



London Borough of Hammersmith and Fulham | The Royal Borough of Kensington and Chelsea | Westminster City Council

# TRI-BOROUGH PROPOSALS REPORT

**Bold ideas for challenging times**

A report for consultation by the Chief Executives of  
Westminster City Council, the London Borough of Hammersmith and Fulham  
and the Royal Borough of Kensington and Chelsea







THE ROYAL BOROUGH OF  
KENSINGTON  
AND CHELSEA



City of Westminster

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# LEADERS' FOREWORD

We lead three Councils who have hard won reputations for innovation and for providing great local services. This is why today our Chief Executives are publishing bold new proposals for public consultation to combine services to meet the challenges of an age of austerity.

These plans mean that in future we will work together to commission better services in some areas, reduce management costs and cut overheads to protect frontline services in each of our authorities. These proposals will be put to the cabinets of the three authorities this month for initial support to enable work to start to draw up implementation plans in chosen areas.

To safeguard local autonomy each Council will agree a sovereignty guarantee showing how each authority will retain its own constitution, setting out how it makes decisions, organises scrutiny and delegates authority.

We are initially developing combined services in the areas of adults' and children's services, and support functions like ICT. We'll consider more services in time as part of our developing proposals.

The purpose of this new approach is to deliver better services, by doing things differently. We

believe that in many areas shared management can commission services that will improve quality of life in central and West London faster than we have been able to do to date, at an affordable cost.

While we have common goals, we will retain the ability to deliver local solutions. Local people won't see many changes as the main improvements and savings will be driven by shared management and combined service arrangements.

These proposals will be debated, consulted on and approved by the three authorities separately with a view to implementing any agreed proposals from later this year, starting with the provision of integrated services to schools in September.

We believe that this report marks the start of a journey to Tri Borough working, not the destination. We will discover different ways of protecting and enhancing frontline services on that journey, increasingly working together, sometimes as three boroughs, two or individually as agreed in public and through our democratic process.

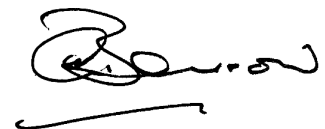
We urge elected members, community leaders, staff and the public we serve to comment on these proposals.



**Cllr Stephen Greenhalgh**  
Leader of the  
London Borough of  
Hammersmith and Fulham



**Cllr Sir Merrick Cockell**  
Leader of the  
Royal Borough of  
Kensington and Chelsea



**Cllr Colin Barrow**  
Leader of  
Westminster City Council

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# EXECUTIVE SUMMARY

FEBRUARY 2011

## Context

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The new government created in May 2010 stated its first priority as the reduction of a structural deficit in the UK economy.

It also sought to discourage bureaucracy by dismantling the quango state and promising new powers for citizens.

Local Government is to get a general power of competence; new responsibilities for public health and to lead 'community budgets' to achieve more from less.

Local residents get powers to instigate local referenda: to bid to run services and to buy certain local assets.

The Government's spending review figures indicated an intention of a real terms reduction in national local government spending of 14% measured from 2010/11 to 2014/15.

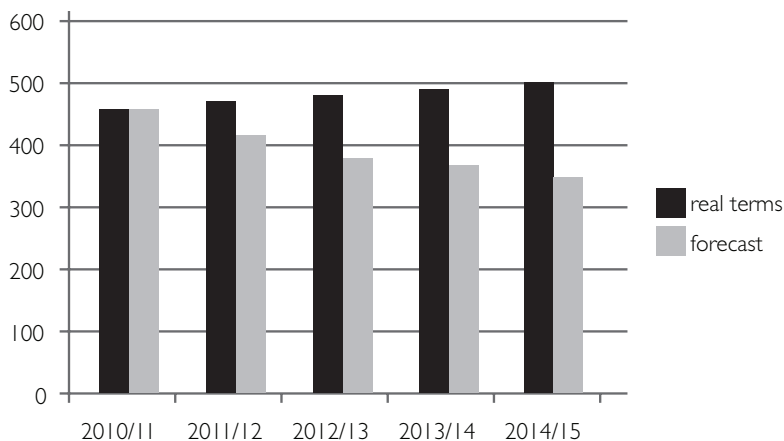
In December 2010, the local government finance settlement for 2011/12 and 2013/14 was announced.

The future grant allocations to the three Councils still contain some uncertainties:

- the promised review of local government finance
- possible further changes in distribution formulae
- Further decreases in service grants or new grants commencing

The three Councils together are large institutions with total spending over £1.5bn. However much of this is tied up in fixed commitments – for vulnerable people in care, schools and contracts for essentials like waste collection and disposal.

The 'anticipated position' for each Council for 2014/15 still contains some uncertainties therefore. All three Councils have budget proposals for 2011/12. But even after this year, in overview, the three boroughs still need to manage a £100m gap between current budget commitments and future likely resources, measured between 2011/12 and 2014/15. Each Council has decisions to make over future council tax levels and services levels.

**Chart 1: Formula Grant for the three boroughs (£ million)**

The Leaders of Hammersmith and Fulham, Kensington and Chelsea and the City of Westminster Councils decided this context called for a radical re-invention of their Councils. Part of this re-invention is represented by the Tri-borough proposals.

## The Tri-borough proposals

To reduce the cost of bureaucratic overheads and save management costs it is proposed that some current council services can be more efficiently managed at greater scale. In order to ensure that the most locally sensitive services remain wholly local and to respect existing outsourced contracts it is recommended that a set of services stay managed on a single borough basis.

Two Councils will from October 2011 be managed by one Chief Executive.

A combined three borough Children's Services, including education services, will be formed.

Assessment of children at risk will continue to be done on a borough basis but specialist functions and management will be combined.

A combined adult social care unit will be formed, to commission services alongside GPs when they take over new local commissioning responsibilities.

Subject to further discussion with GP consortia and NHS colleagues, staff involved in the provision of social care services will transfer into one or more new joint units alongside NHS staff with similar responsibilities.

This will promote closer working; providing opportunities for smarter procurement and the delivery of more co-ordinated and less wasteful service to those in need.

The Proposals include a proposition for a combined three borough library service, whilst retaining borough branding on buildings. This will help reduce management costs and overheads.

A future option is floated – that at a future date and subject to further option appraisal, this combined library service is transferred to external management – perhaps through a new charitable trust – to provide enhanced opportunities for library users and other residents to be involved and to add volunteering effort.

The Proposals include a discussion of options for savings in other environmental services.

Waste management is the largest area of spend and there is an opportunity to consider a future joint procurement but not until some years hence.

Other proposals are shown as options to be considered further, including options for shared senior staff.

A first wave of combined services on a two borough or three borough basis will be set up to reduce costs for Human Resources; building control, facilities management, insurance, office accommodation and parking back office services.

IT services present challenges as the three boroughs use many different systems but we will complete a further review to test how greater collaboration can build a more integrated platform and offer scale advantages.

The costs of any new IT and benefits flowing will be subject to the usual business case disciplines.

## Reducing costs

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After careful consideration, senior staff are satisfied that combining these services offer better prospects for reducing costs and therefore contributes to protecting vital front line services.

The aims of combining services are partly to reduce management costs and other overheads, in a way which still leaves a set of arrangements that are safe and resilient.

The proposals argue that as an alternative, single borough reductions either reduce management capacity to a degree that risks inefficiency or failure or fail to produce enough savings and leave vital front line services more at risk.

The aims are:

- to reduce the number of middle and senior managers, in combined services overall by 50%.
- to reduce overall the 'overheads' on direct services to the public by 50%.
- to ensure that by 2014/15 the costs of overheads and middle and senior management will be a smaller proportion of total spend than in 2010/11.

These are "proposals" and more detailed "plans" will follow if the proposals are supported.

In addition working collaboratively will promote better procurement of external services and allow more detailed comparisons and challenge to drive best practice. Through such new working we will achieve more from less.

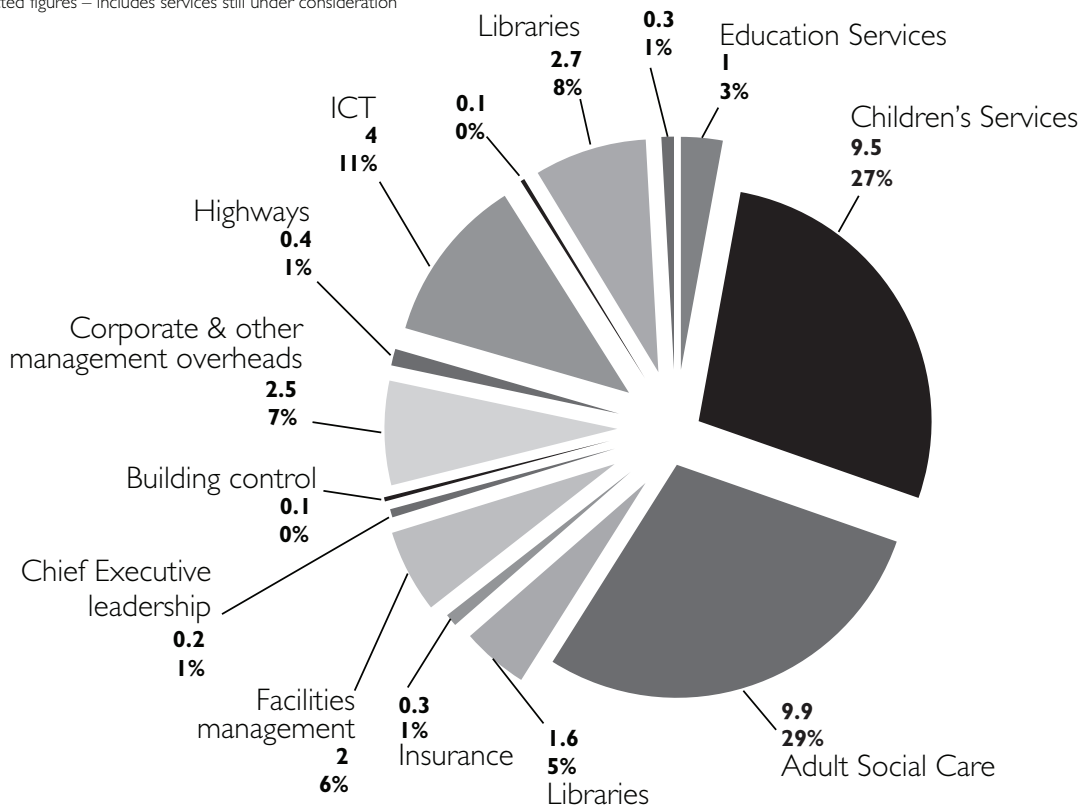
<b>£ million estimated saving for three Councils</b>		
<b>Tri-borough services</b>	by 2011/12	by 2014/15
Education Services	0.7	1.0
Children's Services	0.8	9.5
Adult Social Care	0.9	9.9
Libraries		1.6
Insurance		0.3
Facilities management		2.0
ICT	0.4	4.0
Chief Executive leadership	0.1	0.2
Building control		0.1
Corporate & other management overheads		2.5
HR		2.7
<b>Total</b>	<b>2.9</b>	<b>33.8</b>
<b>Services still under consideration</b>		
Customer Services		
Highways		0.4
Emergency planning		
Environmental health		
Community Safety (CCTV)		
Parks management		0.1
<b>Services that might suit joint procurement later</b>		
Waste collection and street cleansing		
<b>Services where H&amp;F and RBKC might be the first to combine</b>		
Legal Services		
Parking back office		0.3
<b>Services not recommended for integration</b>		
Planning		
Licensing		
Housing and regeneration		
Culture		
Policy/communications		
Governance		
Housing benefit services		
<b>All savings</b>	<b>2.9</b>	<b>34.6</b>

Note: mid-range estimates of savings have been used where a range has been quoted in other chapters.

## Tri-borough Savings by 2014/15

£Millions - total savings: £34.6m

Estimated figures – includes services still under consideration



## Beyond the Tri-borough proposals

Alongside these proposals the three boroughs continue to develop their ideas to be part of the localist spirit and to support the "Big Society."

The three boroughs are committed to localism and to the continuing development of other local ideas that will reduce demands on local taxpayers and continue the excellence for which the Councils have properly been known.

The Localism Bill is a landmark point for local government and the boroughs are committed to using its opportunities to promote a radically different version of modern local government.

## What happens next?

The examination of options and the analysis of current costs and ways of operating has brought benefits already as borough senior staff have been able to compare and contrast current expenditure.

But the move to the next stage – from 'Proposals' to 'Plans' - will represent a valuable opportunity to involve more staff, to benefit from the challenge and insights that Scrutiny politicians can offer and to discuss these proposals with other interested parties.

The cost savings indicated here can only be responsible estimates at present and are savings net of the necessary costs of change.

More detailed plans – capturing more of the costs of change and business cases for any IT migration and other business changes - will be brought forward over the next twelve months.

These proposals, if supported, are best seen as a new 10 year settlement, but also a new way of working that needs to be sustained as a new dynamic way of running this part of our world city.

The changes are not simply administrative and will need to be combined well with other local service partners, particularly as decentralisation continues.

These changes seek to re-model how we arrange and deliver services, not the services themselves and we believe that there will be opportunities to improve service quality in the medium term from shared learning and a better understanding of what works.

The Proposals, if supported in principle, at Cabinet meetings of the three Councils in February 2011 are then available for Scrutiny and wider discussion. Trade unions will get the chance to comment and make any representations. The public will be able to read about the proposals and let us know their views.

After a suitable period, the three Councils will consider again at further Cabinet meetings in April or May 2011 and then finally decide whether to go ahead.

# I. INTRODUCTION

This Proposals Report represents perhaps the boldest voluntary change programme in local government today.

It is a response to today's challenges.

It is a proper, considered response to a challenge not only of how to best use a smaller total of public subsidy but how to make best use of technology; how to encourage and use a competitive market and how to make smart use of managerial and other expertise. The Proposals also chime with the times and provide a stronger platform for the devolution of more responsibilities to Councils from Whitehall.

Bold proposals do not come without risk and complication.

Full implementation will require relentless execution, firm management of change and a sense of momentum.

The Proposals also require an acknowledgement of the costs of change. The full analysis at this time is at chapter II.

The Proposals come with a considerable degree of interest from the staff groups of the three Councils. This is a time of uncertainty and some anxiety for public sector staff but a wide range of staff have contributed well to the discussion and design work. This helps to ensure that the proposals are considered, professionally sound and consistent with a continuing commitment to high standards.

For too long local government has been a shadow of the policy ideas of Central Government. These ideas have been invented in local government, specific to local issues and are sensitive to local area needs and aspirations.

It is a mistake however to think of the Tri-borough proposals alone as the future of local government in our boroughs.

That is why each borough will build upon a tradition of local working to take localism and Big Society ideas on to the next level.

These four ideas:

- Local responsibility and influence
- Enhanced market options
- Aggregation of services that are highly technical and professional
- A stronger platform for more devolved responsibilities from Whitehall

represent a determined attempt to reduce costs, but also a re-invention of local government for a new age.

## 2. CONTEXT

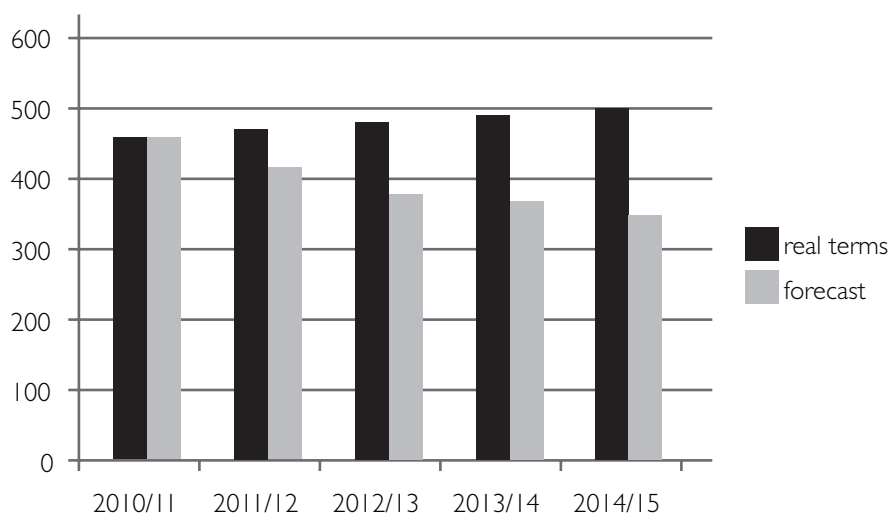
### Background

#### The need for change:

London Boroughs face significant financial pressures as a result of the Spending Review:

- Formula Grant is much the largest single source of funding for the three boroughs.
  - In 2011/12, this will fall by £54.4 million, or 11.5 per cent.
  - In 2012/13, it is likely to fall by a further £32.0 million or 7.7 per cent;
  - Although later years will be subject to the review of local government finance, the profile for Formula Grant in Spending Review 2010, and the pattern of the first two years, together suggest a further loss of £26.0 million by 2014/15;
  - The total reduction may therefore be about £112 million over four years; allowing for inflation, it would be a reduction of 31 per cent;
- Specific grants were also an important source of funds; aside from the funds required to be passed through to schools, these are also likely to fall in cash terms over the next four years; Boroughs have made plans for 2011/12; but the funding gap even over 2012/13 to 2014/15, allowing for Formula Grant, other grant, inflation, obligations such as the Freedom Pass and low or no Council Tax increases suggest a £100 million gap to traverse.

**Chart 1: Formula Grant for the three boroughs (£ million)**



These budgetary pressures will undoubtedly impact on frontline services and boroughs must consider what steps can be taken to lessen the impact. Accordingly, Leaders requested that work be commissioned

to consider the case for deep and wide collaboration across the three boroughs, the broad rationale being:

- Management structures for the delivery of services are triplicated across the boroughs, and could potentially be rationalised. Current shared Directorships across boroughs suggested that an integrated model was workable more widely. Rationalisation could lead to subsequent management overhead savings e.g. buildings, IT systems.
- It was likely that certain services could be delivered, commissioned or procured together, realising savings as a result of introducing more efficient delivery models and economies of scale – effectively 'more for less'.
- There would likely be additional benefits, including ensuring service resilience and the ability to offer services that would individually be too costly to provide. Certain risks, and infrastructure investment, could be spread. The ability to offer a more varied career path and better promotion opportunities would support the recruitment and retention of key staff.

## **Why collaboration across these boroughs in particular?**

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A number of factors support looking at the case for integration across these particular boroughs:

- Appetite: While there are a number of authorities looking to share certain services / management functions, few are looking at systems-wide models to meet current and future challenges.
- Pace: Boroughs were willing and able to commit early to looking at the case for integration given the scale and timing of the cuts.
- Track record: There was sufficient commitment and trust, reinforced by earlier partnership working across the boroughs, to look to closer working arrangements.
- Geography: Hammersmith & Fulham, Kensington & Chelsea and Westminster are well suited to collaboration being small, densely populated boroughs with shared borders.
- Wider changes across the public sector: For example, the move to a tri-borough PCT configuration.
- Notwithstanding the above, boroughs have expressed a desire to look for opportunities for wider collaboration where this can further reduce costs.

The Chief Executives commissioned provisional feasibility work across four service areas, including senior managers across the functions:

- Children's Services
- Adult Care and Health
- Finance and Resources
- Environmental Services

These initial commissions were simply designed to ascertain whether the instinct that there were economies to be obtained through greater collaboration was likely to be well-founded. The work was not designed to give detailed costings sufficient to warrant a decision to implement.

The report outlined the possibility of savings in the order of between £10-15m per borough. The outcome of that work was that there was a sufficient quantum of benefit to warrant production of this, more detailed, report.

# 3. POLITICAL SOVEREIGNTY

From the outset the proposals have sought to bolster, not undermine, the democratic legitimacy and rights and responsibilities of the three Councils to choose their own priorities and decide their own policies.

There are three Councils now and there will be three Councils in the future. There is no fourth Council being considered. Only the three Councils will be able to set a budget, raise tax and make formal political decisions. Each Council will set out its own priorities.

The three Councils will want to consider aligning policies where this assists the public and is consistent with each Council's interpretation of its responsibilities. Such alignment may itself prompt better value for money.

To set out the safeguards clearly, part of these proposals is the "Sovereignty Guarantee" (see section below) ensuring:

- Local decision making
- Local accountability
- Smart delivery

## **A sovereignty guarantee**

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All three Councils are committed to continuing to represent the needs, priorities and ambitions of local people in their neighbourhoods.

They are exploring reducing costs by working together. They are also keen to take new devolved responsibilities from Government and manage these together, where this makes sense.

Commissioning or delivering services together is specifically designed not to change how residents experience services. It is about how to get things done more efficiently.

### **To safeguard local autonomy the Councils confirm:**

1. Local residents will continue to elect the same number of councillors to each Council.
2. Each Council will retain its own constitution, setting out how it makes decisions, organises scrutiny and delegates authority.
3. Each Council will continue to set its own council tax and publish its own budget and accounts.
4. Each Council will continue to be able to set its own spending priorities.

5. No Council can be 'out-voted' by the two other Councils in a way which requires that Council to adopt a policy, accept a cost or change a priority that its decision makers are not willing to support.
6. There will be no change in the name of any of the Councils.
7. The costs of changes and the benefits achieved from change will be fairly attributed and shared to the satisfaction of all three Councils; if necessary using mediation.
8. No Council will be obliged to break an existing contract.
9. The boundaries of the areas for which each Council is responsible will not change. Each Council will continue to speak up for its own residents, even where there is an apparent conflict of interest between the boroughs.
10. Each Council will be able to set its own policy for how services are delivered.
11. The Councils will commission service from contractors, voluntary bodies and others together, but can also decide to commission, or grant aid, on their own.
12. Nothing in these proposals is intended to stop Councils developing local ideas about how to support their local communities.

### **A commitment to shared learning, innovation and value for money**

13. The Councils will share what works in service delivery and encourage their neighbours to learn from successful innovation.
14. The Councils will adopt common specifications where these are compatible with each Council's policy objectives and budget preferences and where these are likely to give best value to taxpayers.
15. The Councils commit to a continuing process of exploring how working together might lower costs; be a better platform for devolved responsibilities from Government; and/or improve the quality of service delivery.
16. The Councils will commit to exploring how by working together, councillors can enhance the ways in which their Councils deliver their responsibilities.
17. The Councils will expect to keep these arrangements under review, in order to ensure they remain fit for purpose.
18. Any of the arrangements that constitute agreements between the Councils can be ended on notice, though any Council withdrawing will be responsible for its own consequent costs. Any joint external contracts will be covered by the same legal considerations as now.
19. Where shared services arrangements are brought to an end then the notice period will be twelve months, unless a shorter period is expressly agreed by the other parties and the costs arising from termination will be fairly shared between the Councils in a pre-agreed manner.

# 4. DECIDING THE SCOPE

## Initial Analysis

We have considered for integration the range of each Borough's services. Suitability for integration has been considered against the values set out in the Sovereignty Guarantee (Chapter 3) and design principles (Chapter 5) – in broadest terms whether integration in the round will i.) lead to savings; while ii.) allowing for sufficient local flexibility.

As the detailed service proposals (chapter 9) outline, there are a number of services that are felt suitable for integration now, or at a broadly specified future date (e.g. waste disposal – because of the prohibitive cost of exiting existing contracts).

### Integration in context: retaining a localist approach

It is crucial that consideration around integration takes account of the need for local variation within a fast moving policy environment:

- The concepts of Localism and the Big Society challenge boroughs and other service delivery organisations to consider how residents can have greater responsibility and influence over their neighbourhoods and the services provided to them. The three boroughs and their residents quite properly have different visions for their communities. Priorities differ.
- The devolution of powers and funding to the more local level, for example to GP consortia, work programme providers and police commissioners, alongside a reduction in targets and necessity brought about by budget cuts offer boroughs the opportunity to better join up services across organisations.
- Community budgets: All the boroughs have been influential with successive governments and have strongly urged the case for localism and innovation. It is partly in recognition of this that the three boroughs, with Wandsworth, have been identified for potential Community Budget status building on innovative practice with problem families.
- Shared management structures must not mean a uniform service across authorities. The sovereign and separate democratic accountability of each council must be retained. Alongside the need for cash savings, an overriding principle of integration is that it should not impede, and, where possible, should enhance opportunities for increased localism.

