



Agenda

East Kent (Joint Arrangements) Committee

**Friday
18 December 2009
at 11.00 am**

**The Guildhall
Westgate
Canterbury**

Membership of the East Kent (Joint Arrangements) Committee

Councillors

Councillor R Bliss, Shepway District Council
Councillor P Carter, Kent County Council
Councillor S Ezekiel, Thanet District Council (Chairman)
Councillor J Gilbey, Canterbury City Council
Councillor A King, Kent County Council
Councillor R Latchford, Thanet District Council
Councillor J Law, Canterbury City Council
Councillor D Monk, Shepway District Council
Councillor F Scales, Dover District Council
Councillor P Watkins, Dover District Council (Vice Chairman)

NOTES

1 The East Kent Joint Arrangements Committee has not authorised the recording of their meetings by members of the public or the media by any mechanical or electronic device or similar means. Recordings will not be permitted at any such meetings to which the press and public are admitted unless expressly authorised by the Committee.

2 The venue for the meeting is wheelchair accessible and has an induction loop to help people who are hearing impaired.

3 The information contained within this agenda is available in other formats, including Braille, large print, audio cassettes and other languages.

3 If you have any queries regarding items on this agenda, please contact Lyn McDaid on 01227 862 006 or email lynda.mcdaid@canterbury.gov.uk or write to the address below.

Canterbury City Council
Military Road
Canterbury
CT1 1YW

AGENDA

EAST KENT (JOINT ARRANGEMENTS) COMMITTEE

1. APOLOGIES FOR ABSENCE
TO RECEIVE apologies for absence
2. DECLARATIONS OF INTEREST
TO RECEIVE declaration of interests
3. SUBSTITUTE MEMBERS
The Chairman to report any notifications received prior to this meeting regarding the attendance of substitutes for the named Members of this Committee.
4. MINUTES (Pages 1 - 4)
5. EAST KENT SHARED HOUSING LANDLORD SERVICES PROJECT (Pages 5 - 56)
TO CONSIDER a report from the Director of Community Services (Canterbury).
6. EAST KENT JOINT SERVICES - STRATEGIC CASE (Pages 57 - 112)
TO CONSIDER a joint report of the Head of Legal and Democratic Services (Canterbury), Head of Policy and Improvement (Canterbury), Head of Finance and ICT (Dover), Corporate Director (Shepway) and Director of Customer Services and Business Transformation (Thanet).
7. ANY OTHER URGENT BUSINESS TO BE DEALT WITH IN PUBLIC
8. ANY OTHER BUSINESS WHICH FALLS UNDER THE EXEMPT PROVISIONS OF THE LOCAL GOVERNMENT ACT 1972 OR THE FREEDOM OF INFORMATION ACT 2000 OR BOTH
It will be necessary to exclude the press and public for any business under this item

TERMS OF REFERENCE of the EAST KENT (JOINT ARRANGEMENTS) COMMITTEE

1. To exercise the executive and non-executive functions of the parties in order to commission, co-ordinate, provide, procure and/or manage any shared services as are agreed from time to time by two or more of the Parties
2. To provide strategic direction to the officers advising the EKJAC
3. To exercise any of the functions or services that are determined to be a shared service in accordance with these arrangements
4. To develop work programmes and projects in relation to the functions which the parties are minded to be delegated to the EKJAC by the Parties
5. To regularly report to each of the Parties on its activities
6. To respond to reports and recommendations made by the East Kent Joint Scrutiny Committee
7. To monitor the operation of the EKJAC and of any shared service
8. To propose a budget for a shared service to the Parties and to monitor and manage any such budget once approved by them
9. To review these arrangements from time to time and make recommendations to the Parties for improvement and change and to propose (as appropriate) the creation of special purpose vehicles for the achievement of the Objectives, including companies, formal partnerships or consortia, the expansion of these arrangements to include other local authorities, the conclusion of contracts with other persons and the provision of services, supplies and works to other persons

The decisions set out in these minutes will come into force, and may then be implemented at 12 noon on the fourth working day after the publication of the decision, unless the decision is subject to call-in.

Date of publication: 2 December 2009

CANTERBURY CITY COUNCIL

EAST KENT (JOINT ARRANGEMENTS) COMMITTEE

**Minutes of a meeting held on Wednesday, 25th November, 2009
at 10.00 am in The Guildhall, Westgate, Canterbury**

Present: Councillor S Ezekiel, Thanet District Council (Chairman)

Councillor R Bliss, Shepway District Council
Councillor P Carter, Kent County Council
Councillor R Doyle, Canterbury City Council
Councillor J Gilbey, Canterbury City Council
Councillor D Monk, Shepway District Council
Councillor I Ward, Dover District Council
Councillor P Watkins, Dover District Council

Officers: Matthew Archer, Canterbury City Council
Colin Carmichael, Canterbury City Council
Linda Davies, Kent County Council
Mike Davis, Dover District Council
Tony Parker, Canterbury City Council
Cheryl Pendry, Thanet District Council
Richard Samuel, Thanet District Council
Mark Seed, Canterbury City Council
Alistair Stewart, Shepway District Council
Roger Walton, Dover District Council

15. APOLOGIES FOR ABSENCE

Apologies received from Councillor Law (Canterbury), Councillor Latchford (Thanet), Councillor Scales (Dover) and Councillor King (Kent County Council).

16. DECLARATIONS OF INTEREST

No declarations were received.

17. SUBSTITUTE MEMBERS

It was confirmed that Councillor Doyle was substituting for Councillor Law and Councillor Ward was substituting for Councillor Scales.

18. MINUTES

The minutes of the meeting held on 8 April 2009 were agreed as a correct record.

19. ACTIONS ARISING FROM THE PREVIOUS MEETING

There were no actions arising from the previous meeting.

20. EAST KENT JOINT WASTE PROJECT

The Director of Environmental Services, Thanet District Council, introduced the report. He said if approved, then the report would be recommended to each of the participating authorities for formal resolution. He said the financial modelling had been the subject of detailed discussions between the county and the four district authorities over a period of time. He said the modelling was now assisting Shepway and Dover with their joint tender, which was currently at the competitive dialogue phase. He said the project group was seeing some interesting responses from the contractors, who would look to further improve the agreed modelling, where it was in the interests of all parties.

He said the report included a memorandum of understanding, which provided the basis for developing a legally binding agreement. The key to this was the requirement to commit to the notional operating model collection methodology, as refined and informed by the competitive dialogue process. He drew attention to the six key areas of the agreement set out in section 2.14 of the report.

He said the project had generated a lot of interest elsewhere in the county and nationally. He said the learning from the East Kent project would be able to be applied elsewhere.

A Member asked whether the contract had sufficient flexibility to respond to changes in government legislation on matters such as recycling credits. Also would the plant and equipment procured be adaptable in the way it was used to best fit any new arrangements? – It was confirmed that contractors were looking at a number of innovative solutions as part of the competitive dialogue phase, some of which were anticipating possible changes in legislation and responding to technological advances. It was confirmed that the tender programme was sufficiently flexible as to encourage contractors to come up with innovative proposals.

RESOLVED –

That Partner Authorities to seek approval from their respective authorities to commit to the East Kent Joint Waste Project (EKJWP) as set out in this report, and to:

1. Agree to take forward the Memorandum of Understanding (MoU) attached at Annex 1 through their individual Councils decision making bodies.
2. Delegate authority to the senior legal officer of each authority to prepare and complete a legally binding agreement incorporating the requirements set out in Appendix II to the MoU, with the agreement being to the satisfaction of the senior legal officer in each authority.
3. Delegate authority to the senior officer for waste management in each authority to take all the steps necessary to facilitate the East Kent Joint Waste Project up to each partner

authority agreeing to enter into a formal partnership agreement based on the memorandum of understanding.

21. JOINT HOUSING LANDLORD SERVICES

The Head of Legal and Democratic Services, Canterbury City Council, reminded the committee that they had temporarily co-opted two members of Ashford Borough Council onto the committee for the purposes of the joint housing landlord services project. He said the item had been included on the agenda in order to renew the arrangement. He said as the housing case has developed, it had become apparent that the financial advantages for Ashford were not as great as those for the East Kent authorities and as a result, they had now withdrawn from the project. He said the opportunities for the four East Kent authorities still looked positive and he anticipated a report coming forward to the joint committee in the near future.

The committee noted the officers' comments.

There being no other business the meeting closed at 10.24 am

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East Kent Joint Arrangements Committee**18 December 2009**

Subject: **East Kent Shared Housing Landlord Services Project**

Director: Velia Coffey, Director of Community Services

Decision Issues: These matters are within the authority of each Council

Decision type: Treated as key

Classification: This report is open to the public.

Summary: *Attached to this report at Appendix A is the detailed case for the sharing of housing landlord services between the District Councils of East Kent. It makes recommendations to each council about the model of service sharing, the housing management activities to be undertaken in the shared service, the governance arrangements for sharing and the delegations to the East Kent Chief Executives necessary to enable to the proposal to proceed to the final council approval to join a Housing Shared Service Vehicle.*

To Recommend: **That the East Kent District Councils of Canterbury City Council, Dover District Council, The District Council of Shepway and Thanet District Council ("the East Kent Authorities") are recommended to merge the delivery of housing management landlord service between two or more of them through agreement of the following:**

1. that the arms length housing shared service option be confirmed as the preferred method for sharing landlord services in East Kent
2. that any vacancies related to the housing management activities to be undertaken by the Housing Shared Service Vehicle be managed to minimise potential severance costs
3. that the housing management functions set out in Appendix A, Annex 2 are approved activities to be undertaken by the Housing Shared service Vehicle
4. that the housing shared service vehicle is set up as a company limited by guarantee.
5. that the board of the company will comprise twelve people – four members nominated by the local authority, four independents and four tenant/leaseholder representatives
6. that Area Boards be set up in each participating council area.
7. that the draft Memorandum and Articles for the SSV

company reflect the governance and legal issues set out in Appendix A , Annex 3

8. that each council's Chief Executive be authorised to make any decisions and any changes necessary to these proposals to pursue the project up to final council approval to join the Housing Shared Service Vehicle.

Next stage in process

Each council will take this report through their own decision making process.

SUPPORTING INFORMATION

1. Introduction

- 1.1. In December 2008, EKJAC, with Ashford Council, recommended further work on the proposal for establishing a housing landlord shared services vehicle (HSSV) for Ashford, Canterbury, Dover, Shepway and Thanet. A further report was required to set out the detailed implications of the proposals before a final decision to proceed with the project could be taken.

- 1.2. In looking at the more detailed implications it has been important to retain a clear focus on the original aims of the project, namely:

- Delivering excellent customer service – aiming for 3 stars
- Realising greater efficiencies and savings for reinvestment
- Encouraging stronger and more prosperous communities
- Improving procurement capacity
- Providing additional investment for council housing estates
- Ensuring longer term resilience for individual HRAs
- Establishing a stronger housing role for the councils
- Developing a stronger role for tenants in shaping housing services
- Improving career opportunities for staff

- 1.3. Since the initial report, substantial work has been undertaken to look in depth at the the proposals. Work completed includes:

- A detailed financial model addressing the potential impact on the councils general fund and HRA budgets
- A more detailed options appraisal of the various models;
- Obtaining specialist legal and governance advice about the HSSV proposal
- Establishing a tenant and leaseholder consultation framework
- Project team and working groups set up to consider housing management best practice, governance and communications
- Determining the activities to be included in the shared arrangement
- Assessment of the impact on remaining council services
- Developing a detailed project plan and timetable
- Developing a Risk Assessment plan

- 1.4. Whilst progress has been slow and the original timetable has slipped, this is almost inevitable with a project of this scope and complexity. Furthermore, whilst over

seventy councils have established arms length arrangements to manage their housing stock, this project remains the first in the country, which seeks to provide high level integrated housing services for a number of local authorities through a single shared service arrangement. Consequently, it remains of considerable interest to central government and the regulatory agencies. Additionally, the work has also taken account of the future relationship between landlord services and any wider shared service arrangements developed in East Kent.

- 1.5. The detailed business case undertaken has also shown that given the necessarily conservative approach to implementation, the potential HRA benefits for Ashford are not as substantial as that authority had anticipated. Furthermore its ability to mitigate general fund impacts and to drive further savings to that fund are less than the other councils because they are not part of the wider East Kent joint working arrangements. Ashford therefore does not benefit from the potential economies of scale open to Canterbury, Dover, Shepway and Thanet and so has withdrawn from the project.
- 1.6. More encouragingly, with the work now undertaken, the business case for the remaining authorities provides the detailed implications and confidence in order to allow further progress of this project. Furthermore, with the withdrawal of Ashford from the project the complications of trying to address that authority's requirements through wider East Kent arrangements is removed and, indeed, simplifies the position for the four remaining authorities.
- 1.7. The innovative nature of the project also remains clear. The Communities and Local Government (CLG) Department have expressed great interest in the proposals as a shared service approach for housing services, particularly involving four authorities, has yet to be achieved. Work has already begun on comparing good practice and methods of operation across a number of key housing services and many of the short-term efficiency savings highlighted in this report come about as a result of merging managerial and "back office" services across the four authorities.

2. Detail

- 2.1. The detailed work and business case is set out in the report attached at Appendix 1. The report sets out the case for proceeding with an SSV for the East Kent landlord housing services as well as the potential for combining the residual housing services of the four East Kent councils by January 2011. The initiative is a complex one and therefore not without risks however the benefits are considerable - savings for both general funds and housing revenue accounts, improved services for tenants, better staff resilience and capacity, and the potential to drive efficiencies and further savings.
- 2.2. Managing the changes and ensuring tenants are involved in the change programme, and supportive of the proposals, requires a more phased approach than with perhaps most other council services. Hence the business case has been developed on the basis of minimal change to front line housing services in the first two years. During those two years medium to long term plans will be developed for the greater integration of all housing services, which will generate further efficiency savings, as well as renegotiating support service costs with other council services and putting in place a robust procurement strategy for the East Kent Housing service which, through economies of scale, should be able to realise substantial reductions in the cost of contracted services e.g. repairs and maintenance.
- 2.3. In terms of key issues arising since the initial report, there are three. Firstly, financial effects, in the first two years of operation the Housing Shared Service Vehicle (HSSV)

is expected to achieve efficiency savings in excess of 10 per cent of current running costs for the four housing services. These savings will be reinvested in the HSSV to support the further changes and service improvements in years 2 – 5 and beyond, which in turn will generate further efficiency savings. Indeed, over the first five years of operation it is estimated that the HRA can expect approximately £2,886,000 in savings for reinvestment in the housing service and/or improvements to the housing stock.

- 2.4. In terms of any impact upon the general funds of the four councils, this would occur as a result of two issues, firstly, how and from where support service functions such as Human Resources, ICT support services, etc. are provided and secondly, how the remaining or residual housing services (housing options, homelessness, housing strategy, enabling, and private sector housing) are revised to take account of any losses in senior management or support posts as a result of the TUPE transfers to the new HSSV. The business case demonstrates that even the worse case scenario for the general funds would be restricted to an additional £1,032,000 in total over the first five years (£50,000 per authority per annum), falling on the four authorities. However even these minimal costs should be offset by planned savings for the general funds through such proposals as the proposed sharing of residual housing services not transferred into the HSSV.
- 2.5. Quite clearly these estimates may be subject to fluctuation and changing circumstances over time, for whilst the short term savings and improvements can be presented with some certainty, the medium to longer term expectations cannot be as precise. However, some certainty and confidence can be drawn from the experiences of other authorities who have adopted similar models, in particular, Arms Length Management Organisations (ALMOs). Whilst to date these have all been on a “1 to 1” basis as opposed to the “4 into 1” proposed for East Kent, what is clear from those models is that the speed and scale of change has had to be carefully managed in order to ensure tenants remain fully engaged and supportive of the plans. More importantly the ALMO comparisons demonstrate marked performance improvements and significant levels of efficiency savings achieved, particularly from reduced procurement costs and renegotiated support service costs (see report Appendix A, Annex 5).
- 2.6. The comparison of the East Kent HSSV project to ALMOs is the second key issue addressed in this report. In the 2008 report various options were presented in terms of the type of vehicle, which could support the shared services approach for landlord services. In essence the choice fell to either a hosted approach between the participating authorities or the establishment of a new arms length model which the authorities would wholly own. The recommendation of this report is to adopt the arms length option and the detailed reasoning is set out later in this report. However, in summary, the ALMO model is tried and tested, particularly in terms of their ability to drive service improvements and efficiency savings, secondly an arms length model gives tenants much greater involvement and decision making in the management of the services and operational matters, thirdly, it is a model familiar to and therefore likely to be favoured by government and regulatory agencies.
- 2.7. The final key issue relates to the proposed consultation arrangements with tenants and leaseholders about the proposals, and the future governance arrangements for the new organisation. Both are covered in detail later in the report, including an analysis of the impact on the various stakeholders i.e. tenants, members and staff. However, the consultation issue is a crucial one and needs to be developed in a way that ensures all tenants and leaseholders not only receive full information about the proposals, but critically, their views can influence the final shape of the changes.

Consequently a set of consultation measures are planned which are currently being discussed with the Joint Tenants & Leaseholders Group (JTLG) covering the four authorities. Certainly, the officer Project Board believes a single ballot of all tenants and leaseholders is too narrow an approach to achieve effective consultation.

Similarly, governance issues need to be fully understood by members, tenants and leaseholders. The detailed proposals are set out in Appendix A, section 5 and Annex 2, however, the arms length model offers both stakeholder groups a more direct role in the shaping and delivery of housing services in the future, at full board level as well as district by district.

In a complex project such as this wide delegated powers are recommended to be granted to each council's Chief Executive to ensure speed of decision-making on any changes to the proposals which may be necessary as a result of advice received or for some other reason. Members have the reassurance that the final decision on whether to approve the proposals as they finally appear will be theirs.

3. Relevant Council Policy/Strategies/Budgetary Documents

Each council will determine its decision with regard to its own, strategies, policies and budgets

4. Consultation planned or undertaken

The following have been consulted about the report at Appendix A:

Joint Tenant and Leaseholder Liaison Group 10 December 2009

East Kent Joint Scrutiny Committee 14 December 2009

Staff and Unison 2 – 9 December 2009

Comments from these groups will be reported at the EKJAC meeting

Should the individual councils approve the creation of a Housing Shared Service Vehicle statutory consultation with tenants and leaseholders would commence as set out in Appendix A section 6.

5. Options available with reasons for suitability

Each council as individual sovereign bodies will be free to accept, reject or amend the recommendations. However the best option is for each council to agree the recommendations in their entirety as we will then have a single approach which will make the delivery of this complex project on time much more likely. A patchwork of resolutions is likely to cause delay and perhaps differing expectations between the parties.

Rejecting the recommendations in their entirety would be disappointing but the process could still carry on between two or three councils.

6. Reasons for supporting option recommended, with risk assessment

A considerable amount of research and analysis has been undertaken to produce the case set out in the report Appendix A for a Housing Shared Service Vehicle for East Kent, including a risk assessment at Annex 6. The sharing of services provides a very good opportunity to reduce costs, establish efficiencies and improve services for tenants.

7. Implications

- (a) Financial Implications – these are set out in section 3 of the report at Appendix A
- (b) Legal Implications – these are set out in section 5 and Annex 3 of the report

Other implications

- (c) Staffing/resource – these are set out in section 3 of the report
- (d) Property Portfolio – accommodation needs will be met through existing premises in the early years of the project. Each council remains owner of its own assets including its council housing stock.

8. Conclusions

It is important for Members to recognise that the recommendations set out in the report are intended to allow further stages of the work to be undertaken and developed. In particular they allow formal consultation to be undertaken with tenants and leaseholders of the four authorities and also allow more detailed work to be undertaken on the financial implications and legal documentation of the recommended arrangements which will result in further reports to the relevant forums. In that context, Members are requested to agree the recommendations

9. Background Papers

None

Contact Officer: Velia Coffey Telephone: 01227 862 149

1. Introduction

- 1.1. In December 2008, EKJAC, with Ashford Council, recommended further work on the proposal for establishing a housing landlord shared services vehicle (HSSV) for Ashford, Canterbury, Dover, Shepway and Thanet. A further report was required to set out the detailed implications of the proposals before a final decision to proceed with the project could be taken.
- 1.2. In looking at the more detailed implications it has been important to retain a clear focus on the original aims of the project, namely:
 - Delivering excellent customer service – aiming for 3 stars
 - Realising greater efficiencies and savings for reinvestment
 - Encouraging stronger and more prosperous communities
 - Improving procurement capacity
 - Providing additional investment for council housing estates
 - Ensuring longer term resilience for individual HRAs
 - Establishing a stronger housing role for the councils
 - Developing a stronger role for tenants in shaping housing services
 - Improving career opportunities for staff
- 1.3. Since the initial report, substantial work has been undertaken to look in depth at the the proposals. Work completed includes:
 - A detailed financial model addressing the potential impact on the councils general fund and HRA budgets (Annex 1)
 - A more detailed options appraisal of the various models;
 - Obtaining specialist legal and governance advice about the HSSV proposal (Annex 2)
 - Establishing a tenant and leaseholder consultation framework
 - Project team and working groups set up to consider housing management best practice, governance and communications
 - Determining the activities to be included in the shared arrangement (Annex 3)
 - Assessment of the impact on remaining council services
 - Developing a detailed project plan and timetable (Annex 4)
 - Developing a Risk Assessment plan (Annex 6)
- 1.4. Whilst progress has been slow and the original timetable has slipped, this is almost inevitable with a project of this scope and complexity. Furthermore, whilst over seventy councils have established arms length arrangements to manage their housing stock, this project remains the first in the country which seeks to provide high level integrated housing services for a number of local authorities through a single shared service arrangement. Consequently, it remains of considerable interest to central government and the regulatory agencies. Additionally, the work has also taken account of the future relationship between landlord services and any wider shared service arrangements developed in East Kent.
- 1.5. The detailed business case undertaken has also shown that given the necessarily conservative approach to implementation, the potential HRA benefits for Ashford are not as substantial as that authority had anticipated. Furthermore its ability to mitigate

general fund impacts and to drive further savings to that fund are less than the other councils because they are not part of the wider East Kent joint working arrangements. Ashford therefore does not benefit from the potential economies of scale open to Canterbury, Dover, Shepway and Thanet and so has withdrawn from the project.

