

CARLISLE CITY COUNCIL

Report to:- **Carlisle City Council**

Date of Meeting:- **13 January 2009**

Agenda Item No:-

Public

Title:- **PROPOSED COLLABORATION WITH ALLERDALE
BOROUGH COUNCIL**

Report of:- **Leader of the Council**

Report reference:- **CE03/09**

Summary:-

The appended report was considered by the Executive at its meeting on 18 December 2009 following consideration of the report on proposed collaboration with Allerdale (the Serco report) by all Overview & Scrutiny Committees.

The Executive resolved the following.

Recommendation:-

- (1) That the Executive recommend that Council at its meeting on 13 January 2009 support the proposed Shared Management Arrangements and Shared Services proposals with Allerdale Borough Council as set out in the Report CE.32/08 and the SERCO Report.
- (2) That should the City Council agree at its meeting on 13 January 2009 to progress the proposed Shared Management arrangements then a Report and Action Plan be submitted to the Executive on 17 January 2009 to be drawn up following discussions between both Authorities.

Contact Officer: Jason Gooding

Ext: 7009

Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers: None



REPORT TO EXECUTIVE

PORTFOLIO AREA: CROSS CUTTING

Date of Meeting: 18 December 2008

Public

Key Decision: Yes

Recorded in Forward Plan:

Yes

Outside Policy Framework

Title: COLLABORATION, SHARED MANAGEMENT ARRANGEMENTS
AND SHARED SERVICES WITH ALLERDALE BOROUGH
COUNCIL

Report of: Leader of The Council

Report reference: CE 32 08

Summary:

The purpose of this report is to provide the Executive with the opportunity to make a recommendation to Council following consultation with the Overview and Scrutiny Committees in relation to the proposed collaboration with Allerdale.

In order to support the Executive in doing so a draft action plan for the initial required actions is provided at Appendix 1. A copy of the report to Overview and Scrutiny is at Appendix 2.

In addition to comments that the Executive will be considering today from the Overview and Scrutiny Committees, a letter from the GMB Trades Union is enclosed for members' information at Appendix 3.

Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers: Serco Final Report, O&S Report to Joint Meeting on 8 Dec 2008

Recommendations:

1. That the Executive make an appropriate recommendation for Council to consider at its meeting on 13 January 2009
2. That, should the Executive be minded to support the proposed collaboration with Allerdale, arrangements are made to ensure that the financial consequences are reflected in the 2009/10 budget. In particular the designation of reserves for the change programme and the delivery of savings.
3. That the Executive considers and comments upon the draft action plan at Appendix 1 and recognises the importance and urgency of many of those actions.

Contact Officer: Jason Gooding

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1. BACKGROUND INFORMATION AND OPTIONS

At its meeting on 17 November 2008 the Executive considered the final report from Serco that was jointly commissioned with the Leadership of Allerdale Borough Council in relation to collaboration, shared services and a shared management team. The report was forwarded to a workshop and meetings of all three Overview and Scrutiny Committees for their consideration and comment. The results of those considerations will be available to the Executive at the meeting today (18 December 2008).

In order to support the Overview and Scrutiny Committees and the Executive, officers were tasked with providing further information on the costs and savings associated with the proposed arrangements. That information is presented in the appended Overview & Scrutiny report.

The profile of costs and benefits can be considered as occurring in a number of phases.

The initial phase will incur the redundancy/early retirement costs of a number of senior managers costing the City Council in the region of £1.5m, the precise figure depending on which members of staff, if any, remain. The recruitment cost for a new management team is likely to be in the region of £150,000. The benefit is a share of the estimated £1.1m efficiency saving associated with the costs of the shared management team as opposed to the existing arrangements. The details of how the saving will be shared between the two councils (and of course the costs) are yet to be determined.

The subsequent phase is principally about reaping the more strategic benefits of a shared management team with an explicit mandate to deliver closer collaboration and extensive shared services between the two councils. Serco assert that this programme of change can deliver savings of up to 20% in back office services and 10-15% in front line services where these are shared.

The costs associated with this phase will to a large degree depend upon the business cases that will be developed for particular shared services (which will also quantify the benefits). However some of the costs can be estimated based on the Serco report. These include £1m for external support over the two year reform programme and £750,000 to support harmonisation of terms and conditions.

If a sufficiently ambitious programme is delivered then, based on a 12% reduction in operating costs and 50% of the saving for a shared management team, the City Council could save £3m per year on the net revenue budget. There will need to be significant investment to deliver these savings.

It is critical to the success of these proposals that members understand and accept that the shared management team is necessary but not sufficient to deliver the efficiency savings that make the business case for this change programme. The shared management team will work most effectively with the clear long term goal that the majority of services will be shared between the two councils, underpinned by the cultural shift that requires. The shared management team is a means, not an end.

Should the Council decide that it wishes to proceed with the proposed collaboration, the following should be immediately addressed.

- Directly affected staff will need to be formally notified and redundancy process begun – members will be able to seek external advice in these matters from the North West Employers Organisation.
- External support will be needed immediately to begin recruitment of the new management team
- The 2009/10 budget will need to reflect these proposals – in terms of the requirement of reserves and the revenue savings that will be delivered.
- The programme office will need to be established and procurement of external support expedited

2. CONSULTATION

2.1 All three Overview and Scrutiny Committees considered this on 8 December 2008. Staff and members have access to the Serco report and members of staff have attended briefing sessions with the Chief Executive. A letter from the GMB is attached at Appendix 3.

2.2 Consultation proposed. Please see action plan at Appendix 1.

3. RECOMMENDATIONS

As above.

4. REASONS FOR RECOMMENDATIONS

To enable the City Council to consider the recommendations of the report jointly commissioned by the Leadership of Carlisle City Council and the Leadership of Allerdale Borough Council.

5. IMPLICATIONS

- **Staffing/Resources** – The proposed collaboration with Allerdale would enable substantial reductions in staffing and concomitant efficiency savings.
- **Financial**

The potential financial implications (put forward by SERCO) of the shared management arrangements, if they are approved, are set out in the report. A lot more detail will be required before the specific impact on Carlisle's budget can be accurately calculated.

The recommendation highlights the need to incorporate the impact of this arrangement as early as possible to the budget process, but there are a lot of unknowns as yet to achieve that with accuracy within the Budget timescales for it to be included in the 2009/10 position. It may only be possible to provide indicative costings.

Whilst there are significant one off costs to implement the initiative, in the longer term, the significant potential savings (if delivered as set out by SERCO) would greatly assist the Council in balancing its recurring revenue budget should the arrangement be approved and progressed.

- **Legal Comments–**

1. These legal comments are intended to set out in general terms the powers available to the Council to progress the proposals in the report, which envisage Carlisle and Allerdale creating a shared management team in the immediate term and progressively implementing over the longer term a programme of shared services across a wide range of functions and disciplines. If the authority resolves to proceed with the proposals, further detailed advice is likely to be required in respect of any particular shared services proposals on a case by case basis.
2. The following powers should assist the authority in identifying appropriate legal capacity to proceed with the proposals if it so determines :
 - Section 2 of the Local Government Act 2000 (the “well-being” power) enables the authority to do anything which it considers is likely to achieve the promotion or improvement of the economic, social or environmental well-being of its area, including the whole or part of its area or all or any persons resident in its area.

The power is drawn widely and includes the ability to incur expenditure, enter into arrangements or agreements with any person, co-operate with or facilitate or co-ordinate the activities of any person, exercise functions on behalf of any person and provide staff, goods, services or accommodation to any person. It also includes power to do anything in relation to, or for the benefit of, any person or area situated outside its own area if it considers that it is likely to achieve any one or more of the objectives set out above. The legislation provides that, in determining whether or how to exercise the power, the authority must have regard to its community strategy and to any guidance issued by the Secretary of State regarding the exercise of the power. Suffice to say that, subject to the requirements mentioned above, the well-being powers appear to be sufficiently wide to be relied upon as a basis of proceeding with the proposals described in the report.

