

SEVENOAKS DISTRICT STRATEGIC BOARD
02 July 2014 at 7.00 pm

At the above stated meeting the attached documents were tabled for the following items:

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| <p>6. Community Study</p> <p>Kent County Council (KCC) proposal to focus on Swanley as part of a pilot exercise to map how communities access services.</p> | <p>(Pages 1 - 2)
<i>Lesley Bowles</i></p> |
| <p>7. Troubled families</p> <p>Briefing note</p> | <p>(Pages 3 - 4)
<i>Lesley Bowles</i></p> |
| <p>8. Libraries</p> <p>Briefing Note</p> | <p>(Pages 5 – 18)</p> |

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KCC Community Asset Mapping and Resilience project

Overview

KCC are funding a community asset mapping project across three geographical areas in Kent. This project is a joint venture between Public Health, who are funding the study and Policy and Strategic Relationships.

For the purpose of this project Assets could be:

- a community group
- individuals
- physical places
- voluntary organisations or
- whatever people value and identify as an asset in their community.

The work has already been undertaken in two areas of Dover – Dover Town and Aylesham and is now being undertaken in Swale- Sheppey. The third area we are proposing is Swanley and KCC officers have had an initial meeting with Lesley Bowles to discuss the project. The entire project is expected to last 6 months with a final report produced by the end of August 14.

Esro a social research company are carrying out the work on behalf of KCC, using an ethnographic research approach.

Project Outcomes:

We hope that this project will enable us to have a:

- Greater understanding of the contribution of the Independent sector's (including the Voluntary and Community sector) role in community resilience and demand management
- Greater understanding and recognition of the contribution provided by community assets and informal support networks
- A proven methodology and concept which can be used in other areas of Kent
- Greater understanding of the conditions required in Kent to enable community assets and networks to be strengthened and be self-sustaining in order to improve well-being.
- Greater understanding of the role the local authority can play in helping to establish the conditions in which assets can be self-sustaining.
- An insight into how community assets enhance social resilience.
- Increased awareness and understanding of how the community can develop the six ways to wellbeing¹

¹ The Wheel of Wellbeing (WOW) has six dimensions; connect, be active, keep learning, take notice, give and care – this is part of a communication strategy and campaign to support good mental health and is based on the Warwick Edinburgh Mental Wellbeing Scale.

Approach:

Esro are delivering the project on behalf of KCC and have developed a methodology which involves:

- Desk based research
- Community mapping field work – investigative place based
- Development of a survey
- Recruiting peer to peer researchers from the local community to carry out the survey and to promote community capacity
- Deep dive interviews with local residents
- A workshop to assess the social and economic impact of different assets
- Producing an asset log
- Asset profiling – cost benefit analysis of identified assets

The work in Swanley is likely to start at the beginning of June and Esro will provide an opportunity for local stakeholders; officers and members to be briefed on the project.

Lydia Jackson
Policy Manager – Policy and Strategic Relationships
Kent County Council

BRIEFING FOR SEVENOAKS STRATEGIC BOARD – 2 JULY 2014**Sevenoaks District – Working with Families****1. Number of Families**

- We have 120 families on our list (this is in excess of our allocation of 101 so we are doing well with regard to nominations and we are still accepting more).
- 72% of these families are being supported either by FIP, FIP Light, Lead worker or Family Support Worker.
- 13% have refused support offered to them. If their situation deteriorates, we will approach them again.
- 15% of families are waiting to be allocated support.

2. Staff Challenges

We have had some challenges with the recruitment and retention of staff.

- Initially the number and quality of applicants made it difficult to appoint to the post of FIP and FIP Light. Both of these roles require intensive work with very challenging families. Working hours can be unsociable and long, particularly if workers are supporting families at the beginning and end of the day with household routines and practical parenting issues. We have lost some workers who were unable to meet the demands of the role or resigned to take up posts elsewhere.
- With regard to FIP and Family Support workers we should have:
 - i. FIP (KCA): one full-time, one part-time - at present we have only one part-time. A fulltime worker has just been appointed to start on 14 July.
 - ii. FIP Light (Project Salus): two full-time, one part-time – at present we have one full-time and one part-time just started. The further full-time worker is being recruited.
 - iii. FSW(Lifeways): two full-time – we have been managing with one full-time worker but a second started in post last week.

3. Progress with Families

We have managed to make claims for 23 of our families. The majority of these are due to improvements in ASB/ Crime and attendance at school. 3 of these claims are for succeeding in getting individuals back to work.

