

By: Paul Carter, Leader of the Council
To: County Council – 27 March 2014
Subject: Facing the Challenge: Progress to Date and Phase 2

Summary: This paper provides an update on Phase 1 of Facing the Challenge, including progress to date and the lessons learned ahead of Phase 2. It also outlines the broad scope for Phase 2 of transformation, which includes changes to medium term planning arrangements in KCC. This requires the early closure of Bold Steps for Kent as the medium term plan, and the development of a new Strategic Commissioning Plan [strategic statement] as part of Phase 2 transformation.

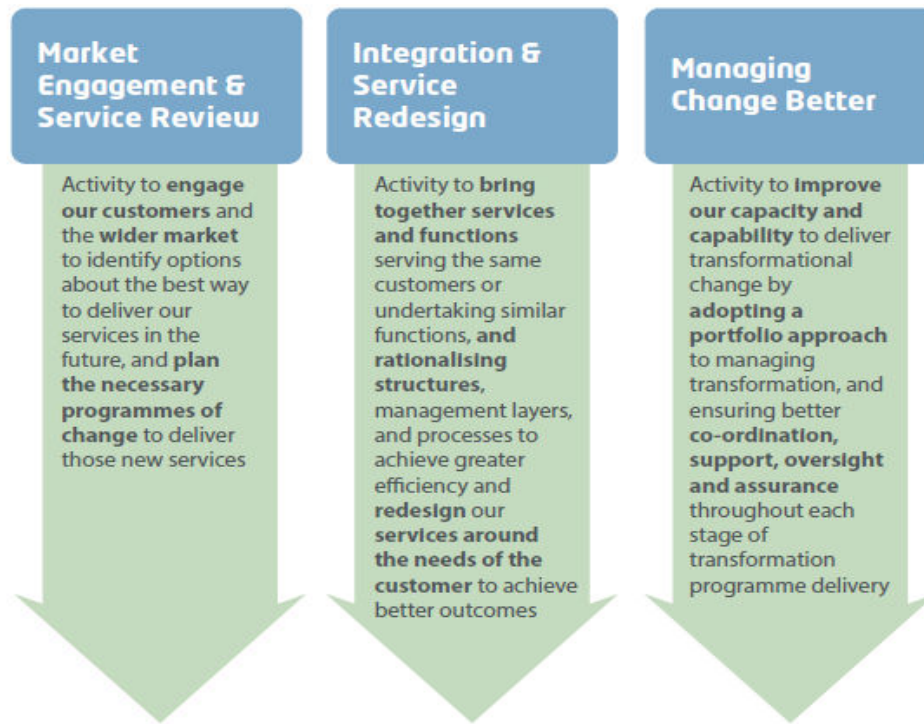
Recommendations:

County Council is asked to note:

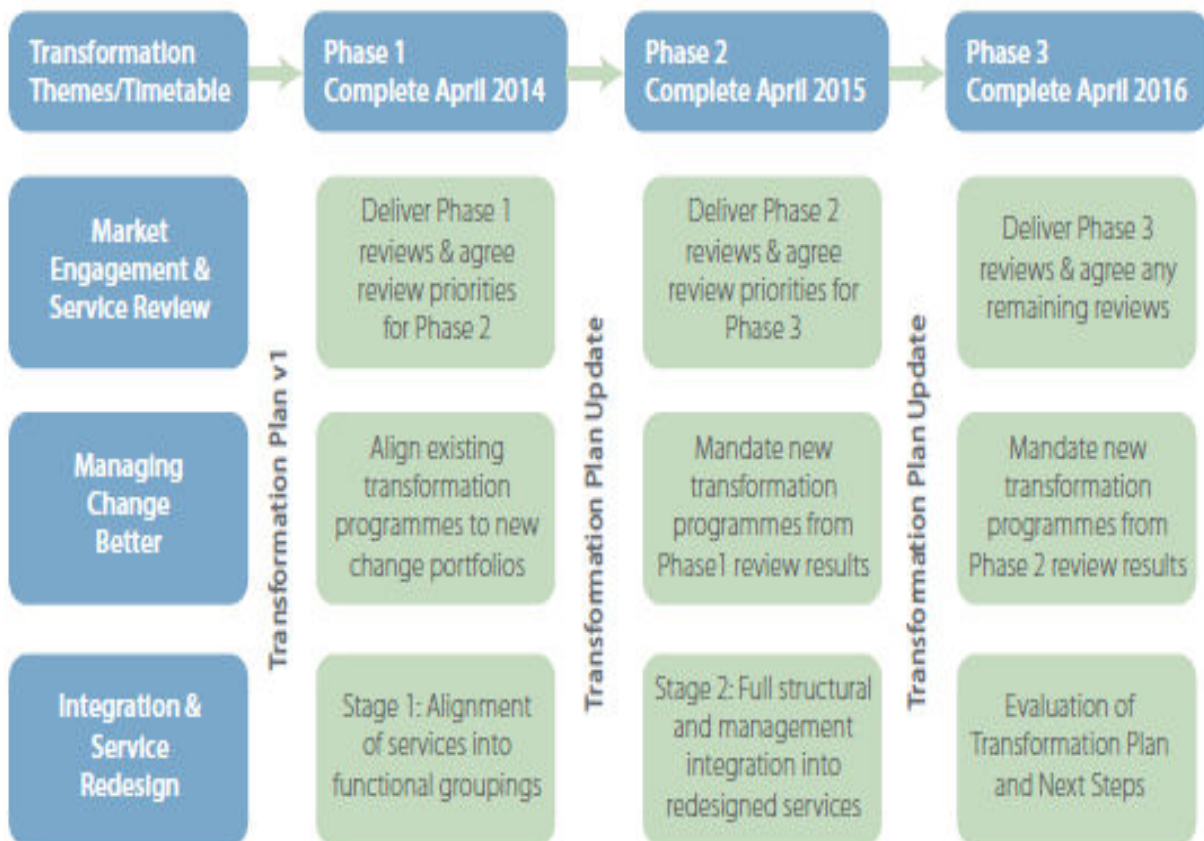
- (1) The progress to date on Phase 1 of Facing the Challenge
- (2) That the outturn of all Phase 1 Market Engagement and Service Reviews will be reported to County Council at its meeting in May 2014
- (3) The lessons learned as part of Phase 1 transformation
- (4) The need to bring additional resources into the organisation to support Phase 2
- (5) The proposal to close Bold Steps for Kent as the Medium Term Plan [strategic statement] for KCC
- (6) The development of a new strategic commissioning plan [strategic statement] for KCC to be developed as part of Phase 2 transformation
- (7) The services set out in paragraph 5.4 which will form the basis of Phase 2 Market Engagement and Service Reviews

1. Introduction:

1.1 In July 2013, County Council approved 'Facing the Challenge: Whole-Council Transformation' which set out our response to the increasing financial pressure local government faces as public sector austerity continues beyond 2015. 'Facing the Challenge: Delivering Better Outcomes' is the first whole-council transformation plan for KCC. It was approved by County Council in September 2013, and set out three themes for KCC's transformation. These are set out in the diagram overleaf:



1.2 It also set out the roadmap below for the transformation programme:



1.3 Phase 1 is due to complete at the end of April 2014. As we draw towards the end of Phase 1, it is appropriate that we consider progress to date, including what has gone well and any issues that need to be addressed, as well as arrangements for Phase 2.

2. Progress to Date:

2.1 The ambition and pace which was set out by County Council for Phase 1 of transformation was both significant and challenging. It is to the credit of all involved that Phase 1 will complete to time and to expectation. Key milestones achieved include:

- a) The engagement with staff on Facing the Challenge has worked well, with initial manager workshops outlining the scope and approach of the transformation programme followed up with a strong online presence on Knet and regular updates through KMail (weekly email to all staff) and Kascade (email update to managers). Moreover, specific workstreams to support cultural aspects of change as part of Facing the Challenge are now resourced and reporting through the transformation governance arrangements. As a result, **Facing the Challenge has strong traction across the senior and middle management tiers**, although it is recognised that more must be done to drive awareness and buy-in further down the organisation.
- b) The three transformation themes identified in Facing the Challenge (Managing Change Better, Market Engagement and Service Review, Integration and Service Redesign) have traction across the organisation, and have proved **strong pillars on which to develop and progress transformation activity**. As such Phase 2 transformation activity will continue to be structured around these three themes.
- c) County Council approved a revised operating framework in December 2013, including top-tier officer realignment. Despite the challenging timetable, there has been full consultation with affected staff, new posts created and the appointments process largely completed at the Corporate Director and Director tier, with all the posts covered at least on an interim basis and only the permanent appointments of a Corporate Director Growth, Environment and Transport, a Director of Early Help and Preventative Services and a permanent replacement for the Director Public Health still outstanding. As such, **the council is ready for the 'go live' of the new operating structure** from 1st April 2014.
- d) **All Market Engagement and Service Reviews are on course to be completed by the deadline of end April 2014**. The preferred option and outline business case for each service(s) being reviewed will be agreed, and progressed to Full Business Case stage where any necessary formal decisions are taken. A full outturn report of all Phase 1 reviews will be provided to County Council in May 2014. Services that are to be reviewed as part of Phase 2 reviews have been identified, and are set out in section 5.
- e) Change Portfolios have been established and work has been undertaken by the new Corporate Portfolio Office to support Chief Officers develop an **appropriate vision and change model to ensure effective management of key programmes** and projects for which they hold accountability as Senior Responsible Officers (SRO).
- f) The additional resource that has been brought into the organisation in support of transformation has largely added value, **bringing additional capacity and capability to the market engagement activity beyond that which is available in-house**, and has been important to delivering Phase 1 of transformation at the pace required.

- g) The transformation **governance arrangements put in place through Facing the Challenge have worked well**. The Transformation Advisory Group (TAG), which provides oversight and management of the transformation programme has met almost weekly throughout Phase 1, whilst Opposition Group Leaders have been engaged and informed on progress through the Transformation Board. There have also been updates to Cabinet Committees as required.

3. Lessons Learned through Phase 1:

3.1 Whilst Phase 1 is being delivered to time and to expectation, some key issues have been identified through Phase 1 that will require careful consideration as we transition to Phase 2 of Facing the Challenge:

- a) There is some **confusion about the strategic driver for the authority, whether it is Bold Steps for Kent or Facing the Challenge**. Bold Steps for Kent is the medium term plan until the end of 2014/15, whilst Facing the Challenge is the council's transformation programme. In many respects they are mutually reinforcing of each other, particularly regarding the need for a radically different local authority model, which is more commercial, focussed on prevention and the commissioning of services rather than direct provision. However, the need for clarity to support staff understanding and buy-in to transformation is critical.
- b) Whilst engagement with the market as part of Phase 1 transformation has been beneficial it must be undertaken carefully. The market has a clear preference for engagement around end-to-end service delivery rather than individual services or functions. As the organisation integrates into larger business units shaped around the similar clients and functions, market engagement will become easier. However, it is **vital we are clear about the outcomes we want our services to deliver before engaging the market** if we are to challenge providers to identify options which support outcomes as well as a reduction in costs.
- c) The review process has **identified further opportunities to improve efficiency within services** that should be taken before full market engagement takes place, so that we do not risk handing over achievable savings to market providers, who should be used to deliver additional savings beyond those which the authority can deliver itself. Intelligent market engagement requires our services to be operating at optimal levels to gear maximum benefit from market engagement. It should be noted that this does not mean that efficiencies alone can provide the solution to the financial challenge KCC faces. Market engagement will still be a crucial aspect of Phase 2 transformation.
- d) Whilst the headline financial challenge is widely accepted, there is **limited understanding about how these savings will translate onto individual services** over the medium term. There is some misplaced optimism in parts of the organisation that savings 'will land somewhere else'. This could lead to a short-term focus on immediate savings needs rather than developing innovative and sustainable service strategies. All services must make significant savings with further pressures likely to arise as part of the 2015 Comprehensive Spending Review.