- Section 1 of the Local Authorities (Goods and Services) Act 1970 enables the authority to enter into an agreement with another local authority for the provision of administrative, professional or technical services (amongst other provision) on such terms as to payment or otherwise as the parties consider appropriate. This is complemented by section 112 of the Local Government Act 1972 enabling the Council to appoint such officers as it thinks necessary for the proper discharge of its functions on such reasonable terms and conditions as it thinks fit, and section 113 of the same Act which enables the authority to enter into an agreement with another authority for the placing at the disposal of that other authority for the purposes of carrying out its functions, the services of its own staff on such terms as may be agreed.
3. The other relevant legislative provisions to be borne in mind at this stage are the provisions in section 151 of the Local Government Act 1972 and sections 4 and 5 of the Local Government and Housing Act 1989, requiring authorities to appoint one of their officers to the relevant statutory chief officer posts, (these are the Head of Paid Service, the Monitoring Officer and the Chief Finance Officer). Any shared management arrangements would need to be structured to address these provisions but it is not considered that they would present a bar on the shared arrangements proceeding if members so determined and they should be capable of being accommodated within any joint arrangement.

4. The other considerations to be mindful of at this stage are the need to comply with the relevant employment legislation and the Council's agreed policies on redundancy procedures to ensure that any changes to staffing, personnel and terms and conditions of employment are correctly addressed. Further, details of the Council's senior management structure are set out in the Council's Constitution which designates by reference to post name the Chief Officers which the authority will appoint. If changes are to be made to the management structure as proposed in the report then this will necessitate corresponding changes being made in the relevant parts of the Constitution to reflect any revised management structure which members should note.
- **Corporate** – The comments of the Corporate Resources Overview and Scrutiny Committee will be available at this meeting.
 - **Risk Management** – SWOT analyses of the options are contained with the Serco report.
 - **Equality and Disability** – Not directly applicable.
 - **Environmental** – Not directly applicable.
 - **Crime and Disorder** – Not directly applicable.
 - **Impact on Customers** – To be considered as part of individual business cases.

DRAFT Action Plan of initial tasks for Carlisle/Allerdale Collaboration Change Programme (Jan-May 09)

Action	Issues	Key Dates
Co-ordinate thinking of both Council's Executives	<p>Informal joint meetings to develop and shared understanding and commitment to the reform programme</p> <p>Jointly develop an outline programme of work to be formally agreed at the two authorities.</p>	<p>January 2009 – programme of informal meetings to be immediately established. Governance arrangements for the programme will need to be agreed as an urgent priority.</p> <p>January 2009 – to guide both Executives</p>
Involve elected members across both authorities	<p>Establish cross-party Carlisle/Allerdale working group which reports directly to both Executives on progress with the action plan</p> <p>Ensure involvement of overview and scrutiny committees</p> <p>Establish support mechanisms for members including links to the Dual Authority Network</p>	<p>January 2009</p> <p>Establish programme of O&S meetings by February 2009</p> <p>February 2009</p>
Personnel issues around shared	Manage severance of staff and appointment of the new senior management team – external support and advice	Engage external support for this immediately

management team	<p>required. Suggest North West Employers Organisation</p> <p>Will need to involve employment panels at both Councils</p>	<p>(January 2009)</p> <p>Appointment of new Chief Officers in June 2009 timescale for severance of existing officers will need to reflect this.</p>
Establish Programme Office	<p>Some resource will need to be immediately allocated to manage tendering, communications, timetabling of meetings and consultation etc.</p>	<p>January 2009 – either second or appoint temporary support to a joint programme office. Immediate need is for co-ordination and procurement expertise.</p>
Tender for External Support	<p>Brief will need to be agreed, budget earmarked and a procurement process. Strongly recommend use of a framework agreement (e.g. Catalist) to issue an ITT to a basket of potential suppliers.</p>	<p>Agree brief in by February 2009. Appoint external support through Catalist in March 2009. Use of a framework agreement will mean timescales for procurement can be compressed.</p>
Support for Chief Executive	<p>Mentoring and support for the Chief Executive to help address key issues associated with the change programme</p>	<p>Immediate (January 2009)</p>

Agree outline review timetable	Priorities for shared services will need to be agreed quickly. Expected savings are predicated upon approximately 80% of services shared, so time and resource cannot be usefully directed to further feasibility studies – it's not 'if' but 'how'	Outline programme agreed before March 2009 to provide a steer to external support. Can be refined if necessary once external support appointed.
Support for new shared management team	Success of the new shared management team will require a different culture to that which most councils are used to. Mentoring and coaching will be required for new senior officers and councillors.	Will need to be in place for June 2009 when new Chief Officers appointed.
Need to ensure budgetary information is 'compatible' across both councils	Rapid and accurate decision-making informed by robust business cases will need to be a key feature of the reform programme. A pre-requisite for this budgetary information that can be compared with confidence across both authorities. Although BVACOP goes some way to addressing this – we need to be sure that both councils mean precisely the same thing when describing particular services and how the costs of those services are constituted. An early piece of work will entail ensuring that both sets of budgetary information are comparable.	This work will need to start immediately (January 2009) – that will give a firmer indication of the scale of the task. May form part of the external support.
Engagement with staff	Substantial change inevitably generates anxiety and lots of questions. Regular briefing and discussions with officers will be important. An important message will be that although the outcomes (significant shared services and efficiency savings) are determined, there is plenty to contribute to with regards to how those objectives are	Immediate (January 2009). Will be ongoing throughout the programme.

	achieved.	
Engagement with Trades Unions	Clear, open lines of communication with the Trades Unions will be essential, particularly during the change programme. There should be regular access to senior officers and senior councillors throughout the programme – this would be best served through scheduled consultative meetings.	Immediate (January 2009)
Engagement with elected members	Regular briefing, communication and consultation with all elected members will be critical. A strategy for this should be designed and publicised as soon as possible.	January 2009
External communications	A communication strategy should be agreed very early in the programme and regularly reviewed by senior officers and members. It should be reviewed both to ensure its delivery and relevance and the programme progresses.	Draft communications strategy for consideration by member working groups and informal joint Executive meeting in January 2009 . To be drafted by both communications teams.
Funding bids	The change programme is likely to attract significant attention from regional and national government. There may be opportunities to secure funding from, for example the North West Improvement and Efficiency Partnership or the IdEA. The possibilities should be investigated and bids drawn up to help offset the initial cost to both authorities.	Initial scoping of opportunities by the programme office – report back by March 2009 .



SPECIAL JOINT OVERVIEW AND SCRUTINY COMMITTEE

Committee Report

Public

Date of Meeting: 8 December 2008

Title: Collaborative Arrangements Between Carlisle City Council and Allerdale Borough Council and Potential Future Arrangements – The ‘Serco Report’

Report of: Deputy Chief Executive

Report reference: CE30/08

Summary: Attached for consideration by the City Council's three Overview and Scrutiny Committees is the report on potential shared management arrangements recently commissioned from Serco. This report provides the financial information and context that the Executive (at its meeting on 17 November 2008) directed officers to provide.

Questions for/input required from Scrutiny:

Carlisle City Council is forecasting a substantial budget deficit unless significant savings can be made. The magnitude of savings required will mean either reductions in the quality or quantity of services provided or innovative ways of working that will reduce operating costs. It is against this context that the proposals from Serco should be considered.

Furthermore the development of collaborative arrangements and a shared management team will offer the opportunity to develop a modern, responsive and delegative management culture within both organisations.

Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers: SERCO Report October 2008

Recommendations:

That each of the Overview and Scrutiny Committees resolves an appropriate response to the Serco report in able to assist the Executive in making a recommendation to Council.

Contact Officer: Jason Gooding

Ext: 7009

Background

The departure of the Chief Executive of Allerdale Borough Council in August of this year provided an opportunity for that council and the City Council to explore different options for the provision of senior management support.