There are a further group of services that are not felt suitable for integration at present. These are:

### Strategic policy and committee services

The small hypothetical gain that might be realised by integrating teams would be offset by the potential for conflicts of interest and the desire for each borough to appoint individuals who were felt best able to help

articulate their unique circumstances and aspirations, potentially with very different skill sets. However, boroughs will look to working jointly where mutual interests are served – as previously around the Magna Carta for Localism, and currently around developing a joint ‘ask’ of Government around Community Budgets.

## **Planning**

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Planning casework is essentially patch based. Any decision to enlarge patches would be most effectively handled within boroughs, and so integration offers no real efficiencies. However, there remains scope for Boroughs to provide mutual assistance, for example on applications for major development.

Each borough retains a small planning strategy function, which, similar to other strategic policy roles, we do not view as benefiting from formal integration. However, boroughs will look at working jointly where mutual interests are served e.g. in the case of cross-borough developments, or appointments to joint specialist posts.

## **Housing**

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### **Homelessness**

Boroughs have a duty to provide advice and assistance to anyone who is homeless and in some cases a legal duty to provide temporary accommodation. This is essentially a demand-led function; therefore any desire to increase caseloads would be best handled within individual boroughs. Services will wish to share best practice and consider ways in which cross-borough support can be provided to ease demand peaks.

### **Development**

Being closely aligned to strategic planning, this policy function is best handled at the borough level, for similar reasons. Again, there is potential here to explore shared posts and other forms of mutual support.

### **Maintenance and repairs**

Boroughs currently have different arrangements currently with a variety of providers and it is felt that this therefore does not offer worthwhile savings at this time. There is scope however to share best practice and consider the case for other joint working e.g. joint infrastructure investment.

## **Licensing**

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Similar to planning casework, this essentially patch based work does not offer savings sizeable enough to warrant integration.

## **Press and Communications:**

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While areas will continue to join up efforts on issues of mutual interest, boroughs will wish to maintain an independent line of communication to residents and the wider world to articulate their unique policies and strategies, and to avoid potential conflicts of interest. Over time we will examine options for ensuring we do not duplicate things we could share, so as to minimise costs and drive out efficiencies.

Consistent across all the areas not recommended for formal integration is the principle that separate services should not mean silo working. Each service will benefit from the closer ties between boroughs, to ensure knowledge, skills and resources are shared where appropriate.

## 5. OPERATING MODEL

1. For decades local government has been a mixed economy.
2. Councils of all political administrations have used the market to secure best value and to make use of contractors who have specialised in selling services to Council clients.
3. The implementation of Transfer of Undertakings (Protection of Employment) 1981 removed the previous incentive to outsource for councils seeking to reduce their labour cost base, but the use of a market through inviting competitive tenders is still recognised as a way of demonstrating that councils are seeking value for taxpayers.
4. The Councils intend to continue this self discipline with an expectation of periodic market testing where there is a mature or sufficient market willing to provide competitive bids.
5. The Councils believe that by offering larger volume contracts, even better prices can be secured, particularly if Councils feel comfortable in standardising expectations.
6. The market is not yet ready to offer competitive bids for all services. This is particularly true for certain specialist social care services. Where councils have specific legal powers and duties, care and careful legal advice needs to be taken before councils can delegate these powers and duties to third parties.
7. The Councils agree to seek to encourage a competitive market where this is likely to lead to better prices in the medium term.
8. This may be done by supporting the transition of certain directly managed services into new organisational forms outside of direct management. Principles for such transitions are set down in Chapter 10.
9. The use of the market to secure service quality and best prices sits alongside a continuing belief in the value of management and leadership.

Externalised contracts will always give scope for councils to take an active interest in the quality of the service delivered, and to seek to ensure taxpayers share in future efficiency gains.

10. Careful risk analyses will be undertaken on the various ways in which critical services which are most influential on the public standing of the Councils might be secured.
11. A commitment to market testing allows for bids by in-house teams, who may be able to provide value for money services to all three Councils.

12. In these circumstances, when the three Councils are working together it is expected that only one in-house bid would be put in, not bids from all three Councils.
13. These principles cover those services where the three Councils have agreed to jointly commission or jointly deliver services.
14. For locally retained services, the three Councils will continue to exercise their own policy discretion as to whether to market test or not.

### **Design Principles in the development of integrated services**

- The assumption is that all services will be integrated – unless there are strong arguments to the contrary. Excluded services: housing; policy and communications; development control; elections; licensing; committee services.
- Each Borough will retain sovereignty over policy-making but there is an assumption that unless there are considered reasons to set unique expectations boroughs ought to standardise specifications because these ought to deliver better prices. Elected Members will make these choices, on the basis of costed options.
- Boroughs will take the opportunity to radically redesign services, drawing on each authority's strengths.
- A clearly defined commissioning structure will enable all three councils to clearly specify what they want to pay for.
- Accountability: A new senior structure based around “lead commissioners” who would be fully accountable to each borough for the delivery of specified outcomes / services.
- Departments should outline proposals for a 50% cut in managerial posts and 50% reduction in overheads and advise around any associated risks.
- There is a willingness to encourage employee-led business transfers to new providers, subject either to a business plan showing a substantial saving to the commissioning councils and/or market testing.

# 6. LEADERSHIP AND MANAGEMENT

## **Towards reduced cost senior management by sharing capacity**

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The commitment to reducing costs by collaborative commissioning and integrated provision will need to include a review of the senior management capacity required to deliver retained local services, drive change over the implementation period and manage combined services in the medium term, in a way which is affordable and sustainable.

### **Considerations that inform the review**

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1. The chief officers of the three Councils are Member appointments. Any joint appointments should be made by Members.
2. To avoid unnecessary exit costs all senior managers should be allocated to appropriate 'pools' and be eligible to apply to be considered for appointment to shared posts. Those in the pool who wish to apply will be considered ahead of external applicants. Consideration is being given to an appointment process for shared chief officers which would allow a fresh appointment process at the end of the initial implementation period in Spring 2013.
3. Appointments to particular statutory posts require an active appointment by each borough through the relevant statutory and local Officer Employment Procedure Rules (see HR and legal advice at Chapter 12)
4. Each Council is required by law to appoint:
  - (a) A Head of Paid Service
  - (b) A Monitoring Officer (who may not also be Head of Paid Service)
  - (c) A Director of Children's Services
  - (d) A Person responsible for the financial affair of the authority under S151 of the Local Government Act 1972 who must have a specified accountancy qualifications. (Local Government Finance Act 1988)
  - (e) A Director for Adult Social Services.

There are certain other appointments also required, but these do not have to be appointments at chief officer level eg:

- Electoral Registration Officer
- Returning Officer
- Certain other minor posts

The law allows the same person to be appointed by more than one Council.

5. It is anticipated that as a result of these proposals at least two chief officer posts will be shared across the three boroughs and one chief executive across two boroughs, substantially reducing costs.
6. This report does not lay out an exact revised line management diagram for each borough. That will be covered in “detailed plans” reports to follow.
7. This report does however lay out a commitment to a phased change to shared posts over the next 24 months, beginning spring 2011.
8. This phased approach recognises the extensive work needed to implement detailed plans and the determination not to use costly external consultants.
9. Senior staff who are not retained will be entitled to conventional compensation within existing local rules and as prescribed by law. These rules require pension schemes to be compensated by ‘capital’ payments into the fund, if individuals are between 55-60. No “pension strain” payment is required if staff are under 55, where a pension cannot be accessed, or over 60, though redundancy compensation will be payable.
10. A smaller cohort of senior staff will require some adjustments to existing expectations. Each Council will continue to need a senior response to local Member concerns and priorities. Each Council will want to adopt working arrangements that recognise this alongside the commitment to shared strategic management that drives collaborative commissioning and integrated provision.
11. Councillors expect to be able to work closely with the most senior staff and it will be important to ensure no change reduces councillors’ ability to direct priorities..
12. As the reality of a new structure is absorbed, existing senior staff will begin to indicate what they seek for themselves in their own careers. Some may seek employment elsewhere; others may begin to plan voluntary departures.
13. Any proposed senior management evolutionary path will need to take account of departures in order to decide whether to accelerate shared posts.
14. Consistent with this, all three Councils have agreed not to recruit to Chief Officer posts at present other than by agreed exceptions.

### **Where do we start?**

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15. The current costs of the senior management superstructure of each Council, taking this to be all posts that report direct to councillors, “first tier”, together with PA costs and all posts that are heads of service is 350 posts with a cost of £30.5m.
16. An exact comparison is complicated by the size of each Council; the degree of outsourcing each Council exhibits; the choices each Council has made about pay levels; the seniority and years of service of particular staff; the degree of rationalisation each Council has gone through in recent times and the decisions each Council has made about tiers of management. A more expensive senior management superstructure may be offset by a smaller middle management, better prices from superior

outsourced service arrangements or less wasted resources due to a better managerial grip.

17. With all this said, the public would expect that with council spending reducing sharply, each Council's senior management overhead should be reduced.
18. The Tri-borough proposals offer an opportunity to reduce management costs more significantly by widening specialist management spans; spreading the cost of expertise and reducing duplication.

## **Re-pricing management**

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19. The Coalition Government is proposing under the Localism Bill that each Council should publish a Senior Pay Strategy. These proposals do not affect that requirement.
20. The Tri-borough proposals require management of complex systems, with considerable risk and a scale - given that the breadth of the unitary responsibilities are beyond anything in local government other than Leeds and Birmingham (which arguably have less complex constitutional arrangements).
21. Nevertheless, senior pay is an issue which will need to be confidently faced. The analysis should be about the total cost to taxpayers. This can be expected to fall sharply as new arrangements are adopted.
22. Indeed the working assumption is that total management headcount within those services where collaborative commissioning and integrated provision is agreed, should fall by 50% by 2014/15. Management costs may fall by slightly less than 50% because retained or selected staff are likely to be more senior, given the complexity of tasks to be undertaken.

## **Proposals for reducing cost by shared capacity**

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### 23. Finance capacity

The proposal is that each Council will retain a Director of Finance/Resources carrying the statutory S151 responsibilities, to reflect the fact that each Council will continue to set its own Council Tax, budget priorities and publish its own audited accounts. Over time we want to avoid duplication and combine technical services where this makes sense.

### 24. Children's services

The proposal is that we move to one shared Director of Children's Services and integrated management structure below by the end of March 2012.

From spring 2011 we could move to two posts with Kensington and Chelsea sharing with one other borough. This would allow a second current DCS to continue to add value to operational management for a further transition period until later in 2011.

This will produce a total saving of c.£250K from 1st April 2011 and a similar figure from a date sometime before 1st April 2012.

A discipline would be adopted to redesign a combined senior management structure that reduces the number of senior and middle managers by 50% and reduces overall overheads by 50% by 2014/15.

## 25. Adult Social Care Services

The proposals for management arrangements are particularly complex here as more radical integration with both GP consortia and NHS provision, particularly that delivered by the Central London Community Healthcare NHS Trust, is sought.

The NHS itself has sought to reduce its own management overhead.

Detailed service re-design will have to be effected during 2011/12 with a commitment to an affordable management overhead.

The current total overhead is estimated at £17.8m or 7.4% of spending across the three boroughs. The intention is to work across four years to reduce this overhead by 50% producing savings of approximately £9m.

The current proposal is that by the end of March 2012, there is just one Director of Adult Social Care, as lead commissioner for the three boroughs.

Between now and October 2011 the expectation is that a detailed new collaborative commissioning and integrated provision set of arrangements are finalised.

## 26. Chief Executive leadership

All three Councils are used to having an experienced Chief Executive acting to support Members and acting as Head of Paid Service.

The decision as to whether to move to any form of shared Chief Executive is important at a symbolic level and in terms of the additional savings any such reduction would achieve.

However the decision is significant and the proposals need to work for all three Councils, given their immediate and medium term agendas.

The Chief Executives argue that it will always be necessary for there to be a clear responsibility to sustain initially agreed shared commissioning and integrated provision and to press that further opportunities be taken. Thus Tri-borough is not just a one-off re-organisation but a continuing process of refinement and cost discipline.

Tri-borough is also about ensuring a platform for further devolved responsibilities which can be executed on a three borough basis where this is efficient and effective.

One Chief Executive who can speak for three boroughs will be an important agent in seeking this further change. This could be agreed as "one amongst equals".

The extent of the investment in the role of Chief Executive – that is what would be lost or gained from having less than three Chief Executives - depends on the requirements from such a role in the three Councils.

In the most likely agreed version of Tri-borough the largest part of the spend of the three boroughs will be integrated; a smaller proportion will stay independent in each borough.

The likely non-integrated issues such as planning, housing and regeneration, local capital spending, licensing and local streetscene will probably continue to create demands for senior staff co-ordination and brokering.

After discussion with the three Leaders of the three Councils, the proposals recommend that the particular demands on the City of Westminster require that it retains a Chief Executive as now for the foreseeable future. Westminster has to play a significant part in staging the Olympics and has a formidable agenda of its own to adjust its spending levels.

The boroughs of Hammersmith and Fulham and Kensington and Chelsea could jointly appoint a Chief Executive to reduce costs and ensure a continuing commitment to collaborative cost reductions.

These boroughs are likely to re-name one of its local chief officer posts as Managing Director. This post will take on a leadership and co-ordination role over those services that will continue to be single-borough. Other management adjustments will be appropriate.

# 7. EXERCISING POLITICAL ACCOUNTABILITY

## AFTER A TRANSITION TO COLLABORATIVE COMMISSIONING AND INTEGRATED SERVICES

1. This chapter seeks to describe how political leadership and accountability arrangements would work if more activities were either commissioned jointly or delivered jointly across the three boroughs.
2. Currently the Councils achieve their objectives by either purchasing services through the market, grant-aiding voluntary organisations to deliver beneficial activities or directly managing staff who deliver services direct to the public or in support of frontline services.
3. All three Councils believe that the use of the market is a positive way of securing value for taxpayers.

### **Political leadership and commissioning**

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4. Where services are to be commissioned either one of the three Councils will act as lead commissioner, or commissioning will be conducted by a jointly appointed staff member.
5. Commissioning parameters will be agreed by elected Members as now. Members in the three Councils will expect to agree the outcomes sought by public expenditure, and key policy expectations and requirements.
6. Where appropriate, such expectations will be reconciled into one commissioning document. Any standardisation will be agreed by the three Councils, bearing in mind the advice by commissioners and the market about the effect of policy differentiation on delivery prices.
7. Commissioning arrangements will contain agreed performance measures and reporting requirements, much as now.
8. Executive Members, delegating day to day monitoring to officers, will receive exception reports as required.
9. Where services are commissioned from in-house providers, these arrangements will be broadly similar; save that the contract documentation will not need to be written to the standards required if legal challenge is anticipated, because the contracts will not need to have the same legal force.

10. Services supported by grant aid will be largely unaffected, although the opportunity may be taken to see whether successful voluntary sector organisations can be encouraged to widen their reach across the three borough territory. Most grants will be decided by the three Councils separately, although grants which support service outcomes (such as social care or children's work) will be grant supported in the context of overall service planning as now.
11. Accounting systems will ensure that each Council can account for the activities its funding is supporting, so combining service arrangements will not mean that taxpayer funding will get muddled.
12. Where services continue to be delivered by in-house staff, there will be clear reporting lines established to relevant Cabinet Members so that the current arrangements are replicated.
13. In the case of children's services and adult social care, the intention is to move to single appointments for the relevant statutory postholders. These appointments will ensure each authority appoints the same individual to carry that authority's duties in law.

This will secure the duty of that postholder to report to the appointed Cabinet Member in each borough.

14. It is likely that these arrangements will encourage Cabinet Members to work together to share ideas and expertise.

Any joint political working will be in addition to, and not instead of, individual briefings by officers on individual borough risks, opportunities or requirements.

### **Scrutiny and accountability arrangements**

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15. Councillors with scrutiny responsibilities will continue to have the right to call for reports and consider and call-in decisions. These reports may be service-specific or borough-specific.

Where a particular service is being scrutinised it may be appropriate for scrutiny councillors to sit in a joint session, but this would be entirely a voluntary option and there is no requirement in these new arrangements for scrutiny systems to be changed.

16. As a matter of diary practicality the officer attendance at either Cabinet or Scrutiny meetings will need to be based on a team approach.

# 8. HOW THE COUNCILS MIGHT LOOK

## IF TRI-BOROUGH PROPOSALS ARE ACCEPTED

1. The Councils are multi-purpose unitary councils, responsible for the full range of local government functions, save those – policing, transport and fire, which are reserved for the Mayor and Greater London Authority.
2. The Tri-borough approach does not suggest that all services should be run by one common management edifice; rather, it asks which services can be more efficiently, and at least as effectively, arranged through collaborative commissioning and integrated provision.
3. This section of the Report seeks to look ahead to the more detailed proposals that follow, to try to describe what the proposed new arrangements might look like in overview.

The perspective taken is to seek to describe the three Councils and their joint work in say 2015.

4. This description illustrates our ambition but is not a guarantee. In part it anticipates how change will be executed and how the post-change arrangements will have settled down.
  - Each Council will be running or procuring its own planning service, though a pooled skill protocol allows highly skilled staff to be shared in order to assist the Councils to better handle high profile development sites.
  - Each Council will be running its own licensing system, though better intelligence (and common software) is being shared so that learning is faster and residents and businesses benefit from greater certainty and more confident decision-making.
  - Each Council is setting its own budget : Council tax levels still vary; and each Council reports its own accounts. Shared finance back-office functions have reduced costs.
  - Each Council has its own priorities and a set of up to date policy statements that define its key promises and guarantees to its population. These are communicated through its own policy and communications staff who nevertheless share a common policy library and procure communication resources at optimum prices.
  - Each Council has maintained its distinctive social housing arrangements, but information is regularly exchanged about effective practice and the challenges of the tasks.

- All children's services have been combined under integrated management. Youth services are now being provided entirely by the voluntary sector, together with most of the children's centres and play services.

Safeguarding services are however delivered locally in each borough, where local inter-agency relationships with GPs, schools and NHS staff remain strong.

A three borough fostering and adoption unit is running with a commercial partner and is raising income from other authorities.

The three borough Family Recovery Unit is seen as a national exemplar and brings together a variety of professionals, family advocates and volunteers. 'High demand' families commit less crime, are more often in employment and have better health and educational progress.

- All adult social care services are now run in a model where social care commissioning is done alongside GP consortia. This allows for better co-ordinated care which promotes independence and avoids costly hospital admissions.

Assessment and care management is run alongside primary care by a new NHS and Care Trust, with blended governance from the NHS and local government. It has dramatically reduced bureaucracy and complexity for service users and carers. Personal budgets are now the norm, extending choice and promoting cost consciousness.

Most provision of care is now offered by either the voluntary or private sectors. A small number of newly formed social enterprises are thriving, providing services to those eligible for council subsidy alongside others willing to pay for their own care.

- The corporate and back room services previously provided by each Council have been rationalised and reduced and are now run either through external contracts or by single provider councils, providing agreed levels of services to each of the three Councils.
- A variety of smaller budgets – for environmental improvements, the arts, support to the voluntary sector and other quality of life initiatives have been retained by each Council and are now managed in the light of community needs, within localised arrangements particular to each Council. Each Council will continue to support voluntary sector delivery.
- Large waste contracts continue as now, but an option for letting a joint contract by the Councils is being prepared for 2021.
- There is some joint procurement, with TfL and other boroughs, of contracts for highways and maintenance.
- There is a common back office arrangement for at least two of the Councils for parking back office functions.
- The Library service is now run as a single charitable trust saving money on procurement and specialist staff expertise, and with a long list of volunteers and people of good will assisting.

# 9. DETAILED SERVICE PROPOSALS

## (a) Children's services

### Shape of proposals for tri-borough children's services

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Children's services encompasses a range of functions. Some of these services are universal or designed to work with universal services, mainly schools and early year's settings. Others are designed to identify children that are at risk in some way, perhaps of not attending school or suffering some developmental delay, and to intervene to mitigate that risk and improve children's life chances as a result. Other services work with those children that require protection or even to be cared for by the State.

The strategic drive is to improve the performance of universal services; deliver early intervention and preventative services more efficiently and effectively, reducing the requirement for provision of the most expensive services for children in the highest categories of need; and deliver service improvements in that latter category, delivering further savings. All 3 Boroughs have challenging medium term financial targets to meet and plans to deliver extensive savings over the next 3 years:

**H&F – £15.6M**  
**K&C – £13M**  
**WCC – £12.3M.**

All 3 Boroughs aim to meet these targets whilst minimising the impact on direct service delivery. Combining the delivery of Children's Services across the 3 Boroughs can make a substantial contribution to meeting this objective. Set out below are an initial set of proposals for how this might be done. The service areas covered are only a selection and represent little more than 10% of the total spend of the 3 Departments which is about £292m net of Designated Schools Grant.

A commitment to reduce total overheads by 50% might yield £14.6m by 2014/15.

## Summary

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1. It is recommended that Children's Services should be run as a single service under one Director and management team. Safeguarding and family support/locality team services should continue to be run within boroughs, responsive to local need and circumstances. All 3 Boroughs already commission a range of services and it is proposed that further opportunities be sought for this where it will deliver service improvements and savings. Opportunities will be sought to establish the business case for such developments to be cross-borough where appropriate. Total savings of

between £6m and £12m are considered foreseeable. At least £3m of this will be delivered by combining the senior management teams in to one, delivering a 50% saving in these costs. Proposals to deliver in the region of £6m from the functions initially considered in scope, are set out below.

## A Tri-borough plan for services

2. Parts of Children's Services seem highly appropriate for integration, given the specialist and technical managerial skills required. Sharing these skills increases resilience; spreading them more thinly may reduce cost but will increase risk in an area of delivery which is high risk anyway.

In principle running Children's Services at scale across a population of say 585,000 residents presents no problems. Outside London, children's services (and adult social care) is a responsibility of the 27 Counties and there are 22 Counties with a population larger than the Tri-borough area. Boroughs however recognise the importance of retaining an area-based focus for certain services, such as child safeguarding. This is entirely workable within a combined structure, as the proposal highlights.

The population demands are very comparable, although service statistics vary (see comparison of social care statistics below)

Borough	Child Population 0-18	Children in system	Children in system as a percentage of popn	Children subject to a CP plan	Children subject to CP plan as a percentage of popn	Children looked after
H&F	31,000	1,500	4.84%	150	0.49%	221
K&C	30,115	1,219	4.05%	92	0.31%	147
WCC	33,893	2,289	6.75%	135	0.40%	247

## Summary of recommendations

3. We recommend that in principle Members agree to:
  - i) A single DCS and management team.
  - ii) Integrated services to schools being established from the start of the next academic year in September 2011, with plans being developed for the possible outsourcing of the mainly traded (with schools) services in 2012.
  - iii) Integrated management of specialist services (youth offending; fostering and adoption; placement service; strategic commissioning with health; court assessments; local safeguarding board) achieved from September 2011 onwards.
  - iv) Continued **local** management of safeguarding teams – to emphasise local links/team working.
  - v) Rationalisation of quality assurance and support staff.
  - vi) Integrated training offer for staff.
  - vii) Agree to working up in more detail proposals for combining other services than those described below.

Once agreement is reached, we expect to rapidly progress with plans, with some savings coming on-stream later in 2011/12 and the bulk in 2012/13.

## Proposals

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### Single senior management team

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Borough Management Teams make up a significant proportion of overhead spend at about £7.5million (executive directors, directors, assistant directors and service heads). Analysis of the configurations of other similarly sized departments and detailed consideration of work flows within a number of services suggests that a merged team would be capable of undertaking the functions of the three separate boroughs at a 50% reduction in spend – saving a total of £3.75m.

