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## **Corporate Policy Committee**

**21 August 2024**

### **Submission of Transformation Plan**

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**Report of: Rob Polkinghorne – Chief Executive**

**Report Reference No: CP/29/24-25**

**Ward(s) Affected: All**

#### **Purpose of Report**

- 1 The report sets out on the progress of the council's transformation journey.
- 2 It asks members of the committee to consider the draft transformation plan prior to it being submitted to the Ministry of Housing Communities and Local Government (MHCLG).
- 3 There is a requirement, in order for the Council to access Exceptional Financial Support, to submit a transformation plan to MHCLG by no later than the 27<sup>th</sup> August 2024. This report is to enable members to scrutinise the plan ahead of that submission.

#### **Executive Summary**

- 4 The first stage of the transformation process has been to identify those opportunities that offer the greatest value as well as the initial quantification of the resource that will be required to implement those changes.
- 5 Over the last 12 weeks, a significant amount of work has been undertaken, and more than 100 opportunities have been identified, with potential savings identified in the range of £59-£91 million over the next 4 financial years. These figures do not include a range of digital projects that have an estimated £14 million benefits, and some of the other opportunities identified through the work to date which required further development through a 'rapid' business case development process.

- 6 Several deep dives into service areas have also been undertaken to explore the opportunities in more detail, these include:
- (a) Early intervention and prevention
  - (b) Strategic asset management and economic growth
  - (c) Becoming a digital first organisation
  - (d) Adult social care commissioning and brokerage
  - (e) Children services placement optimisation

#### RECOMMENDATIONS

Corporate Policy Committee is recommended to:

1. Approve the transformation plan contained at Appendix A and the submission of the plan to MHCLG by no later than 27 August 2024.
2. Delegate authority to the Chief Executive in consultation with the Leader and Deputy Leader of the Council to take all necessary steps including the relevant decisions to implement the transformation plan.
3. Agree that the committee will receive regular updates on the progress of the transformation plan.

### **Background**

- 7 In March of this year, the transformation approach for the council was approved by Corporate Policy Committee. As part of that report the appointment of a delivery partner to help the Council with its transformation journey was approved. Inner Circle, following a competitive procurement process, were appointed as the Council's transformation partner on the 29<sup>th</sup> April 2024.
- 8 Since May, a blended team consisting of colleagues from Inner Circle (councils delivery partner) and the Council has been working together to undertake a full review across all services of the Council.
- 9 The review yielded more than 120 opportunities, with a total potential savings opportunity in the region of £91m over the next 4 years. In addition, a range of digital projects that have an estimated £14 million benefits have been identified which require further development through a 'rapid' business case development process.
- 10 As stated in previous reports, the Council must transform the way it delivers its services. The reality is that the organisation needs to spend £100m less by 2028.

- 11 To achieve this a robust and deliverable transformation plan working with Inner Circle has been established which is contained at Appendix A.
- 12 The proposed transformation plan will support the delivery of approved/proposed savings, cost avoidance, cost mitigation and identifying new savings for the coming years.
- 13 There are six programmes proposed, each containing a range of projects and other initiatives:
  - (a) Workforce
  - (b) Social Care
  - (c) Place
  - (d) Early Intervention and Prevention
  - (e) Digital
  - (f) Special Projects
- 14 Additional support will be required, across all services, to support the change process and implement new ways of working, particularly if this is to happen at the pace required to ensure financial stability in the short-term as well as over the longer-term.
- 15 The plan is necessary to satisfy government and in support of the current conditional agreement to provide Exceptional Financial Support.
- 16 This information must be provided to government prior to the 27<sup>th</sup> August 2024 and therefore final member approval via committee on 21<sup>st</sup> August 2024 is needed. The provisions within the Constitution at Chapter 3 Part 1 section 2 paragraphs 4.20 and 4.21 as to 'Referral of Decisions' therefore do not apply as the decision is 'urgent' as it is in the public and the Council's interest that the transformation plan is submitted by 27<sup>th</sup> August 2024 for the reasons stated above. To wait for the requisite 5 clear working days before implementation of any decision as per the recommendations would prevent its timely submission.

