

THE WAY AHEAD FOR COUNCIL SERVICES: TASK GROUP

7 FEBRUARY 2012

Present: Councillor M Watkin (Chair)
Councillors N Bell (for minute numbers 8 and 9), S Greenslade,
K Hastrick, P Jeffree, S Johnson and R Martins

Also present: Councillor Andy Wylie (minute numbers 8 and 9)

Officers: Executive Director Services
Executive Director Resources
Committee and Scrutiny Support Officer (JK)

6 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Rackett and Councillor Greenslade.

Absent without apologies: Councillor McLeod

7 DISCLOSURES OF INTEREST

There were no disclosures of interest.

8 MINUTES

The minutes of the meeting on 10 January 2012 were agreed and would be signed at the next meeting.

9 REPORT OF THE EXECUTIVE DIRECTOR - SERVICES

Introduction

The Executive Director- Services introduced her report. The Council's experience of Watford Community Housing Trust (WCHT) had not been considered as it was set up in a different way. The housing stock had been transferred and WCHT was responsible for delivering social housing like any other Registered Social Landlord. It was a specific arrangement which would not be used for other services.

How the contracts were set up

The Executive Director- Services listed the ways the Council had approached the contracts to mitigate risks. These included:

- Being clear about the end product
- Having discussions with Members at the start of the process

- Understanding the importance of using technical expertise as the Council only undertakes each process once. Experts could advise the Council on the market.
- Ensuring knowledge is transferred to the staff before advisers stop working with the Council
- Understanding the different procurement routes
- Understanding the importance of having a detailed project plan and change procedure
- Ensuring that the decision-making arrangements and financial controls were appropriate
- Proper use of the scheme of delegation and ensuring that it did not delay the process
- Awareness of the risks and what level of risk can be tolerated and ensuring that the Council has a Plan B. The Plan B for SLM was better than the original plan.
- Communication was very important, both with staff and users
- The importance of being an intelligent client so that the Council could avoid risks

The Executive Director- Services confirmed that with SLM the original plan was to find a contractor who would be responsible for the design, build and management of the centres. The market was nervous of this and the approach was changed so that one contractor built the centres and another was brought in to run them. SLM were involved in the design but not as early as if the original procurement route had been followed.

The Executive Director- Services said that the original idea with the build and management of the Colosseum was that the management contractor, HQ Theatres, would oversee the construction. However the construction contractors, Kier, did not favour this arm's length management and so the Council oversaw the build instead.

Governance of the contracts

Councillor Johnson asked about how the contract was managed in the absence of a leisure committee.

The Executive Director- Services explained that under the Mayor and Cabinet system with scrutiny there were no longer committees for each service. Outsourced services were managed in the same way as any other service. Quarterly reviews were undertaken with the Portfolio Holder, service objectives were included in the Corporate Plan and issues were reported to Cabinet. For services run by a third party there were clearer mechanisms for changing or terminating the contract if there were problems. There was an impression that delivery by a third party meant less accountability, but this was not the Council's experience.

The Portfolio Holder for Finance and Shared Services, Councillor Wylie added that the agendas under the former committee system were strictly managed; it would have been very difficult for opposition Members to raise topics of concern.

The voting was whipped and debate was stifled by the nature of the governance structure.

The Executive Director- Services noted the example of the petition related to women-only swimming sessions. This could have been dealt with through SLM's complaints procedure or through talking to the council. She encouraged Members to remind residents about the complaints procedures that were in place and said that it was learning experience about how we needed to ensure that everyone knew the route to discuss services rather than jumping straight to a petition.

Councillor Jeffree asked what the democratic input was in this process. The Executive Director- Services responded that for the leisure centre contract there had been a series of workshops for Members on the design stage and different procurement routes. The Portfolio Holder was on the project team and all key decisions were reported to Cabinet. She confirmed that staff had been transferred under TUPE arrangements. After ten years the Council would have to re-tender the service, the existing provider could bid and there could also be a decision to take back in-house.

Councillor Martins said that he felt there was not enough democratic influence in the contracts. There needed to be regular reports to the Overview and Scrutiny Committee. The monitoring remained at Portfolio Holder and officer level. The connection between the councillors and the service provider was not visible enough. The Chair agreed and said that the Overview and Scrutiny Committee needed to consider which performance indicators it would like to be reported.

