

<b>Item No.</b> 9.	<b>Classification:</b> Open	<b>Date:</b> 25 January 2010	<b>Meeting Name:</b> Cabinet
<b>Report title:</b>		Shared services with other boroughs	
<b>Ward(s) or groups affected:</b>		All	
<b>Cabinet Member:</b>		Councillor Peter John, Leader of the Council	

## **FOREWORD - COUNCILLOR PETER JOHN, LEADER OF THE COUNCIL**

1. Following the local elections in May 2010 we committed ourselves to working with neighbouring local authorities in order to reduce some of our back office costs and maximise our front-line delivery of services.
2. Since the elections and the announcement by the government that funding for local government is to be reduced by 29% over the next four years, the need for us to work in cooperation with other local authorities has become an imperative, and one which we are determined to deliver. I have already had constructive meetings with Cllr Steve Reed of Lambeth and Mayor Steve Bullock of Lewisham, and the majority of this report deals with the progress which we have made so far with Lambeth and Lewisham.
3. But we have also been working with another central London neighbour, Westminster, in order to develop a shared communications service for our two boroughs. This exciting proposal will deliver first rate communications services for our two boroughs by the means of a Social Enterprise company.
4. Sharing services is a concept which remains fairly new for local government. But it is a concept which we need to embrace and fully explore.

## **RECOMMENDATIONS**

5. That Cabinet:
  - welcomes the current discussions taking place on shared services with neighbouring boroughs, including the service areas under active consideration for sharing with Lambeth and/or Lewisham set out at paragraph 17.
  - notes the current and developing arrangements for sub-regional collaboration through the South East London Housing Partnership, South East Libraries Performance Improvement Group and the South East London Shared Service Partnership.
  - agrees in principle to sharing a Communications service with Westminster City Council, as set out at paragraphs 27-34 and in the appendix to this report, subject to consultation with affected staff and the agreement of a detailed business case by the Leader of the Council.

## **BACKGROUND INFORMATION**

6. Following national and local elections in May 2010, the Leaders of Southwark and Lambeth and the elected Mayor of Lewisham asked the Chief Executives of the three boroughs to consider where the potential existed for efficient and effective joint working between them. Since then, senior officers have held exploratory discussions with colleagues in Lambeth and Lewisham to identify the most promising opportunities to be taken forward for further evaluation. This process is ongoing.
7. Sub-regional collaboration has been a feature of housing strategy for several years. The emergence of sub-regions in London was formally prompted in response to the system for making capital allocations instigated by the Housing Corporation from 2003. In common with the other sub-regions, the South East London Housing Partnership (SELHP), comprising Southwark, Lewisham, Greenwich, Bromley, Bexley and the main housing associations operating in the area, was established in 2004/05. In that year SELHP had fully functioning sub-groups producing their own work plans and the SELHP coordinator was in post. Since then, the range of activities has continued to expand, with the five boroughs pooling resources and sharing tasks and expertise.
8. The Future Libraries Programme, formed by a partnership between national and local government and driven by councils themselves, aims to help the library service during the current challenging financial situation, with an ambition to ensure libraries play a central role for communities. Ten proposals for innovative collaborations and initiatives by different groups of authorities are being taken forward as a first phase of the programme, including a proposal from Bexley, Bromley, Croydon, Greenwich, Lambeth, Lewisham, and Southwark, through the South East Libraries Performance Improvement Group (SELPIG).
9. The South East London Shared Service Partnership (SELSSP), comprising Lambeth, Southwark, Lewisham, Greenwich, Bromley and Bexley, exists to identify and pursue opportunities for collaborative working between authorities on a sub-regional basis. The partnership has recently secured funding from Capital Ambition, London's Regional Improvement and Efficiency Partnership, to kick-start the implementation of a sub-regional approach to procurement, in order to rationalise external contracts and deliver greater value from procurement spend across the sub-region.
10. A specific opportunity has been identified to develop a shared Communications service with Westminster City Council. This opportunity arises out of the authorities' shared commitment to innovation, the very high degree of alignment existing between the services and a shared ambition to maximise the efficiency of corporate support functions.