## **Consultation and Engagement**

- 17 A Manager "Share and Support" session took place in July, to connect, inform and update the workforce on the transformation programme and potential changes ahead.
- 18 Members received briefings in July, with the choice of attending a face to face or Teams event. These briefings communicated the roles and responsibilities, as well as outlining the pace of change required to

support financial stability whilst providing the opportunity for members to have visibility and engagement regarding the proposals.

- 19 The briefings were provided by the transformation board and transformation partner alongside the Leader and Deputy Leader.
- 20 The information shared, to all stakeholders, is imperative to the success of the transformation programme and establishes a shared understanding of the scale of the challenge that the local authority is undertaking. The various events, clearly communicated that transformation, and the associated planned change activities, are everyone's role, to consolidate how all the workforce and members need to work together, as we move in to Phase 2 of the programme.
- 21 Monthly Trade Union briefings have been arranged to update on the progress of the plan.
- 22 Regular communications have been sent to all staff through Team Voice, Core Brief and Centranet articles to update on transformation activity and bring people on the transformation journey.

### **Reasons for Recommendations**

- 23 The current financial situation of the council means it has no option but to transform the way it delivers services.
- 24 Transformation on this scale represents a new and difficult challenge for the council. The programme will be delivering an ambitious and far-reaching portfolio of change programmes and projects, that address a range of fundamental issues the council faces in responding to the changing needs and expectations of residents and communities.
- 25 Recommendations 1 ensures that Corporate Policy Committee is fully conversant with the information that will be provided to central government in support of the current conditional agreement to provide Exceptional Financial Support. This information must be provided to government prior to the 27<sup>th</sup> August 2024.
- 26 As part of any large scale and dynamic change programmes, it is important to continue to flex and adapt to ensure that the council continues to meet its strategic objectives and the changing operating environment.
- 27 It is important that the future transformation plan is compiled with this in mind as it will require us to effectively manage change, alongside building and maintaining relationships with external partners and developing new financial and staffing structures.

- 28 The emerging opportunities will require a structured transformation approach which will be supported by dedicated resource both from Inner Circle and an internal council.
- 29 We are now starting to look ahead to the medium-term, setting our strategic direction and ambitions for the organisation through a defined operating model which is likely to need to be fundamentally different to the one today. This will be developed alongside a new Cheshire East Plan for 2025 and beyond.
- 30 A new operating model will articulate how the organisation will run at a future point in time when the transformation from the 'As-Is' state to the 'To-Be' has been achieved. The basic parameters that need to be considered in that model are:
- (a) The outcomes and benefits of what we offer, including Key Performance Indicators (KPIs)
  - (b) The target client(s), customer(s), and resident(s) that the model is looking to address.
  - (c) Relations with key stakeholders including the motivations to work in partnership.
  - (d) The structure of the organisation to ensure that the core capabilities are in place to deliver.
  - (e) Configuration of activities and services and how we deliver systems through the use and adoption of technology.
  - (f) The overall cost and core financial structure of the organisation.
- 31 The Council will need to deliver at pace the opportunities that have being identified; it is important to recognise that the transformation programme is one of several elements that need to be progressed in parallel to deliver stability in the council's financial position, the others being:
- (g) Sound day-to-day budget management.
  - (h) Monitoring delivery of savings, growth, and income in MTFS (Medium Term Financial Strategy) 2024-28.
  - (i) Developing robust proposals (business cases) for MTFS 2025-29; and
  - (j) Recommendations from LGA Corporate Peer Challenge
  - (k) Establishment of the independent assurance panel.

- 32 As part of the submission of a transformation programme plan to MHCLG it is important to recognise that over the past 18 months Adults, Health and Integration, Children and Families, Corporate services and the Place directorates have all been undertaking bespoke, service specific programmes of improvement, change and transformation.
- 33 Whilst each of these standalone programmes will individually deliver efficiencies and improve outcomes, we are missing opportunities to identify those changes that will deliver the greatest benefit. We must adopt consistent approaches to change, deploy time and resource appropriately and ensure that we prioritise the actions that will make the biggest difference to deliver savings and change in the most effective and efficient way.

### Other Options Considered:

- 34 The Council, to achieve the required savings identified within the MTFS must transform how it currently delivers its services, there is not an option to do nothing. The only viable option to progress the transformation plan as quickly as possible.

