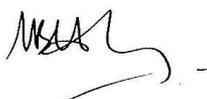




| | | | |
|-----------------------------------|---|--------------|--------------|
| Report to: | Environment and Neighbourhood Committee | Date: | 18 June 2015 |
| Report title: | Business case for sharing a) Highways and Traffic Management and b) Regulatory Services with the Royal Borough of Kingston | | |
| Report from: | Mary Morrissey – Strategic Director of Environment, Housing and Regeneration | | |
| Ward/Areas affected: | Borough-wide | | |
| Chair of Committee | Councillor Jill Whitehead | | |
| Author /Contact Number(s): | Matt Clubb, Acting Executive Head of Environmental Commissioning 020 8770 6116 Warren Shadbolt, Executive Head of Safer and Stronger Communities 020 8770 0605 | | |
| Corporate Plan Priorities: | <ul style="list-style-type: none"> • A Fair Council • A Smart Council | | |
| Open/Exempt: | Open | | |
| Signed: |  | Date: | 4 June 2015 |

1. Summary

- 1.1 This report summarises the business case and the rationale for shared services for highways, traffic management and regulatory services between Sutton and Kingston and the reorganisation of these services into an integrated structure.
- 1.2 The report recommends the implementation of a shared service which will
- maintain the current service performance and satisfaction levels
 - provide a more resilient service model, which is flexible and able to respond to future changes
 - achieve savings
- 1.3 Finally this report will outline potential savings associated with the changes and proposed timetable for implementation.

2. Recommendations

That the Environment and Neighbourhoods Committee:

- 2.1 Agree the business case for sharing services for highways, traffic management and regulatory services with the Royal Borough of Kingston, subject to the Member agreement in both Councils.
- 2.2 Agree the proposed timetable for the implementation as detailed at paragraph 4.13 of this report.



- 2.3 Delegate authority to the Strategic Director of Environment, Housing and Regeneration to develop and agree proposals, subject to formal consultation with staff and trade unions.

3. Background

- 3.1 Sutton and Kingston have had discussions regarding the potential for a shared service arrangement for Highways and Regulatory services since 2013. These preliminary discussions resulted in a strategic business case being approved at Environment & Neighbourhoods Committee in January 2014. This business case identified the benefits of working in collaboration in these areas and suggested that a final business case be prepared for September 2014 which would
- Validate the findings of the Strategic Business Case
 - Develop a road map for the transition and service integration
 - Design a Target operating model and functional structures.
- 3.2 As a result of a realignment of their strategic partnering, Kingston explored opportunities with other London Boroughs around sharing services during 2014. This exploration by Kingston delayed the progress of the final business case and Sutton sought to re-structure its existing Highways services with progress being made on this. In early 2015 Kingston informed Sutton of their intent to continue to pursue shared service arrangements for these services with Sutton. A Memorandum of Understanding was agreed and a project team re-established.

4. Issues

Business Case development

- 4.1 A review of the previously agreed strategic business case has been carried out given the delay in progressing to the final business case. This review assessed the assumptions and recommendations made relating to the delivery model and the scope of services.
- 4.2 In order to review the delivery model, an options appraisal process was carried out to identify a suitable delivery option for both services within Sutton and Kingston. This process involved the identification of a number of potential delivery options for these services followed by an appraisal against a number of evaluation criteria to arrive at a preferred option. The comparison of models concluded that a shared service provision was the preferred option for both services.
- 4.3 A review of scope of services was undertaken given that changes to structures have been made since the strategic business case was agreed. It was concluded that all the services currently undertaken by both Councils within Regulatory Services (Environmental Health & Trading Standards) and Highways & Transport (in Kingston this covers Street Services & Traffic Management & Design) were considered to be in scope. The following areas do not align:
- Regulatory Services – Environmental Health (Residential) is undertaken in Housing in Kingston but Regulatory Services in Sutton. Street licensing is part of Regulatory Services in Sutton but within Highways in Kingston
 - Highways & Transport – Street Cleansing inspection is managed through Highways & Transport in Kingston but not in Sutton. There is a Shop mobility service in Kingston but not Sutton.