Our FIP/FIP Light and Family Support Workers have been focusing on addressing the problems underlying the reasons for school absence, asb/crime and worklessness. The underlying problems and type of work they are undertaking include:

- Housing issues – sorting out debt and rent arrears as a result of inaccuracies with benefit claims. Establishing realistic payment plans which are acceptable to landlords in order to avoid eviction. Addressing behaviour leading to disputes between neighbours
- Domestic Violence – identifying the problem and supporting victims and perpetrators to access help.
- Substance misuse – identifying the extent of the problem and supporting individuals to get help.
- Mental Health and depression – identifying where help is needed, sorting out delays in receiving support, chasing referrals, accompanying families to appointments.
- Complex relationships – many of our families are one-parent families, have complex family structures, or are dealing with family breakdown. They are struggling to cope with family routines, managing children's behaviour, running a home and other

associated issues. Some parents have not recognised that they are failing to meet the needs of their children or that their parenting skills could be improved. This is a major area of work for our FIPs.

- Worklessness - 55% of our families have been identified as receiving DWP out of work benefits. Getting families back into work has been challenging because:
 - 79% of these are getting either Employment Support Allowance because of ill-health, Carers Allowance because they are looking after someone for more than 35 hours a week, or Income Support because they have very young children, work part-time and are on a low income.
 - We are working closely with DWP to ensure that work capability assessments are carried out and to offer support for those who might be able to take up some form of work in the near future.
 - Many of these families suffer from emotional and mental health conditions and have been repeatedly signed off on long-term sick by their GP. Where possible, our FIP workers are focusing on ensuring that their needs are being met and will be encouraging them towards employment or training as soon as possible.

National Programme

Matt Algar/David Weiss attended national co-ordinators meeting last week at which the following points were noted:

1. All political parties are very much behind the Troubled Families approach and have indicated that the programme should continue beyond March 15 using the same model i.e. FIP/FIP Light/FSW and Lead Workers, but with 29 indicators instead of 3. (some of these additional indicators will be around health/mental health and domestic abuse).
2. There is likely to be three times as many families allocated to the programme i.e. for Kent this would be 7,500 families from 2015 over the next 5 years.
3. Major challenge for all Counties – to expand number of lead professionals who are taking the Think Family Approach – i.e. working holistically with the whole family. In Kent a message has been relayed to all lead professionals encouraging them to adopt this approach, using one plan for one family
4. Across Kent we have turned around 29% of our 2,500 families. The national average is 33%. Some Local Authorities have managed to turn around more than 41% of their families – most of these had the FIP model in place before the project started.

Focus for next few months

1. More accurate data capture in Kent (other Local Authorities capture more data than us). The Troubled Families team is recruiting two additional data analysts to help with this.
2. Stepping up work with families that have made improvements, but are not quite 'turned around' i.e. meeting the target to enable a claim to be made
3. Stopping drift of those families not moving further forwards.
4. Special focus on those receiving JSA – to ensure they are getting all possible support to get them into work.
5. Special focus on families receiving ESA – an additional JCP worker will be attached to the project from mid-July.
6. Project with the Kenward Trust to support a target group of young people who are misusing drugs and alcohol which is leading to antisocial behaviour and absence from school.
7. Staff training –across the workforce + sharing good practice.

Jackie Marks
 Local Project Delivery Manager – Sevenoaks District
 1 July 2014

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

To: County Council – 15 May 2014

Subject: Facing the Challenge: Phase 1 Service Review and Market Engagement Outturn Report

Summary: This report provides a full outturn of the Market Engagement and Service Reviews undertaken through Phase 1 of Facing the Challenge. It also outlines the methodology and approach used for the reviews, the range of options considered as part of each review, and the preferred option to go forward to Full Business Case.

Recommendations:

County Council is asked to:

- (1) Endorse the preferred options to be taken forward to Full Business Case for the Phase 1 reviews, as set out in section 3
- (2) Endorse the approach to engaging the market for a Joint Venture partnership covering a range of suitable services as set out in section 4
- (3) Note the indicative financial savings for Phase 1 reviews as set out in section 5
- (4) Note the next steps, in particular the route for approval of Full Business Case and any Key Decision approvals, as set out in section 6

1. Introduction:

1.1 'Facing the Challenge: Delivering Better Outcomes' approved by County Council in September 2013 established, as a key pillar of transformation activity, a number of market engagement and service reviews to challenge fundamental assumptions about how and why KCC delivers services in the way it does. Services within Phase 1 include:

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

1.2 An enormously challenging timetable for the completion of Phase 1 Market Engagement and Service Reviews was set by County Council. By the end of April 2014, all reviews were to have:

- A comprehensive understanding of the current service

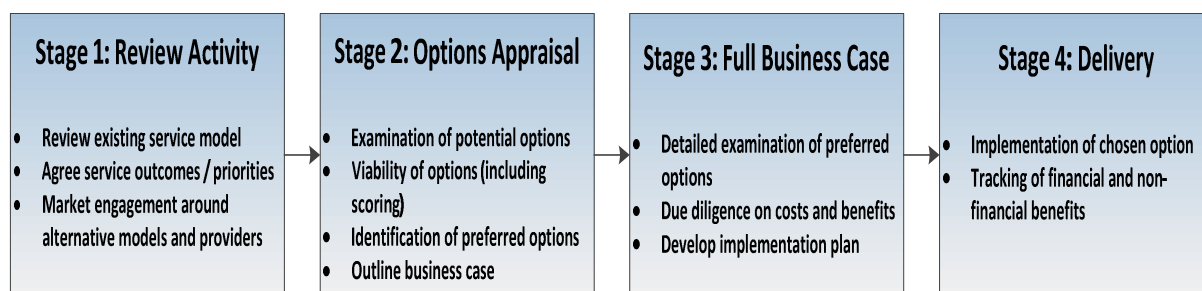
- A spectrum of options for future design and delivery, including potential providers
- A preferred option for decision, supported by an outline business case
- Authorisation to proceed to a full business case to progress the preferred option towards implementation

1.3 All review activity has been successfully completed and it is now possible to report to County Council the preferred option to proceed to the next stage for each of the services under review. The only exception being the review of Residential Care Homes where, for a number of very strong reasons and the close interdependencies between the review and the strategy, it is felt that the decision should wait until the Accommodation Strategy and implementation plans currently being prepared by the FSC Commissioning team are complete.

2. Methodology and Market Engagement Activity:

2.1 It is important to note that all of the Market Engagement and Service Reviews are going through a standard methodology in regards to how they have been undertaken and whether they proceed to the next phase of review activity. This approach is set out in diagram 1, below:

Diagram 1: Review methodology – summary:



2.2 It is important to note that the deliberate approach taken by the Transformation Team when undertaking the reviews has been to ‘do with’ rather than ‘do to’ services. This approach has allowed a significant degree of close co-operation between the reviewers and the services themselves which has ensured reviews have progressed at speed, and points to a maturity in the organisation and appetite for change which is to be supported. Where services had pre-existing plans for service transformation, these have been wrapped up and considered as part of the reviews.

2.3 The scale of market engagement activity has been particularly impressive. A Prior Information Notification (PIN notice) was submitted on the Government Portal that invited suppliers from both the independent and the private sector to talk to us about innovative ways of service delivery. In total we received 174 responses from 109 different companies, from both large primary tier national providers to some local SME’s. Several providers registered their interest in working with us across many of our services, and some were invited in (10 in total) to talk to the review team specifically about opportunities to make financial efficiencies by introducing new business models, technology and improving business processes. This market engagement activity has proven to be very valuable, and has informed our thinking when recommending options to take forward to full business case.

2.4 Over the course of Phase 1, it also became apparent that as well as looking at what models worked on the provider side of services, the impact this had on councils in regards to their ongoing client role need to be considered. As such, there has also been significant engagement with a number of councils across the country to examine how their client role operates in practice.

2.5 All reviews have now completed Stage 2, but before moving fully into Stage 3 and the development of Full Business Case for each of the preferred options, it is important to get County Council endorsement on the preferred options for each of the services in Phase 1.

2.6 The following sections of this paper outline the preferred option for each of the services under review across the whole of Phase 1. It does not provide detailed explanation of key issues such as due diligence of financial and non-financial benefits, governance of any new delivery model or procurement issues, as these will be considered and addressed as part of the Full Business Case during Stage 3 of the review process.

3. Preferred Options to move forward to Full Business Case:

A. Property Review

3.1 The preferred option on the Property review is for the service to become a **Local Authority Trading Company (LATCO)**, which would be fully owned by the County Council.