Option	Impact	Risk
Do nothing	<p>The Council would not meet the conditions for Exceptional Financial Support.</p> <p>There would be no access to the capitalisation of revenue expenditure that was required to manage in-year financial risks.</p> <p>Without the change required to create sustainable finances the council may be unable to fulfil its statutory obligations.</p>	<p>Insufficient funding to fulfil statutory requirements of the Council.</p> <p>This could lead to an unlawful financial position that requires the issue of a s114 report.</p>
Transformation, resourced in house	<p>Reduced costs associated with procurement of a delivery partner, development, and ownership within existing resource.</p>	<p>Existing capacity and/or capability is insufficient to deliver the transformation programme resulting in the required level of savings not being achieved.</p>

Transformation resourced completely externally	Rapid deployment of resources to achieve savings, up-front cost required and ongoing costs.	This option is not financially sustainable in the long term.
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## Implications and Comments

### *Monitoring Officer/Legal*

- 35 The request for Exceptional Financial Support falls within the amended legislation introduced under The Levelling-up and Regeneration Act 2023. This inserted an amended Section 12A as a trigger event within the Local Government Act 2003, by way of section 12A (2)(c)(i) in relation to capital finance risk management.
- 36 The legislation also provides for risk mitigation directions to be given to the Council which limit the ability to undertake certain financial action. The limitations are based on identified risk thresholds set out in section 12B.
- 37 The delivery of transformation plan and individual programmes or activities under the transformation programme will require individual consideration decision making and reporting. This is proposed to be delegated to the Chief Executive in consultation with the Leader and Deputy. Ongoing oversight will be required by the transformation board as well as the Chief Finance Officer and Monitoring officer. It is also noted that the Assurance Panel will provide ongoing scrutiny and there will be regular reports back to committee to ensure ongoing full member oversight.
- 38 It is necessary for the decisions set out in the report to be made and implemented within a short timescale and it is appropriate that the provisions within the Constitution as to referral, do not apply in this instance.

### *Section 151 Officer/Finance*

- 39 The council has set a balanced budget for 2024/25. In section 25 of the MTFS report, the section 151 officer stated:
- (a) The council must transform to create sustainable services and support infrastructure projects that reflect 'whole life' costs. This must cover the medium to long term and be backed by reserves that can manage any emerging risks.

- (b) It is highly likely that the council will require additional capacity to manage this programme, in a way that is yet to be determined, but it will inevitably require additional funding, which will need to be met from within existing resource.
- 40 The council received a grant award from the LGA for £100,000 to support the transformation programme which is being used to offset the Phase 1 costs.
- 41 The council received confirmation from MHCLG that they are minded to approve the council's request for Exceptional Financial Support. However, there are several conditions that will need to be met prior to formal approval, in summary the council must:
  - (a) Undergo an external assurance review on the council's financial position and financial management policies, and the council's work to improve its productivity and efficiency.
  - (b) Produce an improvement and transformation programme within six months (27th August 24) that is focused on delivering the council's key objectives and securing the medium-term financial position.
  - (c) The programme should incorporate any recommendations identified as part of the external review.
- 42 Members agreed at full council to establish a budget envelope of up to £3m to fund Phase 2 of the transformation programme. This will be funded through existing reserves of the council in the first instance. This funding will need to be replaced either through any initial delivery of in-year savings or through identifying any additional flexible capital receipts that can be used to fund transformation work. Without this investment, the council will not have the capacity to deliver the required level of savings that have been identified in the Medium-Term Financial Strategy, of at least £100m over the life of the MTFS.
- 43 This transformation plan links closely with other improvement work, particularly in Children's services where the council must respond to the external inspection and the need to improve outcomes for our children and young people. This transformation programme includes investment across all service areas but is also aligned with the improvement plan following our ILACS (Inspection of Local Authority Childrens Services) inspection.

### *Policy*

- 44 The principle and themes of the transformation programme are aligned with the council's vision, priorities and values as outlined in the Corporate Plan 2021-2025 and refreshed Cheshire East Plan 2024/25.



- 45 The transformation programme seeks to directly support the aims of being an open and enabling organisation, a council which empowers and cares about people, working together with residents and partners, and a thriving and sustainable place.