- 4.4 As part of this scope review, Sutton is proposing the inclusion of the following in order to align with those services provided by Kingston.
- i. Winter Maintenance (Currently within Waste)
 - ii. Smarter Travel (currently in Local Place & Engagement)
 - iii. Sutton's London Permitting Scheme and Traffic Management Orders (currently in business support hub)
- 4.5 The performance of the current services within scope differs a) between boroughs b) between the services c) within the individual services. The option to share these services provides the opportunity and scope for improvements in order to achieve the shared service objectives. In order to identify the areas of opportunity for both services the following observations have been made by the programme team, feedback from workshops and best practice research. These observations relate to some but not all of the Regulatory Services and Highways & Transport Services in scope.
- i. Work is of a reactive nature
 - ii. Managers spend a lot of time on operational activities
 - iii. Insufficient resources to cover some specialist areas
 - iv. Contract management is fragmented
 - v. IT systems need improvement to aid efficiency
 - vi. Business support arrangements need to be improved
 - vii. Responsiveness to customers needs improvement
 - viii. Income opportunities are restricted by Council policy

Proposal

- 4.6 In order to shape the shared service it is vital that there is a shared vision for all services and both boroughs. The vision for this shared service arrangement has been identified as;

"To deliver a shared approach to the commissioning of services, including Regulatory Services and Highways & Transport, in order to achieve savings and promote service resilience while retaining service quality & customer satisfaction".

The following objectives for the shared commissioning approach naturally flowing from the vision and used to evaluate the business case for each group of services:

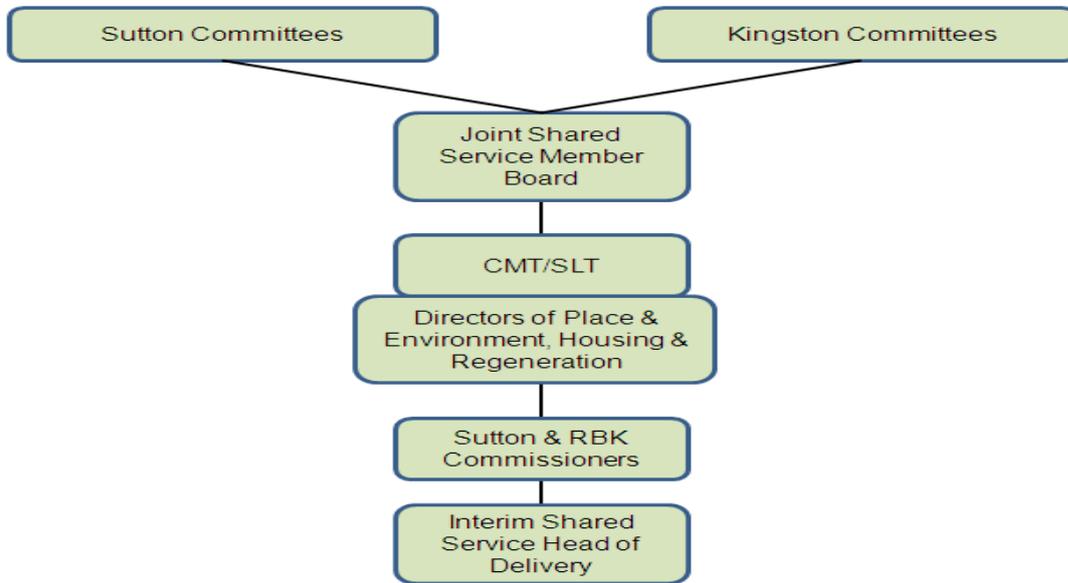
- i. Achieve financial savings
 - ii. Maintain the level of customer satisfaction
 - iii. Ensure service resilience
- 4.7 In any shared service arrangement there is the need for one of the partners to act as the host organisation. This involves being the employer of all staff in the service and their management and providing the support services including HR and Finance. The governance of the shared service (see 4.8) is responsible for joint decision making for the services. Following an analysis of the benefits identified by each borough with regard to each hosting, it is recommended that Kingston act as the host for this shared service. Kingston has stability within their Highways and Traffic Management service, have capacity within HR to support the TUPE transfer of staff and the transformation and have experience of hosting shared service arrangements. This does not



mean that all staff will be re-located to Kingston, a practical approach to the location of staff will be explored through formal consultation.