It was agreed that the City Council's Chief Executive would provide support to Allerdale as that Council's Head of Paid Service for an initial period of six months from September 2008.

Subsequently the Leadership of Carlisle City Council and the Leadership of Allerdale Borough Council jointly commissioned Serco to produce an appraisal of two options for sharing (or not) management arrangements across both authorities on a permanent basis. These were the appointment of a joint Chief Executive for both Councils, and a return to separate Chief Executives. The authors of the report generated a further option, which was to share a management team with a view to implementing a comprehensive programme of shared services.

That report is attached for members and its recommendation is that both Councils establish a joint management team as a prelude to a two-year reform programme to share services wherever practicable thus delivering efficiency savings of approximately £1.1m per year (shared between both councils) in management costs. Moreover the reform programme could, according to the report, deliver efficiencies of up to 20% in back office services and 10-15% in front line services where those are shared. A 10% reduction in operating costs for the City Council would equate to approximately £2.3m.

Financial Considerations

It is reasonable to suppose (if Serco's estimates of potential savings are correct) that the successful delivery of a *sufficiently ambitious* reform programme, coupled with the shared management team, could eventually deliver savings for the City Council in the region of £3m per year. This is based on 50% of the £1.1m from a shared management team and a 12% reduction in service costs.

There would be substantial 'up-front' costs for the delivery of these efficiency savings. The costs for delivery of the shared management team can be estimated at this stage with

more confidence that the costs of the reform programme. The reform programme would generate a series of business cases for shared services that would specify these costs.

The principal costs associated with establishment of the shared management team will be redundancy costs. The cost of making the entire complement of Corporate Directors and Service Heads redundant would be approximately £2.2m. The most likely scenario is that a proportion of the existing managers would remain, pointing to redundancy costs in the region of £1.5m.

Serco estimate recruitment costs for a Chief Officer at £40-50,000 (section 4.1). It therefore seems reasonable to suppose costs of approximately £150,000 on recruitment when establishing the new team (to be shared between both councils).

The costs for the two year reform programme are estimated in the report as approximately £1m for external support (to be shared between the two councils) and £750,000 for 'harmonisation of terms and conditions'. This figure was estimated based on terms and condition being harmonised upward across a range of potential shared services. The context in which these costs will be considered would be dictated by the business cases for shared services that are produced during the reform programme. Thus both councils can consider the costs and benefits (and sharing arrangements of them) on a case-by-case basis.

Given the degree of innovation and commitment to efficiency and enhanced two-tier working that both councils would be showing by establishing a shared management team, it is reasonable to suppose that national and regional funding may be available to support projects within the reform programme. For example the North West Improvement and Efficiency Partnership may be a route for accessing some financial support for this work.

Nevertheless there will be a need to use some of the Council's reserves to support the business change these arrangements would drive. The costs and benefits of these business changes will be shared between Allerdale Borough Council and the City Council.

Other Considerations

The report from Serco is clear that the successful operation of a smaller management team across two authorities will depend upon a culture of delegation and disciplined prioritisation. Members need to consider whether the perceived benefits of 'access' to a

greater number of senior managers is balanced by the opportunity cost of not implementing a shared team.

A shared management team would greatly increase the probability of successful shared services and the concomitant benefits. It will plainly remove many of the inherent difficulties associated with shared services if a team is in place with the job of delivering a shared agenda.

The report from Serco is the result of a five-week piece of work. There are inevitably many details that cannot at this time be elucidated. There is however, sufficient information here to make a decision in principle as to whether or not a shared management team for Carlisle and Allerdale, with a clear aim to deliver the reform programme of shared services is the preferred way forward. Detail around who does what and where things may be based are not material considerations at this time, the decision before members is one of principle.

The timescales within the Serco report (e.g. establishment of a shared management team by April 2009) will have slipped by at least two months if Full Council decide to go ahead on 13 January 2009. The provision of a deliverable timetable will be a priority if the decision is made to proceed.

Conclusion

- If both councils wish to commit to an ambitious programme of shared services, then a shared management team, as well as delivering efficiency savings from the start, will substantially increase the likelihood of success.
- The costs associated with the two-year programme cannot be accurately estimated at this time. Each shared service would be subject to a business case as part of the programme, thus ensuring that full costs and benefits were understood by each council before committing.
- The proposals in the Serco report represent a credible and deliverable way of making the savings that Carlisle City Council requires. It can also be argued that the enhanced two-tier working that it represents is long overdue given the commitments to this that were made during the unitary government debate some 18 months ago.

GMB**NORTHERN
REGION**

20 November 2008

Ref: Gc

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Dear Dr Gooding,

SERCO FINAL REPORT OCTOBER 2008

I am extremely concerned about certain sections of the above Final Report and would wish to raise the following concerns observations and questions.

At page 4 of the report it quite clearly states the number of Heads of Service posts to be removed, as far as I am aware there has been no consultation with those Heads of Service at risk.

At page 5 the report states that the authority should consider earmarking a proportion of balances to cover the cost of compulsory redundancies and early retirement. What amount will be set aside and where is the money to finance the above proposal?

Also at page 5 the report recommends that the two authorities earmark £1m for the two year programme again I have to ask where is the funding coming from?

At page 19 bullet point 4 it clearly states that significant investment up front is required to realise savings. How much will need to be invested up front and where is the money coming from?

At page 27 I am astonished to read that based on feed back from officers at all levels the indication is that some senior officers were working flat out, others were not and some were working hard but not genuinely productive. There is nothing in this report to substantiate that conclusion.

I am appalled that these comments are included in the report with no evidence to support this assertion, furthermore senior officers have expressed concern and anger over the above.

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Regional Secretary: Tom Brennan General Secretary: Paul Kenny

GMB WORK

At page 28 staff reductions are mentioned again and the report states that The Councils may also wish to cost a voluntary redundancy scheme but then goes on to say that the details are beyond the scope of the report. How on earth can money be set aside when the numbers of those potentially volunteering is unknown?

At page 29 it is suggested that £750,000 should be allocated to fund harmonisation of terms and conditions, but it does not specify where this harmonisation would take place. How can the report such a figure when it does not give detail of those T&Cs to be harmonised?

I am further concerned that at 5.5.1 on page 29 the report quite clearly states that the role of third parties should be considered, for the avoidance of doubt the GMBs Policy is to oppose Privatisation and I as the GMB Organiser responsible will adhere to GMB Policy.

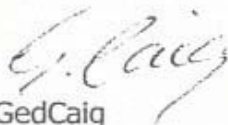
At page 31 of the report it is suggested that it would be prudent for the Councils to set aside £1m in total for the two years of the project to secure external support. How confident is the Council that funding could be secured?

It is clear to me that there is the potential for major redundancies at all levels, not just Heads of Service.

Given that the GMB is in discussions over Pay Modelling and is being told that there is a finite amount of money in the pot where would the funding be found, would it be through Privatisation, Redundancies at all levels or a combination of both.

Would you please forward these concerns to the relevant committee for their consideration and inform me in writing of the authorities response to my observations and questions.

Yours sincerely



GedCaig
Organiser

<Enclosure or Continued Marker>

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Regional Secretary: Tom Brennan General Secretary: Paul Kenny

EXCERPT FROM THE MINUTES OF THE EXECUTIVE HELD ON 17 NOVEMBER 2008

EX.281/08 POTENTIAL SHARED MANAGEMENT ARRANGEMENTS WITH ALLERDALE BOROUGH COUNCIL (Key Decision)

(With the consent of the Chairman and in accordance with Rule 15 of the Access to Information Procedure Rules this item had been included on the Agenda as a Key Decision although not in the Forward Plan)

Portfolio Cross Cutting

Subject Matter - The Leader of the Council presented report (CE.29/08) which set out the findings of the report prepared by SERCO on the options appraisal of shared management arrangements between Carlisle City Council and Allerdale Borough Council. The main findings of the report are as follows:

The cost of reverting to separate Chief Executives for the two authorities would represent a combined cost of £310,000 per year whereas adopting the current shared Chief Executive arrangements on a permanent basis would save over £166,000 in the first year and £116,000 in the following years.