A number of alternative options were considered as part of the options appraisal but not recommended, including:

- Do nothing
- Keep the Property in-house but make efficiency savings and trade at cost
- Outsource the property function
- Externalise and establish a Joint Venture Company with either (a) a private sector company or (b) a Teckal JV with another Local Authority Trading Company

3.2 The property review is one of the most advanced reviews in Phase 1 as it builds on pre-existing thinking within the service itself about future delivery models. The review has shown that there is considerable opportunity within the market for a public sector property services provider to operate and increase income. As such, the preferred option is to create a 100% KCC owned property local authority trading company to take advantage of this market opportunity.

3.3 Increasingly, local authorities are moving away from having their own in-house delivery teams specifically in areas of facilities management and design. Only a small number of authorities have fully outsourced their property function to a single external provider and retained a small core strategic commissioning staff to oversee the contract management function. Some local authorities are in the process of

establishing different forms of property partnerships or property arms-length vehicles,

and this is likely to be an emerging trend. It is considered highly likely that there is the potential to grow the KCC business across other local authorities, and also to other owners of significant estate, such as the NHS, housing associations and schools clusters.

3.4 The proposed model is for a group of companies centred on a Local Authority Trading Company (LATCO). This central company would offer property services, providing the same services as the in-house Property and Infrastructure Service current provides. In addition, it would build its strategic estate management capabilities to better leverage return from the KCC estate, and build capability to deliver a range of professional design services to capture supply chain profit which is presently lost. Other vehicles would sit beneath the property services company, which would focus on specific specialised areas of business. These vehicles may

have different commercial joint-venture structures, with public or private sector

partners as appropriate, to leverage additional skills, investment and risk sharing. Initially, it is envisaged that two vehicles are scoped: "New Development Company Ltd" to undertake property development activities; and "New Asset Solutions Ltd" to provide facilities management and related services. However, other vehicles may be scoped to focus on other areas of specialism and/or to establish JVs (Teckal or otherwise) to deliver services to new public sector clients.

3.5 Through the development of the Full Business Case, it will be important to consider the size and scale of the remaining intelligent client function for property within KCC. However, given the extent of progress made, it is envisaged that the LATCO could begin operating in shadow form from September 2014, with the LATCO fully established for the start of the 2015/16 financial year.

B. HR, ICT and Finance Review:

3.6 The preferred option of the Finance, HR and ICT review is to move to an integrated service offer run with a **JV partnership**. Although an options appraisal has been developed for each of these services independently of each other, it became very clear early on in the market engagement exercise that greater value could be derived by considering these services, in particular the transactional functions within each of them, as a single back office "offer". The integration of the transactional functions was already planned by the three services involved and so this approach will be applied irrespective of whether it is provided in-house or out-of-house. As such, the three services are being taken forward as a joint review with a shared preferred option. The outcomes of the competitive dialogue procurement will be benchmarked against an integrated services cost comparator.

3.7 The review has shown that the market for transactional back office support services is exceptionally mature, with a number of local authorities currently securing significant financial savings through joint venture arrangements with national providers. Indeed, some authorities are now into their third and fourth generation of such contracts, and have continued to make considerable savings on each new contract as they further refine and tighten their contract specification and improve their contract management capabilities. The market engagement exercise has also shown that a JV partnership arrangement is far more appropriate for KCC than a

simple outsourcing model, as it would allow greater flexibility to meet the authority's future needs, including expanding or contracting the arrangement as required, rather than simply being caught by contract variation costs common in outsourcing models. Through the development of the Full Business Case it will be important to clarify exactly which transactional services would be included in the joint venture, the size and role of the remaining in-house intelligent client function for these services, as well as the wider set of KCC services which might be suitable for inclusion in a JV partnership (see section 4). Given the size and scale at which KCC operates, it is expected that significant financial and non-financial benefits could be delivered through a JV partnership.

C. Internal and External Communications Review

3.8 The preferred option on the external communications is **to improve, optimise and include the technical elements in a JV partnership**. A number of alternative options were considered as part of the review but not recommended, including:

- Do nothing
- Retain strategic client and commission outcomes via outsourcing or a JV
- Reduce cost of services by 50%
- Cease service entirely

3.9 The review has shown that the market for local authority communication functions is extremely immature, with only a few local authorities seeking to trade their communications functions with other local authorities and wider public sector. None have sought to externalise their communications function. Communications teams within local government are an in-house resource given the degree of control and flexibility often required for such a critical function. As such, there is limited scope for commercialisation or externalisation of the service, although it may be that there is some opportunity for limited external trading for the communications service in the future. This should be explored as opportunities allow. However, in the first instance there is a need to further improve and optimise the service, including through better communication and campaign planning from within services. It is also necessary to include the technical functions currently within communications (e.g. web development and management) within the end-to-end review of customer service, ahead of any engagement regarding a possible joint venture partnership (see paragraph 4.3).

