



London Borough of Hammersmith & Fulham

Cabinet

Supplementary Agenda

MONDAY
9 MAY 2011
7.00 pm

COURTYARD ROOM
HAMMERSMITH
TOWN HALL
KING STREET
LONDON W6 9JU

Membership

Councillor Stephen Greenhalgh, Leader
Councillor Nicholas Botterill, Deputy Leader (+Environment and Asset Management)
Councillor Mark Loveday, Cabinet Member for Strategy
Councillor Helen Binmore, Cabinet Member for Children's Services
Councillor Joe Carlebach, Cabinet Member for Community Care
Councillor Harry Phibbs, Cabinet Member for Community Engagement
Councillor Lucy Ivimy, Cabinet Member for Housing
Councillor Greg Smith, Cabinet Member for Residents Services

Date Issued
28 April 2011

If you require further information relating to this agenda please contact:
David Viles, Committee Co-ordinator, Governance and Scrutiny, tel:
020 8753 2063 or email: David.Viles@lbhf.gov.uk

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DEPUTATIONS

Members of the public may submit a request for a deputation to the Cabinet on non-exempt item number 3 on this agenda using the Council's Deputation Request Form. The completed Form, to be sent to David Viles at the above address, must be signed by at least ten registered electors of the Borough and will be subject to the Council's procedures on the receipt of deputations. **Deadline for receipt of deputation requests: Tuesday 3 May 2011.**

COUNCILLORS' CALL-IN TO SCRUTINY COMMITTEES

A decision list regarding items on this agenda will be published by **Wednesday 11 May 2011**. Items on the agenda may be called in to the relevant Scrutiny Committee.

The deadline for receipt of call-in requests is: **Monday 16 May 2011 at 3.00pm**. Decisions not called in by this date will then be deemed approved and may be implemented.

A confirmed decision list will be published after 3:00pm on **Monday 16 May 2011**.

Members of the Public are welcome to attend.
A loop system for hearing impairment is provided, together with disabled access to the building

London Borough of Hammersmith & Fulham

Cabinet Agenda

9 May 2011

Item

Pages

3. TRI-BOROUGH WORKING UPDATE

1 - 150



London Borough of Hammersmith & Fulham

Cabinet

9 MAY 2011

LEADER

Councillor Stephen Greenhalgh

TRI-BOROUGH PROGRESS REPORT

This paper highlights the recommendations in the attached report which works up the proposals considered by this Authority, the Royal Borough of Kensington and Chelsea and Westminster City Council in the report, *'Bold Ideas for Challenging Times.'*

Wards:

All

CONTRIBUTORS

All departments

Recommendation:

That the recommendations set out in section 3 of this report be approved.

REASON FOR URGENCY

This report was not available for circulation five clear days before the meeting as officers did not have all the information required in order to be in a position to report on progress made since the meetings in February.

HAS A EIA BEEN COMPLETED?
N/A.

HAS THE REPORT CONTENT BEEN RISK ASSESSED?
YES

1 BACKGROUND

- 1.1 The Royal Borough of Kensington and Chelsea, the London Borough of Hammersmith & Fulham and the City of Westminster considered the report, *'Bold Ideas for Challenging Times'* at their Cabinet meetings in February. The report detailed the outcome of the work undertaken at that point on potential closer working and included proposals to make annual savings of £35 million by combining a wide range of services.
- 1.2 At the heart of the proposals were propositions for moving towards a single Director of Children's Services and one Director of Adult Social Care responsible to the three Councils for a combined service. The report noted that discussions would commence with Central London Community Health NHS Trust (CLCH) on them becoming the main provider vehicle for community care services. In addition the report recommended in principle the combination of the library services and the commissioning of further work necessary to bring forward a detailed plan in due course.
- 1.3 The report was agreed in principle by the Cabinet meetings and has been subject to wide consultation. Stakeholder views on integration are referred to in paragraph 12, and show a high number agreeing that the sharing of services will help their Council to meet the financial challenges it faces.

2. SUMMARY

- 2.1 Since the February meetings, the Chief Executives have worked up the proposals in more detail including robust, costed business plans for each service and developing service operating models consistent with the sovereignty guarantee.
- 2.2 The report is split in two sections and sets out -

Section One

- An analysis of the key issues and findings from proposals to date, cutting across the various programmes (Adult Social Care, Children's Services, Environmental Services, Corporate Services, Libraries Services)

Section Two

- Detailed proposals for combining Fostering and Adoption, Youth Offending, Environment and Libraries Service and for the creation of a single Local Safeguarding Children's Board (LSCB)
- Progress papers around Adult Social Care, Corporate Services, and other parts of a proposed Children's Tri-Borough service.

These proposals are being further developed and will be put before June Cabinets.

3. DETAILED RECOMMENDATIONS

The Cabinet is invited to endorse this report in full and, in particular:

- (i) to note the positive public response to the proposals;
- (ii) to note the draft business cases highlight continued confidence in achieving £35m savings target;

Adult Social Care

- (iii) to mandate continued negotiations with Central London Community Health around integrated health and social care services, with a view to putting before Cabinets firm proposals later in the year;
- (iv) to mandate continued discussions with GP consortia around joint commissioning arrangements;
- (v) to note the intention to put proposals for a single Director of Adults' Commissioning and for the creation of a combined commissioning hub to June Cabinets;

Children's Services

- (vi) to note firm proposals for combined Fostering and Adoption and Youth Offending services, and for a single Local Safeguarding Children's Board - recommendations to endorse proposals to be put to the June Cabinets;
- (vii) to note that firm proposals around a single management team to be recommended to June Cabinets;
- (viii) to note that proposals for a combined Education Service are being reviewed to ensure that they reflect current policy requirements and that a further report will be brought to June Cabinets;

Corporate Services

- (ix) to note progress to date in developing proposals and to note the intention to bring more detailed cases particularly for combined HR, IT and Finance services to June Cabinets;

Libraries

- (x) to note firm proposals around a combined library service and to invite public comment and views from scrutiny committees - recommendations to endorse further developed proposals to be put to June Cabinets; and

Environmental Services

- (xi) to note first stage proposals for a combined RBKC and H&F senior management team and plans to begin the process of reconfiguring services, with an invitation to WCC to later combine as contractual arrangements allow - a more detailed implementation plan to be brought to June Cabinets.

4. COMMENTS OF THE DIRECTOR OF FINANCE AND CORPORATE SERVICES

- 4.1 The Director of Finance and Corporate Services has been fully involved in the development of the report '*Bold Ideas for Challenging Times*' and concurs with the financial analysis within the report.
- 4.2 The savings identified through tri-borough working should be seen in the context of the Council's Medium Term Financial Strategy which anticipates further government funding reductions over the next three years. Tri-borough working could contribute a significant proportion of the Council's required spending reductions in ways that protect 'front line' services better than alternative options would do.

5. COMMENTS OF THE ASSISTANT DIRECTOR (LEGAL AND DEMOCRATIC SERVICES)

- 5.1 The Assistant Director's comments appear in the main report. The Council's equality duties as set out in the Equality Act 2010 will need to be considered and complied with as proposals are developed.

LOCAL GOVERNMENT ACT 2000 LIST OF BACKGROUND PAPERS

No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location
1.	The Tri-Borough proposals report (February 2011)	Kayode Adewumi X2499	FCS
CONTACT OFFICER: Head of Governance and Scrutiny		NAME: Kayode Adewumi	



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

TRI-BOROUGH PROGRESS REPORT

Bold ideas for challenging times

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

May 2011



CONTENTS

PREFACE	3
PART ONE: Overview By The Three Chief Executives	5
PART TWO: Cross-Cutting Analysis	10
PART THREE: Progress reports	40
A. Adult Social Care	40
B. Children' Services	48
C. Library Service	83
D. Corporate Services	104
E. Environment Services	119
ANNEXES OF PART TWO - CROSS-CUTTING ANALYSIS	128
Annex A Attributing Costs and Benefits Example	129
Annex B General Legal Issues	139

PREFACE

In February 2011, the London Borough of Hammersmith and Fulham (H&F), The Royal Borough of Kensington and Chelsea (RBKC) and the City of Westminster (WCC) published radical proposals to make annual savings of £35 million by combining a wide range of services.

The Report was agreed in principle by Borough Cabinets and Chief Executives were asked to work up proposals in more detail, including:

- Robust, costed business plans for each service
- Service operating models consistent with the Sovereignty Guarantee.

Part One of this report comprises a summary by the three Chief Executives.

Part Two provides an analysis of the key issues and findings from proposals to date, cutting across the various programmes (Adult Social Care, Children's Services, Environmental Services, Corporate Services, Libraries Service).

Part Three provides:

- Detailed proposals for combined Fostering and Adoption, Youth Offending, Environment and Libraries Services and for the creation of a single Local Safeguarding Children's Board (LSCB).
- Progress papers on Adult Social Care, Corporate Services, and other parts of a proposed Children's Tri-borough service; these proposals are being further developed and will be put before June Cabinets.

PART ONE

TRI-BOROUGH PROPOSALS PROGRESS REPORT

OVERVIEW BY THE THREE CHIEF EXECUTIVES

In February 2011 Cabinets of the three participating boroughs approved in principle that there were benefits in combining certain services to improve effectiveness and reduce costs.

The principal benefits were seen as:

1. To reduce managerial and other overheads by a target of 50%, by increasing managerial spans and stretching specialist skills across three authorities.
2. By agreeing to collaborate on procurement, to achieve better prices.
3. By deep 'compare and contrast' over areas of professional practice, to challenge spending patterns, and seek effective employment of funds to secure defined outcomes.
4. To move more firmly to a commissioning model and take advantage of options to encourage new forms of provider services, including linking up with health, promoting social enterprises and exposing more services to the market.
5. By moving to larger scale activities, to provide a stronger platform for Government to be invited to devolve responsibilities with confidence.

Since February, an even wider range of staff have been briefed on the ambitions of the Tri-borough proposals and have become involved in discussion about service models, opportunities and risks.

Representative surveys of the public have been undertaken and found strong approval for bold and innovative ways to reduce costs.

A majority of staff have accepted that combining some services is the right way forward.

Scrutiny committees across the three Councils have probed and sought reassurance, but have generally acknowledged the potential benefits.

Additional benefits that have become plain

As well as those set out above, we have developed confidence that there are two additional benefits:

- That this new way of working, in combined services, offers advantages to strengthen political leadership and accountability because a team approach by Executive Councillors (Cabinet Members) will provide them with more opportunity to compare and contrast performance on behalf of their boroughs and to challenge asserted best practice.
- That combined services can provide real opportunities to improve services for the public. For example, in a combined Library Service, users could expect to be able to use libraries across a wider geographical area, and specialist resources can be shared more easily.

Overall progress

Given the agreement in principle offered by Cabinets in February, the task has been to write detailed implementation plans, validating cost savings, but also flushing out transitional and investment requirements, so as to form an overall business case for each service change.

This work has proved to be quite complicated, because the three Councils have separately evolved different patterns of organising services, labelling activities, arranging terms and conditions and allocating responsibilities across management tiers.

In Adult Social Care, the proposals are bold and radical and involve negotiation with two other sets of people. The proposal was to transfer £19m of staffing and other responsibilities to Central London Community Health NHS Trust (**CLCH**) so that the three Councils' statutory responsibilities to assess and allocate help to vulnerable adults could be done alongside comparable responsibilities for health assessments and care provision. This is intended to provide a more joined up service for individuals who need help, and to strip out costs from duplication of effort in the assessment task.

Alongside these proposals is an intention to move to a new three borough Adult Social Care commissioning service which will need to work very closely with GP consortia, as they evolve into their new responsibilities, as finally determined by Parliament.

Inevitably these discussions will have to accommodate the requirements of those other parties and part of the interim recommendations of this progress report is to formally authorise such negotiations.

An overview of progress to date on the other service areas is as follows.

Libraries service

There is a proposal for a Tri-borough Libraries Service with a single management team. The model works on retaining all the libraries from across the three Councils after the changes already announced for 2011/12.

There are proposals for changing working practice and reviewing terms and conditions of staff to achieve best value.

The proposals represent a positive commitment to the future of public libraries, whilst offering an opportunity for savings of approximately £1.4 million or 6.2% of the current operating budget.

Children's Services

This progress report can recommend that there is now a consensus over the way in which the three boroughs can share an Adoption and Fostering service, a Youth Offending Service and arrangements for the Local Safeguarding Children Board.

These proposals in themselves offer savings of £1.934 million over three years.

We do not yet have a settled model for a combined single management team for a combined service, but we are well on the way to finalising and costing such proposals.

Proposals for a combined Education Service are being further reviewed to reflect aspirations of the three Councils given the changes in the external policy environment, which promote greater self-sufficiency for schools and a less onerous role for local government.

Adult Social Care

The overall shape of a combined Adult Social Care commissioning service has been determined. Good early discussions have been held with CLCH and local GP consortia.

The plans so far have clarified that services which are currently run directly by the three Councils, such as residential units and directly provided services to people in their own homes, will most likely not transfer to CLCH and will be retained by the commissioning service, with a view to looking to see what the best arrangements are for these services in the future.

It is now clear that staff will not transfer by TUPE transfer to CLCH, but will be retained on a local government payroll and managed by CLCH senior staff, under what is known as a Section 75 Agreement.

There is confidence in this model because it is no more than a larger version of existing Section 75 Agreements which have covered more specialist Adult Social Care services in the past, such as mental health and learning disability services.

Environment Services

More detailed work has suggested that current contractual arrangements and preparations for the Olympics do not encourage a Tri-borough service at present. Hammersmith and Fulham and Kensington and Chelsea are proposing to form combined services offering further senior management reductions of approximately 50%. This would leave open the option of Tri-Borough services in the future.

Corporate Services

Corporate Services are amongst the most important to join up, so that combined service areas are well supported, but also amongst the most complex because within these services there is a wide range of current IT systems and outsourced service arrangements.

However, all three Councils would separately be looking to see how they can review their current services to reduce costs and take advantage of new technology options (such as joint managed services approaches and Cloud computing).

It is therefore helpful that the Tri-borough enterprise has encouraged a commitment to the development of common service standards, IT systems and the procurement of an out-sourced managed service in key corporate services – known as Project Athena – and the expectation is that this will provide an opportunity to standardise and share some support services and seek better value provision in future years, potentially across all or most London boroughs.

The progress report commits to a separate business case for this enterprise to come forward to late June Cabinets.

The purpose of this progress report

We are conscious that all elected Councillors, our staff groups and many external observers have taken a great deal of interest in the Tri-borough Prospectus. Although a wide variety of senior staff have been involved in the work so far, we are conscious that for others there have been as many questions as answers.

We have therefore agreed with leading Councillors that there is an advantage in showing our current working papers and taking advantage of the commitment to report to May Cabinets by allowing a wider range of comment on these working papers, so that the next round of recommendations and proposals for implementation, which will be put to Cabinets in June 2011, are as well informed as possible.

This report therefore repeats some of the rationale for Tri-borough working; illustrates savings which we believe we have validated to a firmer level of assurance; and provides firmer working models on parts of a Tri-borough Children's Service, a Tri-borough Library Service and a combined Environment Service between Hammersmith and Fulham and Kensington and Chelsea.

It offers progress papers on Corporate Services, Adult Social Care and other parts of a proposed Tri-borough Children's Service.

No final decisions are sought from the three borough Cabinets in May 2011, but there are a range of recommendations to endorse the direction of work and in particular, mandate formal negotiations with health partners.

Geoff Alltimes
Chief Executive
Hammersmith and Fulham Council

Mike More
Chief Executive
City of Westminster Council

Derek Myers
Town Clerk and Chief Executive
Royal Borough of Kensington and Chelsea Council

PART TWO: CROSS-CUTTING ANALYSIS

1.0 Introduction

- 1.1 This section draws together the detailed proposals set out in Section Two of this report, offering an analysis of the key findings that cut across the various programmes and highlighting the main conclusions.

2.0 Joint working: context

- 2.1 The proposals and plans presented in this report are bold, innovative and unprecedented in their scale of ambition; however, joint working is in itself nothing new.
- 2.2 The three boroughs currently share expertise: RBKC and H&F share a joint Director of Legal Services, a joint Director of Highways and a Deputy Director of Finance; WCC provide communication expertise to Authorities through their Westco trading subsidiary and H&F share communications expertise with Wandsworth.
- 2.3 Joint working in various guises is increasingly taking place across the local government landscape. Data provided to the Local Government Association indicates that at least eighteen Councils across England have opted to share Chief Executives and, in many cases, other senior managers too.
- 2.4 Successful arrangements include:
- Adur and Worthing District Councils saved £2.2m combining management teams and major support services (such as finance, legal and IT) and are now looking to create shared arrangements for planning, parks, building surveying and environmental health services.
 - Seven local authorities in Essex have formed a shared procurement hub, reducing duplication and retaining a wider range of specialist procurement staff. Efficiency savings of £20 million per annum are anticipated from 2011.
 - Suffolk, Cambridgeshire and Essex County Councils, along with Thurrock Council and Southend-on-Sea Borough Council, are pursuing a shared approach to public library professional, specialist and management services. Shared arrangements are expected to deliver £4.3m by year 4.

3.0 Retaining sovereignty within a combined service

- 3.1 Residents and other stakeholders are very positive about combined services.
- 3.2 The challenge is to ensure that alongside greater choice and efficiency, services remain as accountable, responsive and flexible to Member and resident requirements as before.

Retaining sovereignty within a combined service

Central London Community Healthcare (CLCH) provides rapid response care services in all three boroughs. Each of these operates to a different specification in response to different requirements in local communities. They are all borough based and all are delivered through multi-disciplinary teams. All were developed in partnership with the local borough. They are able to respond to particular issues in each area, such as pressures on hospital beds or increases in demand for residential and nursing home placements. Effective governance arrangements are also in place to ensure that senior staff meet to discuss progress and priorities.

- 3.3 Combined services will mean changes to the way officials and Members operate. It is important that these changes do not amount to a dilution of borough sovereignty.

Sovereignty while procuring services

Where boroughs jointly enter into contracts, Commissioners will wish to ensure that terms agreed provide as much flexibility as possible for boroughs to make individual decisions. For example, this may include specifying:

- **Contractual cost per borough** – to ensure price transparency;
- **Service alteration costs** – clearly breaking down service amendment charges by borough;
- **Break clauses** - at which one, two or all three boroughs could look to sever arrangements on pre-specified terms, on both pre-specified dates and outside of those dates;
- **Borough level performance targets** – to ensure that contractors' poor performance in one borough can be acted upon, regardless of better performance elsewhere

Through the contract, Commissioners would ensure that decisions made by one borough around service specification would not impact on the price or quality of provision to another. Should the cost of entering into an agreement on such terms prove prohibitively expensive, boroughs would always have the option of tendering separately, or on amended terms.

4.0 Principles for a combined service operating model

4.1 Outlined below are a set of principles that will ensure residents, service users and Members benefit fully from the move to combined services.

- The operating model must adhere to the Sovereignty Guarantee.
- The Member relationship with officials will be codified for each Department in a 'Member Protocol' (see box below).
- Boroughs will only be charged for the services they receive and a fair proportion of agreed overheads.
- Members will enjoy a greater range of service options. Where jointly provided, services will most likely be cheaper and/or with higher service levels.
- Members will have increasingly accurate information on the costs of various service options and the cost of the combined service infrastructure, allowing for better spending decisions.
- Members will always be able to commission services on a single borough basis.
- Members will always be able to withdraw from jointly provided services on agreed terms.
- Performance will be measured and acted upon on a single borough basis.
- Services will be more robust and boroughs better able to withstand inevitable unpredicted service demand variability and crises.
- Infrastructure investment and external support costs will fall – boroughs will pay once not three times.
- Bureaucracy will be kept to an absolute minimum.

Member protocol

For combined services, Departments are committed to providing to Members an accountable, flexible and responsive service. Combined Service Directors will wish to agree with each borough's Members a Protocol, which might include outline agreement on:

- a regular pattern of meetings with Cabinet Members;
- arrangements for responding to routine and urgent Member requests / issues;
- arrangements on which officials may most appropriately represent the service at any event e.g. Cabinet Committees / scrutiny meetings.

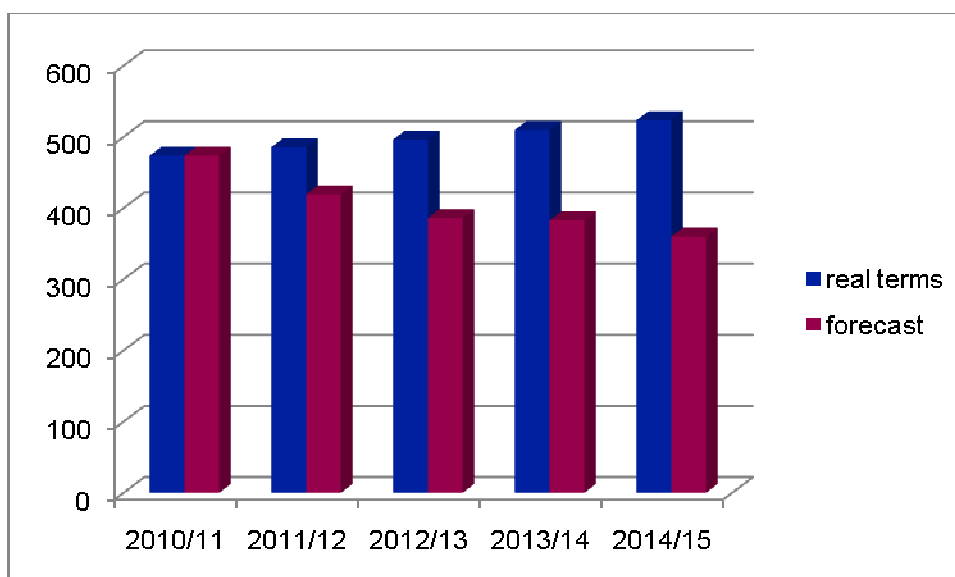
5.0 Formalising tri-borough working

- 5.1 While Boroughs wish to operate combined services on a 'high trust' basis, it is recognised that it will be necessary to enter into a formal agreement setting out the governance arrangements, protocols around staff sharing and other HR issues, information sharing, financial protocols and dispute resolution etc.
- 5.2 The aspiration is to produce agreements which will facilitate the smooth development of the arrangements and to develop a high trust model rather than adopting an overly legalistic approach. They will nevertheless be important and substantial documents requiring significant work.
- 5.3 A draft agreement around the approved merger of education services is being produced. Additional agreements will be developed building on existing work. General legal issues are set out at Annex B.

6.0 The £100m savings challenge

- 6.1 As highlighted in the chart below, boroughs need to meet a three year funding gap of £100m – a 31% reduction in formula grant.

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



- 6.2 Radical action is required if boroughs are to protect frontline services. Boroughs are agreed that any approach needs to remain true to three key principles. These are outlined in the box below.

Key principles in the development of tri-borough proposals

- Resilient, more joined up services will mean that outcomes and satisfaction will both be better than they would otherwise have been.
- Proposals will achieve better value for the taxpayer.
- Borough sovereignty must be protected – decisions around priorities and provision are for boroughs individually to agree.

6.3 In broad terms, there are three key ways to meet the challenges faced:

- Reduce the cost of management and overheads;
- Redesign services to strip out duplication and unnecessary cost ;
- Reduce the cost of services procured.

6.4 There is no intrinsic reason why boroughs cannot individually pursue savings along these lines. This report demonstrates, however, that combined efforts can deliver improved, less costly services at greater pace and in ways that are consistent with the sovereignty guarantee. This is particularly important as boroughs are required to meet very challenging savings targets.

6.5 As targets increase, and timescales for realisation diminish, the risk of only partially achieving savings totals rises significantly. Tri-borough working provides multiple additional avenues for delivering savings without negative impacts on services:

Reducing the cost of management and overheads

6.6 Boroughs individually can only cut back office costs so far, as specialist expertise is required to run services safely and effectively. This expertise can however be spread across three boroughs, allowing for proportionally greater back office savings. Proposals outlined in this document allow for management spend in key departments to be cut by 50%. This would not be achievable safely by boroughs individually.

Redesigning services to strip out duplication and unnecessary cost

- 6.7 Analysis across Departments and Boroughs has highlighted that each exemplifies best practice around efficient delivery in different service areas (see box). Rapid savings can be made by adopting this best practice more widely.

Reducing the cost of services procured

- 6.8 Jointly procuring services offers economies of scale. For example boroughs predict a £2m saving on care spot purchasing costs.
- 6.9 As proposals highlight, savings can be made even if requirements are different. An existing tri-borough disability equipment purchase arrangement has allowed H&F to procure to its own specification yet still achieve savings of 15%.

Are combined services cheaper?

Prior to tri-borough, Authorities were each taking significant measures to drive out costs from already high performing services. As a result, many services are already highly efficient. Even where this is the case, combining services can still generate additional efficiencies.

For instance, although Hammersmith and Fulham, have already rationalised their passenger transport service, additional efficiencies can be achieved through:

- Joint passenger transport procurement – via volume discounts and careful route planning; and
- Reducing the number of managers from 3 to 1.

Westminster City Council recently conducted a successful reorganisation of its learning disabilities service. A year-on-year saving of £50k was achieved as a result of this transformation. Joining up the service with H&F and RBKC will see the reduction of two managers, which could potentially result in a saving of £120k to the service as a whole.

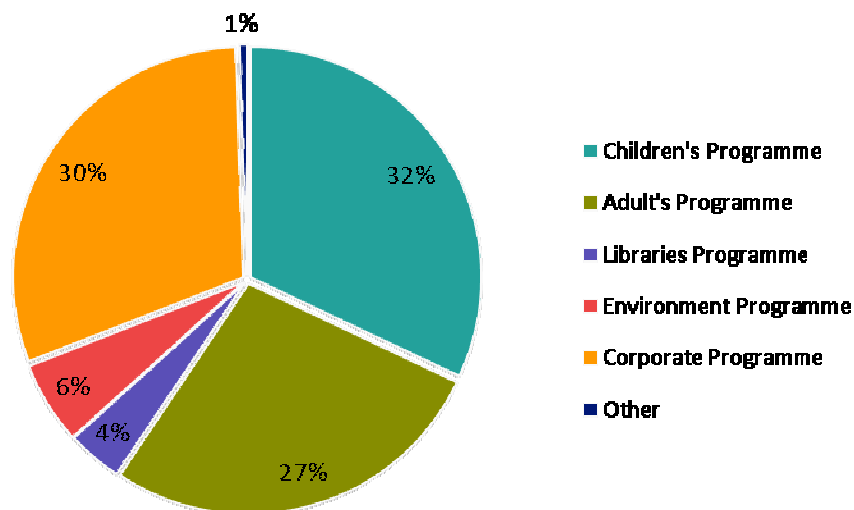
7.0 Overview of savings via tri-borough working

7.1 This section outlines across boroughs the savings achievable through combined working. A breakdown of these savings on a borough basis is also provided.

How robust are the savings estimates?

- Detailed business cases for each service will be presented to June Cabinets.
- Chief Executives (as leads for particular service areas) and relevant Directors are accountable for drawing up plans and delivering the savings.
- June savings plans will be certified by Borough Finance Directors.
- These in turn will be endorsed and signed off by the relevant Cabinet Members.