The two authorities, whilst retaining their own distinct sovereignties, could agree a joint reform programme over the next two years including: the development of a modern combined leadership of service structure; the merger and reduction of the senior management teams, including Corporate Directors and Heads of Service into one single Management Team and the development of detailed business cases for service sharing for other activities.

The Leader commented that the report would be submitted for consideration by the Council's Overview and Scrutiny Committees before coming back to the Executive at its meeting on 18 December 2008. He added that officers were preparing the financial details that were still required to support the reports.

Summary of options rejected - None

DECISION

(1) That the report (CE.29/08) on Potential Shared Management arrangements with Allerdale Borough Council be considered by the Council's Overview and Scrutiny Committee prior to further consideration by the Executive at its meeting on 18 December 2008; and

(2) That Officers prepare the necessary financial details to enable Members to consider the report fully.

Reasons for Decision - To enable the Executive to receive observations of the Council's Overview and Scrutiny Committee on the proposal.

**SPECIAL CORPORATE RESOURCES
OVERVIEW AND SCRUTINY COMMITTEE**

MONDAY 8 DECEMBER 2008 AT 1.34 PM

PRESENT: Councillor Knapton (Chairman), Councillors Allison, Bainbridge (as substitute for Councillor Layden), Boaden, Cape, Mrs Clarke, Mrs Glendinning and Hendry

ALSO
PRESENT: Councillors Glover and Mrs Styth attended as observers

CROS.142/08 APOLOGY FOR ABSENCE

An apology for absence was submitted on behalf of Councillor Layden.

CROS.143/08 DECLARATIONS OF INTEREST

There were no declarations of interest affecting the business to be transacted.

**CROS.144/08 COLLABORATIVE ARRANGEMENTS BETWEEN
CARLISLE CITY COUNCIL AND ALLERDALE
BOROUGH COUNCIL AND POTENTIAL FUTURE
ARRANGEMENTS – THE 'SERCO' REPORT**

Members had attended a combined Overview and Scrutiny Committee workshop prior to this meeting, and received a presentation from Mr Paul Connolly (Serco) on the detail of The Serco Report on the options appraisal of shared management arrangements between Carlisle City Council and Allerdale Borough Council.

The main findings of the report were:

The cost of reverting to separate Chief Executives for the two authorities would represent a combined cost of £310,000 per year, whereas adopting the current shared Chief Executive arrangement on a permanent basis would save over £166,000 in the first year and £116,000 in the following years.

The two authorities, whilst retaining their own distinct sovereignties, could agree a joint reform programme over the next two years including: the development of a modern, combined leadership and service structure; the merger and reduction of the Senior Management Teams, including Corporate Directors and Heads of Service into one single Management Team; and the development of detailed business cases for service sharing for the vast majority of other activities.

The Executive had on 17 November 2008 (EX.281/08) considered the matter and decided:

“(1) That the report (CE.29/08) on Potential Shared Management arrangements with Allerdale Borough Council be considered by the Council’s Overview and Scrutiny Committees prior to further consideration by the Executive at its meeting on 18 December 2008; and

(2) That Officers prepare the necessary financial details to enable Members to consider the report fully.”

Also submitted was report of the Deputy Chief Executive (CE.30/08) providing the financial information and context as directed by the Executive. The City Council was forecasting a substantial budget deficit unless significant savings could be made. The magnitude of savings required meant either reductions in the quality or quantity of services provided or innovative ways of working that would reduce operating costs. It was against that background that the proposals from Serco should be considered.

It was reasonable to suppose (if Serco’s estimates of potential savings were correct) that the successful delivery of a sufficiently ambitious reform programme, coupled with the shared management team, could eventually deliver savings for the City Council in the region of £3m per annum. Clearly, there would be substantial ‘up front’ costs for the delivery of those efficiency savings. The principal costs associated with establishment of the shared management team would be redundancy costs in the region of £1.5m, based upon the most likely scenario that a proportion of the existing Managers would remain. In addition, it was likely that recruitment costs for Chief Officers would be around £150,000 (to be shared between both Councils).

The costs for the two year reform programme were estimated in the report as approximately £1m for external support (to be shared between the two Councils) and £750,000 for ‘harmonisation of terms and conditions’. The context in which those costs were considered would be dictated by the business cases for shared services produced during the reform programme.

It was further envisaged that national and regional funding may be available to support projects within the reform programme, given the degree of innovation and commitment to efficiency and enhanced two-tier working that both Councils would show by establishing a shared management team. Nevertheless, it was important to note that some of the Council’s reserves would be needed to support the business change driven by the new arrangements.

The report from Serco was clear that the successful operation of a smaller management team across two authorities would depend upon a culture of delegation and disciplined prioritisation. Members needed to consider whether the perceived benefits of ‘access’ to a greater number of senior managers was balanced by the opportunity cost of not implementing a shared team.

The timescales within the Serco report (e.g. establishment of a shared management team by April 2009) would have slipped if full Council decided to go ahead on 13 January 2009. The provision of a deliverable timetable would be a priority if the decision to proceed was made.

Report CE.30/08 concluded that:

- If both Councils wished to commit to an ambitious programme of shared services, then a shared management team, as well as delivering efficiency savings from the start, would substantially increase the likelihood of success.
- The costs associated with the two-year programme could not be accurately estimated at this time. Each shared service would be subject to a business case as part of the programme, thus ensuring that full costs and benefits were understood by each Council before committing.
- The proposals in the Serco report represented a credible and deliverable way of making the savings required by Carlisle City Council. It could also be argued that the enhanced two-tier working that it represented was long overdue given the commitments made during the unitary government debate some eighteen months ago.

As a starting point, the Chairman asked whether the Committee was prepared to agree that a major change was needed to address financial considerations in the current economic climate and as part of the assurances which the City Council made to improve efficiencies and costs during the Unitary Debate in Cumbria.

Members considered that the Committee was not a policy-making forum and it would be inappropriate for Overview and Scrutiny to make such a statement.

In considering the documentation, Members raised the following questions and observations:

1. The City Council's Job Evaluation process was underway and pay modelling well advanced. What were the implications of a re-structure of the authority on the Job Evaluation process and had any thought been given to how that would be handled?

In response the Deputy Chief Executive (Dr Gooding) advised that the intention and expectation was that Job Evaluation would be implemented by 1 April 2009.

If the City Council made an 'in principle' decision to proceed with the shared management arrangements with Allerdale Borough Council reorganisation would follow in two phases, namely the appointment of a new shared Management Team; and the sharing of services in greater depth throughout the organisation.

The best advice he could give was that those questions would be addressed as part of the business case of the services to be shared.

2. What learning from the ICT Shared Service was applicable to the issue under consideration?

The Director of Corporate Services (Ms Brown) explained that phase 2 of the ICT Shared Service project was underway and at the point of discussing terms and conditions, all of which would require to be harmonised.

3. The costs for the two year reform programme were estimated in the Serco report as approximately £1m for external support (to be shared between the two Councils) and £750,000 for 'harmonisation of terms and conditions'. What assumptions had been made?

Ms Brown stated that Officers had not made that assumption.

4. Page 31 of the Serco report set out a number of points required as part of the programme of change, including advice on policy, leadership and member development. A Member said that they would like an appropriate Officer/skilled external person to be given the remit to ensure that Members were up to speed with the whole process.
5. A Member referred to the conflicting responses given by Mr Connolly (Serco) and the Leader in respect of consultation undertaken to date. He emphasised the need for consultation to be undertaken internally with Trade Unions/staff prior to any decision being made.

Another Member added that, if Allerdale Borough Council and Carlisle City Council were to spend in excess of £3m on making the changes proposed, then that was a matter upon which people required to be consulted. That needed to be part of the Budget process so that Members were very clear what the money was being spent on.