It is proposed that a combined DCS would be established for RBKC and H&F from Spring 2011. In recognition of budget changes yet to be decided, Westminster's management would be integrated from September 2011.

## Fostering and adoption<sup>1</sup>

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### Background and context

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Fostering and adoption services in each of the 3 boroughs face to a greater or lesser extent a common challenge of recruiting sufficient in-house foster carers to meet the needs of looked after children and controlling the key cost driver associated with making private and voluntary placements. In the context of a move toward placing children with family and friends where possible and an associated reduction in adoption, maintaining a viable adoption service in each borough has also become a key consideration.

### Proposal

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The performance of all 3 fostering services, in terms of their ability to recruit and retain foster carers, has declined in recent years at a time when Independent Fostering Agencies report that they have successfully recruited more carers. The 3 services now only support about 140 carers which is well short of the required number. All 3 Boroughs have to make extensive use of placements purchased from the independent sector; each one costing on average £10k more per annum. A conservative estimate would be that a combined service could deliver a 20% improvement in productivity in placement delivery, making minimum savings of £300k.

The proposal for the combined Fostering and Adoption Service is set out below. Again taking a very conservative approach, it is proposed that a staffing reduction of 10% could be achieved, delivering an annual saving of £270k (using mid-point costings). This excludes the further middle management savings that could be delivered as a result of the combining of this and other services. These proposals will be subject to further challenge.

The combined tri-borough Fostering Service would operate as a single Fostering Agency and:

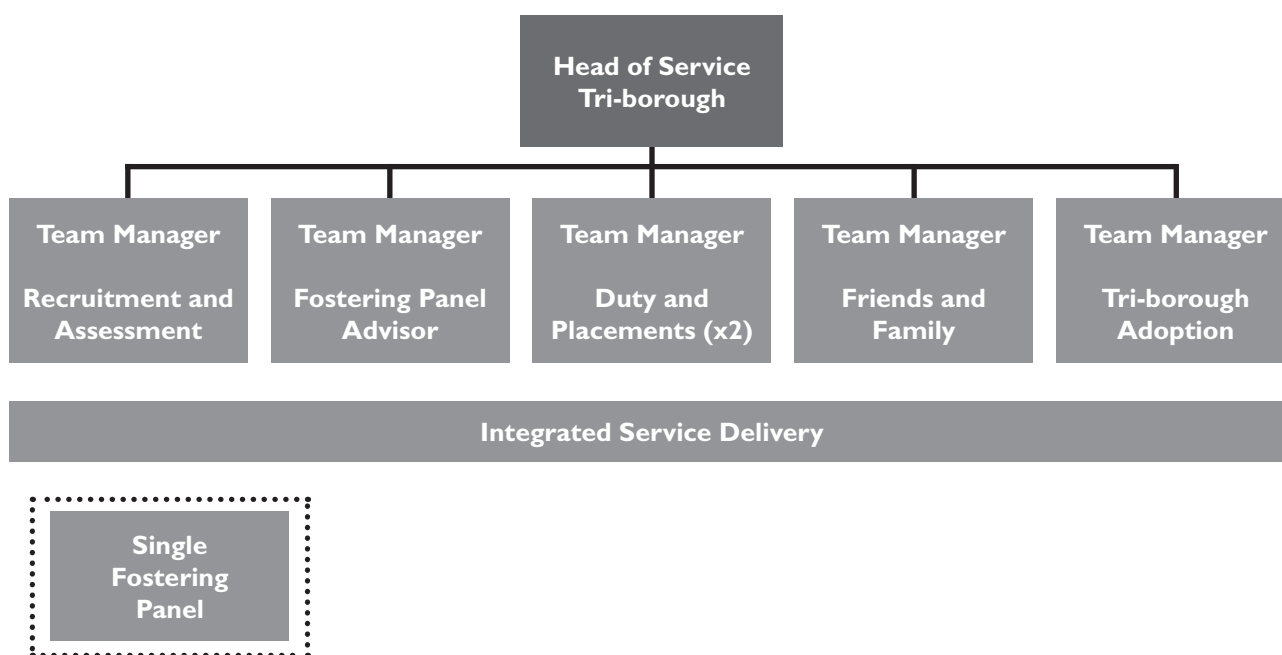
- adopt a common approach to carer fees and allowances
- use a shared pool of foster carers to meet and match to need across the 3 boroughs resulting in a more efficient use of resources provisionally estimated as saving a further £100k.
- be delivered by an integrated management and team structure (below)

<sup>1</sup> The report currently focuses on Fostering services. However work is underway to define a combined Adoption service based on the same design principles.

It further proposes a combined tri-borough Adoption Service within the same structure (subject to further work).

Beyond the proposed reduction in the cost of staffing and productivity improvements, combining the services would create the platform for a different model of delivery. This might take the form of outsourcing, a joint venture or establishing a social enterprise. All 3 models would be expected to create value and deliver further potential savings.

## Combined Structure



## Key Elements of Integrated Service Delivery

- A single foster carer recruitment and assessment function, with common branding and shared advertising, information and events.
- A single fostering panel with member representation from each borough.
- A single point of referral for front line social workers to a central duty & placements team.
- A shared pool of foster carers to meet and match to need across the 3 boroughs.
- A tri borough commissioning role to ensure equity of access and exploration of the opportunity to develop joint/pooled budgets for the commissioning of Independent Fostering Agency (IFA) placements.

## Cost/benefit analysis

### Financial Summary

The following table summarises current expenditure and income for each individual Fostering Team and estimates the projected costs and savings for a combined tri-borough Fostering Service.

	Fte & Expenditure £,000		Projected Savings (12/13) £,000	
	Fte	Net Expenditure	Saving	Contingency
<b>Current Services (2010/11)</b>				
RBKC	14	596		
WCC	17.5	772		
H&F	17.8	902		
<b>TOTAL</b>	49.3	2,270		
<b>Combined Service</b>				
'Combined' staff costs	45	2,000	270	
Improved productivity			400	
Combined Adoption Service			tbc	

**Notes:**

- Expenditure on Current Services represents management and staff costs only.
- Expenditure for Combined Service is based on the cost to implement the tri-borough structure set out (above) in each of the 3 boroughs if the host borough's current salary scales are applied.
- Savings projections do not take account of one-off implementation costs e.g. redundancy, rebranding
- There are currently 6.5 management posts within the 3 Fostering services at service manager level or below reducing to 5 posts within the combined structure. Further work (as part of the wider definition of a Children's Services management structure) is required to understand the full reduction in management costs.

**Indicative timeline**

Activities & Milestones		2011/12				2012/13				2013/14			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Agreement to Proceed	▲												
Detailed Design (inc. Adoption)													
Combined F&A Structure						▲							
Common Fees & Shared Pool							▲						
Run 'Shadow' Arrangements													
Develop IFA Partnership													
First Traded Placements													▲

**Next Steps**

Work is underway to map current financial baselines for Adoption services and design a combined service. This will deliver further efficiency savings. In addition further work needs to be done to determine:

- Commissioning Arrangements, including "fair access" to placement resources.
- Opportunities for the development of traded services and identification of potential partners.
- Bringing shared IFA placements budgets within the scope of the combined service.
- Detailed design associated with common fees and allowances.

## Education Services

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The key drivers of the proposed education merger are:

- To make significant savings of 20% by 2014 that will not impact on education standards
- To improve each Council's capabilities in intervening effectively when a school is failing, or at risk of failing, and commissioning providers who could deliver free schools or manage or support clusters of primary schools
- To commercialise buy-back (traded) services cross-borough so that revenue outstrips costs and aiming to double income by 2014
- To examine the benefits of developing a special purpose vehicle for the traded services

In addition, all three Councils share an ongoing commitment to raising education standards. However, the strategies and resource commitments each Council has implemented over recent years have differed.

We have all faced the added challenge of raising standards amongst a diverse and mobile school population, but it is also important to recognise the different challenges each Council has faced, such as:

- The differing size of the school estate and the number of pupils
- The different legal status of schools – community schools, voluntary aided, Foundation, Trust and Academies

Regardless, all three Councils must respond to changing national financial and policy drivers that indicate less resources and a revised role for the local authority. It seems likely, from the recent White Paper, that the following key roles will remain:

- The duty to intervene where a school is failing
- To provide additional support for the most vulnerable children and young people e.g. in the area of special education needs (SEN)
- Ensuring fair access to schools through the admissions process
- Ensuring there are sufficient school places for children of statutory school age

We believe the best, and most sustainable, way to continue to provide high quality services in these areas is to pool resources and expertise across the three Councils.

It is therefore proposed that the full range of education services be developed as a shared provision across the three Councils. This will take place in phases, with a fully merged service in place by September 2011.

Work is underway to quantify the precise savings that will arise from this proposal, but they are anticipated to be significant. This assumes a certain level of continued buyback of services.

As a first stage to sharing of services it is proposed that, where possible, this is accomplished without a complete restructure of services. It is proposed that a number of new posts are created and accepted by staff with a view to flexible working arrangements being implemented. It is considered that, with suitable goodwill and pace in decision making from all three boroughs, such a structure could be implemented from May 2011 and be fully operational by September 2011 to coincide with the new academic year.

All three LAs agree that there is an urgency to develop shared services in a number of areas given reductions to grant. The degree to which services are met by the general fund rather than grant has also helped to identify services where immediate steps are needed. These include:

- 14-19 curriculum support
- Education Business Partnership (EBP)
- Alternative provision for vulnerable pupils, including behaviour support
- Governor support

- School improvement delivery
- School admissions
- School exclusions
- SEN statements and placements
- Early years advisory
- Education welfare services
- Education psychology
- Education for “looked after children” (ie. children in care)

A significant proportion of expenditure in relation to these services is attributable to the Dedicated Schools Grant (DSG) and other grants such as the Early Intervention grant. Any potential savings to DSG can only be redirected to other areas of education spend if agreed with Schools Forum. The key aim of the merger of these services will be to improve efficiency and cost effectiveness overall. A by-product of such efficiencies may be to make such services more attractive to other potential partners in the future.

Consideration will also be given to alternative arms length delivery models. Were this to proceed, the procurement timetable would dictate that, depending on the nature and value of the service(s) in question, a minimum of nine months' lead-in time would be needed from the point at which a re-let strategy is in place. For consideration of an arm's length model to progress, key principles need to be agreed and a joint strategic/commissioning unit for education will need to be established across the three Councils.

It will be essential to involve schools in the design of the new service arrangements, and the development of the new service teams and more generally, over the coming months in order to ensure ongoing goodwill towards the three Councils, not least because they will be future customers of this service.

Each Council has sent out a detailed questionnaire to schools on the current and proposed services. The outcomes have been analysed and the responses have influenced the proposed structure. Two costed options for a combined service structure have been developed; the first separates services into commissioning and delivery; the second brings services across the three boroughs together into one functional structure. Estimated initial savings on the first model shared across the three boroughs total £640K. This option has two Tier 2 posts, one each for commissioning and delivery, although latter would be interim, leading up to the procurement of an arms length delivery model for September 2012. Savings for the second option will be in the region of £760K as this option only has one Tier 2 post (the current post with on-costs is projected at £120K); whereas the first option has two posts.

These figures do not include the additional savings that will be delivered by September 2011 when the Tier 4 managers' posts are also rationalised. The next phase of financial planning will establish the level of further savings to be achieved, once an option has been agreed, but it is expected that the overall savings, including those set out above, would be in the region of £1M to be shared across the three boroughs. Further savings from 2012 onwards will be delivered, as the combined services model develops.

The guiding principle in developing both options has been to protect frontline staff where possible (unless, for instance, the grant for their service area ceases) and focus on delivering management cost reductions of 50%. This will be achieved through the introduction of combined management at Tiers 3 and 4 across three borough-based teams in most cases, sometimes with a deputy manager as well, depending on the overall size of the combined team, which replaces the current model of a manager and sometimes a deputy in each borough. Each borough will retain in the first year of operation senior Tier 3 leads for areas such as Standards and Vulnerable Children, in line with the guiding principle of ensuring that sovereignty is maintained. These may reduce from three to two posts in the second or third year of operation if that is deemed appropriate.

## Timeline

April 2011 – consultation with staff (and appointment of Tier 1 single DCS and Tier 2 posts)  
 June 2011 – (by agreement with staff and unions as 90-day consultation still underway) begin process of matching staff to posts in order to begin recruitment through competitive interview  
 July 2011 – complete recruitment process to new combined service structure and serve notice to unsuccessful staff  
 September 2011 – new model in place (procurement discussions for new delivery model already underway)  
 September 2012 – some services, mainly those with a high level of school buyback in the first phase, to be part of a delivery model, such as a social enterprise

## Merger of the Local Safeguarding Children Boards

LSCBs are statutory bodies that have a duty to promote safeguarding of children and young people across all local agencies in their area. The Children's Act 2004 allows for one LSCB to cover more than one Council.

There is a strong rationale for the merger of the existing borough-based boards. Integration plans are supported by board members.

- A stronger voice from a larger and wider LSCB. The evidence from serious case reviews is that it is important that safeguarding is everybody's business.
- Increased opportunity for challenge and comparison of key safeguarding activity and practice.
- Shared learning through audits, Serious Case Reviews and projects.
- A reduction in the number of meetings.
- Better use of training opportunities, having one programme across the three boroughs and utilising expertise from across the three boroughs to lead on specific areas of training.
- Administration of Child Death Review Process within the team's activities

While financial considerations are not the priority in this important work, there are savings to be made through merging support functions:

	Expenditure & Income			Projected Saving	
	Expenditure	Income*	Net	2011/12	2012/13
<b>Current 2010/11</b>					
<b>RBKC</b>	103,000	47,000	56,000		
<b>WCC</b>	135,000	48,000	87,000		
<b>H&amp;F</b>	162,000	34,000	128,000		
<b>TOTAL</b>	400,000	129,000	271,000		
<b>Proposal</b>	227,000	129,000	98,000	101,000	173,000

\*relates to contributions from non LA/LSBC partners

## Next steps

- Make arrangements for the first joint LSCB in September 2011

## Youth Offending Service

Each borough has a youth offending team with a strategic manager, operational managers and a mixture of social workers, unqualified staff, local authority staff in specialist roles and seconded staff from Police, Probation and health providers.

Young people who are convicted of an offence and sentenced by the courts are supervised by the Youth Offending Team (YOT) and those who are sentenced to custody are supported throughout their sentence and into the community by the YOT until their licence period ends. The YOT assess the risk and the protective factors in a young person's life to enable effective methods of intervention to be implemented to reduce further offending. The primary aim of YOT is to prevent offending by children and young people.

The aim is to establish a service for the three local authorities, managed by a single strategic lead manager, combining Courts and Business Support functions, sharing specialist roles and delivering direct services to young offenders through locality-based teams.

The benefits of this arrangement include:

- Efficiencies at Court: which will benefit both the court and borough partners. The Court Service have suggested they may be able to save a whole day that was previously allocated to our boroughs as free court time is condensed between the 3, increasing the flexibility as to when cases are heard.
- Retains a local element to service delivery therefore maintaining links with local Children's Safeguarding teams
- Better, more comprehensive sharing of ideas, skills and resources across the three boroughs
- Maintains front line service delivery by sharing specialist roles to achieve economies of scale, and reinvesting some of the savings in the frontline
- Merging the shared back office functions minimises the reduction in priority frontline services by enabling the retention of frontline services, whilst realising a level of savings.

The table below outlines the anticipated savings from integration:

Borough	Original Net Budget (£k)	Saving		
		Revised Net Budget £k	Savings £k	
Westminster City Council	£728	£447	£281	
Royal Borough of Kensington & Chelsea	£676	£596	£80	
London Borough of Hammersmith & Fulham	£677	£607	£71	
<b>Total</b>	<b>£2,081</b>	<b>£1,650</b>	<b>£432</b>	<b>21%</b>

### Next steps

- Appoint a new head of service by September 2011
- Single business support team and joint provision of specialist services by March 2012.
- Integrated children's health commissioning team

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## Other services

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We have prioritised the development of integration plans for the services above as most likely to rapidly deliver savings and other service improvements. Outline plans for the integration of the Directorates' other services are at an early stage. We recommend that you endorse our further development of these scoping plans.

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## Risks

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The best way of running fault-free, high-standard services is to hire good staff, motivate, train and lead them well; invest in good systems and have a margin of spare capacity to ensure services are resilient and not easily capsized by events, stress or departures.

Major change is now inevitable and major change causes disruptions, breaks up communication systems, and leads to higher risk. But major change is unavoidable – whether we stay as small children's services authorities or effect a combination to a single service.

Overall senior staff do not think integration introduces new risks of an order that makes it inadvisable.

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## Implications for political leadership

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It is important not to disguise that Tri-borough integration would mean a change in existing patterns of working between officers and Members. One DCS and one management team would mean that the highly individual relationship between Statutory Lead Member/Cabinet Member would need to be evolved into some time spent 1:1 on borough alone matters (individual high profile cases; borough performance; borough developments, including capital) and some time spent with three Cabinet Members meeting together with the DCS and others on general policy briefings and updates on the integrated specialist services.

This may seem novel for each Council, but in other Councils with no overall control such multi-member briefings would be much more common.

Similarly over time, scrutiny committees might work together more.

## (b) Adult Social Care

### Shape of proposals for tri-borough adult social care

#### 1. Introduction

- 1.1 This report considers the case for merging all of the 3 Boroughs Adult Social Care (ASC) Directorates with a view to reducing overheads and management costs by 50% by 2014/15
- 1.2 The total spend on ASC across the three Boroughs (using 2010/11 figures) is £318m gross (see Chart E), £242m net. ASC provide services for some of the most vulnerable in our communities so it is important to protect these services to the utmost. Nevertheless, ASC and Children's Services (£292m net) constitutes the largest part of London Borough services (outside Dedicated Schools Grant, DSG) and therefore cannot be excluded from the spending reductions the three Councils face. Hence, the requirement to stretch the reduction in overheads and management costs to 50% by 2014/15 in order to protect frontline ASC services.
- 1.3 Our ambition is to continue to be regarded as excellent authorities whilst reducing demands on the taxpayer.

#### 2. Context

- 2.1 The delivery of adult care services is subject to considerable change:
- The move to GP-led commissioning by 2013, via, in the short term, a tri-borough PCT configuration.
  - The introduction of health and wellbeing boards to promote integration and partnership, including through joined-up commissioning plans across the NHS, social care and public health and pooled budget arrangements.
  - The need for both boroughs and the NHS to reduce overheads and achieve an unprecedented step change in service productivity to address: the pressures of the budget settlement; increased demand for services from an aging population; the rising costs of service provision; and growing numbers of people with learning disabilities.
  - The changing scale of the local health economy following the establishment of the Imperial College Health Care NHS Trust (AHSC and the largest NHS Trust), and other NHS sector plans for the development of acute and other healthcare organisations serving our population.
  - The continued service redesign driven by the national reform programme "Putting People First".
  - The movement of the Director of Public Health and Health Improvement commissioning out of PCTs into the boroughs by April 2013, with shadow budgets from April 2012.
- 2.2 These factors will require a considerable change in the way each borough operates and delivers services. This report contends that changes are more efficiently and effectively made together, allowing boroughs to better protect services in a way that does not impact on borough sovereignty.

#### 3. A Tri-borough Plan for Services

- 3.1 The three Directors of Adult Social Care and three Cabinet Members support a model of:
- Separate Health and Wellbeing boards, ensuring a focus on each borough's particular needs, and

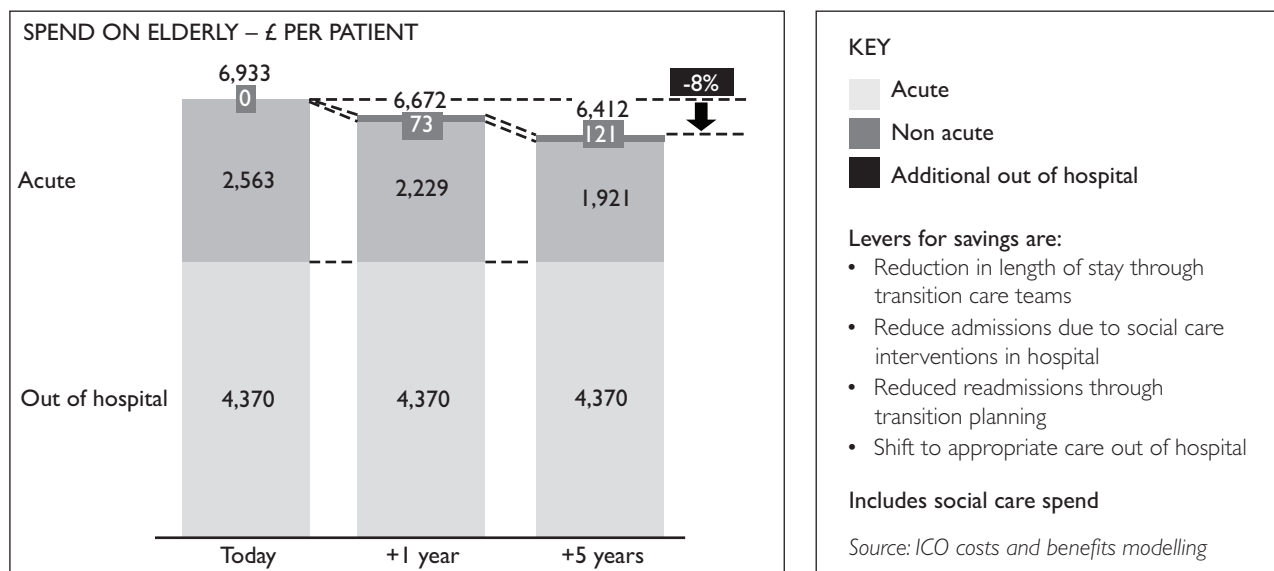
the development of mechanisms to ensure cross borough cooperation and coordination when appropriate.

- A joint commissioning team led by a single Director of Adult Social Care responsible for commissioning relationships for health and social care across the three Boroughs.
- An ambition to create a single commissioning support organisation for both adult social care and NHS GP Commissioning. This will need to lead to boroughs reducing commissioning overhead spend by 50% by 2014/15 while retaining the capacity to better and more rapidly achieve the greater prize of considerable reductions in unit cost, whilst maintaining quality, of service provision to disabled and older people. This requires careful discussion with GPs in all of their consortia and agreement thereafter.
- A single integrated provider organisation between adult social care and community health services, building on the existing Central London Community Healthcare (CLCH) Trust<sup>2</sup>. Discussions with CLCH are at an early stage and any integration is subject to further consideration and due diligence. This potentially would incorporate some or all statutory council functions relating to assessment, support planning, rehabilitation, safeguarding and social work with 600 - 1000 staff in scope. Integrated provision has been identified by each borough as key to achieving the necessary productivity step change to meet future demands. Together, the boroughs will be able to better influence and shape the new organisation.
- Sustaining the various integrated arrangements with Central Northwest London (CNWL) and West London Mental Health (WLMH) Trusts for people with mental health services.
- A single Director of Public Health leading a single Public Health function, working closely with all functions in the councils and also Public Health England.

### Chart A

#### ELDERLY

For elderly people an additional 73 pounds per person of out of hospital spend should save 300 pounds per person of acute after 1 year.



