

Tri- Borough Review

Critical Friends Board Report to the London Borough  
of Hammersmith & Fulham

*London Borough of Hammersmith & Fulham*

*27 October 2014*

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# Foreword by Lord Andrew Adonis

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I write this foreword on behalf of the Critical Friends Board – an independent group appointed in July 2014 by Cllr Stephen Cowan, Leader of the London Borough of Hammersmith and Fulham (LBHF) to review the tri-borough arrangements in place across LBHF, the Royal Borough of Kensington and Chelsea and the City of Westminster.

Significant cuts in local authority funding pose a huge challenge for local government. In response to this, in 2010 the three boroughs initiated the tri-borough arrangement – a model for collaborative working – with the aim of enabling the councils to do more with less, sharing resources and management, and reducing costs whilst improving services.

Sharing services between local authorities is not unique to the ‘tri- borough’ agreement. But, at the time of its inception, the depth and range of arrangements proposed across the three Councils did represent a bold reconfiguration of service provision. Whilst substantial progress towards the aims of the tri-borough arrangement has clearly been made in certain areas – most notably in reducing costs and sharing management – we would suggest a number of improvements. In summary, they are as follows:

1. The commitment of the three boroughs to joint working and service provision should be explicitly reaffirmed to achieve larger savings, greater value for money and higher quality service standards;
2. Decisions should be taken urgently, and no later than the end of this year, by the leaders of the three boroughs, on a) the scope for further joint service provision; b) the future of existing joint services if and when they underperform; and c) the further streamlining of management structures;
3. Tri-borough organisational structures should be made simpler to encourage wider collaboration;
4. Accountability and control both at borough and tri-borough level should be strengthened. This should include: a) the appointment of a dedicated chief executive for each borough; b) frequent meetings of the three borough leaders to exercise oversight; and c) frequent meetings of the relevant cabinet members from each borough in respect of tri-borough services;
5. End-to-end commercial capabilities need to be strengthened, and contractual arrangements should allow explicitly for different local objectives and for individual boroughs to intervene effectively in cases of failure;
6. Existing and future tri-borough service provision should be open to other boroughs where this offers further efficiency and service improvements.

This report makes detailed recommendations in each of these areas. On this basis we believe that joint working and service provision can be enhanced to meet efficiency and service quality demands, while maintaining the sovereignty of the individual borough councils in setting service standards and acting to protect local interests.

I would like to take this opportunity to thank all the individuals, teams and other contributors for their time and constructive input into this final report.

**Lord Andrew Adonis**

On behalf of the Critical Friends Board (Professor Tony Travers, Deborah Lincoln and Cllr Max Schmid)

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## *Review Scope*

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- The scope of this review was to work with the London Borough of Hammersmith and Fulham (LBHF) to assess the current state of the 'as-is' tri- borough arrangements, providing a high level view of where it is working and where it is not for LBHF and provide recommendations for future improvement initiatives as part of building the strategic organisation necessary to deliver on the Council's future objectives.
- Although no areas have been explicitly excluded from the scope of this review, it is noted that this is a high-level assessment undertaken in a limited timescale and does not include an in-depth service by service analysis – it is therefore recognised that the resulting options and recommendations may not be wholly applicable to all areas of LBHFs shared services. Any conclusions drawn are based upon primary research into the following key perspectives which helped develop that high level view of the current ways of working:
  1. LBHF Members;
  2. Executive Directors and Leadership teams across the three boroughs;
  3. Staff across all three boroughs;
  4. Tri- borough specific procurement case studies, and;
  5. Selected other London boroughs.
- The options and recommendations outlined in this report are not finite or final and will require further communication, discussion, iteration and development on a service by service basis with elected members, departments, directors and officers across the shared service landscape to ensure that future initiatives are carefully considered and implemented in the right areas for the right reasons.

# 1. Executive summary

# Executive Summary

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## What is the tri- borough?