Savings by Programme



Service Area	Savings £m
Children's Programme	11.6
Adult's Programme	9.9
Libraries Programme	1.4
Environment Programme	2.1
Corporate Programme	11
Other	0.2
Total	36.2

Savings have been shown correct to the nearest £0.1 million

Summary of savings via combined services

Status	Programme	Service Area	Savings £m by 2014/15
Tri-borough	Children's Services	LSCB	0.2
Tri-borough	Children's Services	Fostering and Adoption	1.2
Tri-borough	Children's Services	Youth offending Service	0.5
Tri-borough	Children's Services	Education	1.3
Tri-borough	Children's Services	Education post implementation	0.2
Tri-borough	Children's Services	Salary Oncosts from group 1 projects	0.6
Tri-borough	Children's Services	Management Structure	0.6
Tri-borough	Children's Services	Management Oncosts	0.2
Tri-borough	Children's Services	Care Leavers	0.4
Tri-borough	Children's Services	Safeguarding	0.1
Tri-borough	Children's Services	Disabled Children	0.2
Tri-borough	Children's Services	Joint Commissioning	0.5
Tri-borough	Children's Services	Potential savings from remaining services	5.6
Tri-borough	Adult Social Care	Commissioning	1.9
Tri-borough	Adult Social Care	Operations Management	0.4
Tri-borough	Adult Social Care	Support Services	4.6
Tri-borough	Adult Social Care	Joint commissioning and support services with GP consortia	1.0
Tri-borough	Adult Social Care	Procurement	2.0
Tri-borough	Libraries	Single Management Structure	0.3 ¹
Tri-borough	Libraries	Service Efficiency	0.4
Tri-borough	Libraries	Salary and staff harmonisation	0.4
Tri-borough	Libraries	Sharing professional expertise	0.3
Bi-borough (initially)	Environment	Shared Management	1.3 ²
Bi-borough (initially)	Environment	Parking back office	0.3
Bi-borough (initially)	Environment	Transport and Highways	0.4 ³
Bi-borough (initially)	Environment	Parks management	0.1
Tri-borough	Corporate	Finance, insurance, treasury and pension fund management	1.3
Tri-borough	Corporate	Facilities management	2.0
Tri-borough	Corporate	Property and other overheads	1.0 ⁴
Tri-borough	Corporate	HR	1.4
Bi-borough	Corporate	Legal Services	0.3
Tri-borough	Corporate	ICT	5.0 ⁵
Bi-borough	None	Chief Executive leadership	0.2
Total			36.2

¹ Figures are being further analysed to check for management savings double-counting.

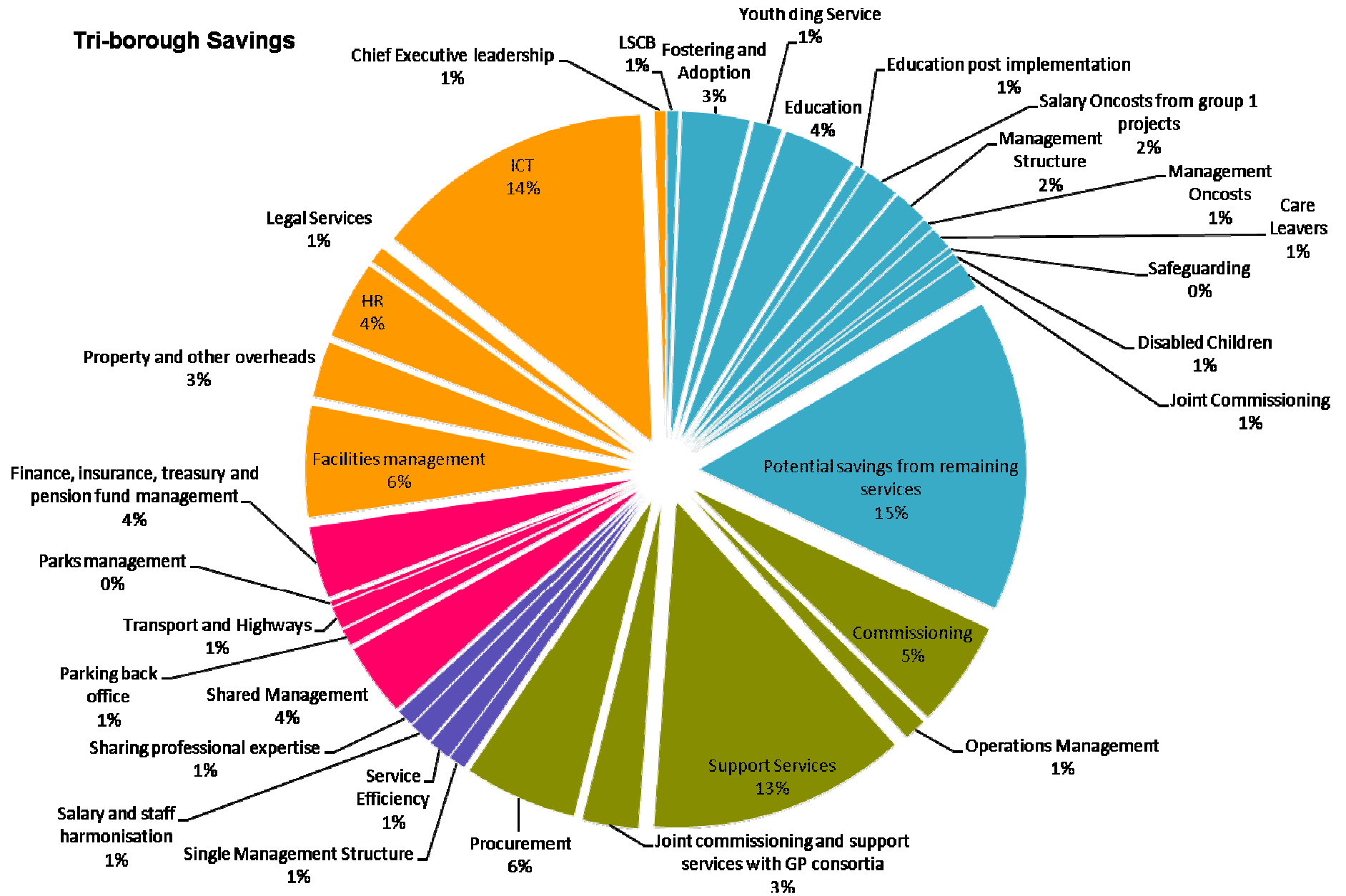
² A proportion will not be revenue savings, further analysis will be presented in June.

³ A proportion will not be revenue savings, further analysis will be presented in June. In addition, f figures are being further analysed to check for management savings double-counting.

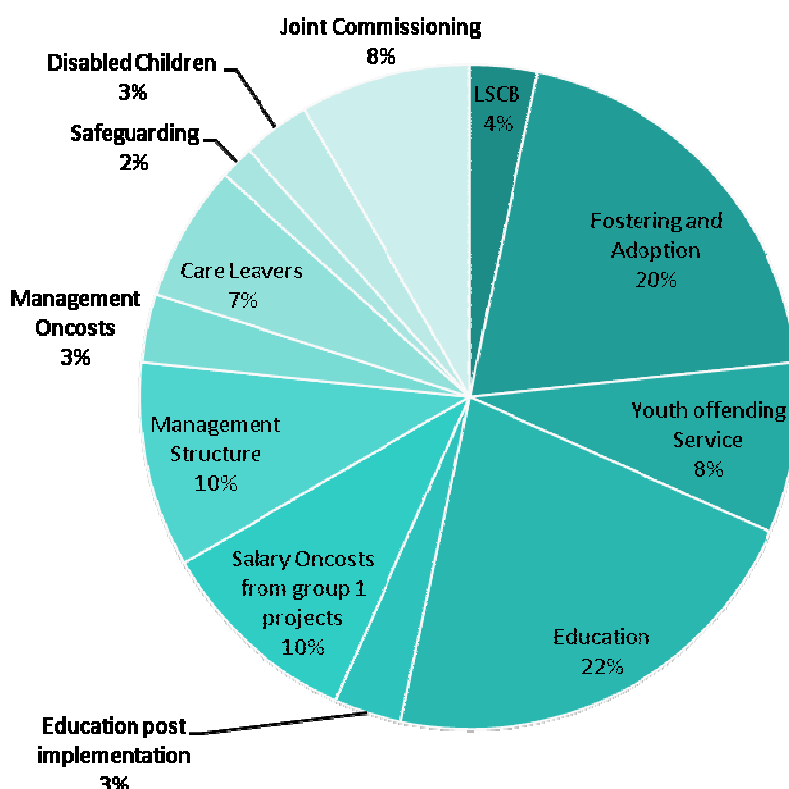
⁴ Mainly accommodation

⁵ £8.66m less £3.6 accounted for in ASC savings

Tri-borough Savings



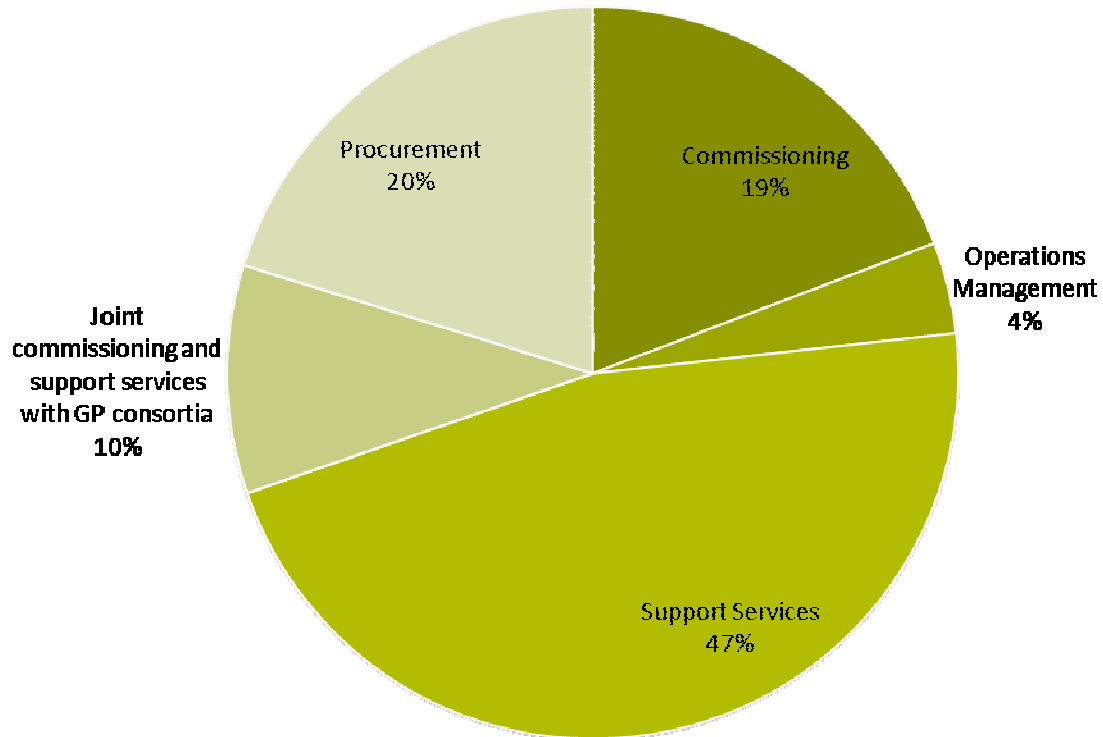
Children's Programme Savings



Service Area	Savings £m by 2014/15
LSCB	0.2
Fostering and Adoption	1.2
Youth Offending Service	0.5
Education	1.3
Education post implementation	0.2
Salary Oncosts from group 1 projects	0.6
Management Structure	0.6
Management Oncosts	0.2
Care Leavers	0.4
Safeguarding	0.1
Disabled Children	0.2
Joint Commissioning	0.5
Potential savings from remaining services	5.6
Total	11.6

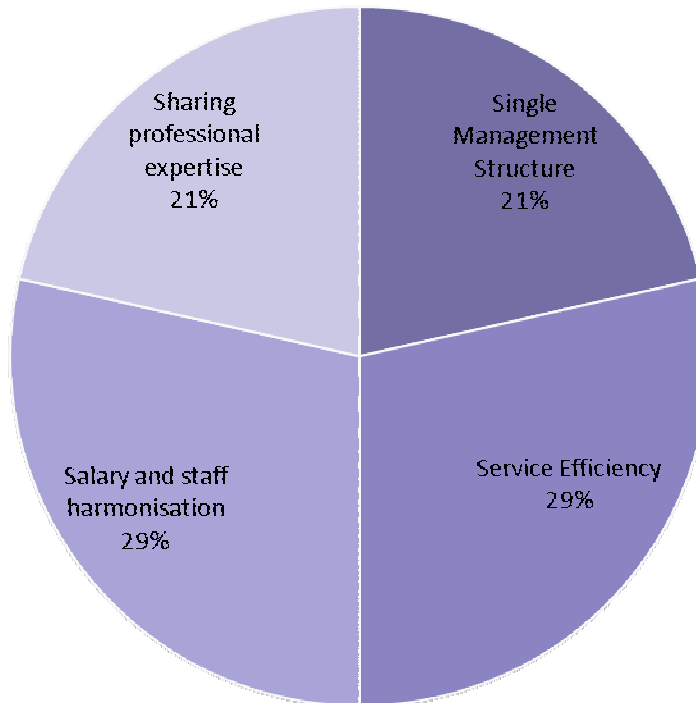
The potential savings from remaining services are not included in the above graph

Adult's Programme Savings



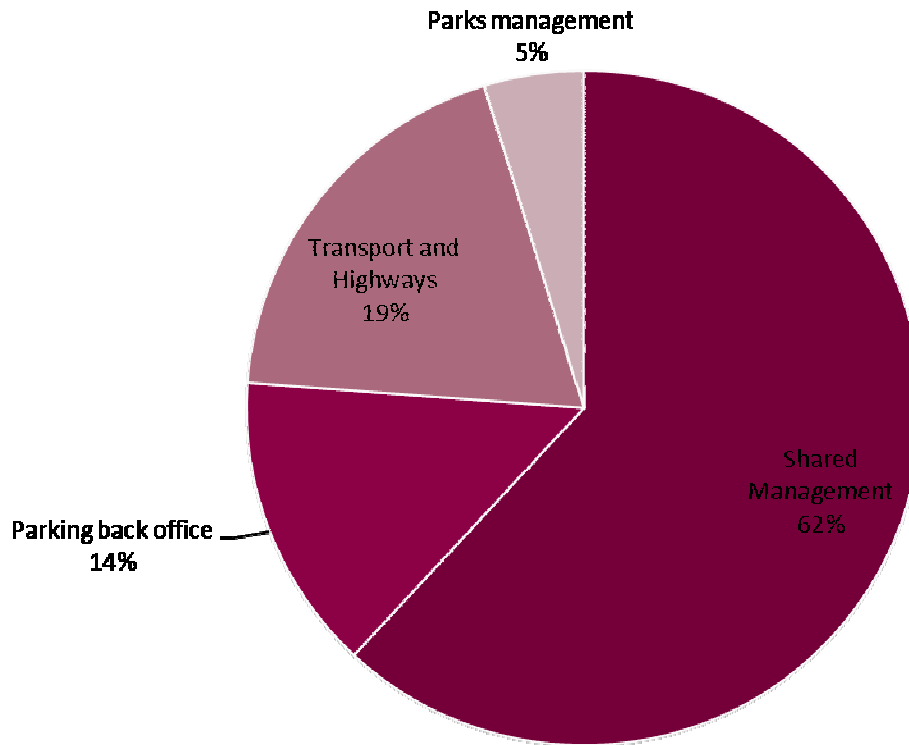
Service Area	Savings £m by 2014/15
Commissioning	1.9
Operations Management	0.4
Support Services	4.6
Joint commissioning and support services with GP consortia	1.0
Procurement	2.0
Total	9.9

Libraries Programme Savings



Service Area	Savings £m by 2014/15
Single Management Structure	0.3
Service Efficiency	0.4
Salary and staff harmonisation	0.4
Sharing professional expertise	0.3
Total	1.4

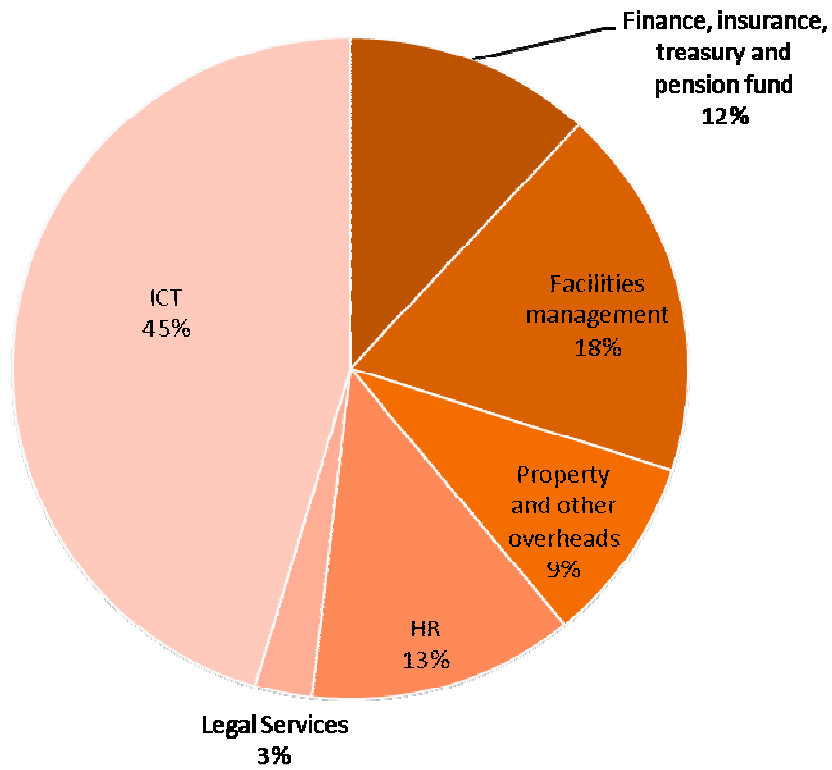
Environment Programme Savings



Service Area	Savings £m by 2014/15
Shared Management	1.3
Parking back office	0.3
Transport and Highways	0.4
Parks management	0.1
Total	2.1

Figures do not take account of potential savings from reconfiguration of remaining environmental services, nor savings from combined management / services with WCC.

Corporate Programme Savings



Service Area	Savings £m by 2014/15
Finance, insurance, treasury and pension fund management	1.3
Facilities management	2.0
Property and other overheads	1.0
HR	1.4
Legal Services	0.3
ICT	5.0
Total	11

8.0 Savings realised by borough via combined services

- 8.1 Savings to boroughs via combined services are realised as lower ongoing operating costs against their 2011/12 baselines.
- 8.2 This section sets the principles for sharing ongoing costs and the savings that can be realised through combining services.
- 8.3 Boroughs have been party to arrangements that apportion operating costs across organisations for some time (see box below).

Cross-organisation cost sharing arrangements

The Western Riverside Waste Authority is the statutory local government body responsible for waste disposal across Kensington and Chelsea, Hammersmith and Fulham, Lambeth and Wandsworth Councils. Together, these organisations form the "Riverside Waste Partnership".

Working in partnership has enabled the Councils to drive down the contract price for waste disposal through economies of scale. Costs are distributed fairly as each authority is charged on a per ton basis and overheads, such as staffing costs, are apportioned according to statutory criteria.

This fair approach has laid solid foundations for a partnership of trust, which the authorities have been quick to build upon. Working together has also given the authorities a stronger voice with which to bid for and attract additional funding.

- 8.4 The methodologies employed around these successful arrangements have formed the basis of those outlined here. The detailed methodology as applied to Children's services can be found at annex A. The key principles are:
- Charges reflect services received - no systematic cross-borough subsidy.
 - The charging structure will not impede Members' budget decisions, nor limit flexibility in terms of service provision.

Ensuring cost sharing arrangements are fair

- There are multiple safeguards to ensure that cost sharing arrangements are fair:
 - Robust methodology: The methodology will be tested by Directors of Finance by June and signed off by a Member panel.
 - Audit: An assurance process supported by Audit Teams will ensure the cost sharing methodology is being correctly applied.
 - Legal: Directors of Finance are legally required to satisfy themselves that no cross-subsidy occurs.
 - External assurance: external auditors appointed by the Audit Commission are responsible for ensuring boroughs comply with legal requirements

Overview of operating cost attribution methodology

- 8.5 Most costs can be relatively easily and fairly apportioned as there is either no reason to believe any one borough will disproportionately benefit, or the cost clearly relates to a particular borough
- 8.6 Senior management costs can be evenly split. This is the case for other Authorities with shared management arrangements; for example, Adur and Worthing Councils.
- 8.7 Other costs are incurred on an individual or group basis; for example, home care placements, or staff operating within a particular locality. These are easily charged back to particular boroughs.
- 8.8 There are a smaller number of cases where a particular denominator will need to be agreed on a case-by-case basis to ensure a fair attribution of cost. Work is not yet complete in terms of developing denominators for all the services, but each will be agreed in turn.
- 8.9 Around future operating costs, Executive Directors will need to discuss with each authority changing Member aspirations and priorities and agree a budget envelope for delivery. The Executive Director will be able to offer boroughs options for increased savings should they wish to align strategies in particular

areas, although this would not be required. Borough contributions to operating costs can then be adjusted accordingly with reference to the agreed methodology.

- 8.10 Detailed work on the attribution of ongoing operational costs will be presented to June Cabinets.

9.0 Other benefits from combined services

- 9.1 The proposals within this report highlight a range of additional benefits from tri-borough working that will improve outcomes and allow authorities to provide a better service to residents.
- 9.2 These 'non-cashable' benefits should not be underestimated – in a survey of 1500 residents, when asked to consider what tri-borough priorities should be, 46% selected priorities other than reduced costs – including higher quality services (43%) and more services (40%).

Service resilience

- 9.3 Perhaps the greatest 'non-cashable' benefit from tri-borough working is service resilience.
- 9.4 Local Authorities are responsible for a number of inherently high-risk services, such as child protection. Decisions made can profoundly impact on people's lives, or even represent the difference between life and death.
- 9.5 Decisions also have huge potential financial consequences – costs for placing a child in care can total £1m.
- 9.6 Local Authorities across the UK are seeking to realise savings through management restructures in order to protect front line services. Whilst removing layers of bureaucracy can make departments more efficient, there is always a risk that the remaining management infrastructure is fragile.
- 9.7 By way of example, a situation could arise where critical child protection decisions are needed when both the responsible Director and Executive Director are unavailable through any combination of leave and illness. Under the proposed tri-borough model, two further experienced Directors for child protection would be on hand to provide advice and support to more junior officers.

Shared expertise

- 9.8 Each authority has areas of particular expertise and specialism. Working together enables boroughs to combine different strengths in order to provide an improved overall service.
- 9.9 The creation of an integrated tri-borough libraries service exemplifies this. At present, a number of different professionals deliver specialist services within each of the three library authorities. These specialists range from information and stock specialists to community and reader development experts.
- 9.10 Under a shared model, these professionals will be deployed across the tri-borough area giving our customers access to a greater breadth of expertise. Service users will also be able to access new and more varied collections.
- 9.11 Initial estimates indicate that up to £300,000 can be saved through sharing professional expertise, a small proportion of which could be reinvested to make the service faster and smarter for users, for example through the introduction of a tri-borough library card.

Strengthening political leadership and accountability

- 9.12 Members will increasingly have access to comparator metrics across boroughs. A team approach will provide Executive Councillors (Cabinet Members) with more opportunity to compare and contrast performance on behalf of their boroughs and to challenge to ensure best practice.

Greater investment capacity

- 9.13 Combining services allows for service investments that would not otherwise be possible without scale.
- 9.14 For example, the fostering adoption service is to varying extents reliant on procuring expensive Independent Fostering Agency (IFA) placements for looked after children.
- 9.15 A combined service will benefit from a dedicated team to recruit new Local Authority carers. Potentially this might lead to opportunities to sell placements to other authorities.
- 9.16 Moreover, by combining our purchasing power the three authorities will be better placed to achieve efficiencies through the joint procurement of external placements

- 9.17 A wider pool of carers also enables more appropriate, and therefore more sustainable, matches between children and carers across the three authorities.

Retention of specialist support

- 9.18 Providing services to a larger combined population will allow for specialists to be retained to commission support for smaller groups of people with complex needs, for example to people with autism, brain injuries and high mental health needs.

Enhanced trading opportunities

- 9.19 Scale offers a more solid foundation from which to offer services to other authorities, offering potential for additional income streams and proportionally reduced overheads. Proposals are being explored around Libraries and the fostering and adoption service, for example.

A stronger platform for devolution

- 9.20 Scale and boroughs' combined influence presents further opportunities to push for more devolved responsibilities. Boroughs are currently community budget pathfinders, and are in constant dialogue with Whitehall about future opportunities.

10.0 Investment required to realise savings via combined services

- 10.1 Whether budget changes are planned on a single or a tri-borough basis, compensation costs, such as for redundancy and sometimes early retirement are an inevitable consequence. Where such costs are genuinely required to allow tri-borough working, they should be shared across boroughs
- 10.2 Some areas that require investment to ensure the smooth running of combined services will eventually produce savings of their own as support contracts are aligned and economies of scale drive down procurement costs.
- 10.3 In other cases costs that would otherwise be individually borne (for example around transforming the way Adult Care is delivered) can be shared reducing the burden.
- 10.4 The detailed methodology for attributing transition costs can be found at annex A. On the scale of such costs, it is too soon to say: for example, changing line of business ICT systems will require tender exercises. The location of teams will depend partly on their size and partly on the views of

senior managers yet to be appointed on alternative working patterns. However, as a rough guide to redundancy costs:

- The period over which the average redundancy payment is recovered in salary savings is about three months in each of RBKC and H&F. Further work will establish the equivalent WCC figure.
- In RBKC, including the lump sum payment made for early retirements, the average cost of an early retirement is £37,000 and it takes almost a year to recover the outlay in the salary saving.

Ensuring robust investment assumptions

- The methodology used to calculate redundancy payments is likely to be that already in use at RBKC and H&F. Up to 20 years' service may count towards a redundancy payment: for each year's service below the age of 41, an officer is paid a week's salary; for service above the age of 41, s/he receives 1½ weeks a year. The maximum entitlement is 30 weeks' salary.
- Alongside Service Directors and CEOs in their role as workstrand SROs, the heads of IT, HR and others as appropriate will analyse and sign off the investment assumptions made in business cases and subject them to Member approval.

11.0 The shape of the workforce

- 11.1 The imminent Public Service Reform White Paper, with its call to open up the work of government to a mixed market of mutuals, private companies and charities is just the latest in a long line of initiatives seeking to evolve the Local Authority service delivery model. The proposals outlined in this paper can be seen as a move to deliver reform on the boroughs' own initiative.
- 11.2 Tri-borough working will entail changes to the shape of the workforce, in terms of staff transferring to combined services, but also to other arms length service providers.
- 11.3 It is, however, worth noting that initial calculations indicate that even in 2015, a majority of then directly employed staff will continue to work for only a single borough.

Employment and Accommodation arrangements

- 11.4 In order to provide a stable service, employees of each combined service will need to move towards standard terms and conditions. On establishment,

senior staff and those employed in new roles in combined services will be moved onto the terms and conditions of a 'host' borough. Other staff will remain employees of their existing borough. New senior staff would be employed by the 'host' borough. It is currently envisaged that H&F would host Adult Social Care, RBKC would host Children's services and WCC the Libraries service.

11.5 Over the first two years of combined services we would review terms and conditions to seek to get to a position where all combined service staff were paid on one set of terms and conditions which reflects the going rate for quality staff in London.

11.6 In the shorter term, combined service core staff would be accommodated by their host borough. Area based staff would remain in their localities as appropriate. Boroughs aim shortly to commence a review of ongoing accommodation requirements to look for further savings opportunities across borough estates.

12.0 Stakeholder views on integration

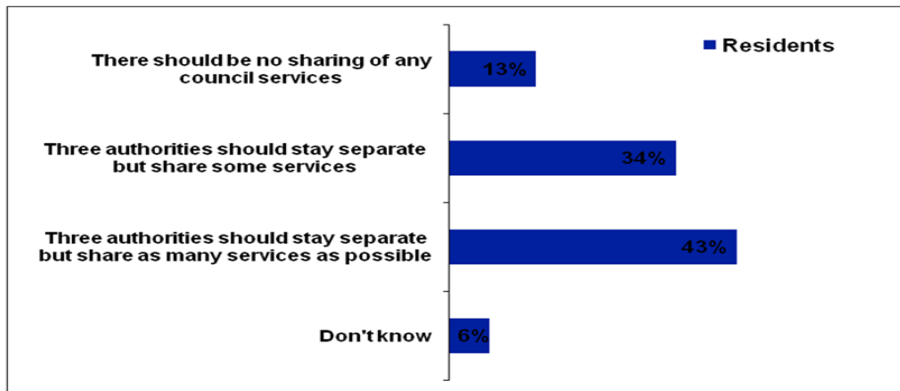
12.1 Throughout the tri-borough journey boroughs have sought out the views of the stakeholders.