3.10 The internal communications resource within the council is very small and is critical to ensuring that key messages are communicated to staff, and that managers are supported in communicating with their staff through a significant period of change. Through Phase 1 restructuring, internal communications now sits within the HR function, and it is recommended that there is **no change to the internal communications** arrangements.

D. Contact Centre Review:

3.11 The preferred option on Contact Centre is to explore the services being delivered through **a JV partnership**. A number of alternative options were considered as part of the review but not recommended, including:

- Outsourcing

- Conduct a series of improvement projects
- Reduce service budget by 50%
- Continue as in-house provision
- Discontinue the service entirely

3.12 The KCC Contact Centre is one of the primary points of interaction between the council and its customers, the other being the council's website. It is therefore a critical function because customers' perception of the Council will be influenced by their experience of the Contact Centre and the KCC website. The market engagement activity has shown that whilst the Contact Centre compares well in benchmarking on customer feedback compared to other public and private sector contact centres, it is more expensive. Moreover, the failure to deliver customer channel shift from telephone to web based contact is maintaining call volumes at a higher level than many other local authorities. The higher service standards and higher call volumes are driving cost, and it is felt that further efficiencies can be delivered, with the Contact Centre already delivering an efficiency programme and working towards a more commercial and flexible operating model. However, the market for contact centre service is mature with a significant number of councils having developed commercial arrangements with external providers. As such, the preferred option is to include the Contact Centre in further market engagement discussions around a JV partnership.

E. Legal Services Review:

3.13 The preferred option on the Legal Services review is to create an **Alternative Business Structure (ABS) vehicle with a commercial partner**. A number of alternative options were considered as part of the review but not recommended, including:

- Budgeted in-house service
- In-house team – accelerate existing improvement programme
- KCC stand-alone Alternative Business Structure (ABS)
- Shared service and future ABS with another County/Unitary authority
- Outsource Legal Services through tendered contracts

3.14 KCC Legal Services is an award-winning in-house team widely regarded within the public sector as innovators. It has returned over £11 million of surplus income to KCC over the past 10 years, and last year saw their highest surplus of £2.4 million returned to KCC. However, the market for legal services is changing rapidly, with recent legislation permitting the formation of Alternative Business Structures (ABS), which allows legal practices to be managed or owned by non-lawyers. Since the Solicitors Regulation Authority (SRA) began accepting licencing for ABSs in January 2012 some 145 separate licences have been granted, including to national consultancy practices. These market developments, alongside SRA restrictions on local authority in-house legal teams limiting whom they can act for, may limit future growth for KCC Legal Services, and some local authorities have already applied to create ABS vehicles. Whilst KCC could create an ABS on its own, it is felt that an ABS with a commercial partner could enable the new vehicle to secure new clients quickly, with the commercial partner likely to bring experience in sales, marketing and commercial resources. It should be noted that the governance role within KCC Legal Services including the Monitoring Officer, Senior Information Risk Owner and County

Returning Officer roles would not be included as part of any ABS model, with the governance team remaining in-house as part of an intelligent client function.

F. Libraries, Registration & Archives (LRA) Review:

3.15 The preferred option on the Libraries, Registration and Archives review is to establish a **Kent Trust** to operate the service. A number of alternative options were considered as part of the review but not recommended, including:

- Retain Service In-House but Transform Further
- Commissioned Model through Outsourced provision
- Partnership/JV with External Provider
- Partnership/JV with Public Sector Partner – Library Authority
- Partnership/JV with Public Sector Partner – Non-Library Authority

3.16 The review of the Libraries, Registration and Archive (LRA) service has involved considerable engagement activity, in particular with other local authorities but also through a soft market testing exercise referred to as ‘deep dives’ involving two external providers. In regards to the national picture, there is a mixed approach as to how libraries are commissioned and provided by local authorities. Some authorities have outsourced their library services to external providers under contract; others have attempted to move to a community-owned library model.

