

## BUSINESS CASE FOR SHARED LEGAL SERVICES

### 1. EXECUTIVE SUMMARY

- 1.1. This report sets out the business case for creating a Shared Legal Services by combining Westminster's Legal Services and the Bi-borough Legal Services for Hammersmith & Fulham and Kensington and Chelsea. The creation of a Shared Legal Services will deliver significant savings to the three Councils. The savings projected over the next three years total £1.5m. The largest proportion of the savings will be achieved for Westminster clients given that the Bi-borough Service has already achieved significant savings in the recent past through joining up the service and sharing posts.
- 1.2. These savings will be achieved through the reduction of senior posts, savings in business support, savings in supplies and services through co-location, outsourcing routine work and bringing in more complex work that is currently outsourced through block contracts, that can be done at lower cost in-house.
- 1.3. In addition to achieving £1.5m savings over the next three years the creation of a Shared Legal Services with a new operating model will deliver other non cashable benefits.
  - Improved internal customer experience through the elimination of duplication and confusion. For example. Currently, all clients have to seek advice from two legal services on any Tri-borough report. There is concern that there is duplication of effort and cost due to the separation of the two services.
  - Increased productivity through the greater specialism that is achievable through bigger teams e.g. the combined property and planning team can be split into two discrete teams dealing with two separate areas.
  - Improved sharing of intelligence as lawyers work across three boroughs spotting and solving problems and applying the lessons from one borough to the others.
  - Improved productivity through the standardisation of systems and processes and adopting best practices from across the boroughs.
  - Opportunity for better commissioning and joint procurement of legal services and supplies.
- 1.4. A number of options were considered before we opted for the model presented in this business case and they are as follows;

- All legal work done in house – this is not realistic, as the service will still not be big enough to have the capacity or the range expertise for very complex cases
- All legal work outsourced – this would require a procurement exercise, is likely to be more expensive and this is not preferred by all three Councils
- A combination of in house and external provision – this is the preferred option
- Use of s101 of the LGA 1972 rather than s113 – this would involve identifying one of the three councils as the council which would TUPE all legal staff from the other two councils and have a trading arrangement in place. This is not preferred by all three Councils but can be considered in the future
- The setting up of an Alternative Business Structure (ABS) – the preferred option of creating a shared legal service if implemented provides an opportunity to create an ABS in the future
- Joint Venture or setting up of an Alternative Business Structure (ABS) with a private sector partner – this also remains an option that can be considered in the future and as mentioned above creating a shared service provides the opportunity and places us in a better position to do so

Please see section 5 below for further details on the options considered.

## **2. REASONS FOR DECISION**

- 2.1. The proposals described in this report deliver both significant savings and non cashable efficiencies that present a compelling business case for establishing a Shared Legal Services. Cabinet decisions at all three Councils are required to move forward and carry out the service changes.

## **3. BACKGROUND**

- 3.1. The Legal Services in Hammersmith & Fulham and Kensington and Chelsea became Bi-borough Legal Services from 2 April 2013 and previously a number of managers including the Director of Law held joint posts. Earlier this year Members / Cabinet commissioned reports with detailed business cases for Tri-borough Corporate Services including Legal Services. Subsequently Hammersmith & Fulham commissioned a review by a Critical Friends Board. This report sets out the business case for creating a Shared Legal Services joining up the Westminster Legal Services and Bi-borough Legal Services, taking into account the comments and recommendations of the Critical Friends Board, as set out in the covering Cabinet report.
- 3.2. At present, there are both similarities and differences between the Bi-borough operating model and the Westminster operating model. Both models involve a mixed economy, with legal services provided by both in-house staff and external providers. Both operate on a trading account basis.