## **KEY ISSUES FOR CONSIDERATION**

### **General approach to shared services in Southwark**

11. In Southwark the policy imperative to explore sharing services with other boroughs is based on the premise that:
  - cash savings could be delivered through economies of scale, reduction in management overhead and/or more efficient use of assets;

- a service could be preserved, although its budget has had to be reduced to the point where it is no longer viable on a standalone basis;
  - investment that would otherwise be required by a service could be avoided; or
  - service standards could be improved at no additional cost.
12. Opportunities for sharing services are being identified on a case by case basis. Officer contact with other authorities is agreed and overseen by Strategic Directors, with the endorsement of the relevant Cabinet Member. The most attractive options for early consideration are either those that are relatively simple and low cost to achieve (e.g. sharing a service manager, where one authority has a vacancy) or those that offer a potentially high return on investment (e.g. by transforming and sharing a high cost service or jointly procuring a high cost contract). Equally, where similar levels of expenditure on a given service are producing markedly different levels of performance across two or more authorities, there will be a clear case for sharing knowledge and good practice, which may lead to consideration being given to sharing the service.
13. There are broadly three models for sharing services: administrative (or “federated”), where a senior manager might be shared and/or staff seconded from one authority to another; contractual, where two or more authorities jointly procure a service from a third party; and corporate, where two or more authorities establish a company to deliver a service on their behalf. Each model presents different benefits and risks. The most appropriate model for sharing a service will need to be individually assessed, taking into account the current and targeted configuration of that service.
14. Every proposal for sharing a service will need to be rigorously evaluated and can only be entered into on the basis of a detailed business case and the mutual understanding and expectations of the authorities involved. Key criteria include the following:-
- Clear statement of accountabilities for progressing the proposal across the authorities.
  - Detailed understanding of the services under consideration, including location, budget, number of FTE staff and relevant third party contracts for each authority.
  - Appropriate degree of alignment between the services, including size, scope, processes, external regulation and systems.
  - Appropriate balance of level of investment and/or additional costs required against level of efficiencies and/or additional income anticipated, with return on investment normally to be achieved within a three year period.
  - Identification and appropriate mitigation of risks and issues.

### **Sharing services with Lambeth and/or Lewisham**

15. There are a number of service areas where sharing is already taking place with neighbouring authorities, as follows:
- Barristers’ framework contract (jointly procuring with Lambeth)
  - Pest control (Southwark delivers for Croydon)
  - Coroners (Southwark provides administrative support and accommodation for this sub-regional service)
  - Bereavement Support Service (Southwark and Lambeth deliver reciprocal service to each others’ residents)
  - Supporting People (with Lewisham to end 2010/11)

- Mental Health (with Lambeth, Lewisham and Croydon, through South London and Maudsley NHS Foundation Trust)
16. It should be noted that there are also extensive joint commissioning and management arrangements between Southwark Council and Southwark PCT across health and social care. These are subject to a due diligence exercise, as part of the council's response to changes in the health sector nationally, regionally and locally.
17. Services that are currently under active consideration for potential sharing with neighbouring authorities are as follows:
- Electoral Services (sharing the service manager post and management of the electoral registration process with Lambeth)
  - Waste management and street cleaning (working with other Veolia clients to enhance street cleanliness at reduced cost, with Westminster, City of London and Tower Hamlets)
  - Street cleaning inspections (replacing externally procured assessments with peer inspection assessments, with Lambeth, Lewisham and Greenwich)
  - Highway maintenance (joint procurement of a highways maintenance contract with other London boroughs)
  - Parking enforcement (joint procurement of a parking enforcement contract, with Lewisham and Hackney)
  - CCTV (sharing CCTV monitoring, repair and maintenance contracts and control room infrastructure with neighbouring boroughs)
  - Cemetery and cremation services (sharing management and joint procurement for grounds maintenance and grave digging services with Lewisham)
  - Substance misuse treatment services (joint review and re-commissioning of substance misuse services with Lambeth)
  - Market and street trading (joint procurement of markets management with Lewisham)
  - Tenant management organisations (sharing management with Lewisham and Lambeth)
  - Legal services administration (specifically the opportunity to share a business manager with Lambeth, reducing costs and sharing best practice)
  - Home to school transport (sharing full operational/management functions with Lambeth with potential to expand to sharing a procurement framework of vehicles/support staff with both Lambeth and Lewisham).

18. This list represents a snapshot of activity as at 14 January 2011. A live register of active projects is being maintained on behalf of the council by the Head of Corporate Strategy. It is expected that new opportunities will arise over time, as existing opportunities are evaluated and, where appropriate, taken forward.
19. Discussions with other boroughs are mostly at an exploratory stage. When services are formally proposed for sharing, the proposal will be subject to the council's standard decision making procedures, including a full business case.