12.2 In February-March boroughs carried out a telephone survey of residents aged 16 and over from across the three authorities, from which 1,500 responses were received.

12.3 As the graph below shows the large majority believed that boroughs should share some or as many services as possible.

12.4 Similarly, indicative results from a wider stakeholder consultation show that 72% of stakeholders either tend to or strongly agree that the sharing of services will help their Council to meet the financial challenges it faces.

Opinion of sharing some council services



Source: 1,500 H&F, RBKC and WCC residents, 16+ interviewed by telephone, March 2011 and Tri-borough staff survey, February 2011, 2,314 employees overall, H&F (536), RBKC (897), WCC (881)

12.5 As well as reducing costs, significant numbers believe boroughs should prioritise higher quality services (42%) and a wider range of services (29%) through combined working.

13.0 A customer centred approach to combining services

13.1 The three authorities collectively share the ambition and aspiration to use tri borough as a means to reform public service delivery and to drive the best possible outcomes for customers (including residents, businesses and visitors) at the lowest possible cost.

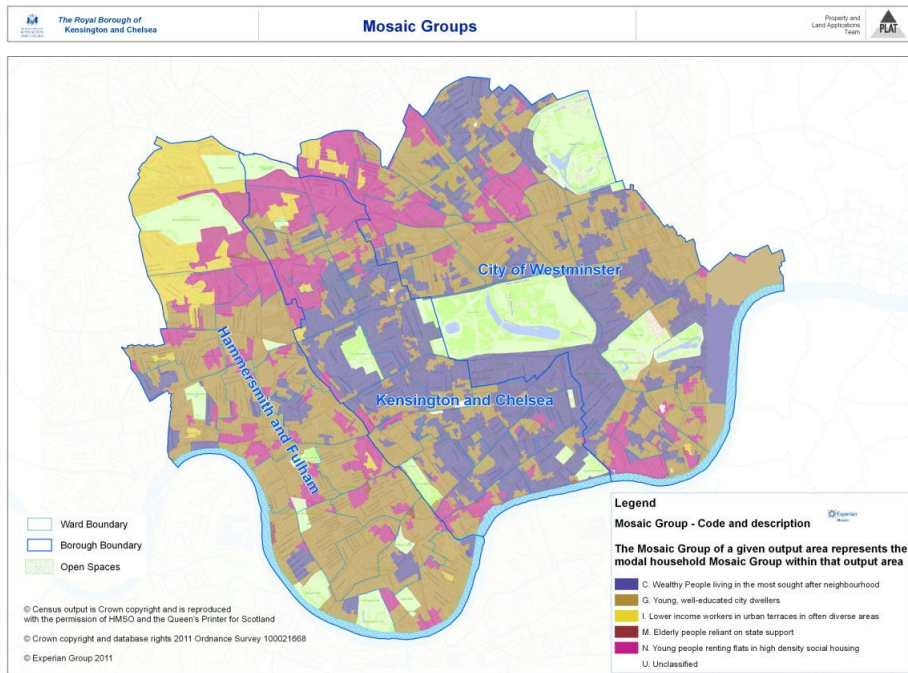
13.2 Over and above a shared level of ambition, there is a variety of reasons why it makes sense to combine services from a customer perspective.

A range of shared characteristics

13.3 All 3 boroughs are in the top 7 most densely populated in London. Our borough profiles and customer segmentation data for the 3 boroughs indicates that whilst there are differences in the nature and makeup of our overall

Which two or three of the following do you think are most important for the council to look to achieve by sharing services with the other local authorities?	Reduced costs	54
	Higher quality of services	42
	Wider range of services	29
	Better response to local needs	28
	Making it easier to contact services	23
	Better access to information online and remotely	18
	Faster decisions	18
	Don't know/no opinion	6
	Other	3
	Don't think any of these issues are important	3

resident populations, there are also a number of key similarities.



- 13.4 Each authority is constantly grappling with and balancing the challenges posed by a densely populated area with a polarised resident population. High levels of deprivation sit directly alongside significant affluence. Of particular note is the significant concentration of deprivation in the north of each of the boroughs which runs along and across borough boundaries.
- 13.5 Working across 3 boroughs provides us with the opportunity to co-design solutions to tackle common socio economic needs and issues. This will enable us to learn what service interventions are most effective to drive customer outcomes and provide greatest value for money.

A small geographical area where customers do not recognise our borough boundaries

- 13.6 The 3 boroughs are directly adjoined and run north to south with a river border at their southern sides. The 3 boroughs cover an area of 5,058 hectares with a resident population of c.680,000 that is akin to the size of a large sized city. All three boroughs also have a larger day time population; Westminster is vital to UK life.
- 13.7 It is recognised that in an Inner London environment, customers do not readily recognise the borough boundaries and seamlessly flow between boroughs, consuming services. For example, of the 10,896 pupils on roll in Kensington and Chelsea nursery, primary and secondary schools in 2009-10, 3882 pupils (36%) resided outside the Borough. Of these 3882 pupils, 26.8% resided in Westminster and 25.3% in Hammersmith and Fulham.

- 13.8 It is not only students who cross boundaries; residents also travel between boroughs for work. 18.6% of Kensington and Chelsea residents who have jobs travel to Westminster to work.
- 13.9 Combining services provides the 3 boroughs with the opportunity to rationalise and consolidate customer access and delivery points that are close to borders.

The need for service resilience to protect frontline service delivery

- 13.10 Given the financial constraints that the 3 authorities face, combining services across the 3 boroughs and moving to cheaper delivery channels will allow us to deliver some valued front line, locally delivered services at the same levels.

Driving enhanced customer benefits through innovating service delivery

- 13.11 Combining services will enable us to innovate in service delivery in Central London in a way that would not be possible for each of the boroughs to achieve if they continued to manage and deliver services on a single borough basis. Examples of this include:
- The option to provide basic information, advice and guidance for all three boroughs via Library settings and to introduce a library card that can be used across all three boroughs;
 - The creation of a single front door for Adult Social Care, health and supported housing (tri borough Local Authority arrangements helpfully mirror the geography of the new Inner North West London NHS cluster);
 - Improved placement stability for children through a combined fostering and adoption service that has a greater ability to attract and retain quality foster carers and adopters.

Joined up approach to economic growth

- 13.12 Together the three boroughs cover some of the most important territory in London and are home to some of London's most influential residents: Westminster's important Government and commercial institutions, Kensington's list of resident powerbrokers and Hammersmith's concentration of media and young and upcoming stars of tomorrow culminate in an unusual concentration of talent in a relatively small area.

- 13.13 There are commonalities between our business bases; for example, our unrivalled retail offer stretching from Westfield to the West End.
- 13.14 Under the sovereignty guarantee, the three boroughs will continue to pursue genuinely local policies according to their own judgements about the best balance between the interests of residents and others, for example in the areas of planning and licensing.
- 13.15 The Coalition Government has recognised local government's role in promoting growth. In this context, tri-borough provides a timely opportunity to demonstrate that we are, within appropriate constraints, pro-development; committed to the visitor economy through visitor attraction enhancements; supportive of personal opportunity through our continuing investment in education and training; and dedicated to economic growth, both in terms of employment and housing growth.
- 13.16 As we work more closely together we will seek opportunities to exploit shared development prospects and infrastructure improvements.
- 13.17 Where it makes sense, we will combine activities and grants to give optimum support to entrepreneurs and small businesses.
- 13.18 Where beneficial, we will look to aggregate our efforts around Academies, free schools and other education and training initiatives to give future talent the best possible chances of success.
- 13.19 These efforts mark tri-boroughs' unique contribution to the recovering prosperity of London and the Coalition Government's economic strategy.

14.0 Timescales for combining services

- 14.1 Directors have outlined challenging but achievable timelines for service integration. Pace is important because:
- Long periods of uncertainty can affect staff retention and motivation, especially those inherently riskier services such as care provision.
 - Prolonged delays will mean savings will be more difficult to make within timescales prescribed, meaning more drastic cuts may be required further down the line.
 - Service specific factors such as contract termination dates and the need to align timescales with other organisations e.g. Central London Community Health's application for Trust Status.

14.2 The chart overleaf outlines the current integration timeline for combined services.

15.0 Summary of recommendations

- 15.1 To note the positive public response to proposals
- 15.2 To note that draft business cases highlight continued confidence in achieving the £35m savings target

Adult Social Care

- 15.3 To mandate formal negotiations with Central London Community Health around integrated health and social care services, with a view to putting firm proposals before Cabinets later in the year.
- 15.4 To mandate continued discussions with GP consortia around joint commissioning arrangements
- 15.5 To note the intention to put proposals for a single Director of Adults' Commissioning and for the creation of a combined commissioning hub to June Cabinets.

Children's Services

- 15.6 To agree firm proposals for combined Fostering and Adoption and Youth Offending services, and for a single Local Safeguarding Children's Board; with further recommendations to be put to June Cabinets.
- 15.7 To note the intention for firm proposals around a single management team to be recommended to June Cabinets. To note that proposals for a combined Education Service are being reviewed to ensure they reflect current policy requirements and that a further report will be brought to June Cabinets.

Corporate services

- 15.8 To note the progress in developing proposals and the intention to bring more detailed cases particularly for combined HR, IT and Finance services to June Cabinets.

Libraries

- 15.9 To note the firmer proposals around a combined library service and to invite public comment and views from scrutiny committees. Recommendations to endorse further developed proposals to be put to June Cabinets

Environmental services

- 15.10 To note the first stage proposals for a combined Kensington and Chelsea and Hammersmith and Fulham senior management team and plans to begin the process of reconfiguring services; with an invitation to WCC to later combine as contractual arrangements allow. To bring a more detailed implementation plan to June Cabinets.

PART THREE: PROGRESS REPORTS

A. ADULT SOCIAL CARE

1. Introduction

This report outlines some of the key findings from proposals being developed for June Cabinets around a Combined ASC commissioning hub and integrated provider arrangements.

2. Overview of savings

Savings are realised to boroughs as lower ongoing operating costs. The June report will outline savings on a borough basis. In terms of overall savings across the boroughs:

Sum of Net Expenditure Budget Forecast 2011/12 £000s and anticipated savings	
	Overall Savings
Commissioning	1900
Operations management cost	380 ⁶
Support services	4613
Joint commissioning and support services with GP consortia	1000 ⁷
Procurement savings	2000
Grand Total	9,893

3. Where are we now – the financial and demographic drivers

A combination of budgetary and demographic pressures means Boroughs face an unprecedented challenge to sustain the quantum and quality of services.

As the table below highlights, boroughs face significant financial pressures during a period of rising inflation.

ASC – Budget reductions to be found	
Borough	Budget reductions by 2014/15
H&F	16%
RBKC	13% overall borough reduction
WCC	13.4% to 2013/14

At the same time as budgets are reducing, demand is rising. Boroughs' changing demography means that an increasing number of residents will

⁶ Does not include CLCH management charge

⁷ Conservative estimate – 15% additional reduction equates to £2.8m

require support in the future. The Kings Fund highlight that Adult Social Care has enjoyed an average annual rise of 5.1% since 1994, but much of this has been absorbed by demographic pressures⁸. An increasing proportion of support required will be more complex in nature, and therefore more costly to provide.

4. Meeting the challenges

In broad terms, there are three key ways to meet challenges faced:

- Reduce the cost of management and overheads
- Radically redesign care pathways to strip out duplication and unnecessary cost
- Reduce the cost of services procured

This is broadly achieved by:

- Slimming down Departments by reconfiguring management and commissioning structures to release spare capacity
- Establishing integrated multi-professional teams across organisations able to provide first class preventative, wrap around care to residents
- Negotiating better deals with service providers

Why Tri-borough?

There is no intrinsic reason why boroughs cannot individually pursue savings along these lines. Boroughs believe however that improved, less costly services can be delivered, at greater pace and without impact on the sovereignty guarantee, by combining efforts.

5. Integrated Health and Social Care – a vision for 2015`

Boroughs recognise the need for clarity around the future of adult social care provision if they are to avoid making uncoordinated, siloed reductions. June proposals will provide further details around achieving potential ambitions for care for 2015:

Adult Social Care across the three boroughs in 2015

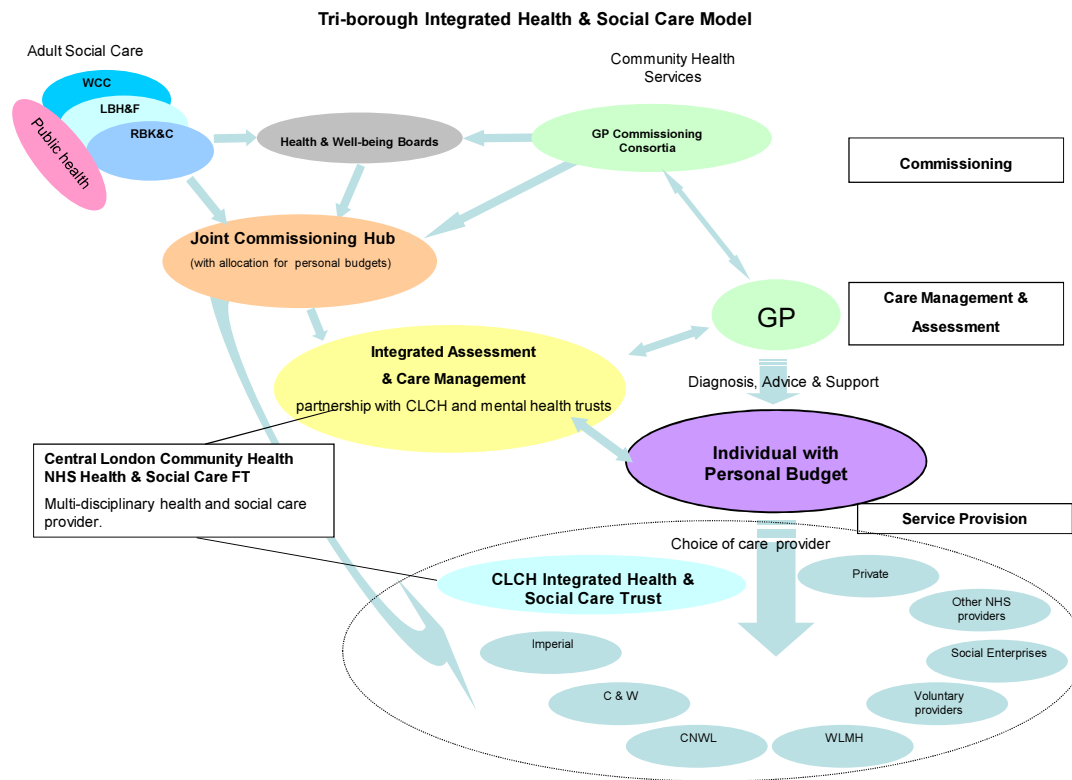
All adult social care services are now run in a model where social care commissioning is done alongside GP consortia. This allows for better co-ordinated care which promotes independence and avoids costly hospital admissions.

Assessment and care management is run alongside primary care by a new NHS and Care Trust, with shared governance from the NHS and local government. It has dramatically reduced bureaucracy and complexity for

⁸ Social care funding and the NHS: An impending crisis? Richard Humphries, March 2011

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.



6. Getting to 2015

Boroughs need to move rapidly in order to make early savings and thus protect front line services. Other parts of the healthcare landscape are moving to different timescales. This means taking an incremental approach towards achieving our ultimate goal:

- Combined commissioning across boroughs (potentially for agreement in June)
- Integrated Provider services with Central London Community Healthcare NHS Trust (CLCH) (recommendation that negotiations begin now for Member decision later in the year)
- Joint Commissioning and provider services with GP consortia (in negotiation and agreement with GPs, and when national policy allows)

It is important to note, however, that each stage is in its own right an improvement in terms of both savings and the quality of service. It therefore makes sense to take what steps are possible when circumstances allow.

7. Integrated commissioning

The table below summarises plans to be presented to June Cabinets around integrated commissioning.

Area	Description	Estimated saving	Wider benefits
Integrated borough Commissioning	The creation of a joint integrated commissioning team, under the leadership of a single Director of Adult Social Care	35% saving in staff costs, equating to £1.9 million	<ul style="list-style-type: none"> Greater service resilience Service improvement via sharing best practice across boroughs and the wider health landscape Retention of specialists to oversee services to smaller groups More holistic approach to service provision across the health and social care landscape Less service duplication
Integrated support services	The integration of services to support borough commissioning e.g. finance and IT	35% saving of overall costs equating to £4.6m	
Integrated health and social care commissioning	Boroughs and GP consortia share integrated commissioning and support services	Potential 15% savings to GPs and Boroughs around commissioning and support services equating to £800k and £2m respectively	
Jointly procured ASC services	Jointly procuring ASC services across boroughs to realise economies of scale. Possible additional efficiencies in procuring with GP consortia	£2m around spot purchasing. There are a further £80m in contracts for renewal by 2014 across the boroughs. Savings on these are expected through service redesign and managing relationship once rather than three times	

7.1 Retaining sovereignty over commissioning

While the potential savings via combined commissioning are significant, Members will wish to ensure that integrated commissioning does not lead to a dilution of sovereignty.

A single commissioning hub is quite capable of procuring to different specifications (see box).

Joint commissioning to different specifications

Kensington and Chelsea tendered for a disability equipment service on behalf of the three boroughs. Each borough is able to use this contract but can apply its own specification to the supply of the equipment while still making savings, which for Hammersmith and Fulham were 15% of spend.

Equally important is a framework that ensures Members are able to effectively develop and set priorities and have sufficient levers to hold officials and contractors to account around service quality and progress.

7.2 Setting priorities - principles

1. A senior manager at director level in each authority to ensure availability to elected members and representation of Adult Social Care within the core functions of the Councils.
2. Each borough should be able to stipulate the policies that it wants to see implemented. These policies, and any obvious alternatives, might helpfully be costed so that such decisions can be taken on a considered basis. Members would then agree what reporting mechanisms would be helpful to ensure that progress is visible and that standards are high.
3. Part of the consideration will be whether there is any cost advantage in aligning policies with other boroughs.
4. No borough can compel another to do something that it is not minded to do.
5. Sovereignty needs to cover proactive strategy - deciding what we want to do in the future and reactive problem solving – deciding what we ought to do next.
6. Sovereignty discussions, like now, are likely to be a product of conversation between senior staff and the Cabinet Member and the Cabinet Member and her/his colleagues.
7. These discussions need to be – again as now – diared and predictable so that Cabinet members are not left frustrated that they cannot get traction for their thinking, and problems, once identified, get appropriate discussion time.

7.3 Health and Well-being Boards

While Westminster has opted to develop an independent model, Hammersmith and Fulham and Kensington and Chelsea have agreed with their GP Commissioning Consortia to explore proposals for establishing a joint shadow Health and Well-being Board.

While there will be two Health and Well-being Boards across the three boroughs there will still be a requirement to put in place governance arrangements for the joint commissioning arrangements between the three boroughs. Further details will be provided in the June report.

8. Operational services

The table below summarises plans to be presented to June Cabinets around integrated operational services:

Area	Description	Savings
Learning Disability Services	The three boroughs plan to create an integrated shared learning disability service, with joint management arrangements, hosted by CLCH	Saving of £380k through reductions to post numbers in transfer of management of these services and other management posts to CLCH
Directly Managed Services	Directly managed services (e.g. day care services, home care, residential care home placements) to be overseen by one senior manager	

Area	Description	Productivity gain	Wider benefits
Integrated health and social care teams	<p>Integrated health and social care teams to provide:</p> <ul style="list-style-type: none"> - Joint rapid / intermediate care assessments during the initial period when people need services e.g. on discharge from hospital - A single assessment and care management process bringing together assessments for home, residential and community care with those for district nursing, therapies, health continuing care and primary care services. 	<p>NHS overall expects productivity savings of 35% including via interventions to reduce costly acute care.</p> <p>Boroughs will look to similar productivity gains to help address demographic challenges including by reducing the need for costly residential care.</p>	<p>Greater focus on prevention - issues dealt with before they become acute</p> <p>Better user satisfaction - single point of contact for service users</p> <p>Eradication of service duplication</p> <p>Greater pool of expertise to address issues</p> <p>Greater service resilience</p> <p>More sustainable base on which to address demographic challenges</p>

8.1 The case for integrated operational services

As people get older health and social care services needs become interrelated and the separation of social care from health care frustrates a holistic approach and leads to isolated service decisions which do not make the best use of the resources available. There is also duplication in the assessment process.

Feedback from people who use services emphasises the importance they also place on “telling their story once”. They tell of duplication, multiple visits by different workers, all asking very similar questions and lack of co-ordination of their care. This is wasteful of resources and frustrating for the individuals involved. In developing multi-disciplinary systems across health and social care this duplication will be avoided and a co-ordinated approach to health and social care will be achieved.

Integrated arrangements are nothing new; multi-disciplinary teams have successfully delivered mental health services for many years – the plans outlined here simply propose widening arrangements into community care services.

8.2 Delivering integrated care services

NHS community care services for the three boroughs are commissioned by the Sub Cluster from CLCH. As holders of the NHS ‘contract’, integrated health and social care systems can therefore only be realised in collaboration with CLCH. It makes sense for the three boroughs to approach health and social care integration together as:

- Boroughs are all agreed this is the right direction of travel
- Boroughs would in any case need to combine their teams with the same NHS provider
- Expertise, such as to design new care pathways, can be shared, reducing costs and accelerating the pace of change
- The sovereignty guarantee means boroughs will specify services individually.
- CLCH are experienced in providing different services to meet individual specifications, as outlined below

Responding to individual borough requirements

CLCH provides rapid response services in all three boroughs. Each of these operates to a different specification in response to different requirements in local communities. They are all borough based and all are delivered through multi-disciplinary teams. All were developed in partnership with the local borough. They are able to respond to particular issues in each area, such as pressures on hospital beds or increases in demand for residential and nursing home placements. Effective governance arrangements are also in place to ensure that senior staff meet to discuss progress and priorities.

Key features of the proposal include

- 478 Council staff working in assessment and care management to be line managed in an integrated provider, hosted by CLCH
- S75 of the National Health Services Act 2006 to be used to establish the integrated provider

- The relevant budgets for the council staff amount to £19.5m per annum
- No budgets are to be transferred to CLCH as part of the initial agreement
- Staff employment will not change
- £380k per annum are to be saved on management costs, although CLCH may make a charge for management fees
- The main savings are to come from the cost of care, eg LBHF are looking to save over £3m over three years through integrated care planning
- Better outcomes for service users

8.3 Governance

One partner organisation needs to host the integrated provider and in this case that would be CLCH.

There would be a Partnership Governance Board to oversee the performance of the partnership. This would typically consist of elected members of the council together with non-executive directors of the health partner; the Director of Adult Social Care and the Chief Executive of the health partner.

The performance of the social care functions of the integrated provider would be reported regularly at an officer level to the Director of Adult Social Care who would retain executive authority over them.

8.4 Proposals for June Cabinets

The detailed proposal for June Cabinets will include:

- Full costed outline of a combined ASC commissioning hub, with savings attributed on a borough basis
- Further details and analysis of proposals around integrated provider services
- Detailed timelines outlining key decision points

9. Recommendations

1. To mandate formal negotiations with Central London Community Health around integrated health and social care services, with a view putting before Cabinets firm proposals later in the year
2. To mandate continued discussions with GP consortia around joint commissioning arrangements
3. To note the intention to put proposals for a single Director of Adults' Commissioning and for the creation of a combined commissioning "hub" to June Cabinets.

B: CHILDREN'S SERVICES

Since February 2011, senior staff have worked to produce plans on the areas where the first report suggested early gains could be made.

Firm plans now exist for a Tri-borough Adoption and Fostering Service, a Youth Offending Service and a local Safeguarding Children Board.

The other early work was to design a Tri-borough senior management structure. We have decided this needs a little more work and a more holistic approach to see what a management structure across a combined service would look like, as compared to existing structures.

This is not uncomplicated because existing structures have different degrees of self sufficiency. Finance support, procurement and quality assurance are more centralised in the City of Westminster and more devolved to Children's Services in the other two boroughs.

We have reached an agreement that a Tri-borough Children's Service ought to procure its own services, albeit within rules and parameters which are clearly understood and promote good practice and value for money.

We have further work to do to understand how financial support to a Tri-borough service would best be arranged.

For these reasons, we are doing further work on the management structure.

We have made good progress on a Tri-borough Education Service, but we understand that the external policy environment is still developing and we are not recommending these plans for adoption until we are sure that they are contemporary and fit for purpose and reflect the three boroughs' ambitions.

We have taken a range of other services through to early proposals stage. We are satisfied that there are further savings we can achieve from activities to jointly commission services alongside health colleagues; passenger transport procurement; services to care leavers; commissioning of Children's Centre services; court assessments; the management of services to children with disabilities and our investment in quality assurance in our safeguarding systems.

By combining this further range of specialist services, we believe we can again reduce necessary management costs and reduce the cost of overheads.

Even with this careful work completed, we acknowledge that half of the expenditure of individual Children's Services departments has not yet been scrutinised on the deep 'compare and contrast' basis that we are confident will yield further savings.

Both the Children's Service and Adult Social Care are services where expenditure is not just linked to input costs (the cost of staffing, management etc.) but is also linked to how external demands are assessed and responded to.

The key task of a Children's Service is to assess risk to children and to plan interventions which promote good parenting and safe and successful lives for children.

Sometimes these assessments will mean that children should live away from home for short or longer periods, but these decisions, and the arrangements that are made for children thereafter, are amongst the most significant financial decisions that Councils make and can often involve lifetime costs for a child in excess of £1m.

This is an obvious area where by combining the best of our professional practice and allowing the right degree of professional challenge and political oversight, we can be sure that such spending is well targeted and effectively deployed.

The Proposals Report estimated that £11.5m of savings could be achieved across the three boroughs for combined services for children, including a combined Education Service.

These were based on a comparison with 2010/11 budgets and since then Councils have needed to make single borough expenditure reductions in order to make their 2011/12 budgets work.

That notwithstanding, the current draft plans show that £11.5m of overall reduction coming from a Tri-borough Children's Services remains possible and a high degree of assurance now exists for most of the first half of such a target.

The intention is to bring a more detailed approvals report to June Cabinets, inviting consent to the appointment of a three borough Director of Children's Services.

This would be a statutory appointment and it will be necessary for all three boroughs to separately appoint the same individual who would then have a duty to advise and report to the three Cabinets through the relevant Cabinet Members. They would ensure the service accounted to three separate scrutiny systems, although there may be opportunities for those scrutiny systems to work together in the future.

The belief remains that there is nothing unusual or exceptional about a local government Children's Services department operating across a population of 680,000, which will be the combined three borough area. This will be a comparable Children's Services department to say Leeds and smaller than Birmingham.

In county areas outside London, some 22 out of 27 counties, which have the Children's Services functional responsibilities, would be serving a population larger than this.

The detailed plans for a combined Adoption and Fostering service, Youth Offending service and local Safeguarding Children Board are attached.

Fostering and Adoption

Background:

Fostering

Fostering is a crucial component of our Social Care services. It is the main way in which the 650 Looked After Children (LAC) in the three boroughs are cared for (with 70% in fostering placements). The combined expenditure on fostering across the three boroughs is in excess of £14m per year (comprising £2.2m on staff, £5.5m on in-house carers and £6.3m on commissioned placements from the independent sector).

However all three boroughs face to a greater or lesser extent a continuing challenge to recruit and retain sufficient foster carers to meet the needs of LAC. The three services now only support about 140 short-term carers - a figure which is well short of the required number. As a consequence of this we are over dependent on Independent Fostering Agency (IFA) placements which carry a higher unit cost than in-house carers, and thus we have struggled to control expenditure on these placements. Kensington and Chelsea is the exception, meeting most of its recent demand in house. In all three boroughs there is increasing use of family and friends carers (with a lower unit cost) which should be maximised where it is in the best interests of the child.