- The 'tri- borough' initiative was originally conceived as a framework for joint working arrangements across three London boroughs: the London Borough of Hammersmith and Fulham (LBHF), the Royal Borough of Kensington and Chelsea (RBKC) and the City of Westminster (WCC) . Now four years since its inception, the original tri-borough ideology has evolved to become a mixture of implemented and planned initiatives at the 'tri- borough', 'bi- borough' and 'mono- borough' levels.
- The term 'tri- borough' is therefore a confusing term used to describe what is actually a wide ranging mix of service led collaborative working arrangements, which now display varying levels of organisational and operational integration, and one commonality – shared management resources.
- Currently, of the seven core departments of LBHF, five are classified to some degree as working either as tri- or bi- borough services and 62% of LBHF respondents from a staff survey consider themselves as working for a shared service.
- To-date, the initiative has been implemented based on an adaptive service-by-service model, led from a starting point of 'sharing management to cut costs'. Not a typical model for sharing services – where enabling services and back office/support functions typically 'lead the way' – the tri-borough has implemented shared management in front line services (Adults and Children's social care) first. This has created a complex organisational and structural model, which still lacks the supporting systems, governance routes and coherent vision required for its future success.
- The tri- borough outcomes to date notably appear to be down to the determination and commitment of members, officers and staff to make the collaboration work on a practical, pragmatic basis.

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## Overview of Original Proposals

- There have been successes in the implementation of the original proposals, most notably in the core objective of sharing management resources, but it is recognised that the boroughs can go further in the other areas and that some key challenges still remain:
  1. **Savings through shared management** – has since 2010 delivered in excess of £5m, or 54% savings, by cutting senior management posts (Tiers 1-3) across LBHF from 106 to 54. However, there are concerns that, although officers are working to their brief within the current operating model, the resulting joint officer management structures pose challenges in terms of retaining sovereignty and individual borough accountability and independence.
  2. **Working 'at scale'** - The tri- borough arrangements allow LBHF to operate 'at-scale' – benefiting from a larger geographical footprint, shared resident pool and increased operational flexibility and resilience.
  3. **Sharing best practices** - Creating a trusted network of sharing has been a mechanism for more innovative cost savings, increased revenue generation, service delivery improvements as well as providing staff with new working experiences.
  4. **Smarter Commissioning & Service Improvement** – through the implementation of the three aims above, the tri- borough services have delivered some specific improvements in front line delivery for their residents and there is potential to create additional benefits through further alignment. However, the way in which joint teams currently link into the procurement (and wider commercial) process has seen mixed success and has resulted in some service level challenges.
  5. **Joint procurement** – Although some bottom line cost savings have been delivered, there are some major ongoing contractual, procurement and end-to-end commercial challenges. Some recently let contracts have uncovered flaws in the end-to-end commercial process within both LBHF and across the tri- borough arrangements.

# Executive Summary

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## Areas requiring further development

- The key challenges of tri- borough working are operational and organisational in nature and result from what has been a gradual and piecemeal implementation of supporting back office infrastructure, skills, processes and governance models needed to support collaborative working.
  - **'Tri-borough' - what's in a name?:** The term 'tri- borough' is ultimately a misleading one. It incorporates multiple identities and suggests exclusivity to the three boroughs involved, appearing to have taken on its own 'brand' or 'club' status. The use of 'tri' points to the arrangement being for three councils only working together. Whereas in reality it is not one single formulaic initiative; instead it is an 'umbrella' term for evolutionary joint working and a collaborative model which now exists across the three boroughs, and in some services between just two boroughs.
  - **Complex operating model:** The way in which services have been integrated through shared management from the top down creates organisational structures that, as well as being difficult to navigate internally, cause uncertainty and misunderstanding outside the three boroughs.
  - **Inadequate enabling infrastructure:** On the ground, officers working in most shared teams are operating from largely independent and separate IT and support systems, with three different reporting and governance structures and associated timetables. Staff (often doing the same roles) still remain on different pay, terms and conditions across the three boroughs. From the high-level, the currently complex organisational structures lack the aligned and effective processes, governance and leadership required to drive the required behaviours and information flows.
  - **Risks to sovereignty and accountability:** Alongside and arising from the unaligned supporting infrastructures and the varying operating models and structures, there are some risks to the maintenance of individual borough sovereignty and accountability. Key risks have to date originated within the procurement and end-to-end commercial management of joint services, but shed light on the future risk of critical individual borough needs 'slipping through the net' during complex shared service implementations. These must not be overlooked particularly as the progress towards further collaborative working, on any level across London, gathers pace.