## **Sub-regional working**

### South East London Housing Partnership

20. Over the last five years, SELHP has been able to add value to the work of partners in a number of ways: achieving greater value for money through joint working, pooling of resources and sharing of tasks at a sub-regional level; improving working practices through sharing and pooling of information and good practice; increasing mobility and choice to residents of the sub-region; and giving a single, collective voice to boroughs and their partners both in consultations by public agencies and in discussion with key partners such as developers and registered social landlords (RSLs).
21. The core rationale for sub-regional working remains to give the boroughs, RSLs and communities greater leverage in securing housing investment into the sub-region and adding value to the overall process by directing investment towards priority needs and to projects that best meet national, regional and local objectives. SELHP is perceived to be one of the most effective of London's sub-regional housing partnerships. Its perceived strengths, as reported by regional partners, include being effective at delivery, good at securing engagement between boroughs and RSLs, innovative in promoting new initiatives, and able to secure a high level of consensus amongst its constituent boroughs despite the significant differences between them in terms of politics and housing issues.
22. The SELHP Strategy 2010-14 guides the work of the partnership. It has four overarching strategic objectives: deliver greater efficiency by working together; provide good quality homes in all tenures; improve choice and meet housing needs; provide safer, healthier, working communities.

### South East Libraries Performance Improvement Group

23. With the support of the Future Libraries Programme, the participating authorities will look at options and opportunities for improving quality and reducing costs by working more closely together. The aim is to build on the individual strengths and distinctive features of the existing library services in South East London, to retain and improve best practice models and introduce new solutions.

## South East London Shared Service Partnership

24. Individual local authorities can struggle to deliver large scale and sustainable savings from their current third party spend and are often unable to address commercial advantages. A research report commissioned by Capital Ambition on Modernising Local Authority Procurement identified that, while there are many excellent examples of successful outcomes and negotiations achieved through collaboration, there is significant scope for extending this. It also set out issues identified including:
- widespread duplication of effort on contracting – often with individual authorities competing for the same resources
  - poor contract and relationship management
  - inappropriate levels of supplier and market engagement
  - poor use of scarce officer resources
  - too much focus on process rather than outcomes
  - huge variation in terms of unit costs and quality of outcomes in all spend areas – mostly where requirements and suppliers / providers are common
  - little post contract cost control – resulting in significant price-up- lifts on many occasions
  - market conditioning by major providers exploiting the lack of commercial awareness and fragmented organisational structures
25. With the support of funding from Capital Ambition, SELSSP is working to create a single, auditable and robust source for information about existing contracts across the sub-region, as well as a clear understanding of the future needs and opportunities for the boroughs. The objectives of the project are to: agree the categories for a sub-regional approach to procurement; map existing procurement arrangements (e.g. contracts, specifications) to the categories; clarify the future needs and demands of the boroughs against the categories; and set out arrangements for shared procurement against the categories and commence appropriate procurement activity.
26. There is the potential for significant savings on both the cost of the procurement process and the level of payments to suppliers. Existing duplication of procurement activity across the six authorities could be reduced, saving up to two thirds of the aggregate cost of a typical procurement exercise. The total of all third party spend by local authorities across South East London is conservatively estimated at £2bn, of which it is estimated some £600m could potentially be procured at a sub-regional level. Even a small saving against this level of spend, for example 1%, would yield a £6m saving.

### **Communications**

27. A proposal for sharing a communications service between Southwark and Westminster Councils is appended to this report. The proposal has been developed by a working group of senior officers drawn from across the strategy, communications, finance and HR functions of the two authorities.

28. The proposed target operating model shows how one function could bring benefits to the two authorities in terms of improved communications and a more efficient service. It outlines how the new organisation will be accountable to the two authorities and how the new function will achieve agreed service standards. In short, how it would deliver better for less.
29. Although the service is not currently shared, there is a high degree of alignment between Southwark and Westminster. Southwark's Head of Communications is provided under contract with Westminster Council and the operational planning and delivery of the communications function follows the model developed and used by Westminster. As central London authorities, the communications context is also very similar.
30. The proposal is to create a social enterprise, provisionally named SW Communications, which will deliver a communications service to both Southwark and Westminster. Initially, it would perform all the activities currently delivered by the corporate communications teams plus print design work (which is currently contracted out) and public affairs. There would be the potential over time for it to broaden its scope to include delivery of the council's research and insight functions (which are currently dispersed across the organisation) and events. A further stage of development for the social enterprise would be to extend the offer to other London councils, with the eventual aim of establishing a public sector communications hub in central London.
31. The communications operations of both Westminster and Southwark are being reorganised and reduced in order to meet the challenging budget targets for 2011/12 onwards. The potential savings from sharing the service outlined in the proposal are based on the operations for 2010/11 and will therefore need to be updated. A detailed business case will be developed, based on the 2011/12 position. Whilst savings on staffing costs may be below original expectations (as already realised to some extent by each authority individually), there are substantial efficiencies to be gained by pooling campaigns and publications budgets and reviewing overheads.
32. In order to maintain a fast pace of development with appropriate risk management, a twin track approach to developing the shared service is proposed.
33. From April 2011, the shared service would be established in shadow form by delegating Southwark's communication function to Westminster and transferring the staff who deliver the function to Westminster. A communications plan for 2011/12 would be agreed and resourced through the centralisation of existing communications budgets. At least initially, a media and digital team would remain present within each authority; the campaigns, creative and internal communications teams could be placed more flexibly, in whichever location provided best value in preparation for the creation of the shadow shared service.
34. At the same time as the shadow shared service comes into being, work would be underway to create the social enterprise that will be the ultimate delivery vehicle. This would include developing and agreeing its articles of establishment and governance principles. The social enterprise would be fully operational by the end of 2011/12, with all the communications staff delivering for both Southwark and Westminster transferring into the new organization from April 2012.