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- 1.7. The innovative nature of the project also remains clear. The Communities and Local Government (CLG) Department have expressed great interest in the proposals as a shared service approach for housing services, particularly involving four authorities, has yet to be achieved. Work has already begun on comparing good practice and methods of operation across a number of key housing services and many of the short term efficiency savings highlighted in this report come about as a result of merging managerial and "back office" services across the four authorities.

2.0. Summary and Recommendations

- 2.1. The report sets out the case for proceeding with an SSV for the East Kent landlord housing services as well as the potential for combining the residual housing services of the four East Kent councils, projected by January 2011. The initiative is a complex one and therefore not without risks however the benefits are considerable - savings for both general funds and housing revenue accounts, improved services for tenants, better staff resilience and capacity, and the potential to drive efficiencies and further savings.
- 2.2. Managing the changes and ensuring tenants are involved in the change programme, and supportive of the proposals, requires a more phased approach than with perhaps most other council services. Hence the business case has been developed on the basis of minimal change to front line housing services in the first two years. During those two years medium to long term plans will be developed for the greater integration of all housing services, which will generate further efficiency savings, as well as renegotiating support service costs with other council services and putting in place a robust procurement strategy for the East Kent Housing service which, through economies of scale, should be able to realise substantial reductions in the cost of contracted services e.g. repairs and maintenance.
- 2.3. In terms of key issues arising since the initial report, there are three. Firstly, financial effects, in the first two years of operation the HSSV is expected to achieve efficiency savings in excess of 10 per cent of current running costs for the four housing services. These savings will be reinvested in the HSSV to support the further changes and service improvements in years 2 – 5 and beyond, which in turn will generate further efficiency savings. Indeed, over the first five years of operation it is estimated that the HRA can expect approximately £2,886,000 in savings for reinvestment in the housing service and/or improvements to the housing stock.
- 2.4. In terms of any impact upon the general funds of the four councils, this would occur as a result of two issues, firstly, how and from where support service functions such as Human Resources, ICT support services, etc. are provided and secondly, how the remaining or residual housing services (housing options, homelessness, housing strategy, enabling, and private sector housing) are revised to take account of any

losses in senior management or support posts as a result of the TUPE transfers to the new HSSV. The business case demonstrates that even the worse case scenario for the general funds would be restricted to an additional £1,032,000 in total over the first five years (£50,000 per authority per annum), falling on the four authorities. However even these minimal costs should be offset by planned savings for the general funds through such proposals as the proposed sharing of residual housing services not transferred into the HSSV.

- 2.5 Quite clearly these estimates may be subject to fluctuation and changing circumstances over time, for whilst the short term savings and improvements can be presented with some certainty, the medium to longer term expectations cannot be as precise. However, some certainty and confidence can be drawn from the experiences of other authorities who have adopted similar models, in particular, Arms Length Management Organisations (ALMOs). Whilst to date these have all been on a “1 to 1” basis as opposed to the “4 into 1” proposed for East Kent, what is clear from those models is that the speed and scale of change has had to be carefully managed in order to ensure tenants remain fully engaged and supportive of the plans. More importantly the ALMO comparisons demonstrate marked performance improvements and significant levels of efficiency savings achieved, particularly from reduced procurement costs and renegotiated support service costs (See Annex 5).
- 2.6 The comparison of the East Kent HSSV project to ALMOs is the second key issue addressed in this report. In the 2008 report various options were presented in terms of the type of vehicle which could support the shared services approach for landlord services. In essence the choice fell to either a hosted approach between the participating authorities or the establishment of a new arms length model which the authorities would wholly own. The recommendation of this report is to adopt the arms length option and the detailed reasoning is set out later in this report. However, in summary, the ALMO model is tried and tested, particularly in terms of their ability to drive service improvements and efficiency savings, secondly an arms length model gives tenants much greater involvement and decision making in the management of the services and operational matters, thirdly, it is a model familiar to and therefore likely to be favoured by government and regulatory agencies.
- 2.7 The final key issue relates to the proposed consultation arrangements with tenants and leaseholders about the proposals, and the future governance arrangements for the new organisation. Both are covered in detail later in the report, including an analysis of the impact on the various stakeholders i.e. tenants, members and staff. However, the consultation issue is a crucial one and needs to be developed in a way that ensures all tenants and leaseholders not only receive full information about the proposals, but critically, their views can influence the final shape of the changes. Consequently a set of consultation measures are planned which are currently being discussed with the Joint Tenants & Leaseholders Group (JTLG) covering the four authorities. Certainly, the Project Board believes a single ballot of all tenants and leaseholders is too narrow an approach to achieve effective consultation.
- 2.8 Similarly, governance issues need to be fully understood by members, tenants and leaseholders. The detailed proposals are set out in Section 5 and Annex 2, however, the arms length model offers both stakeholder groups a more direct role in the shaping and delivery of housing services in the future, at full board level as well as District by District.

- 2.9 Finally, it is also important for Members to recognise that the recommendations set out below are intended to allow further stages of the work to be undertaken and developed. In particular they allow formal consultation to be undertaken with tenants and leaseholders of the four authorities and also allow more detailed work to be undertaken on the financial implications and legal documentation of the recommended arrangements which will result in further reports to the relevant Forums. In that context, Members are requested to agree the following recommendations:

Recommendation 1 - that the arms length housing shared service option be confirmed as the preferred method for sharing landlord services in East Kent

Recommendation 2 - that any staff vacancies related to the housing management activities to be undertaken by the HSSV be managed to minimise potential severance costs

Recommendation 3 - that the housing management functions set out in Annex 2 are approved activities to be undertaken by the HSSV

Recommendation 4 - that the housing shared service vehicle is set up as a company limited by guarantee.

Recommendation 5 - that the board of the company will comprise twelve people – four members nominated by the local authority, four independents and four tenant/leaseholder representatives

Recommendation 6 - that Area Boards be set up in each participating council area.

Recommendation 7 - that the draft Memorandum and Articles for the SSV company reflect the governance and legal issues set out in Annex 3

Recommendation 8 - that each council's Chief Executive be authorised to make any decisions and any changes necessary to these proposals to pursue the project up to final council approval to join the Housing Shared Service Vehicle.

3.0. The Housing Shared Service

- 3.1. This project will create a single integrated housing management service for the council tenants and leaseholders of Canterbury, Dover, Shepway and Thanet.

3.2. Tenants and Leaseholders

Tenants rights and responsibilities will be unchanged as they remain the tenants and leaseholders of the individual councils. They will still be able to exercise their rights to buy, to repairs and to mutual exchanges. Their repairs and out of hours services will be carried out through existing contractual arrangements. Tenants and leaseholders will continue to enjoy local access for face to face services

However by having a single service, tenants and leaseholders in the future will increasingly benefit from their services reaching the best 'three star' standard, better value for money and more investment in their homes/services. This will be achieved through bringing together 'back office' activity, through economies of scale on similar activities and through streamlined management and procedure.

In later years more economies and efficiencies will be possible through a move to single information and communication technology systems and the joint procurement of contracts for repairs services.

3.3. Councillors

Members of the council through Executive, Overview and Scrutiny, Council and East Kent Joint Arrangements Committee will be able to exercise a similar level of control

and influence as currently enjoyed. The individual councils set the budget for the single housing management service, decide its performance targets and the scope of its operation. However some councillors will have a greater opportunity than at present to influence the running of the housing service through a designated board, comprising members, tenants/leaseholders and independents as well as local Area Boards. Section 5.0 and Annex 3 below sets out these arrangements in more detail.

In addition, individual councillors will be able to contact housing managers and staff to the same extent as now. Their complaints and issues will be given the same or indeed better attention than at present and there will be no change to the influence they currently enjoy.

3.4. Staff

The managers and staff of the East Kent authorities that carry out 50 per cent or more of the housing management function duties in Annex 2 will transfer to the new single service. The rights and responsibilities that they enjoy will now remain unchanged. Over time, their terms and conditions of employment will be harmonised to take account of any harmonisation across other council services and with regard to similar sized housing organisations in the South East of England. The majority of staff will continue to work in the same places that they do now but some groups of staff will be brought together straight away e.g. the management team.

Trade unions and staff have been and will continue to be consulted about the changes. Although some posts will be lost, others will be created. The net effect is expected to be a reduction in the region of 32 FTE (full time equivalent) posts across the four authorities. As ever the objective will be to avoid compulsory redundancy, and to redeploy and train staff to take on any new roles and responsibilities. The single service will undoubtedly provide new benefits and opportunities for many staff especially with regard to training, development and career enhancement.

The Business Case

3.5. The Business case set out below addresses four key issues:

- a) Review of organisational options;
- b) Financial implications for each council, focussing on the first five years operation and addressing the potential impact on both general fund and HRA budgets;
- c) Legal and governance issues relating to the Housing SSV proposal;
- d) Determining the activities to be included in the shared arrangement.

3.6. However the starting point of the Business Case is to restate the overall aims of the project which were set out in the December 2008 report and which remain the driving force behind the proposals. They are:

- Delivering excellent customer services – aiming for 3 stars
- Realising greater efficiencies and savings for reinvestment
- Encouraging stronger and more prosperous communities
- Improving procurement capacity
- Providing additional investment for council housing estates
- Ensuring longer term resilience for individual HRAs
- Establishing a stronger housing role for the five councils
- Developing a stronger role for tenants in shaping housing services

- Improving career opportunities for staff

3.7. Certainly evidence from the majority of councils elsewhere who have pursued similar delivery models for their housing services, demonstrate these aims are both realistic and achievable. The underlying case is that the creation of a single purpose organisation focussed on delivering housing services, and with tenants far more actively involved, can provide the necessary stimulus for improvement.

3.8. However, whilst the project is primarily about improving housing landlord services, the impact and implications arising from those proposals on residual housing services and other services remaining with the host councils has to be a key element of the overall business case. Furthermore, the necessary changes to the housing services will inevitably need to be phased in, in order to take account of the wider implications and plans of the four East Kent authorities.

Options Review – Hosting vs SSV

3.9. The December 2008 report considered various organisational options to deliver the aims of the housing project. They included:

- Hosting by one or more individual authorities
- Development of joint procurement approaches
- Development of a shared service vehicle
- A shared service vehicle with some or all services

3.10. Since that report, the East Kent authorities have also begun to look at an ambitious agenda to share other council services on a much wider basis.

3.11. As part of the development of the Housing Business Case, the earlier options have been reconsidered, in particular the hosting option, as well as considering whether the housing project should be included within any wider hosting or Shared Service Vehicle plans rather than stand-alone.

3.12. These deliberations by the officer Project Board concluded that the special circumstances relating to housing management services in respect of Secretary of State specific approval (Housing Act 1985 section 27 consent), enhanced tenant involvement and the position on legal powers confirmed that the Housing Shared Service Vehicle should sit outside any wider arrangement. Furthermore, a dedicated Housing Shared Service Vehicle would more likely deliver the efficiencies and reinvestment that run from a long-term commitment. Nevertheless the Housing Shared Service Vehicle would obviously benefit from the establishment of shared arrangements for support services and other housing functions through better cost savings, operational efficiency and reduced complexity.

3.13. The key features of an arms length model and of a hosted model are set out below in table 1:

Table 1 – Key Features SSV/Hosting

Arms length	Hosted
Provides a single housing management service through a wholly local authority owned company	Provides a single housing management service via one council through a shared service business unit
Single focussed organisation dedicated to improved services for tenants and leaseholders	Likely to be one of several council run business units with functional focus dedicated to improved services for tenants and leaseholders
Merged service based on successful Arms Length Management Organisation (ALMO) model for housing	Merged service based on Direct Labour Organisation (DLO) model
Individual ALMOs are recognised by the Audit Commission as the best performing housing organisations	Individual in-house housing services are amongst the weaker performing housing organisations
ALMO model is tried and tested and can demonstrate service improvement, economies and efficiencies	There is no housing hosted model in existence
Tenants are aware of ALMO models	Tenants have no knowledge or experience of hosted models
Tenants have a decision-making role	Tenants have an influencing role
Councillors on the board have decision-making roles but in a minority	Councillors on EKJAC have a decision-making role on a body wholly made up of councillors
Independent board members can bring new skills and ideas to the management of the company	Co-opted independents can influence decision-makers
Provides robust external challenge to costs and effectiveness of central/support services	Provides internal challenge to costs and effectiveness of central support costs (as now)
Proven track record in driving down support service costs to the benefit of general funds	No proven track record
Company running costs are slightly higher	No company running costs
Requires consultation with tenants and Section 27 Secretary of State consent	Requires consultation with tenants and Section 27 Secretary of State consent

- 3.14. On balance the Project Board believes that the arms length shared service option provides the more attractive model to tenants which in turn will help with obtaining S.27 Housing Act 1985 consent from the Secretary of State to delegate the housing management function. Despite the modest additional running costs (approximately £100,000) it provides the better opportunity to engender the cultural change necessary

to really drive down costs, improve efficiencies, effectiveness and service improvements. Annex 5 gives details of the measurable improvements and efficiencies of ALMOs elsewhere. Indeed recent Audit Commission research identifies ALMOs as the best performers - currently there are 34 two star ALMOs and 21 with three stars, but just four housing associations have three stars, a feat not managed by one stock retaining council. In addition, ALMOs contribute two thirds of all local authority housing efficiency savings, although they manage just half the stock.

3.15. Furthermore, based on experiences elsewhere, it is anticipated that the relationship between the Housing SSV and the four councils would develop and evolve over a period of time providing opportunities to realise further efficiencies at a time that it is mutually beneficial for both organisations. For example, there are likely to be occasions in the future when the councils will want to reshape their services to achieve efficiencies that will provide opportunities to renegotiate the relationships with the Housing Shared Service Vehicle e.g. provision of local service delivery points. The key to these processes is for such negotiated changes to be properly managed and mutually beneficial.

3.16. The Business case and financial model to support these proposals is set out below.

Financial Implications

3.17. Previous reports have set out the benefits of a shared housing service and these key service improvements are reflected in the aims set out above. However, the business case below sets out financial benefits that are achievable initially through the project as well as the potential for further benefits and efficiencies in the longer term:

(a) Driving support service efficiency - the HSSV will be a semi-autonomous client for the councils' central support services. It will be required by the regulator (Tenant Services Authority) and auditors to ensure that it is achieving value for money in the services it procures. The HSSV may procure services from outside the council or decide to provide them itself if such value for money cannot be secured. Annual negotiations between the HSSV and the councils will provide a more business like and efficient approach to deliver both cost efficiencies and service improvements.

(b) Better procurement opportunities - working as four independent housing services, it has not always been possible in the past to reconcile individual practices and processes to arrive at a common basis to procure services. With all four organisations brought together under a common and focussed leadership, these procedural differences can be overcome with immediate benefits for new procurements. The benefits from joint procurement particularly with the repairs service are likely to be significant.

(c) Cost efficiencies - significant efficiencies will be realised by combining certain services across the four authorities. Review Groups have been set up to look at areas where efficiencies and service improvements can be delivered and include for illustrative and decision making purposes only at this stage.

Management and "back office services" - savings can be anticipated from bringing management levels together as well as "back office" functions within the existing Housing Services e.g. there are a number of section or function managers within each council who undertake similar roles and there will be scope to rationalise or merge some of these posts.

Rent recovery – illustrative figures from high performing comparative organisations indicate that rent recovery activities could be streamlined and restructured to deliver efficiencies through economies of scale.

Repairs & Maintenance - similarly with the repairs and maintenance services. It can be anticipated that there would be a significant economies of scale achieved if the services were brought together.

Savings in the region of £660,000 per annum (at 10% of current operating costs) could reasonably be anticipated through the above illustrative examples.

The above direct service examples demonstrate the probable short term efficiency savings achievable through combining the four services. The Review Group process now set up will work through all “front line” services and “back office” services to identify potential savings and indeed, where there is a need for further investment to improve services and performance. In addition to the Review Group process, the medium term business plan i.e. after two years, will focus on reducing the level of central service costs from other council services e.g. Legal services, contact centre, etc. where, based on experiences from elsewhere, significant savings can be achieved.

In parallel with the review of support services there are also potentially significant savings in the procurement of future works contracts or IT services. The examples of savings achieved in other council areas in Annex 5 provides substance to this statement. An obvious example in East Kent will be that a single housing IT system for the new organisation will be required, as well as reductions in annual support costs. However, as these savings may not be realised at least until after year two or even beyond five years of the service they have not been factored into the financial modelling below. Alternatively there may be more immediate gains from migrating all four housing services onto an existing housing system, however the business case for this has yet to be considered but will be addressed in the next phase of review work.

Clearly the incentive for achieving HRA savings across the four authorities is it provides opportunities for reinvestment in order to improve service quality and performance.

(d) Service quality - other advantages of providing a service jointly rather than individually, with the ability to reinvest efficiency savings, include:

- Prospect of achieving a three star rating for tenant services
- Improved staffing resilience and capacity
- An enhanced role for tenants in the management of the service
- Improved capacity to tackle issues such as the regeneration of run down housing estates and obsolete housing.

In addition, it is expected that specific service areas will be strengthened through this initiative.

One example of these plans is leasehold management, current arrangements are inefficient and expose the councils to risks in terms of the recovery of service charge income. Significant service improvements are likely to be achieved by establishing a single point of service for the four areas. In addition, the original report noted that the total staffing per thousand leaseholders is 3.15 which compares to figures as high as 12 in urban and London authorities and an average of around 4.5 in other districts.

Financial impacts

3.18. The Project Board was charged with developing a more detailed financial case to ensure that the HSSV was sustainable in the longer term and to identify possible financial impacts on the councils' General Funds. A finance work stream group led by Thanet's Director of Finance and comprising senior Finance staff from all five councils was established to undertake this work. The key issues reflected in the modelling can be summarised as follows:

- costs of staff liable to be transferred under TUPE to the new entity and associated running costs;
- impact on the General Funds of councils due to diseconomies of scale;
- impact on the HRA of the proposed changes and the viability of the original savings target of £727,000;
- impact on the General Fund as a result of charges to the HRA that will no longer be possible. This would include areas where the HRA has been charged with general apportionments of overheads that are not expected to continue.
- VAT and tax implications
- Value for money

3.19. The detailed financial model is set out at Annex 1 and is presented as a "cash flow" over five years, taking into account start up costs, immediate savings on support services (both with the HSSV and direct HRA savings), savings on accommodation and IT related charges with effect from year 3. A summary table of the five year forecast is set out below in Table 2, followed by the implications and issues arising from the modelling.

Table 2 – summary business case

Year	Net HSSV costs/savings (+/-)	HRA savings outside of SSV	Total net HRA costs/savings	Total General Fund Impact
	£'000	£'000	£'000	£'000
2011/12	481.5	- 293.6	187.9	206.4
2012/13	- 383.1	- 293.6	- 676.7	206.4
2013/14	- 505.6	- 293.6	- 799.2	206.4
2014/15	- 505.6	- 293.6	- 799.2	206.4
2015/16	- 505.6	- 293.6	- 799.2	206.4
Total	-1418.4	- 1468.0	- 2886.4	1032.0

3.20. The assumptions built into the above table are set out in more detail in Annex 1. Of key importance is to note that the first year costs show growth in the HRA in order to cover the set up costs for the new organisation e.g. new posts as well as possible severance costs. The indicative savings identified in paragraph 3.17 above are also reflected in years 1 and 2 above. However, it should be noted that some of the support service savings, such as those arising from legal and finance might take longer than predicted, but would be expected to be delivered at some point during the five year time-frame. Beyond year 2 the HRA savings increase substantially as the medium/long term plans are actioned in terms of accommodation costs, front line service improvements and reductions in support service costs. After year 5 the savings should further increase as the benefits of joint procurement and integrated systems become apparent. The general fund issues are addressed below.

(a) Impact on councils' general fund

- 3.21. There are two main areas which will impact on the General Fund - how and from where support services/ infrastructure functions are provided and secondly, how the residual housing services (housing options, homelessness, housing strategy, enabling, private sector housing and choice based lettings) are revised to take account of any losses in senior management or support posts as a result of the TUPE transfers to the new HSSV.
- 3.22. Firstly, support services / infrastructure - this includes, payroll, HR, Legal, Finance, grounds maintenance and Contact Centre. Infrastructure covers such things as office accommodation, IT and communications. Whilst the HSSV will need support services and access to infrastructure to support the business this is the area that could have the largest impact on the General Fund of individual councils due to diseconomies of scale. This would arise where support services ceased to be provided by a council but where a corresponding reduction in support service staff was not practical, thereby removing the ability to recover part of support service costs from the HRA in an area where reducing the cost would present capacity problems elsewhere. This is most notably an issue where the support service is less than 50% of an individual's role.
- 3.23 For example, each of the Council's HRAs are charged a proportion of the call centre costs as an overhead (along with other corporate services). Should the HSSV want to use only one call centre to support them, the three authorities who would no longer provide this service will have to cover that recharge amount in the General Fund, or reduce the expenditure of their call centre team, which may not be immediately possible as it may not equate to a whole post.
- 3.24 Where an individual provides the support service for over 50% of their role, it is likely that they will transfer to the HSSV, leaving a saving on the general fund (and a corresponding resource shortage for any work remaining).
- 3.25 The effects of this could be mitigated through a number of routes, including:
- by providing all support services through a shared service arrangement – as even though the four councils would lose the revenue support from the HRA this would be matched by a loss of staff costs into any shared service - who would then be the sole provider into the HSSV. This would therefore be cost neutral to the four East Kent councils.
 - by parcelling services together so that each council gets the opportunity to 'win' elements of business, selling support services to the HSSV (although it would be difficult to do this in such a way as to be able to compensate all four equitably for their lost GF contributions);
 - by continuing to buy services from existing providers. Although this would eliminate any negative impact on the individual councils, it would not be an effective way for the HSSV to secure value for money.
 - restructuring back office services to reflect the changed environment. Around 200 councils in England have successfully dealt with similar issues created by the transfer of their housing stock or by the creation of an ALMO. Services can be reconfigured and staff redeployed to reduce or eliminate any negative financial impact

- 3.25. In terms of the potential general fund impact arising from residual housing functions, there is scope to bring these services together in a shared service arrangement and restructure them and this would enable a potential general fund saving of up to £244,000 to help offset potential general fund costs. As well as achieving an improved and enhanced working structure, it also limits the loss of income for support services to the General Funds, the impact can be lessened initially and removed in the medium term.
- 3.26. Clearly the financial impact upon support services and General Funds shown in paragraph 3.19 and the 5-year “cash flow” table, needs to be managed carefully regardless of what the medium/long term solutions are. As such the current planning of the HSSV transition is that in addition to the general support services, which could be bought in from one source from ‘day one’, it is also planned that for at least two years housing staff will continue to occupy the same desks, use the same systems, and the same contact centres, and the costs will continue to be eligible to be charged to the HRA.
- 3.27. However, after two years the intention would be for the HSSV to implement changes that would drive further efficiency savings and improvements to services. These changes would be developed during the two years and be negotiated and developed with the host councils. For example, if it is decided to relocate the HSSV service the costs would either need to be budgeted for in the General Fund, or measures taken to reduce them. These factors are built into the five-year model set out in Annex 1.

