



EAST KENT (JOINT SCRUTINY) COMMITTEE

White Cliffs Business Park Dover Kent CT16 3PJ
Telephone: (01304) 821199 Facsimile: (01304) 872300

5 January 2010

Dear Councillor

NOTICE IS HEREBY GIVEN THAT a meeting of the **EAST KENT (JOINT SCRUTINY) COMMITTEE** will be held in the Council Chamber at these Offices on Thursday 14 January 2010 at 9.30 am when the following business will be transacted.

Members of the public who require further information are asked to contact Rebecca Brough on (01304) 872304 or by e-mail at rebecca.brough@dover.gov.uk.

Yours sincerely

Chief Executive

East Kent (Joint Scrutiny) Committee:

Councillor G Cowan	(Chairman)	(Dover District Council)
Councillor M Vye	(Vice-Chairman)	(Kent County Council)
Councillor A Clifton-Holt		(Shepway District Council)
Councillor M D Conolly		(Dover District Council)
Councillor C Goddard		(Shepway District Council)
Councillor M Harrison		(Thanet District Council)
Councillor D R Lloyd-Jones		(Dover District Council)
Councillor R F Manning		(Kent County Council)
Councillor A Perkins		(Canterbury City Council)
Councillor T Prater		(Shepway District Council)
Councillor J Roberts		(Thanet District Council)
Councillor B Rogers		(Thanet District Council)
Councillor J Samper		(Canterbury City Council)
Councillor I Thomas		(Canterbury City Council)
Vacancy		(Kent County Council)

AGENDA

EAST KENT (JOINT SCRUTINY) COMMITTEE

Thursday, 14th January, 2010, at 9.30 am

Ask for: Telephone (01304 872304) or e-mail scrutiny@dover.gov.uk or rebecca.brough@dover.gov.uk.

THE COUNCIL OFFICES, WHITE CLIFFS
BUSINESS PARK, DOVER, KENT CT16 3PJ

Telephone

1. APOLOGIES
2. APPOINTMENT OF SUBSTITUTE MEMBERS

To note appointment of Substitute Members in accordance with the agreed procedure.

3. DECLARATIONS OF INTEREST

Members are required to disclose the existence and nature of a personal interest at the commencement of the item of business to which the interest relates or when the interest becomes apparent. An explanation in general terms of the interest should also be given to the meeting. If the interest is also a prejudicial interest, the Member should then withdraw from the room or chamber.

NOTE: (1) By virtue of Rule 11 of the Members' Code of Conduct, a member must, if he/she is involved in the consideration of a matter at a meeting of an overview and scrutiny committee or sub committee, regard him/herself as having a personal and prejudicial interest if that consideration relates to a decision made, or action taken, by another committee or sub committee of which he/she may also be a member.

(2) This rule will not apply if the member attends the Scrutiny Committee/Sub Committee for the purpose of answering questions or otherwise giving evidence relating to that decision or action.

4. MINUTES (Pages 1 - 4)

To confirm the attached Minutes of the meeting of the Committee held on 14 December 2009.

5. OPERATING ARRANGEMENTS (Pages 5 - 14)

The Operating Arrangements for the East Kent (Joint Scrutiny) Committee are

attached for information.

6. ISSUES REFERRED TO THE COMMITTEE BY THE EAST KENT (JOINT ARRANGEMENTS) COMMITTEE (Pages 15 - 20)

East Kent (Joint Arrangements) Committee Minutes of 18 December 2009

7. ITEMS PLACE ON THE AGENDA BY A MEMBER OF THE COMMITTEE

In accordance with Paragraph 7.1 of the Operating Arrangements any Member of the Committee may require that an item be placed for consideration on the agenda of the next available meeting.

There are no items for consideration.

8. EAST KENT JOINT SERVICES - STRATEGIC BUSINESS CASE (Pages 21 - 76)

To consider the attached report of the Project Team.

Access to Meetings and Information

- Members of the public are welcome to attend meetings of the Council, its Committees and Sub-Committees. You may remain present throughout them except during the consideration of exempt or confidential information.
- All meetings are held at the Council Offices, Whitfield unless otherwise indicated on the front page of the agenda. There is disabled access via the Council Chamber entrance and a disabled toilet is available in the foyer. In addition, there is a PA system and hearing loop within the Council Chamber.
- Agenda papers are published five clear working days before the meeting. Alternatively, a limited supply of agendas will be available at the meeting, free of charge, and all agendas, reports and minutes can be viewed and downloaded from our website www.dover.gov.uk. Minutes are normally published within five working days of each meeting. All agenda papers and minutes are available for public inspection for a period of six years from the date of the meeting. Basic translations of specific reports and the Minutes are available on request in 12 different languages.
- If you require any further information about the contents of this agenda or your right to gain access to information held by the Council please contact Rebecca Brough, Democratic Support Officer, telephone: (01304) 872304 or email: rebecca.brough@dover.gov.uk for details.

