

11 September 2012		ITEM 8
Corporate Overview & Scrutiny Committee		
Potential for Shared Services with London Borough of Barking and Dagenham – Terms of Reference		
Report of: Graham Farrant, Chief Executive		
Wards and communities affected: All		Key Decision: Non-key
Accountable Head of Service: n/a		
Accountable Director: Chief Executive		
This report is public		
Purpose of Report: To share the terms of reference for potential negotiations around shared services for the London Borough of Barking and Dagenham with Corporate O&S.		

EXECUTIVE SUMMARY

This report introduces the mechanisms for exploring and bringing forward shared services between the two Councils and sets out possible governance and decision making mechanisms. It also contains outline details of the process that will be undertaken to evaluate the potential opportunity both in terms of savings for each Council and mechanisms for strengthening the resilience of individual services.

1. RECOMMENDATIONS:

- 1.1 **That the Terms of Reference for exploring shared services with the London Borough of Barking and Dagenham be noted as set out in this report.**

3. SHARED SERVICES:

- 3.1 It has been agreed between the Leaders of the political groups that the terms of reference for potential negotiations around shared services for the London Borough of Barking and Dagenham should be reported to the Corporate Overview and Scrutiny Committee. This report introduces the mechanisms

for bringing forward shared services between the two Councils and sets out possible governance and decision making structures. It also contains outline details of the process that will be undertaken to evaluate the potential opportunity both in terms of savings for each Council and mechanisms for strengthening the resilience of individual services.

- 3.2 We have a reasonable level of experience of providing shared services with other Councils and are already engaged in a variety of specific shared services. However, these are, with the exception of legal services, specific arrangements on individual services that enable cost efficiencies. The opportunity arose for exploring the potential of a shared Chief Executive with the London Borough of Barking and Dagenham following the resignation of the previous post holder in June 2012. Cabinet supported the sharing the Chief Executive role with the view to exploring the potential for further joint management of the two Councils.
- 3.3 As a result of this decision officers have been exploring the opportunities for shared or merged services between the two Councils during August and are beginning to shape up their conclusions as to the degree and depth of sharing that is possible between the two Councils.

4. TERMS OF REFERENCE FOR EXPLORING SHARED SERVICES

- 4.1 Members need to agree a set of terms of reference for the exploration of shared services and the draft terms of reference are set out below:

Governance guarantee – “a Governance Guarantee” should be agreed which sets out, at a high level, the continued separate nature of the governance arrangements for each of the Councils. A draft of the Governance Guarantee is attached as Appendix 1.
- 4.2 The exploration of individual shared or merged services should identify the benefits to each Council in terms either:
 - 4.2.1 Ongoing financial savings through sharing costs and/or
 - 4.2.2. Increased resilience for the services through strengthened management or delivery arrangements that compliment those currently available.
- 4.3 No service is off the agenda and nothing is excluded from the consideration of merged or shared services other than any decision which would adversely impact on the Governance Guarantee.
- 4.4 In assessing the impact of any proposal for shared services on those services which are statutory in nature, due regard should be placed on the views of the statutory officers of the Council.
- 4.5 Proposals for sharing any services would need to be ratified in terms of risk and cost by the Council’s Section 151 and Monitoring Officers.
- 4.6 Appropriate governance arrangements need to be set up, including a forum for Members to influence and to agree the final decisions around each shared service, including the appointment of any officers who would be caught within the Council’s pay policies.

- 4.7 Due regard should be placed on the short term costs of restructure, but any view on the costs should be balanced against a notional five year target saving unless any other specific person is agreed.

5. PROCESS FOR EVALUATING OPTIONS

- 5.1 The Chief Executive has put in place an initial assessment process comprising of three steps, following a joint management meeting between Heads of Service/Divisional Directors and Directors in late July:

Headline business case - setting out the scope of each service and, in headline terms the potential for sharing or merging services built around the following headings:

- Introduction to the services
- Key outcomes being sought
- Objectives and strategic fit
- Existing arrangements
- Options for change
- Recommended option
- Rationale for recommended change – benefits (cost and service) linked to key outcomes

- 5.2 **Outline business case** – a more detailed view of the services and the opportunities which would be used as the basis for seeking Members’ approval to move forwards.

- 5.3 **Full business case** – setting out the benefits and the process for realising those benefits including the approval process.

- 5.4 Officers have been asked to consider their services at the headline business case level and to submit their ideas and questions to the Chief Executive by the end of August. The suggestions are now being collated and considered internally. There are in essence four options for each service that might come forward:

1. no synergy or benefit from sharing
2. resilience benefits by locking the two organisations structures together and sharing services but minimal savings to be achieved
3. Clearly identifiable savings with “convenient” synergistic opportunity due to a vacancy or structural fit.
4. Synergy opportunities which require a formal restructure to deliver savings in costs.

- 5.5 As the Headline Business Cases come forward, practical decisions will need to be taken around the capacity of the organisations for further change and the speed with which synergy can be achieved. This will enable the production of a more detailed project plan setting out the options and the most appropriate programme for delivery.

- 5.6 It is possible that the opportunities that arise will be able to be clearly grouped into back office and service synergies. For example, it would be possible to

move more quickly towards back office synergies notwithstanding the complexities of the Serco and Elevate Strategic Service Partnerships that are in place in each Council. This could mean leaving service synergies to be addressed later on. However, it is more likely that the proposals that come forward will be a mix of back office and service delivery options.