The Executive Director- Services noted that a number of factors influenced the payment mechanism. For example there were clauses in the agreement related to utilities: if the overall costs changed significantly the levels of funding could be varied and the Council received the full accounts from SLM.

She added that if the Council were undertaking the process again, she would have ensured that the team which oversaw the contract were in place at an earlier stage. The contract with SLM was the first big contract of its kind that the Council had undertaken and it had been extremely successful overall.

The advantages of the contracts

The Executive Director- Services noted that the core business of SLM was running leisure centres. The Council was a generalist organisation and did not have, for example, the market knowledge and the buying power that SLM did.

Prior to signing the contract, the Council had undertaken a lot of consultation with residents about what they wanted from the leisure services. As such, there was a confidence about the design of the service that was not as clear with other services

There were some functions that councils undertook which were rarely delivered by a third party. These were mainly the statutory functions, such as the homelessness duty.

The Executive Director- Services explained the challenges of joint working with other authorities. The councils had to agree on what their vision was for the service before they proceeded. The economies of scale were not achieved if the services that the councils wanted to offer were different.

Councillor Hastrick commented that she did not favour outsourcing and preferred the shared services model.

The role of Members

Councillor Wylie explained that it was necessary to consider the legislation to understand members' roles. Under the Mayor and Cabinet model the portfolio holders were responsible for the performance and policy framework. The role of non-executive councillors was not oversight but scrutiny. This scrutiny role meant that councillors could become divorced from what was happening in a service. There was a national framework of key performance indicators but these had been reduced and Members could ask for specific performance indicators to be monitored.

The Chair said that the Overview and Scrutiny Committee needed to consider which performance indicators on what services across the Council it would like to be reported and would review this at its next meeting.

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REPORT OF THE EXECUTIVE DIRECTOR - RESOURCES

Introduction

The Executive Director- Resources introduced her report and noted that Watford Borough Council was one of the first in the region to share services.

The background

Central government had been increasing shared services in the civil service and had been focused on Human Resources and Finance. Revenues and Benefits was a heavily transactional service governed by legislation and was also suitable for sharing with another authority. The decision was made to explore shared services with Dacorum and Three Rivers.

The benefit of talent pooling was an important factor; Three Rivers needed more resilience as their services had been slimmed down and Watford had some gaps in expertise that were covered by consultants.

In 2006, there were a number of workshops with staff from the four services which explored how a shared services programme could be pursued. There was a seminar for Members in September 2007 to which leading councillors and opposition leaders were invited from all three councils. Officers shared with members the advantages and disadvantages of the different options for establishing shared services- outsourcing, in-house shared services or setting up a joint company. The outcome was a clear preference for in-house shared services. The rationale for this was to enable the councils to keep any savings that were identified.

In December 2007 Dacorum had to withdraw from the programme but it was still viable for Watford to proceed with Three Rivers. The only internal option that the councils had experience of was the establishment of Joint Committee. This meant agreeing to delegate the responsibility for the four services to a Joint Committee. As the Joint Committee was unable to employ the shared services directly, the councils had to harmonise the terms and conditions of employment. This delayed the programme by a year.

One challenge was that for a time the services had two Heads of Service. This was demoralising for staff who did not know who their boss would ultimately be and caused a delay in developing the ultimate service design. In any future shared services the Head of Service would be appointed as quickly as possible.

Performance of shared services

The Executive Director- Resources posed the question whether the problems in Revenues and Benefits and ICT were a result of shared services. The backlog in the Benefits Section was not caused by the implementation of shared services. Demand had increased incrementally as a consequence of the recession. In fact, the team had benefited from the fact that shared services provided a larger pool of officers to deal with the additional challenges faced.

For ICT, the situation was more complex. The shared service took over an infrastructure at Three Rivers which had been outsourced. The company did not manage the transition well, there were gaps in the documentation of ICT assets and the extent of the requirement to invest in the infrastructure was not known. The result was that as the shared services were being implemented, which included new systems for HR, Finance and Revenues, staff in ICT were busy with these upgrades in other services to the detriment of investing in joint ICT infrastructure projects planned in the ICT service plan for 2011/12.