Ms Brown reported that it was possible to apply to capitalise the costs, but that did not mean that the Council would be granted authority to do so. A bid would have to be submitted by 15 December 2008 i.e. prior to the City Council taking a decision on the collaboration proposal.

Dr Gooding further outlined the statutory redundancy costs recently agreed by Council.

6. One issue of real concern in the internal process of change was the impact upon sickness absence and staff morale. The Committee should make it very clear that, if a decision was taken to proceed, a clear consultation and monitoring process must be put in place.

7. A Member said that personally he agreed 'in principle' with the Serco report, the conclusions of which vindicated work which he had undertaken. He was disappointed that the enthusiasm demonstrated during the Unitary Debate had dissipated and felt that doing nothing was not an option. He was, however, concerned at the speed by which the process was moving forward.
8. Members emphasised the need for an Exit Strategy to be put in place as part of any collaboration agreement.

In response Dr Gooding said that was part of the consideration for Members and he was not in a position to support or otherwise the Serco report. If a decision was taken by Council to proceed a clear programme of work would be required, part of which would be the preparation of a risk register. At that time Members would expect to see an assessment of risks and the costs of reverting back to the status quo.

A Member wished it to be made clear to the Executive that an overarching Business Plan was fundamental to the whole process.

Another Member commented that the difficulty was that money was being spent without any guarantee of a return. Options and strengths/weaknesses needed to be considered fully since the management of risk was a key part of the Committee's remit.

9. Clarification of the relationship with the Audit Commission and District Audit was required, since it was important that the arrangement was scrutinised effectively?
10. A Member indicated that, in her view, greater collaboration must take place with Cumbria County Council from the outset.
11. Trade Unions were in place to represent the staff. It was therefore a matter of concern that no such representation was available at the joint workshop which was an opportunity lost.
12. Members felt that the proposal was being considered in haste as a result of the situation which Allerdale Borough Council found itself in and the temporary arrangements of the Chief Executive covering posts in both authorities had become the driving force, rather than what was best for the citizens of Carlisle. Proceeding in the manner proposed may compromise the City Council's room for manoeuvre and possibly its ability to collaborate with others in future.

RESOLVED – (1) That following the combined Overview and Scrutiny Workshop and the Committee's consideration of the issues, the Executive be advised that:

- The Corporate Resources Overview and Scrutiny Committee had concerns regarding:

- (a) the implications of the proposed restructure on the City Council's Job Evaluation process;
 - (b) the speed at which the proposed shared management arrangement was moving forward. The Committee would like an assurance from the Executive that the process was not being dictated by other pressures/events;
 - (c) There was concern that the proposal was too focussed upon Carlisle/Allerdale, which may prove prejudicial to future collaboration arrangements with other organisations.
- The Committee noted that the Deputy Chief Executive expected Job Evaluation to be implemented on 1 April 2009 and requested that a further update be presented to them at their meeting on 8 January 2009.
- If joint arrangements were progressed employees would require to have their conditions harmonised as part of the business case. Experience gained from the ICT Shared Services would be useful and should be utilised.
- The Committee noted that capitalisation of redundancy costs was currently being explored.
- The Committee requested that details were provided on how all Members would receive advice on policy, leadership and Member development which would be required as part of the comprehensive programme of change.
- The Committee agreed that there was an urgent need for wider consultation and requested further details on how consultation and communication would be undertaken both internally and externally. The Committee would also formally request that Overview and Scrutiny be kept informed of consultation and communication plans.
- The Committee agreed that an overarching business plan was fundamental to all stages of the process and requested that this must be considered fully by scrutiny.
- Members of the Committee felt that the costs and benefits of the proposal required a clearer explanation and requested that a fuller breakdown of costs, in particular the £1M support costs, and projected savings be provided by the Executive.
- The Committee sought further information/clarification as follows:
 - (i) how the Audit Committee and Scrutiny Committees from both Carlisle and Allerdale would be involved in the auditing and scrutinising of shared services so that duplication was avoided and clear responsibilities were identified.

(ii) should the joint arrangements be progressed, the Committee requested details of an Exit Strategy which encompassed risk analysis at each stage.

- Certain Members wished to see greater co-operation with Cumbria County Council.

The Committee requested responses to the issues raised above in time for consideration at their 8 January 2009 meeting.

[The meeting ended at 2.17 pm]

INFRASTRUCTURE OVERVIEW AND SCRUTINY COMMITTEE

MONDAY 8 DECEMBER 2008 AT 2.30PM

PRESENT: Councillor Bainbridge (Chairman), Councillors, Allison (as substitute for Mrs Farmer), Glover, Hendry (as substitute for Councillor Patrick), Knapton (as substitute for Councillor Mrs Fisher), Mrs Rutherford, Mrs Styth and Mrs Vasey

IOS.107/08 APOLOGIES FOR ABSENCE

Apologies for absence were submitted for Councillors Mrs Fisher and Mrs Farmer.

IOS.108/08 DECLARATION OF INTEREST

There were no declarations of interest affecting the business to be transacted.

IOS.109/08 COLLABORATIVE ARRANGEMENTS BETWEEN CARLISLE CITY COUNCIL AND ALLERDALE BOROUGH COUNCIL AND POTENTIAL FUTURE ARRANGEMENTS – THE 'SERCO' REPORT

Members had attended a combined Overview and Scrutiny Committee workshop prior to this meeting, and received a presentation from Mr Paul Connolly (Serco) on the detail of The Serco Report on the options appraisal of shared management arrangements between Carlisle City Council and Allerdale Borough Council.

The main findings of the report were:

The cost of reverting to separate Chief Executives for the two authorities would represent a combined cost of £310,000 per year, whereas adopting the current shared Chief Executive arrangement on a permanent basis would save over £166,000 in the first year and £116,000 in the following years.

The two authorities, whilst retaining their own distinct sovereignties, could agree a joint reform programme over the next two years including: the development of a modern, combined leadership and service structure; the merger and reduction of the Senior Management Teams, including Corporate Directors and Heads of Service into one single Management Team; and the development of detailed business cases for service sharing for the vast majority of other activities.

The Executive had on 17 November 2008 (EX.281/08) considered the matter and decided:

“(1) That the report (CE.29/08) on Potential Shared Management arrangements with Allerdale Borough Council be considered by the Council’s Overview and Scrutiny Committees prior to further consideration by the Executive at its meeting on 18 December 2008; and

(2) That Officers prepare the necessary financial details to enable Members to consider the report fully.”

Also submitted was report of the Deputy Chief Executive (CE.30/08) providing the financial information and context as directed by the Executive. The City Council was forecasting a substantial budget deficit unless significant savings could be made. The magnitude of savings required meant either reductions in the quality or quantity of services provided or innovative ways of working that would reduce operating costs. It was against that background that the proposals from Serco should be considered.

He suggested that, if Serco’s estimates of potential savings were correct, the successful delivery of a sufficiently ambitious reform programme, coupled with the shared management team, could eventually deliver savings for the City Council in the region of £3m per annum. There would be substantial ‘up front’ costs for the delivery of those efficiency savings. The principal costs associated with establishment of the shared management team would be redundancy costs in the region of £1.5m, based upon the most likely scenario that a proportion of the existing Managers would remain. In addition, it was likely that recruitment costs for Chief Officers would be around £150,000 (to be shared between both Councils).

The costs for the two year reform programme were estimated in the report as approximately £1m for external support (to be shared between the two Councils) and £750,000 for ‘harmonisation of terms and conditions’. The context in which those costs were considered would be dictated by the business cases for shared services produced during the reform programme.

It was further envisaged that national and regional funding may be available to support projects within the reform programme, given the degree of innovation and commitment to efficiency and enhanced two-tier working that both Councils would show by establishing a shared management team. Nevertheless, it was important to note that some of the Council’s reserves would be needed to support the business change driven by the new arrangements.

