



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

Ext:

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.



SPECIAL JOINT OVERVIEW AND SCRUTINY COMMITTEE

Committee Report

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.

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.

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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 than 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.

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</p> <p>February 2009</p> <p>February 2009</p>
Personnel issues around shared	Manage severance of staff and appointment of the new	Engage external support

management team	senior management team – external support and advice required. Suggest North West Employers Organisation Will need to involve employment panels at both Councils	for this immediately (January 2009) Appointment of new Chief Officers in June 2009 timescale for severance of existing officers will need to reflect this.
Establish Programme Office	Some resource will need to be immediately allocated to manage tendering, communications, timetabling of meetings and consultation etc.	January 2009 – either second or appoint temporary support to a joint programme office. Immediate need is for co-ordination and procurement expertise.
Tender for External Support	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.	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.

Support for Chief Executive	Mentoring and support for the Chief Executive to help address key issues associated with the change programme	Immediate (January 2009)
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	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.

	both sets of budgetary information are comparable.	
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 achieved.	Immediate (January 2009). Will be ongoing throughout the programme.
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 .

GMB**NORTHERN
REGION**

20 November 2008

Ref: Gc

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FILE

21 NOV 2008

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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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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