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## Summary

- Despite the challenges, it is apparent from the work carried out for this review that joint working has delivered benefits for LBHF; and further benefits are in train for the future.
- However, the joint working arrangements should not continue as they currently are, as improvements need to be made and a number of challenges addressed; regardless of whether there is less - the same - or more collaboration between the three boroughs in the future. Further, we see addressing these challenges as a prerequisite to enabling LBHF to be in a stronger position to work more closely with other London boroughs in the future.

# Executive Summary

## Recommendations for Improvement

1 Vision	<ul style="list-style-type: none"> <li>The tri- borough lacks a cohesive vision for the future. Recognising the different borough mandates, the three cabinets should aim to discuss the current challenges and reach a consensus on the future vision for collaborative working, at whatever level they decide this to be. This vision should also develop thinking on how joint working with other London boroughs could be more easily achieved where it will add further benefits to do so. Part of this vision should also be focused on the name and brand 'tri-borough'. Terminology should reflect the true nature of the arrangement, which is a mixed model of shared services and collaboration – currently across only two and three boroughs – which should be broadened to develop collaboration across multiple boroughs.</li> </ul>
2 Leadership	<ul style="list-style-type: none"> <li>In line with the future vision, behaviours and values should be refreshed through engagement and communication from the top-down. Strong and audibly aligned leadership will be required to push forward and deliver the future planned tri- borough savings and service improvements.</li> </ul>
3 Accountability	<ul style="list-style-type: none"> <li>The LBHF leadership needs to assure itself that the necessary compromises of joint working do not risk undermining localism and sovereignty; any perceived or actual compromise must be understood, governed and appropriately assessed. To strengthen accountability and control, LBHF should appoint a dedicated chief executive.</li> </ul>
4 Structures	<ul style="list-style-type: none"> <li>It needs to be easier and clearer for other councils to join the collaboration. Subject to the overall level of ambition within LBHF and current individual service area characteristics, there are a number of options for addressing the current organisational complexities. Given the savings requirement, it is timely for LBHF to review its own management structures again to drive out further efficiencies (although we recognise that the joint nature of some management posts across the three boroughs makes this a more complex task)</li> </ul>
5 Governance	<ul style="list-style-type: none"> <li>In order to successfully deliver current, as well as future, collaborative working arrangements, there is a need for an aligned and formalised governance model to help ensure compliance, reduce risk and increase agility. These governance arrangements need to oversee joint working arrangements on a service by service basis and need to be much more visible both inside and outwith the Council than at present.</li> </ul>
6 Procurement	<ul style="list-style-type: none"> <li>Procurement and commercial capabilities need to be strengthened in LBHF. End-to-end commercial activity should be positioned at the 'top-table' with strong leadership to drive business, customer and market engagement. Capability and capacity issues should be addressed in line with the complexity of ongoing collaborative procurements. Contract and Supplier performance management should also be reviewed to ensure the end-to-end process continues to add value. This needs to be done for LBHF, regardless of the tri-borough arrangements.</li> </ul>
7 Technology	<ul style="list-style-type: none"> <li>In order for the three boroughs to continue to work together, current systems and applications are inadequate to serve the operations they are in place to support. The digital agenda needs to be embraced more fully and systems need to be aligned so that they support staff in smooth working among the three boroughs.</li> </ul>



## 2. Background, scope and approach

# The original ‘tri- borough’ proposals

The original proposals for sharing services were developed in the context of the financial challenges that faced the country in 2010. The overarching objective was to allow all boroughs to enact rapid cost reduction that contributed to protecting vital front line services.

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“The tri-borough vision of the future is three sovereign authorities combining in specific areas to provide great local services through shared resolve tailored to the needs of our neighbourhoods. In the new era of localist government we intend to strengthen our individual reputations for quality, innovation and leadership and offer a successful new model of working to the rest of local government.”