Adoption

When young children cannot return home a permanent alternative family needs to be identified and secured by a permanency order (including Adoption, Special Guardianship or Residence Order). Adoption, whilst remaining an important component, is ceasing to be the central means of providing permanency to LAC. With the increased use of relatives as the main permanency option there has been a corresponding increase in the use of Special Guardianship (nationally 70 orders in 2006 rising to 1,260 in 2010) and low/reduced use of adoption (only 19 children placed for adoption across the three boroughs in 2009/10 – LBHF 7 children, RBKC 5 children, WCC 7 children).

There are detailed and specific requirements on an adoption agency (that arise because of the significance of an adoption order in legally severing the ties a child has with their birth family). These have to be met whether the local authority undertakes a few or many adoption placements. So the reducing number of Adoption Orders and the high level of specification/demands, question the viability of each local authority maintaining a separate adoption service.

Scanning the horizon - drivers between now and 2015:

Fostering

Local authorities face increasing competition from IFAs (Independent Fostering Agencies) to recruit the carers they need. The increasing market share of IFAs has changed the fostering placement landscape over the last 10 years. The changing proportion of LAC in IFA placements reflects this. In 2001 nationally only 11% of LAC were in IFA placements; in 2009 this had risen to 25%. This trend is even more pronounced when just fostering placements are considered; a third of all children in fostering placements are now with IFAs.

The IFA's have grown in number from 62 in 1998 to 289 in 2009. Of the 289, 87% are registered as "for profit organisations". There is a growing threat from the IFAs, particularly given the geographical freedom they have to recruit within and sell to any local authority (compared to the local authority focus on recruiting only for their own service with minimal trading of fostering placements), coupled with their ability to ensure their costs are covered by charges to the local authority. These factors suggest that the IFA market share could easily rise further and local authority dependency and cost pressures will rise as a consequence. There is however no evidence currently that IFAs have been particularly successful in recruiting in the central and west London area which would be a priority for a combined service to meet the need for local placements.

It is accepted that the performance and efficiency (value for money) of the existing Fostering and Adoption services need to improve in a number of areas. But the risk of dependency on one main external provider and cost escalation is the main reason for not proposing outsourcing this service now. IFA's have been effective by selling to the widest possible market; in any arrangement whereby they contracted to provide a service to a specific market (the three Local Authorities) the added risk could be built into their costs, along with additional recruitment costs associated with the difficulty of attracting carers in the local area. Early exploration with IFA's suggests that there is little obvious benefit to them in an outsourcing arrangement though this has not been fully tested. In addition further work on cost analysis is necessary to ensure the three boroughs are best placed to commission a different model of service provision at the best price and this is most effectively done by first ensuring a combined in-house service is 'fit for purpose'.

To counter this trend towards IFA dependency it is essential to strengthen in-house services (through bringing them together) and maximise their potential and cost effectiveness through different ways of operating. A larger service provides some economies of scale, such as with advertising expenditure and a dedicated response to enquiries, and allows for specialism both across and within the service in a way that current management structures do not. However the most significant potential comes from a different approach to recruitment and retention, led by innovative management of the service. Options for the new service would be:

- to incorporate a different skill mix (particularly in the recruitment of carers where some tasks are better done by those with other skills – marketing for example)
- introduce incentives to staff on performance and in-house placements

- use the independent sector to sourcing carers rather than all aspects of the process being in-house.

The independent sector has clearly been successful in creating a viable alternative to traditional local authority provision and will welcome the opportunity to work in partnership with a merged service of 3 high performing local authorities.

A merged single service by March 2012 would enable the three boroughs to create by 2013 a different operating model that would allow a full exploration with the independent sector, partnership or other arrangements to achieve the best performance in the most cost effective way.

Adoption

In the context of the low volume high complexity service described above and the continuing trend toward use of family options/Special Guardianship Orders there are question marks about the viability of even a combined service providing the volume of usage that makes the service cost effective. Therefore the same rationale for bringing the three services together also suggests that in the long run we should be considering options for partnership with the voluntary sector where there are adoption agencies whose sole business is adoption.

Plan:

We would create a fully combined tri-borough Fostering and Adoption Service under the management of a single Head of Service (see Appendix 1A).

Given the challenges described above, enabling the service to put sufficient resources into maximising foster carer recruitment underpins the design of the new model and is crucial to the long term success of the combined service. With this in mind – and notwithstanding the overall reduction in staff numbers and the opportunities that are being taken to identify obvious synergies - the focus in the initial phase is not on stripping out as much as possible but rather to redirect resources into the crucial foster carer recruitment activity. This redirection of resources will need to go hand in hand with a more innovative and entrepreneurial approach to recruitment and a review of the skills mix required, including for example the use of community outreach workers.

Therefore as Table 1.1 (below) shows, the combined structure reduces overall staffing levels by 5 full time equivalent posts compared to the current combined establishment. The majority of this reduction is in management positions whilst largely retaining existing expenditure on front line workers (but with some redeployment into recruitment activity including non social work roles with a remit for community outreach to carers).

Table 1.1 Comparison of Staffing headcount for existing and Combined Services

Borough	Staffing	Current	Combined Service	
			Posts	Var.
LDBF	Total	33		
RBKC	Total	29		
WCC	Total	28.5		
Total	Senior Mgmt	11.4	9	-2.4
	Front line	79.1	76.5	-2.6
	Total	90.5	85.5	- 5.0

The rationale for this approach from a savings perspective is based on the fact that it is more valuable to deliver 10% efficiencies in the £6m IFA expenditure (by retaining existing staff to focus on recruitment of carers) than 10% of the £2.2m staffing budget. The same rationale applies to permanency: the average cost of a looked after child is £4,000 a month and we place up to 50 children a year across the three boroughs. So the ability to reduce the time taken to place children permanently by an average of a month could net £200,000 a year savings, but it is not clear if this is a cashable saving. Conversely any increase in the time taken to make placements could lead to an increase in expenditure in the local LAC budgets.

Other key operating elements of the integrated service model include:

- establishing a single Fostering Agency and a single Adoption Agency to cover all 3 boroughs
- access to a shared pool of foster carers
- a harmonised approach to carer fees and allowances
- use of common branding and shared advertising, information and events
- a single fostering panel and a single adoption panel
- a single point of referral for front line social workers to a central duty and placements team

Beyond the proposed reduction in the cost of staffing and productivity improvements, combining the services would also 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 subject to market appraisal and careful risk assessment. All three models would be expected to create value and deliver further potential savings.

Further options exist within the main proposal to explore the use of outsourcing and/or sessional staff for selected functions e.g. recruitment and assessment.

Benefits:

Financial

Potential financial benefits could be realised by i) organisational efficiencies resulting from the combination of the services, ii) reduced spend on higher-cost IFA placements and in the long term, iii) income generated from the trading of foster carers with other boroughs. Table 1.2 (below) sets out the indicative savings in existing expenditure of approximately £1.2m (12%) across the three boroughs by 2014/15.

Table 1.2: Summary of Savings & Costs

	Description	2012/13 £,000	2013/14 £,000	2014/15 £,000	Total
Savings & Income					
Combined Service	Reduce current staffing by 2.5 management posts and 2.5 other posts.	240			240
	Efficiencies from combining advertising and training functions	50			50
Reduced use of IFA Placements	Improved recruitment of carers and better matching – estimated yield of up to 14 additional placements per year by 2013/14 (at £18,000 per saving/placement)	125	250	250	625
Income from Traded Service	Selling foster care placements to other boroughs.		100	200	300
Total		415	350	450	1,215

Notes:

- All savings and costs shown are totals across the three boroughs
- Individual savings and costs per borough will depend on proportionality agreements reached based on relative inputs to and benefits from the combined service (see Sovereignty below)
- Staff savings are based on an average of current salary for the type of roles being removed
- Additional work is underway through the West London alliance (WLA) to achieve efficiencies through improved procurement of IFA placements. No savings figure has been developed from that work as yet

Structural Efficiencies

As table 1.2 (above) demonstrates the creation of a combined service would result in an overall reduction in staffing of 5 full time equivalent posts.

Until final decisions have been made on how the new combined service will be implemented it isn't possible to be definitive on the staffing costs of the new service. However, Table 1.3 (below) demonstrates the relative cost of implementing the new combined structure in each of the three boroughs if the host borough's current salary scales are applied.

Table 1.3 Staff Costs for Combined Service by Host Borough

	Current structure	Proposal H&F costings	Proposal RBKC costings	Proposal WCC costings
Costs:				
Mgt & Back office	1008	890	715	889
Front line Staff	2940	3,244	2616	2900
Overheads				
Total Cost	3948	4,134	3331	3789
Funded by:				
Grant				
WCC core	-1254	-1,312	-1,059	-1,204
RBKC core	-1001	-1,060	-803	-950
LBHF core	-1694	-1,762	-1,469	-1,636
Savings				
WCC		59	-194	-50
RBKC		60	-198	-51
LBHF		68	-225	-58
TOTAL	0	186	-617	-159

Note

- The apportionment of costs and savings for the combined service is based on the relative size (FTE) of the existing service in each borough.

Reduced Expenditure on IFA Placements

The business case for a combined service anticipates a saving in current three borough expenditure on external foster care placements, delivered through improved levels of recruitment of carers and better matching of children to available carers. In addition efficiencies through combined purchasing power for external placements are being explored through the WLA work.

The resilience, size and focus through a dedicated recruitment team should improve productivity by improving the recruitment of carers and thereby the total capacity of the Tri-borough service to provide in-house placements. The lead time for fostering recruitment is long (on average 8 months from publicity strategy to carer approval) so there will be limited progress in year 1. But the full year effect of recruitment in years 1 and 2 should provide up to an additional 14 placements a year (in 2013/14) with savings of £25,000 per placement delivering £250,000 in 2013/14 and 2014/15.

Using a shared pool of foster carers to meet and match to need across the three boroughs should result in a more efficient use of resources and the opportunity to sell places to other boroughs.

The same rational applies to permanency. The average cost of a looked after child is £4k a month and we place up to 50 children in a year across the 3 boroughs. For some of these the ability to reduce the time taken to place children permanently could also deliver further savings from the placements and social work budgets. Conversely any increase in the time take to make placements could lead to an increase in expenditure in the local looked after children budgets. This needs further analysis to quantify whether potential savings are cashable.

Income from Traded Services

In the long term the tri-borough service could be used as a stepping stone to a new model of delivery that would allow the service to trade in the wider market. Further market analysis will be needed to quantify the income that could accrue. It is indicative however that the IFA market has flourished, that IFA companies appear to be doing well and there is no reason why a local authority service trading on the open market with a level playing field could not make the same returns.

Other Added Value

There will be some added value from a larger more resilient service. This is in part to do with the ability to withstand staffing fluctuations without these changes undermining the service objectives and the ability to retain specialist posts (e.g. psychologists) that i) add to placement stability and ii) reduce the risk of in-house placements breaking down with the resulting need for IFA placements. At this point it is difficult to quantify this further.

Non-financial

Bringing the three fostering and adoption services together would enhance the resilience of the services, pool best practice, enable better matching and promote placement stability.

The new Tri-borough service would provide better matching of children to foster carers even without an increase in carer numbers by pooling the vacancies and making them available to all three boroughs. Foster carers are often approved for a limited age range – perhaps due to bedroom space or other children in the family and pooling the vacancies ensures that a wider age range is available to each of the boroughs; the same principle applies to all characteristics of the foster carer – location, ethnicity etc.

A number of factors in the new service will also increase the stability of placements: better matching will put less stress on the foster carer and the placement; better placement support from the specialists (e.g. a psychologist could be retained in the three borough service but not in a single service).

Pooled Tri-borough training and support would ensure capacity is available to develop carer skills in a way that could not be done in single borough services.

Risks and Issues

There are a number of risks and technical issues that will need careful management in order to make a successful transition to a combined service:

- make sure the move to new arrangements is communicated and managed in such a way that it does not undermine our relationship with existing carers and maintains their sense of identification with and loyalty to the service
- harmonise carer fees and allowances without leaving carers feeling that they have been disadvantaged in the process
- ensure a workable mechanism is in place to promote equity of access across the three boroughs to a shared pool of carers
- agree a way of apportioning costs and savings that reflects the significant differences in number of LAC across the boroughs, takes account of the current level of use of IFA placements and reflects actual usage of the service
- understand and address potential sovereignty, accountability and control issues associated with key elements of the design of the combined service e.g. member representation on a single Panel, role of a single Fostering Agency Decision Maker
- secure the appropriate management and staff to deliver the new service
- maintain data quality whilst aligning disparate systems and securing on-going support from ICT and other support functions
- resolve commissioning arrangements for the combined service in the light of different borough approaches currently
- be alert to the potential impact on key quality indicators including placement and educational stability

Impact upon outcomes

The key outcome the fostering service should currently deliver is that LAC who need a fostering placement are provided with a well matched (location, carer skills, carer family structure, ethnicity, religion), high quality, in-house (or relative) foster carer at the time the placement is needed.

The Ofsted inspection of the in-house services is one performance indicator of quality, another is the number of times the in-house service cannot meet the request for a placement and an IFA placement is therefore needed (if there are no special reasons why an IFA placement is required) and will also be the key indicator of cost-effectiveness underpinning savings targets.

The Kensington and Chelsea in-house service is rated as outstanding. It is able to meet nearly all of the requests for placements and the use of IFA placements has

reduced in the last three years. The service currently has 20 children in IFA placements.

The Hammersmith and Fulham in-house service is rated as adequate. It has been able to meet 60% of placement requests (there have been 190 new placements made; 123 of which are with in-house carers and the rest in IFA placements). The service currently has 50 children in IFA placements.

The Westminster in-house service is rated as good. It is able to meet 86% of placement requests (105 out of 122 requests). The service currently has 55 children in IFA placements.

Good outcomes for children in fostering placements depend upon:

- the skill and commitment of the carer (to help the child understand what is happening, to make progress, to manage their feelings, and to promote self esteem, identity and confidence).
- the stability of placements (moving the children is usually – but not always a negative event as it breaks the attachment to the main carer and potentially in the short term undermines the development of the child).
- good matching of children with carers (location, capacity, ethnicity etc.)

Table 1.4 Performance indicators for Fostering and Adoption services, by borough

	Year	WCC	LBHF	RBKC
Last Ofsted fostering service evaluation		Good	Adequate	Outstanding
% of looked after children in foster carer	2010/11			
	2009/10	74	68	63
	2008/09			
Adoption orders	2010/11		6	
	2009/10	8	6	2
	2008/09		10	
Placement Stability NI62 – % children with 3 or more placements in the last 12 months	2010/11	13.5		
	2009/10	9.3		
	2008/09	13.5		
Placement Stability NI63 – % children u16 in same placement for previous 2 years	2010/11	80.8		
	2009/10	74.5		
	2008/09	79.5		

Sovereignty

The Tri-borough fostering service would be accountable for meeting the needs of the three boroughs (in terms of placements for children who need foster care) and there

would need to be a Tri-borough management group that steered the service in terms of aims, priorities, developments and monitored progress and outcomes. This could be a separate group or the senior management team under the single Commissioner of Children's Services.

Although there is currently a shared perspective on what each of the three boroughs want the fostering service to deliver, if over time local needs emerged that were not shared then the steering group would need to oversee the separate commissioning of that and the financial arrangements.

The lead manager for the combined fostering service would report to a single Assistant Director but be accountable to the Social Care management team and through that team to the three Lead Members and ultimately the three Councils.

A related issue is that of proportionality. At the start of the new Tri-borough service each of the three boroughs will pool their carers and staff but one local authority may put in more than another. Rates of entry to care differ across the three boroughs (with entry to care numbers for year ending March 2010 standing as Westminster: 175 children, Kensington and Chelsea: 65 and Hammersmith and Fulham: 85) and therefore the usage of the carers may not be equal. Based upon this, what is put into the service and what is taken out may not be equal.

In addition there are significant consequential costs if one local authority uses a higher proportion of the vacant places and one or both of the other local authorities has to purchase expensive IFA placements as a result.

Balancing measures will be needed to ensure that one local authority is not subsidising another or picking up consequential costs if a local authority uses more placements than another. Collaborative work on this area is being undertaken by each borough's finance lead.

Equality Impact Assessment

LAC have diverse needs and as far as possible placements should be provided which meet this range of needs. Children from BME groups are over represented in the looked after population; to a significant degree this is reflected in the ethnic make up of the foster carer group across the three boroughs. For example in Kensington and Chelsea 31% of LAC are of Black African or Black Caribbean heritage and 17% of mixed black Caribbean and White heritage. Of Kensington and Chelsea's foster carers 58% are of Black African or Caribbean heritage. White carers represent 30% of carers against 27% of the LAC population. Sharing carers across the three boroughs should improve placement choice and increase the opportunity to place a child in a family which more closely represents their ethnicity and culture. It should also increase placement choice for children with disabilities.

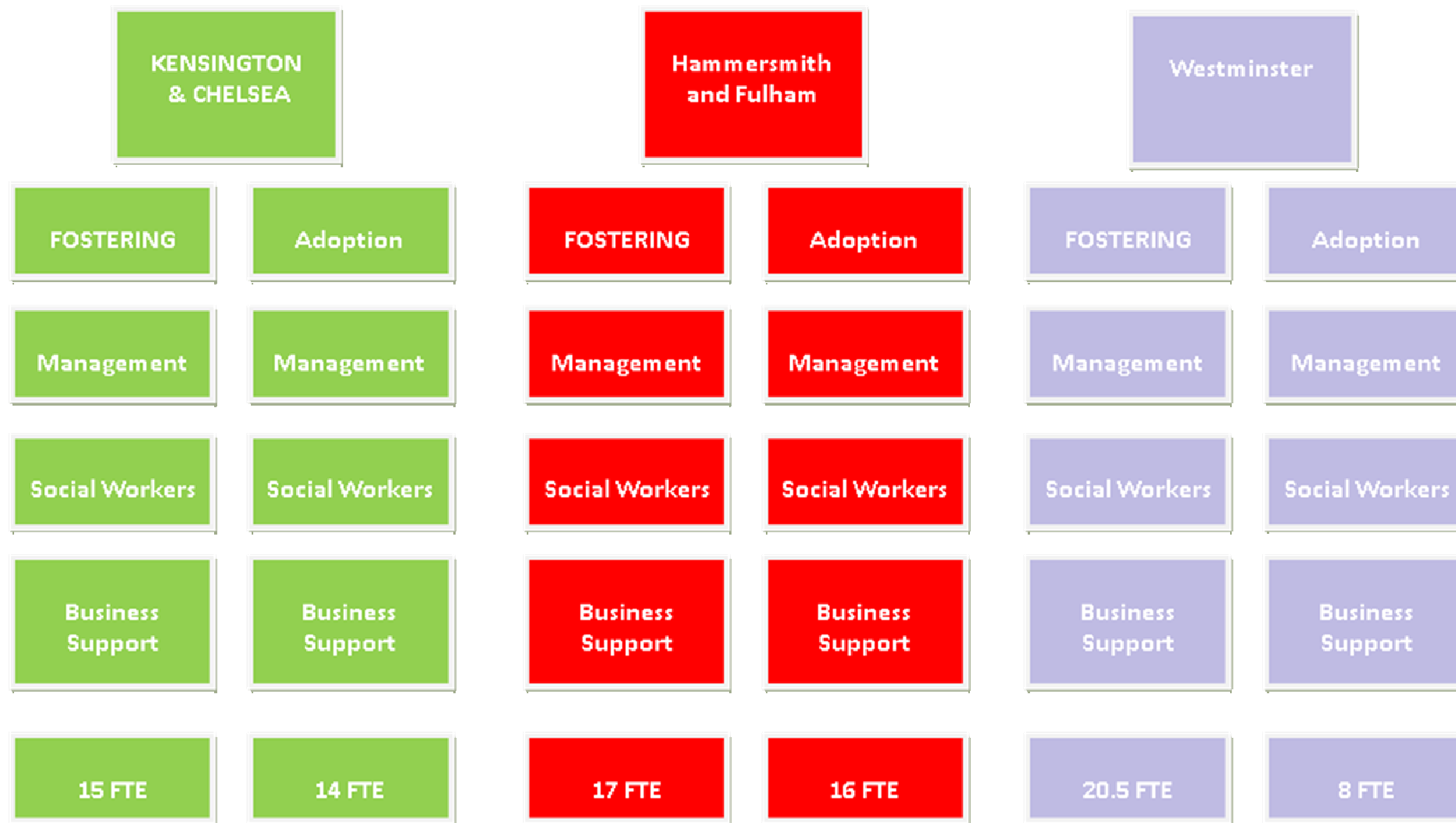
An agreed recruitment strategy can be targeted to attract carers to meet the needs of the LAC population across the boroughs. Equally sharing the smaller number of adopters increases the opportunity for the timely placement of children in families which can meet their ethnic and cultural needs.

Timescale for implementation

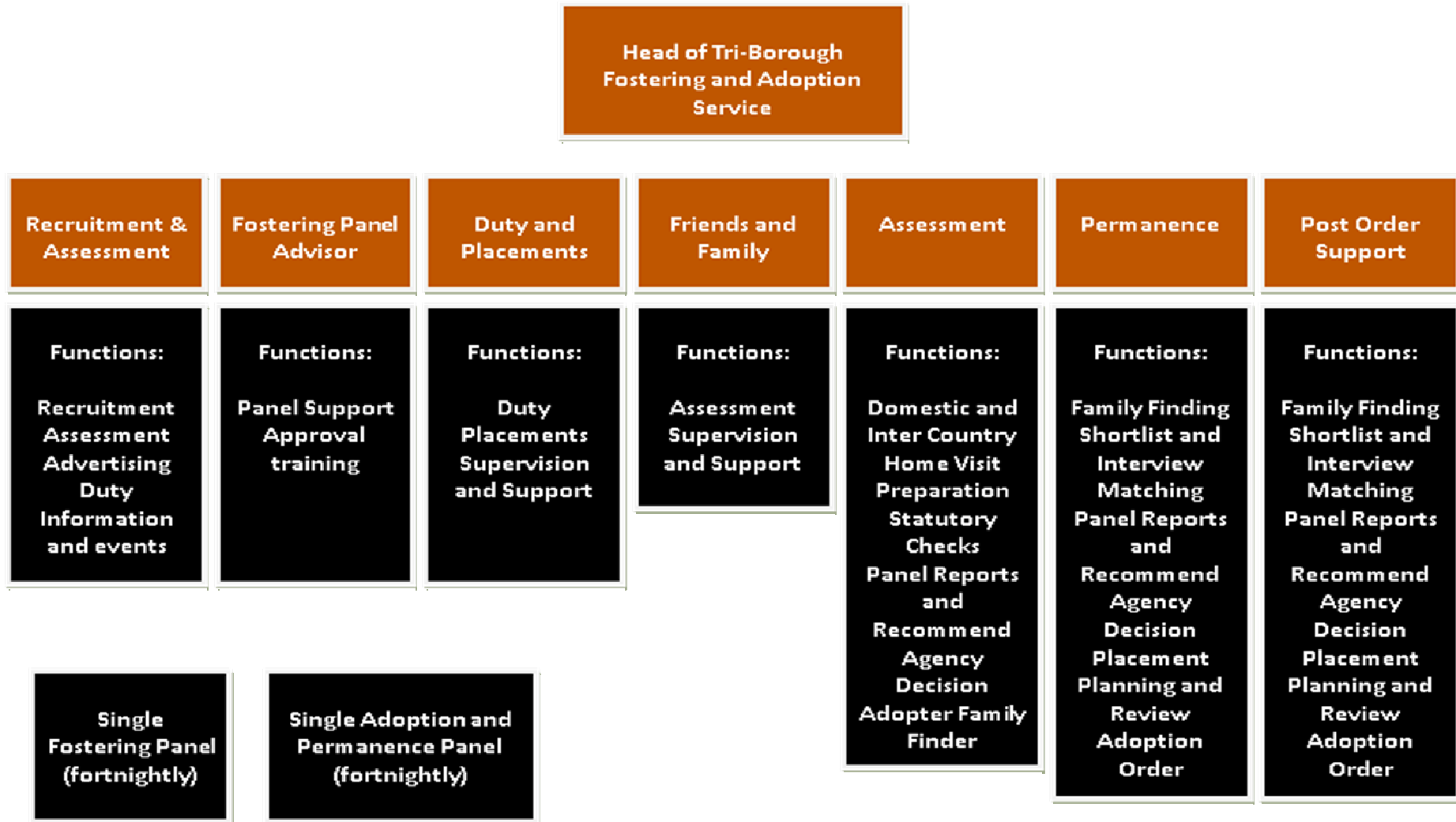
Table 1.5 Proposed timeline for combining Fostering and adoption services

Year	Month	Activity
2011	May	Agreement to proceed by Cabinet
	May – July	Detailed service design (including adoption service)
	Oct – Dec	Appoint a combined Head of Service
2012	April – June	Combined Fostering and Adoption Team in place
	April – June	Shared pool of foster carers operating
	April – June	Agree fees and allowances
	April – March '13	Run transition arrangements
	April – June	First traded placements made.
	Oct' 12 – Sep 13'	Explore delivery models
2013	July – September	New entity if required

Appendix 1A Existing Organisation Structure and staffing numbers



Appendix 1B Proposed Organisation Structure



Merger of the Local Safeguarding Children Boards

Background

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. Their key focus is to ensure that all agencies working locally with children and families have appropriate arrangements in place to ensure that children are protected from harm and that outcomes for children are improved. Good communication between agencies is promoted and strengthened by the work of the LSCB.

The Children Act 2004 allows for one LSCB to cover more than one Council. Representation is proscribed by regulation. Guidance issued in 2008 recommended raising the level of independence and challenge by having an independent chair. The local authority is the lead agency for organising and co-ordinating the activities of the LSCB.

Scanning the horizon - drivers between now and 2015

LSCBs were established as a statutory requirement as their predecessors, Area Child Protection Committees did not seem to have addressed sufficiently the agenda to ensure good communication and consistent approaches across local areas. Their core activity to ensure that child protection arrangements are challenged and fit for purpose will remain a high priority for all agencies which currently contribute to the LSCB. Eileen Munro has included their role in the review she is carrying out of child protection arrangements. In her interim report, she suggests that;

'LSCBs have the key role to play in promoting and supporting learning, Consequently, the review is considering how LSCBs' remit for multi-agency training and learning can be strengthened to maximise understanding of each agency's role and areas of expertise, identify good and problematic practice issues and spot established or emerging problems and reduce gaps and duplication in services.'

This paper will argue that the changes proposed increase the potential of the LSCB to fulfil these requirements.

Plan

The proposal is to establish a single LSCB for the three Boroughs under a single independent chair. It would be serviced by a single team which would work across the three boroughs with an agreed set of subgroups and activities.

The LSCB team will have functions which require safeguarding expertise to be available. Managing it from within the Safeguarding and Quality Assurance teams (S&QA) enables this to happen in the most cost effective way as the LSCB manager can seek expert advice from the team. Plans are being drawn up to consider the

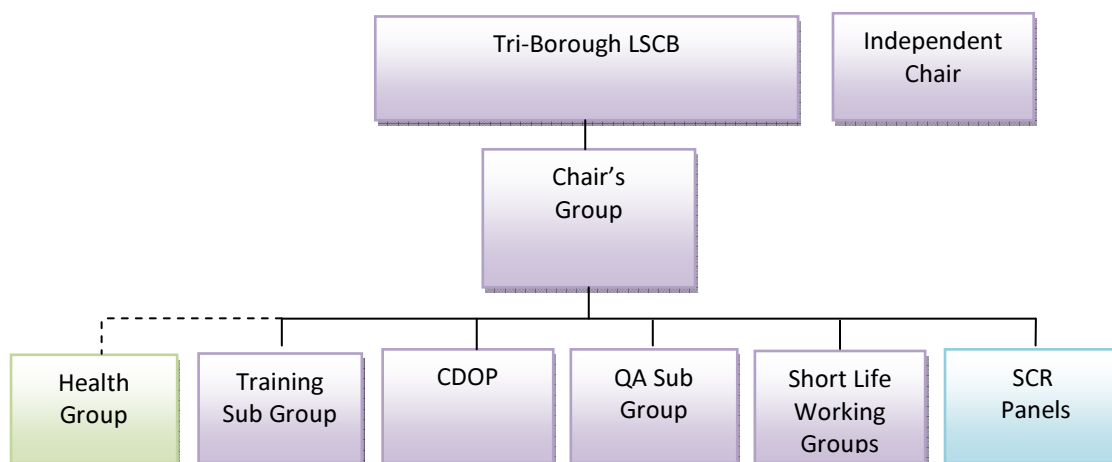
benefits of a Tri-borough S&QA function. Alternatives are Public Health, (alongside its safeguarding function for health) from 2013-14 or commissioning.