- 3.3. The Bi-borough model involves most work being carried out in-house, on the basis that that is the best and most cost-effective form of provision, with external provision used where there is a need for particular expertise, or extra capacity. In Bi-borough Legal Services external provision is usually sourced through the LBLA (London Boroughs Legal Alliance) Panel of Solicitors and Barristers at a competitive rate.
- 3.4. The Westminster model involves a roughly even (by cost) split between in-house and external provision. Most external provision is delivered through term contracts rather than through use of a Panel. There are currently term contracts for legal support to procurement, routine civil litigation, routine conveyancing and debt collection.
- 3.5. The Westminster model, in accordance with recommendations made by PWC following a review of the service in 2011, involves a client/contractor split, with the Head of Legal Services acting as the commissioner of all legal services to the City Council, whether provided internally or externally, and with the in-house team engaging in trading activity with external public sector clients with a view to generating income to reduce the overall cost of the in-house service. While WCC legal service has successfully generated external income, to date this has been moderate.
- 3.6. After the 'in principle' decisions agreeing to the establishment of Tri Borough Corporate Services was taken by all three Councils' Cabinets in February 2014, both Legal Services have been engaged in developing a Target Operating Model (TOM). This has involved staff engagement as well as engagement with Council services which use legal services. The feedback from clients and staff have enabled the management teams in the two services to develop an Operating Model, which delivers both significant savings and non cashable efficiencies that creates a compelling business case for joining up and creating a Shared Legal Services.

#### **4. PROPOSAL AND ISSUES**

##### **Case for change including evidence**

- 4.1. WCC and Bi-borough Legal Services provide services to Tri, Bi and Single borough services. The client feedback is that Tri-borough clients have to seek advice from two legal services for example for contract or property matters. All clients have to seek advice from two legal services on any Tri-borough report. There is concern that there is duplication of effort and cost due to the separation of the two services. This is because a Bi-borough lawyer is not able to advise on behalf of WCC and vice versa even though the client is the same service.
- 4.2. In addition to that, not joining the services means that there is a loss of opportunity in gaining efficiencies, pooling resources, increasing capacity and intelligence. Clients' feedback has been that there needs to be more joining-up of back office support functions including Legal Services and a move to a simpler, more efficient and aligned model.

4.3. Running two services inevitably means that there are duplicate costs and by joining up some of these costs can be saved. The table below sets out the current costs of the service.

4.4. Table 1 – Current cost of the service (2014/15 budgets)

#### Internal Expenditure

£	WCC	RBKC	H&F	Total
Salaries	2,307,803	1,877,200	1,783,200	5,968,203
Supplies and Services	178,500	90,000	113,600	382,100
Other Internal Expenses	72,200	44,640	132,400	249,240
<b>Sub-Total</b>	<b>2,558,503</b>	<b>2,011,840</b>	<b>2,029,200</b>	<b>6,599,543</b>

#### External Expenditure

Bi Borough Social Care work	266,191			266,191
Sharpe Pritchard (Procurement work)	370,000	0	0	370,000
Sharpe Pritchard (Routine conveyancing work)	70,000			70,000
Devonshires	280,000			280,000
Other external Solicitors	204,000	0	0	204,000
<b>Sub-Total</b>	<b>1,190,191</b>	<b>0</b>	<b>0</b>	<b>1,190,191</b>
<b>Total (Internal &amp; External)</b>	<b>3,748,694</b>	<b>2,011,840</b>	<b>2,029,200</b>	<b>7,789,734</b>

#### Proposed operating model

4.5. The proposed operating model will involve combining the best features of both the Bi-borough and the Westminster model. It is proposed that three officers - a single Director of Legal Services, supported by two Heads of Division will provide the Monitoring Officer function for each borough and will lead a service which will provide a comprehensive legal service to all three boroughs as well as any external clients. In the light of the recommendations from the Critical Friends Board Hammersmith& Fulham may wish to designate a separate officer outside of the proposed Shared Legal Services, as the Monitoring Officer for the Council.

4.6. The vision of the new Shared Legal Services is to create a service where professionals are inspired to be the best that they can, continually improving and consistently providing value for money services to help clients to meet their aims and objectives. This vision has been articulated through staff engagement across the three Councils' legal staff.

4.7. The new Shared Legal Service will deliver the overall objectives of the Corporate Services as follows:

*Efficiency – maximising opportunities for savings*

- 4.8. Legal services will continue to maximise the opportunities for savings by reducing its internal overheads including business support arrangements and supplies and services cost. This will enable us to provide lower than the market hourly rates for legal work. We will ensure there is a single internal or external provider of legal services for those clients, which are already joined up, to avoid duplication. We will continue to identify all economies of scale. We will use a single case management system, which will enable us to work more efficiently. We will work with clients to reduce demand for legal services by helping clients to undertake more routine work.