### *Equality, Diversity, and Inclusion*

- 46 The fundamental principles underpinning the need to transform have equality, diversity, and inclusion as a golden thread at the heart of all plans for change.
- 47 At all stages of transformation, consideration is given to the Public Sector Equality Duty under s.149 of the Equality Act 2010 and it is recognised that we must remove or minimise disadvantage and take steps to meet the needs of persons sharing all protected characteristics such as a disability or age.
- 48 The duty also provides that public authorities must encourage persons with a protected characteristic to participate and influence where participation and engagement by such persons is disproportionately low.
- 49 The previous periods of public service change have impacted disproportionately across communities. At times, those stakeholders and residents who have the greatest needs have lost out relative to others.
- 50 The Transformation programme has an aim to improve the experience of all customers when interacting with the council and will seek to ensure that the council recognises and addresses individual needs and/or barriers to accessing services now and in the future.
- 51 An equality impact assessment has been undertaken for the overall programme and is included in Appendix D of this report.
- 52 The transformation programme is likely to affect the following:
- (a) Cheshire East Council staff – The transformation programme will establish a target operating model for the council, which will be fundamentally different to the one in place now. When an organisation embarks on transformation of this scale, it can either have a positive or negative impact on culture depending on the approaches taken therefore, it is critical that the transformation programme builds on the culture and behaviour work which has already been embedded into the organisation, and is key to forming cross directorate relationships, ensuring in collaboration, transformation is integral to the way the Council conducts its business.

- (b) Residents of Cheshire East Council – this includes people of all characteristics who live within Cheshire East and will be affected by changes to the services.
- (c) Non-residents who use council services that will change as a part of the transformation plan – People who travel through the area or into the area for work/leisure may be impacted by some of the changes.
- (d) Anyone who contacts the council – Invest in digital technologies to transform processes will change the way people contact the council. Those who are not digitally aware or are digitally excluded may require specialised support and guidance.
- (e) Partners and Service Providers – Changes in information sharing and integration between council departments and partners.
- (f) Businesses owners – The plan could change how a business operates and the customers who visit.
- (g) Community Organisations within Cheshire East Council boundaries – The plan could change how an organisation operates and the customers who visit.
- (h) Members/Councillors – May get increased queries from residents about the changes adding to their workload.

53 Whilst at this stage, the full detail of all the changes is not fully known, it is expected that Equality Impact Assessments will be completed at key stages of the transformation programme, in particular for each specific project / workstream where significant change to is occurring. This will ensure that the impacts of change, on both internal and external stakeholders, will form an essential part of decision making.

## Human Resources

54 It is important to recognise when an organisation embarks on transformation of this scale, it can either have a positive or negative impact on culture depending on the approaches taken therefore, it is critical that the transformation programme builds on the culture and behaviour work which has already been embedded into the organisation.

55 The work on the decision-making accountability work, will help to stabilise the organisation ensuring that there is buy-in from all levels of the organisation to contribute to the success of the overall programme.

56 The transformation programme will establish a target operating model for the council, which will be fundamentally different to the one in place now.

## Risk Management

- 57 To successfully achieve the objective of the transformation programme, each of the opportunities that have been identified will need to be delivered, and there remains the distinct possibility that further measures will need to be taken. The council will therefore need to consider and define its appetite for risk as part of its transformation programme to support informed decision making, reduce uncertainty, and to ensure focus on priorities.
- 58 A risk appetite defines the amount and type of risk that an organisation is willing to take to meet strategic objectives, and risk thresholds establish the boundaries outside of which an organisation is not prepared to venture in the pursuit of long-term objectives. Table 1 sets out the descriptions of risk appetites in the council's risk management framework.
- 59 Whilst the council is not averse to taking risks, there are individual aspects of risk appetites where a more cautious, or risk averse approach is appropriate. For example, in relation to statutory obligations, legal responsibilities, and fraud.
- 60 In other areas, a minimalist, cautious, and open appetite can be appropriate – particularly where existing operational systems of work can be developed or enhanced.