Large print copies of this agenda can be supplied on request.

Minutes of the meeting of the **EAST KENT (JOINT SCRUTINY) COMMITTEE** held at the Sandwich Town Council Offices, Sandwich on Monday 14 December 2009 at 9.30 am.

Present:

Chairman: Councillor G Cowan (Dover District Council)

Councillors: M D Conolly (Dover District Council)
C Goddard (Shepway District Council)
M Harrison (Thanet District Council)
A Perkins (Canterbury City Council)
T Prater (Shepway District Council)
J Roberts (Thanet District Council)
M J Roberts (Thanet District Council)
J Samper (Canterbury City Council)
I Thomas (Canterbury City Council)
M Vye (Kent County Council)

Also Present: Mr C Dallison (HQN Associate Member) (Item 18 only)

Officers: Head of Housing, Culture and Community Safety (Dover District Council) (Item 18 only)
Corporate Director – Neighbourhoods (Shepway District Council) (Item 18 only)
Head of Finance and ICT (Dover District Council)
Head of Legal and Democratic Services (Canterbury City Council)
Head of Policy and Improvement (Canterbury City Council)
Corporate Director (Shepway District Council)
Director of Customer Services and Business Transformation (Thanet District Council)
Principal Solicitor (Dover District Council)
Democratic Support Officer (Dover District Council)

Apologies for absence were received from Councillors A Clifton-Holt (Shepway District Council), D R Lloyd-Jones (Dover District Council), R F Manning (Kent County Council) and B Rogers (Thanet District Council).

13 APPOINTMENT OF SUBSTITUTE MEMBERS

It was noted that in accordance with the Operating Arrangements, Councillor M J Roberts had been appointed as substitute for Councillor B Rogers.

14 MINUTES

The Minutes of the meeting of the Committee held on 4 November 2009 were approved as a correct record and signed by the Chairman.

15 ISSUES REFERRED TO THE COMMITTEE BY THE EAST KENT (JOINT ARRANGEMENTS) COMMITTEE

There were no items for consideration.

16 ITEMS PLACED ON THE AGENDA BY A MEMBER OF THE COMMITTEE

There were no items for consideration.

17 MEMBERSHIP OF THE COMMITTEE

The Chairman informed the Committee that Ashford Borough Council had withdrawn from the East Kent Shared Housing Services Project.

RESOLVED: That the co-opted membership of the Committee of Ashford Borough Councillors M J C Burgess, R F Packham and R T Taylor be terminated with immediate effect.

18 EAST KENT SHARED HOUSING SERVICES PROJECT

The Head of Housing, Culture and Community Safety for Dover presented the report on the East Kent Shared Housing Landlord Services Project to the Committee for its consideration.

In response to requests for clarification from Members it was stated that the recommendations set out in the report would create an Arms Length Management Organisation (ALMO) as a company limited by guarantee. The resultant company would be responsible for the management arrangements of the housing stock but the individual Councils would still retain ownership and be the legal landlords of their housing stock.

Mr C Dallison informed the Committee that most of the three star housing authorities were ALMO's and that his experience had been that the switch to an ALMO led to improvements in the level of service received by tenants.

The Chairman stated that the previous recommendation of the East Kent (Joint Scrutiny) Committee for a ballot of all tenants was in addition to the cocktail of consultation measures being proposed and not instead of it as the report seemed to suggest. Councillor A Perkins emphasised the need to ensure that tenants were provided with a balanced set of the views in respect of the proposals for the HSSV and not just the view of the four District Councils.

The Head of Housing, Culture and Community Safety advised the Committee that TPAS (Tenant Participation Advisory Service) had been appointed to provide the tenant representatives with independent advice and would be providing a challenge to the view of the four District Councils at consultation events. It was agreed that details of the plans for consultation would be circulated to members of the East Kent (Joint Scrutiny) Committee.

RESOLVED: That it be recommended to the East Kent (Joint Arrangements) Committee:

- (a) That the recommendations of the East Kent (Joint Scrutiny) Committee made at its meeting held on 4 November 2009 be reaffirmed.
- (b) 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, *subject to final agreement by each individual Council after a ballot of all the tenants.*
 2. That any staff 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 *elected* 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, *subject to the addition of provisions for internal audit.*
 8. That each Council's Chief Executive be authorised to make any *minor* changes necessary to these proposals to pursue the project up to final council approval to join the Housing Shared Service Vehicle.