*Simplicity – a standard and clear way of doing things*

- 4.9. Legal services will simplify and standardise processes wherever it is in the interests of clients to do so, whilst recognising that there are different political priorities and our clients' requirements may vary. We will develop a SharePoint site which will set out our processes so that clients can easily understand how to access legal advice and representation. We will identify main points of contact for different areas of law so that it is simple to access legal services.

*Transparency – costs and service standards are explicit and well understood*

- 4.10. Legal Services will ensure the cost of the service to the client is transparent and easy to understand, working towards a single trading account across the three boroughs. We will explain the traded service model to clients who are new so that clients understand their role in the model. We will develop monitoring reports for clients that will be timely and enable clients to plan their budgets.

*Assurance - to enable effective decision making, and Sovereignty – enabling sovereign decision making*

- 4.11. Legal Services will continue to support the democratic decision-making process by keeping the Constitutions up to date, advising on decision-making processes, providing legal implications for all key decisions and attending Council, Cabinet and other committees. We will work closely with clients on major, complex or controversial decisions to mitigate the risk of challenge. We will advise Members and clients to enable sovereign decision making. This may involve separate lawyers advising Councils separately if there is a potential for dispute or seeking independent external advice on parts or whole of the work if necessary.

*Satisfaction – for the people we serve*

- 4.12. Legal Services will work to agreed standards and service commitments to achieve client satisfaction. We will meet with clients regularly to check if they are satisfied with the work that we are doing, the level of support provided and assess current and future demands for work so that we can plan to provide the right level of support. We will undertake client satisfaction surveys on completion of cases. We will address any areas of concern promptly and build on areas of

good practice. We will communicate with clients to ensure that we have properly taken on board their comments and made the necessary improvements.

#### *Target Operating Model*

- 4.13. The Target Operating Model is a template used to develop the business model. The proposed operating model will involve retaining a mixed economy of internal and external legal resource. Where work is currently provided externally to Westminster and by the in-house Bi-borough service to RBKC and H&F, there will be a move to a single provider for each area of work across the three boroughs, the decision being based either on a business case to bring it in-house (as with the recent bringing in-house of social care legal support to Adults and Children Services) or outsourcing following a tendering exercise.
- 4.14. The LBLA external panel of solicitors, mentioned above will be used as and when there is need for expertise or extra capacity. WCC will be able to access the LBLA panel of solicitors and barristers as part of a shared service.
- 4.15. The service will continue to undertake work for external public sector clients, currently only (a moderate amount) being undertaken by WCC, seeking to use the increased capacity and skills available in a larger shared service to enhance the offer and increase external income.
- 4.16. We will harmonise the hourly charge rates for all internal clients and apply a differential charging rate for internal and external clients to maximise external income. The service will be able to achieve economies of scale in the re-procurement of legal on-line resources through stronger purchasing power.
- 4.17. In terms of structure – teams will be combined to increase resilience. At this stage of creating a shared service we are not proposing a reduction of staff numbers other than managers. This is because we need to assess workloads and whether combining the services releases sufficient capacity to reduce the establishment. The need for any reduction in staff numbers will be reviewed for implementation during 2015/16. However, applications for voluntary redundancy will be considered on a case by case basis and accepted if the workload can be absorbed or the person can be replaced at a lower salary making additional savings.
- 4.18. There will be a reduction of two managers including one Director and one post at the level below the Director. In the longer term there will be a potential for a further reduction in the number of managers. We will aim to work on the basis that there will be spans of control of no greater than 10 -12. However, in the short term some managers may manage slightly greater numbers of staff.
- 4.19. The potential for joining the three trading accounts will be investigated to simplify the processes further. Any external spend on legal provision across the three Councils will need to be agreed by the Director in a gatekeeper role in order to eliminate unnecessary legal costs. Legal services will work with departments to reduce their demand for the service.

4.20. The Director will be the main point of contact for the three Chief Executives and all the Executive Directors. However, the Heads of Division will lead on distinct areas of law and the Chief Executive and the Executive Directors will be able to contact them directly on those areas. The next level below the Heads of Division, who will be team leaders or principal lawyers, will be the main point of contact for senior officers and other important stakeholders. Other officers will contact lawyers that they deal with regularly in their area of expertise. As part of the negotiation of the final terms with the other two boroughs there will be a thorough review of sovereignty and oversight issues to make sure that the relationships between the three partners avoid conflicts, do not impede sovereignty and ensure effective and efficient oversight of the work of the new body.

