

Paper CB150326/03

PRIVATE BOARD PAPER - NHS ENGLAND

Title: Update on NHS England's Organisational Alignment & Capability Programme.

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Rationale for discussion in the Private session:

This is a confidential update for Board members only as it relates to staff changes.

Purpose of paper:

This paper provides status on NHS England's Organisational Alignment and Capability (OAC) programme.

The Board is invited to:

- Take assurance of progress of the Organisational Alignment and Capability Programme.

Status of the Organisational Alignment and Capability (OAC) Programme

Context of the Programme

1. The OAC Programme was established in May 2014 to take forward recommendations from a short review of NHS England organisation alignment and effectiveness. As the Programme proceeded, additional changes were identified in relation to our functions and also to make efficiencies in order to live within 15/16 budget, which we are managing under the governance of the OAC Programme. So the Programme now consists of the following elements, which we have grouped under phases:
 - The original set of relatively minor structural changes to realign the organisation under a revised management structure. (Phase 1)
 - The structural changes to the organisation to deliver 15% admin efficiencies in 2015/16. (Phase 2)
 - The transfer out of [TEXT REDACTED] functions, assessed as not core to NHS England role (phase 4)
 - The Review and reduction of programme budgets, and the impact on staff employed on such programmes. (Phase 3)
 - The Review of Improvement and leadership capability, to align it to the needs of the 5 year forward view, and which also includes a cost reduction and realignment. (Phase 3)
 - The review to rationalise estates, to reflect the new organisational reduced footprint and deliver efficiencies. (phase 3)
 - The work to develop key capabilities, improved ways of working, and address culture and behaviours, to ensure the organisation can deliver its critical role for the NHS, for patients and the public.
2. The aim of all this work is to ensure the organisation is well organised, structured, and led, to ensure it can deliver its purpose and key priorities effectively, within its admin and programme budget envelopes. This report provides an overview of progress and status against each area.

Phase One and Two – Initial alignment and structure changes

3. During the summer the organisation designed new structures to live within its target admin budget for 15/16. Collective and individual consultation on the revised structure was formally launched on 1 October 2014, and implementation commenced on 17 November 2014. Rather than complete and start new consultations, we have continued the original consultation but updated it at stages to reflect the additional scope of changes, as they have been identified through phases 3 and 4.

4. Staff numbers and costs. Initial indications at launch were that 815 people were affected by change with a net reduction of 301 posts. Subsequent detailed validation confirmed that 1009 people were actually 'affected by change'. Implementation has been proceeding well, and by the end of January a total of 844 posts in the structure had been filled by staff affected by change.
5. Redundancy. In order to manage both costs and the morale impact of significant redundancies, we decided to use voluntary redundancy where possible. The **VR scheme** was deployed from 24 November 2014 and then in phases to all staff affected by change.
6. In total, 72 VR applications and 169 compulsory redundancies have been submitted to the DH Governance and Assurance Committee (GAC) for authorisation. (This does not include PCS redundancies) Since then, 44 people have been redeployed within NHS England or the wider NHS, saving over £4m, leaving a balance of redundancy cost to date of £18m against an original estimate of £23m. Work continues to redeploy staff within NHS England also the wider system. A summary of decisions made at DH GAC is at **Appendix 1**.
7. Equalities Impact. Two impact assessments have been produced for staff affected by change (published 17 November) and for staff declared at risk after not securing a post (published 4 February) for wider engagement with representatives from minority groups and Trade Unions. The assessments have not provided cause for concern, but we are working through action plans for each region and central team to mitigate the effect of change.

Phase Three: Programme Funded Staff and Reviews

8. OAC phase three consists of:
 - Staff employed on programme funded work, which is subject to efficiencies to live within reduced programme budgets
 - Staff affected by the Estates Review
 - Staff affected by the Review of Improvement and Leadership Development Capability
9. All three areas will result in reductions of funding, and other changes which could result in redundancy and other structural changes for staff.
10. Programme funded Work. There are currently c430 WTE people funded by programme monies across the organisation. All have been designated "affected by change", as the financial review impacts their roles. We are supporting all such staff, with the same or equivalent support and redeployment opportunities as applied to admin staff affected by change.

11. Review of Estates. The Estates review identified 19 sites for review and potential rationalisation in December 2014. Site reviews have commenced and some local alternative propositions are being developed through engagement with local teams and through wider consultation. There are no planned office closures in 2014/15 and the target for the completion of the reviews is 31 March 2015.
12. Review of Improvement and Leadership. A separate Board paper covers the work of the review. All staff in NHS Improving Quality, Clinical Senates, and Strategic Clinical Networks are potentially impacted; these are included in the c430 staff funded through programme funds (para 10). Recommendations are being finalised for agreement at the end March. Currently we plan to start implementation as soon as possible for completion during 2015/16.

OAC Phase Four - Transfer of Functions

13. [TEXT REDACTED]
14. [TEXT REDACTED]
15. [TEXT REDACTED]
16. [TEXT REDACTED]
17. [TEXT REDACTED]

Developmental work on capabilities and Improved Ways of Working

18. Since the last update to Board, we have been working on how best to tackle aspects of culture and behaviour, and improved ways of working to address findings from our original stocktake work. We have built new “operating standards” which reflect key changes we need to make in how we work collaboratively and effectively across Directorates, and have asked all Directorates and Regions to build these into Organisational development plans by the end of March.
19. The OD plans should ensure each part of the organisation works systematically and carefully on the way they work, their new structures, how they support the organisation’s 2015/16 priorities, how they work corporately, their values and behaviours, and how they tackle staff engagement. We will continue to support teams to work on this as we complete structural implementation and work together on next year’s priorities.

20. We have also started a strategic piece of work to identify and develop critical organisational capabilities we need for the future. We will be bringing proposals to the Strategic HR and Remuneration committee for consideration within the next Quarter.

Managing the risks

21. The main risk associated with the programme of change is that the reductions mean we have inadequate capacity to manage our delivery responsibilities, together with the new work associated with the Five Year Forward View. We have now had two deep dive discussions with the Audit and Risk Committee to discuss the risks and how best to mitigate them.
22. Our main mitigation is to ensure our forward work plans are well scoped, aligned and focused to deliver our know priorities, and that we organise to deliver those effectively. We are currently doing this through our business planning, and ensuring we focus on a relatively small number of priorities which are deliverable. We are also undertaking stocktake reviews to ensure each of the corporate priorities is being organised to deliver successfully. It will then be managed and assured through the course of the year.

Summary and next steps

23. The OAC Programme has grown substantially in scope over the course of the year. It is on track to complete successfully by the end of March the delivery of the initial phases of work, to ensure the organisation is more efficient and effective and can live within its admin budget for 15/16.
24. However, the other phases of work will continue into 2015/16 to address the changes identified during the year to restructure and reduce the significant numbers of staff in programme funded posts and hosted organisations, and to build the capabilities and ways of working we need to be truly high performing in our critical role. This will ensure the organisation can operate within its Programme funding allocation, and that we better align and focus our programme resource to meet our priorities.
25. This work, under the OAC programme, forms a significant part of one of our ten corporate priorities for 2015/16, to “Develop the Essential Enablers for transformational change”, including the capability and infrastructure for transformational change. We will be tracking and reporting progress to the Strategic HR and Remuneration committee and Board through the year.

Recommendations

26. This report recommends the Board takes assurance:
- That the programme has successfully delivered phases 1 and 2, and will continue management the remaining change planned for the next year.
 - That we are adequately managing the risks associated with the programme.
 - That this work remains a corporate priority in 2015/16.

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Appendix 1

[TABLE REDACTED]