activities to suppress/avoid costs to KCC	Reduction of counsel fees and other disbursements	KLS & SCS lobbying around the unfairness of the then cost regime for court fees	400,000
		Reduction in salary bill for legal staff	Decision to take on lower cost staff. Impact on KCC nil	199,100
		Unfunded pay award for legal staff	Additional saving to find each year - rates stay the same. Impact on KCC nil	93,600
		Reduction in expenditure for supplies and services	Part of the drive to balance the budget - rates stayed the same. Impact on KCC nil	72,000
		Reduction in transport costs	Part of the drive to balance the budget - rates stayed the same. Impact on KCC nil	12,900
Non Cash Saving/ Efficiency Total				777,600
Grand Total				1,498,585

Year	2014/15
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Cash/non Cash	Heading	Reported Efficiency Saving	Narrative	Total £
Cashable & Generation	Reducing the cost of service provision to the council	A key part of <i>Evolution</i> has been the replacement of external locum staff with junior, developing lawyers as part of a “right person, right job” methodology (saving £150,000 per year).	Previously delivered by external provider	150,000
		Delivering SC savings by reducing spend on previous year	SC savings in time and disbursement charges compared to previous year	409,000
	Reducing the cost of service provision to the council Total			559,000
	Advice on projects which would otherwise require external advisers to be retained	A key part of <i>Evolution</i> has been to extend the nature and scope of work that KLS does, in order to reduce KCC’s reliance on external law firms.	Previously delivered by external provider	75,000
		Advising in respect of the re-structuring and re-aligning of Commercial Services.	Previously delivered by external provider	50,000
		KLS staff are advising and supporting KCC on a growing list of major projects, reducing reliance on more expensive external lawyers	Previously delivered by external provider	45,000
	Advice on projects which would otherwise require external advisers to be retained Total			170,000
	New External Clients	New External Clients	Additional income from new clients marketing initiative	94,851
	New External Clients Total			94,851
	Training initiatives & schemes	Training Schemes	Additional income from marketing initiative	31,264
		KLS now delivers 60% of its own training.	Previously delivered by external provider	15,000
		Training for procurement staff	Previously delivered by external provider	10,000
		KLS continues to expand the range of training and legal learning opportunities. These outputs are bespoke and designed around improving KCC service delivery and outcomes.	Previously delivered by external provider	10,000
	Training initiatives & schemes Total			66,264

Cashable & Generation Total				890,115
Non Cash Saving/ Efficiency	KLS initiatives and activities to suppress/avoid costs to KCC	Deliver SC Savings	Supported the argument for the Home Office to change the court fees payable	491,000
		Negotiating settlement of the Archbishop Courtenay CPO reference with BT, avoiding the expense, uncertainty and delay of a tribunal process.	Previously delivered by external provider	35,000
	KLS initiatives and activities to suppress/avoid costs to KCC Total			526,000
Non Cash Saving/ Efficiency Total				526,000
Grand Total				1,416,115