4.21. The Director of Law will attend all Council and Cabinet meetings but, if unavailable, cover will be provided by the two Heads of Division. These three senior officers will attend other Committees as required. The Director will attend regular meetings with the Cabinet portfolio holder in RBKC and WCC (Policy Board in RBKC and the Cabinet Member for Finance, Resources and Customer Services in WCC). Such meetings are not required in LBHF. However, in LBHF the Director will attend Officer Briefing Boards as required as well as other Member Group meetings as requested. The Director will also attend the Strategic Executive Board and Informal Cabinet/SEB at WCC as and when required. All senior staff will be involved in responding to Member queries and provide briefings.

#### *Nature of legal work to be undertaken*

4.22. The broad nature of the legal work to be undertaken can be summarised as follows:

- To act as the principal legal service, ensuring all three councils deliver services and meet statutory obligations in a manner that is lawful, cost-effective and responsive.
- To ensure that departments and business boards receive professional legal advice, advocacy and litigation services that cover for example: planning; social welfare; child-care; housing; education; employment; property and conveyancing; contracts; public-private partnerships and joint ventures, in addition to all local government legislation.
- To provide high quality legal advice to all three councils, individual councillors, chief officers and senior managers, including personal attendance and advice at business boards, cabinets and major committees.
- To provide and ensure there is a statutory Monitoring Officer for all three councils, until alternative provisions are made in Hammersmith and Fulham.
- To ensure all three councils maintain effective corporate governance and compliance with the requirements of LGA 2000 and other relevant legislation in respect of the councils' constitutions and decision-making processes.
- To ensure that the councils' corporate governance frameworks are reviewed and modified as necessary, to meet legislative requirements as set-out from

time to time, including those relating to effective governance and scrutiny services.

- To appoint and oversee the input of counsel and external, specialist legal advisers as required, in respect of specific projects and caseloads acting in the interest of the clients.
- To ensure that effective casework management and quality assurance systems are in place to enhance transparency and accountability.
- To act as key adviser to the councils and their Members on issues of ethics and probity.

4.23. The WCC term contracts for procurement, routine civil litigation (housing), routine conveyancing, and debt collection work are all coming to an end at the end of this calendar or financial year (December 2014 or April 2015). In the Bi-borough service, some of this work is completed in-house suggesting the skills are abundant and staff could potentially absorb the WCC work along with their own. The work to bring this work in house and deliver savings has been on hold pending a decision about shared services.

4.24. It is a clear principle of the future service to outsource areas of legal work if it is genuinely cheaper for clients for it to be outsourced. In defining the scope of the future shared service, comparative analysis has been undertaken to determine if the framework contracts could be better value to WCC or whether it would be cheaper if they were completed by the shared in-house team. We also looked at work, which is routine and bulk, which may be more cost effective to externalise for all three councils achieved through economies of scale. We have summarised our analysis below:

a) Outsource Debt collection including service charges:

4.25. It may be possible to outsource LBHF and RBKC debt work including LBHF service charges litigation. This requires further detailed analysis. It will also be necessary to look at the possibility of including WCC Rent Possession cases in a package with debt cases. This is because high volume LBHF rent possession work transferred to H&F Direct with effect from 1 April 2014. The RBKC Tenant Management Organisation has a lower number of cases and shares these with an external solicitor. The estimated saving from this out-sourcing will be confirmed later.

b) Procurement and routine conveyancing

4.26. Currently all WCC procurement legal work is outsourced on a block or term contract to Sharpe Pritchard. That contract comes to an end in April 2015. The Bi-borough in-house team undertake most of the procurement and contract work in-house and only outsource major projects such as Total Facilities Management and Managed Services, and this will continue to be the case. We propose to bring in the work currently done by Sharpe Pritchard and an initial analysis suggests that this would enable us to achieve a net saving of £190k. Bringing in the contract work may have TUPE implications and this has been accounted for



in arriving at the net savings. These savings can be achieved through coming out of a block contract and by directly charging clients for the actual work done on lower hourly rates by the new shared service.