The report from Serco was clear that the successful operation of a smaller management team across two authorities would depend upon a culture of delegation and disciplined prioritisation. Members needed to consider whether the perceived benefits of ‘access’ to a greater number of senior managers was balanced by the opportunity cost of not implementing a shared team.

The timescales within the Serco report (e.g. establishment of a shared management team by April 2009) would have slipped if full Council decided to

go ahead on 13 January 2009. The provision of a deliverable timetable would be a priority if the decision to proceed was made.

Report CE.30/08 concluded that:

- If both Councils wished to commit to an ambitious programme of shared services, then a shared management team, as well as delivering efficiency savings from the start, would substantially increase the likelihood of success.
- The costs associated with the two-year programme could not be accurately estimated at this time. Each shared service would be subject to a business case as part of the programme, thus ensuring that full costs and benefits were understood by each Council before committing.
- The proposals in the Serco report represented a credible and deliverable way of making the savings required by Carlisle City Council. It could also be argued that the enhanced two-tier working that it represented was long overdue given the commitments made during the unitary government debate some eighteen months ago.

In considering the documentation, Members raised the following questions and observations:

A Member felt that the timetable for the collaboration seemed to be set by the period of secondment of the Town Clerk and Chief Executive to Allerdale Borough Council which was due to expire in March 2009 and that the City Council were being pushed to come to a decision on the matter of joint collaboration so that the financial aspects could be reflected in the City Council's budget process for 2009/10.

Members further commented on the need for additional information to be provided before the Council could come to a decision and the feeling that the timetable was being governed by the lack of a Chief Executive at Allerdale Borough Council and the need for the arrangements to fit in with the current temporary arrangements as the City Council Chief Executive's secondment to Allerdale was due to end in March. Members also commented that no risk analysis had been carried out on the proposal and on the lack of consultation on the proposals with groups within the Council.

Members questioned whether there would be an opportunity for Councillors, who are not Members of the Executive or Overview and Scrutiny Committees, to have the benefit of the information which was given to Overview and Scrutiny Members in the workshop earlier in the day or cross-party discussions. Members felt it was important for Councillors to hear the views of other groups.

A Member noted that the consultant had talked about the lack of clarity and leadership within the Councils and noted that senior managers were working

hard but did not feel they were achieving outcomes. Members felt that the Council should be able to use this capacity to set its own priorities and efficiencies without collaborating with other District Councils. It was felt that the proposal had arisen fortuitously because of a vacancy and the steps which had been taken to fill that, but that the current proposals should be subject to receipt of further information and proper consultation prior to any decisions being taken.

A Member mentioned consultations which had been carried over other recent policy changes and the relevant committees deliberations on a number of options which had been presented. He felt that this proposal was being presented as one option which was inward looking to the extent that other options had not been explored. He felt that the option, rather than fend off a future County unitary bid, could actually hasten such a bid. Members also noted the comments which had been made by the consultant at the earlier workshop, that once a decision on the proposal had been made it would be difficult to stop the process.

In response to a question from a Member, Dr Gooding commented that Allerdale Borough Council had carried out their Job Evaluation process in a different format and process to the City Council's. Allerdale had introduced a pay model and then carried out appeals once the pay model had been released. He also added that the estimates with regards to savings on senior management and service efficiencies were based on an estimate of the type of savings which such collaboration agreements might introduce, the actual costs of any savings would be based on the detailed business case analysis. It was felt that savings of potentially £3m a year could be realised but that would require the case by case decisions to be taken consistently to realise that level of savings.

A Member noted the different ethos between the City Council and Allerdale Borough Council with regard to the outsourcing of services and questioned whether any work had been carried out to evaluate the services and length of contracts etc, as that would impact upon the level of savings which might be realised and impact on jobs etc.

Dr Gooding indicated that no work on such estimates had been carried out and the figures were based on broad estimates and not detailed analysis or business cases etc.

A Member suggested that an alternative strategy could be followed by the City Council in bringing the Chief Executive back from the temporary secondment and giving her a clear instruction and mandate to make the level of savings that were required. The Chief Executive along with her fellow officers would be charged with coming up with the savings proposal as a positive way of moving forward whilst maintaining a clear grip on the City Council's own priorities.

A Member noted that it was important in the current economic turmoil that economic development within the city was given all the support that it could

be given and it was also crucial to support the role of Carlisle Renaissance and the impact which it could have on the city over the next 10-15 years. He was concerned that under the current proposals both those two areas might not receive the priority which they deserved.

A Member further added that should the Council give an in principle agreement to the proposal at the current time, it could be expensive and impossible to later reverse that decision. He felt it was essential that the Council had all the necessary information it required before it made that decision or it could be pursuing a high risk strategy which would have costs of approximately £3.5m in the short term. He was also concerned that if the Council took a wrong decision it could have serious implications for the future of the Council.

A Member noted the consultants warning in the report that in the short term, standards of service could fall until the changes took effect and asked how the Council would deal with services which deteriorated in the short term and which failed to improve, particularly if the predicted savings did not accrue. It was also noted that there were services in Allerdale Borough Council which were contracted out and it was of concern to Members as to how those services might be improved whilst in the current contract period.

Members also noted that there were a number of reviews currently ongoing within the City Council including, Community Support; Waste, Pay and Workforce Strategies and asked how those reviews slotted in to this proposal.

In response to Members questions, Dr Gooding indicated that the proposal was not included on the Council's Risk Register and would not be included until such time as a Council decision on the matter had been taken. At that time actions would be included to manage the level of risk.

Dr Gooding also commented on the effect on staff who were referred to within the proposal and suggested that an early decision would help those staff.

RESOLVED – That following the combined Overview and Scrutiny Workshop and the Committee's consideration of the issues, the Executive be advised that:

(1) The Infrastructure Overview and Scrutiny Committee –

- Are concerned that the timetable for the process for collaboration with Allerdale seems to be dictated by events, including the temporary secondment of the City Council's Chief Executive to Allerdale Borough Council and the need to incorporate the financial aspects of the collaboration within the Council's budget process.
- Feel that the proposal is being considered with some haste as a result of the situation which Allerdale Borough Council has found itself in and that the temporary arrangements of the Chief Executive covering posts in both Authorities has become the driving force for

the proposal, rather than what is in the best interests of the citizens of Carlisle.

- Consider that the timetable is in fact dictating the process and not vice versa.
- Feel that there are gaps in the detail of the proposal which means that Members of the Overview and Scrutiny Committee are not aware of the whole situation and are not in possession of all the details which they require in order to come to a decision on this matter.
- Consider that all Councillors need to have access to the information which was provided to Overview and Scrutiny Committee. Members in the workshop earlier in the day, it being noted that some Members of the City Council's only chance to consider the proposal would be at the Council Meeting on 13 January 2009.
- Feel that there is an urgent need for a wider consultation to be carried out on the proposed collaboration arrangements with groups within the City Council, partner organisations and the community at large.
- Feel that rather than secure the City Council's position in the future these proposals could in fact weaken it in that the proposal represented an inward looking option of collaboration between two District Councils to the exclusion of the City Council carrying out work with other Councils and agencies/organisations.
- Noted that business cases did not exist for collaboration on individual services and that omission needed to be addressed before the Council could reach a decision on the proposal.
- Were concerned about the effect the proposal could have on existing strategies of the Council and on the potential impact on the Council's Economic Development Services and the economic wellbeing of the city as well as the Carlisle Renaissance Programme, and were concerned that the proposal could restrict further developments in the city.
- Noted that, in terms of service delivery, residents could experience a short term decline in service performance under this proposal without any certainty that this will be resolved further down the line if savings were found to be not achievable.
- Were concerned that in recognising that Allerdale Borough Council contracted out more services than Carlisle City Council, there would be a question over whether the level of savings would be achievable to the extent outlined in the report, as those contracts would have some time to run.