(b) Impact and viability on individual Housing Revenue Accounts (HRAs)

- 3.28. The establishment of an HSSV should be positive for the HRA provided that the opportunities to realise economies of scale are seized and that the service drives down costs (external suppliers and cross council support services) through its greater purchasing power. In addition there will be a greater sharing of expertise and best practice making it possible to reduce costs even further through the introduction of more efficient operating structures and practices. As a result the proposals should extend the viable life of the HRA as well as free up resources that can be invested in improving tenants' homes or in improved standards of service
- 3.29. One of the briefs given to the finance work-stream group was to test the viability of the original HRA savings estimate of around £720,000. Although TUPE rules preclude any predetermination of structures, the loss of 25 posts (which equates to the figure of £724,00,) is less than 10% of the direct staff and management team costs of the new structure and as a result it would appear to be a conservative, indeed prudent target. For modelling purposes this savings target has been adjusted to reflect Ashford's withdrawal, (i.e. £580,000 = to 20 posts) increased to 10% of current running costs (i.e. £660,000) and shown as being phased as 50% in year one, and 100% from year two onwards, although it is acknowledged that substantially more may be possible in the longer term as demonstrated earlier in paragraph 3.14. The day-to-day repairs and maintenance contract align in 2015 which should afford an opportunity to review/provide an area wide procurement. In addition, Housing ICT once merged could provide substantial savings, however the opportunity to facilitate this would not be before 2013/2014.

(c) Management fee

- 3.30. The financial model also helps to collate the information that will establish the likely level of management fee for the HSSV. However, the mechanism for setting the management fee will depend on a number of factors, such as the operating arrangements of the new

entity, whether it is structured on an area basis, or functional basis, with 'specialist' teams providing services to all four districts. The degree to which 'non-standard' housing assets, such as supported housing, require additional resources will also have to be taken into account, as will progress on the direct savings that the SSV will be expected to make will be reflected in the level of the management fee. The management fee will be used by the councils to ensure that there are pressures on the HSSV to improve efficiency and value for money

- 3.31. The approach to the setting of the management fee will also depend on the degree to which variable service levels are required, which will require a more complex pricing strategy to be devised. As a result it is not possible at this stage to provide any actual estimates of likely levels of management fee for each council, until the level of service required and the operating arrangements for delivery is more clearly set out. That said, the HSSV will be cash limited in the first years to the same, or less, budget than current and will only be able to work within the level of resources the councils make available within the HRA. Furthermore with similar organisations established elsewhere, many have worked to a reducing level of management fee in the early years which then firmly places the onus on the new organisation achieving efficiency savings and improving services through VFM exercises.

(d) Securing value for money

- 3.32. Whilst there is likely to be a modest financial benefit in relation to management overhead if the hosting model was chosen, this could be overshadowed by a lack of robust exposure of support services to VFM, if they were automatically provided by any wider hosting body.
- 3.33. In addition, there is a possible (significant) impact on general funds if the provision of support services is not managed in such a way as to protect as many of the partners as possible, which would only be achievable through moving to a single service provider.
- 3.34. By securing support services at prices less than that currently charged, the HRA would see further savings, which would extend its affordable life and enable service improvements to be invested in. This has not been factored in as yet, as it is believed that the largest savings will not be realized until years 2 or 3. However, it is evident from the examples shown in Annex 5 that substantial savings are realisable on support services such as legal costs, HR, financial services, IT support, etc.
- 3.35. Finally, a reorganisation of the residual housing functions would greatly assist to minimize the impact on the General Fund, whilst offering the greatest flexibility and value for money to the HSSV.

(e) VAT and tax implications

- 3.36. Specialist advice has been sought on the VAT and tax implications of the options set out in this report. They have no material bearing on any of the options.

(f) Section 151 officers comments

The s151s from the authorities have met to consider the outline business case for the Housing (Landlord Services) Shared Service. As far as the proposals that are presented are concerned, the financial modelling is believed to be reasonable and soundly based;

although the modelling work relies on significant sums that are based on rough estimates (e.g. severance costs) and some of the implementation costs associated with the transfer, e.g. harmonisation of terms and conditions, are not captured. There is no estimate of longer term implementation costs associated with what has been described as the 'second phase' (for example accommodation and technology) as there are no plans, even in outline, on which to base any modelling. Similarly, however, there are no savings built in from the likes of better procurement.

The report illustrates the quantum of savings that could be generated for all partners based on a target of 10% applied to certain expenditure headings (excluding repairs and maintenance contracts and other contracted costs). These savings amount to just over £1 million cashable savings in relation to the Housing SSV and potentially a further £368,000 savings from lower accommodation and IT costs.

The projected cashable savings to the Councils from landlord services, arising specifically from the creation of the HHSV¹ are:

(Savings)/Costs of the HSSV

	CCC £000	DDC £000	SDC £000	TDC £000	Total £000
2011/12	97.6	110.2	133.7	140.0	481.5
2012/13	(141.3)	(116.1)	(69.1)	(56.6)	(383.1)
2013/14	(141.3)	(116.1)	(69.1)	(56.6)	(383.1)
2014/15	(141.3)	(116.1)	(69.1)	(56.6)	(383.1)
2015/16	(141.3)	(116.1)	(69.1)	(56.6)	(383.1)
5 year total	(467.6)	(354.2)	(142.7)	(86.4)	(1,050.9)

The Annex shows further HRA savings of £1.468 million arising from changes to the charges to the HRA for management and anticipated savings in support services directly charged to the HRA. However, the report does not go into any detail, or provide any illustrative structures or model ways of working to show how these savings might be delivered in practice. Instead it is based upon assumptions of how the proposed level of savings may be delivered through deleting support posts that are duplicated across all partners. The proposals revolve around 'business as usual' with a few reductions in posts due to economies of scale in a select number of support roles. It is a conservative approach which is considered by the Project Board to be necessary to create the shared service.

Whilst the Annex shows this approach may deliver savings and service improvements in the long run, the councils may have a concern that the savings are not great enough to warrant the level of investment and effort that setting up such a structure would require (this is particularly so in the case of the stand alone HSSV model). The report however describes the approach envisaged in future years and it is for members to assess whether that prospect of savings from innovation later in the project outweigh the relatively marginal level of savings assessed in the initial years of the project and the potential investment costs which are likely to be required. The question of whether the

¹ These savings are taken from the first X columns of the tables in Annex 1 of the report. They represent the overall HRA / General Fund aggregate savings from landlord services, and do not include adjustments between the HRA and General Fund, since they do not result in an overall saving. They also do not include savings generated by other joint working projects.

SSV or hosted option is preferable has been addressed in the body of the report and members will judge whether the additional cost of the SSV is worth that investment. In terms of risk assessment included within the report, the most significant risks to take into account are the impact of not all four councils proceeding and uncertainty around the costs to each council until the management fee basis is sorted. However, both of these can be mitigated through good project management and open accounting approach to the setting of the management fee.

In summary the assessment shows the project is affordable but at this stage the greater motivation for entering into the arrangement will be non-financial reasons, which are those set out in the introduction to the business case.

Recommendation 1 – that the housing shared service vehicle be confirmed as the preferred method for sharing housing services in East Kent

Recommendation 2 - that any staff vacancies related to the housing management activities to be undertaken by the HSSV be managed to minimise potential severance costs

4.0. Shared Housing Functions to be undertaken

4.1 Since December, further work has been undertaken to determine which landlord functions should be transferred to the SSV through the management agreements. There is a collective agreement from the Chief Executives of each of the councils on those functions which are set out in Annex 2, although there will be differences between authorities in terms of scope, performance standards, etc. which will need to be addressed should the project proceed. The Business Case and financial considerations at paragraph 3.0 above have been based on this assumed transfer of services.

4.2 That said, under the contracts between the four councils and the SSV other activities could be included, subject to negotiation and agreement, either at the outset or in subsequent years. The factors that come into play in those negotiations include:

- Does the SSV have the skills/experience/track record to deliver those services?
- Will contracting those services to the SSV achieve savings/efficiencies/improved performance/better customer satisfaction?
- From the councils points of view will contracting those services to the SSV create anomalies within the council? (particularly relevant in terms of current central/support services)
- Can the transfer of some functions vary between authorities e.g. three councils agree to contract say ASB to the SSV, the other doesn't, what's the impact on the SSV?
- What are the experiences of other local authorities that have arms length arrangements to deliver their housing services?

4.3. Should approval to proceed be given, much of the ongoing work of the project team would be to further explore such issues. In order to enable operational efficiency and expediency for the project, it is suggested that delegated authority to approve further changes to Annex 2 be given to the East Kent chief executives. EKJAC and the individual councils would reflect the changes in the management and collaboration agreements, which would be subject to final approval.

Recommendation 3 – that the housing management functions set out in Annex 2 is approved activity to be undertaken by the HSSV.

5.0. Legal and Governance

- 5.1. The EKJAC report set out a governance model for a Housing Shared Services Vehicle. Since that time there has been new case law that raised doubts about the legality of bringing housing landlord services together in a single council owned company. Specialist legal advice was sought to test the governance proposals and whether the services would need to be subject to tendering procedures. The legal advice received is that the councils have the necessary powers to create an Shared Service Vehicle for housing and that the amount of council control over the Share Service Vehicle is sufficient to enable its creation, without the need to go out to open market tender.
- 5.2. There is a fine line to tread in respect of staying within procurement rules and satisfying the Secretary of State section 27 Housing Act 1985 (as amended) requirements in respect of governance. On the one hand the local authorities must demonstrate that the HSSV is under their full control to satisfy procurement rules and on the other they must demonstrate a sufficient degree of autonomy for the SSV to satisfy the Secretary of State.
- 5.3. Legal advice was therefore sought about the governance structure previously reported to EKJAC and the five councils. This structure comprised a board with five local authority (member) representatives, five independents and five tenant representatives. Under this board would sit five area-based boards comprising local authority member, tenant and leaseholder representatives.
- 5.4. The legal advice has confirmed that this configuration is acceptable from both a procurement and a Secretary of State perspective. However, in the light of Ashford's withdrawal it is proposed that the structure be revised to four local authority representatives, four independents and four tenant representatives. Area based boards would still be set up for the four East Kent authorities. Annex 3 sets out in detail the legal and governance issues.
- 5.5. The governance proposals enable good management of the Housing SSV and compliance of the regulator (Tenant Services Authority). It is the responsibility of the board to run the company and board members duties will not be as tenants, councillors or independents but to act in the best interests of the company.
- 5.6. Nevertheless the councils would have overriding control of the HSSV through:
 - Ability to appoint and remove independent board members
 - Ability to appoint nominated board members (although this is usually delegated to the shadow board)
 - A membership agreement will determine the voting rights at the AGM (i.e. restricting voting to the five councils)
 - Agreement by the councils to the Memorandum and Articles of association for the SSV
 - Agreement of the terms of the contract (Management Agreement) with the SSV which is likely to be the most significant control measure
 - Agreement of the SSV's annual service delivery plan
 - Ultimate ability to terminate the agreement with the SSV

Recommendation 4 - That the housing shared service vehicle is set up as a company limited by guarantee.

Recommendation 5 - that the board of the company will comprise twelve people – four members nominated by the local authority, four independents and four tenant/leaseholder representatives

Recommendation 6 - That Area Boards be established in each participating council area.

Recommendation 7 - That the draft Memorandum and Articles for the SSV company reflect the governance and legal issues set out in Annex 3.

6.0. Consultation

6.1. The Housing Act 1985, section 105 requires that tenants should be consulted on matters of housing management and government advice considers it likely that section 105 would apply to the making of any new management agreement. Section 27 (as amended) of the same Act enables councils to delegate the provision of housing management services to another organisation with Secretary of State approval.

6.2. The methods of tenant consultation are being discussed with the Joint Tenant and Leaseholder Group (JTLG) established for the shared service arrangements. A range of measures will be used to help all tenants understand what is being proposed and to ensure a broad and accurate assessment of tenants' views is received. Tenant representatives and their independent advisors will be consulted on what methods will be appropriate, for instance, surveys, questionnaires, newsletters, leaflets, open days, road shows and free phone advice lines. This 'cocktail' of methods we understand will certainly meet, if not exceed Secretary of State section 27 requirements.

6.3. At this stage it is not proposed to carry out a ballot of all tenants and leaseholders about the shared service proposal. A detailed consultation framework is being developed with the Joint Tenant and Leaseholder Group (JTLG) and will include a wide range of consultation methods. There is a concern amongst some tenants that ballots are associated with stock transfers and this may alarm or confuse some residents. This is a proposal to manage current services collaboratively to bring about efficiencies and service improvements and it is important to restate that the shared service proposal:

- Does not change the ownership of the council's housing
- Does not change the tenure of council residents
- Does not change any of the statutory rights enjoyed by tenants

Services will continue to be specified by the councils and be accountable to the respective Executives/Cabinets.

6.4. That said, it is also recognised that the proposals need to be properly explained and scrutinised by all tenants and leaseholders, hence the plans to develop a range of consultation methods in conjunction with the JTLG. Indeed it is intended that the process of consultation will allow tenants and leaseholders an ability to influence and shape the final proposals.

6.5. Members of the respective councils will be consulted using the preferred arrangements of each council.

7.0. Next steps

Decision-making and Scrutiny

- 7.1. Should EKJAC approve the recommendations in this report, each individual council will be asked to consider and endorse the recommendations for their respective councils. East Kent Joint Scrutiny will also consider the report in December to enable pre-decision scrutiny prior to EKJAC. The Joint Tenants and Leaseholder Group will also have considered the report prior to EKJAC.
- 7.2. There are two further significant decisions to be made during 2010, the first is to approve the section 27 application to the Secretary of State. The second will be to approve and enter into the agreements that establish/launch the HSSV. These include the management agreements that delegate the activities to be undertaken by the HSSV, its memorandum and articles of association, the collaboration agreements between the four councils and the annual performance plan for the SSV. Both decisions are expected to be taken by the full council of each authority. The timetable setting out the next stages is attached at Annex 4. It is anticipated that significant decisions above will take place as follows:
Jan – March 2010 – formal approval from individual councils on the proposed method of sharing the housing service
May – June 2010 - individual council approval to submit their Section 27 application
Nov – Dec 2010 – individual approval of Memorandum & Articles, management agreement, delivery plans and inter-authority collaboration agreements

Work programme

- 7.3. The timetable at Annex 4 also includes the main activities required up to and beyond the decision matters above. These include:
- Establish detailed service and central/support service review programme
 - Carry out formal tenant consultation on proposals under s.105 Housing Act 1985
 - Carry out formal staff consultation
 - Recruit and train Shadow Board
 - Appoint Management Team and other structures/posts critical for the pre-operational period
 - Develop service agreements with existing support and other services
 - Develop and submit s.27 Housing Act 1985 applications to Department for Communities Local Government
 - Development of Management Agreements and delivery planning for each of the councils
 - Develop the Collaboration Agreement
 - Identify staff to transfer to the SSV
- 7.4 In a complex project such as this wide delegated powers are recommended to be granted to each council's Chief Executive to ensure speed of decision making on any changes to the proposals which may be necessary as a result of advice received or for some other reason. Members have the reassurance that the final decision on whether to approve the proposals as they finally appear will be theirs.

Recommendation 8 – that each council's Chief Executive be authorised to make any decisions and any changes necessary to these proposals to pursue the project up to final council approval to join the Housing Shared Service Vehicle.

Annex 1 Finance report

Housing Shared Service – Financial Implications

In support of the work undertaken by the Housing Shared Service Project Board the two options for service delivery have been reviewed, namely the set up of an arm's length SSV and delivery through a hosting arrangement. This paper presents the key financial implications of those options.

Scope

The main areas of concern that have been looked at were:

- Impact on individual Council's General Fund
- Impact on the individual HRAs, specifically in respect of ongoing financial viability
- Securing Value for Money
- Setting of the Management Fee
- VAT implications

In addition, the work has calculated an estimate of the budget savings possible through sharing residual housing services, which enables costs generated through dis-economies of scale to largely be contained.

Assessing the Impact on the General Fund and HRA

The Current Financial Position

Due to the flexibility offered by accounting standards, especially around cost apportionments, each of the four councils involved in the proposed housing shared service come from a slightly different starting point in terms of their level of HRA charges.

The information in the table below is a brief summary of the current position*, which excludes expenditure on repairs and maintenance, utilities, insurance and rental incomes, which will continue to be posted directly to the Council's accounts.

	Housing Units	HRA charges 2009/2010 estimates (?)			
		Current Housing Service		Current Support Services	
		Costs to HSSV	Costs remaining with Council	Costs to HSSV	Costs remaining with Council
Thanet	3,127	1,139,318	1,615,087	268,947	920,155
Canterbury	5,280	2,699,088	1,397,473	513,695	927,095
Dover	4,640	1,805,604	2,168,938	338,237	813,667
Shepway	3,444	1,666,095	875,738	158,304	941,876
Total	16,491	7,310,105	6,057,236	1,279,183	3,602,793

Developing the Financial Model

Through the Finance work stream a range of operating approaches to the shared service were discussed to inform the need for additional technology and support service resources, as well as to determine the implications for VAT. The information that follows in this report has been based on the following key assumptions:

- The process for the paying/collecting the following expenditure/income types (on housing assets) remains as current:
 - Repairs and maintenance
 - Utilities (gas, electricity and water)
 - Business rates
 - Premises insurance
 - Court costs (for housing debts)
 - Asset depreciation and interest charges
 - Revenue contributions to capital outlay
 - Rents and Service charges
 - Investment income
- The cost for future capital investment into the shared service's systems will be met from HRA reserves, or through an increase to the management fee for a replacement reserve to be established. The cost of this has not been factored in to the finance model as it could vary significantly depending on the choices made by the management team.
- Pension employer contributions are inclusive of back funding (which is consistent in the approach taken for the HR shared service.)
- The councils will remain responsible for preparation of the HRA accounts (although this may be consolidated through the whole council shared service).
- The set-up/project costs of the project have not been factored in to this model, having already been accounted for.
- No figure for severance costs has been included, as an accurate estimate isn't possible until the scale of post reductions and vacancy level become known. However for 25 post reductions it would be reasonable to expect these to be in the region of £750k, which would have to be borne by the HRA.
- No growth has been included for additional internal and external audit fees; as it would be expected that these would be matched by either a reduction in fees to the councils, or contained within services and supplies.
- The impact of pay harmonization has not been factored in to the model.

A scenario-testing model was developed to enable the financial impact of the proposals to be calculated. This enabled the following to be estimated:

- i) The costs of staff liable to be TUPE'd to the new entity and associated running costs;
- ii) The impact on the General Funds of Councils due to diseconomies of scale;
- iii) The impact on the HRA of the proposed changes and the viability of the original savings target of £700k;
- iv) The impact on the General Fund as a result of charges to the HRA that will no longer be possible. This would include areas where the HRA has been charged with blanket apportionments of overheads that are not expected to continue.
- v) The pros and cons of a separate company compared to a hosted arrangement.

The model that follows is presented as a "five year" projection in order to present the implications for the first two years which will be constrained in terms of the degree of change brought about by the HSSV and then the 3 years that follow where it is expected more significant changes are implemented.