## 4. Integrated Provision

4.1 While boroughs have sought to work closely with PCT and NHS trusts to deliver quality services to residents across organisations there undoubtedly remains considerable duplication and waste in the system. The recent health service reforms present an opportunity for boroughs to address this

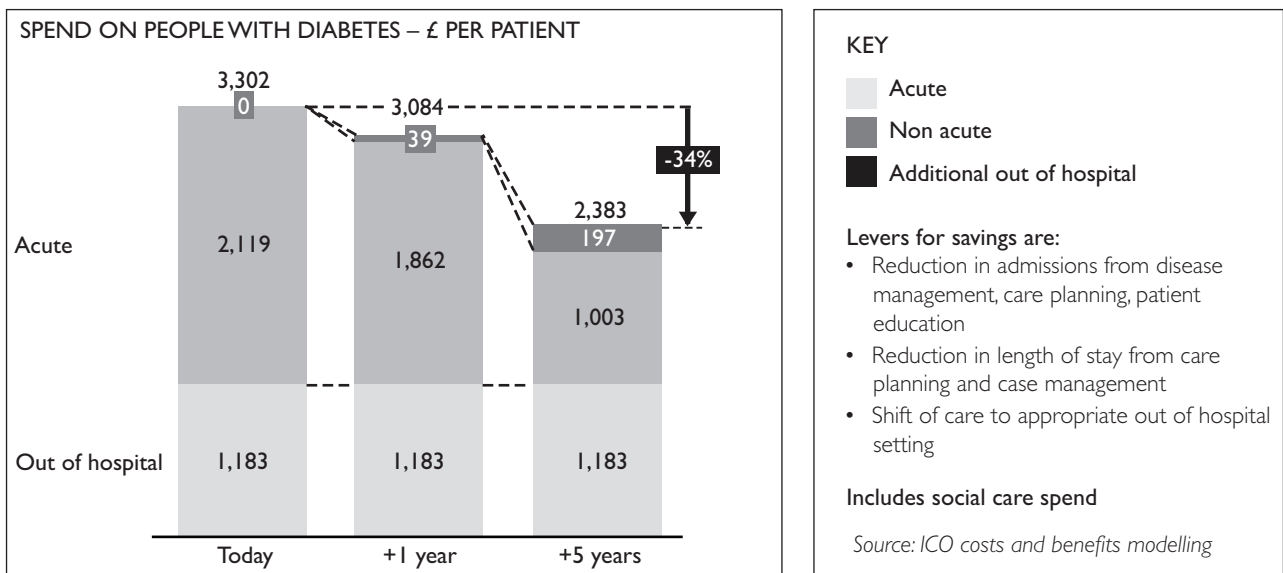
<sup>2</sup> CLCH now has NHS Trust status since 1 November 2010 and aims to attain Foundation Trust status by early 2013.

issue. To achieve the required quality improvements, the boroughs will work with GPs and CLCH to reorganise health and social care services in the three boroughs into integrated multi-professional teams within a new organisation.

4.2 Such service re-configuration would reduce duplication and allow boroughs to provide the sort of preventative, wrap-around care at home that residents desire and that Councils and the NHS require in order to substantially reduce use of costly institutional and acute care. There is some evidence from a number of national pilots that patients can be diverted from expensive hospital stays and the NHS anticipates savings of 30%.

**Chart B**  
**DIABETES**

For people with diabetes an additional 39 pounds per person of out of hospital spend should save 200 pounds per person of acute after 1 year



4.3 CLCH is the Community Health Services provider for the 3 Boroughs (i.e. for the cluster PCT). CLCH employs some 1700 staff and has a budget of about £150m. (By April it is expected to expand its Community Health Services to cover the Borough of Barnet).

4.4 Discussions with CLCH are only at the beginning but overhead savings could be realised through integration of “four” entities into a single organisation including rationalisation of senior management structures. These potential savings are not yet quantified in this report as further service redesign with CLCH and GPs is required to conclude the future operating model.

4.5 This integrated community service platform is a necessary component to sustain more people in home for longer and thereby significantly reduce the demand for residential and nursing care to deliver significant savings. The benefit will vary contingent on the starting point of the three boroughs.

4.6 CLCH is currently the only potential partner of the necessary scale and service scope to deliver this ambition within any of the three boroughs. While integrated care is not a direct benefit of collaboration per se, working together, boroughs combined influence and spend over £43m (1,278 in direct employment) will ensure that the new organisation introduces the necessary efficiencies and places the appropriate focus on social care. In the first two years it is expected that

integration would be achieved through a Section 75 agreement (an existing arrangement whereby Councils and the NHS can pool funds) so that the Councils retain overall control of expenditure in response to fluctuations in demands.

4.7 The Director of Adult Social Care at Hammersmith and Fulham has been appointed as Chief Executive of CLCH. He applied expressing an intention to progress our ambition to create an integrated health & social care provider organisation. His appointment gives us a series of opportunities to accelerate the creation of an Integrated Provider Organisation. The following steps will advance this agenda:

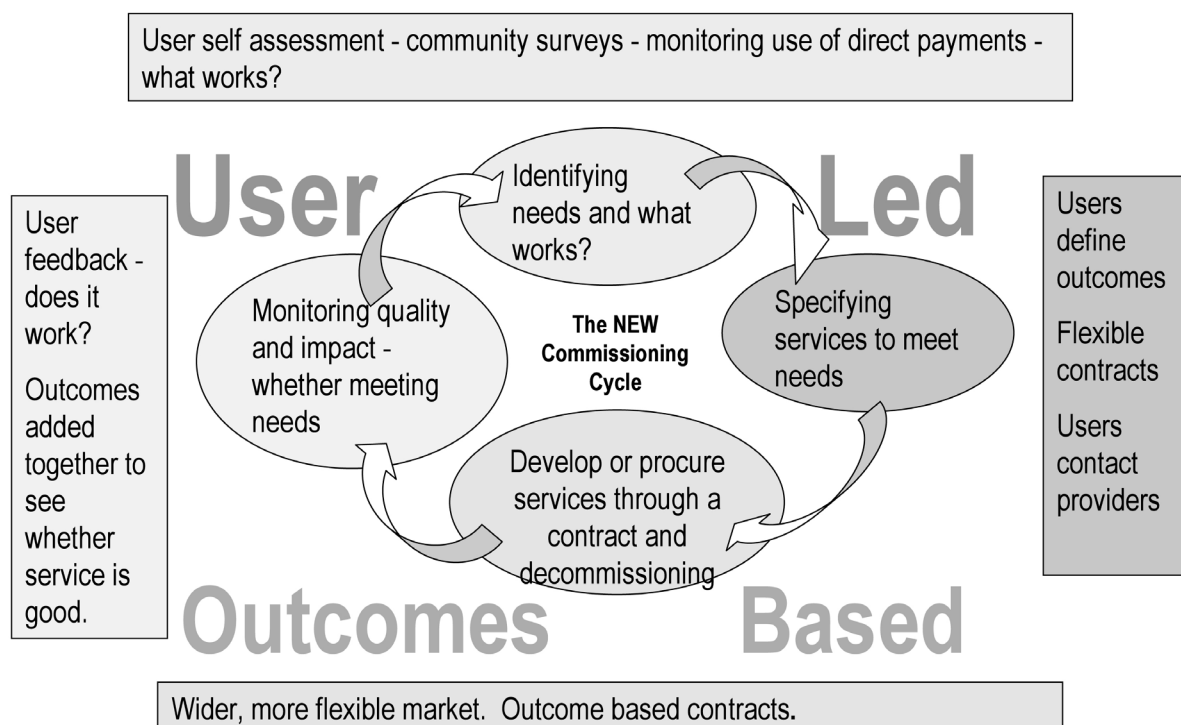
- CLCH Board agreement in February to progressing an integrated service in a partnership agreement with the three boroughs.
- Three boroughs in their planned meetings informal and formal throughout January to April endorse and progress this proposition through Section 75 powers to delegate social care functions, including any statutory responsibilities with these functions to senior staff in the Trust.
- Consultations with staff and any other relevant stakeholders will be conducted and concluded in the period April to June with transfers to follow thereafter.
- Ongoing work with GPs to co-design locality-based multi disciplinary teams supporting GP practice clusters.

4.8 With CLCH support and subject to any organisational consultations some early phased implementation could possibly commence before October 2011.

4.9 Proposals for the link between the new organisation and children's social service functions will require further consideration.

4.10 Before structures can be determined, the service and performance level to be provided needs to be agreed and to accommodate any necessary local variations.

**Chart C**



## 5. Commissioning across Three Boroughs for Adults' Services

- 5.1 Commissioning will continue to be a core function for Councils even when delivery is outsourced or carried out in partnership with other organisations. The main functions of commissioning are:
- Identifying the needs of the local community
  - Specifying a service or range of services to meet those needs
  - Implementing a service development, or procuring a service or range of services through a service agreement or contract
  - Monitoring and evaluating the quality and quantity of the service provided; and the impact of the service on meeting the identified needs.
- 5.2 Currently these activities (Chart C) are carried out by all 3 boroughs in different ways but all have staff dedicated to undertake the functions above. In Adult Social Care more than 80% of the spend is in the independent sector and this percentage is likely to increase in future years. The commissioning function has a key role to ensure that services are available to meet identified need and that the market is developed to do this in innovative ways. For self funders and individual service users opting for a personal budget it remains essential that there are suitable services for them to purchase in order to meet their needs. It is also important that there are a range of preventive services available to ensure people remain independent for as long as possible before needing health or social care services.
- 5.3 In addition in future, increasing amounts of social care services will be commissioned jointly with the NHS and particularly local GPs. It is increasingly difficult to disentangle outcomes and benefits for individual service users between NHS and local government. A service commissioned by one organisation can have a positive or negative impact on the budget of the other. An example of this would be how an investment in community nursing by the NHS can impact on the level of provision which the local authority needs to commission to support individuals in the community. It is also important that care for individuals is organised in as seamless a way as possible avoiding complex and costly handovers or duplication. Any new design of commissioning arrangements needs to be done jointly with the local NHS and particularly local GPs. An integrated commissioning model also offers opportunities to develop joint commissioning services with the GP Consortia (See chart D).
- 5.4 In Hammersmith and Fulham, Kensington and Chelsea and Westminster the activities for commissioning adult social care services have many overlaps:
- Similar types of need to be met
  - Similar population groups sometimes crossing local authority boundaries
  - Specialist services with insufficient critical mass for one borough to commission alone
  - The same providers working in all three boroughs

In addition public health staff who will be working with us to identify local need will be working on a three borough basis. The transitional arrangements for the local PCTs are also being organised on a three borough basis. It therefore makes sense to look at our new structure for commissioning delivering as many efficiencies from three borough arrangements as possible.

- 5.5 These commissioning arrangements require some support from specialist functions. In the proposed structure, joint commissioning arrangements are brought together across the three boroughs. In addition supplier relationship management, contracts and procurement can be done more efficiently across the three boroughs. Substance misuse and learning disability services are commissioned by

local authorities with funding transferred from the NHS. There are advantages in these specialist functions being carried out only once across the three boroughs. There are however some functions which need to retain a focus on a particular locality or local authority area, at least in the initial stages of the new structure. An example would be voluntary sector services where local relationships and knowledge are important in informing commissioning activity.

5.6 In addition to commissioning staff, the commissioning team also need support in workforce development, finance, business intelligence and ensuring quality including safeguarding adults. Workforce development, complaints and safeguarding have all been included within the commissioning arrangements because they span a range of providers. Investigation of safeguarding alerts about individuals would remain the responsibility of the relevant provider. All these support functions would benefit from a three borough arrangement rather than being carried out by individual boroughs and there would be further savings to be delivered here.

5.7 Chart D below outlines a possible indicative configuration for the joint service.

### Chart D



5.8 Directors support the view that by joining up commissioning teams that undertake similar functions it will be possible to achieve 35% reduction in overhead costs across the three boroughs by April 2012, with further savings by 2014/15.

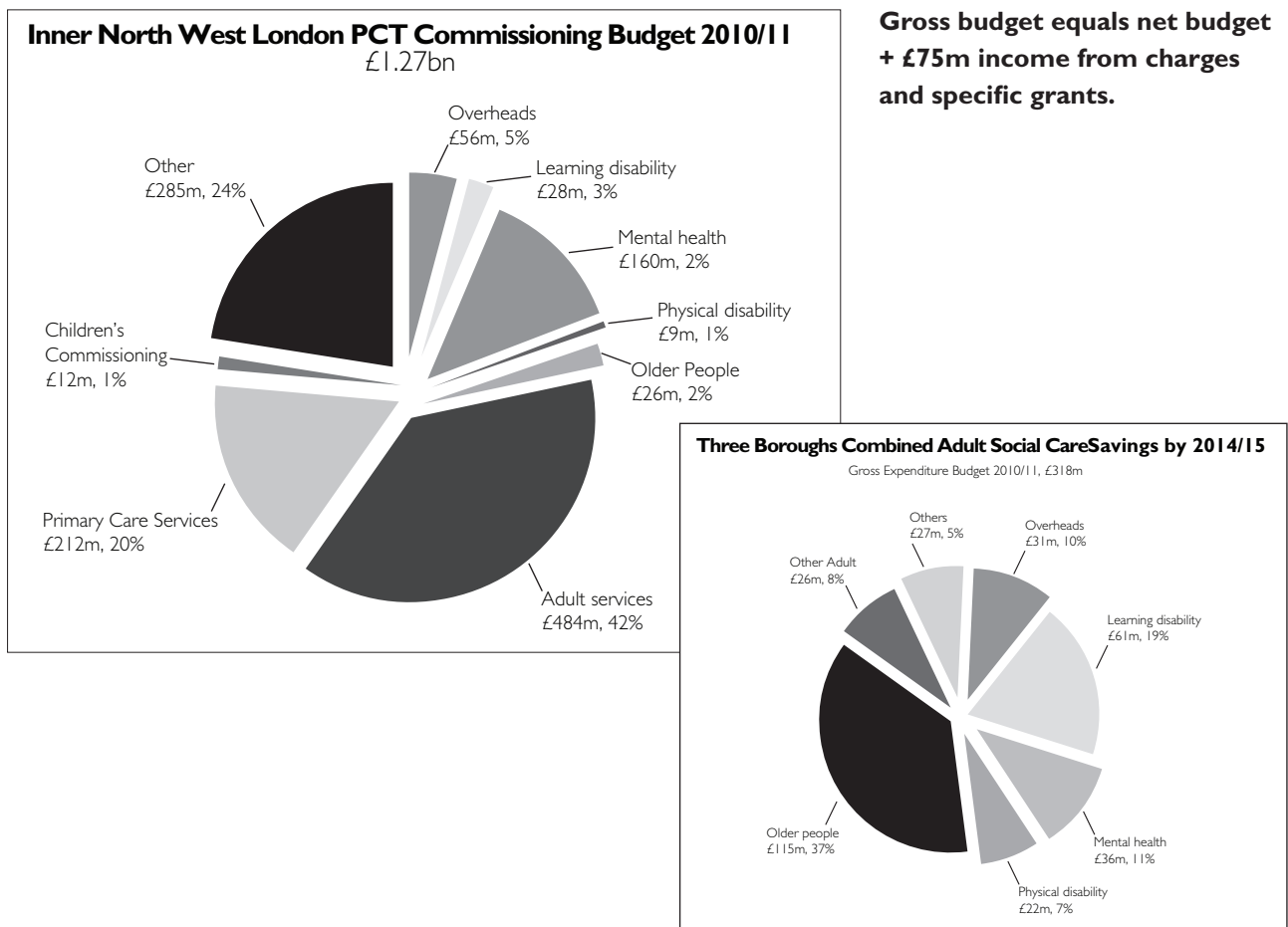
5.9 An integrated commissioning structure would not mean that boroughs are required to procure the same services or use the same suppliers – a single commissioning hub is capable of providing different and varying levels of service to meet individual borough need, and the joint service would be configured to ensure both a borough and a thematic focus. However, where appropriate, boroughs would look to take advantage of their combined leverage. An initial review of contracts due to expire in the next 2 years suggests that there are opportunities around a number of common providers in three main fields:

- Spot purchasing of placements for elderly or vulnerable people – currently boroughs bid competitively for the same placements, driving up the price. Establishing a common ceiling, perhaps alongside other boroughs, would help push down costs, with an estimated saving of £1m.
- Supporting People – support for vulnerable people (but excluding homelessness) – currently subject to a single rate regardless of relative need, which is more expensive than general homecare services. Provision could be reviewed to better align rates with the service provided.
- Kensington and Chelsea and Westminster City Council are looking to reconfigure in-house nursing home provision.

## 6. Overhead Analysis

6.1 Our initial analysis concludes that the three Boroughs' gross spend is £318m and net spend is £242m (see Chart E). There are over 1,500 staff on a full time equivalent (Fte) basis. Of the net amount nearly £18m is spent on overheads with 263 Ftes directly employed.

**Chart E**



- 6.2 The £318m will align with the PCT budget (excluding the acute services), although some of them will now be overseen by the NHS Commissioning Board.
- 6.3 Each of the three boroughs account for overheads in a slightly different way. In Westminster for example some of the overhead in our analysis is held under central budgets. Contrastingly in Kensington and Chelsea almost all overhead is all accounted for locally within Adults' Social Care. For the purposes of comparing the data more accurately, we have where possible included costs that may sit outside the structure in one council so as to compare the costs with another council where the costs sit within the structure.
- 6.4 Contrastingly, some overhead allocated to Adult Social Care by respective corporate centres has been purposefully excluded. We have done this where the allocation of costs looks to distort the overall overhead base and where the allocation of such costs is not reflective of direct costs.
- 6.5 At this time only a few of the operations (provider) managers have been included in the overhead analysis. For this reason, the nearly £18m figure is a conservative figure for overheads. However, for this report the baseline budget year is 2010/11 (see Table 1); and known changes (usually reductions because of savings) in 2011/12 budgets and existing planned savings by boroughs for future years have not been taken into account. Given the size of saving already planned this will alter the comparison were it to be made on the basis of 2013/14 figures.

## 7.0 Potential Savings

**Table 1**

Overhead analysis	Net Budgets £000s 2010/11				FTE 2010/11		
	WCC	K&C	H&F	Total	WCC	K&C	H&F
Analysis, Performance, Policy	200	340	228	<b>768</b>	4	8	11
Client Affairs	230	163	192	<b>585</b>	7	5	6
Commissioning, Procurement, SRM	1,400	746	736	<b>2,882</b>	28	28	17
Complaints	50	67	24	<b>141</b>	1	2	0
Finance	1,611	832	1212	<b>3,205</b>	25	20	33
IT	1,767	1534	2113	<b>5,414</b>	0	4	0
Executive Management	193	125	189	<b>507</b>	2	1	1
Management not dedicated to one service	100	121	370	<b>591</b>	2	2	3
Service Managers	238	464	440	<b>1,142</b>	6	6	5
Project Management	275	419	642	<b>1,336</b>	4	8	15
Training	289	310	616	<b>1,215</b>	0	5	4
<b>Total overheads/fte</b>	<b>5,903</b>	<b>5,121</b>	<b>6,762</b>	<b>17,786</b>	<b>79</b>	<b>89</b>	<b>95</b>
Total overheads/fte as % of net budget/total fte	6%	8%	9%	7%	16%	15%	22%
Total net budget/fte incl overhead fte	102,715	63,224	76,315	242,254	507	591	433

7.1 An overall 50% reduction across the 3 Boroughs would realise £9m by 2014/15.

7.2 There may be some variation in the level of savings across the different headings:

- Commissioning – we believe that a 35% reduction in headcount can be achieved by bringing the 3 Commissioning Services together by April 2012. Further savings would depend on the establishment of a joint commissioning support organisation with GP Consortia / PCT Cluster (see Chart E for comparison of PCT Cluster's overall commissioning budget).
- Finance – merging the 3 Boroughs' finance functions will achieve a 50% reduction in headcount by 2014/15. Further savings may be possible if commissioning is integrated with the NHS GP Consortium and through the integration of financial support to the provider services with CLCH.
- IT - IT aggregate annual spend £5.4m

Much of the costs in this area are for the IT systems that support Adults' Social Care. It is recognised that significant longer term savings could be achieved if more uniformity of systems were sought in the future. Equally it is recognised that IT may give rise to significant upfront set-up costs as systems from the different boroughs are brought closer into alignment.

Westminster and Kensington and Chelsea, prior to the three borough merger initiative, had independently approached the market with a view to replacing their respective Adult Social Care IT systems. However, in the light of achieving future savings and bringing IT systems within the three borough model together, the three boroughs are now investigating ways in which their market submissions might be better combined and also align with CLCH IT systems.

## 8. Phasing of savings

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8.1 At this stage in our work, no detailed analytical work has been undertaken as to when savings could be achieved. Whilst we expect IT-related savings to be backend loaded due to the time it is expected to take to merge systems, there are also likely to be some quicker wins in areas such as executive management, project management, client affairs and training. On this basis we have estimated that 10% of savings would be forthcoming in 2011/12 with the remaining 90% split evenly between years 2012/13 and 2013/14.

8.2 Obviously the new structures ('commissioning' and 'operations') would need to determine the requisite support functions to fulfil their statutory (and any other) functions. This will mean those structures being shaped with the reduction in support and management costs as given.

8.3 Resources will need to be identified for investment to enable the delivery of integrated information systems and the change to multidisciplinary teams.

## 9. Health and Wellbeing Boards

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9.1 Each borough aims to have in place by April 2011 its own Health and Wellbeing board. The role of the board as defined in the consultation document 'Local Democracy in Health' underlines its significance as a means to ensure the best interests of each borough are served under a shared commissioning infrastructure:

- Assess the needs of the local population and lead the Joint Strategic Needs Assessment (JSNA), to support commissioning to improve health and wellbeing outcomes and reduce inequalities.

- Promote joined up working, including joint commissioning with GP consortia and pooled budgets.
- Lead on health improvement and prevention with funding transferred to Local Authorities (LAs).
- Support local voice and patient choice through commissioning of local HealthWatch arrangements.

9.2 Boards could potentially share secretariats and analytical support in order to reduce overheads so far as possible. Boards would wish to cooperate where it would be mutually beneficial to do so, and we would look to develop mechanisms accordingly. There will also be opportunities to rationalise existing governance arrangements (e.g. Children's Trust Boards) to reduce duplication and realise efficiencies.

## 10. Public Health

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10.1 As part of the new public health service, local authorities will gain new health improvement responsibilities by April 2013. The new Inner North West London PCT Cluster arrangement is proposing a single Director of Public Health as part of the rationalised and integrated public health service across the three PCTs from April 2011. The integrated Public Health team, and single Director of public health will be well-positioned to work alongside and, in the future, join the developing tri-borough working. The details of local authorities' new responsibilities and the ring-fenced funding arrangements have yet to be published. However, there are likely to be opportunities to review and rationalise structures within this context and align prevention and health improvement activities to manage the demand for health and adults and children's social care.

## 11. Proposed next steps:

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- Cabinets to sign off agreements and implementation plan in April.
- Tri-borough involvement in the appointment of the single Director of Public Health by the Inner North West London PCT Cluster in Spring 2011.
- Appointment of a single Director of Adult Social Care (DASC) (Commissioning) by 1st October 2011 with an ambition to create a single commissioning organisation by April 2012.
- Interim appointment of a joint DASC (commissioning) for Hammersmith and Fulham commissioning functions from 1st April 2011.
- In the first quarter of 2011 changes are required to joint commissioning functions given the impact upon them of the 60% reduction of PCT funding for joint posts as part of the NHS management and operating cost savings plan which must be concluded by end of March 2011.
- In 2011/12 commissioning will align with the "cluster" PCT during the transition to GP-led commissioning. In that year, with the establishment of Health & Well Being Boards and planning for the Public Health transfer, we will explore with the GP consortia the opportunities for future joint commissioning. Proposals will be forthcoming from those deliberations.
- Negotiations with CLCH to reach formal proposals for transfer of ASC staff under Section 75 agreements on a phased basis during 2012.
- These next steps will be subject to detailed consultation with GPs and other stakeholders

## (c) Environment Services

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This report considers the possibilities for amalgamation within the environment family of services being:

- Environmental Health
- Highways and Transport
- Culture and Leisure
- Libraries
- Waste Management
- Licensing
- Parking
- Building Control
- Community safety

The exception is licensing, removed from the scope of this exercise for the reasons outlined in Chapter 4.

The definition of “Environmental Services” is loose and varied in each council, reflecting the diverse nature of services encompassed within it and the varied connections with other services established in each Council.

## Why Amalgamate?

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The need to make significant savings places at risk non-statutory services such as culture; and could mean a significant reduction in the quality of provision in waste management, environmental health, street cleaning, highway maintenance and grounds maintenance, and the closure of building based services such as libraries and leisure services.