The membership of the Board would be up to 30 people, to be in line with the Regulations on the membership requirements and the three borough area. Representation at the sub groups will enable a strengthened network of all the agencies across the three boroughs. The Board would meet once every three months and its sub groups according to the terms of reference agreed by the LSCB. There would be an external process to appoint the chair of the Board.

The Child Death Overview Panel (CDOP), would be one of the sub groups of the LSCB. The CDOP already operates across the three Boroughs and in a revised model, which reduces the amount of work required. The CDOP will focus on resident children only, leaving responsibility for non-resident children to local hospitals, enabling the reduction of business support and incorporation of CDOP support into the work of the LSCB Team. Responsibility for chairing of the CDOP has been moved to a local chair from April 2011. This is the Westminster Designated Nurse for Child Protection and will therefore reduce the costs currently associated with independent chairing. The previous Child Death Review Process grant funding will therefore be available to each Borough to use as it sees fit as part of their Formula Spending Grant.

A joint LSCB Training programme is being rolled out across the three LSCBs from April 2011. This will reduce spending on training consultants, enable the use of more local expertise, exploit economies of scale and provide a more standardised package of LSCB training across the three areas. The website at WCC is being used to enable applications to the training.

Fig. 4.1 Proposed Structure of combined LSCB arrangements



* RBKC wish to maintain a local operational group in 2012-13.

Proposed LSCB team structure

It is proposed that the LSCB support is merged to a single staff group to be hosted by one of the three boroughs.

A proposed structure of the shared LSCB team is as follows:

- 1 x LSCB Manager
- 1 x LSCB Training Officer
- 0.8 x LSCB Senior Business Support Officer including CDOP activity
- 1 x LSCB Business Support Officer including training administration activity

Job descriptions have been written for the staff as well as the Independent Chair. The LSCB team manager's exact role will be determined by who they report to (see plan paragraph). The Independent chair would meet with the lead members for Children's services from each borough on a regular basis.

Performance management of the chair would be carried out by the Chief Executive.

Table 4.2 Responsibilities of the team members of the Tri-borough team

Role	FTE	Responsibility	Questions / Issues
LSCB Team Manager	1.0	<ul style="list-style-type: none"> • Manage and co ordinate LSCB strategic activity • Manage team & budget • Promote the partnership across 3 boroughs • Subject expert/coordinator for the partnership (policy, practice) • Coordinate SCR activity 	<ul style="list-style-type: none"> • Reporting to all DCS's or nominate lead DCS for LSCB? • Relationship to other roles e.g. SQA's?
Training Manager	1.0	<ul style="list-style-type: none"> • Coordinate training needs analysis • Produce training strategy, plan & communications strategy. • Commission training • Deliver Training • Link to corporate training functions • evaluation and audit of training 	
Senior Business Support Officer	0.8	<ul style="list-style-type: none"> • Support performance monitoring • Support CDOP • Supervise work of BSO 	
Business Support Officer	1.0	<ul style="list-style-type: none"> • Administrative support for training activity (50%) • Administrative support for LSCB, sub groups and task groups (50%) 	

As set out above, the role of the manager of the team would require expertise in safeguarding, if they are to be responsible for leading the work on Serious Case

Reviews. The expertise of the role is dependent on whether the team is managed within the Quality Assurance unit, by Director of Commissioning or from within Public Health.

Table 4.3 Comparison of current and combined service headcount

Borough		Current Posts	Proposal		
			Posts	Var.	% Var.
LBHF	Management	0.50			
	Front line & support	2.00			
	Total	2.5			
RBKC	Management	0.5			
	Front line & support	1.0			
	Total	1.5			
WCC	Management	1.00			
	Front line & support	0.50			
	Total	1.5			
	Management	2.0	1	-1.0	-50.00%
	Front line & support	3.5	2.8	-0.7	-20.00%
	Total	5.50	3.8	-1.7	-30.91%

Benefits:

Financial

The following table summarises current expenditure and income for each LSCB team and estimates the projected costs and savings associated with hosting a merged tri-borough LSCB in each of the 3 boroughs. The figures have been taken from the financial baselines and projections put together by the nominated finance leads from each borough.

Table 4.4

	Expenditure & Income			Projected Saving	
	Expenditure	Income	Net	2011/12	2012/13
Current 2010/11					
RBKC	£105,000	47,000 +CDOP	59,000		
WCC	£136,000	48,000 +CDOP	88,000		
H&F	£162,000	34,000 +CDOP	128,000		
Total	£403,000	129,000	275,000		

Proposal					
Tri Borough LSCB (RBKC Host)	£215,000	139,000 + CDOP	76,000		-199,000
Tri Borough LSCB (WCC Host)	£217,000	139,000 + CDOP	78,000		-197,000
Tri Borough LSCB (LBHF)	£246,000	139,000	107,000		-168,000

Host)		+ CDOP			
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Notes:

Current Expenditure and Income

- All figures 2010/11 (rounded)
- Current expenditure encompasses all direct costs including staffing, training provision and independent chairs
- Current expenditure *does not* include the cost of support provided to the LSCB training function by corporate training units in each borough. (RBKC and WCC)
- Income represents the contribution from partner agencies including Health and the Police. Child Death Overview Panel grant has been identified but not quantified, as each authority has handled the grant funding differently. Hammersmith and Fulham, for example, has retained £28,000 of the funding, and this would be an additional saving. Westminster has retained £11,000 from CDOP
- Expenditure represents the cost to implement the tri-borough structure set out above if the host borough's salary scales are applied, plus additional costs including the provision of training
- Income assumes that contributions from partner agencies remain at pre-merger levels
- Savings are calculated as the difference between the net expenditure required to implement the tri-borough LSCB in each host borough and the current total net expenditure across the three boroughs
- The actual level of saving for each borough will depend on the agreement reached between the three boroughs on how the costs of the merged service will be apportioned
- Costs assume a manager with safeguarding expertise

Table 4.5: Staff Costs for Combined Service by Host Borough

	Current structure	Proposal H&F costings	Proposal RBKC costings	Proposal WCC costings
Costs:				
Management	116	125	106	115
Front Line & Support	177	96	84	78
Overheads		0		
Total Cost	293	221	190	192
Funded by:				
Grant				
WCC core	-89	-69	-60	-61
RBKC core	-80	-60	-52	-53
LBHF core	-124	-91	-78	-79
Savings				
WCC		-20	-28	-27
RBKC		-20	-28	-27
LBHF		-33	-47	-46
TOTAL	0	-72	-103	-101

Non-financial

- A stronger voice from a larger and wider LSCB. The Board needs a high profile to ensure that there is good communication about the arrangements and

procedures for safeguarding children. In addition, it is important that these are constantly challenged and monitored to ensure they are robust.

- Increased opportunity for challenge and comparison of key safeguarding activity and practice. Although each LSCB produces evidence of activity locally and has national and statistical neighbours to compare with, this does not lead to a more in-depth understanding of why differences exist, and whether practice in one area produces better results than another. Having the key services for all three boroughs meeting together will enable greater challenge and potential to improve
- Shared learning through audits, Serious Case Reviews and projects
- A reduction in the number of meetings. This is of huge advantage to key Council staff and for those agencies which serve all three boroughs, including the Police CAIT team, Central London Community Health NHS Trust, Chelsea and Westminster NHS Trust and Imperial NHS Trust. The development of the Inner North West London Health cluster as the new structures for the existing PCTs would be co-terminous with the reach of the tri-borough LSCB
- Financial savings having a single team supporting the board and its activities – see finance section
- 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

Risks and Issues

The proposal has been discussed by each of the current LSC Boards. In principle all are agreed that this would strengthen the work of the board and have the benefits identified above. A number of reservations have been expressed, including:-

- **Governance** – the LSCB will be reporting to three separate Cabinets. The reporting to each will have to be clear, including the relationship between the Independent chair and the lead members in each authority. The Board will be big and will require effective and efficient chairing.
- **Losing sight of local issues, with the LSCB team not linked so directly to local operational teams.** There needs to be a mechanism developed to ensure a strong relationship between the work of the LSCB and the operational children's social work services, as well as other partner agencies.
- **Lack of identity.** A good communication plan needs to be agreed to ensure that all three boroughs understand the purpose of the joined up board. Indeed, it is suggested that we should launch the three borough LSCB with a conference in Spring 2012.
- **Local arrangements springing up reducing the efficiency of the structure.** The intention as set out below is to enable there to be three standing sub groups, but the opportunity to have time limited localised task groups as required which will report to the Board with their findings.

- **Multiple Serious Case reviews.** The Eileen Munro review is already looking at the current bureaucratic load for the delivery of overview and individual management reviews for serious case reviews. The assumption is that SCRs will be dealt with locally, through a locally convened panel. This will be no different to the current situation, although the co-ordinating and administrative load of concurrent SCRs may require an increase in capacity at times of pressure. This will need to be factored into the budget.
- **Financial**
 - It is possible that partner agencies will review their contributions in light of the merger. The Inner London PCT Cluster has set out its intention to maintain funding levels for the first 6 months of 2011/12 but to “negotiate the future levels of the financial contribution from Health”. It is noted that one of the two designated nurses will chair the CDOP and this may be seen as a contribution in kind by the PCT. Work is currently underway to understand any residual costs for corporate training support. Work is underway to cost the online booking and learning management system. Savings projections do not take account of one-off implementation costs.

Impact upon outcomes

It is difficult to estimate the impact of the three borough board on the child protection arrangements locally. The Board would aim to:

- Improve practice and outcomes by challenging service practice and outputs and seek to understand why there were differences in achievement and whether improvements in a particular area should be recommended
- Improve practice and outcomes by comparing key performance indicators to help achieve an understanding of the causes of the differences
- Use the learning from reviews of cases across the three boroughs to improve practice and outcomes

Sovereignty

The independent chair will need to work with the single strategic team, and report to three Children’s lead members on each of the Cabinets. It may be that as part of the arrangement, there is a regular meeting between the chair and the three lead members, rather than them all attending the LSCB.

Equality Impact Assessment

The drawing together of the three LSCBs will enable the data about activity and services to be compared more fully than we have been able to through individual LSCBs. So, the collection of data on ethnicity, disability, age, gender etc. can be used to help us understand where we are delivering in the best way and use this to improve the response in other areas. The same will be true of staff across the agencies serving the three borough population. Where issues are identified relating to any of the key groups, we have the facility to establish a short life working group to

investigate in detail. In addition, there will be regular multi-agency audits which will identify issues including those of inequality. Whilst one LSCB will have to manage a large agenda with care, there are no negative consequences of moving to a three borough LSCB.

Implementation Costs

The change will require evaluation of posts, recruitment and induction. These will all be absorbed. Setting up the team in a single location will create moving and IT costs. Once the team is established, it will need to embark on a communications and networking launch, with written information, web based information and face to face communication. It has been suggested that there should be a launch of the new arrangements, inviting all local agencies with a responsibility for safeguarding in their work. The cost of this is estimated to be £10,000 excluding redundancy costs which are not known.

Timescale for implementation

The timetable originally set out was to establish the three-borough LSCB by September 2011. However, there may be some advantage to linking this directly to the review of Safeguarding and Quality Assurance teams as, if the LSCB is managed from within a merged S & QA team, there will be access to a range of expertise, and the role of the LSCB manager could be filled by a non-safeguarding expert. It was agreed by Directors that the two pieces of work should run in parallel, and this has put the timescale back to April 2012.

Table 4.6 Proposed timeline for combining LSCBs

Year	Month	Activity
2011	March	Tri-borough business case completed in advance of Cabinet approval.
	May	Cabinet approval granted.
	May to December	Job descriptions drafted and recruitment process undertaken
	December	Single team appointed.
2012	February	Independent chair appointed
	April	First meeting of the single LSCB

Youth Offending Services

Background

Following the announcement of the “Youth Justice Grants” by central government on 4 March amendments have been required to the proposal for sharing Youth Offending Services as the grant was reduced by more than expected.

The provision by every local authority, of a Youth Offending Team (YOT), is a statutory requirement of Section 39(1) of the Crime and Disorder Act 1998. Each borough has a YOT with a strategic manager, operational managers and a mixture of social workers, specialist and unqualified officers, and seconded staff from the Police, Probation and health services. Membership of the YOT is prescribed by section 39(5) of The Act. The principle objective of the YOT is to reduce offending by children and young people.

The three YOTs have a history of collaborative working. Through discussion, the three boroughs propose a fully amalgamated YOT. The Act does allow for two (or more) local authorities acting together to establish a shared service. Work has focussed on building a business case for this tri borough service. A second option has been modelled which would see a two-borough amalgamated service with the third borough able to join up at a later date. This paper focuses upon summarising the case for the preferred option, and further information is available for both options within the full business case.

Scanning the horizon - drivers between now and 2015

There is currently no intention to change the structure of YOTs as statutory partnerships. New developments that will influence the development of YOTs over the next five years include:

- Reducing use of custody
- Incentivising local authorities to perform better on youth crime through Payment By Results (PBR)
- Key themes including restorative justice, improved parenting provision, enforcement, and local public accountability
- Policy influence from regional coordinating groups and potential changes to commissioning powers for the Mayor of London
- Promotion of new delivery models e.g. social enterprises

Plan

The amalgamated service with resources to deliver statutory service only, would be managed by a single strategic lead. Court and Business Support services would be combined, specialist roles shared, and each borough would have a locality based team dealing with local need and a reporting centre for young offenders.

In the shared structure, when compared to the existing three individual services the proposal would see a 57% reduction in management and back office, and a 13% reduction in front-line staffing.

2011/12 will be a transitional year, with the need to run the status quo services until the revised structures are in place. This will reduce the full year savings during the

financial year. The reduction in grant to the three services represents £67,000, as all boroughs prevention element of the grant is ring-fenced internally to the borough's locality or prevention services.

In order to achieve this additional saving from 2012/13 it is proposed to delete an additional manager post, the West London ISSP manager, and to integrate the delivery of ISS to the local reporting teams. The ISS activity and roles will be managed by the Courts Manager.

An additional feature of 2011/12 as the transitional year is that the three services will be inspected by the Probation Inspectorate. If the project to amalgamate the services for the three boroughs is announced by July 2011 the inspectorate has agreed to inspect the service as a single YOT, but to report on the individual borough performance to maintain local accountability.

As a consequence it is recommended that the post of a three borough management information officer be established in order to complete the three borough's management information in advance of the inspection. In previous inspections the service's relative lack of access to regular MI has been identified and the services will be vulnerable without evidence of practice development being based on accurate MI. This position will be reviewed following the inspection to assess whether it will be an ongoing need.

Table 5.1 – Management/Back Office & Frontline headcount reduction for combined services

		Current	Combined service		
			Posts	Var.	% Var.
Shared	Mgt & Back Office	10.5	4.5	-6.0	-57%
	Front line	15.0	13.0	-2.0	-13%
	Total	25.5	17.5	-8.0	-31%
WCC	Mgt & Back Office	4.0	3.0	-1.0	-25%
	Front line	11.0	10.0	-1.0	-9%
	Total	15.0	13.0	-2.0	-13%
RBKC	Mgt & Back Office	2.5	2.5	0.0	0%
	Front line	8.5	8.5	0.0	0%
	Total	11.0	11.0	0.0	0%
LBHF	Mgt & Back Office	4.0	3.0	-1.0	-25%
	Front line	11.0	10.0	-1.0	-9%
	Total	15.0	13.0	-2.0	-13%
TOTAL	Mgt & Back Office	21.0	13.0	-8.0	-38%
	Front line	45.5	41.5	-4.0	-9%
	Total	66.5	54.5	-12.0	-18%

The three local reporting teams each have a bail and remand worker. This is an essential local resource, with the main task of reducing remands to local authority accommodation, secure accommodation and to custody. From 2012 the costs of custodial remands begin to be transferred to local authorities and this is the investment to minimise these costs.

The amended structure chart for the tri-borough service is attached as Appendix 5B.

Benefits:

Financial

Under the proposed amalgamation a total of £520,000 savings would be shared across the three boroughs (see Table 5.3 below). In addition indirect financial benefits would include a strengthened commissioning and contract negotiating power, more competitive streamlined service offers when applying for income bids and working with partner providers and potential savings associated with ICT software contracts.

Figure 5.2

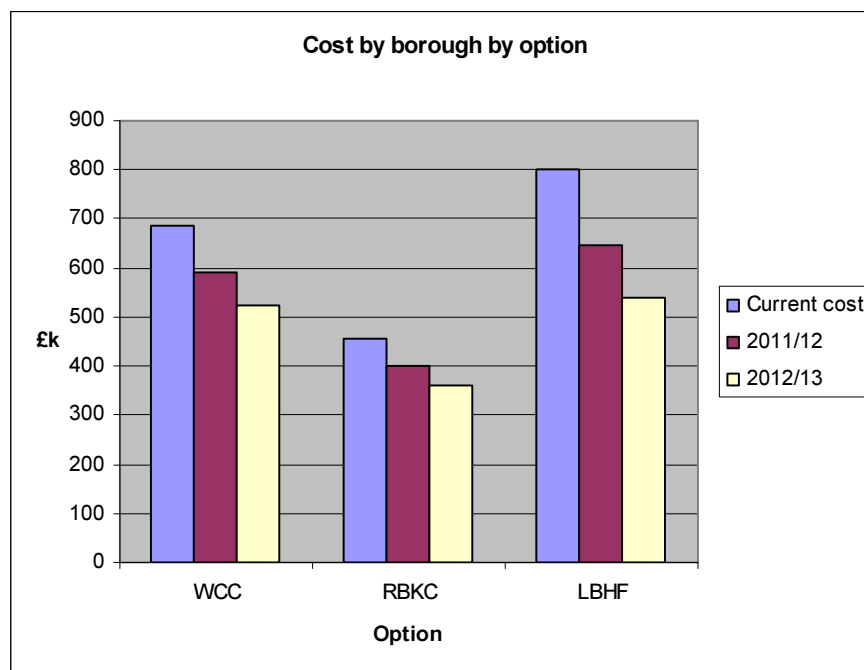


Table 5.3 – Proposed savings (total and by borough)

	Current structure	2011/12	2012/13
Costs:			
Mgt & Back office staff	1,046	860	728
Front line Staff	1,856	1,751	1,669
Overheads	247	237	229
Total Cost	3,149	2,848	2,626
Funded by:			
Grant	- 1,204	- 1,201	- 1,201
WCC core	- 687	- 585	- 525
RBKC core	- 457	- 402	- 362
LBHF core	- 801	- 652	- 538
Savings			
WCC		- 102	- 162
RBKC		- 55	- 95
LBHF		- 149	- 263
TOTAL		- 306	-520

Note

- The three boroughs' grant reduction had initially been assumed at 12.5%; however the actual reduction has been between 23 – 26% each across the three. One significant impact has been the removal of the PVE funding.
- Shared structure costs have been split equally one third to each authority, but a fairer and more equitable apportionment method may be more suitable. The system for future shared cost distribution is being designed corporately.
- Property costs and corporate recharges have not yet been considered, and although this may lead to opportunities for further savings, it may also increase costs as investment in technology may need to be considered to enable remote working or conferencing and additional travelling between teams

By combining three borough structures into one shared and three local teams, larger savings can be made for each borough, than by individual boroughs attempting to make savings on their own. The three boroughs achieve savings between £95,000 and £263,000. This means a degree of independent local decision making can be made regarding whether to give up the savings, or whether they want to be re-invested into the local teams to broaden and strengthen the retained team.

All options assume from day one the new structure is in place, and for some boroughs, this may be seen as too much change too quickly. However, by re-investing the savings, as mentioned above, this risk could be negated.

Non-financial

- Efficiencies at Court with free court time condensed, increasing flexibility for case hearings
- Resilience of central court team assured by system of rotating staff into the team as a core practice skill for all YOT supervisory roles
- Simplifies liaison with probation services, reducing the call on ACO time, and courts
- Retains a local element to front line service delivery therefore maintaining links with local Children's Safeguarding teams
- Better, more comprehensive sharing of ideas, skills and resources across the three boroughs
- Reduce duplication of effort e.g. grant returns and management, and economies of scale for training
- Quality and standards can be improved by benefiting from a wider knowledge pool of practitioners where best practice can be shared, streamlined and standardised
- Providing sustainable services through people continuation and lower staff turnover, a higher willingness to succeed across the shared teams and stronger and wider support networks

Risks and Issues

- Lead authority is yet to be identified
- Merger of staff across three different court and support teams could present integration issues as different cultures are combined
- Challenge in agreeing a single set of processes for business support given the different approaches of the three boroughs
- Short term disruption as the new structure beds down could lead to a drop in performance / morale
- Multiple savings targets across the three boroughs and complexity of apportioning investment, savings and costs
- Different capacity and capability to implement effective change management across the three boroughs

Challenge in maintaining key relationships with colleagues in wider Children's Services

- Hidden costs, such as corporate recharges and property costs, although not forming part of the direct financial analysis, may lead to boroughs having to absorb previously allocated costs to other services
- The legalities of sharing funding and pooling resources has not been resolved
- By combining services and funding, to any degree, risks each borough not being accountable for any part of the project or potential overspend that may occur

- Currently all options allocate the savings equally across the boroughs. In time, real differences in work load or where the focus is needed may become apparent that mean this method of apportionment is imbalanced and lead to conflict. Other options for apportioning the savings, such as on Court throughput, YJB formula grant apportionment are being considered
- With one overall Head of Service, depending on which borough that role reports to may force the Team managers for each borough to work in one particular direction, that may be contrary to the rest of that boroughs policies
- Single YOT manager, court and business teams accountable to multiple stakeholders across the three boroughs could blur accountability
- Where individual boroughs have different priorities, conflict could occur in terms of what to focus on for activity, resource and spending
- Although the options satisfy the current savings targets that have been identified by the boroughs, in future years, any further savings may be unachievable without risking the joint working structure that has been introduced

Impact upon outcomes

The three YOTs have been assessed as 'good services' in their most recent assessments and their Youth Justice Plans.

Table 5.4: Performance volume - based on YOT to Youth Justice Board submission data.

National Indicator	Year	WCC	LBHF	RBKC
Number of Young Offenders	07/08	254	322	198
	08/09	296	280	192
	09/10	248	236	160
Number of Offences	07/08	441	633	518
	08/09	514	551	449
	09/10	489	472	359
Number of 'Disposals' – offences with a formal outcome	07/08	229	326	299
	08/09	386	431	342
	09/10	400	366	257

As strategic management resources reduce the ability of the YOS to contribute widely across safeguarding, community safety and prevention activity will reduce. This is offset by co-ordination of activity across three boroughs maximising YOS strategic impact. Each of the three boroughs brings key strengths to the shared service e.g. reoffending rates (LBHF), First Time Entrants (RBKC) and Custody rates (WCC).

Table 5.5: Performance against national indicators based on Youth Justice Board data.

Performance 2009-10 (YJB data)	WCC	RBKC	H&F
Re-offending (NI 19)	1.33 70 young people with 93 offences over 9 months	1.30 54 young people with 70 offences over 9 months	0.55 78 young people with 43 offences over 9 months

Disposals 2009-10 (YJB data)	WCC	LBHF	RBKC
Pre-court	77	49	43
First tier	155	165	114
Community	150	126	78
Custody (NI 43)	18 (5.5%)	26 (8.1%)	22 (9.9%)
Total	400	366	257

New entrants (YJB data)	WCC	RBKC	LBHF
10-17 population 2008	12,607	11,762	11,422
New entrants <i>YOT data</i>	126 26% down over 4 years	77 49% down over 4 years	110 44% down over 4 years
New entrants (NI 111) per 100,000 <i>YOT data</i>	999 per 100k A reduction of 1.6% over the last year	655 per 100k A reduction of 15.6% over the last year	963 per 100k A reduction of 26.7% over the last year
New entrants (NI 111) Per 100,000 <i>PNC data</i>	1,240	880	1,200

In response to the reduction in Key Performance Indicators, and in line with the national policy of strengthening localism, all three YOTs are keen to be able to define local indicators by which outcomes and performance can be measured.

Sovereignty

The proposed model does not compromise the draft sovereignty principles. Operating three locality teams focussed on local need, enables each borough to consider the extent to which additional funding may be provided to maintain particular services and quality standards. This is particularly relevant for RBKC which may choose to provide core funding for the provision of two posts which was not funded in the other boroughs but are seen by the RBKC Head of Service as integral to maintaining standards.

It is an option that the YJB may pool the three boroughs' grants into one for the purposes of our needs. By excluding from this some of the activities, such as substance misuse, police, probation and IRS work that are still retained locally, the grant we assume to receive would cover the shared staff, plus leave £336,000 for combined activities or property costs.

The political issues of whether a degree of control over how that grant is spent, particularly now it is un-ring fenced, may highlight some priority differences that are incompatible in a shared structure.

Equality Impact Assessment

A full Equalities Impact assessment will be completed in each local authority as part of the reorganisation process that will be required to establish the combined service. The consultation period for reorganisation will provide the structure for consultation with service users, partners and staff.

The structures designed for shared service delivery will continue to address the potential for discrimination effectively. The identified themes to formally assess are discrimination as a result of being identified as an offender, as a result of characteristics of disadvantage, e.g. poverty and as a result of ethnicity, gender or age.

Implementation Costs

The project team have identified the need for some continuing senior management resources during the transition period, September to December 2011.

If the Head of Service is appointed and in post during this period they will be needing to establish the shared services structures, significantly in relation to governance and local accountability, setting foundations for sovereign, mutually supportive services across the boroughs.

During this period the three local services will be preparing for inspection and, from October 2011 it is anticipated that the Custody pathfinder scheme will begin to be delivered, through a contractor. Ensuring this national pilot is delivered effectively from the outset will require transitional management.

It is proposed that resources for retention of one of the Heads of Service be set aside for three months to manage these projects and support the induction of the Head of Service to a new tri-borough role. This will cost £24,000.