2011/12	LANDLORD SERVICES SSV SPECIFIC										Total Net HRA Cost / (Saving)	Total GF Cost through disecon of scale
	Direct Staff Savings	Direct Costs Saving	New Running Costs	Severance Costs	Support Service Savings	Accom & IT Savings	Net HSSV Cost	Dis-econ of scale on HRA	HRA Support Savings (Fin & Legal)	HRA (savings) /Cost Excl HSSV		
	definite	definite	probable	possible	possible	indicative		definite	possible	possible		
	PYE 50%	PYE 50%			10%	0%			10%	10%		
Thanet	-58.3	-3.2	67.6	135.0	-1.1	0.0	140.0	-52.8	-21.8	-74.6	65.4	52.8
Canterbury	-98.4	-5.5	67.6	135.0	-1.1	0.0	97.6	-37.5	-21.8	-59.3	38.3	37.5
Dover	-86.5	-4.8	67.6	135.0	-1.1	0.0	110.2	-101.2	-21.8	-123.0	-12.8	101.2
Shepway	-64.2	-3.6	67.6	135.0	-1.1	0.0	133.7	-14.9	-21.8	-36.7	97.0	14.9
Total	-307.4	-17.1	270.4	540.0	-4.4	0.0	481.5	-206.4	-87.2	-293.6	187.9	206.4

split by no. units split by 1/4 split by 1/4 split by 1/4 split by units split by 1/4

2012/13	LANDLORD SERVICES SSV SPECIFIC										Total Net HRA Cost / (Saving)	Total GF Cost through disecon of scale
	Direct Staff Savings	Direct Costs Saving	New Running Costs	Severance Costs	Support Service Savings	Accom & IT Savings	Net HSSV Saving	Dis-econ of scale on HRA	HRA Support Savings (Finance & Legal)	HRA (savings) /Cost Excl HSSV		
	definite	definite	probable	possible	possible	indicative		definite	possible	possible		
	10%				10%	0%			10%	10%		
Thanet	-116.6	-6.5	67.6	0.0	-1.1	0.0	-56.6	-52.8	-21.8	-74.6	-131.2	52.8
Canterbury	-196.8	-11.0	67.6	0.0	-1.1	0.0	-141.3	-37.5	-21.8	-59.3	-200.6	37.5
Dover	-173.0	-9.6	67.6	0.0	-1.1	0.0	-116.1	-101.2	-21.8	-123.0	-239.1	101.2
Shepway	-128.4	-7.2	67.6	0.0	-1.1	0.0	-69.1	-14.9	-21.8	-36.7	-105.8	14.9
Total	-614.8	-34.3	270.4	0.0	-4.4	0.0	-383.1	-206.4	-87.2	-293.6	-676.7	206.4

split by no. units split by 1/4 split by 1/4 split by 1/4 split by units split by 1/4

2013/14	LANDLORD SERVICES SSV SPECIFIC										Total Net HRA Cost / (Savings)	Total GF Cost thro' disecon of scale
	Direct Staff Savings	Direct Costs Saving	New Running Costs	Severance Costs	Support Service Savings	Accom & IT Savings	Net HSSV Saving	Dis-econ of scale on HRA	HRA Support Savings (Finance & Legal)	HRA (savings) /Cost Excl HSSV		
	<i>definite</i>	<i>definite</i>	<i>probable</i>	<i>possible</i>	<i>possible</i>	<i>indicative</i>			<i>possible</i>	<i>possible</i>		
	10%				10%	10%			10%			
Thanet	-116.6	-6.5	67.6	0.0	-1.1	-23.2	-79.8	-52.8	-21.8	-74.6	-154.4	52.8
Canterbury	-196.8	-11.0	67.6	0.0	-1.1	-39.2	-180.5	-37.5	-21.8	-59.3	-239.8	37.5
Dover	-173.0	-9.6	67.6	0.0	-1.1	-34.5	-150.6	-101.2	-21.8	-123.0	-273.6	101.2
Shepway	-128.4	-7.2	67.6	0.0	-1.1	-25.6	-94.7	-14.9	-21.8	-36.7	-131.4	14.9
Total	-614.8	-34.3	270.4	0.0	-4.4	-122.5	-505.6	-206.4	-87.2	-293.6	-799.2	206.4

split by no. units *split by 1/4* *split by 1/4* *split by units* *split by 1/4*

2014/15	LANDLORD SERVICES SSV SPECIFIC										Total Net HRA Cost / (Savings)	Total GF Cost thro' disecon of scale
	Direct Staff Savings	Direct Costs Saving	New Running Costs	Severance Costs	Support Service Savings	Accom & IT Savings	Net HSSV Saving	Dis-econ of scale on HRA	HRA Support Savings (Finance & Legal)	HRA (savings) /Cost Excl HSSV		
	<i>definite</i>	<i>definite</i>	<i>probable</i>	<i>possible</i>	<i>possible</i>	<i>indicative</i>			<i>possible</i>	<i>possible</i>		
	10%				10%	10%			10%			
Thanet	-116.6	-6.5	67.6	0.0	-1.1	-23.2	-79.8	-52.8	-21.8	-74.6	-154.4	52.8
Canterbury	-196.8	-11.0	67.6	0.0	-1.1	-39.2	-180.5	-37.5	-21.8	-59.3	-239.8	37.5
Dover	-173.0	-9.6	67.6	0.0	-1.1	-34.5	-150.6	-101.2	-21.8	-123.0	-273.6	101.2
Shepway	-128.4	-7.2	67.6	0.0	-1.1	-25.6	-94.7	-14.9	-21.8	-36.7	-131.4	14.9
Total	-614.8	-34.3	270.4	0.0	-4.4	-122.5	-505.6	-206.4	-87.2	-293.6	-799.2	206.4

split by no. units *split by 1/4* *split by 1/4* *split by units* *split by 1/4*

2015/16 Council	LANDLORD SERVICES SSV SPECIFIC										Total Net HRA Cost / (Savings)	Total GF Cost thro' disecon of scale
	Direct Staff Savings	Direct Costs Saving	New Running Costs	Severance Costs	Support Service Savings	Accom & IT Savings	Net HSSV Saving	HRA charges outside of SSV				
	<i>definite</i>	<i>definite</i>	<i>probable</i>	<i>possible</i>	<i>possible</i>	<i>indicative</i>		<i>definite</i>	<i>possible</i>	<i>possible</i>		
	10%		10%		10%				10%			
Thanet	-116.6	-6.5	67.6	0.0	-1.1	-23.2	-79.8	-52.8	-21.8	-74.6	-154.4	52.8
Canterbury	-196.8	-11.0	67.6	0.0	-1.1	-39.2	-180.5	-37.5	-21.8	-59.3	-239.8	37.5
Dover	-173.0	-9.6	67.6	0.0	-1.1	-34.5	-150.6	-101.2	-21.8	-123.0	-273.6	101.2
Shepway	-128.4	-7.2	67.6	0.0	-1.1	-25.6	-94.7	-14.9	-21.8	-36.7	-131.4	14.9
Total	-614.8	-34.3	270.4	0.0	-4.4	-122.5	-505.6	-206.4	-87.2	-293.6	-799.2	206.4

split by no. units *split by 1/4* *split by 1/4* *split by units* *split by 1/4*

Note 1 The Support Service savings realisable by the SSV include Procurement & Corporate communications.

Note 2 The Accommodation & IT Savings also include customer services/call centre.

Note 3 The HRA Support Savings include Finance & Legal services (although the phasing of this could differ)

Note 4 The figures above do not reflect any costs arising from harmonising staff terms and conditions

Financial model – explanatory notes

Staff

The saving figure is calculated at 10% of the Direct staff to be TUPE'd into the SSV less the cost of the management posts to be job slotted.

	£'000	%	Saving
Direct Staff	6,148.1	10%	614.8

Direct costs

The saving figure is calculated on various % allocated by the project board.

	£'000	%	Saving
Stationary	22.0	10%	2.2
Periodicals & Publications	8.9	50%	4.5
Communications - Mobiles/Other	55.8	10%	5.6
Communications - Land Lines	86.1	10%	8.6
Conference & Seminars / Training	84.3	10%	8.4
Postage	49.8	10%	5.0
	306.9		34.3

SSV running costs

These costs are made up of the following list below, but also assume we still need to build in further costs for data warehouse financial system and general running costs.

	£'000	
Managing Director	130.0	
Finance Manager	70.0	
Contingency	50.0	
Premises	7.0	
Finance system (Sage)	5.0	
HR, Payroll & H&S services	0.5	
Governance costs	8.0	
	270.5	

to cover costs such as data mining system and other SSV specifics

Support Services (Overheads)

The saving figure is calculated on various % allocated by the project board.

Cashable	£'000	%	Saving
Procurement	19.9	10%	2.0
Corporate Communications	22.1	10%	2.2
	42.0		4.2

Diseconomies of Scale figure

This relates to charges/savings between the HRA to the General fund in relation to staff who have TUPEd into one or the other, who currently split their costs across both.

Each of the 4 Councils has a different setup and way of working and this is why the figures are different.

The figure below shows the position for the GF (the impact on the HRA is equal and opposite)

	£'000	
Thanet	52.8	a debit because staff are staying, leaving the saving on the HRA
Canterbury	37.5	a debit because staff are staying, leaving the saving on the HRA
Dover	101.2	a debit because staff are staying, leaving the saving on the HRA
Shepway	14.9	a debit because staff are staying, leaving the saving on the HRA
	206.4	

Strategic/Residual Housing Services

Depending on the final structure for strategic housing, and other residual housing functions, there is the potential to release over £600k savings through the sharing of these functions. The net potential saving of £244k on the General Fund mitigates the pressure on the General Fund from the shared landlord services. These figures do not include anything for redundancy costs

Council	Total Strategic Housing GF/HRA	Strategic Housing GF	Strategic Housing HRA
Thanet	-150.2	-60.4	-89.8
Canterbury	-185.5	-82.1	-103.4
Dover	-129.9	-49.2	-80.7
Shepway	-138.2	-52.7	-85.6
Total	-603.9	-244.4	-359.5

Whole council Saving

A 10% saving will need to be achieved once the whole council SSV is in place. This will need to be reflected within the residual HRA charge.

Finance	£'000	%	Saving
	487.3	10%	48.7
			Figures based on 2009/10 budget
Legal Services	£'000	%	Saving
	386.1	10%	38.6
	873.3	10%	87.3
			Figures based on 2009/10 budget

Property Management - - It is possible that further savings could be achieved, but due to the significant differences in approach across all 4 this would require further work to assess

Housing Units

Thanet	3,127
Canterbury	5,280
Dover	4,640
Shepway	<u>3,444</u>
Total	<u>16,491</u>

Hosting versus SSV

As the SSV model has a more independent management team than would be expected of a hosted model, as well as having some specific needs for specialist skills, such as an experienced commercial accountant and independent auditor, it will be more expensive in this respect. The figures outlined above show this could be as much as £270,000 depending on the degree of independence it would have to the host. That said, due to the scale and commercial nature of any shared service arrangement (including a hosted arrangement) it is likely that the management structure will need additional skills and capacity for dealing with the more challenging logistical and commercial elements. Therefore the additional costs associated with the SSV over the hosted arrangement may only be limited to the accountant and auditor posts, which would bring the differential between the two models to around £100,000.

Aside from the fact that the hosted option would most probably be cheaper overall it could be contentious in terms of the gain of one council would have, to the detriment of the others regarding support services as the same issues would exist around diseconomies for 3 out of 4 partners would exist, unless this was progressed in tandem with shared support services.

Annex 2

Functions to be delegated to the SSV Landlord Service

Co-ordination with corporate policy in relation to housing element of:	<u>Council</u>	<u>SSV</u>	<u>Both</u>
Community Safety	X		
Neighbourhood Renewal	X		
Regeneration	X		
Housing and Health	X		
Supporting People	X		
Sustainable Development	X		
Social exclusion	X		
Equalities and Diversity	X		
New tenancies			
Administration of Housing Register/Choice Based Lettings	X		
Housing allocations policy for Council housing	X		
Selection of tenants for vacant props	X		
Transfer list management	X		
Granting of new tenancies		X	
Successions		X	
Mutual exchange management		X	
Repairs and Maintenance			
Stock condition survey local authority housing		X	
Response repairs		X	
Contract and Planned Maintenance and Refurbishment Programmes		X	
Modernisation and Improvements		X	
Energy and efficiency		X	
Develops a business plan for investment in housing stock		X	
Implementation of annual investment programme: monitors delivery, manages programme		X	
Void and Empty Property Management			
Terminations		X	
Inspection		X	
Repairs		X	
Sustainable Communities			
Neighbourhood and Estate Management		X	
Enforcement of conditions of tenancy		X	
Evictions and court action to support enforcement		X	
Alterations to conditions of tenancy		X	
Illegal occupation		X	
Development of ASBO policy	X		
Responsibility for legal process to obtain Anti-Social Behaviour Orders		X	
Administering application prior to legal action for ASBO		X	
Regeneration and estate development			X

Estate Management			
Care taking on housing schemes		X	
Environmental Services		X	
Grass cutting/Ground maintenance		X	
Supported Housing			
Manage supporting people policy			X
Sheltered Housing Schemes		X	
Life Link Care line	X		
Supported Housing Schemes		X	
Refugees	X	X	
Homelessness Accommodation	X		
Temporary Accommodation	X		
Gypsies	X		
Medical adaptations		X	
Right to Buy			
Valuations	X		
Administration and calculation of discount		X	
Approvals	X		
Leasehold Management			
Finance			
Rent setting/service charges	X		
Rent accounting		X	
Recovery of Rent Arrears		X	
Recovery of other charges		X	
Financial Returns, Subsidy Returns	X	X	
Insurance of property and land	X	X	
Insurance claims		X	
Management of HRA capital resources			X
Preparation of HRA budgets	X		
Annual determination of SSV fee			X
Procurement			
Policy	X		
Letting of contracts in relation to delegated activities		X	
Tenant involvement in Housing Strategy			
Tenant participation		X	
Tenant consultation			X
Information to tenants		X	
Reports to tenants		X	
Other Assets (including lettings and management)			
Garages		X	
Shops and Buildings		X	
Estate offices		X	
Tenant Resource Centres or Tenant Offices		X	
Community Centres	X		
Clearance and disposal and dwellings			
Sale of dwellings	X		
Clearance and disposal of dwellings	X		
Compensation	X		
Decanting tenants			X

Housing Benefit and Council Tax Benefit administration	X		
Programme of Service Reviews	X		
Preparation of Business Plan for Housing Revenue Account	X		
Preparation of Delivery Plan		X	
Preparation of Service Plan		X	
Bidding for Capital Resources	X		
Monitoring Arrangements with the SSV			X
Developing and agreeing the annual delivery plan		X	
Monitoring the delivery plan achievement			X
Liaison with SSV on Housing Service Standards and Inspectorate requirements			X

Annex 3 Shared Service Vehicle Options and Issues on Governance arrangements

1. Legal basis for establishing a stand alone arms length management vehicle

Subject to the approval of the Secretary of State, section 27 of the Housing Act 1985 allows local authorities to delegate the management of their council housing stock to a third party. These powers have been used by a number of councils in a variety of situations. The added dimension here is that four councils are involved and the organisation to which the housing function is to be delegated is owned by four local authorities rather than a single council.

Two further legal questions are posed:

- i Can the four councils individually or collectively delegate the housing service to another organisation and remain exempt from the EU procurement regime?

External legal advice has confirmed that it is not necessary to tender a service where the authority exercises a degree of control over the service provider that is similar to that which it exercises over its own departments and the essential part of the service provider's activities are carried out for the authority. These exemptions to EU tendering requirements are set out in the Teckal case. (See Glossary)

- ii The second potential legal impediment to the proposed SSV arrangement relate to the powers that local authorities have in respect of joint working and the ruling in a recent LAML case. This ruling said that councils could not use their well being powers to set up joint working arrangements with the sole purpose of saving money.

Legal advice suggests that this situation would not apply in the case of the proposed housing SSV on two grounds. Firstly financial efficiencies is just one of the benefits from the proposed arrangement, with the aspiration to improve the quality of the service to tenants being a prime motivation in the proposal. Secondly the council does not need to rely solely on its well being powers to create the SSV. The well-being powers are just one of the powers which are available including the powers to manage housing accommodation. These powers are set out in more detail in Annex One.

In exercising these powers the councils would aim to:

- Improve the standards of service for residents living in council owned accommodation
- Create through efficiencies, opportunities to invest in improving the service, the estate environment and the quality of tenants' homes
- Increase opportunities for residents to influence the housing service they receive from their landlord

2. Company status

It is proposed to adopt a similar company model as used by councils that have delegated the management of their council housing to council owned and controlled companies. The significant difference here is that this arrangement needs to accommodate four rather than one local authority

Using models developed by other councils it is recommended establishing a company limited by guarantee wholly and equally controlled by the four local authorities. i.e. each local authority would be a member of the SSV and have equal rights over it.

The company would be a not for profit organisation. Any surpluses made by the company would be used to improve the services offered to the councils or reinvested in other aspects of the respective HRA Business Plans – e.g. enhanced improvements to tenants' homes or estates.

A company limited by guarantee is a limited liability company formed under the Companies Acts, and registered with Companies House. It is similar in many respects to a company limited by shares. The most significant difference is that (with the exception of some historical companies), companies limited by guarantee do not have share capital. The members of a company limited by guarantee do not "own" the company and do not have property rights over it. Rather, the members subscribe to a guarantee of the company's liabilities. This guarantee is typically limited to fixed amount, which can be as little as £1.

The SSV will (on the basis of the proposed corporate structure) be treated as a "local authority controlled company" for the purposes of local government legislation. This has implications for the operation of the SSV; specifically the SSV will be required to comply with the provisions of the Local Authorities (Companies) Order 1995. These requirements are largely administrative, but they do have some significant implications, including the requirement to publicise minutes of meetings and requirements to provide information to councillors and to the councils' auditors. There is also a separate provision, in the Local Government Act 1972, which disqualifies councillors who are appointed to outside bodies such as the SSV if their appointments are remunerated. This is a complicated area of law and more detailed advice will be obtained by the councils when appropriate.

2. A Company with Charitable aims?

Consideration has also been given to the company having charitable aims. However the need for the authorities to demonstrate control of the SSV to satisfy the Teckal exemption (see above) conflicts with the requirement of the Charity Commission for registered charities to be independent of public bodies like councils.

3. Board structure and composition

This is an area that is critical to how the SSV is operated and controlled. There have been numerous reports commissioned and produced that relate to good corporate governance including Cadbury and Greenbury. Guidance has also been published by the National Housing Federation. The critical issues in this respect are:

- To have a board of an appropriate size that can function effectively, exercising control and setting strategic direction
- To have a board with the right balance of skills to be able to discharge its duties effectively
- To have a board composition that has regard to the different constituencies that have a vested interest in the operation of the SSV e.g. local authority members and tenants/leaseholders

3.1 Size Good practice suggests that a Board of 12 members is optimum in creating an effective decision making environment. 12 is often seen to be the upper boundary of a range

of board sizes that are considered to provide effective governance. The NHF Code of Governance, for example, states that board sizes should be between five and 12

3.2 Board constituents. There are three constituencies that need to be considered.

Local authority members. Clearly there is a need to ensure that the democratic accountability remains with elected members. Again, following best practice from other housing organisations managing local authority of former local authority homes, it would be common for a third of Board members to be elected members nominated by their respective authority.

It is important to note here that the local authority member with responsibility for commissioning the service from the SSV and holding it to account for its performance (usually the appropriate portfolio member) would not be capable of being the local authority's nominee to the board of the SSV. This would be because of potential conflict of interests. However the appropriate portfolio holder is likely to be prescribed by the membership agreement as being the representative of the Local Authority who will exercise the council's voting rights at the AGM. Through this process they will exercise the council's right to vote in Board members of the SSV

It is envisaged that each local authority will nominate a member to sit on the SSV Board, however individual councils may if they wished want to nominate a senior officer to fulfil this role.

Tenants and leaseholders. Establishing an arms length vehicle provides an opportunity to increase the level of involvement that tenants have in running the housing service. For other housing organisations managing council housing or former council housing, it is common practice for a third of the Board membership to be made up of tenants/leaseholders.

Some councils with arms length management arrangements have chosen to have a higher proportion of tenant board members, but in an arrangement involving four local authorities we have less flexibility as any increase in the number of tenant board members would require reductions in other constituencies or increase the number of Board members. Neither of these options would be desirable in terms of good governance. It is not possible to reduce the number of council nominees as each local authority will want a place on the board. The independent members will be required to provide comfort to the regulator and to ensure that a range of professional skills are available to the board

Independent members. Good practice would normally require the appointment of a number of independent members. There would be an expectation from the Tenant Services Authority that there would be a balance on the Board between elected members, tenants and independent members. Independent members with no affiliation to a given local authority would be used not only to provide an independent element but also would allow professional skills to be brought to the board that might be missing from nominated tenants and councillors. Such skills might include financial and accounting skills, legal knowledge, HR understanding or professional housing knowledge

A skills profile needs to be established for the board, along with job descriptions for Board members. Independent board members should be recruited through advertisements which set out the skills required by the SSV Board.

It is proposed that a shadow board made up of members and tenants is appointed in the first instance to oversee the establishment of the SSV, to work with officers and the council to refine the governance arrangements, including agreeing the process of recruiting

independent members and develop the various agreements that will define the relationship between the SSV and the councils.

3. Sub committees

The Board may want to establish sub committees for certain aspects of its work. e.g. Audit committee, service committee, remuneration committee, finance committee etc. The Board will need to be aware of the requirements by both the local authorities and the Tenants' Services Authority to exercise good governance but at the same time will need to be aware of not unnecessarily adding to the burden of board members' work loads and the costs of the organisation

It is recommended that the Board of the SSV is given the freedom to establish whatever sub committees it deems appropriate for the conduct of its business

4. Length of term of Board membership

To create some stability in the SSV Board, it is necessary to stipulate the length of term that each member will serve before requiring re-election to the Board by the members at the AGM.

It is suggested that a third of Board members retire each year but have the opportunity to put themselves forward for re-election at the AGM. The usual term would therefore be for three years, although in the first two years there will need to be a ballot to decide which Board members will go forward for re-election. The Company Articles will need to reflect the requirements for councillors and tenants to be nominated from their constituencies by what ever means has been agreed. (See sections on local authority and tenant board representation)

It is important to maintain a degree of continuity and therefore it would be undesirable that all four tenant representatives stood down in the same year. Therefore a phased approach should be agreed. A similar approach might be taken to local authority nominees.

There will be a need to refresh the membership of the Board from time to time to ensure that it retains energy and vitality and to encourage new ideas to the company. It is therefore proposed that any Board member is limited to serving three terms on the Board (i.e. 9 years)

5. Chair and Vice Chair of the Board

The Chair of the Board is a key role in the SSV. The Chair will be required to provide leadership to the SSV and the Board and will need to ensure that the Board has the right mix of skills to discharge its responsibilities effectively. The Chair will be required to appraise the performance and contributions of other board members and the Managing Director of the company.

There are a number of options for selecting the Chair. These would include:

- The Chair is elected by members of the Board at the first Board meeting after the AGM
- The Chair is elected by the stakeholders (i.e. the four councils) at the AGM
- A special and specific recruitment process is undertaken for the role of chair, i.e. the post is subject to an open advert.

- The Chair is restricted to an Independent Board member to ensure that they have no allegiances to one of the four local authorities. This however would debar tenants and members who may be very effective chairs from undertaking that role and is therefore not recommended

6. Nomination of local authority representative

Each local authority member of the SSV will annually nominate a member to serve on the board of the SSV. This nomination will generally be made after the Annual meeting of each council at which nominations to external bodies is agreed. The specific arrangements will depend on the constitutional requirements of each local authority in respect of nominations to external bodies. These arrangements vary amongst the four authorities.

The AGM of the SSV will therefore need to be timed to follow the annual meetings of the four councils. Since the SSV AGM will also have to approve the annual accounts (as well as the appointment of Auditors), it is likely that the AGM would be in July or September and therefore nominated councillors would serve for a period defined by the AGM rather than the municipal calendar

Each local authority will nominate one member (or officer if it so chooses) to serve on the Board.

7. Selection of tenant board members

The key issues in this area are:

- How are tenants nominated to the Board?
- How do we balance the interests of leaseholders and tenants?
- Should there be a special Leaseholders' forum to ensure that leaseholders have a voice?
- How would arrangements for the SSV Board relate to arrangements of any local Area Board or existing tenant representative bodies?
- What happens if a tenant representative ceases to be a tenant of the authority for which they were nominated? (i.e. exercises the RTB or moves to another area)
- What happens if a tenant representative steps down mid term? Is another election held, is the vacant place offered to the second placed candidate, is the tenant representative body asked to nominate a replacement until the next election?
- Should there be restrictions on tenants that are in rent arrears or under notice or with a possession order against them?

A number of options exist these include:

- There is an election of tenants (and leaseholders) to select their representative
- Existing district level tenant representative bodies, (tenants' forums, Tenant Consultative Groups etc) nominate a representative to serve on the Board.
- Representatives are elected from each area to serve on Area Boards (see section 11 below) The tenant and leaseholder members of the Area Boards elect from amongst their number someone to serve on the Board of the SSV.

