



London Borough of Hammersmith & Fulham

**LEADER'S URGENCY REPORT**

**JULY 2014**

**CRITICAL FRIENDS BOARD**

**Report of the Leader – Councillor Stephen Cowan**

**Open Report**

**Classification - For Decision**

**Key Decision: Yes**

**Wards Affected: All**

**Accountable Executive Director:** Jane West – Executive Director of Finance and Corporate Services

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**Reasons for Urgency:**

A number of decisions, with wide-ranging financial and legal ramifications are sought in the next six months which relate to bi- and tri-borough working. The independent review of tri-borough working will allow for an informed decision on current arrangements, further initiatives and alternatives. This review is extremely urgent given the wide ranging financial and legal implications for LBHF and other Councils.

**Date by which decision is required:**

As soon as possible

AUTHORISED BY: .....

The Leader has signed this report.

.DATE: 17 July 2014

## **1. EXECUTIVE SUMMARY**

- 1.1. In their manifesto for the 2014 Council elections, the new Labour administration pledged to establish an independent Critical Friends Board (CFB) to review Bi- and Tri-borough working.
- 1.2. It was recognised that the Bi- and Tri-borough approach may have benefits. However it may have been implemented too narrowly; the structure may be ill-defined and it has had no independent oversight or evaluation. To consider these issues the CFB will be established. The terms of reference are:
  - Review the current Bi- and Tri- Borough structures to establish where it is and is not working for the LB of Hammersmith and Fulham.
  - Compare and contrast efficiencies with other interested councils.
  - Advise on other improved models or structures.
  - Advise on further savings via the Bi- and Tri- Borough or other potentially improved models/structures with other interested councils and organisations.
  - Take a view on the effects the Bi- and Tri-Borough initiative have had on the balance between LB Hammersmith and Fulham's sovereignty and the delivery of greater efficiencies.

This report seeks approval to award a one-off contract to undertake this Bi and Tri-borough review on behalf of the Critical Friends Board.

## **2. RECOMMENDATIONS**

- 2.1. That approval be given for a direct award of a contract for up to £138,000 to Deloitte using the "ConsultancyOne" framework agreement let by Crown Commercial Services<sup>1</sup> in order to undertake an independent review of the Tri-borough programme., That this expenditure is to be funded from corporate contingency sums (a direct award can be made under this contract in exceptional circumstances which are detailed in paragraph 5.2) and comprising a fixed fee of £69,000 for the Tri-borough review and a further fixed fee of £69,000 should the review identify £1m worth of unidentified new savings for Hammersmith and Fulham.
- 2.2. That approval be given to additional CFB project expenditure of up to £12,000 for general project costs, taking the total expenditure up to £150,000.

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<sup>1</sup> Crown Commercial Services (formerly Government Procurement Service). Reference number of the framework – RM1502/L1)

### 3. REASONS FOR DECISION

3.1. The Tri-borough programme has been running for nearly 2½ years and the incoming Labour administration is seeking an independent review of the programme. This is primarily to evaluate how it working and advise on wider approaches to achieve financial savings and improved outcomes for Hammersmith and Fulham’s residents. This is critically important in view of the tough financial position of the Council. .

### 4. INTRODUCTION AND BACKGROUND

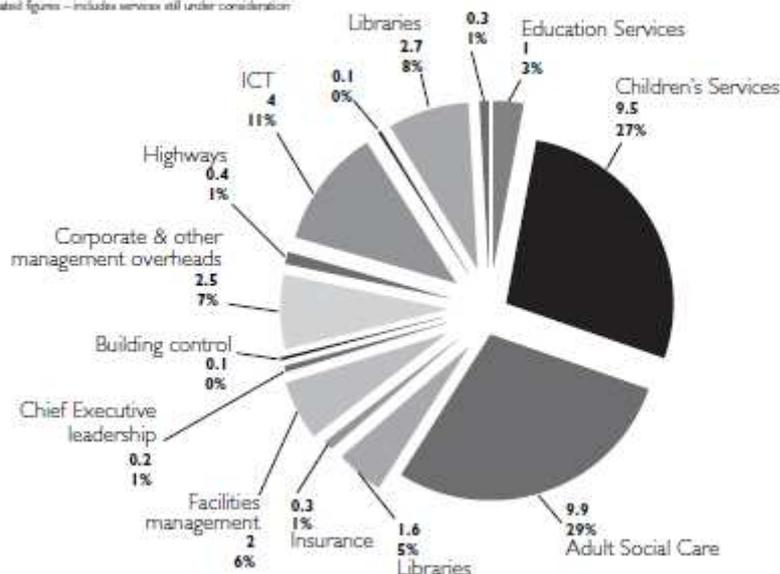
4.1. The Tri-borough programme (a sharing services arrangement between the London Borough of Hammersmith & Fulham, The Royal Borough of Kensington and Chelsea and Westminster City Council) was developed in response to the loss of grant from central Government since 2010.

4.2. More than half of the predicted savings from the first set of Tri-borough services would and have come from the formation of combined Children’s Services and Adult Social Care. The composition of savings is set out below.