3.17 The review has identified moving to a Kent Library Trust model as the preferred option. The advantages to moving libraries to a Trust arrangement, which would be a Community Benefit Society operating for the benefit of the community under the Industrial Provident Society, are significant. In particular the Trust can be classed as charitable; with ‘exempt charity’ status enabling tax breaks such as National Non-Domestic Rates (NNDR) relief, with the potential for the Trust to reduce overheads and further increase income. However, under the Trust model, the assets remain with KCC and it is possible to create a governance mechanism to ensure Member representation and influence over the service. Successful transitions to a Trust model have been undertaken by several other local authorities, and there is an opportunity for KCC to further learn from others who have already gone down this route. Through the development of the Full Business Case it will be important to consider how the provider of the service will be commissioned alongside the creation of the Trust, as the model does not limit the option of an external provider being commissioned to run libraries, which may provide an opportunity for further savings. Whilst the Full Business Case is being developed, the Future Library Service (FLS) programme, the existing in-house change programme, will focus on the pre-existing work around transferring some KCC libraries to community ownership where appropriate.

G. Community Learning & Skills Review:

3.18 The preferred option on the Community Learning & Skills (CLS) Review is for the service to become a **Local Authority Trading Company**. A number of alternative options were considered as part of the review but not recommended, including:

- Do nothing (business as usual)
- Changed internal model
- Withdraw completely from provision

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- Withdraw from subsidised (non-profitable) provision
- Social Enterprise (not for profit status and possibly a mutual and a charity)
- Joint Venture Company

3.19 CLS provides a range of adult education and community learning services, with the vast majority of its funding coming from contracts from the Skills Funding Agency (SFA) and the Education Funding Agency (EFA). Engagement with the SFA has highlighted the pressure that the Community Learning Grant is under and will continue to be under through the next Comprehensive Spending Review. It is important therefore, if the service to be viable in the long-term, that CLS is able to maximise its opportunities to bring in funding from a greater number of sources, becomes a leaner organisation, with faster decision-making enabling it to respond quickly to the needs of its customers. A number of other local authorities have moved similar services into new delivery models, and there is a strong appetite from within the senior management of the service to move towards the Local Authority Trading Company (LATCO) arrangement. The review concluded that a LATCO is a viable option for both the service and for KCC, as it would free CLS to generate new income by growing its commerciality and reduce its costs, but also allow KCC to retain control of purpose and the strategic priorities through single-share ownership. The transition to a LATCO model will require two-stages, with the first stage being an incubation period that would seek to make CLS 'commercially ready' by bringing new commercial and business development skills into the service, before fully implementing the LATCO model.

H. EduKent Review:

3.20 There are two options being recommended for Full Business Case development on the EduKent Review. These are:

- (1) to include EduKent in a **JV partnership** with other KCC support services, or as a stand alone JV partnership
- (2) Develop a **Charitable Trust (Joint Venture) for Improved Educational Outcomes** (incl. SPS, SFS and EiS)

3.21 In regards to the EduKent review, a number of alternative options were considered but are not recommended at this stage, including:

- Do nothing – Business as Usual.
- Stop Service Delivery – deliver Only Statutory Services
- Deliver EduKent and services on an SLA delivery basis.
- Deliver EduKent as a single entity, with services centralised under EduKent and not across Units/Directorates (incl. SPS, SFS and EiS)
- Stop EduKent window - services deliver directly to schools
- Strategic Joint Venture to Deliver Services for Improved Educational Outcomes (not incl. SPS, SFS or EiS)

3.22 EduKent provides a significant number of Kent, and increasingly non-Kent, schools with a wide range of education support services irrespective of whether they are maintained schools or academies. The EduKent brand acts as a 'shop window' for a range of in-house professional support services, such as Schools Financial Services (SFS), Schools Personnel Services (SPS) and Education Information

Services (EiS), as well as professional advisory services from within the Education and Young People Directorate, with schools often purchasing a blended range of these services.

3.23 The market engagement activity has shown that there is a growing market for school support services, with a range of large-scale national providers seeking to expand further into the education market and some local authorities also seeking to exit from the provision of support services to schools altogether. However, many of the services within EduKent have a longstanding trading relationship with schools, and EduKent has strong brand value both within Kent and beyond. As such, there remains considerable scope for expansion of EduKent business, and the review has identified that a partnership model should be explored further. The exact form of partnership is not yet decided, which is why two options are being put forward to full business case stage. Some local authorities have driven value through including education support services in wider JV partnership around other council services, whilst others have established stand-alone JV arrangement with a private or public sector provider or, in some case, with schools themselves. Both options will be tested through the development of a Full Business Case and further market engagement. A critical test will be the extent that either option maintains and enhances the authority's strategic relationship between KCC and Kent schools, both in terms of our statutory functions (e.g. school improvement) and our wider community leadership role.