- 4.27. We show our calculations for this work in the Assumptions section paragraph 4.52 below.
- 4.28. Furthermore, Sharpe Pritchard currently undertake a small number of routine conveyancing cases and we propose to bring that work in-house to be absorbed within the property team and save a further £70k. Bringing in the conveyancing work is unlikely to have any TUPE implications. The work will be absorbed by our current staff resources.

c) Routine civil litigation (housing)

- 4.29. This work includes routine housing cases, including rent and general possession actions and nuisance possession and ASB injunctions. Housing work is currently done in house by the Bi-borough Housing and Litigation team for the LBHF Housing Management function and the RBKC TMO. The team also provides training and advice for these clients.
- 4.30. This work is currently outsourced in WCC. It is difficult to compare the housing cases on a like for like basis due to different way of working and recording case types. Where we can compare like for like, an analysis of case types shows that in some areas in the financial year 2013/14 the Bi-borough service dealt with a higher volume of cases at lower average price per case than the WCC main contractor.
- 4.31. The above analysis shows that the Target Operating Model and the proposed changes set out above will deliver significant efficiencies and savings for the Councils. Further details of savings are set out in a table later in this document.

d) Staff re-structure

- 4.32. The deletion of one of the two Director posts is proposed, to achieve a minimum annual saving of £163K including on costs. The Future Director's salary (£132K including on costs) will be split 3 ways equally. Table 3 shows the net difference for each council. WCC reducing their single salary to one third of a lower salary. The other councils reducing their salary costs for this post from a half to one third.
- 4.33. The proposed structure will involve two Head of Division / Monitoring Officer posts reporting to one Director of Law/ Monitoring Officer, unless Hammersmith and Fulham wish to appoint a separate Monitoring Officer, in which case there will be a cost implication for H&F but not the other two boroughs. In addition to the deletion of one Director post, one corporate lawyer post will be deleted, generating a saving of approx. £96k for WCC – see row no 2 in Table 3. Each Head of Division would lead on one of two areas of law, for example litigation and

social care type work on one hand and contract, planning, property type work on the other.

- 4.34. The Bi-borough Legal Service has completed a restructure of its Business Support Staff, which will deliver an estimated saving of £180K. Further savings can be achieved through the proposed new shared services structure, especially but not wholly from the Business Support managers. There will be five managers in the combined Business Support team and potentially this could go down to four or possibly three. This could release a further saving of £50,000 to £100k in future years – see tables 4 and 5 below.
- 4.35. Several vacant posts, which are budgeted for have been deleted as they are not needed in the new structure. However, as a result until the joining up happens we are not at full capacity.

### **Benefits from the new operating model**

- 4.36. The creation of a shared Legal Services will deliver significant savings to the three Councils. The savings projected over the next three years is £1.5m. The largest proportion of the savings will be achieved for Westminster clients given that the Bi-borough Service has already achieved significant savings in the recent past.
- 4.37. In addition to the savings, one of the main benefits of the new operating model will be elimination of duplication and confusion. There will be cashable and non-cashable efficiency savings. There will be the opportunity to share and adopt good practices from each of the three authorities.
- 4.38. The new operating model will provide sustainability of the service, which independently are too small to realise the benefits. There will be the opportunity for better commissioning and joint procurement of legal services and supplies. Shared intelligence will be a key benefit as lawyers work across three boroughs spotting and solving problems and applying the lessons from one borough to the others.
- 4.39. Improvements to productivity will be realised through greater specialism that is achievable through bigger teams e.g. the combined property and planning team can be split into two discrete teams dealing with the two areas. The standardisation of systems and processes and adopting best practices will improve productivity.
- 4.40. In addition to planned savings through joining up there could be further unplanned savings through attrition or organic development as has happened in the Bi-borough Legal Services.