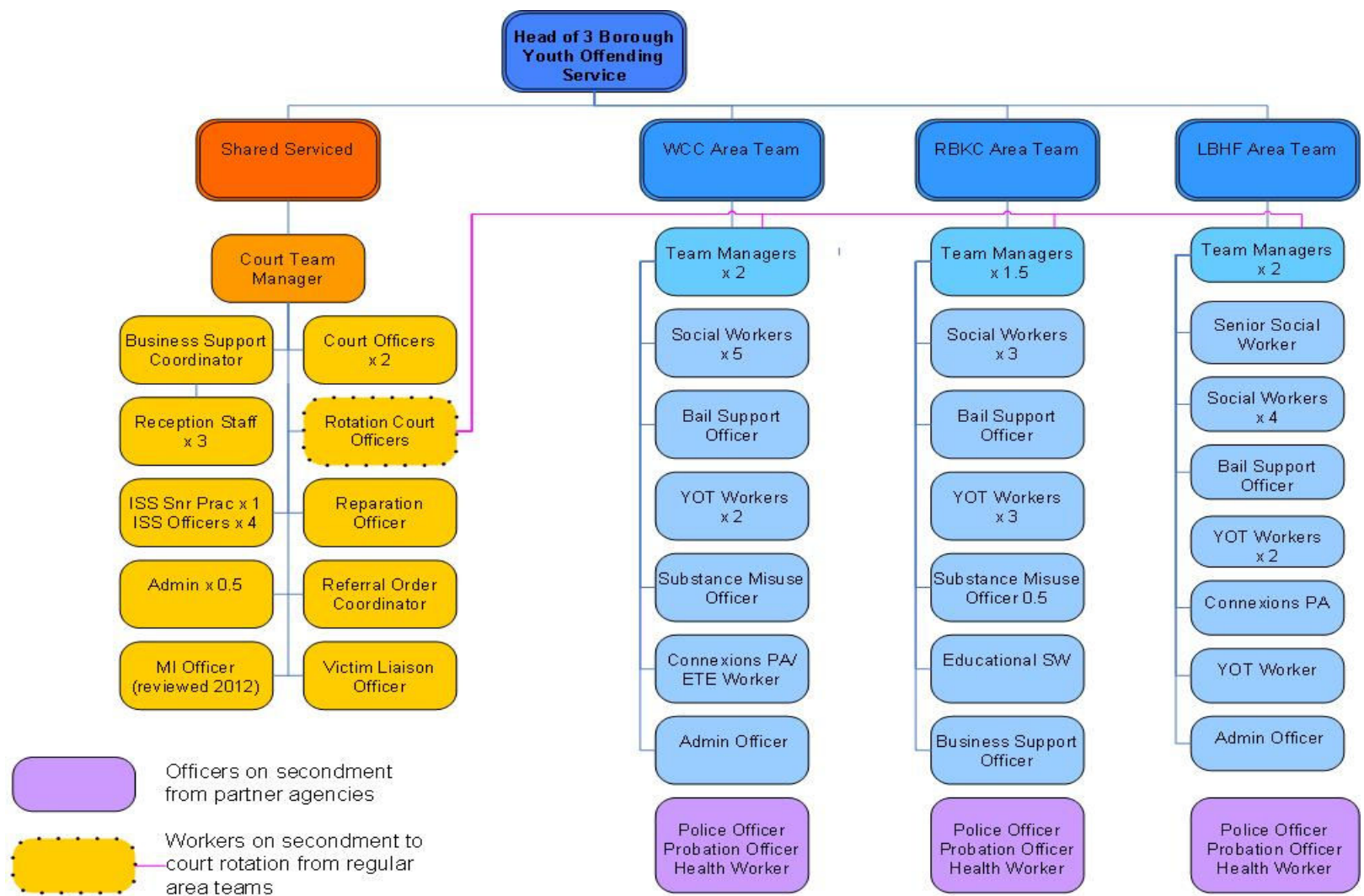
Timescale for implementation

Table 5.6 Proposed timeline for combining Youth Offending Services

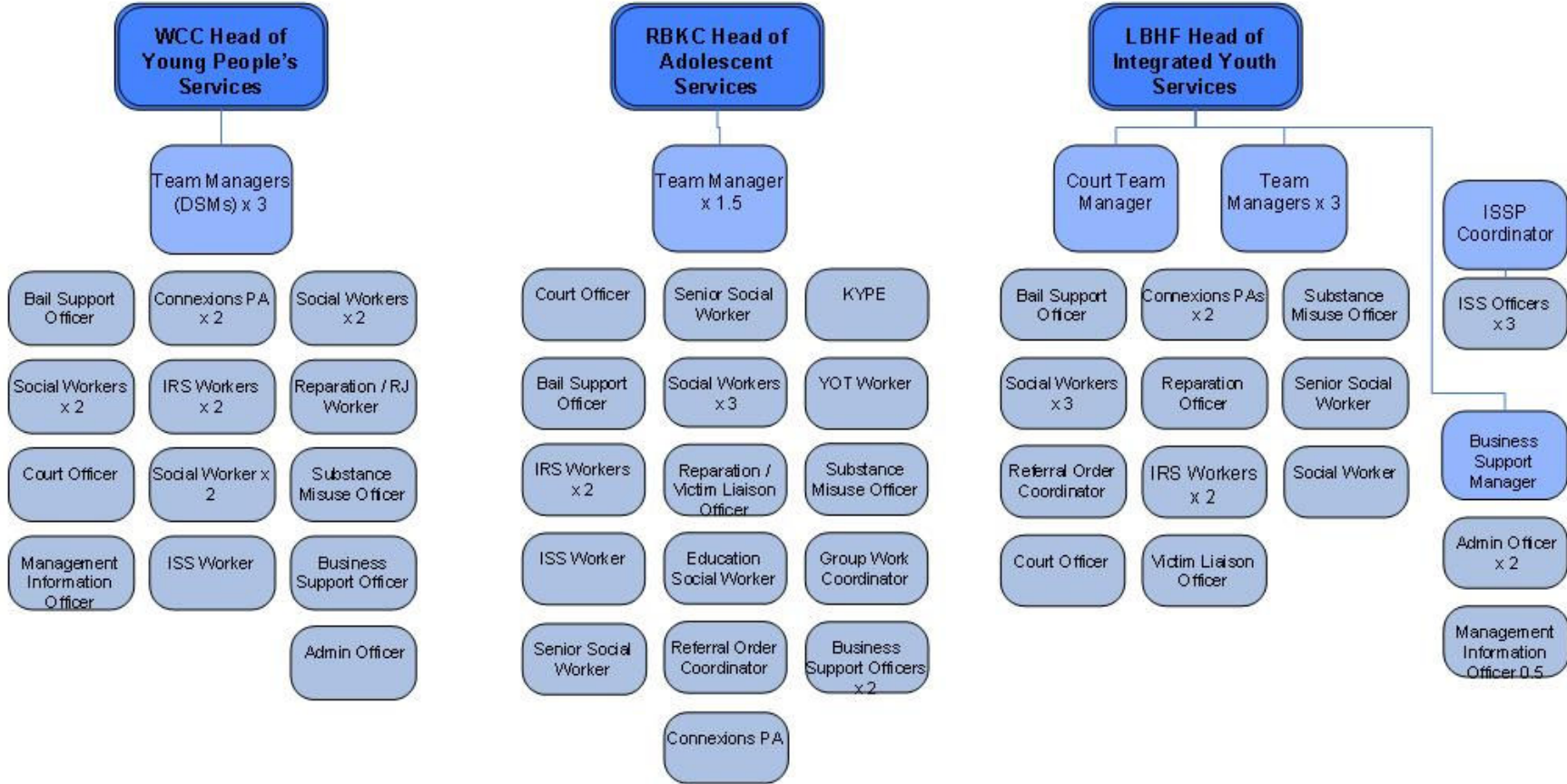
Year	Month	Activity
2011	March	Tri-borough business case completed in advance of Cabinet approval.
	May	Cabinet approval granted.
	May to September	Work streams develop organisation and financial detail for combined service delivery.
	September	Strategic lead is appointed. Preparation is made to establish combined Court Team.
2012	March	Single business support team and joint specialist services in place.

Immediate thought would need to be given to the governance arrangements for the fully amalgamated service. It would be proposed that a single Tri borough board be established from April 2011, with local reporting to Crime and Disorder Reduction Partnerships (CDRP) and Children's Trusts be coordinated and rationalised.

Appendix 5A: Existing Borough organisation structures



Appendix 5B: Proposed organisation structure



C: LIBRARY SERVICE

Executive Summary

Background

In February 2011 Hammersmith and Fulham, Kensington and Chelsea and Westminster Councils agreed a number of Tri-borough proposals including exploring the creation of an integrated libraries and archives service.

The provision of public libraries is a statutory responsibility for local authorities under the 1964 Public Libraries Act. Public libraries provide access to a wide range of materials, information, knowledge and services to meet the present and future reading, learning and information needs of local communities. They are very popular and heavily used (five million physical visits in the three boroughs last year).

As well as a good stock of books and computers for customer use, a vital part of a modern library service is the range of events and activities on offer. Libraries support the delivery of priorities relating to well-being and health, skills and learning, and active and sustainable communities. For many residents and visitors, the local library is the face of the Council in their community and we must explore how their expectations can be better met, and this association made better use of on behalf of all council services.

Libraries offer a universal service that contributes to many of the outcomes and aspirations in the wider strategic plans of each of the boroughs, such as supporting children to enjoy and achieve, and to make a positive contribution; helping older people enjoy a better quality of life and well-being; libraries can assist businesses, entrepreneurs, and the local economy through information and events; they support improving health through health information and books on prescription.

Libraries already work in partnership with many organisations, bringing those organisations into the library, and taking the library service into other settings. This means that our libraries can act as an access and entry point into a wide range of other council and agency services, offering information and support to meet community needs.

To achieve these outcomes, library services need to be visible, attractive and appealing, designed to increase participation and reach out to new audiences as well as retaining existing users. By sharing these ambitions for the service across the three boroughs, there is a greater opportunity to achieve economies of scale, attract inward investment, and also to maintain existing services where appropriate.

Savings Proposals

Work began on investigating options for the provision of an integrated library service as part of the government's Future Libraries Programme. A number of savings opportunities were initially identified. This business case looks at each of these savings opportunities in turn and verifies the level and feasibility of each savings proposal. A summary of savings opportunities can be found in the table overleaf (figures have been rounded up to the nearest £1,000) These savings are the minimum expected if

implemented in full. Further work is underway to establish where additional savings can be found.

Work still in progress on the structure and cost of integrated middle management and archives teams.

	Financial Savings (£)			Grand Total
	2011/12	2012/13	2013/14	
Single Management Structure	150,000	150,000	0	300,000
Service Efficiency	0	377,000	0	377,000
Salary and Staff harmonisation	0	0	425,000	425,000
Sharing professional expertise	0	300,000	0	300,000
Total	150,000	827,000	425,000	1,402,000

Single Management Structure

A single management structure will combine the strategic management of each authority's library service within one management team of four, reducing the number of existing management posts by eight.

Service Efficiency

Using a detailed transactional model the number of staff required to operate each of the tri-borough libraries to the required service level can be established. Currently the model is showing that 134 posts are required to run a basic integrated tri-borough lending service (not including reference or specialist services or those that will be locally commissioned).

Staff Harmonisation

Analysis has been carried out to identify if savings can be made through harmonising salaries across authorities. A harmonisation arrangement would provide all employees across tri-borough the same terms and conditions. Up to £425,000 could be saved if all staff across the tri-borough library service are harmonised to the lowest salary point for their role.

Whilst salary harmonisation is a logical development it is not appropriate to do this just for libraries so would need to be implemented in line with overall tri-borough procedures and timescales.

As part of the agreed Chief Executives' protocols, in the short term, most front line staff will still be employed on their existing borough's terms and conditions.

Is harmonisation realisable? Need to decide if it is done pre or post outsource

Sharing Professional Expertise

It has been identified that savings could be made through reducing duplication of senior professional and specialist staff and deploying them across the tri-borough area. Further work is required to define the scope and level of professional expertise required for an integrated service but it is estimated that £300K could be saved.

Savings apportionment

Details of how savings and cost will be apportioned are subject to wider decisions regarding the sovereignty guarantee. For libraries the following criteria may be used to develop an apportionment model. In our initial modelling with the numbers we have so far, each of these criteria shows a saving for each borough.

- Number of libraries
- Current expenditure
- Visitor numbers
- Population
- Membership
- Contribution to savings

Further work is required to develop a model to apportion the savings between the three boroughs.

What a Tri-borough library service will look like

An integrated library service delivered across the Tri-borough area will provide the existing number of libraries with the same opening hours.

In addition to the financial benefits a Tri-borough library service will deliver other benefits:

- Wider range of stock
- Greater range of staffing expertise
- Improved procurement options for contracts
- More flexible deployment of staff
- More opportunity to secure external funding

1. Introduction

In August 2010 as part of the government's Future Libraries Programme Hammersmith and Fulham and Kensington and Chelsea gained project support to explore the feasibility of sharing library services to be delivered or commissioned jointly across borough borders. This included investigating alternative models for delivering library services in what could be an innovative way forward for both authorities, and which could provide a model for other London boroughs. In late 2010 following the announcement of the Tri-borough programme Westminster joined Hammersmith and Fulham and Kensington and Chelsea to identify if an integrated library service could be delivered across all three boroughs.

With the help of external project support a number of areas where potential savings may be found were identified. These were:

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

In February 2011 Hammersmith and Fulham, Kensington and Chelsea and Westminster Councils published proposals for combining services since some current council services can be more efficiently managed at greater scale and management structures for the delivery of services are triplicated across the boroughs, and could potentially be rationalised. The proposals include the creation of a single integrated libraries and archives service across the three boroughs, with local branding and delivery in line with local community needs and requirements. It was anticipated that £1500K - £1820K could potentially be saved from these areas.

This report outlines the details for the first three savings options and provides a costed plan of savings for each. Further detailed work will begin on identifying savings from the remaining areas (including provision of an integrated archives service) during phase two of the programme from May 2011.

All assumptions and figures used in this report are based on the position following implementation of 2011/12 budget changes. It is also assumed that as a consequence of the savings identified:

- There will be no further reduction in the number of library buildings
- There will be no reduction in opening hours

- Savings will be delivered in four phases over three years.

From April 2012 options will be considered for transferring the integrated library service to an external management organisation. This may take the form of a charitable trust, social enterprise or private sector management.

2. Background

Public library services are currently delivered across the Tri-borough area from 24⁹ library buildings open 1,197 hours a week.

Libraries across the area vary greatly in size and opening hours. There is one central library (Kensington); six 'district' libraries (Marylebone, Hammersmith, Fulham, Charing Cross, Paddington and Victoria), a range of mid size and small community libraries. Between 2009 and the end of 2010 three brand new libraries opened: at Church Street, NW8 and Pimlico, and in Shepherds Bush (as part of the Westfield shopping centre). In addition Askew Road, Brompton and Notting Hill Gate Libraries underwent a large scale refurbishment. Opening hours are tailored to meet the needs of the communities they serve with six being open over 60 hours a week and five open for seven days a week.

Seventeen of the 24 sites are equipped with self service technology and seventeen buildings are WiFi enabled.

Currently four million items are loaned to 158,000 members every year. These include books, DVDs, CDs, talking books, newspapers, magazines and PC games. An extensive range of activities to promote reading, distribute information and encourage learning are also available across the Tri-borough area. Activities include outreach programmes, volunteering opportunities and under 5's events. These activities are supported by 461 PC terminals.

In addition to the 24 service points Home Library services deliver material to 1,098 people who are unable to visit a library. Hammersmith provide a service at Wormwood Scrubs prison, and Westminster manages a Schools Library Service.

A detailed breakdown of current service levels can be found in appendix 1.

3. Scope for Integrated Tri-borough Library Service

The assumption is that all services will be integrated – unless there are strong arguments to the contrary. 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.

Boroughs will take the opportunity to radically redesign services, drawing on each authority's strengths.

⁹ This figure will reduce to 21 by December 2011 following the closure of St James Library in Westminster and the handover of Barons Court and Sands End in Hammersmith and Fulham to the community.

Arts and Culture are not currently in scope as part of the integrated Tri-borough Library service. Archives are in scope but work is needed to begin exploring and determining the scope and whether to create a single combined archives service.

It is anticipated that each borough will have the capacity to locally commission services on top of the proposed core offer. Examples of the locally commissioned services include the Bengali Outreach service, Schools Library Services, Prisons Library Services, services to children's centres, and Study Support. Partner organisations (such as the PCT) may also commission services across the Tri-borough area e.g. Bibliotherapy. A commissioning arrangement would be necessary to enable this to happen, the detail of which has not been considered. This may or may not have some cost implications.

4. Integrated Tri-borough Library Service

Objectives

Under the terms of the 1964 Public Libraries and Museums Act, public library provision is a statutory duty for local authorities. The duty requires authorities to provide a comprehensive and efficient library service for everyone who lives, works and studies in the area, and to take into account their general and specific needs.

Public libraries are one of the cornerstones of modern communities, providing unbiased and unparalleled access to a wide range of materials, information, knowledge and services, both on-line and during stated opening hours. They are very popular and heavily used (five million physical visits in the three boroughs last year).

The development of online digital information and media formats is one of the biggest challenges facing libraries, not because it threatens their existence, but because it is an integral part of a modern service; the challenge comes from keeping up with the technology investment and the content management.

As well as keeping a good stock of books and computers for customer use, modern libraries need space for the wider range of activities and events for individuals and groups that now take place. These activities are a vital part of a modern library service, contributing directly to individual and community well-being and development. They include pre-school storytelling sessions, homework clubs, author talks, arts and creative events, PC tutorials, adult learning and skills classes for individuals or groups, sessions delivered by partner agencies, such as the NHS or Jobcentre plus or by community groups.

Public libraries are places where people can go to read and borrow books, and to learn. This simple but powerful statement will continue to be at the heart of the service for many years to come. Through this and other activities, libraries empower, inform and enrich the people and communities they serve through a range of services and collections delivered by well trained staff through community based buildings and online.

Libraries are freely available to everyone in the community, and aim to meet their present and future reading, learning and information needs.

Libraries support the delivery of priorities relating to well-being and health, skills and learning, and active and sustainable communities. Most of our public libraries are located in local neighbourhoods and communities, and open when residents and others need them. They offer services targeted to meet local needs and priorities. For many residents and visitors, the local library is the face of the Council and its customer services, and we must explore how their expectations can be better met, and this association made better use of.

Libraries offer a universal service that contributes to many of the outcomes and aspirations in the wider strategic plans of each of the boroughs, such as supporting children to enjoy and achieve, and to make a positive contribution; helping older people enjoy a better quality of life and well-being; libraries can assist businesses, entrepreneurs, and the local economy, through information and events; they support improving health through health information and books on prescription.

We need to make sure that our libraries retain their core purpose of enriching people's lives by giving residents and users access to books and other information to read, and to borrow. Libraries already work in partnership with many organisations, bringing those organisations into the library, and taking the library service into other settings. This means that our libraries can act as an access and entry point into a wide range of other council and agency services, offering information and support to meet community needs.

To achieve these outcomes, Library services need to be visible, attractive and appealing, designed to increase participation and reach out to new audiences as well as retaining existing users.

By sharing these ambitions for the service across the three boroughs, there is a greater opportunity to achieve economies of scale, attract inward investment, and also to maintain existing services where appropriate.

In developing this business case, an overall vision and set of objectives has been established as follows:

Vision for the Tri-borough Library service

Libraries are freely available to everyone in the community, and aim to meet their present and future reading, learning and information needs. The key elements of an integrated library service are:

Reading	everything starts with reading, libraries help children and adults to become proficient readers for life and promote the love of reading for pleasure
Learning	libraries will support formal education at every stage and be a major provider of informal and self-directed learning for all
Digital	libraries will create and providing access to digital resources, and help people to bridge the digital divide through support and training
Information	libraries will provide the gateway to the world's knowledge (about anything and everything) and to local community information, with intelligent interpretation
Community	libraries will provide 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
Access point for other services	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 and to transact

In addition an integrated service could provide:

Heritage/sense of place	libraries will keep the record of times gone by – the history of people and communities, helping to create identity and cohesion
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The programme objectives for an integrated Tri-borough library service are:

- The creation of a single combined library service with local branding and in line with local community needs, that maximises value gained from public expenditure, strengthens the place of libraries in the community and maintains and improves the quality of core services
- Generate significant savings through the creation of a combined library service and to minimise the impact of budget cuts to frontline services
- Explore and determine scope and whether to create a single combined archives service

- To engage with commercial partners to increase income opportunities for libraries

An integrated library service will be implemented via a phased approach further details of which can be found in section 8.

A set of design principles have been agreed to shape the structure of the new integrated Tri-borough library service; these are outlined in appendix 2.

What will a Tri-borough service look like?

A Tri-borough library service will deliver the following core services from 21 buildings.

Reading

- Provision of resources to support adult reading
- Selection of events to support children's literacy
- Reader Development activities
- Programme of outreach to meet local need

Learning

- Provision of resources to support adult and children's learning
- Learning activities to improve adult literacy and IT skills
- Employment related learning activities

Digital

- Creation of digital content (e.g. community databases)
- Providing access to on-line digital resources
- Learning activities to improve digital literacy (getting online and navigating around)
- Access to PCs
- Access to Wi-Fi enabled buildings

Information

- Access to information resources and knowledgeable staff
- Provision of local and council information
- Improved access to special collections
- Access to local historical resources

Community

- Provision of venues for community and partner organisations
- A Tri-borough library service will also provide development opportunities for using libraries as access points and to engage with commercial partners to increase income

A variety of services will be commissioned locally examples of which are shown below. This is not an exhaustive list and is likely to be expanded to include services for children, families and vulnerable adults.

Service	Commissioning Authority
Chinese services	Westminster City Council
Prison services	Hammersmith and Fulham
Music Library	Westminster City Council
Business Information	Westminster City Council
Bengali Services	Westminster City Council
Specialist Reference collections	Westminster City Council
Schools Library Service	Westminster City Council
Early Years provision in community settings	Kensington and Chelsea

5. Current Financial Position and Savings Proposals

Current Financial Position

The table below sets out the current financial position in relation to the library service for each of the tri-borough authorities. This information is based on the budget position for 2011/12 and reflects any savings already committed by individual authorities.

2011/12 Budget	Westminster	Hammersmith & Fulham	Kensington & Chelsea	Combined
Total Budget	12,233,940	3,654,300	6,633,270	22,521,510
Total Uncontrollable Budget	4,988,700	986,500	2,195,620	8,170,820
Total Controllable Budget	7,245,240	2,978,800	4,437,650	14,661,690
Total Employee Budget	5,989,748	2,150,400	3,056,920	11,197,068
Total FTE	164.47	64.53	84.43	313
Total Opening Hours	687	231	278.50	1,196.50

Summary of Savings Proposals

The following table summarises the financial savings associated with each option in this business case. Each of these savings is described in detail from section 6.4 onwards.

	Financial Savings (£)			Grand Total
	2011/12	2012/13	2013/14	
Single Management Structure	150,000	150,000	0	300,000
Service Efficiency	0	377,000	0	377,000
Salary and Staff harmonisation	0	0	425,000	425,000
Sharing professional expertise	0	300,000	0	300,000
Total	150,000	825,000	425,000	1,402,000

Apportionment of savings

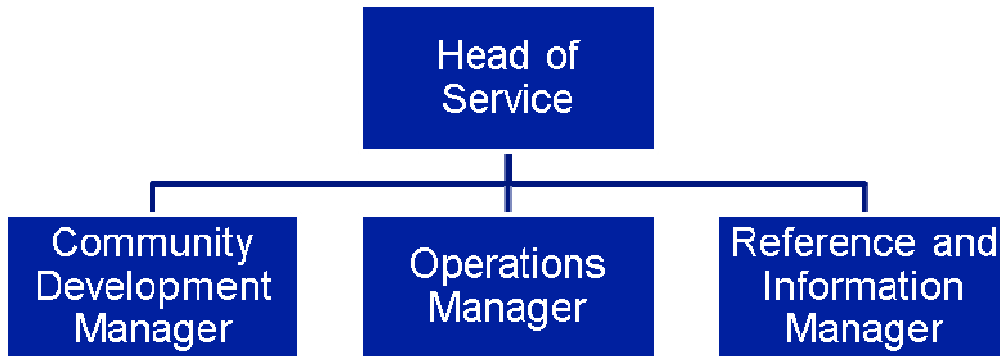
Details of how savings and cost will be apportioned are subject to wider decisions regarding the sovereignty guarantee. For libraries the following criteria may be used to develop an apportionment model. In our initial modelling with the numbers we have so far, each of these criteria shows a saving for each borough.

- Number of libraries
- Current expenditure
- Visitor numbers
- Population
- Membership
- contribution to savings

Work is required to develop a model to apportion the savings between the three boroughs.

Single Management Structure

A single integrated library service across all three authorities will be delivered through one single management structure shown in figure 1. One Head of Service will oversee a team of three senior managers as outlined below. At this point administrative support for the single management structure has not been considered. The existing support arrangements need to be reviewed and this may generate further savings.



The Management Team will have the following responsibilities:

Head of Service

- To set the overall strategic direction of the service
- To lead on strategic planning and development
- To hold accountability for operational performance and delivery
- To hold financial accountability for the service
- Responsibility for the business development of the service
- Member Liaison

Operations Manager

- To lead on day to day service operations to ensure delivery in line with targets and specifications
- To prioritise and deliver key initiatives
- To ensure the allocation and management of financial resources for frontline services in the team
- To provide operational leadership for library premises improvement, through identifying and meeting customer and community priorities

Community Development Manager

- To develop partnerships and joint working arrangements with both internal and external partners to help promote reading and learning.
- To lead, drive and motivate managers and staff in the Community Development team through setting targets, improving services and processes, planning work and managing costs.
- To lead the coordination and development of professional services to adults and children
- To lead the strategic development of stock for lending libraries.

Reference and Information Manager

- To develop, coordinate and direct Reference and Information services including - physical and on-line resources, web services and digital content development.
- Develop, coordinate and direct specialist collections and services.
- To be responsible for the digital and information provision across the tri-borough area.
- To improve access to digital resources through delivery of support and training
- To lead the strategic development of reference for lending libraries.
- Development of stock for reference and information services'

The table below shows the cost savings associated with the creation of single management team:

	FTE	Total salary costs (including on-costs)
Total posts to be deleted	10.05	600,000
Total posts to be created	4	300,000
Total Savings	6.05	300,000

These savings will allow a 59% reduction in the number of management posts and a 51% reduction in management costs in line with the agreed Tri-borough design principles.

It is intended that Westminster City Council will employ the posts in the single management structure but no decision has been made as to where they will be based. Reducing staffing numbers will create additional savings from office space and overhead costs. Further work needs to be done to establish the level of these savings.

Service Efficiency

A detailed transactional model has been used to establish the number of staff that will be required for each of the Tri-borough **lending** libraries. All three authorities have had the opportunity to refine the model to ensure it reflects best practice and addresses local circumstances.

The model is based on a retail approach and looks at all tasks carried out in a lending library. All tasks are site based. Each task has been broken down by:

- Indicative time taken to carry out
- Frequency
- Volume

This has then been combined with a range of transactional data (including membership numbers, visitor footfall, opening hours, service points and building size and design) to predict the number of hours required to open, run basic services and close each library building. This has then been translated into full time equivalent posts.

A range of assumptions have been built into the model including:

- 3% Vacancy factor
- 3% Sickness rates
- 5 weeks a year leave

Outputs from the model are shown below. This table details existing staffing levels, staffing levels generated through the model and the difference.

Average salary costs are based on all non management front line staff and include on costs.

Authority	Opening Hours	Existing FTE*after sickness / leave	Model FTE	Difference
Kensington & Chelsea	279	42	37	-6
Hammersmith & Fulham	231	29	24	-3
Westminster City Council	586	77	73	-4
TOTAL		156	134	-13
Savings based on a average salary of £29,000				£377,000

Staff Harmonisation

Library service salaries currently vary widely across the three boroughs at all levels. Pay structures and employee terms and conditions are also different across each authority.

Analysis has been carried out to identify if savings can be made through harmonising salaries across authorities. A harmonisation arrangement would provide the same terms and conditions for all employees across Tri-borough.

More work is needed to look at harmonisation of actual duties and responsibilities carried out, creating generic job roles where possible. At present, the salary differentials may reflect different requirements in terms of skills and responsibilities from posts with the same job title.

Analysis was carried out by grouping 288.1 posts into 11 categories as per the table below. Roles have been categorised based on existing structure charts and salary bands. Front and back office roles have been separated and grouped in like for like role categories. Archives staff and staff in scope for the Single Management structure have been excluded as savings have been calculated separately.

	FTE in Category	Front or back office
Admin Assistant	11.7	Back
Admin Manager	5.0	Back
Area Manager	8.5	Front
Librarians	40.4	Front / professional
Library / CSA	131.4	Front
Managers – Other	2.5	Back
Outreach Worker	3.5	Front
Shelvers	0.7	Front
Site / Team / Customer Service Manager	26.7	Front
SLA / CSA Plus	55.2	Front
Weekend Assistants	2.6	Front
Total	288.1	

The effect of levelling all posts down to the lowest salary level (0%), up to the highest point (100%) and at steps in-between has been calculated.

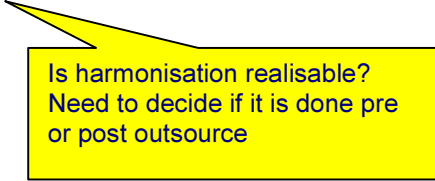
This analysis shows that savings are only achievable if posts are levelled down to the bottom 20 percentile of the salary spread.