I. **Kent Scientific Services Review:**

3.24 The preferred option on the Kent Scientific Services (KSS) Review is for the service to adopt a **more commercial internal model**. A number of alternative options were considered as part of the review but are not recommended at this stage, including:

- Discontinue KSS service provision entirely - buying in all services from elsewhere
- Move KSS to Commercial Services
- Commission the service to a Social Enterprise
- Keep KSS as is model - with current on-going business development

3.25 Kent Scientific Services provides scientific testing services to other parts of KCC, including Trading Standards and Coroners, and sells that expertise and ability to other local authorities and across the wider public and private sector. Whilst every upper-tier local authority is under a statutory duty to provide or purchase analytical capability for food testing and weights and measures testing, the overall picture is of a declining market, with no statutory minimum on the volume of testing activity local authorities must undertake. Whilst in the mid-1980's there were 30 public analyst laboratories there are now only 7, with one due to close in May. As local authorities have reduced the volume of testing, public analyst laboratories have diversified their activity, with KSS providing port of entry testing for Thamesport and Tilbury.

3.26 There are a number of factors that underpin the preferred option of a more commercial model. The first is that KSS is well located to take advantage of increased port of entry testing with the development of the London Gateway container port that will, once fully operational, have three times the handling capacity

of all existing London ports. Secondly, as public sector analyst laboratories have reduced in number, there is increased private sector activity in the market that potentially runs the risk of creating an effective monopoly if public sector analytical capacity continues to reduce further. Because of this concern, the Government have instigated the Elliot Review to examine the integrity of food supply networks, the interim findings of which suggest that there may be need for Government intervention to further support public analyst capacity and capability. Until the Elliot Review has concluded, and the Government have responded to the findings, a more commercial model remains the most viable option for the service.

4. Engaging the market around a Joint Venture (JV) partnership:

4.1 As noted in the section above, a number of the preferred options are to move to a joint venture partnership with a commercial partner. Through the market engagement exercise and speaking to both market providers and other local authorities, it is clear strong and effectively procured JV arrangements can provide significant value in terms of both financial and non-financial benefits. In particular, some authorities, such as Staffordshire County Council, have agreed very significant JV partnerships which encompass a variety of different services. Those JV partnerships that encompass a wider set of services tend to be more strategic and more partnership focused than those based on the delivery of a single or a few individual services.

4.2 A critical part of the next steps in exploring a JV partnership will be to engage the market about what the structure of any partnership might be, what services might be included and what financial and non-financial benefits might be delivered. A particular focus must be given to exploring the relative benefits and issues of either keeping together or separating the professional support services provided to schools (EiS, SPS and SFS, highlighted at paragraph 3.21) from the back office support services for KCC, or whether they should be delivered as part of a stand-alone EduKent JV partnership. These questions can only be answered through further detailed engagement with the market, to understand how various providers would respond to differing options and permutations, and how it would impact on the benefits available.

4.3 Our market engagement activity has also identified that as part of the further market engagement on joint ventures, a wider set of KCC customer services functions should be included, as they have already been included in a number of other local authority JV arrangements. As part of Phase 2 reviews, an end-to-end customer services review will be undertaken to make recommendations around what aspects of the customer service functions might be suitable for inclusion in the market engagement around JV partnerships.

5. Indicative Financial Savings from Phase 1 Reviews:

5.1 The Medium Financial Plan for 2014/17 sets out the high level 3 year financial plan. This anticipates the need for £88m of savings in 2015/16 to offset the impact of government funding reductions as set out in the provisional local government settlement, and forecast additional spending demands. Further savings of £62m are forecast for 2016/17 due to a combination of funding reductions (these can only be estimated based on overall public spending forecasts in the Chancellor's Autumn Statement until the outcome of the Spending review for 2016 is announced) and additional spending demands. Our longer-term forecasts suggest it is not

unreasonable to assume further savings of a similar magnitude to 2016/17 are likely to be needed in 2017/18 and 2018/19 if the government is to meet its targets of eliminating the budget deficit and reducing public spending as a proportion of the Gross Domestic Product and to compensate for unavoidable additional spending demands.