- In 2010, the tri- borough’ arrangement was formally agreed between the former Leaders and the former Chief Executives of the three ‘to-be’ collaborating councils: “shared responsibility for three distinct borough footprints, retaining democratic voice and local choice but cutting management costs in half.”
- The resulting “Bold Ideas for Challenging Times” report detailed the outcomes of work undertaken to that point on the potential for more collaborative working and included proposals to make annual combined savings of £35m by 2014/15 by ‘sharing’ a range of Council services.
- The Report was agreed in principle by Borough Cabinets and proposals were then worked-up in detail for the agreed ‘first adopter’ service areas: Adult Social Care, Children’s Services, Environmental Services, Corporate Services, and Libraries Services.
- The five core objectives of the original proposals were:
  1. **Savings through shared management:** *To reduce managerial and other overheads by a target of 50%*
  2. **Share best-practice:** *To undertake deep ‘compare and contrast’ analysis over areas of professional practice*
  3. **Working “At Scale”:** *To move toward larger scale activities and to provide a stronger platform for Government to be invited to devolve responsibilities with confidence.*
  4. **Smarter Commissioning & Service Improvement:** *To move more firmly to a commissioning model and take advantage of options to encourage new forms of provider services*
  5. **Joint procurement:** *To collaborate on procurement, to achieve better prices.*

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Cllr Stephen Greenhalgh (LBHF), Cllr Sir Merrick Cockell (RBKC) and Cllr Colin Barrow (WCC), 2010

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# Review background

## Background and context to the tri- borough review

- Since the national Government's Comprehensive Spending Review in 2010, LBHF has been on a journey toward more strategic, cost effective and innovative ways of working.
- The 2010/11 implementation of the tri- borough initiative(s) represented one element within a broader organisation-wide cost reduction and efficiency programme implemented by the Council.
- In the context of ongoing Local Authority budget challenges, a change of local political leadership and marking four years since the inception of the original tri- borough proposal, this report aims to provide an independent review of the current tri-borough working arrangements which are in existence across three London Boroughs (LBHF, RBKC and WCC) to establish where the arrangements are and are not working for LBHF.
- Following the Local Elections which took place on 22 May 2014, the newly elected Leader of LBHF appointed an independent review panel – the Critical Friends Board – led by Lord Adonis, with an aim to review tri- borough working arrangements. The appointment was based on the Labour manifesto pledge which stated:

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“Working better with other boroughs: The tri-borough concept has benefits, but it has been implemented too narrowly and has no independent oversight. We will:

- Establish an independent Critical Friends Board that will review the current structure to establish where it is working and where it is not, seeking further efficiencies
- Extend to other interested councils areas of joint working that have saved cost without harming services
- Work with other councils and public authorities in areas not covered by the tri-borough.”

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Hammersmith & Fulham Labour's Manifesto – The Change We Need, 2014

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# Review scope & approach

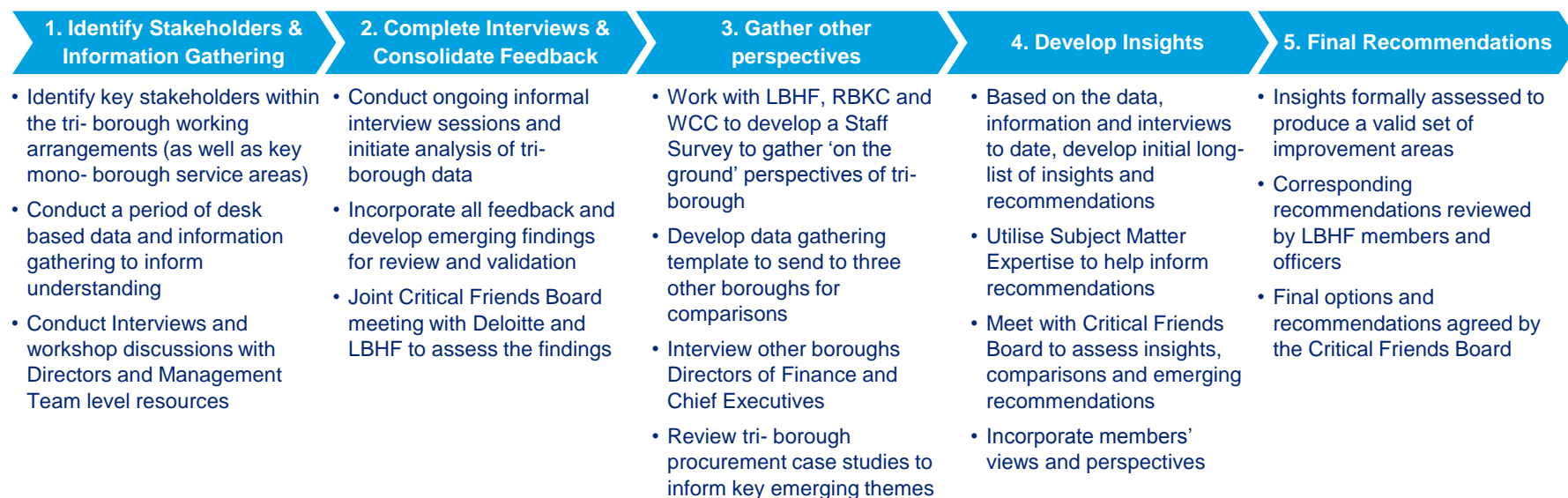
## The scope and approach of this review