- Were concerned that the current review of services being carried out by the City Council could be effected or fettered by the proposal.
- Sought further information as to what other options both internally within the Council and externally with other organisations had also been considered and the extent to which those proposals had been affected by the decision to pursue this strategy.
- Felt that alternatives could be considered as a way of achieving the levels of savings required.
- Felt that the report had dealt with the impact on services in financial terms but had said little about the possibility of service improvements resulting from the proposals for local residents.
- Noted the potential for Senior Managers to find themselves in conflict between the work and priorities of the two authorities.

[The meeting ended at 3.25 pm]

**SPECIAL COMMUNITY OVERVIEW AND SCRUTINY COMMITTEE
MONDAY 8 DECEMBER 2008 AT 3.30PM**

PRESENT: Councillor P Farmer (Chairman), Councillors Mrs Bradley, Mrs Clarke (as substitute for Councillor Mrs Fisher), Hendry, Mrs Mallinson, Mrs Riddle and Mrs Robson.

COS.126/08 APOLOGIES FOR ABSENCE

Apologies for absence were submitted on behalf of Councillors Mrs Fisher and Harid.

COS.127/08 DECLARATION OF INTEREST

There were no declarations of interest affecting the business to be transacted.

**COS.128/08 COLLABORATIVE ARRANGEMENTS BETWEEN
CARLISLE CITY COUNCIL AND ALLERDALE
BOROUGH COUNCIL AND POTENTIAL FUTURE
ARRANGEMENTS – THE 'SERCO' REPORT**

Members had attended a combined Overview and Scrutiny Committee workshop prior to this meeting, and received a presentation from Mr Paul Connolly (Serco) on the detail of the Serco Report on the options appraisal of shared management arrangements between Carlisle City Council and Allerdale Borough Council.

The main findings of the report were:

The cost of reverting to separate Chief Executives for the two authorities would represent a combined cost of £310,000 per year, whereas adopting the current shared Chief Executive arrangement on a permanent basis would save over £166,000 in the first year and £116,000 in the following years.

The two authorities, whilst retaining their own distinct sovereignties, could agree a joint reform programme over the next two years including: the development of a modern, combined leadership and service structure; the merger and reduction of the Senior Management Teams, including Corporate Directors and Heads of Service into one single Management Team; and the development of detailed business cases for service sharing for the vast majority of other activities.

The Executive had on 17 November 2008 (EX.281/08) considered the matter and decided:

“(1) That the report (CE.29/08) on Potential Shared Management arrangements with Allerdale Borough Council be considered by the Council’s

Overview and Scrutiny Committees prior to further consideration by the Executive at its meeting on 18 December 2008; and

(2) That Officers prepare the necessary financial details to enable Members to consider the report fully.”

Also submitted was report of the Deputy Chief Executive (CE.30/08) providing the financial information and context as directed by the Executive. The City Council was forecasting a substantial budget deficit unless significant savings could be made. The magnitude of savings required meant either reductions in the quality or quantity of services provided or innovative ways of working that would reduce operating costs. It was against that background that the proposals from Serco should be considered.

It was reasonable to suppose (if Serco’s estimates of potential savings were correct) that the successful delivery of a sufficiently ambitious reform programme, coupled with the shared management team, could eventually deliver savings for the City Council in the region of £3m per annum. Clearly, there would be substantial ‘up front’ costs for the delivery of those efficiency savings. The principal costs associated with establishment of the shared management team would be redundancy costs in the region of £1.5m, based upon the most likely scenario that a proportion of the existing Managers would remain. In addition, it was likely that recruitment costs for Chief Officers would be around £150,000 (to be shared between both Councils).

The costs for the two year reform programme were estimated in the report as approximately £1m for external support (to be shared between the two Councils) and £750,000 for ‘harmonisation of terms and conditions’. The context in which those costs were considered would be dictated by the business cases for shared services produced during the reform programme.

It was further envisaged that national and regional funding may be available to support projects within the reform programme, given the degree of innovation and commitment to efficiency and enhanced two-tier working that both Councils would show by establishing a shared management team. Nevertheless, it was important to note that some of the Council’s reserves would be needed to support the business change driven by the new arrangements.

The report from Serco was clear that the successful operation of a smaller management team across two authorities would depend upon a culture of delegation and disciplined prioritisation. Members needed to consider whether the perceived benefits of ‘access’ to a greater number of senior managers was balanced by the opportunity cost of not implementing a shared team.

Although the report was the result of a five-week piece of work and many details could not at this time be elucidated, sufficient information was available to make an ‘in principle’ decision as to whether or not a shared management

team for Carlisle and Allerdale (with a clear aim to deliver the reform programme of shared services) was the preferred way forward.

The timescales within the Serco report (e.g. establishment of a shared management team by April 2009) would have slipped if full Council decided to go ahead on 13 January 2009. The provision of a deliverable timetable would be a priority if the decision to proceed was made.

Report CE.30/08 concluded that:

- If both Councils wished to commit to an ambitious programme of shared services, then a shared management team, as well as delivering efficiency savings from the start, would substantially increase the likelihood of success.
- The costs associated with the two-year programme could not be accurately estimated at this time. Each shared service would be subject to a business case as part of the programme, thus ensuring that full costs and benefits were understood by each Council before committing.
- The proposals in the Serco report represented a credible and deliverable way of making the savings required by Carlisle City Council. It could also be argued that the enhanced two-tier working that it represented was long overdue given the commitments made during the unitary government debate some eighteen months ago.

In considering the documentation, Members raised the following questions and observations:

1. If the Council agreed the report 'in principle' there would have to be a provision that all business plans and service plans were available for full scrutiny.

The Deputy Chief Executive (Dr Gooding) explained that all senior officers within the authority were affected by the report and if the report was agreed on 13 January then it would commit the Council to shared management and the Council would begin the process of redundancies.

Members were concerned that there was no exit strategy and once the 'in principle' was agreed the Council was committed to the process.

Members were not comfortable agreeing to the report 'in principle' because they did not have sufficient information to make an informed decision. Members felt that the report should be scrutinised and written responses to Members concerns should be given.

A Member highlighted that the Deputy Chief Executive's report had not included comments by Officers on the implications that ordinary reports

usually included. There was no comments included on the staffing implications or financial implications.

2. Members were concerned that there was only one option for consideration.

A Member commented that she felt there were three options for consideration, the Council could do nothing, they could wait until a unitary bid was forced upon them or they could agree to the Serco report 'in principle'.

3. Members were very concerned that there had been no Union representatives at the workshop and emphasised the need for consultation to be undertaken with Trade Unions and staff.

Members were also concerned that the consultant had stated in the workshop that senior officers were not working to capacity and there was no Union representation to protect the officers.

4. A Member commented that she supported collaborative working with other Districts as long as it was not at the expense of working with the County Council.

A Member added that since the Unitary debate had occurred the focus was on the White Paper and Community Engagement. The Council had to look at the services it was providing to the residents. County wide provision could be available on a number of services.

5. The report mentioned the County Council briefly but gave no indication if savings were possible if closer collaboration with other partnerships were carried out.

6. Members raised concerns that there was no indication of the level of redundancies that were expected or how the savings would be achieved.

7. Members were concerned that there were no timelines on the progress of the changes. There was concern that Job evaluation had taken several years and Members asked if there was a realistic timetable considering the changes across the two Authorities with different terms and conditions.

8. There were several inaccuracies in the report especially with regard to the collaboration with the County Council. It was felt that the consultant did not have a good understanding of the work of the City Council.

9. Members requested that options for the new scrutiny arrangements were provided and highlighted the need for joint scrutiny on cross cutting matters.

10. One of the reasons for the failure of the collaboration between Chelmsford Borough Council and Maldon District Councils was the poor communication with Members. It was felt that Members of the City Council had insufficient time to give thorough consideration to the report. Members had not been given the opportunity to give detailed scrutiny because they felt

the report was not complete and Members could not make an informed decision. Braintree District Council and Colchester Borough Council had taken a slow and planned approach to the work and it was felt that this option would have been preferred by the City Council.