Collaboration offers a means instead to make savings in areas that do not impact on services such as back office costs. The land area and populations of the combined 3 boroughs, while significant, is comparable with some the larger metropolitan councils, who run similar services with proportionately fewer staff, although the significant non-resident user dynamic needs to be taken into account.

Additionally, collaboration provides the opportunity to improve our offer to residents across boroughs. Examples might include exploration of a tri-borough library card, a shared e-booking solution that enables customers to book a range of facilities (e.g. sports pitches, pest control appointments) through a centralised, online system.

## Summary of Savings

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The table below shows the level of savings identified in this paper. All these figures are indicative only and require more detailed work before they can be confirmed.

Scoping work suggests that savings are also possible from amalgamating certain community safety services across the three boroughs.

The Highways and Transport scoping study showed possible savings in the region of £350K – £500K<sup>3</sup> over a period of 18 months to 3 years<sup>4</sup>. More work needs to be done to test these figures and make a firm proposal as to the opportunities for amalgamation.

<sup>3</sup> Depending on option

<sup>4</sup> Depending on option

Boroughs would look for opportunities to deliver savings in 2011/12, but would expect the majority to be delivered in 2012/13. The remainder would largely depend on the expiration dates of existing contracts.

<b>Service</b>		<b>£K</b>		<b>£K</b>
Management	Between	1000	And	2400
Library Service	Between	1420	And	1740 <sup>5</sup>
Culture and Leisure	Between	120.0	And	140.0 <sup>6</sup>
Parking Back office	Between	Nil	And	680
Building Control	Between	10.0	And	40.0
<b>TOTAL</b>	<b>between</b>	<b>2550</b>	<b>And</b>	<b>5000</b>

## Next Steps

This paper recommends that:

1. The three Councils agree in principle to forward the amalgamation of management of the environment family of services across the 3 boroughs for further examination through the scrutiny process; and commission the further work needed to progress the amalgamation, including consideration of management models. The scrutiny evaluation criteria will, among other things, include the intrinsic sensitivity to 'place' for some services; the practicality or workload and Cabinet portfolio level.
2. The three Councils agree in principle to the combination of the library service and commission the further work needed to progress the combination.
3. The three Councils agree in principle to the combination of leisure and parks contracts / contract management teams and commission the further work needed to progress the combination.
4. The three Councils agree in principle to parking office integration between Kensington and Chelsea and Hammersmith and Fulham, with Westminster City Council considering its options when its current contracts expire.
5. While the potential savings are small, the three councils agree in principle the amalgamation of the dangerous structures service of the building service, and look at further integration across the service as opportunities arise.
6. The three Councils agree in principle to the amalgamation of Kensington and Chelsea and Hammersmith and Fulham Highways and Transport services and commission the further work needed to progress the amalgamation, with Westminster City Council to consider options on expiration of their existing contracts.

The three Councils commission further detailed work to explore the amalgamation of:

- Certain aspects of Community safety including contingency planning and CCTV
- Waste Management and Street Cleaning options for the future.
- Parking (other than parking office)
- Environmental Health

<sup>5</sup> Savings identified less cost of Head of Service post. There may be further savings in the amalgamation of Archives which have either been included in this work and not identified, or not yet explored.

<sup>6</sup> H&F and RBKC only and dependant on option

## Senior Management options

This section looks at three management options for the environment family of services. All are designed to reduce cost. Indeed, significant savings may only be achieved through reducing the management head count.

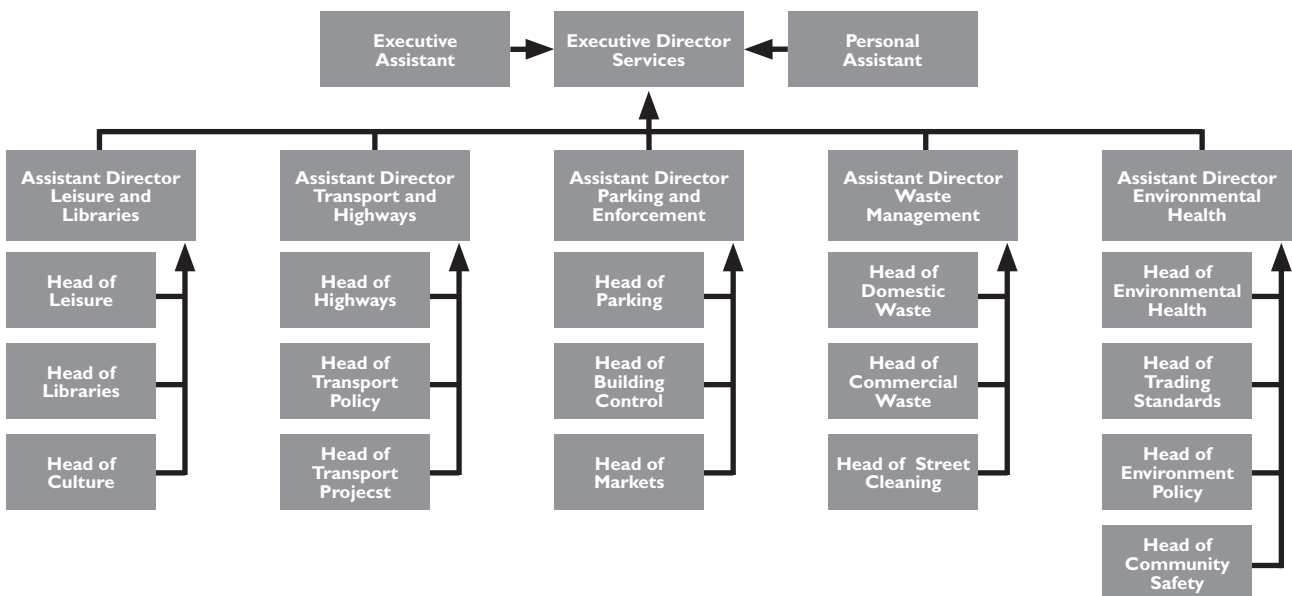
While further work is required to understand the exact quantum of savings, Directors are confident of a reduction of at least a third from the current management costs. This would give an indicative saving (based on mean salary scales) or around £1m - £2.4m. There will be some scope for further reduction in overheads and on-costs, as yet unquantified.

### The options

To assist in understanding the differences between the models, indicative structure diagrams have been included. It is important to note that both the number and description of posts are purely representative.

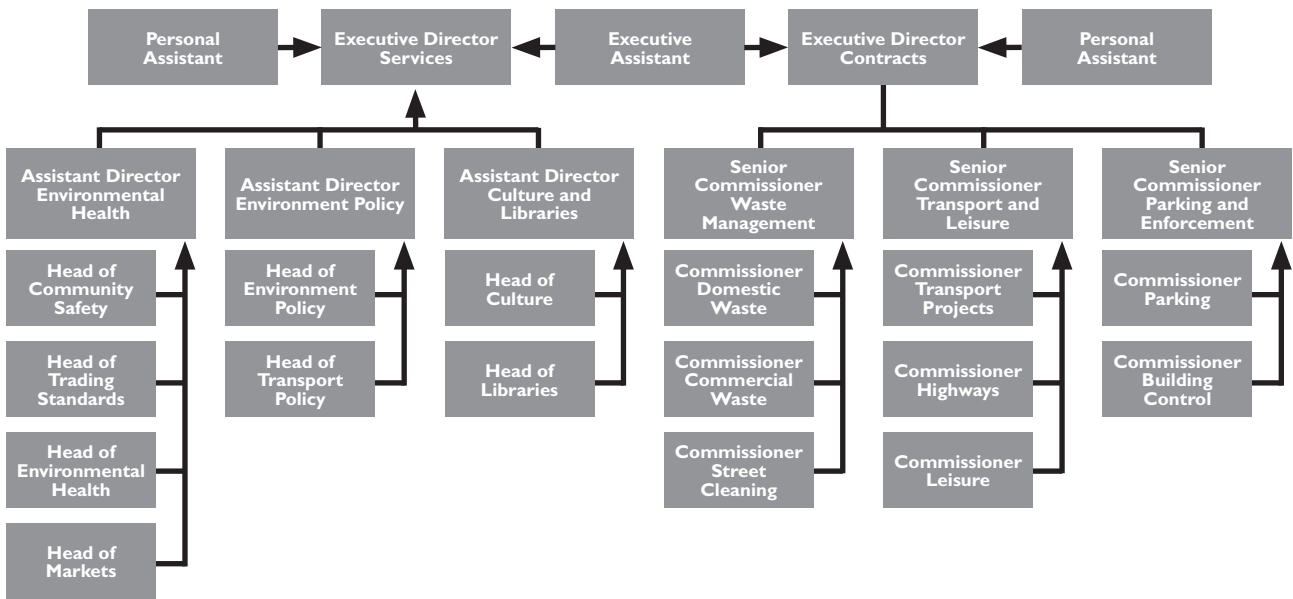
#### Option one

Option one shows a single management structure, based on distinct services with both contracted and locally directly delivered services reporting to a single Council employed management hierarchy.



#### Option Two

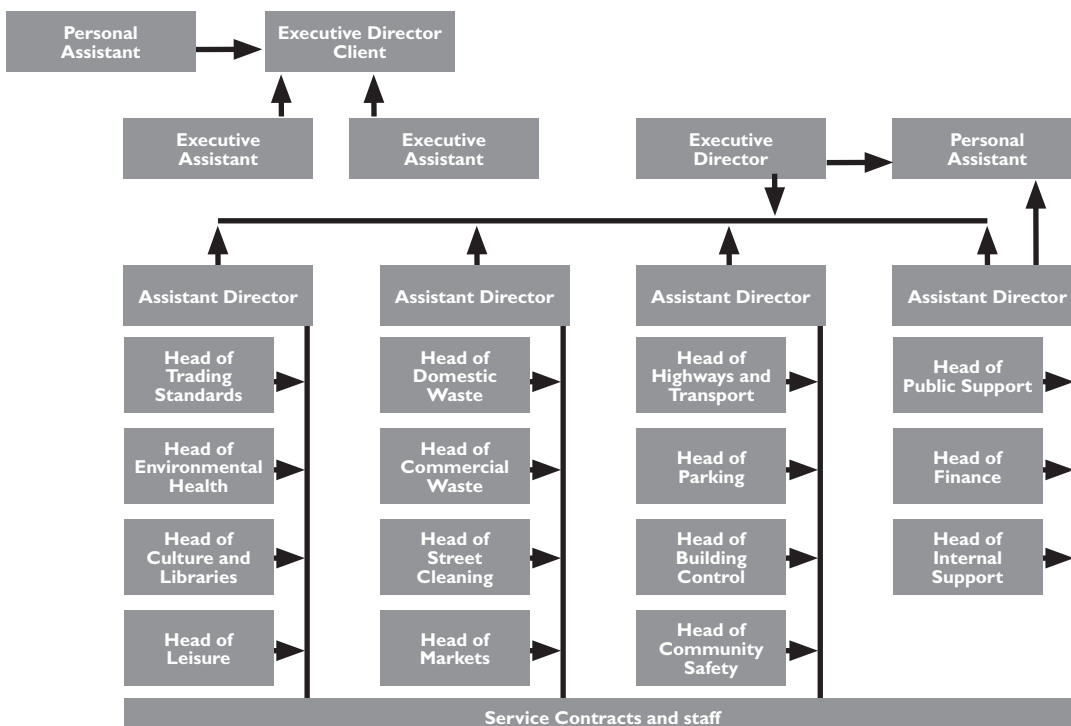
Option Two splits delivery between those services that are delivered directly by the organisation and those that are delivered by third parties. Option Two is a hybrid between Options One and Three. While Option Two has some traditional service groupings other services are delivered through the assiduous management and monitoring of contracts.



### Option Three

Option three creates a separate stand alone company responsible under contract for the management of services and contracts across the three boroughs, with policy and monitoring held separately within the local authority structure. This gives the management of locally delivered services clarity of a clear contract between each borough and management for the delivery of services

This option needs more work, and more legal advice, to determine the exact, and most advantageous, legal status for the company. It could be an independent limited liability company; an independent mutual society or some other form of separately constituted company. But it is perfectly possible to operate this model entirely within the local authority structure, in the way that DSOs and trading units operate within council structures.



## Next steps

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Further work is needed to consider the pros and cons of each of the options, including:

- Short term savings and costs
- Longer term opportunities and incentives to drive down costs further e.g. through trading with other authorities
- Impact on Member accountability and Member engagement
- Impact on the customer
- Varied connections for services with those outside the environmental family, (e.g. libraries to adult services or customer services; sport and leisure to health).
- Evaluation criteria especially around locality working and sensitivity of “place”.

Senior officers expect to be able to provide further advice on management options by April 2011.

## Service proposals

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### The Library Service

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This proposal recommends the creation of a single combined libraries and archives service across the three boroughs, but with local branding and delivery in line with local community needs and requirements as determined by the three councils.

There is considerable synergy between the strategic priorities set for the library service by each of the three boroughs. Based on their current service strategies it is possible to identify the key elements of an integrated service as set out in the box below

Key elements of an integrated library service
<b>Reading</b> – everything starts with reading and libraries help children and adults to become proficient readers for life and promote the love of reading for pleasure
<b>Learning</b> – supporting formal education at every stage and as a major provider of informal and self-directed learning for all
<b>Digital</b> – creating and providing access to digital resources, and helping people to bridge the digital divide through support and training
<b>Information</b> – about anything and everything – the gateway to the world’s knowledge, and to local community information, with intelligent interpretation – beyond Google.
<b>Community</b> – a physical, accessible, safe indoor presence in the heart of local communities, a meeting place for local people and organisations, a destination or venue for cultural events and activities
<b>Heritage/sense of place</b> – keeping the record of times gone by – the history of people and communities, helping to create identity and cohesion
<b>Access point for other services</b> – either online or through surgeries or permanently shared location – as a trusted brand with expert staff, a natural place where people will go to seek advice and support.

This does not mean that boroughs do not, and in future cannot, have clearly different requirements and reflect that in their offering. Boroughs would retain the ability to commission services on top of the

proposed core offer. Examples include archives, the Westminster Reference Library, the Westminster Bengali Outreach, Schools Library Services, Prisons Library Services, Bibliotherapy and Study Support.

The areas in which we feel potential savings could be achieved are:

- the creation of a single joint management structure;
- sharing specialist and support staff;
- wider staff rationalisation and improved productivity;
- harmonising contracts and joint procurement;
- achieving the move to on-line service provision in an integrated way;
- rationalising arrangements for storage, the home library service and transport across the three boroughs;
- adopting a three borough perspective in relation to the use of assets and buildings.

The following table summarises the potential areas for savings that we have identified.

Area	Estimated saving (pa)
Single management team	£345-365k
Improved productivity	£250k
Salary and staffing harmonisation	£400-700k
Sharing professional expertise	£300k
Single on line and telephone inquiry service	£105k
Integrated reference and information service	£100k
<b>Totals</b>	<b>£1500K - £1820K</b>

## Other benefits

We have also concluded that an integrated service would enhance:

- the potential to earn additional income, including through the provision of services to other authorities, and strengthen our capacity to do so.
- the ability of the three boroughs to encourage philanthropy and pursue other fundraising activities – potentially via a purpose designed charitable trust
- our service offer to customers / residents – users would be able to drop books at any library over a much larger area, regardless of where they reside. The service would also enable users to access new collections; broader expertise and greater depth of specialisms.

## Next steps

Subject to the response to this progress report we envisage a four phase process:

**Phase 1:** the development of more detailed proposals and the business case.

**Phase 2:** the creation of a single management team (we envisage that this could be targeted for September 2011).

**Phase 3:** the design and implementation of a single staff group for a combined library service;

**Phase 4:** potentially undertaken in parallel with phases 2 and 3, this phase would involve the introduction of integrated functions.

## Culture and leisure

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There is still work to be undertaken to understand the full range of possibilities and quantify possible savings, but analysis to date points to a range of opportunities:

### Joint procurement

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There are two major contracts which could potentially be jointly let by 2015. A joint procurement is likely to secure better terms than letting three individual contracts. Actual cash savings will depend on market conditions:

- Leisure centre contracts: recommend further work to consider the savings possible via joint procurement on a rolling programme of adoption from 2014 (Westminster City Council and Hammersmith & Fulham) to 2017 (Kensington & Chelsea).
- Parks - grounds maintenance contracts: recommend further work to consider the savings possible via joint procurement from spring 2015.

### Unified contract management

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Integrating contract management teams will reduce costs. A further, wider, possibility is a move to more generic contract roles e.g. for parks and waste staff, which might offer additional savings.

- Shared client side management - parks and Sport and leisure: integrating contract management functions offers scope for reductions of around 4 FTEs – potentially realising savings of around £120 - £140k

### Further opportunities

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- Parks Constabulary: Hammersmith and Fulham officers will consider Kensington and Chelsea officers' proposal for joint management of the Parks Constabulary, potentially saving one FTE, alongside the option of outsourcing the park keeping service as in WCC. This can be further considered within leisure or within Community Safety.
- Bereavement services: Hammersmith and Fulham officers will consider Kensington and Chelsea officer's proposal for joint management of the bereavement service alongside the option of outsourcing the management of the service as in WCC.
- Special events: We recommend a review of the boroughs' special events services after the 2012 Games.
- Bedding supply: Kensington and Chelsea will aim to meet its own needs for bedding plants from its nursery in Holland Park, and will offer its surplus at commercially competitive prices to the other Councils.

### Next steps

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We recommend that more detailed proposals be put to Members on these and other opportunities later in 2011. This consideration will also need to consider the precise alignment (in contracts and management) between leisure and other council services, especially public health.

## Parking Office – correspondence associated with the processing of penalty charge notices

It is proposed that Hammersmith and Fulham and Kensington and Chelsea Councils set up a shared service to deliver the penalty charge notice correspondence function which Westminster City Council could opt to join after 2014 when its existing contract expires.

The following table shows the cashable benefits and expected savings to the two Councils over five years:

ROI Model	Implementation Costs for H&F and RBKC	Break even Year	Annual Savings in Breakeven Year	Projected Five Year Saving
1 – councils join in years three and five <sup>7</sup>	£1,160,000	4	£881,065	£1,722,355
2 – WCC joins in year three; a second council joins in year five <sup>8</sup>	£1,160,000	4	£983,455	£2,186,058

There are a number of additional benefits and non-cashable savings:

- The new model will provide a better service for motorists. Adopting a robust performance management framework will allow measures to be put in place to increase the speed and quality of responses, thus reducing the repeat contact between the council and motorist.
- There is an opportunity to restructure the functions remaining in London which should in turn lead to further savings
- Vacated office space in London can be included in both authorities' asset management and smart working programmes.
- The creation of a Centre of Excellence – the new organisation has the potential to be a leader in PCN correspondence processing in London and can attract a greater number of authorities to join the service and increase income further.

### Next Steps

This project has been developed for over a year and provides a compelling case to progress the project to delivery. It would also provide a platform for other Councils to join in the future. Hammersmith and Fulham and Kensington and Chelsea Council officers recommend formal Member approval of a separate, more detailed business case, and then implementation.

<sup>7</sup> Councils joining have a similar PCN correspondence volume to H&F and RBKC

<sup>8</sup> Councils joining have a similar PCN correspondence volume to H&F and RBKC

## Building Control

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This section considers the potential for amalgamating the current Building Control services operated across the three boroughs.

### Service integration

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The amalgamation of Building Control services across two or more local authorities will make minor financial savings due to the restrictions of the current legislative framework – charges to users can only match the costs incurred by boroughs in the provision of the service, while the associated costs e.g. redundancies would need to be met upfront. It is therefore recommended that any integration be considered as a longer term prospect as opportunities arise, for example as posts become vacant through natural wastage.

### Dangerous structures as part of the building control service

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Currently, each borough has a number of surveyors on a rota for out of hours emergencies. Although they have to be prepared to attend at short notice, they are rarely called upon more than once or twice in a weekly shift. If two surveyors were on call at a time over the whole combined area, rather than the current four (Westminster have two on call at any one time) the cost of the out of hours service would be approximately halved, while there would still be adequate cover. This arrangement will save boroughs approximately £25k at no or very low costs of implementation.

## Highways and Transport

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Hammersmith and Fulham and Royal Borough of Kensington and Chelsea Highways and Engineering already share a single chief officer who manages for both boroughs a range of in-house and consultancy-supplied staff as well as external contracts, with no separate commissioning or policy role.

Westminster City Council has externalised both consultant and contractor services with two providers. Current contracts expire in March 2014.

### Short / Medium term (up to 2014)

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It is recommended that over the next two years Hammersmith and Fulham and Kensington and Chelsea fully amalgamate all activity into one joint business unit with joint teams providing all current functions.

A reduction of approximately one third in management and senior posts is envisaged. Further staff reduction and savings will be realised by merging functions within teams.

Savings would manifest themselves as lower project capital costs for trading account services (where charges to users can only match costs), and non-trading activities (such as network management and road safety) where any savings will directly benefit the authorities' ongoing revenue expenditure budgets.

In addition to these changes, further opportunities may exist for joint working across all three boroughs and on a sub regional basis within central London. This would potentially be in specialist areas such as structures e.g. bridge maintenance. These opportunities should also be explored as an

immediate next step and Westminster is already discussing some of these opportunities within a central London context.

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## **Medium / Longer Term (from 2014)**

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Key contracts in all three boroughs expire in 2014, opening the opportunity for further integration.

As Westminster City Council operates a commissioning model for all highways and transport services, unlike the other two Councils, one, two or all three boroughs will need to change the way they operate if further integration is to be achieved from 2014 onwards.

Much more detailed work is required to fully understand and share intelligence on how the range of highways functions are undertaken in all three boroughs, and the extent and cost of policy work, service commissioning and operational management and delivery. Only then can a properly informed decision be made. This work should commence soon, so that these choices are made well before 2014, enabling implementation in three years' time upon expiry of existing contractual arrangements.

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## **Next steps**

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It is proposed that over the next three months boroughs work up integration plans for Kensington and Chelsea and Hammersmith and Fulham, identifying appropriate merged structures, new joint roles, assessing available personnel and skills and designing a recommended / potential to-be model, and assigning individuals to new roles.

Once complete, attention could turn to longer term combination plans with Westminster City Council and wider sub-regional opportunities.

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## **Community Safety**

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The various services that contribute towards reducing crime and antisocial behaviour and the misuse of drugs and alcohol are not neatly joined together under one community safety division within any of the Boroughs. Services are managed through several different departments in each Borough although all have one senior officer who can be readily identified as the Chief Community Safety Officer. Each of them has a budget and staffing team.

This report proposes that contingency planning and CCTV are considered further for amalgamation with the remaining services, including policy, commissioning and parks police remaining with each of the three boroughs.

The table below shows the range of issues that were taken into account for each strand, and the recommendations reached as a result.

	Contingency planning	CCTV	Parks police	Commissioning	Policy	Chief Officers
1 Degree of commonality across 3 boroughs	High	High	High	High	High	Medium
2 Degree of being contingent on other tri borough issues	High	Low	Low	Low	High	High
3 Synchronisation issues	None	Yes	None	Yes	None	None
4 Degree of political interest	Low	Variable	Low	Low	High	High
5 Other factors	Olympics	Olympics	None	Reduced funding	None	None
6 Potential savings	Low	High	Medium	Low	Low	High
Conclusion	Integrate latter part of 12/13	Staged integration from 11/12 onwards	Consider Integration 12/13	Consider integration as opportunities emerge over 11/12 & 12/13	Consider at a later stage	Consider as opportunities emerge over 11/12 & 12/13

## Next steps

Overall savings have not been quantified at this stage. Savings in certain areas e.g. around CCTV are hard to estimate without detailed technical analysis. These could be significant, though also costly to implement. We would look to work up proposals in more depth in the next phase of the work.