This is an area where we would ask the tenant representatives, supported by their independent tenants' advisor to consider and come up with their preferred option/other proposal.

8. Training for Board members

There is an expectation that all Board members from which ever constituency will participate in training to ensure that they are aware of the roles and responsibilities of a Board member. This will contribute to achieving good governance and giving assurances to the councils, their tenants and the regulator that the organisation and service is being organised and managed effectively

There are a number of well established training programmes and providers that could fulfil this requirement.

9. Remuneration of Board Members

It is recommended that in line with most arms length management arrangements e.g. Housing Trusts, ALMOs and similar organisations that Board members are not paid, except legitimate expenses incurred in their Board duties e.g. travel expenses. Some housing organisations pay board members but it is more common not to. For RSLs the Housing Corporation (as was) issued guidance which RSLs are required to follow in doing so. For ALMOs there is similar guidance on remuneration issued by CLG. ALMOs are required to produce a business case for remuneration, and to show that remuneration is required in order, for example, to attract board members with the appropriate levels of skill and experience. There are other considerations which will need to be borne in mind such as the impact on means-tested benefits if payments are offered to all board members (even if it is not taken up) and the impact of payments in council nominees who are Councillors (see section 80 Local Government Act 1972, which disqualifies Councillors from office if they are remunerated for their appointment to certain outside bodies. The Tenant Services Authority may now have responsibility for this guidance.

10. Articles of association

The articles of the association set out the ownership of the company, the ways that rights and responsibilities are distributed and how governance arrangements work. They will incorporate many of the decisions made to the issues agreed in the above report.

There is also likely to be a Members Agreement through which the councils set out the way they intend to exercise control over the SSV e.g. representation of the local authorities at the AGM, voting of Board members etc.

11. Local accountability

Throughout the life of the SSV project there has been assumption that there will be an Area Board Structure to provide for more local accountability both to tenants and council members.

The role of Area Boards might include:

- Monitoring the performance and service delivery of the SSV within the local authority area in question
- Acting as a consultative body on matters relating to policies and services delivered by the SSV (as distinct from council housing policies)
- Consultees on the annual service delivery plan for the SSV
- Making recommendations to the SSV Board

The regulator (TSA) is keen to promote greater involvement of tenants in matters that affect them and the Area Board would seem an opportunity through which to do this. For example decision making on environmental/estate improvements etc. There may be technical/legal issues that need to be resolved in this respect and further legal advice would be required

The relationship with existing tenant consultative bodies

Consultative arrangements already exist in all five local authority areas and the councils as landlords will continue to have duties to consult its tenants on key aspects of the housing service. This poses a couple of questions:

- Do the existing consultative arrangements get incorporated within the Area Board arrangements?
- Would the councils be happy to channel their consultative duties through the Area Boards, rather than having parallel arrangements?

The views of tenants will be important in coming to a final decision in this respect.

Composition and selection of Area Board members

Area Boards will be made up of local authority members, nominated by the Annual meeting of the Council, and tenant and leasehold representatives

Key issues to be agreed include:

- The size of the area boards
- The balance between councillors and tenants
- How tenants representatives are nominated to the Area Board
 - As part of the elections for tenant Board members
 - Specific elections for Area Boards separate from the SSV Board elections
 - By nominations from tenants/leaseholders groups
 - A combination of elections and nominations
- The terms of reference for the Area Boards

12. Audit, Scrutiny and regulation

As the SSV would be undertaking delegated services on behalf of the four local authorities, its activities would continue to be subject to the existing internal audit arrangements of the four councils and would be subject to scrutiny by the Audit Commission.

Additionally Companies Act requirements would require the SSV to have its own audit arrangements for its activities and accounts

The activities of the SSV would continue to be within the scrutiny arrangements of each local authority or any joint East Kent Scrutiny as appropriate and as decided and agreed between the local authority partners

The SSV would be subject to the regulation of the Tenants Services Authority. This body has regulatory responsibilities for council housing services, ALMOs and housing associations. The TSA has inherited inspection powers previously vested in the housing inspectorate of the Audit Commission but will commission the Audit Commission to undertake inspections on its behalf.

13. Shadow Board Arrangements

The next stage of the process will be to develop proposals and a time table to the establishment of a Shadow Board and define its role in setting up the SSV.

Annex One Powers to establish the SSV

Powers

Each of the councils has as one of its statutory functions the management, regulation and control of its houses under section 21 Housing Act 1985. Section 27 Housing Act 1985 permits a local authority to delegate its housing management to another provider, subject to the consent of the Secretary of State (as described above), and section 111 Local Government Act 1972 permits a local authority to do any thing which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions. The councils can enter into the proposed arrangements with the SSV using these powers, in carrying out their functions under section 21. The councils also have power under section 2 Local Government Act 2000 to do any thing which they consider is likely to achieve the promotion or improvement of the economic, social or environmental well-being of their areas (the "well being power"). The power cannot be used for arrangements which are solely aimed at saving money.

The LAML judgment has made clear the importance of a proper audit trail of the decision making and rationale (and the use of powers described above). For section 2 of the Local Government Act 2000, the objective of saving the local authority money is not considered to be within the scope of "well-being", and there must be clear economic, social and/or environmental benefit identified for the authority's area or the inhabitants of the area if this power is to be relied upon. The local authorities will also need to have regard to their relevant Community Strategy, and to the restrictions on the well-being power in section 3 Local Government Act 2000.

Glossary

ALMO Arms Length Management Organisation. A council controlled company established to run council housing on behalf of a local authority. Around 71 councils have delegated the management of their council housing to an ALMO. Most ALMOs were established to take advantage of access to capital funding to help meet the Decent Homes Standard. All ALMOs deal with the management of housing from a single local authority. Many aspects of the ALMO models including governance arrangements and relationship between the council and managing agent can be applied to the SSV model being proposed for East Kent

EU Procurement Rules. Public bodies including councils are required to by the European Union to tender contracts over specific values through a process specified by detailed regulations. Service contracts, which would include things like the management of council housing with a value over £139,893 are subject to the requirement to follow EU procurement procedures (However see Teckal below)

LAML A legal ruling in which the insurance industry successfully challenged a consortium of local authorities from setting up their own insurance scheme. Councils could not rely on their well being powers to support initiatives for which the sole purpose was to save money.

SSV Shared Services Vehicle. A specially created body or company which allows the five local authorities to collectively manage a service. There are potentially a range of types of bodies that could meet this requirement with different types of convenience arrangements. Within housing organisations there are a number of well developed models around Companies limited by guarantee which is proposed to follow here

Teckal A legal case from Italy which ruled that a local authority could delegate a service to another body without the need to follow EU procurement rules (see above). This would apply in circumstances where the authority exercises a degree of control over the service provider similar to that which it exercises over its own departments and the essential part of the service provider's activities are carried out for the authority

Annex 4

	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
	2009	2009	2010	2010	2010	2010	2010	2010	2010	2010	2010	2010	2010	2010	2011	2011	2011	2011
1. Agreement is secured from members to proceed																		
2. Service and Central/Support review programme																		
3. Carry out ongoing tenant and staff consultation																		
4. Carry out formal tenant consultation on proposals under Section 105 of the Housing Act 1985																		
5. Recruit Shadow Management Team																		
6. Recruit and train Shadow Board																		
7. Appoint Management Team and other structures/posts																		
8. Develop service agreements with existing support and other services																		
9. Formal staff consultation would not be carried out until the appropriate period prior to the TUPE transfer date when identified																		
10. Develop and submit Section 27 application to Government																		
11. Development and sign off of Management agreements & Collaboration agreement and delivery plans																		
12. TUPE staff for 'go live'																		
13. Shadow Service																		
14. Launch of Service																		

Annex 5 – Examples of efficiency savings based on Audit Commission inspection reports

Gateshead ALMO (3 star – 22,000 properties) - £3 million efficiency savings achieved over last 3 years, by 2012 will be up to £10 million, most through procurement changes on supply chain. Also £40,000 pa on recruitment arrangements, £68,000 pa on remodelled office network, £45,000 pa on re-tendering insurance contract. In 2007/08 they reinvested £1.09 million of their savings.

Colchester ALMO (2 star – 6,395 properties) - 2004/05 £1 million efficiency savings against a total budget of £17.6 million, 2005/06 £427,000 savings against a budget of £17.2 million.

Northwards Housing ALMO (3 star – 12,500 properties) - £0.5million savings on Service Level Agreements since 2006. In 2007/08 £1.3 million efficiency savings achieved representing a 6.4% saving.

Sandwell ALMO (3 star 30,000 properties) - £10.8 million efficiency savings since 2004/05 of which £7.3 million from procurement and improved productivity. Also Service Level Agreement reductions from £1.76 million to £1.07 million pa.

Barnsley ALMO (3 star – 19,500 properties) - £17.5 million efficiency savings between 2005/06 and 2008/09. Annual 3% savings target. Savings include £5.4 million on capital spend and £3.5 million on revenue repairs

Nottingham ALMO - £1.78 million efficiency savings achieved in 2007/08, further £7.5 million forecast for 08/09

Barnet ALMO (2 star) - £6.7 million efficiency savings achieved

Havering ALMO (1 star) - £499,000 reduction in SLAs, £109,000 savings on empty property expenditure, £530,000 savings on capital budget. Overall 5% reduction in management fee budget compared to costs pre ALMO.

Stevenage ALMO (2 star 10,000 properties) - target for 08/09 cashable efficiency savings = £700,000 achieved £721,000. Further £660,000 identified for 09/10.

Southend on Sea ALMO (2 star 6,500 properties) - achieved £600,000 efficiency savings every year since 2005. Grounds maintenance contract re-tendered and realised 25 - 30% reduction on current costs

East Durham Homes ALMO – 2007/08 EDH achieved 6% efficiency target of £1.46 million. 2009/10 projected cashable savings is £1.371 million.

Hackney Homes – Savings of up to £8.13 million achieved to date, approx £7 million through procurement initiatives.

Of course none of the above involve a number of authorities coming together, they are all 1 on 1, not 4 or 5 on 1. However, the recent IDeA report (Oct 2009) "*Shared chief executives and joint management a model for the future*", that has two pages of savings exemplified either through joint management or through sharing services - a few examples given:

Adur and Worthing DCs - cumulative savings of £2.2 million achieved. On-going annual saving will be £1.5 million.

South Oxfordshire & Vale of White Horse DCs - joint revenues and benefits contract with Capita producing £3 million savings over 10 years

Bromsgrove and Redditch - Future "approved" savings from shared services from 2010/11 are £250,000, £390,000 and £390,000. Plus £3.4 million savings through transformation programme.

Whilst not directly related to housing services the report identifies levels of savings that relatively small districts are committed to achieving - and therefore possible for the East Kent authorities.

Annex 6 – Risk Assessment

	Original risk	Likelihood	Impact	Possible mitigation
1	Support does not continue with all authorities.	Low	High: Required savings target may be unachievable; SSV may need to be reconstituted; possible aborted set up costs: reputational risk.	Feasible to continue provided at least three partners are in agreement. Undertake sensitivity analysis to establish the impact of withdrawal of any partner at key stages of the project. Keep stakeholders informed of project progress.
2	Investment costs of set up (new systems, severance etc) outweigh savings.	Low	High: Negative impact on HRA Business Plans.	Cash limited budget used to set pace of investment, which could be scaled back / phased to fit savings profile.
3	Financial case not strong enough to get officer/member support.	Low	High: Project not approved.	Involvement of section 151 officers and member lead throughout project; use of financial modelling to illustrate impact of plans. All four councils are supportive of the general principles of savings being delivered through shared services.
4	Assumptions used in financial model are not robust.	Low	Medium: Information used for decision-making is incorrect, increasing the risk of a wrong decision being taken.	Consult widely on the assumptions used. Financial models has been developed and tested by the finance teams of the four authorities.
5	Choice of delivery vehicle is made without consideration of tax implications.	Low	Low: Tax Treatment associated with chosen delivery vehicle is disadvantageous compared to hosted option.	Tax advice obtained on options, to enable selection of most advantageous vehicle for tax purposes. Model recommended follows models used by other local authorities.
6	Tenants' support not received.	Medium	High: Aborted set up costs and reputational risk.	Negotiate options within the SSV to meet tenants' concerns Consultation programme to be designed to ensure that tenants have all information and potential impact of negative campaigning by special interest groups is minimised. Tenants receive independent advice through the Tenant Participation Advisory Service.
7	Section 27 not approved by Secretary of State.	Medium	High: Would need to seek alternative model.	Ensure communication is maintained with CLG. Ensure that there is a robust means to test tenants opinion.
8	Project costs over budget.	High	Medium: Depends on progress. The need to rebuild detailed business case has delayed project and extended costs.	Ensure appropriate contingencies in HRAs.
9	Unforeseen additional service costs.	Medium	Low/medium: Depends on level. Innovative nature of project and involvement of four councils may result in added complications.	SSV/company need to fund additional efficiencies. Experience of ALMO implementations can be used to anticipate likely costs.

10	Savings target is unrealistic.	Medium	Medium: Financial basis for shared service is incorrect leading to under or over achievement of savings. Ability of HSSV to change cultures and make decisions across all areas may impede ability to restructure and realise efficiencies.	Annex 5 provides examples of where savings can be derived from, to illustrate their achievability.
11	Principle of 'no adverse financial impact' for General Funds cannot be met.	Medium	High: May require further review of options.	Ensure clarity in initial service and other agreements. Make most of opportunities to restructure residual and support services as part of any wider shared services project.
12	Efficiency targets not able to be met	Medium	Medium: Not able to deliver promised service improvements	Recast SSV and HRA business plans.
13	Service levels decline as new organisation and set up put in place.	Medium	Medium: Threaten reputation and credibility for project.	Project resources need to be dedicated to set up, while leaving staff involved in service delivery in place.
14	Difficulties with TUPE for critical staff.	Low	Medium: May affect services of new SSV in short term.	Ensure robust approach to recruitment in SSV.
15	Difficulty harmonising staff terms & conditions.	High	Medium: Affects scope to achieve efficiencies in medium term.	Adoption of suitable HR and IR protocols.
16	Inability to recruit directors.	Medium	High: Constrains/delays development of SSV.	Need to ensure robust approach to recruitment in SSV.
17	Complexity of operating from multiple sites with different systems and processes keeps workload levels same as current.	Medium	Medium: Same workload level could require same level of staffing resource, which could make staff reductions difficult to deliver.	Move to consolidated systems/processes at earliest opportunity; Plan early staff reductions in areas where clear economies of scale can be delivered.
18	Support services do not deliver VFM SLAs after review period.	Medium	Low: Constrains ability of SSV to realise further efficiencies.	Ongoing negotiation to ensure value for money in support services.
19	The HRA Business plans of the partners aren't strong enough to sustain long-term commitment to HSSV.	Low	High: Partners may need to withdraw if HRA is projected to fall in to deficit position.	Review all HRA Business Plans prior to final decision.
20	Inability to recruit Independent Board members with appropriate skills.	Medium	Medium: May be difficult to attract people of right calibre or with appropriate skills from East Kent.	Widely advertise and enlist help of established council partnerships Consider recruitment from a wider geographical area.

Our ref:
Your ref:
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17th December 2009

Dear Sirs,

Re: Housing Landlord Services
Unison Response for EKJAC 18th December 2009

Unison has accepted that shared services are a means of providing services in today's financial climate and will work with councils to make these work as well as they can whilst protecting the interests of our members in your authorities.

We note the proposal for Landlord services to be progressed via an arms length management organisation (ALMO) and are fundamentally opposed to this.

For our members, it will entail their removal from local authority service to a company that, whilst owned by the authorities for now, will increasingly depart from the culture and conditions of those authorities. We cannot see it as anything other than a first step towards privatisation.

Whilst terms, conditions and pensions would be protected by TUPE, Unison has seen this process lead to a change in the way that policies are applied and discussions around changes in future, normally alterations detrimental to our members. There is the possibility that future new staff would be employed on different and lower pay and conditions and may have access to the local government pension scheme restricted or denied.

For the councils concerned, there could be problems if this new ALMO decided to get it's services from another provider to save money. The sections affected would find themselves with a major loss of work and the councils would incur the costs of following the redundancy process, redeployments and redundancy and pension payments where they applied. In the short term, the overheads would substantially increase for all services.

We believe that the concept of one authority hosting is accepted but there may be difficulties in putting that into practice because of the scale of this

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General Secretary Dave Prentis Deputy General Secretary Keith Sonnet Regional Secretary Phil Wood
www.unison.org.uk

shared service. It is also clear that most staff will need to remain in a local workplace to support the tenants' needs and wishes.

We would like to suggest that the management and leadership be separated from the delivery when considering hosting. This would mean that most staff could remain with their current authority and the management of the service could be brought together and hosted by one of the authorities. This would require fewer transfers and less space to house the staff concerned and would be cheaper to set up.

There would need to be proper agreement between the authorities about management of the staff, including tenants in the direction of the service and linking back with councillors but we see no difficulties in this.

When the proposed East Kent terms and conditions are negotiated and agreed there will be a harmonisation so that staff will have equal terms and conditions whichever council they work for. The longer term project of pay equality will further combine East Kent councils in the shared services model.

Unison would like to submit this as a real alternative to the favoured recommendation.

It is fair to say that our members do not see this as an exciting project, they worry for their jobs and futures and are watching keenly for developments.

As always, we are prepared to discuss this further and look forward to good consultation as normal.

Yours,

Andy Campbell

Andy Campbell
Unison Regional Organiser
On behalf of the Unison Branches of Canterbury, Dover, Shepway and Thanet.

EAST KENT JOINT ARRANGEMENTS COMMITTEE**18 December 2009**

- Subject:** **East Kent Joint Services – Strategic case**
- Director/Head of Service:** Head of Legal and Democratic Services (Canterbury)
Head of Policy and Improvement (Canterbury)
Head of Finance and ICT (Dover)
Corporate Director (Shepway)
Director of Customer Services and Business Transformation (Thanet)
- Decision Issues:** These matters are within the authority of each Council
- Decision type:** Treated as Key
- Classification:** This report is open to the public.
- Summary:** *Attached to this report is the Strategic case for the sharing of certain services between the District Councils of East Kent. It makes recommendations to each council of the services to be considered in a first tranche and the process by which each council will determine whether or not it will participate in each proposed shared service.*
- To Recommend:** The East Kent District Councils of Canterbury City Council, Dover District Council, The District Council of Shepway and Thanet District Council ("the East Kent Authorities") are minded to merge the delivery of each of the services generally described as ICT, face to face and contact centre customer services, revenues and benefits, residual housing services and building control ("the services") between two or more of them subject to the following process:-
- (a) A business case or business cases shall be prepared in respect of each of the services which shall amongst other things describe the proposed merged service, the arrangements between the parties, the savings to be achieved both generally and for each Council and the level of service it is proposed to provide, such business cases to be presented in an agreed format to each of the East Kent Authorities.

- (b) Each of the East Kent Authorities shall delegate to its Chief Executive in consultation with the Leader the power to approve a business case on its behalf mindful that the business case shows to his satisfaction that savings of 10% against the existing combined budgets must be achieved in the first two years and that an acceptable level of service to his council can be delivered.
- (c) If the Chief Executive is not so satisfied for those or any other reasons he shall expeditiously refer the business case for consideration to the Council's executive if it concerns an executive function or to the appropriate committee if it is a council function
- (d) If The Chief Executive or the executive or the committee as the case may be is so satisfied then a delegation to the East Kent Joint Arrangements Committee shall thereupon occur of the powers and duties of the Council as defined in the business case such delegation to take effect on 1st April 2011 or such other date or dates as the Chief Executives of the East Kent Authorities who have made similar delegations shall mutually agree in respect of that service.
- (e) The East Kent Joint Arrangements Committee will delegate such powers to officers as it thinks fit in relation to the services and is requested to appoint one of the East Kent Authorities as the host authority by whom all such officers will be employed.
- (f) Vacancy management arrangements shall be developed by the Chief Executives of the East Kent Authorities in relation to each of the services proposed to be merged pending such merger.
- (g) Any decision regarding the delivery of the services by other methods by each of the East Kent Authorities be deferred and be reconsidered no earlier than May 2011.
- (h) To authorise the Chief Executives of each of the East Kent Authorities to take any steps necessary on behalf of their authorities to explore or facilitate the joint delivery of the services.
- (i) To appoint the Director of Shared Services with the intent he or she will take up their post as quickly as possible after the East Kent Authorities have adopted these proposals.

Next stage in process: Each council will take this report through their own decision making process.

SUPPORTING INFORMATION

1. Introduction

Against a background of anticipated significant reductions in government spending and a desire to improve services, the four district councils, working in partnership with Kent County Council are addressing joint working in different areas. On district council functions, the four East Kent Districts propose to share a raft of services over the next three years. The proposal in this report relates to what is described as the first tranche, but establishes a process which may be used for further services.

2. Detail

Members are advised to read the East Kent Joint Services Strategic case attached to this report carefully. There is much detail yet to be worked up, but it sets out an approach which is intended to allow reasonably quick and efficient decision making, whilst enabling wider consultations to be held by individual councils, if it is felt necessary to do so. It is hoped that would be on an exceptions basis. In other words, if for example, a business case showed the two prime criteria of savings and service standard were met, members would accept very limited if any consultation.

In the background section the Strategic case describes how the four councils arrived at this point. The proposal has evolved, after discussion and debate, to the point where it needs now to be considered by each council through their own processes. It is to be hoped that all the recommendations will be endorsed by all parties but each council is sovereign and will come to its own view.

3. Relevant Council Policy/Strategies/Budgetary Documents

See the Strategic case. Each council will have their own budget.

4. Consultation planned or undertaken

See the Strategic case. Each authority either has or will have both informal briefings and formal scrutiny processes. In addition the East Kent Joint Scrutiny Committee is considering the Strategic case before this committee and its comments will be presented to this committee.

5. Options available with reasons for suitability

Each council will be free to accept, reject or amend the recommendations. The best option is for each council to agree the recommendations in their entirety as we will then have a single approach which will make the delivery of this difficult project on time much more likely. A patchwork of resolutions is likely to cause delay and perhaps differing expectations between the parties. Rejecting the recommendations in their entirety would be disappointing but the process could still carry on between two or three councils.

6. **Reasons for supporting option recommended, with risk assessment**

For the reasons given above supporting the recommendations at this stage presents least risk. The councils are being asked to commit to a process, not that inevitably each will share all the services identified. Those service decisions will be taken on behalf of each council considering whether in any case it is in its best interests to share a particular service.