5.2 The Medium Term Financial Plan has £43m of the savings target for 2015/16 and £45m for 2016/17 yet to be identified. Facing the Challenge will go some way meeting this unidentified savings target but as outlined in the report to County Council in December 2013 the phase 1 market reviews were initially expected to deliver between £15m to £20m towards the overall 3 year target. Gross expenditure on the 12 areas included in phase 1 for 2014/15 amounts to over £169m (net budget i.e. excluding service income and specific government grants £92m). Within this these services will have to deliver over £6m of savings compared to 2013/14 towards the overall £91m of savings reported to the county council when the budget was set in February. These services also have further savings of nearly £14m within the identified savings for 2015/16 and 2016/17 in the Medium Term Financial Plan. It is essential that any savings from market engagement will need to meet or exceed the savings we have already planned in the MTFP if they are to contribute towards the unidentified gap.

5.3 The detailed market engagement exercise has indicated that we can reasonably expect to achieve revenue savings of between £150m to £250m over a 10 year period. The savings will not all be achievable from 2015/16 and the annualised savings are likely to build-up over a number of years, meaning the market engagement should deliver average savings of around £20m to £30m per annum. We need to undertake more detailed analysis of the initial market responses to determine the extent to which these savings include the £20m already identified in the MTFP over 2014/17 referred to in paragraph 5.2. Nonetheless it is not unreasonable to conclude that not only are we on track to achieve savings from the market engagement in the timescales envisaged in earlier Facing the Challenge reports, but we should also exceed the amount previously estimated or identified in the MTFP.

5.4 A more robust financial expectation from the market engagement exercise needs to be developed over the summer in advance of consultation on the 2015/16 budget and 2015/18 MTFP in the autumn. We are planning a budget timescale for 2015/16 similar to 2014/15 with consultation in the autumn to be reported to Cabinet and Cabinet Committees in December prior to final draft budget issued in January in advance of full County Council in second week of February.

6. Next Steps:

6.1 The next stage of the process is for Phase 1 reviews to proceed to Full Business Case development. Given the level of detailed work that has been undertaken through the review activity to date it is anticipated that the development of a Full Business Case can be achieved quickly across a number of the reviews.

6.2 As per the recommendation from the recent LGA Corporate Peer Challenge of KCC, alongside the development of the Full Business Case for each preferred option we will also develop implementation plans so we can benefit from new service delivery models as quickly as possible.

6.3 However, it is important to note that no formal decisions have been taken yet, and the County Council is not committed beyond the point of no return against any of the preferred options outlined in this paper. The purpose of the structured review programme and proceeding to a Full Business Case is to further test the assumptions and modelling underpinning each preferred option, so that Members can have confidence that proposals are robust, deliverable and beneficial both to the council and to service users. Where the preferred option does not stand up to testing in the Full Business Case, we will reconsider our approach.

6.4 The Facing the Challenge programme update to the July County Council meeting will include more detail on the outcome of the Full Business Case development as well as the decision-making and implementation timetable for Phase 1 reviews over the coming months.

6.5 The formal decisions necessary to implement any new delivery models for services under review are the responsibility of the Executive, and any formal decision required will be taken through the Key Decision process in the normal way, as set out in Facing the Challenge programme plan agreed by County Council in September. As such, Cabinet Committees pre-scrutiny role will allow Members to test, debate and discuss the full business case ahead of any formal decision being taken to implement a new service delivery model. Although unlikely, where no formal Key Decision is required to implement a Full Business Case, it will still be considered by Members through the relevant Cabinet Committee.

6.6 Once decisions are made to move to new delivery models, the project or programme to implement the new delivery model will sit under the relevant Change Portfolio, with responsibility for implementation sitting with the relevant Chief Officer. Progress on the implementation of the new delivery models will be reported to Transformation Board through the Transformation Advisory Group (TAG).

7. Conclusion:

7.1 A lot has been learned through the Phase 1 market engagement and service reviews. Many of those lessons were reported to County Council at its March meeting, and that learning will be folded into the approach for reviews through Phase 2. Overall however, Phase 1 has been very successful, having met expectations in regards to the both the quality and timeliness of reviews, allowing the identification of the preferred options for all but one of the services under review.

7.2 The County Council set an enormous challenge when it agreed that Phase 1 reviews should be completed in just over six months. That the organisation has met this challenge is testament to the hard work and commitment of the Transformation Team, and the co-operation and engagement of the services under review, without which the strong progress made so far would not have been achieved.

Report Author:

David Whittle
Head of Policy & Strategic Relationships
Tel: 01622 696345
Email: david.whittle@kent.gov.uk

Appendices: None

Background Documents:

- 'Facing the Challenge: Delivering Better Outcomes', Kent County Council, September 2013
- 'Facing the Challenge: Progress to Date and Phase 2', Kent County Council, March 2014

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