Cultural differences

Councillor Wylie added that there was a cultural difference with Three Rivers who had a culture of outsourcing services and managing them at arm's length. There was not enough monitoring of the ICT infrastructure contract. He had asked that an audit be undertaken and the results were a cause for concern. He reported that the Shared Services Committee was now looking at outsourcing. It was very difficult for two small councils to keep up with developments in ICT.

Governance of shared services

The Executive Director- Resources noted that members had asked for an explanation of the size of the Joint Committee. In 2007, both Councils were advised by the legal firm Eversheds, who had had experience with other shared service arrangements, to produce the Joint Committee agreement. They had felt that six councillors was an appropriate number for the size of operation based on their experience of establishing joint committees.

The Chair commented on the different bodies that had oversight of shared services, these included the Joint Committee, Scrutiny and Audit Committee and the potential for repetition or even omission between the various committees.

The Executive Director- Resources reported that how the Joint Committee would work with councillors from different authorities had been an unknown at the start of shared services. Members of the Joint Committee had consistently done a good job in pushing for the four shared services to deliver the best for both councils. The Committee had had a lead-in year and agreed how the budget process and performance management would work. Councillor Wylie was the current Chair and this was alternated between the two councils. From the outset of shared services, the Joint Committee did need to report to the relevant executive committees in both councils, in line with the Joint Committee Agreement.

Councillor Bell noted that no decision at Shared Services Joint Committee had ever been called in.

The Lead Authority Model – “who is the client?”

The Executive Director- Resources explained that when the idea for shared services started the Council was in a different place. Staff consultation showed that officers were not in favour of a lead authority model as they did not want to be ‘taken over’ by another authority. From a management perspective, there was also some nervousness as managers wanted to be sure that the service would deliver for both councils.

The problem with the current set up was that management accountability was not as clear as it could be. Each council had a separate senior management team and the four heads of shared services were asked to report to both in different ways. The Head of HR attended Leadership Team at Watford and Three Rivers but the Head of ICT was only part of Leadership Team at Watford.

There was also a question of who was the client for each service under this system. The Executive Director- Resources had direct responsibility for ICT and HR and her counterpart at Three Rivers had direct responsibility for Revenues and Benefits and Finance. In practice, if there was an issue to address with Finance or Revenues and Benefits the Executive Director was asked to follow up and resolve it, which can result in duplication of management instructions to the Head of Service.

This had been helped by the establishment of a Joint Senior Management Team which included the Managing Director/Chief Executive of both councils. This was a better forum for improving the governance relationship with shared service Heads.

A Lead Authority Model would also give greater clarity to who is responsible for delivering the service and who was the client. For these reasons this was preferred by the Executive Director- Resources for any future shared services.

In response to a question from Councillor Bell the Executive Director- Resources said that at the start there had been an invitation for other local councils to join the programme. In retrospect, this would not have worked.

Councillor Wylie noted that there was a higher level of delegation to officers at Watford than at other councils.

The Executive Director- Resources added that the Lead Authority model would need to fit with the Cabinet model of governance. Executive functions needed to be reported to Cabinet and non-executive functions to Council Functions, and therefore the role of scrutiny with this model would not change.

The Chair asked about shared management teams which had been pursued by other authorities.

Councillor Wylie noted that all councils were different and there was a cost involved in making people redundant. A number of senior officers were close to retirement and it would be better if this process happened naturally.

Marketing our skills

The Executive Director- Resources informed Members that the Head of HR was keen to sell the service to other councils. This was seen as a preference to having to make more internal savings. There was, however, a medium term financial strategy in place already to save 10% over three years. There were ongoing conversations with Wycombe Council about sharing legal services.

Political Accountability

Councillor Wylie highlighted the political governance in shared services. There needed to be a good relationship between the officers and the portfolio holder. These relationships were very good at Watford and they met monthly to discuss the key performance indicators. He expected issues to be raised with him in real time.

11 THE EXPERIENCES OF OTHER AUTHORITIES

It was agreed to postpone this item until the next meeting on Thursday 9 February.

12 DATES OF NEXT MEETINGS

9 February 2012 7pm
22 February 2012 7pm
27 February 2012 7pm

Chair

The Meeting started at 7.00 pm
and finished at 8.55 pm