## (d) Corporate Services

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1. Savings through avoiding duplications, economies of scale, and business process change are achievable across the corporate resource portfolios.
2. In addition, some consolidation and simplification is essential if integrated frontline service provision is to be optimised. For example, it would be untenable as a sustained proposition for a combined Tri-borough Adults Service to comprise three different HR systems, three different ICT strategies, and three different budgetary control mechanisms.
3. In contrast, however, the sovereignty guarantee requires separate legislature and financial external reporting and, for example, the borough by borough integrity as cash management and attribution.
4. Evolving technology, trends towards shared services and other developments indicate scope for financial benefit through a tri-borough approach to corporate resource support. This can either be through combined procurement, through combined in-house delivery or through a combination of the two.
5. To develop such an approach will require:
  - a clear separation of strategic resource activity, service-specific activity and transactional services
  - given the sovereignty guarantee, a need to separate those things which are vital to the separate integrity of each borough from those in which standardisation can yield economies of scale
  - a clear medium term objective matched with a pragmatic approach which takes account of current arrangements.
6. Work to date has focussed on options for:
  - CT
  - HR
  - Some Financial services (Treasury Management and Insurance)
  - Property
  - Legal and Administration

These are detailed below later in the report.
7. Workstream report – IT

## I. Towards a vision

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- 1.1. The aim is to develop an IT vision for the three organisations in three years time which realises the benefits of shared services through improved use of technology and delivers efficiencies produced by consolidation and convergence.
- 1.2. The efficiency agenda at the heart of tri-borough working offers significant scope to take out duplication and maximise our buying power in the IT marketplace. By pursuing this approach, in three to five years costs can be reduced by:
  - Rationalizing IT teams in specialist areas, especially around systems development, networks management, direct service delivery and strategy
  - Aligning contracts and conducting joint procurements to reduce line of business systems from 3 separate instances to single solutions set up to protect personal data at a borough level

- Using network infrastructures across the wider geography as well as across communications channels (voice, video, data)
- Exploiting existing assets and building upon current work to migrate toward cloud-based managed services
- Rationalising datacentres
- Removing duplicate data and information storage

1.3 Our estimate of achievable savings over 3 years is £3.3million although it must be noted that the individual boroughs already have savings plans in place to realise over £3million over this period and there will be an overlap between. Our estimate of savings over 5 years is more significant at £9.6million when we can realise the full benefits of consolidated procurement and contracts after existing arrangements have expired, but again some savings are already in existing plans and achievement is based on Line of Business applications being rationalised and staff reductions being realised.

1.4 The benefits to staff will also be considerable. In three years time staff and delivery partners will be able to:

- Share all required data, including confidential content, via voice, text, e-mail and other communications tools, line of business systems and collaboration tools
- Have simple access to staff contact and diary information across the three boroughs
- Access intranets and other information resources (staff information, policies, procedures) across three boroughs
- Access and operate in all relevant line of business applications across three boroughs from any site including from home
- Have a single log-on from a single device, or as required, across three boroughs
- Ensure security protects citizen information whilst allowing staff to be given access to appropriate data as trusted individuals with relevant access rights i.e. have user authentication at the application layer including physical identification of people

## **2. What needs to happen to deliver this vision?**

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### **2.1 Organisation design**

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Do we need a clear picture of what the organisation will look like before we can design solutions? While this might be desirable, it is not practical, as those designing the organisation need a sense of the costs or limitations of IT to help design the new service structures. What we are developing here is a road map through short-term options to deliver tight integration across infrastructure and applications in the medium term. However, this should be done proactively – what IT can enable – rather than being purely reactive.

That said, the design of the IT organisation fit for the longer term can be achieved over 12 months, following the completion of short term infrastructure improvements to enable lines of business to consolidate. Implementation of the new IT organisation will take up to 3 years, with the following areas in the first tranche: strategy; some direct service delivery teams; networks management and information management.

It is equally important that organisation design establishes those functions critical to maintaining sovereignty in each Council. These will cover regulatory compliance, security oversight, design authority and a strong intelligent client to ensure VFM is sustained and business needs are met.

## 2.2 Unified communications: data, voice and video services

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The three authorities are in quite different stages of adopting unified communications, offering a good opportunity to rationalise services by adopting a common convergence path and taking out cost whilst improving services.

On networks, the current focus in local government has been driven by the government's Codes of Connection compliance (CoCo), on securing the network perimeter. A new approach will require more focus internally.

We have already established a team to scope connecting the three boroughs' networks and then delegating application security management to each one, taking into account how other aspects of security (intrusion detection, anti-virus etc) would be managed.

This team is also examining the adoption of a converged networks approach, connecting networks securely, allowing role-based access to applications and data – at an affordable cost. This could be achieved through - point-to-point solutions, via a public service network or cloud. There are already a number of external networks available – Public Service Network, London Public Service Network, Government Connect and the NHS spine (aka PSN, LPSN, GCSx and N3) which could be used.

Networks should be more independent of business decisions as to the new service structures and should be designed based on convergence across data, voice and video (e.g. CCTV).

There is a need to create some collaboration zones, e.g. perimeter networks (outside of the local networks) to enable application sharing (these are sometimes referred to as DMZs which stands for 'Demilitarised Zones' and act as an additional layer of security to local networks).

On telephony, we would like to be able to:

- Make low cost or free telephone calls across three boroughs
- Have a consistent, expandable telephony infrastructure with coordinated number ranges (NB there are bound to be duplicate phone numbers today across the three boroughs)
- Maintain a single phone and e-mail directory across three boroughs
- Voice traffic must be put across data networks for reasons of economy, so the data network connection is a pre requisite.

Although it would seem likely that it must be cost-effective to connect the telephony exchanges, this depends on the volume of traffic – and on existing contracts. Also, the telephony industry has changed so much in recent years that economies of scale are being realised in other ways. A better approach is to look to medium term gains around unifying communications once networks have been converged. As these technologies continue to change rapidly, whilst costs are coming down, demand is growing with one offsetting the other.

Westminster's own recent experience of procuring new converged network managed services has identified cost reductions of 20% on current services and scope for a further 10% on those not yet transitioned. Based on typical total networks costs across the 3 boroughs of £1.2million each per annum this translates into a collective annual saving of between £700,000 and £1.1million.

## 2.3 Datacentres

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Currently the three organisations make use of at least 6 datacentres, some of which are outsourced managed services but at least 4 are housed in Council premises. Westminster and Hammersmith and Fulham councils are both following a strategy of moving to infrastructure-free ICT provision and by sharing services we could rapidly reduce to 2 datacentres (over 3 years) with a view to migrating to cloud services during 2013-15 as they mature and as existing investments expire (Kensington and Chelsea has recently made a considerable investment in its primary datacentre). There are considerable property savings on offer by adopting this approach through reduced premises, FM and energy costs, also helping to reduce carbon footprints.

Consolidation of IT equipment will also yield some savings, mainly through reduced refresh costs and utilisation of spare capacity, although this needs to be considered alongside the move to not provisioning our own equipment in the medium term. The greater saving will be in reducing duplication for disaster recovery purposes and possibly something around better server and platform licencing deals, again a short to medium term gain but not one for the long term.

Therefore an estimate of savings in this area across the three boroughs would be in the order of £600,000 per annum from 2013 onwards, but it will take the shape of one or two boroughs hosting services for all three.

## 2.4 IT staff consolidation

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There is certainly scope for the consolidation of staff in IT, by merging similar functions and reducing duplication in some strategic functions. Not all of these are tied up in outsourced contracts either.

There are currently IT separate teams providing IT desktop, application and network support to primary schools, totalling some around 30 staff. It should be possible to provide the same or even better service with a single smaller team and less management overheads which will continue to meet the expectations of head teachers.

The strategy functions in each authority could be pooled around technical design, new technologies, collaboration and unified communications. Whilst this is unlikely to deliver savings it will assist with the formation of common direction of travel for converged services

Line of business IT support functions need to be aligned to the outcome of consolidating these applications across the three boroughs. Individual business cases should cater for the opportunities presented. There are specialisms in collaboration tools (Sharepoint and web mainly), records management, Geographical Information and infrastructure support which could be consolidated and yield some headcount reductions whilst improving capacity and capability. This will be reviewed throughout 2011-12.

All that said, it is in this area where each council is very different and consideration will need to be given to the extent to which outsourced and in-house services differ in terms of total service cost. It is felt that there is room for some reduction in duplication to yield savings of around £400,000 per annum, in total equating to a reduction of 10-12 posts excluding schools ICT support, and that this preliminary assessment should be developed throughout 2011-12.

## 2.5 Directory and security

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There is a need to maintain a single phone and e-mail directory across the three boroughs with managed security for network connections. This would be based on a federated Active Directory model, supporting two-factor authentication for remote access.

One key area in joining up services is that of information security management. There need to be consistent policies, proper information governance, information security and compliance with various codes of connection (CoCo), data sharing protocols, and unstructured storage data standards and policies.

All three organisations are CoCo Compliant and LPSN connected. There is a need to ensure the compliance statements as signed are mutually compatible. There may be some identity or endpoint issues. We will need to move to cloud-based managed services with two-factor authentication, ideally based on a London-wide implementation of Employee Authentication Service (EAS). This will protect our information assets, improve staff access across the 3 boroughs and drive out costs.

Current separate network security costs and employee authentication are more than double what they could be with consolidation, offering scope for combined savings of between £300,000 and £450,000 per annum.

## 2.6 Applications

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A key aim is common access to single applications supporting integrated team working across the three boroughs e.g. social care systems supporting the Children's Social Care teams in each of the three boroughs.

Consolidation onto a single application in a business area must be business-led with ICT providing technical and IT marketplace advice as well managing delivery of the selected service. We need to recognise that decisions on which applications to use will be made must be based on good business reasons but also factors associated with IT support e.g. likely length of effective service, interoperability (how well the systems operate in conjunction with other systems), ease of support, fit to a cloud model of provision – all of which affect operating cost.

A gradual move towards common applications, including any bespoke work, can be based on contract expiry (e.g. when MS Enterprise Agreements expire) as this may represent an opportunity to get economies of scale of provision as well as exercising buying power.

We cannot ignore opportunities for earlier contract termination where the overall business case delivers better value for money. The start point must be that the 3 boroughs move to single instances of line of business solutions if efficiencies are to be realised. We are already in need of these decisions around social care and environment systems, where in both cases the opportunities may be lost for a number of years if the decision to consolidate is not taken.

The move towards common applications will also require convergence on single processes, and this may be more difficult to achieve than technical integration. Technical integration based on middleware rarely enables the true integrated working required to deliver the savings required from shared services.

Users for applications can be entered manually, or derived from directory management using middleware. Providers are being consulted about what the possibilities are for joining up in this way.

Around 50% of total IT spend is on Line of Business systems, although this varies greatly between each one, with Westminster at 65% and Kensington and Chelsea closer to 35%. Using the migration to cloud-based managed services as a basis for realising cost reductions an order of 25% could be expected by moving to single instances of solutions used by many authorities. Taking the total IT spend across the 3 boroughs of £39.7million per annum, the Line of Business component is £19.85 million, offering a potential saving of £4.96million per annum. Much of this falls into years 4 and 5 and beyond, due to time to implement, organisational change challenges and existing contracts.

### 3. Implications of integration

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#### 3.1 The main barriers include:

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- Re-procuring all applications systems within scope for supporting joint working (see section 4 detailed assessment from Procurement)
- There may be a high initial investment in procuring or building web services to back end systems and development of a common portal which can be mitigated by tackling high-volume services first. Not all applications will be capable. There is also an implementation risk in developing portal and web services (but offset by allowing business as usual at the back end while being built)
- There is potentially high disruption and transition cost to whichever council has to change its key application.
- High data migration costs may be anticipated for major applications
- The risk exists of ending with a high dependency on a few key suppliers, i.e. all eggs in one basket, which has potentially disastrous consequences if a supplier fails.
- The 3BW approach needs suppliers to fully support multi-organisation operation and support and not many do today, with the notable exception of Microsoft.
- Even if common IT is implemented it is not guaranteed that common business processes are adopted. Applications may not support a variety of different processes. The positive is that common platform and common user interface forces common business processes. But it is difficult to achieve common processes across councils and this may cancel out the lower implementation cost.
- There could be duplication of identities the extent of which is unknown. For instance a person in the K&C Social Care system may be the same as one in the H&F one and/or the person references may be duplicated though the people are different.
- Increased cost can be anticipated through the complexity both of IT architecture and support.
- Commercial barriers exist. Each authority has a fundamentally different IT service delivery model with WCC and H&F operating two different models of externalised provision. Existing contracts last till 2014 (WCC) and 2016 (H&F). While changes are possible, costs for any major change in scope of service or for termination can be expected.
- One positive is that integrating voice and data networks is thought to be a relatively low cost to achieve seamless telephony and IT access.

#### 3.2 Benefits of integration include:

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- Lower training costs
- Common user interfaces for each council system allows
- Service agents have common network and application passwords

- Opportunities for channel integration
- Cross council reporting to assist in policy and strategy

### **3.3 Options for integration:**

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Two basic options exist; either incrementally link the IT services over time, probably through procurement activities aligned with wider business changes or aim for a big bang now or later.

An incremental approach will need to operate around invest to save business cases. A big bang has all the usual attendant risks including potential for staff loss and the issue that major change during a period of massive upheaval for the councils' services potentially risks basic service delivery loss for the councils' business as usual services. This would also restrict the ability to unwind any such arrangements should this be required.

K&C have a plan to commission a strategic review of its technical infrastructure for beyond 2015 having exploited the existing asset investment in the Council's Storage Area Network architecture. The recommendation is to commission a joint review for all three Authorities to establish a single infrastructure plan going beyond 2015.

In stark terms, savings can be expected where the three boroughs are prepared to agree common policies and processes that IT can then follow. As an example, for HR, once the processes for sickness absence, performance monitoring etc. are aligned then one system can support and savings can accrue. On ongoing revenue, once the new single application is in place one can anticipate such savings to be significant but the window of opportunity for this would seem to be round 3 – 5 years.

## **4. Procurement considerations**

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### **4.1 All three IT services have behind them complex supplier relationships:**

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- WCC's IT is provided by Vertex until October 2014
- H&F's IT is provided by a JVC with Agilisys, HFBP, which involves a profit share element
- K&C's has an in-house infrastructure management team coupled with line of business support teams using procured solutions
- Many systems across the three boroughs are procured from systems suppliers.
- The procurement implications of any strategy will need to be well thought through to avoid legal challenge, especially under EU Procurement.

## **5. IT Governance**

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5.1 Each borough has the right to make its own decisions on IT procurement. At a minimum these decisions should be scrutinised in advance for economies of scale or future alignment. An IT Strategy Board has been established consisting of the Directors of Finance and the Heads of IT for the three boroughs to develop joint IT strategies, policies and oversee all IT developments and procurements, promoting shared working where advantageous.

## 6. Financial opportunities

Service Area	11-12 £000's	12-13 £000's	13-14 £000's	14-15 £000's	15-16 £000's
Unified communications	0	700	900	1100	1100
Datacentre consolidation	0	0	600	600	600
Staff consolidation	0	400	400	400	400
Consolidation of business systems	0	1200	2400	4960	4960
Desktops and core systems	0	0	600	1200	2400
Shared directories		400	400	400	400
<b>Gross savings</b>	<b>0</b>	<b>2700</b>	<b>5300</b>	<b>8660</b>	<b>9860</b>
<b>Investment</b>	<b>-600</b>	<b>-2000</b>	<b>-2000</b>	<b>0</b>	<b>0</b>
<b>Net savings</b>		<b>700</b>	<b>3300</b>	<b>8660</b>	<b>9860</b>

These indicative savings are, at least in part, already factored into some of the existing savings in individual Councils and more work is required to align current and additional savings opportunities.

These savings do not include efficiencies that can be realised in traded services like schools IT support.

## 7. Next steps

7.1 The Tri-borough IT Strategy Board is commissioning the establishment of business cases for the following projects:

- Converged networks
- Shared Active Directories
- Data centre consolidation
- Joint application projects to support Tri-borough working e.g. for Education Services
- Service management during the transition and beyond e.g. helpdesks, desktop support, training – opportunities for savings
- Opportunities for integrating aspects or the totality of the three current IT services into one service.

7.2 An assessment will be made of the likely costs and savings over the next five years.

## 8. Corporate services workstream – HR

1. Human Resources is a very obvious candidate for joint working between the boroughs, whether or not a wider agenda is progressed for tri-Borough working. Processes are very similar across London Boroughs, particularly given the statutory background to a lot of Human Resources work. Two other boroughs have already taken this approach with a service shared between Sutton and Merton Councils.
2. Should the wider Tri-Borough Programme progress, sharing a Human Resources function probably becomes more urgent. The merger of local authority services across the three boroughs will require staff to change the way they work, terms and conditions will need to be managed,

potentially TUPE transfers of staff will become necessary, performance management regimes will need to be aligned etc. A single HR service will be more able to respond to these demands than three individual services. Savings across the three boroughs are estimated at £2.7m.

3. Consideration is being given within Westminster to a tender process for both IT systems and service provision in relation to four support services – transactional HR, financial processing, procurement and property – plus an Enterprise Resource Planning system (ERP) integration module as a framework agreement for London. This is part of the Capital Ambition sponsored Project Athena. The opportunity to do so across the three boroughs needs to be considered and coordinated.
4. Any tender process needs to take account of existing contractual positions, the most pressing of which is the need for replacement of the current arrangements in Westminster which comes to an end in 2012.
5. Given the potential future benefits of Tri-Borough Working in its wider sense and the advantages of one HR service managing the merger of services across the three boroughs, an alternative option would be for Westminster to buy in its HR services from one of the two other boroughs in the short term.

## 9. Pensions & Treasury

All 3 boroughs have their own pensions and treasury teams which are supplemented by a number of external firms.

Each borough has the equivalent of 1 member of staff in their Pensions team and 1 member of staff in their Treasury team. In addition each borough has external firms and would have at a minimum firms acting as actuaries, custodians, investment advisors and pension fund administrators.

Staff	WCC	LBHF	RBKC	Total
Pensions	0 (1 temp)	1	1	<b>2</b>
Treasury	1	1	1	<b>3</b>
<b>Total</b>	<b>1</b>	<b>2</b>	<b>2</b>	<b>5</b>

\*This does not include Pensions Admin staff within HR

In a joint 3 borough service, each pension fund and pension committee would need to remain separate, however there would be small savings achievable on in-house staff. The pension team and the treasury team would need 2 staff each, giving a cost saving equivalent to 2 members of staff. In addition there is likely to be a saving in relation to 1 or 2 FTEs on pensions admin, should this area be moved from HR.

Each borough would continue to have separate contracts with external firms, however if the 3 boroughs bought in bulk, while maintaining three contracts, they should be able to achieve cheaper rates providing a saving in the region of 0-5%. For Westminster this would be around £30k. Pension fund managers would also continue to be separate, however if in the future more than one borough decided to place money with the same manager there would be potential for a saving in fees. The actual saving would be dependent on the performance of the manager.

On the Treasury side, where boroughs are directly placing money with organisations it should be possible to achieve a 5bps saving due to the increased funds invested. The exact saving would depend on the

amount of money invested. Similarly with external managers the boroughs should be able to bulk buy and obtain a saving.

Furthermore there are benefits around creating a centre of excellence in these very technical areas. Instead of each borough needing to send their staff on the same training course, only one person from the 3 borough team would need to go, with that person then being able to provide on the job training to the others. The staff would also have more interaction with other specialists and a broader range of work and responsibilities enabling the attraction of high calibre candidates.

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## Insurance

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Insurance: the main expense is the external contract with Zurich Municipal (RBKC and H&F) and Chartis (Westminster). We expect to establish a single, lead officer on insurance, who will form a combined service and run a single tender for insurance across the three boroughs (with the possible addition of Hillingdon if that does not add too much complication). The new contract would take effect from April 2012. Were this to save say 5-10 per cent on what the boroughs would otherwise have paid, a saving of the order of £0.3-0.5 million would be achieved.

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## 10. Property and Facilities Management

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The three property departments manage:

- An operational portfolio of about 500 properties worth £2 billion. The associated annual running costs, notably rent and rates but also insurance, energy, repairs and maintenance is estimated to be £50 million. Setting aside rent, rates and utilities, costs incurred are about £36.4 million.
- A portfolio of 1000 different property interests that generate an annual income of £29 million. The three departments are also responsible for delivering capital receipts worth £180 million over the next four years; and
- About 172 in-house staff and 250 contracts. Westminster has a very 'thin' in-house client. RBKC and H&F have mainly in-house property functions.

There are six, distinct property functions: commercial property management, development and disposals, asset management and strategy, capital projects, facilities management and business support. The first three areas of the business generate income, capital receipts or work to reduce running costs; and the other three spend capital and revenue supporting the service departments' property holdings.

In the short term (12-15 months) the boroughs are:

- Looking to generate 'quick wins' by proposing co-location and mergers of facilities, subject of course to services' views, such as disaster recovery teams, storage and home library services. [Some illustrative figures may be available by the end of January];
- As services reduce their headcount, so office accommodation can be rationalised: a ready reckoner for this is that each floor in Westminster City Hall will, when modernised, support 250 staff and costs about £0.4 million, so this is an avoidable cost as staff numbers fall;
- Examining alternative models for running their commercial property portfolios; and
- Scoping the bundling together of facilities management, such as building and engineering services, security, building management, cleaning, printing, stationery and so on: this could save 5-15% of the £36 million spent across the three boroughs, ie between £1.8 million and £5.4 million from mid-2012.

The biggest opportunity for savings is through reducing the size of the operational estate as other services become tri-borough or otherwise contract. Beyond the short term, possible further options for collaboration between the three property departments are sketched below:

- i. Merge all three departments into one single property function for the three boroughs. We believe that this could save about £2m in recurrent spending.
- ii. Retain aspects of the three departments in-house and jointly outsource certain areas of the business:
  - Facilities Management – work is already in hand;
  - Capital Works – this is also clearly possible;
  - Property Management – would depend on the flexibility of the different capital and revenue strategies and outcomes currently being pursued;
  - Strategy – unlikely due to in-house requirements to work with services to reduce the cost of the operational estate and to free up sites for generating revenue or capital ;
  - Property Management Information System – a strong possibility: initial discussions have already been held between the three boroughs and more widely through the London Property Group;
  - Sharing professional services and other functions – it would be possible to progress this; and
  - Better procurement of contracts for construction related services – it would also be possible to progress this.
- iii. Keep businesses separate – i.e. some collaboration or just when it suits and makes sense, e.g. sharing an IT property system alone may save £250k.
- iv. Support and follow the service departments in collaborating and sharing facilities across all three boroughs; or
- v. Use a combined asset management board to reduce all three estates through challenging the use of property and the separate service portfolio within each borough. This would require executive board and member participation to be effective and could achieve more than option (i).

One key point in the estimation of savings from any option is that we should avoid cutting costs where those 'costs' are key to generating even larger incomes for the Councils.

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### **Other updates:**

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We have not actively pursued some corporate services: these include the payment of Housing Benefit and those detecting fraud in benefit claims. The Government's proposals for caps to Housing Benefit and for a Universal Credit mean that work on the former will diminish and then disappear; and there is a clear desire on the part of the Department for Work and Pensions (DWP) that work on the latter will transfer to DWP.

Procurement is both a function in its own right and a key process within each service for achieving its objectives. The lead officers for procurement across the three boroughs have developed a range of outline options for the boroughs, for discussion within the management boards and/or by the chief executives.

## 11. Legal Services

All 3 boroughs have in-house legal teams supplemented by use of counsel and external law firms. WCC has outsourced some significant areas using block contracts.

Staff	WCC	LBHF	RBKC	Total
Lawyers	25	23	22	<b>70</b>
Legal Assistants	5	9	5	<b>19</b>
Support Staff	9	12	10	<b>31</b>
<b>Total</b>	<b>39</b>	<b>44</b>	<b>37</b>	<b>122</b>

H&F operates a full trading model where all services are charged for at an hourly rate and surpluses retained as corporate savings. Counsel expenditure is charged directly to departments as a disbursement. K&C record time fully but no longer operates a trading account except in relation to the Borough's Tenant Management Organisation. WCC also fully time records but does not operate a trading account. Counsel's fees are charged directly to departments as a disbursement. WCC has five term contracts with external solicitors for legal services which are for social services, routine conveyancing, contract formation and advice work, routine civil litigation (debt collection), and routine civil litigation (housing possession and property. H&F and K&C are members of a 10 Borough framework and partnering agreement for legal services ("LBLA") and H&F are undertaking further work in relation to market testing.