6. MEMBERS' GOVERNANCE

- 6.1 Any decisions to be taken by members to move into formal shared arrangements will be taken through the normal member forums as appropriate, mostly through the Council's Cabinet.
- 6.2 The political group leaders meet regularly with the Chief Executive and this mechanism will be used to discuss future options.
- 6.3 Corporate Overview & Scrutiny Committee may monitor progress overall.
- 6.4 Individual Overview & Scrutiny Committees may seek progress reports regarding their specific services.
- 6.5 Joint member arrangements may be set up between the two Councils to discuss and agree the overall direction and programme.

7. JOINT APPOINTMENT PROCESSES

- 7.1 The two Councils will need clarity around the processes for making any further joint appointments. A paper is being prepared for Members' approval setting out proposals for agreeing any joint appointments that come forward through joint officer or member interviews as appropriate.
- 7.2 The Council's recently appointed Fiona Taylor as the Joint Head of Legal Services to replace Tasnim Shawkat. This process was carried out using a joint appointment process which comprised of the two members' bodies from each Council meeting together as a single Members' Panel of eight members (four from Thurrock and four from Barking and Dagenham). Having sat as a joint committee to interview the candidates and make a recommendation, the two individual councils' appointment committees then convened and voted independently to confirm the decision in respect of their own councils. This provides a model for the most senior levels of recruitment which will form the basis of the proposal to be brought before Members.
- 7.3 It is important that the process to be adopted complies fully with the Constitutional requirements of each the Councils, as well as providing a forum for reasoned and valid decision making.

8. CONSULTATION (including Overview and Scrutiny, if applicable)

- 8.1 The process of reviewing the opportunities for shared services have involved initial consultation with senior managers who are inputting via the Headline Business Cases, and informal consultation with the trades unions which will become formal as proposals are worked up in more detail.

9. IMPACT ON CORPORATE POLICIES, PRIORITIES, PERFORMANCE AND COMMUNITY IMPACT

- 9.1 These proposals have the potential to unlock new ways of delivering the council's corporate policies and priorities. The governance guarantee will ensure that the impact on the community is minimised in terms of decision-making and delivery.

10. IMPLICATIONS

10.1 Financial

Implications verified by: **Mike Jones**
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The financial implications of each stage of the process of moving towards shared or merged services will need to be considered at the appropriate point. Any savings which arise as a result of the proposal will be considered as part of the Council's Medium Term Financial Strategy.

10.2 Legal

Implications verified by: **David Lawson**
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There are no direct legal implications at this stage.

10.3 Diversity and Equality

Implications verified by: **Samson DeAlyn**
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The Equality Act 2010 places a statutory duty on the local authority to give due regard with respects to equality in terms of functions and activities performed by the Council. The governance arrangements set out in Section 6 set out a framework to ensure that elected members will be fully engaged in any proposals which are adopted for the sharing of services, and this will provide a mechanism for review of any equality impact.

The duties set out under the Equality Act also make provisions for employment and other work situations. These requirements will be important in any recruitment process; in particular, there will need to be consideration of each Council's corporate employment and equalities policies. The business cases referred to in this report may result in the redeployment of staff resources between both councils and any recruitment process will be open and transparent and should give confidence that the equalities dimensions are being taken fully into account.

10.4 **Other implications (where significant) – i.e. Section 17, Risk Assessment, Health Impact Assessment, Sustainability, IT, Environmental**

There are no other implications at this stage.

APPENDICES TO THIS REPORT:

- Appendix 1 Draft Governance Guarantee

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Appendix 1**Thurrock Council****London Borough of Barking & Dagenham****A Governance Guarantee for Shared Services****Objectives:**

The two councils are committed to continuing to representing the needs, priorities and ambitions of local people in their communities.

We are exploring reducing costs and strengthening our capacity by working together and identifying areas of common interest.

Commissioning or delivering services together is specifically designed not to change how residents receive and experience services unless there is an advantage to do so.

To safeguard local autonomy the Councils confirm the following ten-point governance guarantee:

1. Local residents will continue to elect the same number of councillors to each Council and there will be no change in the name or governance structure of any of the Councils, other than to effect joint decision-making.
2. Each Council will retain its own constitution, setting out how it makes decisions, organises scrutiny and delegates authority.
3. The boundaries of the areas for each Council will not change.
4. Each Council will continue to set its own Council Tax and publish its own budget and accounts.
5. Each Council will continue to spend its own money to support its local communities.
6. Each Council will continue to be able to set its own spending priorities and its own policies on how services are delivered. The Councils will jointly commission some services from contractors, voluntary bodies and others, but can also decide to commission, or grant aid, on their own.
7. Neither Council can be 'out-voted' by the other Council in a way which requires that Council to make any decision such as adopt a policy, accept a cost or change a priority that its decision makers are not willing to support.
8. The costs of changes and the benefits achieved from change will be fairly attributed and shared to the satisfaction of both Councils.
9. No Council will be obliged to break an existing contract.
10. Each Council will continue to speak up for its own residents, even when there is an apparent conflict of interest between the boroughs.