4.41. Table 2 – Proposed new cost of service across three boroughs

**Internal Expenditure**

£	WCC	RBKC	H&F	Total
Salaries	1,968,040	1,696,867	1,475,762	5,140,669
New Posts from TUPE	180,000			180,000
Supplies and Services	100,000	75,000	100,000	275,000
Bi borough Social care work	266,191			266,191
Other internal expenses	72,200	40,000	132,400	244,600
<b>Sub-Total</b>	<b>2,586,431</b>	<b>1,811,867</b>	<b>1,708,162</b>	<b>6,106,460</b>

**External Expenditure**

Bi Borough Social Care work	0	0	0	0
Sharpe Pritchard (Contract work)	0	0	0	0
Sharpe Pritchard (Conveyancing work)	0	0	0	0
Devonshires	280,000	0	0	280,000
Routine debt collection work				TBC
Other external Solicitors	204,000	0	0	204,000
<b>Sub-Total</b>	<b>484,000</b>	<b>0</b>	<b>0</b>	<b>484,000</b>
<b>Total (Internal &amp; External)</b>	<b>3,070,431</b>	<b>1,811,867</b>	<b>1,708,162</b>	<b>6,590,460</b>

**Analysis of savings including phasing across 2015/16 and 2016/17**

4.42. The tables below exemplify the 2014/15 service costs and new service costs, including split between boroughs, in order to derive savings, which should be split between:

- assured savings – i.e. delivered as part of this reorganisation
- projected savings – i.e. expected to be delivered through this proposal
- possible (not being included specifically in the business case this time round)

The rationale behind how the savings have been allocated can be found in the Assumptions section, from paragraph 4.49 onwards.

4.43. Table 3 – Net Savings for 2015/16

£	WCC	RBKC	H&F	Total
<b>Assured savings</b>				
1 Director Post	120,000	23,000	22,000	<b>165,000</b>
1 Second Level Post	96,000			<b>96,000</b>
Business Support Team Review		90,000	90,000	<b>180,000</b>
1 Post Potential VR	56,430			<b>56,430</b>
Deleted posts			128,105	<b>128,105</b>
<b>Projected savings</b>				
Net saving from Sharpe Pritchard Contract work coming in (including the cost of the possible TUPE staff)	190,000			<b>190,000</b>
Net saving from Sharpe Pritchard Conveyancing work coming in	70,000			<b>70,000</b>
Savings from supplies and services	78,500	15,000	13,600	<b>107,100</b>
Savings from Other Expenses	0	4,640	0	<b>4,640</b>
Bi-borough departmental saving from reorganisation of Social Services work*	0	163,220	102,971	<b>266,191</b>
<b>Total</b>	<b>610,930</b>	<b>295,860</b>	<b>356,676</b>	<b>1,263,466</b>

\*Note: The £163k saving to RBKC and £103k saving to H&F are both social services departmental savings which result from bringing in house legal support which was previously outsourced by WCC to Creightons. These savings are shown here because they are being enabled by the RBKC and H&F Legal teams taking in the outsourced work and creating a joint three borough team, including staff who would have otherwise been TUPE'd to WCC. The equivalent saving to WCC from bringing the Creightons work in-house is not shown as the WCC saving has already been realised/allocated.

4.44. Table 4 – Net Savings for 2016/17

£	WCC	RBKC	H&F	Total
<b>Projected savings</b>				
1 Business Support Manager	23,667	23,667	23,667	<b>71,000</b>
1 Litigation Manager	28,000	28,000	28,000	<b>84,000</b>
<b>Possible savings</b>				
Out-sourcing routine debt and service charge work (Devonshires)				<b>TBC</b>
<b>Total</b>	<b>51,667</b>	<b>51,667</b>	<b>51,667</b>	<b>155,000</b>

4.45. Table 5 – Total savings for 2017/18

£	WCC	RBKC	H&F	Total
<b>Projected savings</b>				
1 Business Manager	15,667	15,667	15,667	<b>47,000</b>
<b>Total</b>	<b>15,667</b>	<b>15,667</b>	<b>15,667</b>	<b>47,000</b>

4.46. Table 6 – Total 3 year savings for 2015/16 to 2017/18

£	WCC	RBKC	H&F	Total
2015/16	610,930	295,860	356,676	1,263,466
2016/17	51,667	51,667	51,667	155,000
2017/18	15,667	15,667	15,667	47,000
<b>Total</b>	<b>678,263</b>	<b>363,193</b>	<b>424,009</b>	<b>£1,465,466</b>

### Implementation costs

4.47. We anticipate the following costs to occur in 2014/15 as we implement and establish the shared service. It should be noted that some programme management cost has already been incurred and needs to increase due to the delay in implementation by a further £50,000 in addition to the amount set out below..