Borough	Service Costs
WCC	£4.8m (includes internal, external spend and counsel fees)
LBHF	£3.0m (in-house plus Counsel)
RBKC	£3.0m (in-house plus Counsel)
<b>Total</b>	<b>£10.8m</b>

\*WCC in-house plus Counsel costs are £2.5m

Key areas for potential savings are in combining legal advice, rationalizing external suppliers and creating a stronger intelligent client function.

If a 10% saving was achieved this would equate to £1m, with a 20% saving being £2-3m.

Further work is required on the structure that will best optimise the opportunities for savings, looking at both internal and external options.

# 10. PRINCIPLES FOR STAFF LEAVING THE DIRECT EMPLOYMENT OF COUNCILS

TO FORM ORGANISATIONS THAT MIGHT RUN SERVICES  
UNDER CONTRACT

## Introduction

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1. The Coalition Government is encouraging new models of organisation for services delivering public services.
2. Such variety of delivery arrangements is seen in the NHS and in other parts of public service as part of the Government's ideas about public sector reform.
3. The Proposals anticipate that the three Councils will want to encourage such thinking where it can deliver better value for taxpayers and better standards for residents.
4. The Proposals recommend principles which can be widely communicated to staff to guide their thinking about these opportunities.

## Principles for the establishment of social enterprises

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The Councils recognise that sustaining public services at reduced cost can be assisted by new enterprises being set up that can secure new income and reduce running costs. The Councils agree with the Coalition Government that more direct staff involvement in running services can boost productivity and quality.

It is possible that groups of staff from across the three boroughs may wish to explore whether there is a business case for offering to set up some form of social enterprise which can then sell back services to council commissioners. The councils would welcome such initiative.

Currently youth services have been invited to join a Cabinet office pathfinder group who are receiving advice and encouragement to develop such a plan. Westminster and Hammersmith and Fulham are largely non-direct providers so this is only really relevant for Kensington and Chelsea.

In addition, all three library services are part of an initiative jointly promoted by the DCMS and the Museum, Libraries and Archive Council (MLA) which again offers £10,000 of grant toward the expense of looking at alternative business models.

The Councils have agreed they see the use of existing markets and the creation of better markets where supply is limited or non-existent as part of maximising value for money when services need to be arranged.

In order to avoid nugatory work, it is recommended that principles are adopted that can guide staff and others when such initiatives are being considered.

The following principles are therefore recommended:

- a) The driving force for change is to secure ways to deliver public services at less cost. Therefore proposals are only likely to be supported if they show a decreased cost to the taxpayer at launch and thereafter.
- b) Councils are likely to continue to be the major funder and will expect to commission, by specifying outcomes designed to fulfil statutory responsibilities or to meet agreed public requirements.
- c) Where new enterprises are launched they can expect to be supported by commissioning councils for a period of time to allow them to get established. This initial contract is unlikely to be for more than three years. Thereafter commissioning councils will reserve the right to consider competitive tendering of such services to assure value for money for taxpayers.
- d) At launch, Councils will want to have evidence of active staff support. This would normally be demonstrated through some form of staff ballot.
- e) Beyond this, the Councils will look for evidence of staff commitment. This might take the form of staff agreeing voluntary changes to terms and conditions in order to reduce costs and/or staff making a one-off contribution to working capital for the new enterprise.
- f) The Councils will expect any new enterprise to present a credible, detailed business plan. Such a plan will be more likely to be supported if it shows how the new enterprise is to earn money from willing customers other than the commissioning Councils. Councils will expect evidence that the new enterprise understands its obligations to trade in a way that brings in income to assist in lowering the cost and/or adding value to subsidised services paid for by commissioning councils.
- g) The Councils will support staff exploration of new enterprise forms at a stage after a preliminary proposition has been constructed and agreed. In other words, staff are expected to show sufficient entrepreneurial spirit and commitment to complete preliminary work in their own time before seeking any paid-for help from the Councils in completing more detailed business planning. Such assistance is likely to be in the form of agreed support for business consultancy.
- h) Councils may be willing to fund working capital for start-up organisations but only where any potential risk to this cash injection is compensated by planned savings from lower delivery costs.

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- i) New enterprises delivering council services will be required to adopt or maintain public branding that is agreed with the commissioning councils.
  - j) New enterprises will be expected to adopt a governance model that is agreed with commissioning councils.
5. The intention is not to design principles that undermine the ability of sovereign councils to make their own policy decisions, but common principles will make it possible for new enterprises to be set up at scale by combining services currently directly delivered in individual councils.
  6. These principles do not seek to anticipate the detailed requirements of business planning for any new enterprise which will need to cover enterprise costs such as tax planning, insurance and cash flow requirements as well as employment issues such as TUPE and local government pensions.

# II. SAVINGS ARISING FROM THE TRI-BOROUGH PROPOSALS

This chapter sets out the potential sources of savings; discusses provisional estimates; and offers an approach to the attribution of costs of tri-borough services and the transitional costs that will be incurred in setting them up.

## **The sources of savings from tri-borough services could include:**

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- a) Alignment of the terms of a contract for a service across the boroughs such that a provider offers a lower price for supplying that service through a single contract to two or three boroughs than providers would otherwise have done;
- b) The widening of managers' span of management through adding direct reports from other boroughs;
- c) The sharing of capacity across two or three boroughs instead of one, smoothing the impact of fluctuating demand and therefore allowing a reduction in overall staffing;
- d) The use of staff time that is currently lost, simply because staff can comfortably meet their current responsibilities and could do more in the same vein for other boroughs;
- e) Release of property assets either for an income from rent, avoidance of lease payments or for sale;
- f) Rationalisation of supporting ICT applications;
- g) Harmonisation of pay rates to reduce costs and avoid equal pay issues; and
- h) Moving services outside the expensive London marketplace.

Cases may arise where one borough achieves a very small saving from a merged service but its participation is essential to achieving all the available savings. As long as it is not persistently the same borough that is in this position, this may be acceptable in the round.

Provisional savings estimates for services discussed in other chapters are tabulated below. They do not allow for transition costs; in some cases, they depend on the results of competitive tenders and therefore assumptions about market conditions and the extent to which suppliers will offer a volume discount.

These savings are cumulative across three Councils and the benefits for each will be a proportion. This proportion will be calculated by reference to agreed formulae, sensitive to the demand and cost issues for each service.

<b>£ million estimated saving for three Councils</b>		
<b>Tri-borough services</b>	by 2011/12	by 2014/15
Education Services	0.7	1.0
Children's Services	0.8	9.5
Adult Social Care	0.9	9.9
Libraries		1.6
Insurance		0.3
Facilities management		2.0
ICT	0.4	4.0
Chief Executive leadership	0.1	0.2
Building control		0.1
Corporate & other management overheads		2.5
HR		2.7
<b>Total</b>	<b>2.9</b>	<b>33.8</b>
<b>Services still under consideration</b>		
Customer Services		
Highways		0.4
Emergency planning		
Environmental health		
Community Safety (CCTV)		
Parks management		0.1
<b>Services that might suit joint procurement later</b>		
Waste collection and street cleansing		
<b>Services where H&amp;F and RBKC might be the first to combine</b>		
Legal Services		
Parking back office		0.3
<b>Services not recommended for integration</b>		
Planning		
Licensing		
Housing and regeneration		
Culture		
Policy/communications		
Governance		
Housing benefit services		
<b>All savings</b>	<b>2.9</b>	<b>34.6</b>

Note: mid-range estimates of savings have been used where a range has been quoted in other chapters.

On education and children's services, the 50 per cent saving in overheads represents about £3.75 million; allowing for the scope of services covered, and the ranges of savings quoted, the estimate for 2014/15 is slightly below the maximum set out in chapter 9(a).

On adult social care, the £8.9 million saving in 2014/15 represents 50 per cent of the 2010/11 gross overheads for the service, including ICT. There should also be savings from combined commissioning by 2014/15, which have been included at a modest £1 million. Whilst the level of potential savings and timescales are not yet clear for this, for illustrative purposes a saving of 1 per cent across the three boroughs would result in annual savings of £650,000.

The figure for corporate and other management overheads includes both an assumption for savings in property at £1 million; and savings in the management of the environment family of services at £1.5 million.

On ICT, the tri-borough saving might be about £6.7 million, rising further following the expiry of existing contracts. Allowing for the £2.7 million included in the savings for Adult Social Care, the remainder may amount to £4.0 million. It is recognised that this is a more cautious estimate than the figure outlined in the corporate services section of Chapter 9. The estimated saving will be revised as necessary in the further development of the proposal.

## Attribution of costs and savings between the boroughs

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Two main questions arise:

- How should the ongoing costs of a tri-borough service be attributed to each of the three boroughs; within that issue, how should in-year variances in cost from budget be shared; and
- How should the one-off costs of the transition to a tri-borough service be attributed?

The Councils' current proposals are set out below: but we are in discussion with external auditors and will refine these proposals in the light of these and other discussions.

On the attribution of ongoing costs, each service or bundle of services will have to make an estimate of the demand arising from each of the three boroughs, allowing both for quantity and quality, where the boroughs may have specified different service offers. Ongoing costs should be apportioned accordingly.

This approach should suffice for in-house costs. But a particular issue may arise in respect of the *Transfer of Undertakings (Protection of Employment) Regulations (TUPE)* where the three boroughs are contracting a service out; but only one or two of the boroughs have in-house services at present. In this case, the borough or boroughs already outsourced would risk bearing an ongoing cost of the TUPE consequences of the other boroughs' more expensive starting point in-house.

In this case, the sharing of the contract costs would have to allow for any TUPE burdens carried within the contract and visit them only on the borough or boroughs which give rise to them.

Who should bear the cost of variances from the budget? This may depend on the governance of the service and the cause of the variance:

- A variance may arise from changes in indirect costs incurred by a host borough on behalf of the service, eg accommodation, energy or basic ICT support. In this case, one could argue either that the host borough, if there is one, has to bear the in-year cost and adjust its call on the other boroughs for the next financial year; or all three boroughs could share the burden or savings straight away;
- If the cause of the variance is a fluctuation in demand, or a change in the quality of the service, or a change in directly incurred costs such as salaries of staff within the service, we propose that

the boroughs share such direct costs either in the same proportion as the shares of expected costs, where there is no reason to be disproportionate; or, if one borough changes its required specification and the others do not, plainly it should bear a change in the direct costs in full.

Turning to transitional costs, these might include redundancies and early retirements, re-training of staff to work with different ICT applications and movements of staff between buildings. They will be incurred in order to make financial savings in ongoing costs or to increase resilience and spread professional expertise across the boroughs, thus avoiding cost in the future.

Such costs should be shared in proportion to any net reduction in spending by each borough, as it is any step reduction which is the financial justification for incurring the cost. They must be approved by all three boroughs as genuinely applicable to the setting up of the new, shared service; and must be necessarily incurred: either

- One or another of the three boroughs would have incurred much the same costs; or,
- even if borough A's costs are much higher than the alternatives (eg if borough A incurred more early retirements than the others would have done) it is deemed to be worth it because the effectiveness of the new service is deemed to be greater (eg as the remaining staff are capable but on lower salaries).

Under this approach, even if one borough's starting costs are much higher than the others', and its transition costs correspondingly large, it will end up bearing a large share of those costs as it will make the biggest gain if moving to a more or less common cost across the three.

While there may turn out to be awkward disparities, there are some grounds for believing that they will not be large or frequent:

- The three boroughs are not so very different in size;
- We should agree common terms on which there will be sharing of redundancy and early retirement costs (even if individual boroughs choose then to bear the full costs of any additional payments); and
- We are not aware of any evidence suggesting that one borough will persistently contribute more or less of any staff adjustments needed.

# 12. POLICY CONSIDERATIONS

The three Councils will want to take account of all relevant policy considerations in debating and deciding on the Proposals.

This section therefore includes commentary on:

- (a) Whether these proposals be undone?
- (b) Duties under the Equalities Act 2010
- (c) Commentary on environmental impacts
- (d) An overview of HR issues, risks and liabilities
- (e) Legal considerations

## **(a) Can these proposals be undone?**

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1. The three Councils recognise they have to make demanding decisions at a particular point in history where the Coalition Government's determination to reduce Government debt requires the sharpest and most extensive and continuous reductions in Government grant for decades.
2. The Councils have agreed that the times demand radical change and the Proposals are radical in their ambition and scope.
3. The Councils will also be renewing the range of services to be provided, reducing internal costs and adopting new strategies to maximise local solutions which rely less on public expenditure.
4. The Councils believe they are showing the way in local government. The concept of 'shared services' has been much discussed, but only infrequently achieved in public services. These proposals are bold in design and will need confident execution.
5. However the Councils are mindful that any successor councillors may want to be able to adopt revised strategies that are fit for contemporary challenges.
6. Officers have therefore been tasked with commentating on the 'reversibility' of these Proposals.
7. Broadly the Proposals fall into three categories.

## **Contracts for services between Councils (for example corporate services)**

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8. Councils as corporate bodies are capable of making and accepting legally binding contracts even between each other where they have powers to do so. For example, extensive powers exist to share officers and to provide administrative, professional and technical services to one another.

9. However where one Council is line-managing staff who are providing services to all three Councils, the intention will be to regard these as internal service level agreements. Such agreements are similar to those that exist between different parts of the same Council.
10. They provide clear statements of expectation but are not designed to provide legal remedies. Thus, each authority will bear the consequences, subject to any insurance arrangements, of any failure in such a service as would be the case had the service remained solely with that authority.
11. Although such agreements will have a periodic renewal date written into them, they are such that any Council could withdraw from the agreement subject to the agreed notice period. However the agreements would need to be explicit about the costs associated with any such unilateral withdrawal, in order to protect the position of the remaining Councils.
12. Such arrangements are therefore reversible with agreed notice and with reasonable adjustment costs payable to other parties.

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### **A combined service delivering to the public on behalf of the three Councils**

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13. Here there is likely to be integrated management and staffing.
14. Any Council wishing to withdraw from such a combined service would have to test whether their contribution to the cost of the combined service (which would always be transparent) would be sufficient to run a stand-alone service.
15. In principle this would often be the case, though the quantum of front-line service might need to be reduced if a stand-alone management structure had to be re-built.
16. Again the founding documentation for such combined services would seek to lay down the expectations of those Councils who would stay in any combined service. This would likely be limited to a suitable notice period allowing non-leaving Councils a reasonable period to adjust.
17. A combined service that needs to adjust to having only two client Councils would itself face the need to change, but given notice such changes are not too difficult to achieve.

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### **Wholly outsourced services arranged through joint commissioning by the three Councils**

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18. Such arrangements are completely comparable to current external contracts let by three individual Councils.
19. Such contracts contain provision for periodic review or renewal and contain mechanisms for contract monitoring and intervention if the client views the contract as failing.
20. Any Council becoming a party to such contracts would be bound by any such terms.
21. Reversibility would therefore both exist as now, but also be qualified as now.

## **Application of TUPE**

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22. In setting up shared arrangements the Transfer of Undertakings (Protection of Employment) Regulations (TUPE) may apply which operate to transfer staff from one authority to another or a third party. Where such arrangements are terminated TUPE is likely to apply in reverse, transferring those employed in the undertaking at that time back to the Council or new provider. However, depending on how the services operate at the time of transfer the Council will not necessarily get back the same staff as originally transferred. Each case will turn on its facts.

## **(b) Duties under the Equalities act 2010**

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1. The Public Sector Equality Duty (Section 149 of the Equalities Act) comes into force on 6 April 2011. Draft regulations setting out proposed “specific duties” (legal requirements designed to help public bodies meet the general duty) are currently before Parliament. The proposed specific duties derive from the Government’s general approach to public sector regulation. They rely on transparency and the publication of information rather than regulation and the prescription of processes.
2. Specifically, the new duties would require public bodies to publish
  - a) a range of equality data relating to their workforces and the services they provide and
  - b) the equality outcomes towards which they are working
3. The introduction of these two duties will be phased. Local authorities will need to publish their first tranche of annual data no later than 31 July 2011; and publish their equality outcomes no later than 6 April 2012.

Detailed guidance on the general and specific duties was published by the Equality and Human Rights Commission on 12 January.

4. The way in which the Public Sector Equality Duty will apply to Tri-borough arrangements can be gauged once the final regulations and accompanying guidance have been examined and considered in detail, and when decisions have been taken on the scope and scale of the Tri-borough arrangements and the nature of the services which they will deliver.
5. The three Councils should liaise closely as they develop their reporting procedures and outcomes in order to identify their pertinence to Tri-borough arrangements. Where opportunity allows, two or more of the Councils may wish to consider establishing joint outcomes.

## **(c) Environmental impacts**

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1. The Proposals affect office based staff across the three Councils. The number of staff employed will be decreased. Some staff will work in different ways and from different locations.
2. It is expected that IT systems will be aligned over time though reliance on IT systems – and their consequent energy use – will only increase. However, lower energy equipment can be anticipated in the future.

3. There will be some more travel across the borough boundaries, though it is expected to be by public transport.
4. All three Councils have plans in place to reduce carbon usage and respond to anticipated climate change and these plans will not be adversely affected by the Tri-borough proposals.
5. There are no other adverse environmental effects anticipated.

## **(d) Human Resources issues, risks and liabilities**

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1. Preliminary consideration has been given to HR issues arising from the Tri-borough proposals. These considerations can be summarised as follows:
  - a) The need for defensible processes to select staff where there are fewer posts at a comparable level.
  - b) The need to compensate staff who are displaced if redeployment cannot be achieved.
  - c) The need for the appointment of two statutory postholders – the Directors of Adult Social Care and Children’s Services by all three Councils.
  - d) Options for uniting currently separate working groups under single management.
  - e) The need to manage risks around equal pay claims.
  - f) Options for moving to aligned, but not more expensive employment policies.
  - g) Processes for ensuring exit costs, as staff numbers are reduced, are attributed according to the agreed formula.
  - h) The need to open up recruitment and training opportunities to the three borough staff groups and to integrate initiatives such as staff achievement awards.
2. None of these considerations represent particularly complex dilemmas. There are no insuperable obstacles.
3. Without the Tri-borough proposals all three Councils would be making staff reductions on a single borough basis. Such staff would be entitled to compensation on dismissal. The Tri-borough proposals in themselves affect which staff are affected by reductions. They do not, in themselves, increase the absolute number of staff affected.

The total cost of such redundancies is not possible to calculate until personal circumstances are clearer, but the total quantum of cost is not likely to be higher as a result of Tri-borough changes as against single borough staff reductions.

## **(e) General legal issues**

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### **I. Introduction**

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This Section, agreed by the Borough Solicitors outlines the general legal issues which must be borne in mind when considering options and developing proposals. Because the services and statutory duties may vary considerably it is likely that a variety of models will need to be

considered and service specific advice will need to be obtained. Here we consider the general principles relevant to an “average” service.

## 2. Powers to Share Services

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The authorities have a range of powers which enable them to share services. These range from the ability to provide professional services to one another to the actual delegation of functions by one authority to another.

### a) Power to provide goods and services

S.2 of the Local Authorities (Goods and Services) Act 1970 allows local authorities to provide to other authorities and specified public bodies, goods and materials and administrative, professional and technical services on such terms as may be agreed. This is a wide power although it does not extend to services which are not administrative, technical or professional in nature.

### b) Power to provide officers

S.113 of the Local Government Act 1972 allows an authority to place its officers at the disposal of another authority on such terms as they may agree. An officer provided under s.113 is treated for all purposes as an officer of the recipient authority for the discharge of its statutory functions. Such an officer can therefore hold statutory offices e.g. s.151 or monitoring officer and can exercise delegated authority etc. The providing authority must consult with the officer before entering into an agreement and it will probably be necessary to vary the officer's contract of employment (see below).

### c) Power to delegate

With the exception of a small number of Council-only decisions and functions outside the general rules on delegation, Council functions are either executive, which can be discharged by the executive, an executive member or an officer; or non-executive, which can be discharged by Council, a committee, or an officer. Such functions can also be delegated to another local authority (which may then discharge it through a committee or an officer), in the case of non executive functions (s.101 Local Government Act 1972), and to another authority's executive (regulations under s.19 of the Local Government Act 2000) in the case of executive functions. The function of levying a rate can only be discharged by the authority itself. Non-executive functions may also be exercised jointly by one or more authorities and a joint committee established for the purpose or the functions delegated to an officer. Similarly, executive functions may be exercised jointly by a joint committee of executive members.

These general powers may be subject to specific exceptions in other enactments and will therefore need to be considered on a case by case basis. They do however apply to the great majority of functions.

It should be noted that the manner in which these powers are used may impact on procurement issues.

### d) Power to establish a company etc.

The authorities have the power, under s.95 of the Local Government Act 2000, to establish a trading company for the purposes of trading in “function related activities”. There is no general power to establish a company although s.2 of the Local Government Act 2000 can be used

where doing so is likely to promote the economic, environmental or social well being of the area. It should be noted that the recent decision of the Court of Appeal in *Brent v. Risk Management Partners Ltd* [2009] (commonly known as the “LAML” case) means that s.2 cannot be used where the sole benefit to the authority of participating in a company is the realisation of savings. This will probably cease to be a significant issue when local authorities are granted a power of general competence under clause 1 of the Localism Bill.

It should be noted that it is not necessary to establish a company to trade with other local authorities and specified public bodies using the 1970 Act. It is necessary, however to do so in order to trade for profit with members of the public and the private sector.

## EU Procurement Issues

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3. The Public Contracts Regulations 2006 apply “whenever a contracting authority seeks offers in relation to a proposed public contract”. A public services contract “means a contract in writing for consideration (whatever the nature of the consideration) under which contracting authority engages a person to provide services...”.
4. There is no general exemption where the other party to the contract is itself a contracting authority. These are autonomous EU law concepts and requirements and if the arrangements amount to a contract for the purposes of the Directive, the fact that in English law they might be categorised as a “delegation” will not help. Thus in principle any arrangement with a separate entity under which it provides services to the authority and receives payment for it could be caught, subject to the usual rules on thresholds etc.
5. There are, however two exemptions arising from the European case law which are helpful when considering shared services between local authorities.

### a) The Teckal Exemption

The Directive does not apply where an authority simply decides to keep a service in-house. *Teckal* held that the Directive should equally not apply where the service remains in-house as a matter of substance but is formally provided by a separate legal entity such as a company. Such an arrangement is treated as not amounting to a contract between distinct parties for the purposes of the Directive provided that that the authority “exercises over the person concerned a control which is similar to that which it exercises over its own departments and, at the same time, that person carries out the essential part of its activities with the controlling authority or authorities”. The *Teckal* exemption can be satisfied not only by an entity controlled by a single authority but also by an entity controlled collectively by a number of authorities (although any private participation in the company is fatal).

Another aspect of the *LAML* decision was the question of whether *Teckal* applied to the company which had been established by a number of Boroughs. The Court of Appeal found that the exemption applied to the Public Contract Regulations as well as the Directive and that the control condition could be satisfied by joint control by a number of authorities. However, on the particular facts arising from the arrangement actually established, it was held that the control condition was not satisfied. This suggests that very close attention will need to be paid to the control issue and the constitutional documents in any joint venture company. It should also be noted that there is uncertainty as to how much business can be done with

third parties before the exemption is lost (probably no more than 10% of turnover) and that the entity itself will almost certainly be a contracting authority in its own right. Thus if the entity wishes to trade with other boroughs or include private capital then Teckal will not be available and the usual procurement rules will apply.