- e) **Our capacity to deliver change in-house is more limited than originally anticipated.** There are a number of overlapping reasons for this. Firstly, significant in-house resources are already being expended delivering the existing savings targets within the Medium Term Financial Plan. Secondly, there is pressure on managerial capacity to deliver substantive change programmes and deliver business as usual within services. Thirdly, commercial understanding within services remains weak, which limits opportunities for effective market engagement, commercialisation or in-house design of alternative service delivery vehicles. Fourthly, there needs to be a stronger understanding of the factors driving service cost and greater understanding of corporate overheads to support market engagement activity.
- f) There is a need to provide greater **clarity about KCC as a strategic commissioning authority.** There are two drivers for this. Firstly, whilst the July 2013 Facing the Challenge paper outlined the vision for KCC operating as a strategic commissioning authority in the long-term, there is uncertainty about what this means in practical terms, especially given the very different interpretations and models of commissioning being applied across the local government sector. Secondly, the emerging options from Phase 1 reviews may require KCC (depending on future Member decisions) to move some services to different delivery models earlier than expected. In particular, emerging options for increasing use of Local Authority Trading Companies (LATCO) as delivery vehicles for some services will require new forms of governance, in line with a strategic commissioning authority.

4. Addressing the Issues:

4.1 Phase 1 of transformation has been a success, but if we are to drive transformation further, deeper and quicker, we recognise that there is a need to address issues head on. Our proposals to address the issues identified above are:

- a) It is clear that the overriding priority of the Council must be to deliver the transformation agenda set out within Facing the Challenge, and that this is the de-facto strategic driver for KCC. As such, and to provide absolute clarity for Members and staff, **we will be seeking County Council's approval to close Bold Steps for Kent** [the strategic statement for the authority] early, and will bring a close-down report to the County Council in May.
- b) **A new Strategic Commissioning Plan and Outcomes Framework for KCC will be developed through Phase 2 transformation** with the intention of it being adopted as the strategic statement from 2015/16 onwards, subject to approval by County Council. Although not yet finalised, our current thinking is that rather than a fixed four year plan, a Strategic Commissioning Plan might be a rolling four year plan, updated annually, to better support the organisation in responding to emerging pressures and issues, and facilitate joint commissioning with partners, such as health.
- c) In order to ensure that market engagement is effective, and that services are ready for market engagement, we will **refocus how Market Engagement and Service Reviews are undertaken in Phase 2.** The short timetable in Phase 1 meant that market engagement and service review aspects of reviews were undertaken concurrently. In Phase 2, the services review aspects will be

undertaken as a first stage, focusing on clarifying the outcomes the service is to achieve, and its efficiency and optimisation, before the second stage of review engages the market to identify alternative delivery models which might achieve service outcomes at lower cost. The longer time period (12-months) over which Phase 2 will run will allow a two-stage review process to operate.

- d) To make Facing the Challenge more real to staff and to drive home the financial challenge facing all KCC services, we will provide Directors with **robust medium-term (3-year) financial budgets at service level for all services** under their control. This will identify the medium term savings that they have to make and support the effective redesign and integration of services as part of Phase 2 transformation. By providing clarity on the medium term budgets, we expect Directors and Heads of Service to develop a sustainable strategy for their service to operate within budget over the medium term, rather than simply providing plans that deliver one year savings. This will require innovation and radical thinking from Directors and Heads of Service.
- e) We cannot deliver the ambitious transformation programme without having the necessary expertise and capacity within the Council to both design change programmes and then to deliver them. As such, we will seek to bring additional capacity and capability into the organisation to support Phase 2. In particular, **we will look to build on the innovative partnership delivery model developed as part of the Adult Social Care Transformation programme for the whole Facing the Challenge programme.** The aim is not just to boost the short-term capacity and capability of the organisation to deliver transformational change, but also to develop existing in-house capabilities through skills transfer so that the changes are sustainable and embedded.
- f) The end-state vision for KCC to operate effectively as a strategic commissioning authority by 2020 was agreed by County Council in July 2013. As we develop a new Strategic Commissioning Plan for KCC through Phase 2 transformation, **we will begin to put meat on the bones of what it means for KCC to be a strategic commissioning authority.** This will include engaging both Members and staff about a range of issues and challenges that the authority faces in becoming a strategic commissioning authority, including the functions and capabilities needed to undertake strategic commissioning effectively, the importance and development of an effective outcomes framework and the role of Members in a strategic commissioning model.
- g) **To be successful the Authority needs to change the way it does things in many ways.** The main emphasis for this change in approach and culture has been determined by the ambitions set out in the Facing the Challenge, the experience from the major change programmes already underway and from the outcomes of the engagement strategy with managers, staff and partners. It is critical that the corporate centre of the organisation supports services in both planning for and responding to the need to change across all the areas summarised in the table below. The overarching details and plans needed to achieve in these areas, including the workforce development strategy; workforce planning techniques; identification of areas of skills shortage; a practical approach to service redesign and the engagement and communication strategy are already in place. The detailed plans in place to strengthen support to managers will be reported in the May County Council paper.