The Committee adjourned for ten minutes at 11.30 am.

19 EAST KENT JOINT SERVICES – STRATEGIC CASE

The Project Team presented the report on the East Kent Joint Services – Strategic Case to the Committee for its consideration. The report outlined the need for joint working solutions as a method of managing the expected reductions in public sector funding without reducing the quality of services offered.

The report proposed two blocks of service transfer from the individual authorities to the hosting arrangement under the Director of Shared Services. The first tranche would commence in April 2011 with the next two tranches in April 2012 and 2013. A small core of services would be retained by each authority as part of the 'democratic core' or for 'placing shaping' reasons. These included legal, elections, democratic services and some community and regeneration functions.

The Committee was advised that each service would be considered individually on the merits of the business case for it becoming a shared service, with a key objective being that a 10% target for savings could be achieved by doing so.

There were concerns expressed by members of the Committee that the proposals could lead to the creation of a democratic deficit in the future with the loss of accountability to elected Members. In addition, there were concerns that the transfer of staff to the hosting arrangement would make it impossible in practical terms for an authority to remove a service from the hosting arrangement should joint working fail to deliver the expected savings. While the Committee supported the principle of joint working, it expressed concerns that the timescale for the proposals was too short and that proposals for joint working should continue to be considered on an individual basis.

It was the consensus view of the Committee that the report needed further information on what would happen to the proceeds of any asset sales in the future.

RESOLVED: That the East Kent (Joint Arrangements) Committee be advised that the East Kent (Joint Scrutiny) Committee cannot support the recommendations set out in the report.

The meeting ended at 12.55 pm.

East Kent (Joint Scrutiny) Committee – Operating Arrangements

Canterbury City Council

Dover District Council

[Kent County Council]

Shepway District Council

Thanet District Council

together referred to as 'the Parties'

1. Key Principles for the Operation of the East Kent (Joint Scrutiny) Committee (EKJSC)

- 1.1 The members of the EKJSC will work together to maximise the exchange of information and views, to minimize bureaucracy and make best use of the time of members and officers of local and other authorities.
- 1.2 The guiding principle for the work of EKJSC is that it should be consensual and positive. The emphasis of the work should be on making proactive contribution to the development of policy and the discharge of EKJAC's functions. This is best achieved by an inclusive process covering members, the parties' partners, service users and officers.
- 1.3 The process of joint scrutiny will be open and transparent, designed to engage the parties, their residents and other stakeholders.

2. Objectives

- 2.1 The EKJSC is established under section 101 and 102 Local Government Act 1972 and Section 2 Local Government Act 2000 with the objective of acting as the single Scrutiny Committee for the monitoring, review and scrutiny of the East Kent (Joint Arrangements) Committee (EKJAC).

3. Terms of Reference

- 3.1 The terms of reference of the EKJSC are as set out in Schedule 1.
- 3.2 These arrangements will be reviewed regularly. No proposed amendments to these arrangements will take effect until they have been agreed and endorsed by each of the parties.

4. Call-In

- 4.1 The arrangements for the operation of call-in by the EKJSC shall be as set out in Schedule 2. The EKJSC shall have power to call-in any decision made by EKJAC, a sub-committee of EKJAC, or any member or officer with delegated authority from EKJAC. The EKJSC will not have the power to call-in any decision of the Executive of any of the Parties.

- 4.2 Where there is a call-in by a statutory scrutiny committee of any of the Parties of any decision of the EKJAC, each of the other Parties will be notified forthwith. The call-in shall be heard by the call-in Party's statutory scrutiny committee in accordance with the call-in Party's own arrangements. Where there is more than one call-in on the same subject the parties shall endeavour to ensure that they are heard together at the same time and place.
- 4.3 The call-in procedure set out in clauses 4.1 and 4.2 above shall not apply where the decision being taken by or on behalf EKJAC is urgent. A decision will be urgent if any delay likely to be caused by the call-in process would seriously prejudice the interests of any of the Parties or the public interest. The record of the decision and notice by which it is made public shall state whether, in the opinion of the decision maker, the decision is an urgent one and therefore not subject to call-in. The Chairman and the members of each of the Parties affected by the decision must agree both that the decision proposed is reasonable in all the circumstances and to it being treated as a matter of urgency. In the absence of the Chairman, the consent of the Vice-Chairman shall be required. In the absence of both the Chairman and Vice-Chairman, the consent of the Head of Paid Service of that Party (or his/her nominee) shall be required. Decisions taken as a matter of urgency must be reported to the next available full Council meetings of each of the Parties, together with the reasons for urgency.