4.48. Table 6 – The costs associated with implementing the new service proposals

£	WCC	RBKC	H&F	Total
Redundancy	Standard redundancy payment calculation to be used			<b>0</b>
Capital cost of pensions	Standard capital cost of pensions calculation to be used			<b>0</b>
ICT – sharing Winscribe digital dictation – one off cost	500		500	<b>1,000</b>
Programme management	17,000	17,000	17,000	<b>51,000</b>
Other costs -customisation of the case management system ie tri-borough workflows	10,000	10,000	10,000	<b>30,000</b>
Cost of relocation	10,000	10,000	10,000	<b>30,000</b>
Business Process Improvement/ Training	10,000	10,000	10,000	<b>30,000</b>
<b>Total</b>	<b>47,500</b>	<b>47,000</b>	<b>47,500</b>	<b>142,000</b>

## **Assumptions**

- 4.49. There is an assumption that a single case management system will soon be in place across the three trading accounts. This will allow staff to work on one system for all clients and issues. It will streamline reporting and invoicing between councils. It will be cheaper to support one system rather than three provided by different suppliers. It will allow staff resources to be used more flexibly across the three Councils, enabling managers to respond to peaks and troughs in workloads more efficiently and quickly, allocating cases where there is capacity, regardless of location.
- 4.50. A further benefit of having one system will be the ability to adopt consistent business processes and use the same workflows and templates across both authorities. This will help improve the quality, consistency and efficiency of the services delivered to clients in each authority. Staff have continued with the project and the system is due to go live in December 2014 in WCC. In Bi-borough the system is not yet delivering the full benefits because we continue to suffer post implementation technical problems caused by the two IT environments. Some further investment is needed to develop the system to realise the full benefits.
- 4.51. A second assumption is that the bulk of the service is co-located in Kensington Town Hall (KTH) with satellite offices at WCC and H&F. KTH is able to host the bulk of the service in a single location, bringing the teams together efficiently to ensure savings and streamlined operational processes are delivered as early as possible. There will continue to be lawyers present on a daily basis in both Hammersmith Town Hall and Westminster City Hall.

### Sharpe Pritchard Savings

- 4.52. We have calculated the savings for bringing the contract work in-house. The Sharpe Prichard contract is valued at £370K which we have calculated can be delivered for £180K by 3 FTEs. We may be required to TUPE the three staff from Sharpe Pritchard but this has been factored into our costs.

## **Risks and mitigation**

- 4.53. There are no significant risks to sovereignty. This has been proven by the Bi-borough service. There will need to be a conflict protocol, which is easy to put in place. The protocol would deal with what happens if a conflict situation arises. One way to deal with this is to separate the legal representation and set up walls within our case management system so that the information cannot be shared. Also if necessary a matter can be outsourced complete to deal with any contentious disputes.
- 4.54. One of the principles of a shared service is that advice should be consistent. This may have implications for a shared Legal Service which will be advising three

authorities which have very different policies, priorities and approaches in a number of significant areas (eg planning, licensing). Just like an external firm of solicitors, which deal with multitude of clients with different policies, we are also able to tailor our advice to the three councils.

- 4.55. In any merger of organisations the biggest challenge is integration. Having the majority of the team working together and using the same systems in the same management structure will help integrate the team, build morale and motivate and create efficiencies and excellence, But other issues will need to be addressed over time to create coherent business including developing common IT systems and working methods and standardising and integrating pay and conditions.

### **Timetable**

- 4.56. The original go live date was to be 1 October with a four month lead in period starting in July. The go live date has been re-set but the lead in period eg for consultation can be shortened. This will avoid unnecessary delay. Therefore the proposed timetable has been updated as follows:

- |                     |  |
|---------------------|--|
| • July              | Prepare consultation documentation   |
| • August - October  | Informal staff engagement, workshops and activities  |
| • 1 December        | LBHF Cabinet   |
| • TBC               | RBKC Cabinet – report may have to follow   |
| • 15 December       | WCC Cabinet  |
| • 10 December       | Go live on shared services structure   |
| • 5 January         | Start formal consultation on structure and location  |
| • 30 January        | Close of three-week formal consultation  |
| • January           | Interviews for Director post   |
| • January/ February | Co-location (Date tbc)   |
| • February - March  | Embed structure, manage on-going change, review workloads, Evaluate performance and service delivery. Develop new processes etc. |