- 4.8 The governance arrangements will support the decision making regarding the shared service. Whilst the ‘host’ organisation will have employment responsibility for the staff and associated support all strategic and key operational decisions will be agreed through the structure below.

Proposed Governance Structure

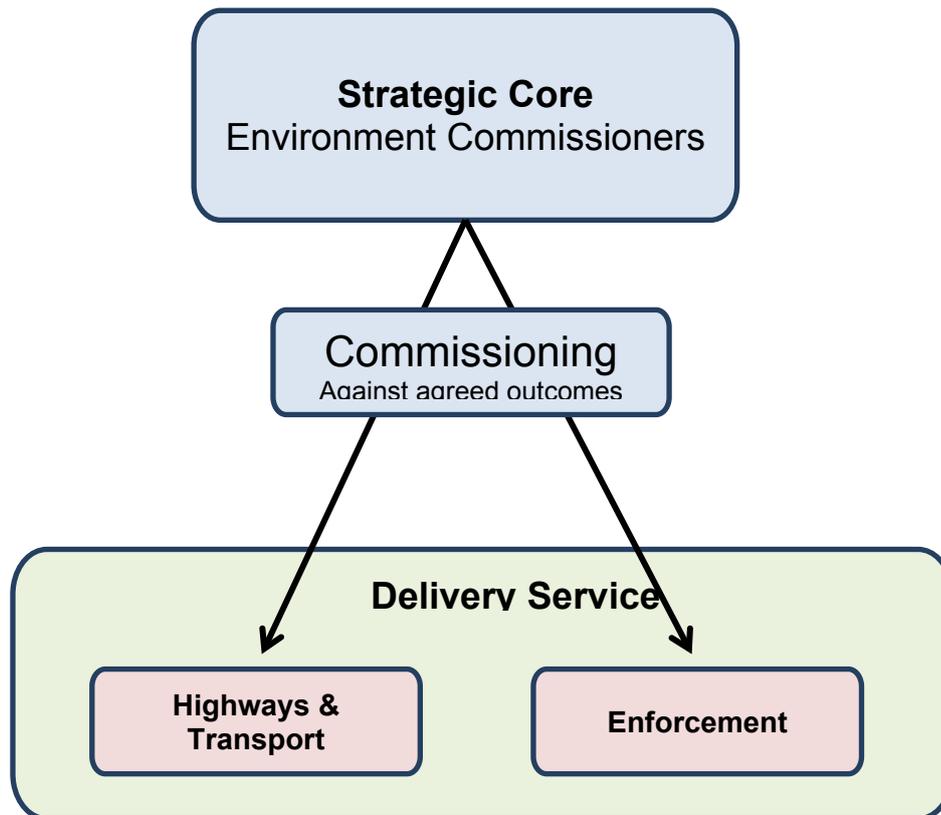


- 4.9 As part of this process there is the opportunity to realign functions between the two services, in order to redefine the split of services between the Highway & Traffic Management functions and those that are considered to be regulatory and enforcement. This brings functions together and presents a clear picture of where synergies can be achieved by grouping functions under teams. An example of this is to include both on and off street enforcement within the Enforcement service. The proposed functional chart for the shared service can be found at Appendix 1

- 4.10 A number of potential commissioning models were considered with a number of options as to where the commissioning and delivery of functions could divide. All of these had a commissioning focus as part of the model with a separate delivery vehicle. The following Target Operating Model (TOM) is proposed which aligns with the commissioning model being used by each of the boroughs where services are commissioned and delivered to meet agreed outcomes.



Target Operating Model



4.11 The proposed TOM will enable the services within both boroughs to respond to opportunities for improvement identified at 4.5 by providing a resilient shared service which is flexible to adapt to the needs of its customers. Particular benefits are identified below;

- i. Improved commissioning and stronger contract management
- ii. Strengthened senior management arrangements
- iii. More responsive and accessible service to customers
- iv. More resilient service through more generic working and integration of service teams
- v. Improved working practices / productivity through a common ICT platform and improved mobile working
- vi. Balancing resources across teams to offset existing gaps.