5. Membership and Terms of Office

- 5.1 The EKJSC will comprise three non-executive councillors from each of the Parties.
- 5.2 Each appointing Party shall appoint its three members on the basis of its overall political proportionality.
- 5.3 Members of the EKJSC shall be appointed by the Parties at their annual meetings of their respective Council and shall hold office until:
- (a) the next annual meeting of the Party that appointed them, save that the Party that appointed them may remove them from office, either individually or collectively, at an earlier date in the event of a change in political control of that Party; or
 - (b) they resign from office; or
 - (c) they are suspended from being councillors under Part III of the Local Government Act 2000 (although they may resume office at the end of the period of suspension)
- 5.4 Each Party may appoint substitutes to represent their authority in the absence of the appointed councillors. Nominated substitutes will be non-executive councillors and will be able to attend any meeting of EKJSC in order to familiarise themselves with the issues involved, but will not be able to participate in debate or vote unless they are formally acting as a substitute member.
- 5.5 Non-voting members may be co-opted onto the EKJSC from any or all of the Parties or from other public sector partner organisations as the EKJSC may unanimously decide. Co-optees may participate in the debate but may not vote.

6. Frequency of Meetings

- 6.1 The EKJSC will meet quarterly, but may change the frequency of meetings and call additional meetings as required.

7. Agenda Setting and Access to Meetings and Information

- 7.1 The agenda for the EKJSC shall be agreed by the chairman following a briefing by relevant officers. Any member of the EKJSC may require that an item be placed for consideration on the agenda of the next available meeting.
- 7.2 There will be a standing item on the agenda of each meeting of the EKJSC for matters referred by the EKJAC.
- 7.3 Notice of meetings and access to agendas and reports will be in accordance with sections 100A-K and Schedule 12A of the Local Government Act 1972.

8. Sub-Committees

- 8.1 The EKJSC may establish sub-committees as it may determine by unanimous agreement of the EKJSC.
- 8.2 When establishing a sub-committee the EKJSC will agree the:
- (a) terms of reference for the sub-committee
 - (b) size and membership of the sub-committee including co-optees
 - (c) period for which the sub-committee will remain constituted
 - (d) chairman of the sub-committee or will delegate this decision to the sub-committee
 - (e) mechanism for hosting the sub-committee and sharing the cost amongst the relevant Parties, as appropriate

9. Delegation to Sub-Committees

- 9.1 The EKJSC may arrange for the discharge of any of its functions by a sub-committee of the EKJSC.

10. Meetings and Procedure

- 10.1 The Chairman and Vice Chairman will be appointed by the EKJSC on the basis of the position being rotated annually, as follows, and repeated each five years:

	Chairman and Scrutiny Host Authority	Vice-Chairman
2008-9	Shepway	Dover
2009-10	Dover	Kent
2010-11	Kent	Canterbury
2011-12	Canterbury	Thanet
2012-13	Thanet	Shepway

- 10.2 The Chairman and Vice Chairman of EKJSC shall be drawn from any political group not forming part of the administration of the appointing Council.
- 10.3 In the absence of the chairman and the vice chairman at a meeting, the meeting will elect a chairman for that meeting.

- 10.4 The quorum of the EKJSC will be five with at least one member present from four of the five Parties.
- 10.5 The EKJSC may approve rules for meetings and procedure from time to time.
- 10.6 The EKJSC may ask organisations, individuals or groups to assist it from time to time and may ask independent professionals to advise it during the course of reviews. Such individuals or groups will not be able to vote.
- 10.7 The EKJSC may request the attendance of officers employed by the participating authorities to answer questions and give evidence to the committee. Such requests must be made via the Chief Executive of the relevant participating authority.
- 10.8 The EKJSC may invite any other person to attend its meetings to answer questions or give evidence; however, attendance by such persons cannot be mandatory.

11. Decision Making

- 11.1 Decisions of the EKJSC will normally be made by consensus. A vote shall be taken where the chairman or any Voting Member requests that a vote be taken. The vote will be by way of a show of hands. A simple majority shall be required.
- 11.2 Where a minimum number of two members express an alternative to the majority view, they will be permitted to produce a minority report.