## **Savings**

35. The policy and resources strategy (to be agreed by Council Assembly on 22 February) will include a number of proposals for budget reductions relating to shared services, each with a specific savings target. In addition, a programme of shared procurement initiatives with local authorities and other relevant bodies will be established, with a savings target of £1m over the next three years, £200k in 2012/13 and £800k in 2013/14.

## **Community impact statement**

36. There is no direct impact on local communities arising from the proposals in this paper. The proposed approach to sharing services seeks to maximise the efficiency of the council's operations and so protect investment in front line services for the benefit of residents.
37. Staff directly affected by the proposal for a shared communications service with Westminster and the relevant trades unions will be fully consulted.

## **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

### **Strategic Director of Communities, Law & Governance**

38. The report before Cabinet explains the discussions which are taking place with other boroughs to share services and the developing arrangements for sub-regional collaborations in Housing and Library Services. The report also seeks an in principle decision by Cabinet to agree a shared communications service with Westminster City Council subject to a detailed business case.

### Legislative Framework

39. There is no specific power which permits the council to enter into a shared service with another authority. The legal powers are contained in a variety of legislation, including s101 of the Local Government Act 1972, s19&20 of the Local Government Act 2000 and the 'welling being' powers and the Local Authorities (Goods and services) Act 1970. The combined effect of this legislation is to give local authorities the powers to second staff to other organisations and to do anything which will improve the economic, social and environmental wellbeing of the area.
40. Appendix 1 of the report details the proposals for the joint communications service with Westminster. This will involve the transfer of the Council's staff to Westminster and a further transfer to the new company which is created to deliver the service. As these proposals progress, further detailed legal advice will be required in relation to the following issues:
- The 'Legal Vehicle' to deliver the communications service. A Social Enterprise company can take a number of legal forms, the council must agree with Westminster which form is best to deliver the joint service.
  - The interim governance arrangements leading up to the transfer of the service and or staff to Westminster
  - The governance arrangements for the Company, including advice on the Memorandum and Articles of Association.



- Contract and Procurement advice
  - TUPE advice in relation to the transfer of the council's staff to Westminster or any other organisation.
41. To minimise the risk to the Council of employment tribunal claims arising from the reorganisation of the communications team the Council should follow its policies and procedures in relation to Reorganisation and Redundancy, Managing the TUPE Regulations, and its Secondment Scheme.
42. The decision to enter into the shared communications service will be taken by the Leader (as permitted under Section 14 of the Local Government Act 2000) following a detailed business case, this business case will take the form of a Gateway 1/2 report.

### **Finance Director**

43. The finance director notes the need for all local authorities to pursue opportunities to share services with other relevant bodies in order to contribute to the challenging financial objectives facing all local government bodies in the future planning period. The finance director also notes initial progress and achievement, and that savings from the communications shared service will be included in the savings proposals due before the Council Assembly in 2011 as part of the council tax setting process.
44. It is noted that there has been limited success in recent years with London authorities' achieving success within shared services outcomes and delivering cashable savings, although much work is being undertaken to progress various projects.
45. To ensure that limited council resources are allocated adequately to achieve success of future projects with which we wish to engage, clear governance arrangements are needed both internally and with other participating organisations. Robust business cases and benefit sharing agreements must form part of the governance process.

### **BACKGROUND DOCUMENTS**

<b>Background Papers</b>	<b>Held At</b>	<b>Contact</b>
None		

### **APPENDICES**

<b>No.</b>	<b>Title</b>
Appendix 1	Proposal for A Shared Communications Service for the London Borough of Southwark and Westminster City Council

## AUDIT TRAIL

<b>Cabinet member</b>	Peter John, Leader of the Council	
<b>Lead officer</b>	Graeme Gordon, Head of Corporate Strategy	
<b>Report author</b>	Graeme Gordon, Head of Corporate Strategy	
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Finance Director	Yes	Yes
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