#### **b) The Commission v. Germany Decision**

In this case three districts in the Hamburg region concluded a waste disposal contract with the City of Hamburg without an EU procurement process. Hamburg sold space in its incinerator but made no profit. Teckal did not apply as the districts did not control Hamburg. The ECJ held that the Directive had not been breached. The decision seems to be based upon a distinction between public service contracts and mere administrative arrangements. It was important that this was an exercise in co-operation between authorities in performance of a public task imposed on all and there were various commitments to reciprocal assistance and no financial transfers beyond re-imbursment of costs. The decision clearly provides a helpful basis for shared services arrangements provided that they involve the genuine sharing of public services and do not undermine the objective of free movement of services and the opening up of undistorted competition in all Member States. It should be noted however that the case turned on the fact that no profit was being made and the activity was of little or no interest to the private sector. The exemption is therefore confined to genuine sharing rather than more commercial arrangements.

It will be seen that there is clearly a trade off to be made. The authorities may establish exempt arrangements and award work directly but they must recognise that the ability to trade widely or at all may be limited as a result. On the other hand, if a JV tenders for the authorities work successfully it will be free to trade with other local authorities subject to appropriate tendering or with the private sector in the case of an s.95 company.

## **6. Employment Law Issues**

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It will be seen from the above that there will be a number of potential models for closer co-operation ranging from loose co-operation and inter-authority working through to the sharing of key posts and fully integrated services hosted by one authority or a third party. In considering the various models the employment law implications will need to be carefully considered.

#### **a) Contracts of Employment**

The contracts of employment of all affected staff will need to be considered and it is likely that they will need to be varied to a greater or lesser degree. This will obviously depend on the degree of integration and the flexibility of the current contracts. The contracts will need to provide, at the very least, for the employee to undertake work on behalf of another authority and possibly in another location within any of the three boroughs or beyond.

Contracts of employment may only be varied through the proper exercise of any right to vary reserved by the employer or through agreement with the employee. In the absence of such provisions or agreement then the employer must dismiss the employee (giving proper notice) and offer to re-engage the employee on the new terms and conditions. Such as dismissal could give rise to unfair dismissal claims. The employer must be able to show that a fair and proper process has been followed and that there is a sound business case for the required variations. The soundness of the business case will be assessed by the Tribunal, in the event of proceedings, when considering whether there was a legitimate substantial reason for the termination of the original

contract. Care must therefore be taken and HR and Legal advice obtained on a case by case basis. Particular problems occur where a transfer of an undertaking has occurred (see below).

## **b) Transfer of Undertakings**

Where the chosen model involves the de facto transfer of an undertaking from one authority to another, or another entity, the Transfer of Undertakings (Protection of Employment) Regulations 2006 (“TUPE”) will apply. TUPE can raise complex issues and is fertile ground for litigation. Specific advice will be required on a case by case basis but the following important principles should be noted from the outset:

TUPE applies to two types of transfer: (a) the transfer of the whole or part of an undertaking or business where there is a transfer of “an economic entity” which retains its identity (known as the “standard business transfer”); and (b) a “service provision change” i.e. a contracting out, contracting back in or a second generation contracting out.

The Statement of Practice on Public Sector Transfers suggests that in public sector transfers TUPE will apply unless there are genuinely exceptional reasons for it not to do so.

TUPE applies to all staff employed in the undertaking immediately prior to the transfer and has the effect of transferring them from the transferor authority to the transferee authority on their existing terms and conditions of employment. This will include all procedures etc. which have contractual status e.g. disciplinary and grievance procedures.

The Regulations transfer all the rights and liabilities of the transferor to the transferee who effectively steps into the transferor’s shoes. The transferee thus becomes liable for anything done prior to the transfer e.g. potential tribunal claims. It is therefore common for transferees to take appropriate indemnities from transferors in order to protect themselves from matters arising prior to the transfer.

There are duties to inform and consult employees’ representatives affected by the transfer in both organisations and compensation may be awarded by the Tribunal for failure to comply with these duties.

Employees may refuse to be transferred in which case their contracts are treated as terminated at the date of the transfer. They are not treated as having been dismissed and therefore have no right to claim unfair dismissal or redundancy against the transferor.

Any dismissal before or after the transfer for a reason connected with the transfer is automatically unfair unless the employer can show that it is for an economic, technical or organisational (“ETO”) reason entailing changes in the workforce. This protection extends to employees outside the undertaking who are dismissed as a consequence.

The words “entailing changes in the workforce” impose important limitations on the ETO defence. It is only when the employer sets out to change the structure of the workforce, by reducing numbers or changing the functions that employees perform that the reason will entail a change to the workforce. It cannot be used simply to harmonise terms and conditions.

An agreement to exclude or limit the application of the Regulations is invalid although there may be an agreed variation where the reason is unconnected with the transfer. Strictly

speaking, under the Directive no variations are allowed by law, even if they are to the benefit of employees, if they are transfer-related. The EAT appears to have adopted a slightly different approach, allowing employees to cherry-pick and retain terms of the varied contract which are to their benefit whilst being able to rely on their original contract where this is more favourable. Thus only detrimental changes are void.

It should also be noted that where a TUPE transfer involves a substantial change in the working conditions to the material detriment of an employee that employee may treat the contract as having been terminated by the employer. Such a dismissal will be unfair unless an ETO reason can be established.

### **c) Secondment and Equal Pay Issues**

Secondments may be considered as an alternative to a TUPE transfer but any arrangement will need to be carefully constructed as TUPE applies by operation of law and not by agreement. Thus a transfer will be deemed to have taken place if the legal requirements are satisfied irrespective of what the parties have called the arrangement. This risk increases over time. Secondments are therefore better used as a short term solution and may not even be necessary given the availability of the 1970 Act and s.113 of the 1972 Act.

The operation of TUPE and the potential difficulties in harmonising terms and conditions may give rise to Equal Pay issues depending on the make-up of the workforce. There is no easy answer to this. The risk of equal pay claims arising in newly-formed teams will have to be evaluated as will any potential material factor defence available to the relevant authority i.e. an objective justification for the difference unrelated to gender. The risk of successful claims is of course that the claimants will be paid at the rate of the highest paid comparator.

## **General Financial and Contractual Arrangements**

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7. These will very much depend on the commercial deal struck between the authorities. Subject to financial advice and proper accounting practices no particular legal difficulties should arise provided that all the authorities concerned comply with their statutory duties, their fiduciary duties to their Council Tax payers and the general principles of public law. In other words any proposals will need to take account of and comply with the relevant law, deal with all relevant considerations, ignore irrelevant considerations and amount to a proper exercise of powers in the public good. The authorities will also need to have due regard to their statutory equality duties
8. Each service area under consideration will however need to be specifically considered. There will need to be a careful risk/benefit assessment particularly in relation to the more complex models.
9. Exit provisions will again be a matter for negotiation and are likely to depend on the depth of the integration. The setting up of a trading company and the resulting transfer of staff will clearly be more difficult to unravel than a simple inter-authority working arrangement.

# 13. RISK LOG

Inevitably there are risks associated with a programme of this scale and complexity. Key to successful delivery of the full benefits within the anticipated timescales will be the identification of strategic risks, alongside appropriate action to mitigate against them; these are outlined in the table below:

<b>Class of risk</b>	<b>Issue</b>	<b>Mitigation</b>
Communications / engagement	Ensuring our residents are aware and can engage in the development of proposals	Councillors to represent their communities, release of information about the programme on our websites, publications, etc.
Financial	Need to ensure the costs and benefits of integration are correctly attributed to ensure each boroughs' taxpayers are fairly treated.	Borough finance Directors to develop robust financial tracking system across boroughs.
Strategic	Need to ensure each borough is able to deliver the services it desires, rather than a 'one size fits all' approach	Each borough signs up to a 'sovereignty guarantee' ensuring in the design of combined services that each borough retains the freedom to tailor services around residents, while saving millions in back office costs.
Personnel	Need to ensure all staff are well informed and have the ability to engage in plans to protect frontline services	Human resources and organisational development teams to develop and implement an engagement strategy.
Project	Ensuring the programme delivers for borough taxpayers	Clear project objectives, clear lines of accountability, robust project management.
Project	Need to join up individual borough services with different systems / procedures / infrastructure e.g. IT.	Strong project management and a phased approach to integrating services e.g. strategic IT strategy outlining what needs to be commonly shared now and later. Service reconfiguration approaches such as 'lean' to ensure services are transformed rather than stitched together.
Accountability	Need to ensure combined services are accountable the public	Councillors will continue to direct services, supported by senior officials in each borough with responsibility for overseeing boroughs' own interests.
Service delivery	Scale of changes risk service levels	Careful service design to ensure back office reductions do not impact on services. Millions saved from back office costs re-invested in the front line.
Strategic	No unintended consequences from changes	Implementation plans fully examine all legal and financial issues and views of others including external auditors taken on board

Individual risk logs and mitigation will be compiled as part of the more detailed service plans.

# I 4. IMPLEMENTATION PLANS

1. Once proposals are agreed, implementation will be the responsibility of the three Chief Executives, leading chief officers and their professional staff. The execution of the proposed combined service areas will be the top priority but further opportunities for collaboration will also be sought.
2. After the joint appointment of the statutory officers of Director of Adult Social Care and Children's Services, these officers will be in key leadership positions to complete new organisation designs and execute change.

## Programme Management explained

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3. Portfolio and programme management are professional approaches with a common language and a set of tools and techniques. They promote a rigorous focus on the outcomes (savings and other benefits) to be achieved. They give assurance to top management and ensure clear, disciplined allocation of roles and accountabilities to support delivery of the savings. They avoid the reinvention of the wheel for each new initiative and promote continuous learning. Tri-borough can build on the significant commitment that each borough has already made to using professional programme management approaches to deliver savings and other benefits.

## Delivering Tri-borough savings

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4. Tri-borough is innovative, significant and complex. To realise base savings of £30m and reach for the stretch savings of £50m by 2014-15 without a deterioration to service during this transition requires an effective, professional and proportionate approach and plan for delivery.
5. Effective delivery against the plan requires:
  - senior accountability and clear responsibility for delivering savings and other benefits;
  - consistent metrics to determine, track and apportion costs and savings across Tri-borough;
  - accurate information to underpin leadership decisions and monitor progress; and
  - the right skills and capabilities in the right place to deliver change.
6. Firm proposals about delivery support requirements are conditional upon Cabinet decisions about the nature, scale and pace of Tri-borough initiatives but we can now map out execution requirements.
7. Leaders and lead officers will want to agree an approach which provides:
  - strong, empowered programme delivery and leadership close to the services in question with the agility and responsiveness needed to deliver savings;
  - clear accountabilities and responsibilities for the delivery of savings;
  - the degree of central leadership and orchestration required to do so smartly; and
  - the provision of specialist advice and support as and when it is needed.

8. Such an approach would entail the establishment of:
  - A Portfolio Management Office;
  - Programme delivery teams; and
  - Pooled delivery support.
9. The relationship between these is shown in the diagram below. The roles of each are described in the following paragraphs.

## A Tri-borough Portfolio Management Office

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10. A Portfolio Management Office would oversee the overall delivery of the Tri-borough initiative and be responsible for:

**Governance:** To ensure a clear, proportionate and consistent decision making framework that enables rapid, efficient and effective decision making within agreed delegations. To implement common minimum standards and ensure that agreed principles of organisational design are followed. To support senior leaders so they can agree the right level of resourcing and remove barriers to delivery. To ensure clarity of roles to hold people to account.

**Savings delivery:** To clarify promised savings and other benefits and rigorously track and log their achievement. This includes ensuring consistency of metrics to ensure the fair and correct apportionment of savings and costs.

**Prioritisation and sequencing:** To identify the best order for work to progress taking into account finite resources and the different levels of savings likely to be achieved by different initiatives.

**Control and assurance:** To organise and deliver independent challenge; monitor progress, and ensure the overall coherence of Tri-borough and the application of organisation design principles.

**Programme delivery support:** To provide targeted assistance with tasks such as blueprints, savings identification, project planning and risk management that will enable teams to work at pace, quickly build skills and ensure that key delivery milestones are met.

**Leadership and culture:** To ensure that these vital areas are supported and addressed as described in the Esprit de Corps appendix (including talent management and the empowerment of staff and good employee communications).

**Organisation Design:** To facilitate the agreement and implementation of organisation design principles to ensure alignment with the overarching aims and objectives for Tri-Borough including for example, approach to outsourcing, voluntary sector delivery.

**Dependencies and risk management:** To manage cross-programme dependencies and track risks across Tri-borough as outlined in the risk register and commission chapters and thereby protect the delivery of Tri-borough savings and ensure that on-going front-line service delivery is not adversely affected.

Proposals for the specific Portfolio Management Office roles will be developed between February and April.

## Programme Delivery Teams

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11. Strong, empowered teams should be appointed for each programme dedicated to the delivery of plans and savings. Each programme team should comprise (as a minimum):

**A Senior Responsible Owner:** One Chief Executive will be responsible for each of four programmes. The SRO must be empowered to take decisions and remove barriers across the boroughs within agreed parameters.

**Business change managers:** Very senior staff such as Chief Officers to lead the change from the service perspective, resolve blockages and be responsible for the delivery of savings and protection of service quality.

**A Programme Manager:** Needs the experience, credibility and strong influence to direct and deliver the programme across all three boroughs. Responsible for the co-ordination and execution of the projects required to enable the savings.

**Programme and Project Support:** Needs programme management experience and strong relationship skills to manage and monitor plans, progress, risks and issues and to give problems the visibility needed so that the programme manager and business change managers can solve them. To make cost-effective use of senior people's time and support inexperienced project and business change managers.

**Project managers:** Deliver specific changes required to enable Business Change Managers to deliver savings. For example, delivering an outsourcing exercise, implementing an IT system, managing a service restructure.

## Pooled Delivery Support

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12. At particular times programmes will need specialist support in the following areas:

**a) Restructure and Human Resources:** End-to-end support and capacity to help deliver management rationalisations (establishing structures, posts, grades; conduct of recruitment exercises; subsequent contractual issues and management of departures). There will be considerable demand for such support at the early stages of Tri-borough delivery.

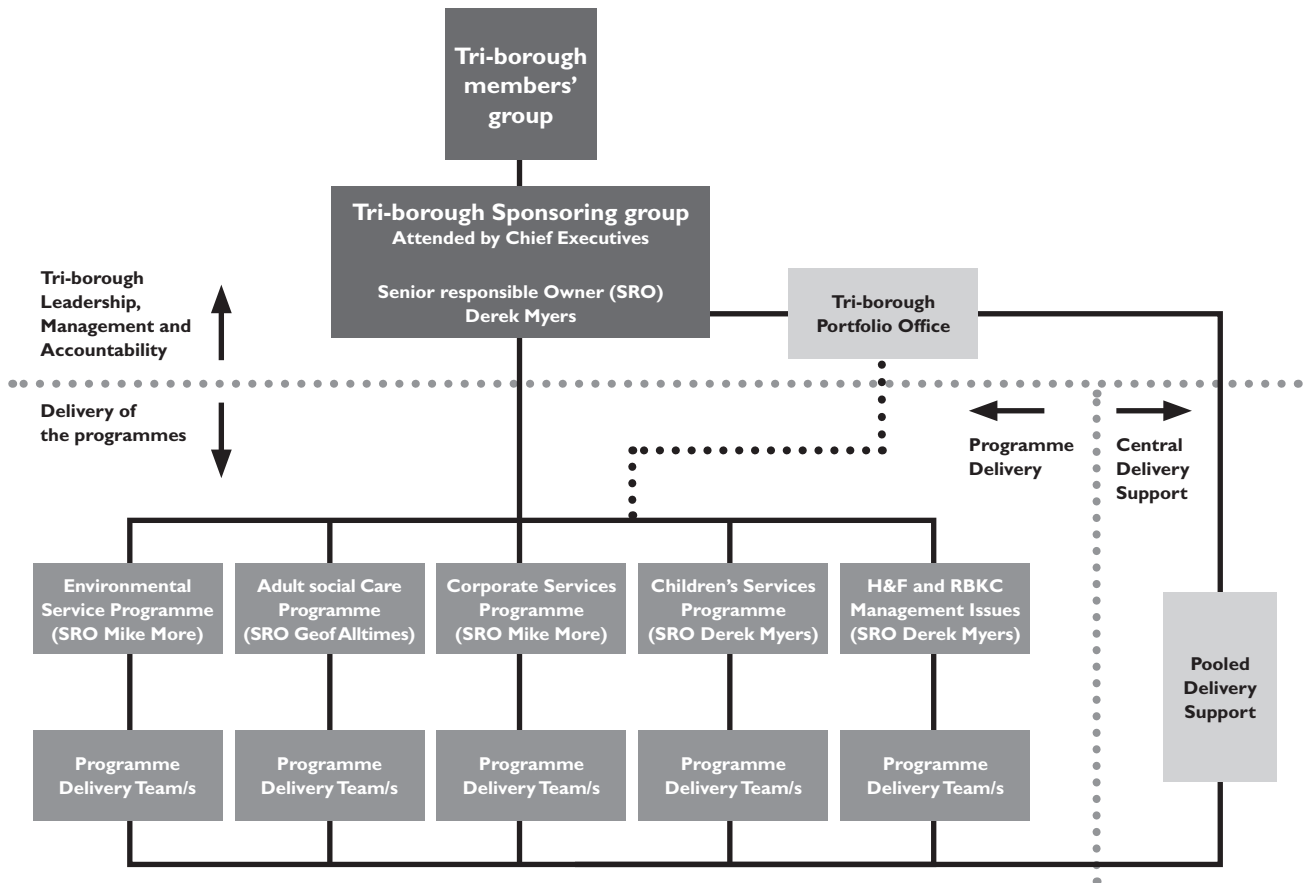
**b) Support from other key functions:** Programmes will also require procurement, legal, finance, IT, internal and external communications, consultation and property input. Internal resource will be used (wherever possible).

**c. Business and Financial Analysis and Intelligence:** There is a significant upfront requirement for this resource in order to ensure consistent metrics (and therefore fair apportionment of costs and benefits) and the development of robust business cases and savings targets.

13. The extent and timing of support required will vary between programmes. Careful management of specialist support will be needed to prevent resource conflicts between programmes, ensure the correct prioritisation/sequencing and management of dependencies.

14. Tri-borough will use existing staff where possible, capitalising on the skills and experience of staff in the three boroughs. Each borough brings to the table significant and complementary strengths in programme and change management on which to build, for example but not limited to organisational development and transformation management (LBHF), business analysis (WCC) and programme delivery support (RBKC).

## Tri-borough Support Arrangements



# 15. PROPOSALS FOR ENCOURAGING PUBLIC COMMENT

## SEEKING YOUR VIEWS: TRI BOROUGH COMMUNICATIONS PLAN

1. Boroughs wish to actively engage and involve residents, community leaders and wider stakeholders in plans for sharing services as they develop.
2. Boroughs will individually and collectively provide regular communications updates on project progress. This will take place in three stages:
  - February to April - Focus on public consultation and staff engagement following the publication of proposals.
  - May onwards - the time for 'decision' and progressing any agreed integration, engaging stakeholders such as service providers in shaping change.
  - September onwards – around delivery and public communications about any changes to existing services.

Areas we wish to seek public comment on include:

- Collaboration as a means to reduce back office costs and protect services
- The 'Sovereignty Guarantee' as a means to ensure local decision-making and accountability
- Where collaboration could improve our offer e.g. through providing cross-borough services.
- Where the public or organisations might want to offer new approaches (mutuals, charity, co-operative provision) to the delivery of services.

The main communication audiences and initial approaches can be summarised as follows

Audience	Approach	Rationale
Residents	Information on borough websites, articles in the early 2011 editions of the Reporter, Royal Borough and H&F News.	Encourage public comment on the proposals
Staff	Common Intranet, staff survey, staff exchanges and management briefings underway from early February	Explain the proposals to staff, build common understanding and respond to concerns.
Community Leaders	A common briefing on progress to date to be available from early March	Help those representing residents understand and feedback views on the proposals
Local Government	Series of stories and speaking opportunities sought from February onwards	Share knowledge and support interested authorities.

# 16. RECOMMENDATIONS

These are as follows:

1. The Cabinets of the Council welcome the proposals as evidence of bold and radical ideas which can help protect vital front line services at a time of necessary financial adjustment. Cabinets support the aims of integration which are intended to:

Combining services

- Lead to a 50% reduction in the number of middle and senior managers.
- Lead to a 50% reduction in the overall “overheads” that are carried on frontline services to the public.
- Mean that in 2014/15, the costs of overheads and middle and senior management will be a smaller proportion of total spend than in 2010/11.

2. The Cabinets agree to support the proposals in principle but recognise that the proposals will benefit from full discussion by scrutiny councillors and with trade unions and staff.
3. The Cabinets recognise that local residents will judge these proposals in terms of whether they represent value for money and whether service quality and the public’s influence on services are affected. The Cabinets confirm that they are supporting the proposals on the basis that they represent a better way of making the budget reductions necessary and that the Sovereignty Guarantee is a clear commitment to continuing localised control.

Nevertheless the Cabinets agree to a public information strategy to communicate the proposals and to invite public comment.

4. These proposals come in the midst of other changes already being executed by the three Councils. In particular, they are being put forward in the context of a shared commitment to bear down on the costs of management and general overheads.

In particular, the three Councils together currently have vacancies for substantive post-holders for one Director of Children’s Services and one Director of Adult Social Care.

At the heart of the proposals there are propositions for moving towards a single Director of Children’s Services and a single Director of Adult Social Care responsible to three Councils for a combined service, but to three service specifications, allowing for specific local services and local choice.

The three Cabinets agree to begin the phased process of appointing joint Directors of Adult Social Care and Children’s Services and Joint Chief Executives.

5. The Proposals for Adult Social Care anticipate that Central London Community Health NHS Trust (CLCH) could become the main provider vehicle for community care services. This would promote the most efficient arrangement of services for those assessed as in need and be amongst the most progressive arrangements in the country.

Noting the need to negotiate with CLCH, the Cabinets agree to mandate formal discussions with CLCH to this end.

6. The three Councils agree in principle to the combination of the library services and commission further work necessary to bring forward a detailed plan in due course.
7. If these Proposals are finally agreed, they will represent an important and wide ranging change programme. The next step will be to draw up implementation plans which will need to be fully costed. These plans will need to be signed off by each borough's Cabinet (or Cabinet Member) according to each borough's constitution.

This stage will firm up on both gross savings and net savings, taking account of the inevitable costs of change including compensation to staff not retained and agreed investment in IT migration to aid integrated working.

The three Cabinets agree to this recommended way forward.

8. Implementation will likely require some expenditure on change management and the three Cabinets undertake to fund this from existing cash limited resources and ear-marked reserves. This should fund a co-ordinated change management resource.
9. The Proposals, if finally agreed, will require Member oversight of the detailed planning and execution of plans and therefore the Cabinets agree to set up a three borough joint working group comprising two councillors from each borough to supervise final designs and delivery.

This working group will have no executive authority of itself, but plans once supported will be agreed according to each Council's Constitution and be subject to scrutiny according to local conventions.

The three Cabinets agree to form such a working group.

10. The three Cabinets recognise that these Proposals represent a bold radical response by local councils to the need to think differently about local public services. They therefore agree to a programme of sharing the ideas and lessons learned with other councils and other interested parties.
11. The Proposals should not be seen as the extent or even the most important part of the Cabinets' current thinking about the future of local public services.

The three Cabinets will continue to develop new thinking to prove the three Councils intent to "localise where we can and aggregate where we should". The three Cabinets welcome the Localism Bill and look forward to using opportunities therein to take forward their work on behalf of their local communities.

12. The three Cabinets also welcome the Government's willingness to trust the three Councils as exemplars, with new opportunities to promote better local public service delivery, such as the Community Budget proposals, and commit to continuing to make more localised public services an important part of the future.
13. The Cabinets recognise their proper duties to ensure that when finally considered, each implementation plan for integrated services fully takes account of all relevant policy considerations, including the effect, if any, on disadvantaged groups. It agrees any deleterious effects should be considered to see what mitigation is appropriate. Such Equality Impact Assessments will be considered at the detailed plan stage.
14. The Cabinets commit to further work across the three Councils to explore options to increase savings from joint working to further improve productivity and efficiency and to bring forward further reports.





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