12. Scrutiny Host Authorities and Allocation of Roles

- 12.1 In order to achieve the objectives of the EKJSC, the Parties will appoint a Scrutiny Host Authority which is for the time being the Authority shown as the Chairman and Scrutiny Host Authority in the table at clause 10.1.
- 12.2 Staff from the Scrutiny Host Authority who are commissioned to provide services, advice and support to the EKJSC will continue to be employees of the relevant Scrutiny Host Authority.
- 12.3 Responsibility for the following support services to the EKJSC will be allocated to the Scrutiny Host Authority:
 - (a) the provision of legal advice and services
 - (b) the provision of financial advice and services
 - (c) secretariat support and services
 - (d) communications support and services
 - (e) data protection, freedom of information, information sharing and confidentiality issues in accordance with clause 17
 - (f) research
- 12.4 The cost of the services and advice set out in this section will be paid for by the Scrutiny Host Authority.

13. Amendments to these Arrangements

- 13.1 These arrangements may be amended by the unanimous agreement of the EKJSC following a recommendation approved by the full Council of each of the Parties.

14. New Membership and Cessation of Membership

- 14.1 New Parties may join the EKJSC provided that they are also a party to EKJAC and the full council of the joining Party(ies) and of all the Parties to these arrangements for the time being so resolve.
- 14.2 A Party ceases to be a member of these arrangements when it ceases to be a party to EKJAC.
- 14.3 Termination of these arrangements may occur by agreement of all the Parties.

15. Claims and Liabilities

- 15.1 The purpose of these arrangements and any actions taken under them is to assist all of the Parties. The Parties therefore have agreed that:
- (a) where one of the Parties nominated by the EKJSC to act as Scrutiny Host Authority undertakes actions or incurs liabilities in that respect then it shall be entitled to be indemnified by the other Parties for the appropriate proportion of all its costs and liabilities incurred in good faith
 - (b) a Party carrying out actions in good faith on behalf of the EKJSC shall not (other than in the case of fraud and/or clear bad faith) be liable to claims from the other Parties (and there shall be no right of set-off against any claim for indemnity under (b) and/or (c) above) on the grounds that the actions that were taken were not the proper actions carried out properly or that the costs and liabilities incurred were not reasonably and properly incurred (as long as they were in fact incurred)
- 15.2 Each of the Parties shall at all times take all reasonable steps within its power to minimise and mitigate any loss for which it is seeking reimbursement from any of the other Parties.

16. Administration

- 16.1 The decisions and recommendations of the EKJSC will be communicated to EKJAC and the participating councils as soon as possible after the resolution of the committee.
- 16.2 Where working on forthcoming decisions of the EKJAC, the EKJSC will endeavour to carry out its functions as part of the EKJAC's process in order to ensure that its findings and recommendations can influence the final decision.
- 16.3 When considering items before it, the EKJSC will take account of whether an issue could more appropriately be dealt with by one of the Parties or elsewhere.

17. Data Protection, Freedom of Information, Information Sharing & Confidentiality

- 17.1 Subject to the specific requirements of this clause, each of the Parties shall comply with its legal requirements under data protection legislation, freedom of information and associated legislation, and the law relating to confidentiality.
- 17.2 A Party will be appointed as a Host Authority for the purposes of ensuring compliance with any legislative or legal requirements relating to these issues should they arise directly in relation to the EKJAC (as compared to information held by the Parties to these arrangements).
- 17.3 Each of the each Parties shall:
- (a) treat as confidential all information relating to:
 - (i) the business and operations of the other Parties and/or
 - (ii) the business or affairs of any legal or natural person in relation to which or to whom confidential information is held by that Party("Confidential Information") and
 - (b) not disclose the Confidential Information of any other of the Parties without the owner's prior written consent
- 17.4 Clause 17.3 shall not apply to the extent that:
- (a) such information was in the possession of the party making the disclosure, without obligation of confidentiality, prior to its disclosure or
 - (b) such information was obtained from a third party without obligation of confidentiality or
 - (c) such information was already in the public domain at the time of disclosure otherwise than through a breach of these arrangements or
 - (d) disclosure is required by law (including under Data Protection Legislation, the Freedom of Information Act 2000 and the Environmental Information Regulations 2004) or disclosure is permitted by the Human Rights Act 1998
- 17.5 The Parties may only disclose Confidential Information of another of the Parties to staff who need to know by reason of their work. Each of the Parties shall ensure that such staff are aware of, and comply with, these confidentiality obligations and that such information is not used other than for the purposes of the EKJSC.
- 17.6 If any of the Parties receives a request for information under the Freedom of Information Act 2000 and/or the Environmental Information Regulations 2004 then the other Parties shall (at their own expense) assist and co-operate to enable the request to be dealt with.
- 17.7 If a request for information is received then the Party receiving it shall copy it to the other Parties and consider when making its decisions any views of the other Parties.
- 17.8 Notwithstanding the provisions of 17.6 and 17.7 it shall be the Party receiving the request that is responsible for determining at its absolute discretion how to reply to the request.