A saving of £425,000 can be achieved if all staff in scope are levelled down to the lowest salary. This will affect 231 members of staff in total across all three authorities.

Whilst salary harmonisation is a logical development it is not appropriate to do this just for libraries so would need to be implemented in line with overall Tri-borough procedures and timescales. Also there are significant risks in pursuing

harmonisation in the absence of a proper consideration of different roles and responsibilities. These risks include reduction in quality of service, recruitment difficulties, and significant HR challenges. There has been no discussion or consultation with staff or Trades Unions on this (or indeed any of the proposals) and this will be an essential next step in taking this forward. As part of the agreed Chief Executive's protocols, in the short term, most front line staff will still be employed on their existing borough's terms and conditions.

During phase 2, work will be undertaken to create more generic job roles across the 3 boroughs. During this time the senior management team will be employed by Westminster and front line staff by their respective current authorities.



Is harmonisation realisable?
Need to decide if it is done pre
or post outsource

Sharing professional expertise

There are 154 posts delivering professional and specialist services across the three library authorities. These include:

- Librarians (both specialists and generic)
- Information specialists
- Stock specialists
- Community development professionals
- Reader development professionals
- Learning specialists

Further work is required to define the scope and level of professional expertise required for an integrated service, but it is clear that savings can be made through rationalisation and deployment of these specialists across the Tri-borough area.

Initial estimates indicate that up to £300K can be found through sharing professional expertise across the Tri-borough area. Further work will be required to quantify these savings within phase 2 (from June 2011).

Work still in progress on the structure and cost of an integrated middle management and archives teams.

Investment Requirements

The following investment costs will be required to realise the savings outlined in section 6.

Savings Area	Item	Cost	Details	Frequency
Staff reductions	Redundancy payments	500,000	Based on an average of £25k per FTE X 20 (estimated number of redundancies)	One-Off
Staff Productivity	Self Service implementation	Allocated in existing capital budgets		
All	Project Manager	104,000	Based on project resource at £400 per day for 12 months	One-Off
All	Capital Ambition Funding	-30,000	Successful funding bid	One-Off

IT implementation costs need to be considered.

6. Implementation

An integrated tri-borough library service will be delivered in four phases as outlined below:

2011/12											2012/13			
Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Q4	Q1	Q2	Q3	Q4
Phase 1			Phase 2				Phase 3				Phase 4			
<ul style="list-style-type: none"> • Definition and scope of workstream agreed • Programme mobilised • Production and sign-off of business case • Approval to proceed onto Phase 2 • Planning for Phase 2 • Mobilisation for Phase 2 • Feasibility report for archives 			<ul style="list-style-type: none"> • Operating model design for the creation of a single management structure • Implementation of a single management structure • Realisation of business benefits from a single management structure • Detailed design to create a single operational structure and staff group for a combined library service • Approval to proceed to Phase 3 • Planning for Phase 3 • Mobilisation for Phase 3 • Business Case for single Archives service 				<ul style="list-style-type: none"> • Implementation and rollout of single operational structure and staff group for a combined library service • Realisation of benefits from single combined library service • Approval to proceed onto Phase 4 • Planning for Phase 4 • Mobilisation of Phase 4 				<ul style="list-style-type: none"> • Options appraisal for new delivery/trading options • Detailed design for delivery/trading options • Production and sign-off of business case • Approval to proceed to implementation • Implementation and rollout of new delivery model • Realisation of benefits of new delivery model 			

7. Risks

The following are potential risks to what is a significant frontline, public facing service across all three boroughs. Actions to limit these potential risks are suggested, for inclusion in any implementation plan of a single library service.

Likelihood - 1 (unlikely) – 3 (highly likely)

Severity - 1 (minimal) – 3 (severe)

Risk	Impact	Action to mitigate	Likelihood	Severity of impact	Risk
Speed of implementation not sufficiently considered	Staff morale and turnover impacted leading to a reduction in service / deterioration in quality of customer service	Careful, planned implementation with a comprehensive stakeholder engagement plan in place to manage the period of change	1	2	3
Not getting governance and structure right and commissioning arrangements unclear	Single service with duplication, not realising economies of scale and inefficient service offer	Clarity over which services are commissioned by each borough, and to what level	1	3	3
Failure to resolve different aspirations across the three boroughs	Failure to agree core service specification and cost base leading to a delay in implementation	Establishment of robust governance arrangements from the start	2	2	4
Cost, resource, effort and time required to deliver a single service	Cost outweighed by benefits	Build in key milestones to agree progress to the next step, based on robust data. Thoughtful and planned implementation with clarity over potential (cashable) benefits	1	1	2
Level of savings overestimated in business case	Savings (or level of savings) not realised by any of the Tri-boroughs	Detailed estimation of savings required for each borough, and a plan of implementation	1	2	3
Complexity of funding arrangements in any borough makes cashable savings difficult to realise		Outcome of “corporate” Tri-borough business case to be used in drafting full business case and implementation plan	2	2	4
Corporate recharges insufficiently flexible		Planning and implementation to be modelled to enable ‘variables’ to be taken into account when calculating savings	2	2	4
Immediate action by individual authorities affects level of anticipated savings via a single service			1	3	4

Appendix 1 – Existing library service provision

	Kensington and Chelsea	Westminster	Hammersmith and Fulham
No of library buildings	6	12	6 – reducing to 4 over the next 12 months
Total opening hours (per week)	279	687	For 6 libraries 327 For 4 libraries 231
Libraries open on a Sunday	1	5	2
No of free access Public PCs	111	230	120
Home Library Service	Yes	Yes	Yes
Home Library Service members	304	619	175
Prison Library Service	No	No	Yes
Annual loans	922,054	2,400,000	670,000
Annual visits	1,185,535	2,500,000	1,100,000
Online Visits	266,000	2,500,000	257,266
Membership	40,035	86,991	30,926
No. of staff	85	167.44	69.5
Members of staff paid more than £60K	1	1	0
Self Service	3	11	2
Wi-Fi	4	12	1

Appendix 2 – Top 10 design principles

No.	Theme	Design Principle:
1	Sovereignty	Any design should be done so in full consideration of the Sovereignty Guarantee as laid out in the Tri-borough Proposal Report February 2011
2	Tri-borough	Departments should outline proposals for a 50% cut in managerial posts and 50% reduction in overheads and advise around any associated risks
3	Operating Model	The combined library service structure should be future-proofed as far as is possible and be agile and flexible to meet an ever changing environment.
4	Operating Model	Should have the minimum number of management tiers possible from top to bottom (say maximum of 5)
5	Operating Model	Optimum spans of control (say optimum target of 1:6 but could be more if deemed necessary/appropriate)
6	Operating Model	Back office functions to be minimised in terms of numbers and space occupancy
7	Customer	An ability to respond to local needs and circumstances, based on an assessment of local needs
8	Customer	A preference for an improved customer experience (e.g. one library card for all 3 boroughs) that may involve a change in relationship with increased self service but capable of at least maintaining the current levels of customer experience at less cost than can be delivered by the three boroughs individually
9	Finance	An ability to move to a unified set of contracts and a single property/assets strategy
10	Tri-borough	Boroughs will take the opportunity to radically redesign services drawing on each authority's strength

D: CORPORATE SERVICES

Proposals

Summary

Corporate Services are defined and managed in different ways across local authorities but generally are seen to encompass the following:-

Finance	Human Resources	Property
Legal	Organisational Transformation	Facilities Management
Committee Services	Programme Management	Business Support
Electoral Services	Internal Communications	IT
Policy	External Communications	Procurement

Tri-borough working requires us to think of new ways of managing these services. Some can no longer be managed in the silos of the three individual boroughs as there are too many interdependencies e.g. finance, IT, HR and organisational transformation. Others could be managed in silos but there may be economies of scale in bringing them together e.g. legal and facilities management. For some, the new Tri-borough service structures will necessitate change e.g. one Children's Services Department or one Adult Services Department may require the amalgamation of local support functions such as finance.

Other support services are best maintained locally for the moment i.e. corporate procurement, property services, committee support, electoral services, external communications, policy and business support.

Even where corporate services are amalgamated at the strategic level, there may be a requirement to have a local presence too e.g. HR and IT.

It is currently proposed that the following approaches are taken for each of the corporate services where a combined approach is recommended:-

Service	Short term approach (2011 to 2013)	Medium term approach (2013 onwards)
Finance	<ul style="list-style-type: none"> • Local s151 corporate finance arrangements • Some Tri-shared services e.g. Insurance, Treasury and Pensions • Some Bi-shared services e.g. Deputy Director of Finance shared between K&C and H&F • Shared finance arrangement for combined services e.g. Children's Services, Adults' Services and Libraries 	<ul style="list-style-type: none"> • To be reviewed again in 2013 • Potential for transactional services to be outsourced through Project Athena from 2013 (tendering to begin April 2011 – see annex for more information on Project Athena). Savings of £1 million projected.
HR	<ul style="list-style-type: none"> • Generally local arrangements • Some Bi-shared services e.g. H&F and K&C are considering the potential to bring some of their functions together • Explore opportunities for joint procurement of specialist services 	<ul style="list-style-type: none"> • Strategic HR to be combined from April 2013 • Local operational arrangements to remain in place, managed by the combined strategic function • Potential for transactional services to be outsourced through Project Athena from 2012 (tendering to begin April 2011 – see annex for more information on Project Athena). Savings of £1.4 million projected on top of the £1.5 million already built into the WCC budget..
IT	<ul style="list-style-type: none"> • Strategic IT to be combined by April 2012 • Generally local arrangements to remain as they are • All individual IT systems in the future to be procured on joint frameworks 	<ul style="list-style-type: none"> • Framework contract to be in place for outsourced IT management service for 2014 (end of WCC's Vertex contract) • IT services to be jointly managed by an outsourced contract, or alternative, single in-house supplier by November 2016 (end of H&F's HFBP contract) • Project Athena to provide the basis for bringing together support services through shared, managed services.

Service	Short term approach (2011 to 2013)	Medium term approach (2013 onwards)
Property and Facilities Management	<ul style="list-style-type: none"> • Generally local arrangements to remain as they are: some opportunistic savings in property portfolio and relocations of tri-borough services 	<ul style="list-style-type: none"> • Rationalising office space • Sharing other facilities such as depots • Framework contract to be in place for outsourced FM contract from April 2013 • Potential for transactional services to be outsourced through Project Athena from 2013 (tendering to begin April 2011 – see annex for more information on Project Athena)
Legal	<ul style="list-style-type: none"> • Current Bi-borough service between H&F and K&C to be further integrated e.g. employment law, planning law and other areas as appropriate • Hard and soft partnership models with private practice to be explored on a Tri-borough basis 	<ul style="list-style-type: none"> • Shared Adults and Children's legal teams need to be considered to support the new combined services in 12/13. WCC tied into contract until 2013 • Overall position to be reviewed again in 2013

The short term approach will not yield the target of 50% of management savings but this will be achieved in the new operating models to be in place by 2014 (2016 for IT). A period of adjustment is required for the support services to realign their operating models across the three boroughs. There will be a disproportionately high call on support services during the period of change to tri-borough working (say to 2014), followed by significant reduction in requirement post-2014 when the three organisations will be both more stable but also significantly smaller in the light of the predicted scale of the expected government funding reductions over the next three years.

The savings currently predicted by the Corporate Services as resulting from Tri-borough working are as follows.

	2012/13 £m cumulative	2013/14 £m cumulative	2014/15 £m cumulative
Finance	0.0	0.0	*1.3
HR	0.0	0.0	**1.4
IT (excluding business systems)	0.7	0.9	5.0
Property and FM	0.0	2.0	3.0
Legal	0.0	0.0	0.3
Total	0.7	2.9	11.0

* Finance savings of £1 million predicted from Project Athena.

** On top of savings of £1.5 million already built into WCC's budget for 2011/12.

It should be noted that savings have already been delivered by 2011/12 through Bi and Tri-borough working.

Savings delivered by 2011/12	H&F £m	K&C £m	Westminster £m	Total £m
Finance	0.070	0.050	0.000	0.120
Legal	0.125	0.125	0.000	0.250
Total	0.195	0.175	0	0.370

To date, the Tri-borough work has been achieved within existing budgets.

The IT work stream has identified that it may need a one off investment of £600,000 above existing budgets in 2011/12 but that from then on it should be possible to meet investment from existing budgets and by re-using £4 million of the savings in 2012/13 and 2013/14. The savings in the table above are shown net of this re-investment.

Project Athena may require some investment to support the procurement process but a bid is being submitted to Capital Ambition to assist as it is anticipated that this will be a London-wide framework agreement. The likely investment needed from the three boroughs is £750,000, although some of this is already built into individual business plans (£250K in place in Westminster).

Work streams

Finance

On insurance, the boroughs intend to let a single contract for their main external insurer with effect from 1 April 2012. Plainly the savings arising are unknown: because the market is not a very competitive one, we may simply mitigate an

increase that the boroughs would otherwise suffer. However we have assumed a saving of £0.3 million a year starting in 2012/13.

It should also be possible to make some modest staff savings and run the insurance function as a tri-borough service. In addition, it is estimated that Project Athena should deliver savings to the finance function of approximately £1 million in relation to transactional services e.g. by taking advantage of 'cloud' IT systems provision and moving services outside of London.

IT

Current arrangements

Current arrangements for IT support across the three councils are a mixture of in-house, service contracts and specific bought in services and supplies. Detail on this is not included in this summary. The table below sets out revenue spend and FTEs for the current IT arrangements in each of the three boroughs.

2011/12 budget	H&F £ '000s'	K&C £ '000s'	WCC£ '000s'
	Net		
Telephony & Data Network			
voice network	851	822	
data network	1,267		
telephone charges	232	325	
mobiles charges	459	178	
subtotal	2,810	1,325	1,900
Business Analysis & IT Strategy	367	195	590
IT Training	0	220	0
Procurement and Contract services	572		0
Business Continuity	115	96.5	0
Desktop Services	2,732	885.5	3737
Core apps			0
Line Of Business apps	4,906	2956	6600
Infrastructure Maintenance	0	712	0
Service Desk	416	326.5	0
Asset Management & Storage	418	157	0
Information Security	0	164	0
GIS	0	239	0
Management Reporting	0		
Remote Access	337		
Client side	92	83	
Total	12,763	7,360	12,827
Savings	-574	-362	-1480
Total less planned savings	12,189	6,998	11,347

NB in addition K&C and Westminster spend capital of £1.5m and £2.664m respectively.

Proposals

The aim is to develop an IT vision for the three organisations by April 2012 which realises the benefits of shared services through improved use of technology and delivers efficiencies produced by consolidation and convergence.

It makes sense to bring together the strategic IT function from April 2012 once Tri-borough working gathers pace to ensure that the IT strategies of the three boroughs are kept fully in alignment. It will not be possible in the short term to reduce the level of senior management input due to the outsourced nature of the current arrangements

Both Westminster and H&F have outsourced IT management. WCC's IT is provided by Vertex in a contract that runs to 2014. H&F's IT is provided by a Joint Venture Company with Agilisys, called HFBP, under a contract that runs to 2016. K&C has an in-house infrastructure management team coupled with line of business support teams using procured solutions.

It is intended to develop a framework IT contract, for the core infrastructure comprising end user devices, support and file storage, to be available by the conclusion of the current WCC Vertex contract. That would allow the three boroughs to gradually move to completely shared IT services. H&F would move to the new contract in 2016, at the end of the current HFBP contract. K&C could choose when to offer or adopt new arrangements any time after 2014. It is anticipated that the ability to share solutions under shared IT management arrangements would offer significant savings to all three boroughs.

In addition, 'line of business' applications for areas such as Adult Social Care or Children's Services need to be driven by the business itself. The business will decide how it wishes to operate and it will be necessary to develop an IT model to support it. This is likely to be based on strategic sourcing of required line of business systems through framework agreements that are available for all three boroughs.

In the meantime, every opportunity will be sought to align IT investment decisions, through framework agreements, to gradually facilitate a move to sharing on both infrastructure and business systems. It is anticipated that this will also deliver significant savings. One framework is already in place, for converged network managed services, and another will shortly be let for social care systems. The Athena project will establish frameworks for HR, Finance and procurement, property and asset management and Business Intelligence by April 2012.

The expected savings are set out in the table below.

Service Area	11-12	12-13	13-14	14-15	15-16
	£000's	£000's	£000's	£000's	£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	0	400	400	400	400
Gross savings	0	2700	5300	8660	9860
Investment	-600	-2000	-2000	0	0
Net savings	-600	700	3300	8660	9860

All three boroughs have investment funds available for IT development and an IT Strategy Board of the Heads of IT and the Directors of Finance for the three boroughs has been established to ensure that all future IT investment in each of the boroughs is aligned to Tri-borough working.

However, it is estimated that £600,000 beyond the current investment budgets is required in 2011/12. This can be 'repaid' in 2012/13 from savings anticipated. Further, the Heads of IT estimate that there is a need to re-invest £4 million of the 2012/13 and 2013/14 savings to meet the IT strategy needs.

It is impossible at the moment to allocate the savings to the three individual boroughs but the expectation is that they will be shared reasonably proportionally to current IT spend.

Risks

There are both downside and upside risks (opportunities) to a Tri-borough IT strategy.

On the positive side, there is an opportunity for enhanced innovation. IT is also particularly well-placed to benefit from economies of scale.

On the negative side, there is a risk of contracting with one operation to provide IT to all three boroughs and the consequences of that operation failing are potentially enormous. Although it is worth bearing in mind that the aggregate service will still be smaller than that of many County Councils

Information management and data controls may potentially be more challenging but not insurmountable when the IT infrastructure covers three boroughs. Information governance will be a key element of the work to be delivered with data sharing and strategies for information management being key and the most crucial element being the organisational culture.

Sovereignty will of course be recognised and the IT arrangements will allow the three boroughs to keep their separate identities when dealing with customers i.e. through the website, via e-mail, telephony or face to face customer services.

But for savings to be realised, infrastructure and systems must be shared, often through third party contracts, for five to seven years. This makes the arrangements difficult and costly to reverse, but not impossible as this can be built into contractual arrangements without compromising too heavily the financial benefits of shared services.

There are no equality impacts anticipated.

HR

Current arrangements

The following table sets out the arrangements currently in place to deliver the HR function in each of the three boroughs, both in terms of spend and FTEs.

	WCC	K&C	H&F	Tri-Borough
	£'000			
Senior Management	338	773	245	1356
Payroll	0	233	362	595
Pay & Conditions	0	0	109	109
Recruitment	0	488	241	1722
Advice	136		235	
Casework	50		244	
Employee relations	42		286	
Pay & Rewards	76	35	232	343
Diversity	0	0	69	69
I.T. Systems & Mgmt Info.	0	427	359	786
Business Support	36	0	108	144
External Contracts	1550	0	11	1561
Health & Safety	0	0	0	0
Employee Policy	59	0	0	59
Total HR spend (incl. Payroll)	2287	1956	2501	6744
Total no. of staff supported	5377	3648	5135	14160
Cost per member of staff supported (incl. Payroll)	£425.33	£536.18	£487.05	£476.27
Learning & Development	68	304	281	653
Employee Engagement	0	0	148	148
Total L & D and Engagement spend	68	304	429	801
Cost per member of staff supported by L&D and engagement staff	£12.65	£83.33	£83.54	£56.57
Total HR, L&D and engagement spend	2355	2524	2930	7809
Cost per member of staff supported by HR, L&D and engagement staff	£437.98	£691.89	£570.59	£551.48

Notes

- At K&C learning and development staff do not provide support to schools whereas H.R. staff do
- The cost of external contracts at WCC (that excludes schools) will reduce to £1.3m in 2012 and to £1.m in 2013.
- At H&F the recruitment spend will reduce by £100k following implementation of a proposed reorganisation

Analysis of HR spend

The items below are either traded or do not impact the General Fund.
These costs have only been captured by H&F and WCC

	£'000	£'000	£'000	£'000
Pensions	185	0	96	281
Schools Support	192	0	303	495
Occupational Health	51	0	62	113

	WCC	K&C	H&F	Tri-borough
	FTE's			
Management (to Head of Team level)	3.7	11.6	2	17.3
Payroll	0	5.7	7	12.7
Pay & Conditions	0	0	3	3
Recruitment	0	14.1	6	41.1
Advice	3.5		5	
Casework	1.5		5	
Employee relations	1		5	
Pay & Rewards	2	1	4.27	7.27
Diversity	0	0	1	1
IT systems & Mgmt Info.	0	10.5	6	16.5
Business Support	1	0	2.5	3.5
Health & Safety	0	0	0	0
Employment Policy	1.8	0	0	1.8
Total HR staff (incl. Payroll & Pensions)	14.5	42.9	46.77	104.17
Total staff supported	5377	3648	5135	14160
No. of staff to each member of HR staff (incl. Payroll)	370.8	85.0	109.8	135.9
No of staff to each member of HR staff (excl Payroll)	431.9	98.1	136.0	162.0
Learning & Development	2	7	4	13
Employee Engagement	0	0	2	2
Total L & D and Engagement staff	2	7	6	15
No. of staff to each member of L&D and engagement staff	2688.5	521.1	855.8	944.0
Total HR, L&D and engagement staff	16.5	49.9	52.77	119.17
No. of staff to each member of HR, L&D and engagement staff	325.9	73.1	97.3	118.8

Notes

- At K&C learning and development staff do not provide support to schools whereas H.R. staff do
- At H&F the recruitment F.T.E's will reduce by 2 following implementation of a proposed reorganisation

The items below are either traded or do not affect the General Fund. These have only been captured by H&F and WCC				
	FTE	FTE	FTE	FTE
Pensions	2.05	0	2	4.05
Schools Support	4	0	6	10
Occupational Health	1.65	0	1.4	3.05

Analysis of HR Full Time Equivalents (FTEs)

Westminster's HR service is outsourced with a small strategic function in-house. Both H&F's and K&C's HR functions are in-house with a few functions outsourced to specialist providers, i.e. pensions administration, employee assistance, agency staff management.

Proposals

A number of options are currently being explored:-

- Should a combined strategic HR function be established or should the strategic function be kept at borough level?
- Should the transactional HR service be outsourced through Project Athena, e.g. services such as provision of HR IT systems, payroll services, HR advice, statistical reporting, or should services be retained in-house.
- Should casework be outsourced, managed locally by an in-house team or centrally by an in-house team?
- Is it possible to develop closer working or shared arrangements in the short term in specialist areas?

All future procurement exercises for specialist services will be undertaken by way of framework agreements that all three boroughs can access. This approach has already been taken for the pensions administration service which is currently being procured.

Project Athena is a London-wide work stream, led by Westminster, that seeks to establish a framework agreement for London from which the transactional HR services can be drawn down. Westminster is keen to use this framework contract to replace its current Vertex contract in 2012/13. H&F and K&C have also agreed to participate in the procurement exercise to explore if the Project Athena framework contract provides a vehicle to amalgamate HR transactional services across the three boroughs and deliver savings compared to the current in-house provision.

It is anticipated that savings of £1.4 million are achievable from the HR stream of Project Athena, on top of the savings of £1.5 million already built into the WCC 2011/12 budget. It is impossible at the moment to allocate the savings to the three individual boroughs but the expectation is that they will be mainly shared between H&F and K&C given the scale of the reduction already made to the WCC budget. In this case, Tri-borough working will assist WCC to achieve the budget it has already set.

It is proposed that £750,000 (of which £250,000 is already budgeted by Westminster) is made available as a budget for Project Athena, which covers

Finance and Procurement, Property and Business Intelligence as well as HR. This budget will be required to cover business analysis and process standardisation, procurement costs such as legal expenses as well as operational costs i.e. HR and finance expertise. A contribution is also being sought from Capital Ambition given the London-wide nature of the project.

Risks

The key risk is that the HR services as they stand now are overstretched during this unprecedented period of change. All three councils are having to downsize at a speed not previously experienced and this puts an enormous strain on HR resources. This could have negative outcomes such as errors in process leading to employee claims or delayed delivery of savings.

A second risk is the timescales required to have the Project Athena framework agreement in place in time to replace the current Vertex contract in Westminster.

A third risk is one of losing talented HR staff owing to the uncertainty of future arrangements.

There is very little risk in relation to maintaining the sovereignty guarantee and arrangements would be relatively easy to reverse. The main Project Athena contract would tie the boroughs into these arrangements for a number of years but this is no different from the situation in other joint contracts, many of which operate with other boroughs, e.g. pensions administration is currently being tendered in conjunction with the London Borough of Brent.

There are no equality impacts anticipated.

Property and Facilities Management

On property, the boroughs hope to make savings from rationalising their data centres, depots and other such facilities. It may also be possible, subject to Councillors' views and planning restrictions, to re-locate a few facilities for residents within the three boroughs.

Probably more important will be the re-location of staff in children's services and adult social care to make savings in office accommodation. A total of £1 million is assumed to be saved from these opportunities by 2013/14.

On Facilities Management, the boroughs plan to hold a competition for one or more FM suppliers across the three boroughs with effect from April 2013. EC Harris have been appointed to advise on the optimal scope and packaging of such a competition and are due to report in mid-April. The savings will depend on competitive pressure on suppliers: a £2 million reduction in costs is assumed from 2013/14.

Annex - Project Athena

What is the project?

As part of the “Tri-borough” Authority agreement - Westminster, Hammersmith and Fulham, and Royal Borough of Kensington & Chelsea have aligned themselves as Strategic Partners working on a number of different fronts to streamline services and deliver savings.

Joint working requires joint support service provision. Currently the three boroughs have different Finance, HR, Procurement and Property IT systems and arrangements and Westminster has outsourced a number of these services. Project Athena includes a programme of work to look at a fully outsourced managed solution for a number of corporate managed services that could provide a route to the three boroughs sharing these key support services.

This Project Athena workstream could also provide benefits across London. Although the core is based on the Tri-Borough councils, the project will provide a framework available to other named London Boroughs.

The target operating model for this project is for the three councils to use common processes and share access to multi-tenant, cloud-based, fully managed business services, used in the same way to deliver a shared support function. For avoidance of doubt this refers to a **fully outsourced** solution including the hosting and processing of transactions. Authorities will be purchasing an end to end managed service rather than a system.

The project is referred to as the Athena “**Managed Solution Stream**” which London Local Authorities can buy into under a framework agreement. The project will incorporate and build on some of the useful outputs expected from the other Athena streams such as standardised business processes and common chart of accounts.

A Tri-borough team will lead a single procurement under a framework agreement with the support of additional Athena Authorities. The procurement will be let in four “lots” for the following functional managed service contracts:

- Finance / Accounting / Procurement – end to end Purchase to Pay
- HR / Payroll
- Property / Asset Management
- Integration / Business Intelligence / Reporting

A managed service arrangement allows for flexibility, scalability, and a shared environment for handling and processing related transactions. Once delivered, this project will allow for a unique opportunity for participating councils to

rationalise, streamline, share resources, downsize, and ultimately work towards cost savings and reduced unit costs via convergence.

In summary, the proposition is to procure a four-year framework to provide for the letting of contracts up to five + two years for participating London Boroughs, allowing organisations to buy into the service at their convenience within the four year period.

The financial case

The financial case for a) converging three boroughs onto a single platform and b) moving to an outcome based managed service including staff and access to services is still being developed, given the relatively early stages around tri-borough working. That said, a conservative estimate of additional IT savings would be a replication of the Westminster savings model, with additional gains around reduced service provisioning although licensing is likely to remain broadly the same. On headcount, the efficiencies on HR have already been quantified in Westminster through market testing at £500,000 per annum and it is not unreasonable to assume a further gain of 10-20% against current costs through service consolidation across all three boroughs, rising further in line with a volume based scaling model as more councils join the service.

The next phase of the programme will quantify the staff and other service savings to be realised through shared services across the three boroughs, along with validation of the technology savings beyond just Westminster.

The ERP element of the business case is likely to provide a significant payback on technology alone, but the greater benefit will come from scaled managed services including headcount and access to provision through self service across finance, procurement, HR and property.

It is expected that the aggregate service will be lower cost and that an outcome based managed service is key to releasing efficiencies that historically have been constrained by varied local practices and prescribed technology solutions, both limiting the ability of the market to reduce cost whilst maintaining high quality provision.