5. Phase 2 Transformation:

5.1 The transformation roadmap agreed by County Council in September 2013 (and reproduced in para 1.2) anticipates Phase 2 running from May 2014 to April 2015. As noted earlier, the three transformation themes set out in Facing the Challenge have been strong pillars on which to build activity, and Phase 2 transformation activity will continue to be built around them.

5.2 **Integration and Service Redesign** in Phase 2 will see the full structural and management integration into redesigned services focussed on better meeting the needs of our customers. Facing the Challenge: Delivering Better Outcomes outlined a range of redesign principles (reproduced in the diagram at Appendix A) which Directors and Heads of Service will find useful when developing proposals for the redesign of services. As noted earlier, to support this redesign we will provide 3-year service level budgets to Directors and Heads of Service to support sustainable service design. Moreover, whilst KCC is not yet seeking a commissioner / provider split within services, as part of the redesign process, Directors and Heads of Service will identify those resources within their services which support commissioning and those which support the provision of services. This will allow a better understanding of our total commissioning resource, including its capacity and capability, and support assessment and benchmarking against future needs as a strategic commissioning authority.

5.3 **Managing Change Better** in Phase 2 will continue to focus on improving the organisation's capacity and capability to deliver complex change by improving the delivery of existing programmes and projects, enhancing corporate oversight and

support, as well as overseeing new projects which will implement any agreed changes to services resulting from Phase 1 reviews.

5.4 Market Engagement & Service Review in Phase 2 will build on the successful approach established in Phase 1, but will take a two-stage approach to review as noted in paragraph 4.1(c). Given the scale of the change taking place through Integration and Service Redesign, there will be fewer reviews in Phase 2 but these will be more focussed on services which face difficult demand management challenges. The services identified for Phase 2 review include:

- **SEN Assessment, Support & Transport** (to include: Assessment and Support of Children with SEN; Ed Psychology Service; Support to Statemented Pupils; Home to School Transport (SEN); Transport Operations and Admissions)
- **Home to School / College Transport** (to include: Transport Operations; Home to College Transport (incl. 16+ Travel Card); Home to School Transport – Mainstream)
- **Adoption, Fostering & Leaving Care** (to include: Adoption; Fostering and Leaving Care)
- **Community Safety & Regulatory Service** (to include: Community Safety; Community Wardens and Trading Standards)
- **Procurement**
- **Countryside Access** (to include: Country Parks)

6. Next Steps:

6.1 Facing the Challenge is an extensive transformation programme that seeks to radically reshape the authority in response to the future financial and service pressures it faces. Given the size and scale at which KCC operates, it is necessarily a large and complex programme, with many layers of activity and change touching almost every part of the organisation. As the amount of activity increases, it is vital that County Council is regularly updated on the activity, decisions and progress of Facing the Challenge. At its meeting in May, County Council will consider:

- A full outturn report on all Phase 1 reviews, ahead of proposals progressing to full business case development.
- A close down report on Bold Steps for Kent.
- Outline of the detailed plans to strengthen support to managers in delivering transformation.

Appendices:

Appendix 1: Service Redesign Principles

Background Documents:

'Facing the Challenge: Whole-Council Transformation', Kent County Council, July 2013

'Facing the Challenge: Delivering Better Outcomes', Kent County Council, September 2013

'Facing the Challenge: Top Tier Realignment' Cabinet, October 2013

'Facing the Challenge: Phase 1 update and new Directorate structure', Kent County Council, December 2013

Appendix 1: Service Redesign Principles (from *Facing the Challenge: Delivering Better Outcomes*):