18. Exercise of Statutory Authority

- 18.1 Without prejudice to these arrangements, nothing in these arrangements shall be construed as a fetter or restriction on the exercise by any of the parties of their statutory functions.

Schedule 1

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

1. Monitor review and scrutinise the actions and decision of the EKJAC.
2. Make recommendations for reconsideration of any decisions made or actions taken and to make recommendations for improvement and/or changes in responsibilities and functions of the EKJAC.
3. Prepare reports and recommendations to the parties on the performance and delivery of the shared services provided by the EKJAC.
4. Propose an annual budget for the EKJSC in accordance with the requirements of the parties.
5. Prepare an annual report to the parties on the performance of these arrangements.
6. Facilitate the exchange of information about the work of the EKJSC and to share information and outcomes from reviews.

Schedule 2

ARRANGEMENTS FOR THE OPERATION OF CALL-IN by the EKJSC

1. When a decision is made by EKJAC, a sub-committee of EKJAC or an individual member with delegated authority from EKJAC, or a key decision is made by an officer with delegated authority from EKJAC, the decision shall be published, including where possible by electronic means, and shall be available at the main offices of each of the Parties normally within two days of being made. The Chairman of the EKJSC (and all other members of each of the Parties) will be sent copies of the records of all such decisions within the same timescale, by the person responsible for publishing the decision.
2. That notice will bear the date on which it is published and will specify that the decision will come into force, and may then be implemented at 12.00 noon, on the fourth working day after the publication of the decision, unless it is called-in.
3. By 10.00 am on the fourth working day after publication of the decision, the proper officer of the Scrutiny Host Authority shall call-in a decision for scrutiny by the EKJSC if so requested by any member of the EKJSC, and shall then notify the decision maker of the call-in. A meeting of the EKJSC shall then be held within 15 working days of the decision to call-in. Reasons for calling-in a decision should be given and recorded in the agenda.
4. If, having considered the decision, the EKJSC is still concerned about it, then it may refer it back to the decision making person or body for reconsideration, setting out in writing the nature of its concerns or refer the matter to the full Council of all or any of the Parties. If referred to the decision maker they shall then reconsider within a further 10 working days, amending the decision or not, before adopting a final decision.
5. If, following an objection to the decision, the EKJSC does not meet in the period set out above, or does meet but does not refer the matter back to the decision making person or body, the decision shall take effect on the date of the EKJSC meeting, or the expiry of that further 10 working day period, whichever is the earlier.
6. If the matter was referred to full Council of any of the Parties and the Council does not object to a decision which has been made, then no further action is necessary and the decision will be effective in accordance with the provision below. However, if the Council does object, it has no locus to make decisions in respect of an executive decision unless it is contrary to the policy framework, or contrary to or not wholly consistent with the budget. Unless that is the case, the Council will refer any decision to which it objects back to the decision maker, together with Council's views on the decision. That decision maker shall choose whether to amend the decision or not before reaching a final decision and implementing it. Where the decision was taken by EKJAC as a whole or a committee of it, a meeting will be convened to reconsider within 10 working days of the Council request. Where the decision was made by an individual, the individual will reconsider within 10 working days of the Council request.
7. If the Council of any of the Parties to whom the matter has been referred does not meet, or if it does but does not refer the decision back to the decision maker, the decision will become effective on the date of the Council meeting or expiry of the period in which the Council meeting should have been held, whichever is the earlier.

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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: 24 December 2009

CANTERBURY CITY COUNCIL

EAST KENT (JOINT ARRANGEMENTS) COMMITTEE

**Minutes of a meeting held on Friday, 18th December, 2009
at 11.00 am in The Guildhall, Westgate, Canterbury**

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

Councillor T Austin, Canterbury City Council
Councillor R Bliss, Shepway District Council
Councillor J Gilbey, Canterbury City Council
Councillor D Monk, Shepway District Council
Councillor F Scales, Dover District Council
Councillor P Watkins, Dover District Council

Officers:

Matthew Archer	-	Canterbury City Council (Administrator)
Nadeem Aziz	-	Dover District Council
Keith Cane	-	Shepway District Council
Colin Carmichael	-	Canterbury City Council
Sophie Chadwick	-	Thanet District Council
Mike Davis	-	Dover District Council
Mark Ellender	-	Canterbury City Council
Jim McDonald	-	Canterbury City Council
Donna Reed	-	Thanet District Council
Richard Samuel	-	Thanet District Council
Christine Waterman	-	Dover District Council

22 APOLOGIES FOR ABSENCE

Apologies received from Councillors Law (Canterbury), Latchford (Thanet), Carter (Kent) and King (Kent).