TABLE 1	
Appetite	Description
<b>Hungry</b> / High Risk Appetite 5	Eager to be innovative and choose activities that focus on maximising opportunities to achieve objectives (with additional benefits and goals) and offering potentially very high reward, even if these activities carry a very high residual risk that may result in reputation damage, financial loss or exposure.
<b>Open</b> / Moderate Risk Appetite 4	Willing to undertake activities seeking to achieve a balance between a high likelihood of successful delivery and a high degree of reward and value for money. Activities themselves may potentially carry, or contribute to, a high degree of residual risk.
<b>Cautious</b> / Modest Risk Appetite 3	Willing to accept / tolerate a degree of risk in certain circumstances when selecting which activities to undertake to achieve key objectives, deliverables, or initiatives, where we have identified scope to achieve significant reward and/or opportunity. Activities undertaken may carry a high degree of inherent risk that is deemed controllable to a large extent.
<b>Minimalist</b> / Low Risk Appetite 2	Preference to undertake activities considered to be very safe in the achievement of key deliverables or initiatives. Activities will only be taken where they have a low degree of inherent risk. The

	associated potential for reward / pursuit of opportunity is not a key driver in selecting activities.
<b>Averse / Zero Risk Appetite 1</b>	Avoidance of risk and uncertainty in achievement of key deliverables or initiatives is paramount. The council is not willing to accept risks under any circumstances and activities undertaken will only be those considered to carry virtually no inherent risk.

- 61 In the context of the objective of the transformation programme, the wider financial position of the organisation, and the decision making required to achieve successful delivery, understanding the risk appetite in relation to an individual decision, and its part in the wider transformation programme will be key information. The specific nature of the risk category relevant to the decision should also be considered, for example, governance risk, financial risk, people risk, reputational risk, and partnership risk.
- 62 Several of the opportunities being considered will be subject to business case development, and approval at the relevant committees will form part of a critical path; members should take due regard to the risk that if a decision is not progressed then equivalent savings will need to be identified.
- 63 The council's Strategic Risk Register includes those risks which materially threaten the organisation's ability to achieve its strategic goals, and the mitigation action for each of those risks will have dependencies on the transformation programme. There are specific risks associated with the organisation's ability to transform, which are currently rated as critical risks.
- (a) **SR07 – Leadership Capacity:** There are a number of vacancies and temporary acting up arrangements in place in Cheshire East council's leadership team, which limits its capacity and prevents the team from operating as effectively as possible. Without the right capacity across the leadership team, the organisation is unable to flex and respond to its challenges.
- (b) **SR08: Ability to Achieve Organisation Change:** The council is unable to achieve organisational change due to a lack of resources and capacity to focus on transformation as people focus on the delivery of business as usual. Recently received advice from government commissioners advised that organisational change capacity is a key ingredient to support the council in delivering transformation to achieve medium to long term change that will support achievement of savings and also, in the event of a section 114 notice being issued, organisational change capacity is also essential to deliver necessary actions arising from interventions.

### *Rural Communities*

- 64 Any impact on rural communities will be considered as part of the transformation programme. *Children and Young People including Cared for Children, care leavers and Children with special educational needs and disabilities (SEND)*
- 65 In Children and Families significant work reviewing SEND services has been undertaken in conjunction with the Department of Education to identify what change is required to ensure long-term financial affordability and sustainability of services for the council.
- 66 Also, a broader programme of service transformation under the banner of the Together Strategy – a 4-year programme to excellence is part of the MTFs to ensure we are doing different for less with further integration and practice improvement.
- 67 Adults, Health, and Integration have reviewed social work practice and commissioned care services. Through targeted activities they are supporting more people to stay in their own homes where that is the most cost-effective option, supporting more people to train to work in social care services, and developing business cases to build new accommodation, so that people can have the right home for each stage of their lives. The department is also adopting new tools to support the development of pricing strategies and negotiating approaches for commissioned services.

### *Public Health*

- 68 A key consideration of the transformation programme must be on addressing the large difference in residents' health across the borough, this will involve the council working with partners to improve health outcomes.
- 69 Health improvements will only be made by embedding public health considerations across all local authority functions where appropriate.

### *Climate Change*

- 70 The transformation programme will focus on all aspects of the council's plan, this must include the activities that are required to achieve carbon neutrality by 2027.

<b>Access to Information</b>	
Contact Officer:	Christopher Allman- Director of Transformation

Appendices:	Draft Transformation Plan – Appendix A Equality Impact Assessment – Appendix B
Background Papers:	None.