#### Tri-borough Savings by 2014/15

£Millions - total savings: £34.6m

Estimated figures - includes services still under consideration



4.3. In May 2014 the incoming Labour administration pledged in their manifesto to establish an independent CFB to review Tri-borough working.

## **5. PROPOSAL AND ISSUES**

- 5.1. This report seeks the approval to award a one-off contract to Deloitte to undertake an independent review of the Tri-borough programme. The review is scheduled to last 12 weeks and will be broken down into four stages;
- stage 1 – mobilisation
  - stage 2 – review, challenge and validate
  - stage 3 – develop future efficiency initiatives
  - stage 4 – report and approvals
- 5.2. A number of consultancies from the Crown Commercial Services 'consultancyONE' framework were considered and Deloitte were chosen for this project as they have considerable experience in local authority transformation and the capacity to put together a strong team at short notice. The Council can make a direct award from this framework contract under option A which relates to exceptional circumstances. The extreme urgency of this review, alongside the compelling business case for the Council and the wide ranging financial and legal implications for other Councils are the exceptional circumstances in which this direct award is being made.
- 5.3. The proposal takes account of the need to clarify as soon as possible the Council's approach to Bi- Tri-Borough working, not only for the benefit of Hammersmith & Fulham but also so that the other two boroughs are notified as soon as possible of any changes of approach by the Council.
- 5.4. This is a one-off expense designed to review the Council's approach to most of its front-line services with the review incentivised to deliver an additional £1,000,000 of unidentified new savings. It is therefore a proportionate outlay that could and should see a return through the identification of unidentified savings and service improvements.
- 5.5. The independent CFB will be established during this independent review to guide the review and consider any recommendations that result.

## **6. OPTIONS AND ANALYSIS OF OPTIONS**

- 6.1. The option of undertaking this review utilising existing in-house resources was considered whilst developing the project scope. However as one of the key mandates for the review is its independence, this option was not taken forward. The consultants commissioned will be undertaking the review on behalf of the council and independent CFB and some support will be provided by officers.

## **7. CONSULTATION**

- 7.1. In preparing the 'position statement' for the CFB and consultants, senior management in both shared and non-shared services have been consulted on their Bi and Tri-borough programme performance.
- 7.2. Over the course of the independent Bi- and Tri- Borough review both shared and non-shared services across all three Councils will take part in a series of stakeholder workshops to identify and develop future efficiency savings for each service area.
- 7.3. The efficiencies from Bi and Tri-Borough programme will be compared and contrasted with those achieved by other London councils who agree to take part in consultation.

## **8. LEGAL IMPLICATIONS**

- 8.1. The existing Tri-borough joint working arrangements are secured by way of agreements between the Councils pursuant to s113 of the Local Government Act 1972 so that officers of one authority are made available to the other authorities. These agreements provide that they may be terminated (in whole or in part) at any time by written agreement between the parties or that one authority has the right to terminate the agreement at any time by service of 12 months' written notice to the other authorities.
- 8.2. We note that the consultants are to be appointed under the terms of a Crown Commercial Services framework and therefore no additional tendering process is required under the Council's Contract Standing Orders.
- 8.3. Implications completed by: LeVerne Parker, Chief Solicitor, Bi-Borough Legal Services – telephone 020 7361 2180.

## **9. FINANCIAL AND RESOURCES IMPLICATIONS**

- 9.1 The proposed expenditure of up to £150,000 will be funded from corporate contingency sums.
- 9.2 Implications completed by: Andrew Lord, Head of Strategic Planning and Monitoring – telephone 020 8753 253.

## **10. RISK MANAGEMENT**

- 10.1. A review of the effectiveness of services is consistent with the risk management approach of risk identification, risk measurement, risk treatment and review. There are no further risk implications as the recommendation is the award of a contract to Deloitte. The purpose of the

contract is to support and advise for a fixed period, whether, where and why the current bi-borough and tri-borough arrangements are working well or not. The outcome of the review is to also highlight opportunities for extending or changing arrangements to work with other Councils and organisations outside the current arrangements. Where risks can be improved by enhancing the Bi-borough or Tri-borough arrangements these can be reflected in risk management registers.

- 10.2. Implications completed by: Michael Sloniowski, Bi-borough Risk Manager – telephone 020 8753 2587.

## **11. PROCUREMENT AND IT STRATEGY IMPLICATIONS**

- 11.1. The use of existing framework agreements is an efficient and effective use of resources and is in compliance with the Council's approach to procurement. The Crown Commercial Services (an executive agency of the Cabinet Office) has put in place a number of compliant framework agreements for public sector organisations to call off from. The ConsultancyONE framework agreement that is central to the recommendations contained in this report allows for public bodies to make a direct award without resorting to further calls for competition in exceptional circumstances.

- 11.2. Implications completed by: Alan Parry, Procurement Consultant (TTS) – telephone 020 8753 2581

### **LOCAL GOVERNMENT ACT 2000** **LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT**

<b>No.</b>	<b>Description of Background Papers</b>	<b>Name/Ext of holder of file/copy</b>	<b>Department/ Location</b>
	None		