23 DECLARATIONS OF INTEREST

No declarations were received.

24 SUBSTITUTE MEMBERS

It was confirmed that Councillor Austin was substituting for Councillor Law.

25 MINUTES

The minutes of the meeting held on 25 November 2009, were agreed as a correct record.

26 EAST KENT SHARED HOUSING LANDLORD SERVICES PROJECT

The report was introduced by Richard Samuel, Chief Executive of Thanet District Council. He drew attention to paragraph 1.2, which set out what the four councils were aiming to achieve and how the proposal would lead to improvements in customer service whilst delivering savings to reinvest into the new organisation. He drew attention to financial data that set out what each council expected to achieve in the way of savings. He said based on a minimum target of 10%, the outcome was approximately £1 million of cashable savings from the joint housing arrangement, with more to follow in due course from efficiencies in the use of accommodation and ICT.

He said since the last report, Ashford BC had withdrawn from the project because the savings were not as significant for them. He said a lot of work had been undertaken to compare the proposed arrangement with other arms length management organisations (ALMOs) across the country, which was referred to in the report. The report also contained details of consultation with tenants and leaseholders; this area of work was ongoing and not finalised. He said the tenant's representatives had recently written to the project team and a response back would follow in due course.

Attention was drawn to the draft resolution from the Joint Scrutiny Committee. The following response was recommended to the committee –

- (i) A further amendment was made to recommendation one, which was accepted by the Members. This is set out in full in the recommendation (1) below;
- (ii) To accept the amendment to recommendation five – that four *elected* members be nominated by the local authority on the board of the company;
- (iii) To accept the amendment to recommendation seven – that provisions be added for internal audit to the draft memorandum of articles was accepted.
- (iv) A further amendment was made to recommendation eight, that authority be made by the Chief Executives *in consultation with the Leaders*. This was accepted.

Amendments to the proposed recommendations were discussed. The committee said they were happy with the recommendations as proposed to be amended. In respect of consultation with tenants, attention was drawn to paragraphs 6.2 and 6.3 of the report, which were felt to adequately deal with the matters raised by the Joint Scrutiny Committee.

Members of the committee acknowledged receipt of the letter from Unison dated 17 December 2009. They welcomed Unison's participation in the process and in noting the comments, stated that there was nothing in the letter that persuaded them to change to recommendations set out in the report, as amended.

The committee thanked Members of the East Kent Joint Scrutiny Committee for their contribution in progressing the project to this point.

It was RECOMMENDED -

[For ease of reference the amendments are shown in italics below]

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 *subject to final agreement by each individual council following the undertaking of appropriate consultation with tenants to satisfy the requirements of S27 of the Housing Act 1985*
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 *elected* 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, *subject to the addition of provisions for internal audit.*
8. that each council's Chief Executive be authorised, to make any changes necessary to these proposals, *in consultation with the Leader*, and to pursue the project up to final council approval to join the Housing Shared Service Vehicle.

27 EAST KENT JOINT SERVICES - STRATEGIC CASE

Members had before them the report setting out the strategic case and the draft minutes of the East Kent Joint Scrutiny Committee which met on 14 December 2009. The Chairman invited comments from the committee on the East Kent Joint Services strategic case.

Councillor Gilbey said that he recognised the financial position facing local government and the need to accelerate the process so that all councils were in a position to make the savings at the earliest opportunity. He wished to see the five councils remain in control of their services and all work together for the benefit of residents and service users.

Councillor Bliss said that Shepway had always been at the forefront of the shared service agenda. This was demonstrated by their commitment to housing landlord services and joint waste project among others. He said Shepway's position on this paper was that it did not address issues previously raised. They would require a commitment to take on board these issues before accepting the proposals.

Councillor Watkins said that there may be matters of clarification required but he saw no reason why the committee should not move the process forward and then clarify matters during the next stage of the project. He would prefer that today the four authorities unify behind the proposals and that clarification be sought by the time each Executive and Council was required to make their recommendations. He said all four authorities knew what they wanted to achieve and that they also wanted a quick timetable that put in place the economies of scale necessary to achieve the savings required. His view was that matters could be resolved without changing the fundamentals of the process.

Councillor Gilbey said that he wished to see Shepway stay in and was prepared to be flexible but it needed to be acknowledged that the process required less bureaucracy in order for the timetable to be met. He supported Councillor Watkins in acknowledging Shepway's comments and felt all were prepared to address any concerns and move forward with the recommendations.