Implementation

4.12 In order to implement the integrated shared service it is proposed that there is the appointment of an interim Head of the Shared Service from September 2015 for the first year of transition. This role will lead on the transformation of the services alongside the Heads of Service in the respective services to ensure continuity in the transitional period. This role will also be responsible for the delivery of an integrated ICT platform for the boroughs and explore the potential for further collaboration regarding joint procurement of contracts. The complexity of the implementation of a front line service may also require existing management resources to be retained for part of the first year in order that day to day service is maintained while change is occurring. It is estimated that the cost of implementing this change during the first year will be



£270k which will be off set against the savings identified in the first 12 months. This cost will be shared equally between the boroughs.

- 4.13 Subject to Committee approval in both boroughs the following indicative timetable is proposed, with the intention to implement the fully integrated shared service by early 2016.

| Activity | Date |
|--|------------------------------|
| Agree business case proposal | June 2015 |
| Commence formal staff consultation | July 2015 |
| Finalise Structures and conclude formal staff consultation | September 2015 |
| Implement management arrangements | October – November 2015 |
| Appoint to structure from existing teams | December 2015 – January 2016 |
| Complete any external recruitment to posts | January 2016 – February 2016 |
| Implement service | January – April 2016 |

5. Options Considered

- 5.1 A review of delivery models was carried (4.2 of this report) out in order to identify a suitable delivery option for both services within Sutton and Kingston. The comparison of models concluded that a shared service provision was the preferred option for both services.

6. Impacts and Implications

Financial

- 6.1 Total indicative savings of £580k from 2017/18 (Appendix 2) have been identified as a result of the implementation of a shared service for these services. There is a stepped approach to the savings identified in the years leading up to 2017/18 as the cost of change needs to be factored into potential savings. These savings will be shared across both Councils in a proportion to be agreed as part of the financial model being established.
- 6.2 The savings are based on the anticipated structure for the shared service, with the potential for savings arising from improved working practices and additional savings from the addition of further services becoming part of the shared service managed through the existing management arrangements. These figures will be finalised once staff consultation has been completed and the final structure is agreed.
- 6.3 There is the potential for redundancies as a result of the implementation of the shared arrangement, these estimated costs have been factored into the profile of savings and will be shared equally across the two boroughs. Any additional cost of change expenditure, such as the implementation of a shared ICT platform, will also be equally shared.
- 6.4 Finance will work with the Environment, Housing and Regeneration directorate to ensure that the financial fundamentals ascribed to this Shared Service option are regularly monitored and delivered as envisaged.



Legal

- 6.5 The Councils are local authorities for the purposes of the Local Government Act 1972 and best value authorities for the purposes of the Local Government Act 1999. The creation of the Shared Service is to be established by the Councils in exercise of their powers under section 1 of the Local Authority (Goods and Services) Act 1970, sections 111, 112, 113 and 136 of the Local Government Act 1972, section 3 of the Local Government Act 1999, and section 1 to 8 of the Localism Act 2011 and all other enabling powers.
- 6.6 The proposed shared service would also have to satisfy Regulation 12(7) of the Public Contracts Regulations 2015.
- 6.7 If Kingston is to host the shared service, then Sutton will have to delegate to Kingston the relevant statutory duties and functions that covers these services. Prior to the delegation, SLLp will have to identify the relevant duties and functions that Sutton has under the various legislation in order to identify whether there are any that cannot be delegated.
- 6.8 As there will staff transferring under TUPE there will need to be legal advice provided by SLLp.