7. **Implications**

- (a) Financial Implications
See the Strategic case.
- (b) Legal Implications
See the Strategic case. We will be using the powers identified in the existing East Kent arrangements for sharing services.
- (c) Staffing/resource
See the Strategic case. In particular the section headed Future investment needs for the project.

8. **Conclusions**

The Strategic case sets out a considered proposal which it is intended delivers what the four East Kent Districts collectively want. It provides a means of increasing the pace of joint working while seeking to preserve the independence of each council.

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East Kent Joint Services Strategic Case

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1.0 Executive Summary

- 1.1 A major and dramatic reform of public services is now inevitable as government spending is significantly cut in the years to come. The four districts in East Kent working in partnership with Kent County Council recognise that the funding landscape within which local authorities operate will look very different in future and therefore a radical response is needed that fundamentally challenges the way local authorities organise, design and deliver services. However, the response is not just about the need to save money.
- 1.2 It is also directed by the desire to improve the quality of services and build greater resilience and capacity in the shared services that will be created by combining expertise and strength in depth. There is also a strong desire to respond effectively to the emerging regional agenda and the place of East Kent within this. By releasing senior management capacity the four councils can develop a coherent and cogent argument for East Kent. As an economic sub-region, to take a leading role in framing regeneration strategies that reflect and meet the distinctive needs of East Kent.
- 1.3 The central proposal is therefore to create a raft of shared services for a range of support and frontline services across the four districts within the next three years. Services would transfer over to the shared service arrangement in manageable tranches. The assumption being all four councils will generally opt into shared arrangements for the relevant services based on a common service specification and a baseline minimum level of service agreed beforehand. Individual councils have the option of paying for a top up in service levels if they wish. It should be stressed that as long as two councils opt into a shared arrangement for a particular service that is sufficient to proceed. Councils do not have to opt in individual services. The councils will consider this at two points. Firstly, when the tranche of services is delegated to EKJAC and secondly, when the business case is completed. While the majority of services will go into shared service arrangement, some services deemed as central to ensuring local democratic control or key to delivering local strategic priorities will stay outside the arrangement.
- 1.4 At this stage predictive savings, globally and for specific services have not been established. However, based on experience elsewhere and the pilot shared services already undertaken in East Kent suggest indicative savings of around at least 10% are anticipated. A key part of delivering increased savings will be to undertake a business process and a systems thinking approach review of each service.

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- 1.5 The appropriate delivery vehicle for the shared service arrangement has yet to be finally determined. The joint Cabinets/Executive meeting on 23 September agreed a “twintrack” approach to pursue a host authority model until the legality of a company controlled by the East Kent councils called the Joint Services Group (JSG) is resolved. If the legal powers to create a JSG become available in early 2010 an analysis will be carried out on the cost benefit of continuing with the hosting arrangement or moving down the JSG track. However, the hosting arrangement will stay in place until of the next council elections in May 2011 to allow some continuity around planning joint services. In making a decision about which option to take, Members will be guided by the following criteria: evidence around a financial appraisal; business review and legal justification prepared by senior officers at each council.
- 1.6 There is a crucial issue around the potential for externalising services in future with a preferred private sector partner or contractor. Given the resource commitment to setting up the hosting arrangement and the ambitious timetable envisaged it is not feasible to embark on a market testing exercise before May 2011, as this would involve producing a contract specification, competitive tendering and contractor selection tasks on top of all the other tasks and workstreams associated with hosting. Besides, the councils will want to drive out any significant savings first before considering externalisation. However, once the service business case has been completed and all the relevant data gathered and agreed a viable shared service should emerge that will be suitable, should the councils so wish, to be market tested in future. In any case the JSG will periodically demonstrate its delivering VFM or, will take steps to do so to the satisfaction of Members.
- 1.7 The Shared Services will come under the control of EKJAC which although it can delegate powers to officers, it is not a legal entity and cannot employ them. Therefore, they will be employed by one of the councils. Which council will host the shared service arrangement has not yet been decided, but a recommendation will be made to each council in the near future. However, it should be stressed that the host authority will be completely separate to the services that go into the hosting arrangement.
- 1.8 The Chief Executives of each council will have delegated powers to approve business cases bearing in mind two conditions (achieving a minimum threshold of 10% of the combined revenue budgets by the end of the second year and achieving satisfactory performance levels). If those two criteria are not met, or for any other reason, a Chief Executive can refer the matter to Members. If it concerns an Executive function, it would be considered by the Executive, and if a Council function, by the relevant committee. Members would then consider the case for and against the particular service being shared.
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2.0 Background – how did we get here?

- 2.1 At the beginning of 2007 all four district councils decided not to submit a bid to the Department for Communities and Local Government to be a unitary authority under the invitation which accompanied the 2006 Local Government White Paper. The councils, in agreement with the other councils in Kent also declined an offer to submit a bid to be a “two-tier pathfinder” contained in the same white paper. However, all four councils did agree to support a Kent wide submission which set out a statement committing all Kent councils to closer collaborative working in future, including looking at ways of establishing shared services as a way of improving the two-tier system.
- 2.2 In the context of the Kent wide submission, work was commissioned from a consultant to develop a paper on the same theme particularly for East Kent. The report built on the joint work the four East Kent councils have developed for some years on the concept of sharing the delivery of services between themselves, either to achieve cost savings or to enhance the resilience of these services by way of a larger staff grouping.
- 2.3 The four councils agreed in January 2006, to a protocol which governed these joint working arrangements. The progress achieved so far in creating shared services includes – Personnel and Payroll, Internal Audit, Landlord Housing Services and Waste Collection – originate from the decision of all four councils to sign the protocol.
- 2.4 After all four East Kent district councils decided in early 2007 to give a formal commitment to closer collaborative working in future things have moved on. This commitment has been translated into a number of important innovations. For example, a joint East Kent Local Strategic Partnership was established in April 2008 to provide a far sighted strategic vision for the sub-region up to 2030. A shared sustainable community strategy vision was adopted by all four councils earlier this year. The East Kent Joint Arrangements Committee was also set up in June 2008 to facilitate decision making around creating joint East Kent Services based on an agreed programme.
- 2.5 Given the tough economic situation local government faces and the pressing need to find savings this commitment has developed apace and options have been developed, based on what is happening elsewhere in the country. An appointed project group drawn from senior managers from each of the four districts was established in May 2009 to flesh out these different options.
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- 2.6 The officer group identified four options – lead authority hosting, externalising services through contracting out to a private sector provider, joint management arrangement and a Joint Services Group (JSG). A SWOT analysis was produced for each of these four models. The SWOT analysis showed all four models had their strengths and weaknesses and each had been adopted as a viable option somewhere else.
- 2.7 The officer project team organised an away day programme for managers whose services were most likely to be directly affected by any move towards closer working amongst the four districts – Personnel, Finance, ICT and Legal services. The awayday took place on 24 June and part of that day’s task was to identify a preferred option from the four discussed, based on the SWOT analysis, which could be put to a joint meeting of the four cabinets/executive planned on 8 July. As a result of the debate on the 8 July a majority preference did emerge for the Joint Services Group (JSG) model, as it offered a more all embracing and holistic solution and was radical enough to address the unprecedented challenges now facing local government. This outcome broadly accorded with the conclusions reached at the managers awayday, although the hosting arrangement also received support.
- 2.8 A JSG provides a single framework within which to bring together all services, rather than having to make separate arrangements on a service by service basis. However, it should be noted support for the JSG was not unanimous across all the councils.
- 2.9 The lead authority hosting model emerged as the second best option and shares many of the same features as the JSG, for example the need to harmonise terms and conditions for employees, the rationalisation of management numbers and achieving economies of scale. It should be stressed that a great deal of commonality between the hosting and JSG models exists and therefore it would be possible to move towards the hosting model and then JSG, if the decision was made, after May 2011. It should also be stressed that none of the four models that were evaluated are mutually exclusive. Features from each model can fit into other options and there will be elements from all models that will be reflected in the final outcome.
- 2.10 Whichever model is chosen, be it the JSG or hosting, both are really methods of procurement, the hosting or JSG method might provide the service in-house or contract it out and therefore will lead to a mixed economy.
- 2.11 The last joint Cabinets/Executive meeting on 23 September agreed a “twintrack” approach, to pursue both the JSG and host authority models until the issue of the legality of the JSG was finally resolved. Therefore, the hosting arrangement could represent an interim position or become permanent. If the legal power to create a JSG became available next year an analysis will be undertaken on the
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cost benefit of continuing with the hosting arrangement against the establishment of a JSG.

- 2.12 The intention is that when a service becomes shared, it does so under the control of EKJAC. EKJAC can delegate functions to officers in the same fashion as one of its member councils. For ease of administration it will be recommended to EKJAC to ensure that those officers are all employed by one authority, called in this report "the host". These officers may be drawn from any one of the partner councils or be externally appointed. Thus a single council, to be confirmed by EKJAC, will be selected to host services transferred (using powers under S101 and S102 of the 1972 Local Government Act and other enabling powers). Clearly the host would have to be prepared to accept the responsibility. Within the host authority shared services transferred over will be ring fenced and not form part of the host authority's management structure.

3.0 Vision

East Kent hosting arrangement concept

3.1 Project Summary

The key elements of the proposal discussed at the joint Cabinet meeting on 23rd September and by Chief Executives on 30 September are:

- The four partner Councils will approve participation in a joint services project and will give EKJAC authority to approve a "host" authority".
- The decision to set up this host authority structure will be made by March 2010 at the latest, by each council. This will include a suggested phased programme of services to be transferred into the host arrangement.
- A programme will be agreed for the phased transfer of services to the host over a defined period. This will be by using the powers set out in operating arrangements adopted for EKJAC .
- The host will "ring fence" the services, so that they are distinct from the management arrangements for the rest of the host authority.
- The Director of Shared Services will be accountable to EKJAC for the performance and management of shared services
- EKJAC will also be answerable to the client Councils for service delivery to meet the requirements of SLAs.

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- Ultimately, legal responsibility for the services still rests with each of the councils

The host councils obligations will be:

- The host authority will become the legal employer of relevant staff. Affected staff will be added to the host's payroll, through their general ledger.
- A prime task is to establish the terms and conditions upon which these staff will transfer to the newly established joint services. It is expected there will be a separate set of terms and conditions for the host, which will reflect the most expedient option. The Head of Shared HR Services will lead on a workstream to establish the legality of this arrangement.
- Each council will agree to the lowest baseline service acceptable to all and contribute a fair proportion of the cost to provide that service. Individual councils have the option of paying for a top up level of service above the agreed core if they so decide.
- An opportunity will emerge to rationalise property assets following the creation of shared services, which will lead to the rapid optimum use of existing council buildings. But at this stage it's too early to quantify potential savings through selling surplus property.

3.2 Legal Position

Given the present uncertainty on the reach of the wellbeing powers, as they affect the potential to establish a JSG, a hosting arrangement could represent an interim position or become permanent. Even if the legal powers to create a JSG are enacted, the four councils may still decide to retain the hosting arrangement, if the criteria set out in the Executive summary doesn't support the JSG option.

3.3 Producing the Strategic Case

This document will be presented to EKJAC on 18 December 2009 setting out the case for the phased transfer of a programme of services to the host authority. This document provides the rationale for pursuing the hosting option, and in due course, if Members so decide, moving towards a JSG.

The strategic case includes:

- standard governance template for services transferring to the host

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- broad indicative savings
 - indicative investment requirements
 - basis for charging service costs to partners
 - an evaluation of the sequence / phasing for the transfer of different services.

As the programme proceeds each Council will have to make decisions about each specific service and whether it should be included. The decision may be for political, strategic or business reasons but it must be reasonable for each authority to have an indication of the cost to it of entering the Joint Service.

In relation to each service, each Council will need:

- an analysis of current costs
- an agreement on the base specification and service design of the joint service.
- an assessment of the likely costs of a shared service operation based on evidence from other authorities / projects, and also based on the potential for savings against current provision
- an indication of the potential charges to each authority
- a view as to whether to commission the base specification service or a higher level.

The East Kent shared services strategic case once approved by EKJAC on 18 December will go through each councils decision making process between January – February 2010.

4.0 Objectives behind the project

- 4.1 All councils face a challenging financial future. There is a pressing and ongoing need to achieve efficiency savings, simply to balance budgets and safeguard basic services. Without significant savings major cuts in front line services will be inevitable.

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- 4.2 The economic downturn has accelerated budgeting pressures on local authorities with every indication that future reduced, or at best, frozen central government grant settlements for councils will mean major economies need to be found to maintain current services. The reasons for closer collaboration are not based solely on the necessity of finding financial savings. There are issues around capacity and resilience facing the East Kent councils. Therefore capitalising on opportunities to share scarce specialist skills and knowledge, which a single council cannot afford or which are vulnerable when staff leave or are absent, need to be taken.
- 4.3 Anecdotal evidence would suggest that simple joint working could yield savings of between 5 to 10%. When opportunities to transform services can be taken, it may be possible to increase those savings to 10 to 20%. However, joint working alone should not be seen as a complete solution to budget problems.
- 4.4 Rapid changes in the capability of ICT systems provide a strong impetus for business transformation. Collaborative working provides the opportunity to make the investment and drive step changes that will improve the quality of service experienced by customers.
- 4.5 The general advantages of a shared service solution can be summarised as the following:
- Efficiency savings by streamlining business processes, achieving economies of scale and rationalising management.
 - Maintain and improve where possible quality of service by driving up performance through adopting current best practice across east Kent.
 - Generating capacity by sharing specialist expertise and reducing dependence on a few key staff.
 - Convergence of policies, processes and technology.
 - Business transformation through applying business process re-engineering techniques to review existing service operations and secure improvements.
 - Creating a more highly trained and motivated workforce through increased opportunity for personal development.

5.0 Options appraisal

- 5.1 As was stated in the background section, the project group explored four options initially – hosting authority, externalising services through contracting out to a private sector provider, joint management arrangement and a Joint Services Group (JSG) – and through a process of elimination, the first and fourth options have been identified as having the greatest merit and form the basis on which to move forward.

A SWOT analysis for the four options was developed by the project group to inform the choice of options selected.

In developing these models it is recognised there are similarities between them. The hosting and JSG models in particular, have several commonalities and points of convergence and were agreed by the project group and the Cabinets/Executive meeting on 23 September as the best option to pursue further.

- 5.2 The advantages of both models are similar:

- Achieving efficiency savings by streamlining processes, achieving economies of scale and rationalising management;
- Generating capacity by sharing specialist expertise;
- Convergence of processes, policies and technology;
- Business transformation through applying business process reengineering techniques;
- Creation of a single and unified set of HR policies e.g. common employment terms and conditions and a job evaluation scheme

For either hosting or a JSG each council can have a commissioning and contract management/monitoring role with the host for individual services. However, to achieve high levels of savings these will need to be kept to an acceptable level of activity. The exact nature of the client role will need to be determined by the four individual councils and closely related to the shared specification and any agreed top ups for that particular service.

- 5.3 For either hosting or a JSG it is also assumed democratic services, elements of finance and legal advice and policy development services will be kept as residual functions by each council. There is an issue of what other services should stay outside any hosting arrangement. Some councils may wish to also keep distinctively
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local or 'place shaping' services such as regeneration, community development, leisure etc. in-house.

- 5.4 What stays out of the hosting arrangement will need to be identified before those services deemed suitable for transfer to a hosting arrangement are incorporated into a programme.

6.0. Benefits for local residents

- 6.1 Our aim is to design our shared services so that the customer is at the heart of all the services we deliver; whether it's by telephone, face to face or the web.

- 6.2 Alongside this initiative we will work with Gateway Kent in order to give our customers access to a multi agency approach e.g. health, county services, the voluntary sector.

- 6.3 Our customers will benefit from having a workforce that uses the best working practices across East Kent, with processes and procedures that are efficient, but reflect the customer need – not the other way round.

- 6.4 The shared service arrangement will ensure that the residents of East Kent will achieve value for money from their council tax charge.

7.0 Financial appraisal

The financial appraisal will occur in two stages.

- 7.1 The first stage is to determine the overall potential for generating savings from joint working. This cannot be calculated with precision, since it is dependant upon a number of factors including:-

- the specific services which Members agree should be included in joint working
 - the phasing of those services
 - the baseline standard of service that partners agree to establish
 - whether the services are managed / retained at local sites or placed within a centralised service
 - the level of ICT and other investment
 - the costs of redundancies
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- the size and scope of the client side operations
- 7.2 However, in order to provide an indication of the scope of potential savings, Appendix 1 contains a schedule analysing the expenditure and headcount of services across the four partner authorities. For illustrative purposes it is assumed that a net saving of 10% could be achieved on the salary budget, then that indicates a saving of approximately £7.0m. This figure is a starting point and it is anticipated that greater savings will be achieved, but it is prudent to set the initial target at a realistic level. The Chief Executives will contemplate the impact of a greater level of savings on services.
- 7.3 The potential redundancy costs could bring into question the viability of the shared services, but some redundancies are inevitable as posts are reduced.
- 7.4 However, this could be mitigated by ensuring current staff can be redeployed into the new joint arrangement where possible. Part of this approach would be to ensure that staff were given the right skills through training and mentoring.
- 7.5 The second stage arises when the overall project is underway, and the detailed proposals for joint working are developed on a service by service basis. However, it is intended that the senior management costs will be reflected in any savings put forward in the business case.
- 7.6 The ideal solution is that the service proposal will be focused on how four separate teams can be structured to start working together and make savings (generally from headcount and procurement). It should therefore be simple and relatively straight forward to make the business case.
- 7.7 To avoid any confusion regarding sharing costs etc. a number of protocols have been developed to guide the development of a business case (see Appendix 2). These protocols will continue to be developed as projects progress, in order to further minimise the time it takes to agree a specific proposal, and also to reduce the risk of significant omissions. In general, the Appendices to this report will evolve and will be developed and enhanced as the process goes on.
- 7.8 A critical stage in joining the four authorities' services together will be the review of business processes. This will be part of the tool kit as evidence from other areas has identified an increase in savings when this work has been undertaken.
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8.0 Proposed phasing programme of shared services to the host

- 8.1 Services will migrate to the host authority based on an agreed phasing programme. Phase one services would need to start to consider joint service level agreements and joint protocols soon. Joint working and familiarisation between the teams across the four districts should start now. Criteria will have been developed to identify which services should transfer and their order of priority (see Appendix 3).
- 8.2 The first tranche of services has been identified based on their scope to generate major savings and their synergy. Given the main reason for pursuing the hosting arrangement is to generate efficiencies, up front indicative savings are expected to be identified in the service business case before final transfer to the host authority. These savings should be based on the best comparable evidence from elsewhere and a realistic assessment from relevant managers and their accountant colleagues.
- 8.3 If the wider sharing of services envisaged in this document takes place then it is probable that Personnel and Payroll would join the proposed hosting arrangement on a date to be agreed, although it may be that internal audit remains outside because of the particular nature of that service.
- 8.4 All services deemed suitable to be included in a hosting arrangement should be able to be transferred ideally over a three year period starting from April 2011. It is likely that if the hosting arrangement starts from February 2010, it will take a year to prepare and organise the transfer of services. The phasing of services in tranche one to the host will be agreed by February 2010 and the phasing must be completed by April 2013. The project group have developed an indicative planning timetable based on the scoring matrix (see appendix 4). This timetable is optimistic and much will depend on the number and complexity of the services that transfer to the host authority, the capacity to receive them and the level of project support made available by the four councils to facilitate this.
- 8.5 Services in the tranches will need to be commissioned well in advance to allow sufficient time to complete the service business case and prepare for the “going live” of the new joint service. Therefore for the April 2011 tranche, work will need to begin from February 2010 and the same timings will be necessary for the two subsequent tranches.
- 8.6 The methodology for developing shared services will be developed. Therefore it is likely a designated project lead officer, drawn from the top tier of management from one of the four councils, and not
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drawn from the particular services concerned, will have the responsibility to oversee the project plan and ensure the delivery of key milestones. The project group will support the designated lead officer in developing the project plan, monitoring delivery and providing ongoing challenge.

- 8.7 Once Members agree a tranche of services in February of each year, starting in February 2010, it is assumed a Service Transformation Manager will be appointed as quickly as possible. The Transformation Manager is likely to be appointed in April/May on a seconded basis and will be employed by the host. There is an expectation that the Director of Shared Services, who will be appointed around March/April will have an influence on the appointment in conjunction with one or more of the the Chief Executives. If a suitable internal candidate exists from one of the four councils, the presumption is the post will not be advertised externally, but recruited internally. Once recruited the Transformation Manager will work with his or her equivalents as a project team to deliver the business case for creating the joint service.
- 8.8 The appointed Transformation Manager will take the lead in building the business case, on which to plan the design of the joint services and an officer structure to deliver it based on what is affordable. This will include an output based specification within the budget resources available from the four councils and minimum service standards. This package, developed jointly with the Director of Shared Services, would in effect provide a service offer with a price to the four clients around October/November, for their consideration and approval. Under the scheme of delegation agreed by Members, the EKF will oversee the final structure and configuration of each service placed in the hosting arrangement.
- 8.9 Each Chief Executive will need to consider how he is to support the members of the project team. In each service area there will also be involvement in staff support from; ICT, finance, legal, HR as well as the service itself. The project group need a central fund on which it can draw, for example for inter-service evaluation, events, and the validation of the project groups analysis (especially around phasing the delegation of services to the host). The project group will be tasked with identifying in more detail what actual sums will be needed to deliver the project in full. It is also to be assumed that disruption to services is to be avoided as far as possible.
- 8.10 Once agreed, services would legally transfer to EKJAC and through them the host authority would assume responsibility along with staff and other relevant costs. Services could remain at their present location and be managed from a distance. Although there might be no immediate change to the cost base for individual authorities, moving to a shared baseline service specification with the ability to 'top up' if individual councils so choose will have an impact on the cost base in the medium to long term for all four councils.

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- 8.11 By the quote no “immediate change to the cost base” this is taken to mean that as from the council decisions approving this project, no individual council will undertake a significant restructure of its service without prior consultation with the other councils to ensure that it doesn’t have a negative impact on the future viability of that service. This is to ensure that staff and other resources are protected and that a council’s service is put forward on its true cost base rather than being artificially inflated or deflated. However, this could create a tension when one council is satisfied with a level of service below the minimum baseline agreed by the others.