## **5. OPTIONS AND ANALYSIS**

- 5.1 In summary the options considered for a shared or other legal service were

- All legal work done in house – this is not realistic, as the service will still not be big enough to have the capacity or the range expertise for very complex cases
- All legal work outsourced – this would require a procurement exercise, is likely to be more expensive and this is not preferred by all three Councils
- A combination of in house and external provision – this is the preferred option
- Use of s101 of the LGA 1972 rather than s113 – this would involve identifying one of the three councils as the council which would TUPE all

legal staff from the other two councils and have a trading arrangement in place. This is not preferred by all three Councils but can be considered in the future

- The setting up of an Alternative Business Structure (ABS) – the preferred option of creating a shared legal service if implemented provides an opportunity to create an ABS in the future
- Joint Venture or setting up of an Alternative Business Structure (ABS) with a private sector partner – this also remains an option that can be considered in the future and as mentioned above creating a shared service provides the opportunity and places us in a better position to do so

Please see below further details on the options considered.

- 5.2 The preferred option is a combination of in-house and external provision (a mixed economy model). This will allow the development of a strong in house team but recognises that an in-house team will not have the required level or range of expertise in certain areas. For example major regeneration or outsourcing projects may require expertise in tax, pension or company law. In such instances the in house team would work in partnership with private firms procured following a competitive process. The mixed economy model also recognises that where there is insufficient capacity within the in-house team (due to workloads) and there is an option to use external support.
- 5.3 All three authorities have in house teams which it wishes to maintain. Recent experience with the social care work, which was outsourced but which is now provided by a Bi-Borough Team, shows that there are areas of work which can be undertaken more cost effectively by an in house team. Consequently a fully outsourced model is not recommended. The mixed economy model would allow areas of legal work to be outsourced where it is genuinely cheaper for the Councils to do so.
- 5.4 Other local authorities have set up or are in the process of setting up an ABS (either on their own or with a private sector partner). The main reason for creating an ABS is so that the local authority legal departments in question can continue to work in sectors being outsourced by their Councils. The current solicitors practice rules mean that solicitors employed by Councils prevent them from taking on external work (save, for example, legal advice provided to schools and some other public bodies). Also, if legal departments want to trade their services as opposed to doing work for external public sector bodies, they can only do so through a company. As well as compliance with the regime for running any company, an ABS providing legal services, would have to comply with the Solicitors Regulation Authority's requirements such as those in relation to professional indemnity insurance and the solicitors accounts rules.
- 5.5 The main driver for setting up an ABS is not a significant issue at the moment. Savings and efficiencies can be achieved by creating a shared service to concentrate on the core purpose of the Councils' legal services which is to enable the Councils to act lawfully and effectively in the exercise of its functions.



However, the option of setting up an ABS with or without a private sector partner remains an option that can be considered in the future. Setting up the shared services as proposed places us in a better position to consider and implement such this option as we will become a service and a 'business entity' which private sector partners will want to engage with. We are able to put ourselves in a positive position by putting good foundations in place

- 5.6 The preferred option to deliver an in house mixed economy service could also be delivered by using s101 of the Local Government Act 1972, which is the discharge of function by one authority on behalf of another. However, this would involve transfer of staff from two of the councils to one chosen council under TUPE. This has not been a preferred option in creating bi and tri-borough services in the past. This could not be done service by service as our shared services have emerged. However, this could be considered for legal services in the future if Members of all three Councils wished to do so. Once the proposed new shared services in operation under s113 of the LGA 1972 it would be easier to consider the implications of considering this option.
- 5.7 It should be noted that as and when our shared services starts operating under s113 agreement we will have the capacity to take on other local authority's legal work under s101. This can be discrete areas of work for example property or social care or the whole of a legal service covering all areas of work.

## **6. CONSULTATION**

- 6.1. Over the summer we consulted our client departments across the three boroughs by attending a number of Departmental Management Team meetings and gathered feedback on what works well currently and where improvements can be made. We have also engaged a customer network from a wide range of services who have been informed and provided with the opportunity to comment on draft operating models.
- 6.2. We have engaged staff in Legal Services via away days, working group meetings and team meetings. Staff have been involved in creating the vision for the service, debated options for the future model of the service and provided input into the target operating model.