7 Appendices and Background Documents

| Appendices | |
|-------------------|------------------|
| Appendix 1 | Functional Chart |
| Appendix 2 | Proposed savings |

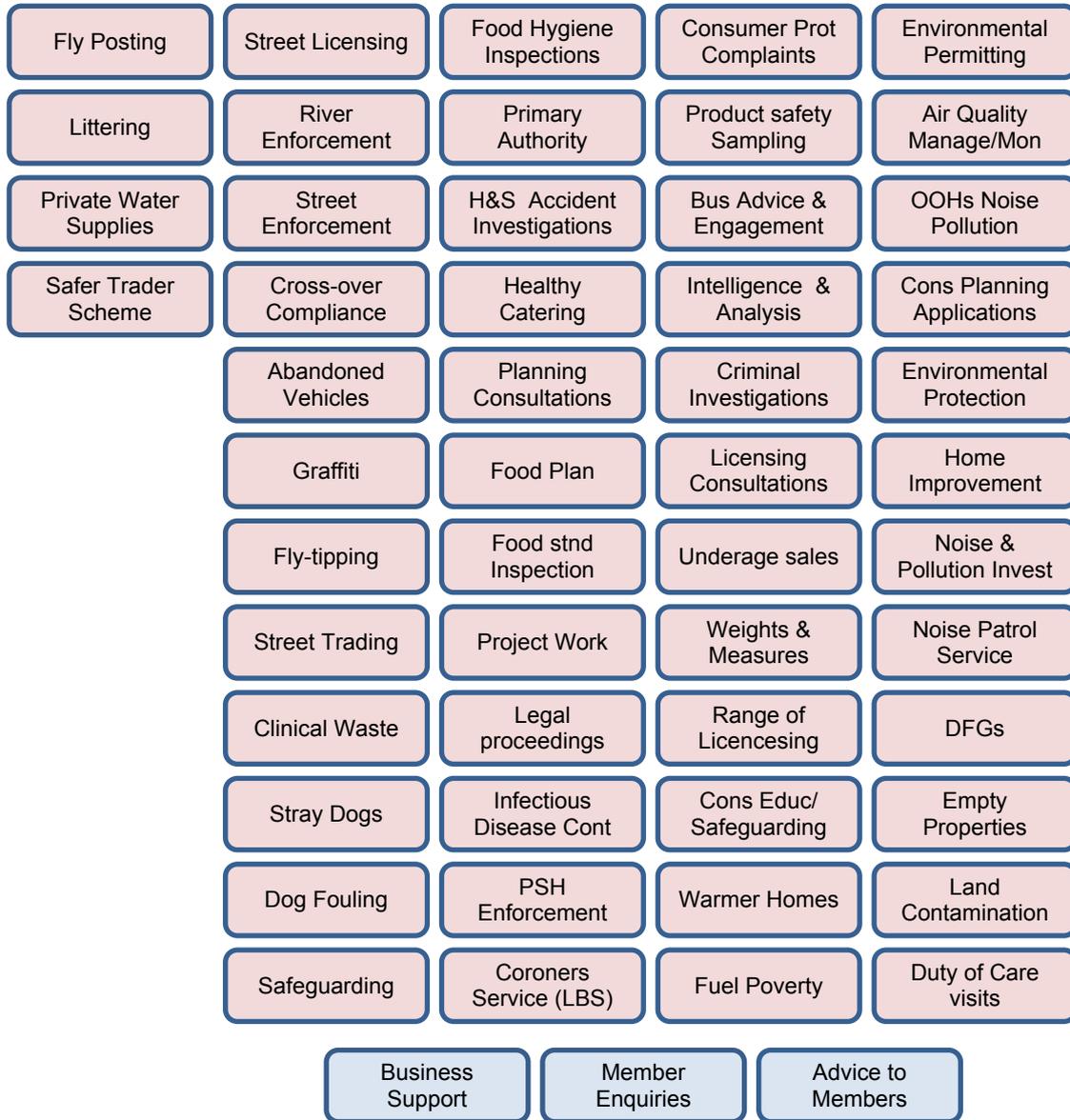
| Background Documents |
|--|
| Business Case - version dated 08.06.2015 |

| Audit Trail | | |
|---|------------------------|----------------------------|
| Version | Final | Date: 4 June 2015 |
| Consultation with other officers | | |
| Officer | Comments Sought | Comments checked by |
| Finance | Yes | Akin Akintola |
| Legal | Yes | Fabiola Hickson |