9.0 Features of residual council and retained services

- 9.1 All four councils have the option of retaining those services they wish to keep in-house. The phasing programme assumes services that constitute the democratic core of the councils (committee administration, policy support, legal advice, elections, etc) will stay under the direct control of each council.
- 9.2 The project group have also made the assumption that there are several services that because of their value in delivering each council’s strategic priorities (regeneration, cultural services, community development, tourism, leisure, etc), Members would prefer to keep these services in-house (these proposed retained services are shown in appendix 4). There are also issues around each council investing in these discretionary services at different levels based on their relative priority. This therefore resolves the issue of why it is suggested these services are not included in the hosting or JSG arrangement. A common baseline of service and costs would be difficult to establish across the four councils at a level acceptable to all.

10. Member involvement in the process

- 10.1 The councils will retain their status as independent, separately elected bodies. Policy decisions, forward plans, strategies, budgets etc will still be decided by each of the four councils. 10.2 A “democratic core” of services will still be kept by each council to carry out the statutory functions e.g. committee services, legal advice and policy support. There will also be a retained client role for commissioning services and monitoring outputs through a formal contract or SLA arrangement with the host authority or the JSG. The performance of services delivered through the host authority arrangement will also be held to account by the scrutiny committees of each of the four councils.
- 10.2 Each council will have the option of deciding which services transfer into the hosting or JSG arrangement and which remain under the control of the individual council. Some councils may wish to keep in-house high profile “place shaping” services like regeneration, culture,
-

leisure etc, which are seen as key to delivering the authority's strategic priorities.

- 10.3 Member involvement to date in the development of the shared service models has largely been at the Cabinet/Executive level for each of the four councils and a Member sounding board drawing on one Member from each council. Joint Cabinet/Executive meetings to shape and steer the proposals emerging from the officer project group and the Chief Executives have been held on 7 July and 23 September. The Member sounding board, selected from Members with an interest or expertise in joint service delivery issues, scrutinises officers proposals and reports before they reach the joint Cabinet/Executive meetings. The Member sounding board has met on 15 September and 16 November.
- 10.4 The Member Sounding Board would continue to act as a critical friend through the course of the next phase in order to provide Members with some reassurance that the programme was being carefully monitored. This point was made in recognition of the tension between the desire to become intimately involved in the formulation of the service at Member level and the desire to see the timetable met and for reporting back to Members to be on an exception basis only.
- 10.5 Each council has planned a programme of briefings to ensure Members are properly engaged in this process and brought up to speed with developments

11. Proposed governance arrangements

- 11.1 Decisions on business cases with associated service specifications, SLAs, staffing structures, etc for particular services will be delegated by the four councils to their Chief Executives. On receiving the business case from the Director for Shared Services, the Chief Executives will consult their respective leaders and receive advice from their Monitoring Officers, S151 Officers and the project group.
- 11.2 For the future it is assumed that on or about February 2011 and February 2012 each council will approve an outline business case for a tranche of services which each council will then delegate to its Chief Executive in a similar way to what is currently proposed ..
- 11.3 Within the host authority the shared service arrangement will be treated as organisationally discrete, and not as part of the host authority's management structure. The host Chief Executive (as head of paid service) will be expected to have some line management responsibility for the Director of Shared Services. Management decisions affecting shared services vested with the host authority would be taken by the Director of Shared Services employed by the host but under overall direction of EKJAC rather than the host council

These decisions will in practice be taken in consultation with the EKF. It is assumed that unless a suitable candidate is identified within one of the four councils, the post will be advertised externally. Senior Members on advice from the Chief Executives from each council will make the appointment. Any other posts created below, this will be appointed by the Director for Shared Services and if necessary a panel drawn from the four Chief Executives.

- 11.4 Given the scale and complexity of the work involved in creating shared services there is a strong presumption in favour of rapid phasing of agreed services over to the hosting arrangement. Therefore the principle is set out that once each council agrees which service transfers over to the host and when, the substantive detail of how this is managed is delegated to the four Chief Executives individually who will consult each other through the vehicle of the East Kent Forum.
- 11.5 It is proposed to effect the transfer of relevant services through three annual tranches starting in April 2011. Member scrutiny of the service business cases for each tranche would be on an exceptional basis only. Such activity would have to be time limited and be in accordance with the following criteria: projected savings targets were unlikely to be met; significant information or key facts were absent from the business service case, or if there was disagreement at the EKF as to the structure, funding arrangements or configuration of the new shared service. Although each council will approve the phasing of individual services through the three tranches, it is assumed this will be at a high level of scrutiny asking questions around principle – what will the new shared service look like? how much will it cost? what are the key milestones in setting up the shared service?, etc – not detailed matters.
- 11.6 There is a large element of trust built into this proposed way of working with Members, allowing senior managers to lead on the substantive issues around establishing shared services and carrying out appropriate consultation with Members.

The process of decision making for approving service business cases is as follows:

- Strategic case for shared services prepared by Project Group
- Proposed phasing of services to hosting arrangement
- Template for service specific business cases (see appendix 5)
- All included in the shared service proposal to be adopted by the four councils by March 2010 following EKJAC recommendation in December 2009

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- Responsibility for developing service business cases given to service project teams using adopted template. Designated lead officers to complete business case template and agreed by EKF
 - Lead officer to work with the service project team (consisting of the four Heads of Service or equivalent) in assembling the information and data needed for the completion of the business case
 - Director of Shared Services to have strategic overview of the hosting arrangement and ensuring service business cases are completed on time and phasing achieved
 - Project group to work closely with Director of Shared Services in helping lead officers prepare service business cases and being a source of advice and challenge for the EKF
 - Chief Executives in consultation with their Leaders to approve business cases subject to criteria.
 - Referral by the Chief Executives to Members for decision will occur if the service business case fails to meet the two following conditions: 10% revenue budget savings per annum by the end of the second year cannot be delivered; and levels of performance or standards of service for the new shared service cannot achieve satisfactory levels. Not meeting one or both of these conditions will trigger the involvement of Members in making a decision about transferring the service to the hosting arrangement or not. A Chief Executive may refer this to the Executive or a committee as appropriate.

11.7 A delegation to EKJAC can be reversed by one of the councils. In practice the business case and the arrangements between the parties will address an exit strategy. In most, if not all cases, the arrangements will provide that withdrawal of a party can only take place on terms which are likely to include a minimum period of notice and compensatory provisions for the other authorities if they incur costs as a result of the withdrawal.

12. Risks for the hosting arrangement and Joint Service Group (JSG)

12.1 The high level risks have been identified at this early stage as follows:

- **Employment:** The hosting arrangement and JSG depends on an harmonisation of terms and conditions of employment to a level that is financially acceptable to all four councils, which in turn means revised pay grades, equal pay evaluations and bringing together pension rights and liabilities.

There might also be a risk of key staff leaving the employ of the four councils if the transfer of services to the hosting arrangement or JSG becomes protracted.

- **Financial:** The host council will be the employer and under the JSG a new employment body would be created. These carry significant overheads, which would have to be covered through efficiency savings as services transfer over. Each council will become a partner in underwriting the liabilities of the JSG, such as future pension liabilities. Savings will depend on more effective utilisation of technology, rationalising business processes and a reduction in the number of managers. The latter assumes some redundancy costs. There will be the need for some upfront investment, eg new ICT systems, which relies on future savings to provide sufficient payback.
- **Technological:** The challenge of working across four districts requires good communications links to work between the sites. The complexity of ICT systems and the scale of data transfer means that communication links must be effective and resilient enough to deal with service needs.
- **Political:** The hosting arrangement or JSG will take time to put in place and there is a risk that one or more of the four councils decides to reconsider support for the hosting arrangement or the JSG prior to all the agreed services in the programme being transferred. This risk can be mitigated by ensuring consistent political support for the hosting arrangement or JSG from across all four councils and that communications to members on the development of the hosting arrangement or the JSG is kept regular and explained in an intelligible way. A member engagements strategy will be a crucial element of the project management framework.

A definitive list of which services, functions and assets stay under the purview of each council will be developed, with a justification of why they need to stay in-house.

- **Legal:** Joint working with a joint committee and a hosting arrangement is permissible under existing legislation. The legal powers to establish an JSG are not clear at this time. Currently under Section 101 and Section 102 of the Local Government Act 1972 and relevant regulations a local authority may delegate a function to a joint committee, officer or another council. This excludes an outside body for most functions unless permitted under the Deregulation and Contracting Out Act 1994. Giving joint committees separate legal status or broadening the wellbeing power in the Local Government Act 2000 would be helpful.

Recent case law indicates that the creation of a JSG under the usual well-being powers solely for the purpose of saving money is not lawful. It is assumed this will be addressed by the Government in the

near future. Until it is the justification for the creation of an JSG, it has to be directly referable to the well-being of the communities of the respective Councils, not simply beneficial to the Councils themselves.

13. Workforce plan (harmonisation of employment terms and conditions, etc)

13.1 Chief Executives have commissioned this already from the Head of the Shared HR Service .

14. Future investment needs for the project

14.1 As well as the appointment of the Director of Shared Services, it will be necessary to recruit, possibly through secondment, a project manager to produce and manage on a day-to-day basis the overall project plan for monitoring the delivery of key milestones associated with each service to be transferred. Other resources might need to be bought in as the requirements of the project become clearer. It is assumed the Director will be appointed on a two year basis to establish and oversee the host or JSG arrangements.

14.2 The demands on the time of the Chief Executives, project group and the designated lead officers for each transferring service should not be underestimated, in seeing this very ambitious project through to its conclusion.

14.3 There will be a huge opportunity cost involved for senior managers across all four districts.

15. Milestones and timetable to establish hosting arrangement

9 December	East Kent Joint Cabinet meeting
14 December	East Kent Joint Scrutiny Committee
18 December	East Kent Joint Arrangements Committee
6 January	Canterbury Overview and Scrutiny Committee
11 January	Dover Cabinet
20 January	Dover Scrutiny Policy and Performance Committee
4 February	Canterbury Executive Thanet Overview & Scrutiny Panel
8 February	Dover Cabinet
11 February	Thanet Cabinet
17 February	Shepway Cabinet
18 February	Canterbury Council
23 February	Thanet Council
3 March	Dover Council
17 March	Shepway Council

16. Recommendation for taking forward the proposal

The East Kent District Councils of Canterbury City Council, Dover District Council, The District Council of Shepway and Thanet District Council ("the East Kent Authorities") are minded to merge the delivery of each of the services generally described as ICT, face to face and contact centre customer services, revenues and benefits, residual housing services and building control ("the services") between two or more of them subject to the following process:-

- a) A business case or business cases shall be prepared in respect of each of the services which shall amongst other things describe the proposed merged service, the arrangements between the parties, the savings to be achieved both generally and for each Council and the level of service it is proposed to provide, such business cases to be presented in an agreed format to each of the East Kent Authorities.
- b) Each of the East Kent Authorities shall delegate to its Chief Executive in consultation with the Leader the power to approve a business case on its behalf mindful that the business case shows to his satisfaction that savings of 10% against the existing combined budgets must be achieved in the first two years and that an acceptable level of service to his council can be delivered.
- c) If the Chief Executive is not so satisfied for those or any other reasons he shall expeditiously refer the business case for consideration to the Council's executive if it concerns an executive function or to the appropriate committee if it is a council function
- d) If The Chief Executive or the executive or the committee as the case may be is so satisfied then a delegation to the East Kent Joint Arrangements Committee shall thereupon occur of the powers and duties of the Council as defined in the business case such delegation to take effect on 1st April 2011 or such other date or dates as the Chief Executives of the East Kent Authorities who have made similar delegations shall mutually agree in respect of that service.
- e) The East Kent Joint Arrangements Committee will delegate such powers to officers as it thinks fit in relation to the services and is requested to appoint one of the East Kent Authorities as the host authority by whom all such officers will be employed.
- f) Vacancy management arrangements shall be developed by the Chief Executives of the East Kent Authorities in relation to each of the services proposed to be merged pending such merger
- g) Any decision regarding the delivery of the services by other methods by each of the East Kent Authorities be deferred and be reconsidered no earlier than May 2011.

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- h) To authorise the Chief Executives of each of the East Kent Authorities to take any steps necessary on behalf of their authorities to explore or facilitate the joint delivery of the services.
 - i) To appoint the Director of Shared Services with the intent he or she will take up their post as quickly as possible after the East Kent Authorities have adopted these proposals.

Appendix 1

Indicative Redundancy Costs

To assist in the initial preparation of a business case the table below has been produced, giving indicative statutory redundancy figures:

		Salary			
		£20k	£30k	£40k	£50k
Service Length	5 years	1,923	2,885	3,846	4,808
	10 years	3,846	5,769	7,692	9,615
	15 years	5,769	8,654	11,538	14,423
	20 years	8,462	12,692	16,923	21,154
	25 years	9,423	14,135	18,846	23,558

Indicative Per Capita Premises Fit-Out Costs

In practice the cost of fitting out premises will vary from service to service, and premises to premises. However, at the business case stage it is unlikely that the specific premises will have been identified, and that an accurate estimate can be calculated.

In order to progress this, the premises fit-out costs of the HR service will be used. This provided accommodation for 28 staff, and the main costs were:

	Type of Costs	Costs £k
1	Partitions, redecorations and carpeting	22.0
2	Desks and other furniture	20.0
3	Cabling	0.0
4	Telephony	0.0
5	PCs and laptops	21.0
6	Removals	1.0
7	Re-location and travel costs	1.1
8	Total for 28 staff	65.1
9	Average per capita cost	2.3

Indicative ICT Systems

The costs of replacing systems will vary significantly from authority to authority, and from supplier to supplier.

However, when reviewing business cases it is important to have some broad indication of the potential scale of expenditure.

The table below provides a broad indication of the historic costs and age of the main IT systems within Dover District Council:

System	DDC ⁴	
	Age	£k
Accounting	10	200
Housing ¹	4	400
Revenues and Benefits	10	250
Cash Receipting ²	0	50
CRM	4	300
Telephony ³	14	100

Notes:

- 1 Housing system support ends in 2013; an alternative will be required before then (DDC or shared service).
- 2 Cash Receipting/Income is planned to go live December 2009.
- 3 The telephone system was replaced in 2005-2006.
- 4 There are no plans or requirements to upgrade/replace any of the other major systems, as they are providing sufficient functionality, and are being maintained / enhanced by the suppliers.

East Kent Shared Services**Indicative Potential Savings from Joint Working****Guidance Notes**Service Definitions

This table is intended to be indicative. The service definitions have to be very general. Don't agonise over precise definitions.

Financial Year

2009/10 budgets have been utilised, since these are complete and available. Comments have been added where there are significant service / budget changes expected in 2010/11, however these have not been incorporated into the figures.

Rest of the Council

This line is there to reconcile to the total budget. The aim is to avoid understatement that has led to puzzling outcomes in the Price Book.

Direct Service Expenditure

Direct service expenditure has been used. This excludes capital charges and FRS17 pension adjustments, because historic decisions and assets could otherwise distort the picture. Central support costs & recharges have also been excluded to prevent the risk of double counting and to show the direct cost of each service in its own right. The aim is to give a sense of the size of each service.

Net Service Expenditure

The aim is to provide a link to overall net service expenditure.

F.T.E. & Salary Costs

Again, provides indicative scope for savings.

Potential Savings

This is currently based on 5% of salary costs for each area. No consideration has been given at this time to the practicality of achieving this through the link to the saving of complete posts.

S.151 Officer Sign Off

The figures included are currently provisional and subject to Section 151 Officer review.

	1. Direct Service Expenditure £	2. Direct Service Income £	3. Net Direct Expenditure £	4. F.T.E.	5. Salary Costs £	6. Potential Saving (10% of Salaries) £	Notes / Comments
<u>Central support and Back office services</u>							
CE, Directors / Heads of Service, PAs & WPOs	4,024,510	-400	4,024,110	52	3,255,250	325,525	
Personnel and Payroll	1,943,480	-4,750	1,938,730	32	1,206,860	120,686	Costs based on 09/10 original budget before shared service implementation
Finance accountancy	3,294,998	-50,338	3,244,661	76	3,034,150	303,415	NB - TDC & CCC budgeting for savings in 2010/11
Procurement	340,860	-10,160	330,700	10	329,110	32,911	
ICT	4,632,211	-12,160	4,620,051	68	2,688,050	268,805	
Legal Services	1,645,040	-125,320	1,519,720	31	1,395,860	139,586	
Policy and Performance	1,130,142	-13,252	1,116,889	23	1,001,520	100,152	

	1. Direct Service Expenditure £	2. Direct Service Income £	3. Net Direct Expenditure £	4. F.T.E.	5. Salary Costs £	6. Potential Saving (10% of Salaries) £	Notes / Comments
Mail services	676,760	-500	676,260	17	391,880	39,188	
Printing services	1,130,170	-16,750	1,113,420	14	434,710	43,471	
Customer services	3,511,760	-6,000	3,505,760	136	3,489,940	348,994	
Democratic Services (including elections)	3,609,770	-241,750	3,368,020	42	1,394,680	139,468	
Marketing & Communications	1,126,220	-115,000	1,011,220	22	854,630	85,463	NB - TDC budgeting for post savings in 2010/11
<u>Predominately statutory services</u>							
Development Control	3,900,040	-2,669,200	1,230,840	90	3,172,720	317,272	
Planning Policy	1,905,000	-41,520	1,863,480	33	1,299,770	219,977	
Building Control	2,110,790	-1,757,120	353,670	43	1,807,750	180,775	

	1. Direct Service Expenditure £	2. Direct Service Income £	3. Net Direct Expenditure £	4. F.T.E.	5. Salary Costs £	6. Potential Saving (10% of Salaries) £	Notes / Comments
Environmental Health	3,490,120	-639,850	2,850,270	65	2,376,520	237,652	
Land charges	598,620	-1,101,700	-503,080	7	196,340	19,634	
Revenues & Benefits	9,409,930	-4,595,700	4,814,230	252	7,664,470	766,447	NB - TDC budgeting for £400k savings against this in 2010/11. DDC budgeting for £120k pa saving.
Subsidy Payments / Income	180,187,760	-183,714,620	-3,526,860	0	0	0	
Waste collection & recycling	14,128,910	-2,492,120	11,636,790	194	4,161,390	416,139	
Street cleansing	4,090,430	-139,110	3,951,320	41	825,700	82,570	
Grounds maintenance	5,688,600	-170,120	5,518,480	125	2,378,560	237,856	
Parks & Open Spaces	1,575,040	-534,170	1,040,870	14	468,430	46,843	

	1. Direct Service Expenditure £	2. Direct Service Income £	3. Net Direct Expenditure £	4. F.T.E.	5. Salary Costs £	6. Potential Saving (10% of Salaries) £	Notes / Comments
Beaches & Foreshores	944,000	-541,770	402,230	16	297,610	29,761	
Licensing	1,357,100	-929,320	427,780	35	1,158,820	115,882	
GF Housing	5,996,150	-3,334,550	2,661,600	79	2,873,170	287,317	
<u>Predominately non statutory services</u>							
Property	6,214,810	-6,668,700	-453,890	100	3,916,430	391,643	
Cemeteries, Crematoria & Closed Churchyards	804,950	-1,366,490	-561,540	15	295,840	29,584	NB - TDC manages a Crematorium
Public Conveniences	1,369,640	-79,230	1,290,410	5	114,480	11,448	
Council Offices	2,781,380	-145,120	2,636,260	26	614,140	61,414	NB - CCC will be budgeting for 1 divisional office closure in 2010/11

	1. Direct Service Expenditure £	2. Direct Service Income £	3. Net Direct Expenditure £	4. F.T.E.	5. Salary Costs £	6. Potential Saving (10% of Salaries) £	Notes / Comments
Parking	7,500,700	-12,600,710	-5,100,010	103	2,600,840	260,084	
Leisure Services (including leisure trusts)	2,713,810	-709,720	2,004,090	25	787,370	78,737	
Community Development	2,966,060	-1,552,880	1,413,180	47	1,255,710	125,571	
Community Safety (including CCTV)	3,395,950	-1,283,970	2,111,980	71	2,032,870	203,287	
Cultural development	2,980,250	-911,270	2,068,980	40	1,059,980	105,998	
Museums	1,338,520	-270,890	1,067,630	18	800,640	80,064	
Regeneration & Economic Development	2,397,884	-457,410	1,940,474	36	1,543,920	154,392	
Tourism	1,761,140	-455,410	1,305,730	28	833,200	83,320	

	1. Direct Service Expenditure £	2. Direct Service Income £	3. Net Direct Expenditure £	4. F.T.E.	5. Salary Costs £	6. Potential Saving (10% of Salaries) £	Notes / Comments
Traffic & Transportation	769,956	-77,650	692,306	9	318,270	31,827	
Concessionary Fares	6,676,880	-1,830,730	4,846,150	3	56,200	5,620	
<u>Corporate / Reconciliation Information</u>							
Backfunding	7,412,800	-466,740	6,946,060	0	1,340,000	134,000	
Recharges to Non-GF budgets	-5,751,260	0	-5,751,260	0	0	0	Excludes figures from Thanet
Rest of the Council	10,497,750	-5,429,700	5,068,050	126	3,983,530	398,353	Excludes figures from Thanet
Total (should reconcile to net service expenditure and F.T.E.)	217,145,690	-158,656,140	58,489,550	1,484	50,017,550	6,971,131	Excludes figures from Thanet

Protocols and Guidance for Developing Joint Working Business Cases

Overview

A number of issues were identified and considered in the development of the Joint HR project. These notes attempt to consolidate the lessons from the Joint HR project into more general guidelines, that should be broadly applicable to all projects.

This approach will serve to:-

- provide a degree of certainty to partners in relation to the “rules” facilitate the production of business cases
- ensure that these issues are debated once, rather than being debated during every project.

It is proposed that the following protocols are adopted. It is also recognised that in some cases, it may, exceptionally, be necessary to vary these protocols, but they should be adopted as the default options.