Mr Samuel suggested that an additional recommendation be added to the report, which stated that prior to consideration by each participating council further examination of any matters raised by Shepway District Council is undertaken within the timescales set out in the report.

Councillor Watkins said he was happy with the additional recommendation but felt that the timetable should not be affected. He said the report provided opportunities for each council to withdraw if it was not satisfied with the proposals. It was stated that the report should be seen as a work in progress and that information sought at the joint cabinet meeting held the previous week was information that all the Members had needed to know before deciding whether to proceed.

It was RECOMMENDED -

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.
- (j) That prior to consideration by each participating council further examination of any matters raised by Shepway District Council is undertaken within the timescales set out in the report.

The committee considered a response to the comments raised by the East Kent Joint Scrutiny Committee. Members made the following comments:

On the matter of the tight timetable, it was acknowledged that the timetable was tight but recognising the need to accelerate the process to achieve the savings, it was now suggested that a tranche of services be identified in advance and then brought forward to the Chief Executives in consultation with their Leaders on a case by case basis. It was stated that the Members of each council would have an opportunity to interact in the process during the preparation of the business case. The committee supported the concerns that the timescale was short and said it would work to ensure adequate officer capacity was provided to ensure the project could be delivered.

The selection of the hosting delivery model did not preclude alternative delivery models being considered in the future.

It was felt that the report should be referred back to the East Kent Joint Scrutiny Committee and that a revised presentation be prepared that addressed some of the committees concerns. The committee would also have an opportunity to take into account of the comments from EKJAC and the additional recommendation inserted into the report

It was stated that if the matter was referred back it was important to stick to the original timetable, therefore any comments from the Joint Scrutiny committee should be received in time for the next scheduled East Kent (Joint Arrangements) Committee meeting on 20 January.

It was suggested that there may have been some confusion on the proposed recommendation at the Joint Scrutiny Committee, which could be clarified at their next meeting.

It was AGREED to refer the report back to the East Kent Joint Scrutiny Committee and ask that they reconsider their recommendations in light of the information, comments and recommendations added by the East Kent Joint Arrangements Committee on 18 December.

There being no other business the meeting closed at 11.40am

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

December 2009

Version	Author	Approved by
V 1.0	Project team	

Project team

- Mark Ellender (Canterbury City Council)
- Mark Bursnell (Canterbury City Council)
- Mike Davis (Dover District Council)
- Kathryn Beldon (Shepway District Council)
- Donna Reed (Thanet District Council)

Contents

	Page Number	
1.0	Executive Summary	4
2.0	Background – how did we get here?	6
3.0	Vision	8
4.0	Objectives behind the project	10
5.0	Options appraisal	12
6.0	Benefits for local residents	13
7.0	Financial appraisal	13
8.0	Proposed phasing programme of shared services to the host	15
9.0	Features of residual council and retained services	17
10.0	Member involvement in the process	17
11.0	Proposed governance arrangements	18
12.0	Risks for the hosting arrangement and Joint Service Group (JSG)	20
13.0	Workforce plan (harmonisation of employment terms and conditions, etc)	22
14.0	Future investment needs for the project	22
15.0	Milestones and timetable to establish hosting arrangement	22
16.0	Recommendation for taking forward the proposal	23
Appendix 1	Indicative Redundancy Costs	25
Appendix 2	Protocols and Guidance for Developing Joint Working Business Cases	34
Appendix 3	Proposed phasing programme of shared services to the host authority	41
Appendix 4	East Kent shared services under the hosting arrangement	45
Appendix 5	Commissioning Shared Services through hosting arrangement	46

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.
- 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.
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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.

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.

-
- 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
 - 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.

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

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 drawn from the particular services concerned, will have the
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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.
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- 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
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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
- 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.
 - 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.
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- 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
Parking	7,500,700	-12,600,710	-5,100,010	103	2,600,840	260,084	

	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
	£	£	£		£	£	
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	
Traffic & Transportation	769,956	-77,650	692,306	9	318,270	31,827	

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

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.

- **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.
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- 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

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.

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.

- 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**Appendix 3****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 council's strategic priorities.

	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 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
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

	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 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
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 <ul style="list-style-type: none"> • Finance (corporate) • Legal (corporate) • Democratic services • Elections • Policy & Scrutiny • Theatres/museums • Cultural development • Economic Development • Planning policy • Community development • Tourism • Strategic marketing & communications • Leisure services • Property – client • Traffic & Transportation
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 	

Page 69

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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