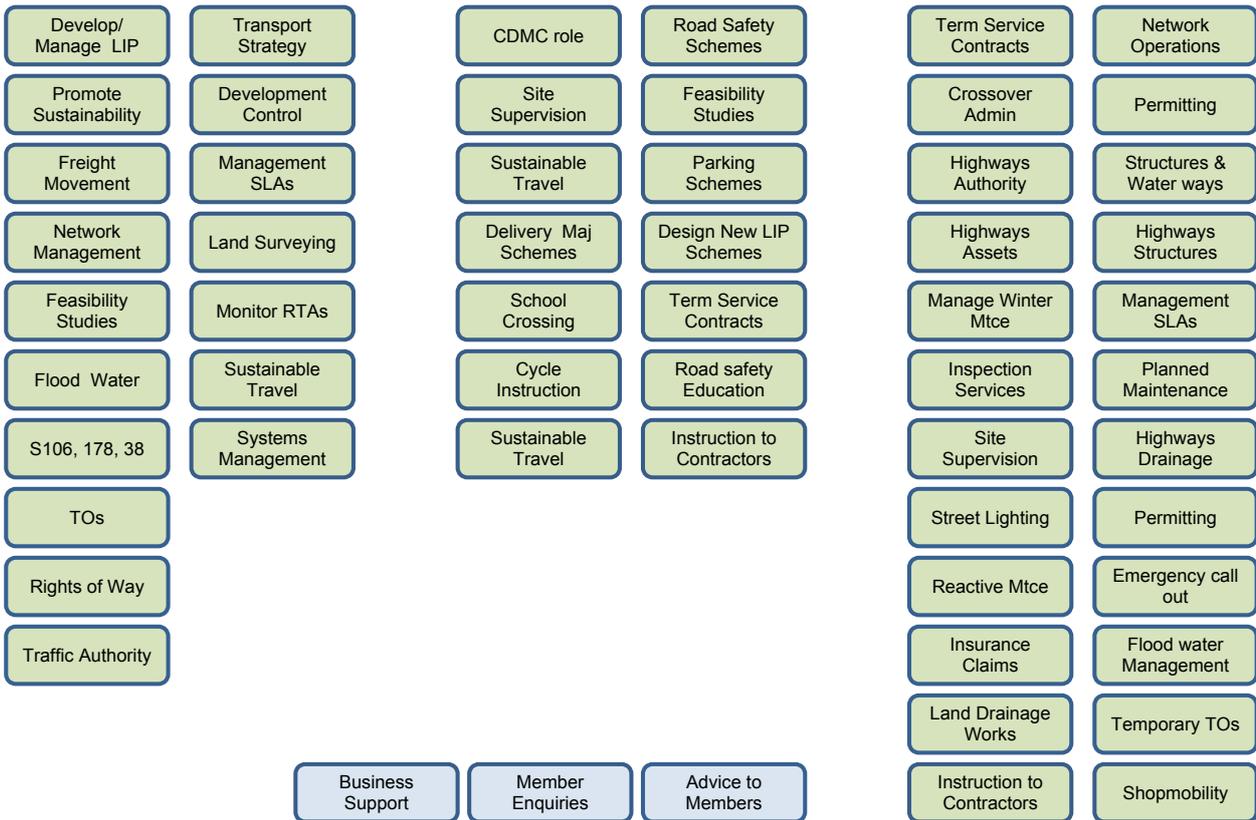
Appendix 1 – Functional model

Enforcement Functional Model





Highways and Transport Functional Model





| Saving | 2015/16 £000s | 2016/17 £000s | 2017/18 £000s |
|--|--------------------------------|--------------------------------|--------------------------------|
| Integrated Organisation Structure | (110) | (650) | (650) |
| Improved Working Practices | - | - | (130) |
| Total Revenue Savings (Ongoing) | (110) | (650) | (780) |
| One Off Costs | | | |
| Redundancy | 200 | 50 | 50 |
| Transition Staff | 60 | 190 | - |
| Pension Transfer Costs | 10 | - | - |
| Total One-Off Revenue Costs | 270 | 240 | 50 |
| ICT Investment (capital) | - | 150 | 150 |
| Total Net Saving | 160 | (260) | (580) |