The key areas considered below are:-

- a) Redundancy Costs
- b) Early Retirement Costs
- c) Staff Protection Costs
- d) Treatment of backfunding
- e) Charges to users
- f) Capital assets
- g) Group accounts
- h) Audit fees
- i) Premises fit-out costs
- j) IT Systems

a) Redundancy Costs

The overriding principles in developing these guidelines are that:

- Partners will pool statutory costs and will share them equally as a set-up cost
If partnership working is to be successful, then the impact of redundancy has to be shared by the partners¹. This approach has to be agreed at the outset, since decisions about redundancy will be led by the head of the new service, and are therefore once the joint service is initiated they will generally be outside of the direct control of the partners.
- The costs of enhancements will be charged back to the original partner
Eventually it is to be hoped that the partners will adopt common terms and conditions, including those relating to redundancy. However, until this happens, the

¹ If all the staff to be made redundant following creation of a joint service originated from one or two of the partners and were recharged, in full, back to those partners, then the project could be prohibitive to those partners.

costs of enhancements beyond the statutory minimum, will be recharged to the original authority that conferred these extra benefits on the staff.

- **Transfer of Staff to a Joint Service**

It is essential that partners do not undermine mutual trust by transferring staff into a joint service as a means of obtaining contributions from other partners towards redundancy costs.

To assist in the initial preparation of a business case the table below has been produced, giving indicative statutory redundancy figures.

		Salary			
		£20k	£30k	£40k	£50k
Service Length	5 years	1,923	2,885	3,846	4,808
	10	3,846	5,769	7,692	9,615
	15	5,769	8,654	11,538	14,423
	20	8,462	12,692	16,923	21,154
	25	9,423	14,135	18,846	23,558

b) Early Retirement Costs

The basic actuarial strain arising from early retirement will be created as a partnership cost to be shared between the partners. Any actuarial strain arising from any enhancements (added years etc) will be treated as a direct charge back to the authority that conferred the benefit on their staff. It is assumed that all such costs will be a set-up cost of the partnership. They will not be an on-going cost to the partnership.

c) Staff Protection Costs

The baseline minimum staff protection costs are assumed to be a stepped reduction in protection of terms and conditions over 3 years. The costs of this protection will be treated as a cost of the partnership and will be included in the recharges over the first 3 years.

The costs of additional protection, above the baseline level set out above (such as full protection of terms and conditions for 3 years) will be treated as a specific cost to the authority that conferred the benefit and will be recharged directly to that authority.

d) Treatment of Pension Fund Backfunding

“Backfunding” is the cost, to employers, of additional pension fund contributions to make up any shortfall in the pension fund, caused by a number of factors including lower than expected investment performance by the fund, increased longevity of members, the age profile of members (the “maturity of the scheme”), reduced returns on gilts etc.

An additional key factor is the way in which employers choose to make contributions to the deficit. In the past the normal practice was to add an employers on-cost to the basic salary cost, in order to generate the total payment to the pension fund. This on-cost rate was determined by the actuaries at every triennial valuation, on an authority

by authority basis, and was typically designed to correct the deficit in the future – typically over the next 20 years.

This approach worked while staff numbers were relatively stable. However, as staff numbers (and hence the aggregate value of basic pay) declined, then so did the overall contribution to the deficit, thus worsening the deficit and leading to increased contribution rates at the next triennial valuation. For this reason, many authorities have switched to making a specific fixed annual lump sum contribution to the deficit (for DDC this is about £1.7m pa) regardless of any decline in staff numbers.

The transfer of large numbers of staff, and the treatment of any deficit associated with those staff, therefore has potentially profound effects upon the original authority, the hosting authority and any SSV.

It will have an even more profound effect if a hosted service is wound up, since the host could potentially find itself responsible for the pension fund deficit of the transferred staff.

In the recent joint working initiatives (Internal Audit and HR) the staff numbers have not been large enough for these issues to have been formally recognised and addressed. It should also be noted that employers have the discretion to agree the basis of the pension fund transfer values of staff (ie with a deficit, or fully funded), but again, this has never been formally addressed in the recent past, and the Pension Fund managers have not asked for a view from the authorities involved as to the preferences in relation to transfer values.

In order to address these issues it is proposed that the following approach to the hosted service is investigated:-

- A separate pension fund registration is set up for the hosted service. KCC have been approached, but the practicality will depend on how many separate hosted services are created.
- Staff will transfer to the hosted service with a fully funded transfer value. This will have the effect of leaving the deficit with the original employer where it arose.
- It may also have the effect that, when staff numbers in the partner authorities have dwindled, then the backfunding contribution will appear disproportionately large in relation to the salary base. This will create a “presentational” problem, rather than a financial one – the deficit existed anyway, it is simply a matter of where it appears in the accounts.
- The hosted service costs will include on-going pension fund contributions, and these will be recovered via charges to users.
- Over time, the hosted services pension fund may accrue its own deficit (or surplus) and will need to adjust contributions accordingly. These changes in costs will be included in the recharges to users.
- If the hosted service is wound up, then any pension fund deficit or surplus will need to be returned to the partner authorities. This should be done pro

rata to the charges for the service since its inception, or over the last 5 years.

- If the service has expanded to provide services to “non partner” authorities, this bears the risk that staff numbers, and potential deficits, will have grown, but if the service is subsequently closed, then the increased deficit will fall solely on the partners.
- For employees who are recruited to the hosted service or SSV (rather than transferees) it is assumed that new terms and conditions will apply, and these will not include the same pension arrangements and entitlements.

More work is needed to establish the treatment of any pension fund deficit that could arise under the SSV and the timescale within which the deficit must be addressed. If the timescale for the SSV to make up any deficit is short, then creation of an SSV could lead to higher pension fund costs being incurred and included in recharges to the partners in the short term.

e) Charges to Users

The two main alternatives are:-

- Charge a unit cost to the users, so that the set-up costs are recovered over, say, the first 5 years of the service. This leaves the host with a cash-flow deficit, but recharges the set-up to users, pro rata to useage. It marginally favours the smaller authorities.
- Share set-up costs equally between partners, then charge the annual costs pro rata to useage. This is simpler, and avoids the cash-flow issues, but marginally favours the bigger authorities.

It is proposed that the second of the 2 options above is adopted, but that if the service is subsequently provided to non partners, that they pay a premium, to reflect the set up costs and the risks, and that this premium is used to reduce the costs to the partners.

f) Ownership, Replacement and Charging for Assets

Some of the services will require the use of / access to significant capital assets. This section has not been written to consider the general issues, but it is likely that these will mostly relate to ICT assets.²

The main issues to consider are:

- Asset ownership
- Financing of capital assets
- Providing for asset replacement
- Accounting and charging treatment

² This section assumes that the asset will remain with the original partner(s), the host or the SSV. If a private sector partner is included for the provision of some ICT services, then they may take over ownership of the assets, and all associated costs will be included in their fee.

Asset Ownership

Where the host, or SSV, requires access to, or the use of, significant assets, the ownership of that asset will become an issue.

Options include:

- Each partner retains their own systems – this may prevent a full centralisation / standardisation of the service and the full achievement of potential savings.
- One partner takes ownership of existing systems, or provides one system.
- The existing system(s) are transferred into an SSV or the SSV procures a new system.

Determining the best option requires consideration of the implications of the different accounting approaches to be adopted by the host (local authority accounting) and an SSV (commercial accounting).

Financing of capital assets

Typically, a local authority finances its capital assets through one of:

- Capital receipts
- Borrowing
- Capital grant

Having purchased the asset, there is a depreciation charge in the accounts, but this is reversed out, so that there is no charge to the tax payer for depreciation and the true total revenue costs of services is understated. The only revenue cost is likely to arise from Minimum Revenue Provisions (MRPs) to provide for the repayment of the borrowing, if any borrowing has been used to finance the assets.

Providing for Asset Replacement

Local authorities do not, generally, make provision for the replacement of assets through their life, but if the asset is used for the production of a joint service, then failure to include a charge for the use of the asset means that some of the partners may, effectively, be getting access to, or use of, an asset for free.

Accounting and Charging Treatment

It is proposed that:

- where an asset is provided by one partner, for the use of all, a depreciation charge is introduced into the costing, and included in the unit costs. In this way, all partners will pay an equitable share of the costs.
- Where an asset is to be replaced, or purchased for joint working:
 - if one partner funds the asset replacement, then it can charge “depreciation” to the others.
 - if all partners share in the cost of the replacement, then the depreciation charge is not required.

-
- If the service is being provided by an SSV, then it will be necessary to decide whether the SSV will own the service assets, or whether the asset should stay in the ownership of one, or more, of the partners.
 - If the SSV is to own the assets then it will have to be given the partner(s) assets, or sufficient finance to procure them itself. It would then include a depreciation charge in the recharges.
 - if the SSV is also expected to finance the replacement of the assets in the future, it may need to add to its recharges so that it can build up sufficient reserves to make the purchases.

Alternatively, it may be possible for the partners to make capital grants to the SSV, to finance the purchase. This would enable partners to continue to apply capital receipts (should they have them) for this purpose, but could lead to problems if some of the partners are unable to finance the grant.

g) Group Accounts with an SSV

It is anticipated that, by owning 25% of the SSV, and by not having overall control vested within one partner, that the issue of group accounts will not arise. However, the required treatment under IFRS will have to be examined to ensure that all efforts are made to avoid the requirements of group accounting, and any requirement to consolidate the SSV into the partners' accounts.

h) Audit Fees

Joint working is likely to increase overall audit fees. The main considerations are:-

- Hosted services will require additional auditing to check that the recharging of the costs of such services are reasonable and equitable, and that the accounting treatment for assets etc are reasonable.
 - The SSV is likely to require its own audit on its accounts, as well as some involvement from the audit commission to check that the recharging of the costs of such services are reasonable and equitable, and that the accounting treatment for assets etc are reasonable.
- The overall EKJAC arrangements are also likely to be subject to some degree of audit review.

i) Premises Fit-Out Costs

In practice the cost of fitting out premises will vary from service to service, and premises to premises. However, at the business case stage it is unlikely that the specific premises will have been identified, and that an accurate estimate can be calculated.

In order to progress this, the premises fit-out costs of the HR service will be used. This provided accommodation for 28 staff, and the main costs were:-

	Type of Costs	Costs £k
1	Partitions, redecorations and carpeting	22.0
2	Desks and other furniture	20.0
3	Cabling	0.0
4	Telephony	0.0
5	PCs and laptops	21.0
6	Removals	1.0
7	Re-location and travel costs	1.1
8	Total for 28 staff	65.1
9	Average per capita cost	2.3

j) IT Systems

The costs of replacing systems will vary significantly from authority to authority, and from supplier to supplier.

However, when reviewing business cases it is important to have some broad indication of the potential scale of expenditure.

The table below provides a broad indication of the costs and age of the main IT systems within Dover District Council:

System	DDC	
	Age	£k
Accounting	10	200
Housing	4	400
Revenues and Benefits	10	250
Cash Receipting	0	50
CRM	4	300
Telephony	14	100

8. Proposed phasing programme of shared services to the host authority

Criteria for prioritising shared services and scores agreed by the East Kent Shared Services Project Group

Scoring is based on answering each criterion yes or no, with yes scoring one point. Because of the importance of generating savings the first criterion scores three points. The assumption is made that services with the highest scores transfer over to the hosting arrangement first. It is suggested that four tranches (two tranches per year 2011/12 and 2012/13) are agreed to make the programme more manageable. Some of the services listed will remain in each of the four councils as residual services. This is because they are part of the democratic core” for each of the four councils or these are services that contribute to delivering “place shaping” objectives set out in each councils strategic priorities.

Appendix 3

	1. Are there potentially significant savings to be made?	2. Are the same core ICT systems and software used by two or more districts?	3. Are these Services broadly delivered in the same way	4. Is it difficult to maintain the resilience of the service?	5. Is the same provider used to deliver this service shared by two or more of the districts?	6. Is there a track record of collaborative working for this service between two or more districts?	7. Is this service key to the hosting arrangement being able to deliver its services from the beginning?	Score	Date to start under the hosting arrangement
ICT	Yes	Yes	No	Yes	Yes	Yes	Yes	8	April 2011
Revenues & Benefits	Yes	Yes	Yes	No	Yes	Yes	Yes	8	April 2011
Contact Centre	Yes	Yes	Yes	Yes	No	Yes	Yes	8	April 2011

	1. Are there potentially significant savings to be made?	2. Are the same core ICT systems and software used by two or more districts?	3. Are these Services broadly delivered in the same way?	4. Is it difficult to maintain the resilience of the service?	5. Is the same provider used to deliver this service shared by two or more of the districts?	6. Is there a track record of collaborating working for this service between two or more districts?	7. Is this service key to the hosting arrangement being able to deliver its services from the beginning?	Score	Date to start under the hosting arrangement
Face-to-face customer services	Yes	Yes	Yes	Yes	No	Yes	Yes	8	April 2011
Finance transactional	Yes	Yes	Yes	Yes	No	Yes	No	7	April 2012
Procurement	Yes	Yes	Yes	No	Yes	Yes	No	7	April 2012
Building Control	Yes	Yes	Yes	Yes	No	Yes	No	7	April 2011
Printing services	Yes	Yes	Yes	No	Yes	No	No	6	April 2012
Development Control	Yes	Yes	Yes	Yes	No	No	No	6	April 2012

East Kent Joint Services

	1. Are there potentially significant savings to be made?	2. Are the same core ICT systems and software used by two or more districts?	3. Are these Services broadly delivered in the same way	4. Is it difficult to maintain the resilience of the service?	5. Is the same provider used to deliver this service shared by two or more of the districts?	6. Is there a track record of collaborative working for this service between two or more districts?	7. Is this service key to the hosting arrangement being able to deliver its services from the beginning?	Score	Date to start under the hosting arrangement
Environmental Health	Yes	Yes	Yes	Yes	No	No	No	6	April 2012
Development Control	Yes	Yes	Yes	Yes	No	No	No	6	April 2012
Mail services	Yes	No	Yes	No	Yes	Yes	No	6	April 2012
Finance accountancy	Yes	Yes	No	Yes	No	Yes	No	5	April 2012
Community Safety	Yes	Yes	No	No	No	Yes	No	5	April 2013
Parking	Yes	Yes	Yes	No	No	No	No	5	April 2013
Land charges	Yes	Yes	Yes	No	No	No	No	5	April 2013

	1. Are there potentially significant savings to be made?	2. Are the same core ICT systems and software used by two or more districts?	3. Are these Services broadly delivered in the same way	4. Is it difficult to maintain the resilience of the service?	5. Is the same provider used to deliver this service shared by two or more of the districts?	6. Is there a track record of collaborating working for this service between two or more districts?	7. Is this service key to the hosting arrangement being able to deliver its services from the beginning?	Score	Date to start under the hosting arrangement
Licensing	Yes	Yes	Yes	No	No	No	No	5	April 2013
Engineering	No	Yes	Yes	Yes	Yes	Yes	No	5	April 2012
Legal Services	No	Yes	Yes	Yes	No	Yes	No	4	April 2013
Property	Yes	No	No	No	No	No	No	4	April 2013
Grounds maintenance	Yes	No	Yes	No	No	No	No	4	October 2013

East Kent shared services under the hosting arrangement

Appendix 4

Based on project group scoring matrix

Agreed services to be transferred to the hosting arrangement over a three year period in annual tranches starting in April 2011

September 2009	<ul style="list-style-type: none"> Human Resources and Payroll 	Services retained by each authority because of "democratic core" or "place shaping" reasons
April 2011	<ul style="list-style-type: none"> ICT Contact Centre Face-to-face customer services (Gateways) Revenues and Benefits Landlord services Residual Housing Services Building Control 	
April 2012 or April 2013	<ul style="list-style-type: none"> Development Control Engineering Environmental Health Finance (Accountancy) Finance (Transactional) Printing Services Mail Services Procurement Property Services Land Charges Parking Legal services Licensing Community Safety Grounds maintenance 	

The Waste Management contract between the four districts and KCC is not technically a shared service, but a joint contract, so doesn't appear on the schedule of hosted services.

There will be an annual review for the tranche two and three in February 2011 and February 2012 to decide the final phasing. The associated project work around completing the business case and identifying the workstreams will start immediately after.

Commissioning Shared Services through hosting arrangement

Business Case template

This template sets out the questions that need to be addressed in the business case for consideration by the East Kent Joint Arrangement Committee. A robust business case is essential to set out how and when a new shared service will be designed.

The process will operate in the way that the business case will be considered first by the respective management teams and then by the Chief Executive Forum, using delegated powers granted by EKJAC.

Proposed template for the service business cases (for consideration by East Kent Forum)

Executive summary

This will encapsulate the key facts and figures in making the business case for the service distilled from each of the four councils.

A. Strategic overview of project	
Insert name of service	
1. What is the purpose of the project?	
2. What organisational benefits will the project bring? (see page 54)	
3. Which criteria are most relevant to assess potential benefits? (see page 55)	
4. Who are the stakeholders in the success of the project?	
5. Are there common service definitions available for each authority set out in service or business plans? At this stage its important to scope the service, so the parameters of the shared service can be identified from the onset	
6. What is the vision for the combined service after three years?	
B. Resources for the project	
7. What are the full contact details of the lead officer?	
8. What other resources are involved in the project and the impact on other services?	
9. Is any funding being provided to deliver the project? If yes, from what source and who has it been agreed with?	
10. What % of time will the lead officer	

be working on the project?	
11. What is the project timetable and the critical milestones to be achieved?	
C. Key service information	
<p>12.</p> <p>i) What are the basic facts we need to know about the service across the four authorities over the last three years? (location, outputs, service volumes, high level KPIs – for benchmarking purposes)</p> <p>ii) What is the combined total service budget (both in revenue and capital) for the four authorities?</p> <p>iii) What is the spend on key elements of service per head of population for each authority</p> <p>iv) What are the main income streams for the service? Are there any outstanding loans relevant to the service? Is there any current prudential borrowing for the service?</p> <p>v) What are the combined total service staff numbers for the four authorities? Is there a staff structure chart available in all cases? And does it include current pay grades?</p> <p>vi) What are the anticipated savings for the shared service per annum for each council for the first five years?</p> <p>vii) What are the current hardware and software ICT systems used by the service and their likely lifespan? And what is the current level of integration of systems between the authorities?</p> <p>viii) Are any elements of the service provided by contractors or other external partners? And what is the lifespan of the current contracts?</p> <p>ix) Can any relevant contract be terminated without incurring penalties? And if so, what are these likely to be?</p> <p>x) Are there likely to be additional capital investments required to achieve shared services? e.g. new ICT systems</p> <p>xi) Are there likely to be significant redundancy costs at the initial phase of creating the new joint service?</p>	

<p>xii) What are the accommodation needs for the shared service and is there likely to be any immediate savings as a result of disposing of surplus accommodation at the start of the shared service?</p> <p>xiii) When will a common charging protocol for services be adopted if relevant?</p> <p>xiv) What will be the impact on the residual council of creating this shared service?</p> <p>xv) Is there an exit arrangement prepared if the shared service fails for whatever reason?</p>	
<p>D. Key risks associated with providing a joint service. Lead officers will need to provide general mitigation (likelihood/impact) against the following risks:</p>	
<p>13. Financial risks: The joint service fails to reduce overall costs for the service or does not create the potential for future savings (do all partners use the same accounting treatment methodology e.g. CIPFA Code of Practice compliant)</p>	
<p>14. Operational risks: The phasing of changes will threaten continuity of services for partner authorities and risk a deterioration in service improvement in the run up to creating a joint service.</p>	
<p>15. Staff risks: The disruption and change associated with merging services exposes partner authorities to losing well trained and experienced staff.</p>	
<p>16. Reputation risks: The move towards creating a joint service fails to achieve the key benefits envisaged and this along with the disruption involved damages the reputation of the partners.</p>	
<p>17. Strategic risks: Relationships with key partnership and stakeholders suffers as a result of the changes involved and some of its major strategic aims are not achieved because of the diversion of management energy and resources.</p>	

<p>18. Governance risks That there are misunderstandings and disputes between the parties. Amongst other measures the business case should identify the arrangements between the parties to ensure fairness and equity, provide a means of resolving disputes and address the departure of one or more parties</p>	
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E. Implications

The creation of joint services would need the following major implications explained. At this stage the information needed will be basic. More depth will be required following the adoption of the outline business case..

i) Staffing implications:

It is likely there would need to be a convergence of salaries and terms and conditions of employment between staff if joint services were established and what impact this would have on overall costs for the service and the baseline costs for individual councils.

ii) Legal implications:

The EKJAC operating arrangements set out the basis upon which functions or services can be delegated to it. Reference should be made to those. And any joint service partnership would need to identify any relevant legislation.

Follow up actions by lead officer once service plan business case is adopted

- Views of employees and trades union. Consultations will have taken place or planned with staff and Unison regarding the proposed changes and comments received or awaited.
- Dispute mechanism for resolution – method of arbitration
- Developing an options appraisal methodology setting out the different models of managing a joint service and evaluating these against agreed criteria to emerge with a preferred option.
- Developing a communications plan to keep staff aware of and involved in decisions affecting the service in the run up to a joint service.
- Developing a project risk register and designating a project team member responsible for mitigating individual risks based on impact likelihood methodology
- Identifying proposed governance arrangements to be put in place during the transition to a joint service arrangement.
- Addressing issues around a single service specification.

General benefits of establishing future joint services through a hosting arrangement. All services will be expected to demonstrate most of the following outcomes:

1. Building capacity and adding resilience to services:

- Attracting new recruits and retaining existing staff more easily through better career opportunities and structured training.
- Developing common strategies, policies and business plans.
- Expanding officer expertise and filling existing skills gaps.

2. Creating more efficient services:

- Integrating software and information systems to create shared platforms.
- Setting common targets and PIs.
- Achieving economies of scale and lowering unit costs for key element of service (an indicative total savings figure will need to be identified at this stage)
- Rationalisation of sites.

3. Improving customer focus:

- Alignment of systems, procedures, forms, letters etc.
- Develop shared website pages.
- Common approach to customer care/service standards.

How far do the relevant services meet the potential benefits identified? What criteria do we need to assess this?

1. Building capacity and adding resilience:

- Is it difficult to replace or recruit critical staff or managers for this service in order to build resilience?
- Does more than one authority use the same ICT systems and software to deliver the relevant service in question
- Do the districts already have a track record of collaborative working in this service area?

2. Creating more efficient services:

- Are there potential efficiency savings to be made through economies of scale if services are combined?
- Is the service suitable for invest to save? What is the likely payback period if managed on a different basis?
- Do one or more districts have difficulty in retaining current levels of service because of budget pressures?

3. Improving customer focus:

- Do some of the districts use the same CRM systems. What represents the best fit with existing suppliers in terms of getting current systems to work together?
- Is this service largely provided according to standard national template or is there scope for local political choice in service delivery?
- Is one or more district performing consistently above the family or national average for the relevant service in question and what are the implications for other partner councils?

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