A Member further commented that there should be further discussions and explanations required before any decision was taken and there was serious concerns that there was not enough time for the decision making process.

11. There was concern that Officers and Members already had a full agenda with projects such as Carlisle Renaissance and Members were worried that energy for such projects would be lost.

12. Members were uneasy with some of the proposals and savings in the Community Services Review and asked if the Executive could postpone making any further decisions until the collaboration had been decided upon.

RESOLVED – That the Executive be advised that:

- The Community Overview and Scrutiny Committee had concerns regarding the speed at which the proposed shared management arrangement was moving. The Committee sought an assurance that the process was not being dictated by other pressures and urged the Executive to take more time to ensure that the decision could be taken with fuller knowledge of the implications.
- Members wished to see greater co-operation with Cumbria County Council.
- The Committee would like Officers to assess the Serco report in the same way other internal reports were assessed and requested Officers complete the implications section of the report which was missing from Report CE.30/08
- The Committee would like to see a full breakdown of the £1m support costs.
- The Committee would like further detailed information on how other Authorities have drawn up targets for savings from pursuing shared services and if they had been achieved and how. The Committee also requested details on the impact of services to the Community.
- The Committee requested information on the length of time other Authorities had taken to put collaboration arrangements in place. The Committee asked the Executive to consider how realistic the timetable in the Serco report was.

- The Committee requested information on the length of time other Authorities collaboration arrangements had been in place.
- The Committee requested more information on Governance arrangements in other Authorities and how these were working, particularly in light of the significant distance between the administrative centres of Carlisle and Workington.
- Given that estimates are included in the report of the levels of savings that can be expected, the Committee requested details on the level of redundancies that were expected and further information on any TUPE arrangements.
- The Committee requested that the Executive enter into discussions with other authorities that are going through the unitary process at the moment to look at what work was being carried out.
- A full business plan for the project was fundamental to all stages of the process and must be considered fully by scrutiny along with the individual business cases for each shared service proposal.
- Within the business plan, there should be a clear exit strategy to enable the two authorities to withdraw from the arrangements if problems arose.
- That the Equality and Diversity and Respect agendas were incorporated into any processes from the beginning.
- The savings available from pursuing collaboration may mean that the savings required from the Community Services Review may no longer be necessary. As such the Committee requested that any further decisions with regard to cuts resulting from the Community Services Review be postponed until the decision regarding collaboration arrangements had been taken.

(2) The Committee would request responses to the issues raised be given in time for the Corporate Resources Overview and Scrutiny Committee meeting on 8 January 2009. The Committee asked the Chairman of Corporate Resources Overview and Scrutiny Committee to consider the responses made at their meeting on 8 January 2009 and to consider inviting Members of Community Overview and Scrutiny Committee to that meeting to aid discussion.

[The meeting ended at 4.20pm]

EXCERPT FROM THE MINUTES OF THE EXECUTIVE HELD ON 18 DECEMBER 2008

**EX.308/08 JOINT MANAGEMENT ARRANGEMENT WITH ALLERDALE
BOROUGH COUNCIL**
(Key Decision)

Portfolio Cross Cutting

Subject Matter

Pursuant to Minute EX.281/08 consideration was given to Report CE.32/08 regarding the report prepared by SERCO on the Options Appraisal of Shared Management Arrangements between Carlisle City Council and Allerdale Borough Council. The Report had been forwarded to workshop meetings of all three Overview and Scrutiny Committees for their consideration and comments and a copy of the minute extracts from those three meetings were circulated.

The Deputy Chief Executive profiled the costs and benefits to the authority. He suggested that costs to the City Council in the initial phase would be in the region of £1.5 million in terms of redundancy/early retirement costs and recruitment costs of approximately £150,000 for a new Management Team. These costs would be offset by a share of the estimated £1.1 million per annum efficiency savings associated with the cost of the shared Management Team. He added however that the details of how that saving was to be shared out between the two Councils had yet to be determined.

The Deputy Chief Executive added that the subsequent phase of the collaboration arrangements would reap the most strategic benefits of a shared Management Team with a mandate to deliver closer collaboration and extensive shared services between the two Councils. He suggested that if a sufficiently ambitious programme was delivered this could result in saving in the order of £3 million per year on the net revenue budget, although there would need to be significant investment to deliver that level of savings.

The Deputy Chief Executive added that it was critical to the success of the proposals that the concept of the shared Management Team was accepted but that in itself would not be sufficient to deliver the efficiency savings that would make the business case for the change programme. He added that should the Council decide that it wished to proceed with the proposed collaboration the following actions would need to be addressed immediately :

Directly affected staff will need to be formally notified and redundancy processes begun.

External support will be needed immediately to begin recruitment for the new Management Team.

The 2009/10 budget will need to reflect those proposals in terms of the requirement of reserves and revenue savings that will be delivered.

A Programme Office will need to be established and procurement of external support expedited.

The Deputy Chief Executive also set out, as an Appendix, a draft Action Plan of initial tasks that would need to be carried out on the change programme in the period January-May 2009 for Members consideration.

The Chairman of the Community Overview and Scrutiny Committee and the Chairman of the Infrastructure Overview and Scrutiny Committee presented the comments of those Overview and Scrutiny Committees and indicated that they had nothing to add to the comments contained therein with the exception of highlighting the concerns of the Committees with regard to the speed of the programme.

The Chairman of the Corporate Resources Overview and Scrutiny Committee also expressed concern at the speed of the possible re-organisation and added that the Committee had sought an assurance that a proper Business Case would be developed for the proposal which would contain an indication of the critical points in the process where once passed it would be difficult to abort the process. He also requested that the Business/Action plan once prepared should be open to scrutiny by the Council's Overview and Scrutiny Committees.

A copy of a letter from the GMB Trade Unions with regards to the proposal had also been circulated for Members information.

The Deputy Leader commented that this was a wonderful opportunity for two Authorities to seize the Shared Services agenda and would provide exciting opportunities across the two Authorities. He suggested that it would leave those Authorities well placed to develop the agendas and priorities of both Councils and reiterated that both Councils would still retain their own sovereignty and be able to set out their own priorities and policies. He stressed that the City Council was still open to collaborate with other Authorities and Agencies. He thanked the Overview and Scrutiny Committees for their input and added that the consideration and decision by the City Council at its meeting on 13 January 2009 should be seen as the start of the process as there would still be much work to do after that date to agree the way forward. He added that additional information would be available to the Council on 13 January 2009.

The Leader commented that the proposals represented an opportunity for both Authorities to consider how they could work in the future and presented the possibility of an innovative solution of a way forward which could enhance the work of both Councils. He suggested that funding for Councils over the next year or so would be restricted and other Authorities would be envious of the steps which had been taken in Carlisle and Allerdale. The Council had a duty to its tax payers to protect front line services and the quality of those services. He felt that the key to progressing the matter was the

preparation of a robust Action Plan and Timetable which could be followed should the Council agree with the Executive's recommendations at their meeting on 13 January 2009.

He added that in order to produce that timetable representatives of Carlisle and Allerdale would meet to agree issues relating to the process including involvement of elected Members, Staff and Trades Unions and input from Overview and Scrutiny Committees.

Summary of options rejected - None

DECISION

- (1) That the Executive recommend that Council at its meeting on 13 January 2009 support the proposed Shared Management Arrangements and Shared Services proposals with Allerdale Borough Council as set out in the Report CE.32/08 and the SERCO Report.
- (2) That should the City Council agree at its meeting on 13 January 2009 to progress the proposed Shared Management arrangements then a Report and Action Plan be submitted to the Executive on 17 January 2009 to be drawn up following discussions between both Authorities.

Reasons for Decision

To enable the City Council to consider the recommendations of the report jointly commissioned by the Leadership of Carlisle City Council and the Leadership of Allerdale Borough Council.