Due to the potential London-wide benefits of the Athena Managed Solution Stream, a bid has been submitted to Capital Ambition for a contribution towards the procurement costs of £300,000. The bid is due to be considered by the Capital Ambition Board in May 2011.

E. ENVIRONMENTAL SERVICES

PROPOSAL FOR COMBINING SERVICES BETWEEN TWO BOROUGHES, ALLOWING WCC TO JOIN AT A LATER DATE

1.0 Executive Summary

- 1.1 This report recommends an interim Bi-borough approach between H&F and RBKC involving a phased introduction of a new senior management structure which will be effective by 1 April 2014.
- 1.2 This report outlines in-scope services, proposed structure, key Borough principles of working towards this model, indicative savings and timelines.
- 1.3 There are 29.5 senior management staff in scope between RBKC and H&F. This report proposes reducing senior management numbers to 15.5 over three years with a 48% reduction in the 3 top tiers of senior management across the two boroughs. This will reduce senior management costs by £1.33m, although not all of this reduction will result in revenue budget savings (see 6.3).
- 1.4 The senior management team of both Boroughs are in agreement about the principles contained in this report and have no significant areas of disagreement.
- 1.5 The Tri-borough HR work stream is developing a unified approach to combining posts. That work is still to complete and be agreed, so this paper proposes timescales based on the pre-existing processes in H&F and RBKC. Of these, the H&F process requires the longer period of consultation, so has been used as the default timescale.
- 1.6 We will continue to explore Tri-borough work where appropriate. The proposed interim structure in this paper is designed to allow scope for WCC to participate in an Environment Services delivery model across all three boroughs from 2014 (or earlier if appropriate).

2.0 Background

2.1 Current responsibilities for the environment family of services (and others currently out of scope across the various business units and departments providing environmental services at RBKC and H&F) are as follows:

RBKC:

Transport, Environment & Leisure Services	Parks and parks police; leisure centres; sports development with adults, arts; heritage and museums; events; waste management / recycling / street cleaning; some elements of community safety; street enforcement; highways; transport policy; parking; licensing; environment policy; climate change; ecology; tourism.
Planning and Borough Development	All planning functions inc. building control
Housing, Health and Adult Social Services	Environmental health & trading standards
Family and Children's Services	Libraries
Policy and Partnerships Unit	Community safety

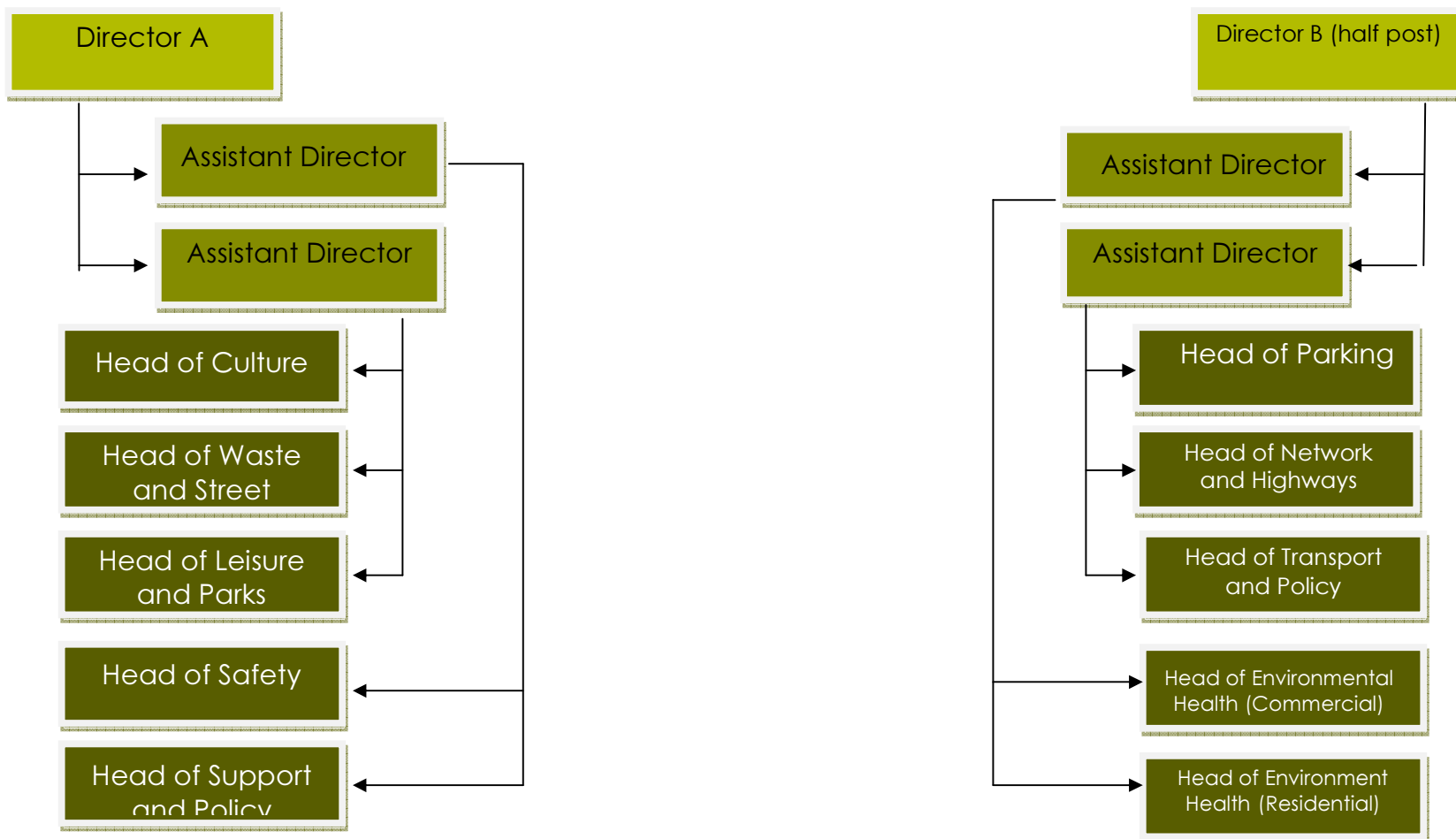
H&F:

Environment Services Dept	Planning, Building Control, Highways, Transport Policy, Parking, Environmental Health & Trading Standards, Licensing, Environment Policy, Corporate Health and Safety, Carbon Reduction/Climate Change, (plus Asset Management, Property Services, Facilities Management, Building Works and New Ways of Doing Business Corporate Transformation Programme)
Residents Services Dept	Libraries, Leisure and leisure centres, Sports development, Culture, Heritage, Arts, Events, Waste Management/Re-cycling/Street Cleaning, Street Operations (i.e. Community Safety, Wardens, Enforcement, Markets, Parks Constabulary) Emergency Planning, Corporate Resilience, Public Conveniences, Mortuary, Coroners Court, Registrars, Fleet Transport (plus Corporate Workforce, Customer Transformation Board, Market Management)

2.3 The current Senior Management cohort of the two councils in scope is as follows

		FTE
Tier 1	Director	2.5
Tier 2	Assistant Directors	6.0
Tier 3	Heads of Service	21.0
Total		29.5

3.0 PROPOSED SENIOR MANAGEMENT STRUCTURE



3.1 Proposed remit A:

Culture = Carnival, Opera, Arts, Museums and Heritage, Filming, Events
Waste and Street Enforcement = Domestic Waste, Trade Waste, Street Cleaning, Recycling, Disposal, Graffiti, Clinical waste, Street Enforcement, Markets

Leisure and Parks = Sports, Parks, Grounds Maintenance, Leisure Centres, Cemeteries, Ecology

Community Safety = Anti-Social Behaviour, Drug Action Team, Community Safety Policy and Delivery, Parks Police/Constabulary, Neighbourhood Wardens and Policing, CCTV, Security, Coroners, Mortuary, Fleet Transport, Registrars

Support and Policy = Emergency Planning, Resilience; Service Delivery Planning, Performance Management, Workforce Development, Equalities, FOI/EIR, Data Protection, Research and Consultation, Communications, Policy Development. This is for dept A although some of this support **may** be shared with dept. B.

RBKC single services

Carnival; Opera, Museums and Heritage, Ecology.

H&F single services

Graffiti; Neighbourhood Wardens; Fleet Transport; Registrars

3.2 Proposed remit B:

Parking = all parking functions, operation and back of house except permits administration

Network and Highways = all maintenance, project management, network management and construction functions

Transport and Policy = policy, capital programme and liaison with TFL

Environmental Health Commercial = Food safety team (including infectious disease and water supplies), training services, Trading Standards, all licensing functions

Environmental Health Residential = Private sector housing, noise and nuisance, environmental quality team, pest control team.

RBKC Single Services
Licensing, Environmental Health training

H&F Single Services

Planning, Building Control, Asset Management, Property Services, Building Works, Facilities Management (subject to outcome of corporate services property work stream), Technical support, IT liaison, Business planning, Change management & Transformation activity, Licensing

- 3.3 More work still needs to be done to agree the appropriate home for the Community and Public Health role of RBKC Environmental Health Services, corporate climate change work and Climate change staff and Corporate Health and Safety in both boroughs.
- 3.4 This report has included the combined management of licensing. Although previously out of scope due to sensitivities of place, officers believe that a service tailored to the local expectations of each borough can be most efficiently delivered under common senior management. An additional post of head of licensing at level 3 could be maintained for three years as an interim arrangement.
- 3.5 The proposed Senior Management structure represents a 48% reduction in the top three tiers of Senior Management

		Current FTE	Proposed FTE
Tier 1	Director	2.5	1.5
Tier 2	Assistant Directors	6	4
Tier 3	Heads of Service	21	10
Total		29.5	15.5

4.0 Borough Principles

- 4.1 It is recognised that there are different sovereignty priorities across RBKC and H&F. The proposed model will ensure that services are provided to meet local priorities and resident/customer expectations whilst enabling efficiency options to be explored and delivered where appropriate.
- 4.2 The key agreed principles which will underpin service delivery are:
- The structure will respect the sovereignty guarantee
 - Policy priorities and values for each Borough will be respected and delivered
 - There will be a principle of generic management and a localist-line as appropriate
 - The proposal will create a resilient and supportive management team
 - The proposal reduces management costs by 48% by 1 April 2014
- 4.3 The key values and priorities for each Borough will be as follows (but not necessarily mutually exclusive):

RBKC

- Protecting and enhancing the value of the streetscape as set out in our streetscape policy
- Promoting the borough's position in London's cultural life
- Protecting and improving our parks and open spaces as places for everyone to enjoy
- Improving the health of people living in North Kensington, improving and protecting the health of all through the Environmental Health Team
- Helping people feel safe
- Where we can charge, to deliver 'break even' services (commercial waste, cemeteries, leisure centres, markets etc.
- Delivering the smart council, efficient and creative with reduced resources

H&F

- Reducing crime and anti-social behaviour
- Cleaner greener borough
- Reducing council tax and providing value for money

In addition H&F is currently working to the 3 R's as driving principles which are:

- Reform public services without impacting on front line services and provision to residents/customers
- Restructure to reduce management
- Reduce the use of Assets and therefore building costs

5.0 Timelines

5.1 The following table outlines the preferred timelines for the transition to a Bi-borough model.

Activity	Date
Assistant Director Interviews*	Winter 2011
Assistant Director Appointments	From Spring 2012
Head of Service Interviews	Autumn 2012
Head of Services Appointments	From Winter 2012

*other than Highways & Transportation – to be recruited by Summer 2011

5.2 The timing of the recruitment and implementation of the two Director posts is still to be agreed, but appointments should be made early in the process and ahead of the AD interviews.

5.3 Until the completion of the restructure, capacity should be retained at level 2 and 3 (AD and Service Head) to support the programme management of the business cases and subsequent service amalgamations.

6.0 Indicative Cost Savings

6.1 The current cost of the senior management teams in both councils is shown in the table below:

	H&F	RBKC	TOTAL
	£	£	£
Tier 1	311,829	157,297	469,126
Tier 2	377,372	355,344	732,716
Tier 3	866,495	842,687	1,709,182
TOTAL	1,555,696	1,355,328	2,911,024

6.2 The proposed savings are based on the mid-point salaries, and will of course be dependent on the actual salaries and protected salaries of those appointed to the new posts. The table below shows indicative costs for the proposed structure:

	Mid point	FTE	TOTAL
	£		£
Tier 1	187,650	1.5	281,475
Tier 2	122,119	4.0	488,476
Tier 3	81,390	10.0	813,900
TOTAL		15.5	£1,583,851

6.3 Not all the financial savings included here will go to the bottom line general revenue account. Some, in the H&F highways trading accounts, will manifest themselves as reduced recharges and engineers' fees leading to savings on capital programme and project costs and thereby making TfL or developer funding stretch further. Further work is needed to separate out the revenue budget savings and project cost savings.

APPENDIX ONE SERVICE COMBINATION

This indicative timetable is shown to give a broad idea of how the work of combining services will be covered. The process will be finalised and signed off by the programme board and Lead Members of all councils. The start time for implementation is dependent on the recruitment of Assistant Directors and Heads of Service.

Quarter 1	Set up programme board. Allocate support resources
Quarter 2	Scope and Agree business case for Parking amalgamation Scope and Agree business case for leisure and parks client amalgamation Scope and Agree business case for emergency planning 3 borough amalgamation Scope and agree all support functions amalgamation
Quarter 3	Scope and agree leisure and parks contract amalgamation Scope and agree OHP externalisation Scope and Agree business case for highways and transport amalgamation Implement emergency planning 3 borough amalgamation Implement all support functions amalgamation
Quarter 4	Scope and agree domestic waste client amalgamation Scope and agree street cleaning client amalgamation Implement Parking amalgamation Implement leisure and parks client amalgamation
Quarter 5	Scope and agree waste contract amalgamation and timelines Scope and agree community safety amalgamation Implement highways and Transport amalgamation
Quarter 6	
Quarter 7	Scope and agree environment health amalgamation Scope and agree licensing amalgamation Implement community safety amalgamation Implement domestic waste client amalgamation Implement street cleaning client amalgamation
Quarter 8	Scope and Agree business case for special events 3 borough amalgamation Scope and agree arts and culture amalgamation Implement OHP externalisation Implement Environment Health amalgamation Implement licensing amalgamation
Quarter 9	Implement special events 3 borough amalgamation Implement arts and culture amalgamation

ANNEXES OF PART TWO - CROSS-CUTTING ANALYSIS

Annex A

ATTRIBUTING COSTS AND BENEFITS OF TRI-BOROUGH CHILDREN'S SERVICES ACROSS THE THREE BOROUGHS

Principles

The principles followed in this paper are those in the Proposals Report as put to Cabinet meetings of the three boroughs in February 2011, at Chapter 11 pages 78-79.

Transition costs

(1) There are three sorts of costs:

(a) Costs of staff exits

The reality is that if costs overall are to be reduced, then staff reductions are inevitable. Whether budget changes are planned on a single borough or a Tri-borough basis, compensation costs for redundancy and sometimes early retirement are an inevitable consequence. Considered staff reduction programmes do not seek to dismiss staff who are cheapest to compensate. Managers do tend to be more expensive to dismiss than front line staff but also earn more, so each dismissal contributes more to savings targets.

The Tri-borough argument is that **overall** the quantum of compensation costs will not be more in Tri-borough than single borough staff reductions (after controlling for differences in compensation deals across the three boroughs) , but this still leaves us with how to divide up such costs if they occur because of our commitment to a joint enterprise (see below at section 2)

(b) Costs of new business systems

Overall the contention is that on a standardised portfolio of business systems, moves on a three borough basis to “managed IT services” will yield savings and doing this on a three Council client basis improves these savings over what one Council acting alone could expect.

However this should not disguise the cost of integrating current diverse systems into single systems. In Children's Services this largely revolves around the central client record system. Discussions are ongoing about

options which include extending the use of RBKC's built-in-house system which could be extended without new procurement costs.

There will be relatively minor new costs for redesigning some website material, but these are de-minimus in the scheme of things.

No other new business system costs for Children's Services have been identified, but if requirements are identified these will need to be subject to a business case analysis at that time. All three Councils routinely upgrade and renew business systems on a rolling basis anyway.

(c) Costs of specialist consulting help to assist with change.

In order to assure the timely delivery of the cost savings and other benefits described in this report the changes that are recommended need to be properly organised and managed.

In many instances, especially at senior levels, the delivery of Tri-borough changes will form an integral part of managers' day jobs. Where additional temporary resources are needed (for project and programme management, for instance, or for business analysis) the Councils have committed to apportioning any ensuing costs fairly and meeting them from within existing cash limited budgets or ear-marked reserves.

(2) How to fund staff exit costs that fall as part of Tri-borough

This can still only be a theoretical model as actual redundancy costs only fall to be paid when it is clear what **individuals** are displaced and cannot be re-deployed into other acceptable positions. This will typically take some months after decisions to re-structure.

The key principle – established on P79 of the Proposals Report- is that costs, genuinely necessary as part of the Tri-borough plans, should be shared proportionate to the gains achieved.

Two worked examples

Let us imagine we have three specialist heads of services (e.g. of Adoption and Fostering, YOT, or something similar)

Stage 1

Amanda

works for H&F earns £60k

Jonathan

works for WCC earns £70k

Jane

works for RBKC earns £68k

Therefore the total pay bill is $60 + 70 + 68 = £198k$

Stage 2

The new job is evaluated at (say) £69k and Jonathan is appointed. Therefore the cost to each Council falls to $69 \div 3 = £23k$.

Stage 3

But two staff have to be made redundant and let us say there are redundancy costs as follows:

Amanda	£24k
Jane	£36k
Total	£60k

The proposition would be that the redundancy costs are split three ways, in the proportions that the boroughs gain.

Stage 4

H&F gains the difference between Amanda's salary of £60k and its part of the new salary - £23k or £37k.

WCC gains the difference between Jonathan's salary and the new salary share [$£70 - 23 = £47k$]

RBKC gains the difference between Jane's salary of £68K and the new salary share [$68K - 23K = £45K$]

Total saving for the three boroughs is $= 37 + 47 + 45 = 129k$

Therefore the three boroughs should share the transition costs of this proposed cost/post sharing as follows:

H&F	$37/129$ ths of £60k = £17,209
WCC	$47/129$ ths of £60k = £21,860
RBKC	$45/129$ ths of £60k = £20,930

Total of exit costs financed £60,000¹⁰ (i.e. all of the above at Stage 3)

Stage 5 – does this feel fair?

All three Councils reduce their ongoing costs by about 2/3rds. Those who reduce their costs most – by having the largest difference between original costs and new costs pay slightly more of the “costs of getting there”.

(3) Controlling costs to everybody’s benefit

1. We propose to use standardised redundancy costs, excluding any ‘extra’ exit costs caused by any Council’s more generous exit terms. It appears under certain circumstances, Westminster more flexible terms may produce slightly higher exit costs than the other two boroughs.
2. We intend to open up redeployment across the three Councils to reduce redundancy costs as much as possible.
3. This model deals with any Council who has no current post holder by reducing the likely total exit costs (only one likely redundancy not two) but assumes such a Council would have normally recruited so allocates shares of transitional costs in the same way.

Worked example 2 – senior management costs

The senior management for Children’s Services in each Council varies quite a lot, because some extra services are managed, or because of local choice. Councils have reduced management costs unilaterally in 2011/12 in anticipation of Tri-borough or through felt necessity.

A sufficient, but still affordable senior management structure in Children’s Services is necessary to ensure statutory lead members are properly advised and safe services are led and managed.

The current proposed senior management structure reduces the number of posts and costs radically from the 2010/11 picture.

Although the ‘gains’ are reduced if a comparison is made for 2011/12 and the proposed new structure, as Councils have variously ‘taken’ savings from 1/4/11.

¹⁰ Numbers are rounded.

For example in RBKC the budget element for a stand-alone single borough DCS in 2010/11 was £250k including on-costs and a PA. This has been reduced in 2011/12 to provision for an interim DCS, and no PA at £170k.

The 2011/12 savings risk distorting the proposed Tri-borough savings. Many, if not all, 2011/12 management savings ought to be considered as early Tri-borough savings because the Tri-borough talent sharing allows such savings to not critically affect resilience.

So the overall comparison with 2010/11 senior management costs looks like this:

2010/11 total 3 borough costs (tbc)
Proposed costs from 2012/13 (first full year) (tbc)
Posts 2010/11 (tbc)
Posts new structure (tbc)

For all three boroughs the further savings constitute the difference between current (ie. 2011/12 adjusted costs) and the proposed share of the new structure.

(4) What constitutes a fair share?

Deciding on how common costs (ie. the costs of management) ought to be shared requires choosing between options:

- (i) Using a common-sense denominator such as population size, or overall budget spend [implying Westminster might pay 40%; the others 30% each]
- (ii) Trying to anticipate time demands – are the Member requirements or activity demands different across the three boroughs [again client activity higher in Westminster].
- (iii) Charging back diaried time – rejected as too burdensome, and adding to overheads.
- (iv) Split according to historic records of overall management costs incurred by each borough – rejected as information not agreed.

The recommended approach is to simply split all management costs three ways.

(5) Splitting transitional costs for senior management

We need to guard against perverse incentives for Councils to hold back expensive retirements/redundancies to try to get the other two Councils to share costs, within the transition cost sharing “rules” of Tri-borough (see worked example 1 above).

I therefore recommend that any senior staff departures agreed either informally or formally before the formal agreement of Tri-borough proposals (due in May 2011) are paid for by the employing Council and are not shared.

Any exit costs needing to be incurred as part of a specific single management structure are included in the shared exit cost arrangements as in *Worked Example 1*.

As lead Chief Executive I will make initial decisions on costs falling in or out of the protocol. If these are challenged they will be referred for a second opinion from the three DFs, and if necessary to the Leaders’ Board.

(6) Attribution of continuing costs

The basic theology of Tri-borough services is not difficult. Councils ought to know what they are paying for and be able to pay for more or less according to a considered analysis and acting on advice.

This is no different than now and the current realities will also be present in the future combined service:

- A Children’s Service has many fixed costs – for children in care, or children with to plans for their safety
- Certain tasks have to be completed by suitably qualified staff
- There is a high degree of oversight by the regulator Ofsted
- There is an uncertain relationship between inputs (effort, persistence, time, skill) and outputs (parental performance; child safety and family sufficiency)
- Unpredictable demand, much of which cannot be ignored
- The realities of third parties (courts; doctors; police) adding to demands and therefore costs

We can therefore set out to improve confidence in what needs to be spent, options for efficiency and effectiveness and cost transparency but we need to recognise limits and also understand that no one Council can look to achieve certainty to the cost of the others. Where risks occur they will sometimes be shared.

The Proposals Report proposed that a total of £10.5m of costs/expenditure could be removed over four years without compromising reasonable standards of child safety.

But a reliance on a single management hierarchy will indicate that we have agreed to a common management ethos. It also fixes a minimum management cost for a period of time.

It follows that it is unlikely that the three Councils can expect further management savings over at least the next four years, and no one Council will be able to insist on these at any time without the agreement of the other two.

Assuming the total borough funding envelope is achievable, following the particular processes of each Council, this needs to be reconciled each year through an exercise in matching resource to policy priorities and service levels. I call this the “*mandate*”.

Through time we would want to move towards *costed mandates*, allowing better comparison of alternative programmes and better informed policy options.

Within the service there is an expectation that some currently directly managed services will, over time, be market tested – a process that itself illuminates costs and seeks price competitiveness.

(7) Dealing with unusual costs

Where the service faces unusual demands, these demands will normally be attributable to particular households. These costs will fall to the relevant Council, given its statutory responsibilities.

If the service faced particular “supply-side” costs (eg a flu pandemic leading to extra staff being drafted in or other expense) then the assumption would be that the Councils would ‘risk-share’ by meeting their share of the costs. On occasions a non-equal sharing of costs might be agreed as reasonable but in other circumstances the share would default to thirds.

In specialist services a more activity based charging model might be developed (eg. Adoption and Fostering) based on a charge to each Council for a completed episode. However we should avoid complex charging systems that design in perverse incentives.

(8) Usual Costs

Overall – for continuing costs in children’s services the attributable costs for the major components fall like this:

	Activity	Charge
1.	Safeguarding assessments, and case management	Discreet staff allocations for each borough agreed each year (as now). No change.
2.	Looked after children	Cost per child, more or less as now, though children in directly run children’s homes would be charged back at real cost per place. No change.
3.	Children’s Centres	Costs as now for each centre/service agreed by each borough. No change.
4.	Schools service	Bought back by schools. Trading risk if not outsourced, underwritten by the service.
5.	Council education services	Proportionate share of whole. Reduced before integration
6.	Specialist functions (YOT; Adoption/Fostering)	Proportionate share of whole, unless it is proven that one borough is a disproportionate user. With reduced management costs
7.	Services to help parents (eg. for children with disabilities)	As agreed and paid for by each borough (as now). With reduced management costs
8.	Commissioned services (transport; meals)	As per share of procurement specification Reduced by joint procurement
9.	Support and quality assurance staff	Proportionate share of whole Reduced overall
10.	Managerial costs	Divided by one third. Reduced by 50% overall

(9) Other benefits from combining services, leading to lower costs to be attributed

These are less easy to model now but will include:

- a) Lower prices from procurement – placement costs; transport costs; supplies; agency staff
- b) Lower expenditure by raising practice to the level of the best (avoiding children entering care; better management of active cases)
- c) More use of direct payments – leading to greater satisfaction and lower “pounds per case” figures
- d) Reduced costs from an overall increase in commissioning

Savings will occur to all but potentially in different proportions, depending on the current starting positions of boroughs.

(10) Other attributable continuing costs

Pensions

All three boroughs have different pension fund strategies. Directors of Finance are supervising to ensure staffing decisions are not the cause of any unforeseen costs or unfair burdens on individual funds.

Accommodation

All three Councils are trying to modernise, but downsize their office estates. This provides a good opportunity for smart decisions to be made about staff accommodation under Tri-borough.

(11) Attribution of one-off costs

There are two sorts of predictable one-off costs:

- (a) *Exit costs for staff* (after 2011/12)

It is assumed that where a Council wants to decrease its spend in a discreet part of the service that it specifies, it will meet the costs of change, as mitigated by any redeployment opportunities in the wider service.

(b) New IT costs

It is assumed that a suitable bid will be considered first by the host employer, then commended to the other two Councils who will need to be convinced. Again the business case will set out any argument for departing from a default share of one third.

(c) Periodic employment risk costs

All employers get occasional Employment Tribunal claims. All employers need to spend on recruitment, training and disciplinary events.

It will be possible to model these and ensure they can continue to be met from cash limited budgets. An overall reduced workforce should mean that overall these costs will fall.

Annex B

GENERAL LEGAL ISSUES

Introduction

This Section, agreed by the Borough Solicitors outlines the general legal issues which must be borne in mind when further 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. The issues outlined have been updated since the last report to take into account recent and proposed developments in the law and issues which have arisen from the discussions between the Boroughs.

Powers to Share Services

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.

(e) 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 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 aspect of LAML was not pursued in the the Supreme Court (see below) and therefore remains good law. However, it should cease to be a significant issue when local authorities are granted a power of general competence under clause 1 of the Localism Bill later in 2011/early2012 which will replace the well-being power.

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

(i) Provision of Services

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...”.

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.

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. The Teckal exemption has recently been applied by the Supreme Court in the LAML case.

(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 a s.95 company.

(ii) Variation of Contracts

As proposals for combined services emerge, consideration will need to be given to any procurement issues which arise from the need to vary existing contracts. For example, where an I.T. contract with a third party needs to be varied in order to allow additional staff to take the benefit of it. The Public Contracts Regulations allow for additional services to be provided under a contract where the need arises due to unforeseen circumstances and the services cannot for economic or technical reasons be provided separately without major inconvenience to the contracting authority provided that the additional services do not exceed 50% of the value of the original contract. Each case will need to be considered on its merits and any issues factored in to the structure of the new service as the flexibility granted under the Regulations and case law is not generous.

Employment Law Issues

It will be seen from the above that there are 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.

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 transferors 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

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

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.

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.