### Review Scope

- The scope of this review was to work with LBHF to assess the current state of the 'as-is' tri- borough arrangements, providing a high level view of where it is working and where it is not for LBHF and provide recommendations for future improvement initiatives as part of building the strategic organisation necessary to deliver on the Council's future objectives.
- Although no areas have been explicitly excluded from the scope of this review, it is noted that this is a high-level assessment undertaken in a limited timescale and does not include an in-depth service by service analysis – it is therefore recognised that the resulting options and recommendations may not be wholly applicable to all areas of LBHF's shared services. Any conclusions drawn are based upon primary research into the following key perspectives which helped develop that high level view of the current ways of working: 1) LBHF Members; 2) Executive Directors and Leadership teams across the three boroughs; 3) Staff across all three boroughs, 4) tri- borough specific procurement case studies and; 5) Other London boroughs.

### Review Approach

- Stakeholder consultation has been key throughout the development of this Critical Friends report with engagement across the three boroughs at all levels of the organisation, as well as three other London boroughs to develop a holistic perspective of the current tri- borough arrangements.
- The development of this report followed the approach as set out below:



# Report structure and what's in a word

## The structure of the report

### Report Structure

- First, this report looks to provide an overview of what the tri- borough arrangements look like and how they currently operate through an explanation of the current ways of working and operating model(s).
- It then details the summary findings from the research undertaken into the key perspectives on the tri- borough arrangements.
- The next section looks to provide an objective perspective of tri- borough working – looking at the original aims and describing the key successes as well as the challenges the core arrangements currently face.
- The final section sets out the high level recommendations from the Critical Friends Board to inform next steps on the shared services journey.

### What's in a word?

- It is important to reflect on some of the terminology surrounding the 'tri- borough' arrangements. Indeed the name 'tri-borough' appears to have taken on its own 'brand' or 'club' status. Terminology should reflect the true nature of the mixed 'shared services' model which is now in existence across the three boroughs.

	Description
'Tri-borough'	<ul style="list-style-type: none"><li>• The term 'tri- borough' itself is important; in both its strong identity from within, but also on its effects on the outside looking in. In this report, and more generally, the term is used as a catch-all to describe collaborative working arrangements, in any form, across the three boroughs. 'bi- borough' is also used as a subset to describe working between just two of the three boroughs. Both are 'exclusive' terms which create a shared three(or two)-way identity within the boroughs involved. This is significant in that it has the potential to: 1) imprint a single view of what shared working means from the inside which is insular to the 'tri- borough' boroughs alone and; 2) create a view from the outside looking in that the current shared arrangements are politically bound to the three boroughs involved – 'buying into' the identity and concept would mean more than just sharing a service with another borough.</li></ul>
'Joining'	<ul style="list-style-type: none"><li>• A '<i>join</i>' in simple terms is a union of two or more things. Although joining together is absolutely necessary for collaborative working – in term of joining 'forces', spend, people, provision – the term is a confusing one. Again, from the outside looking in, to 'join' the 'tri- borough' could infer that the newcomers are expected to become a 'member of the club' – tied together with a pre-formulated identity. What the tri- borough identity does is distract from its reality as '<i>sharing</i>' services wherever it makes sense to do so. This is not three exclusive boroughs operating a rigid construct for exclusive collaboration.</li></ul>

3. What is ‘tri- borough’?

# Overview of tri- borough operations

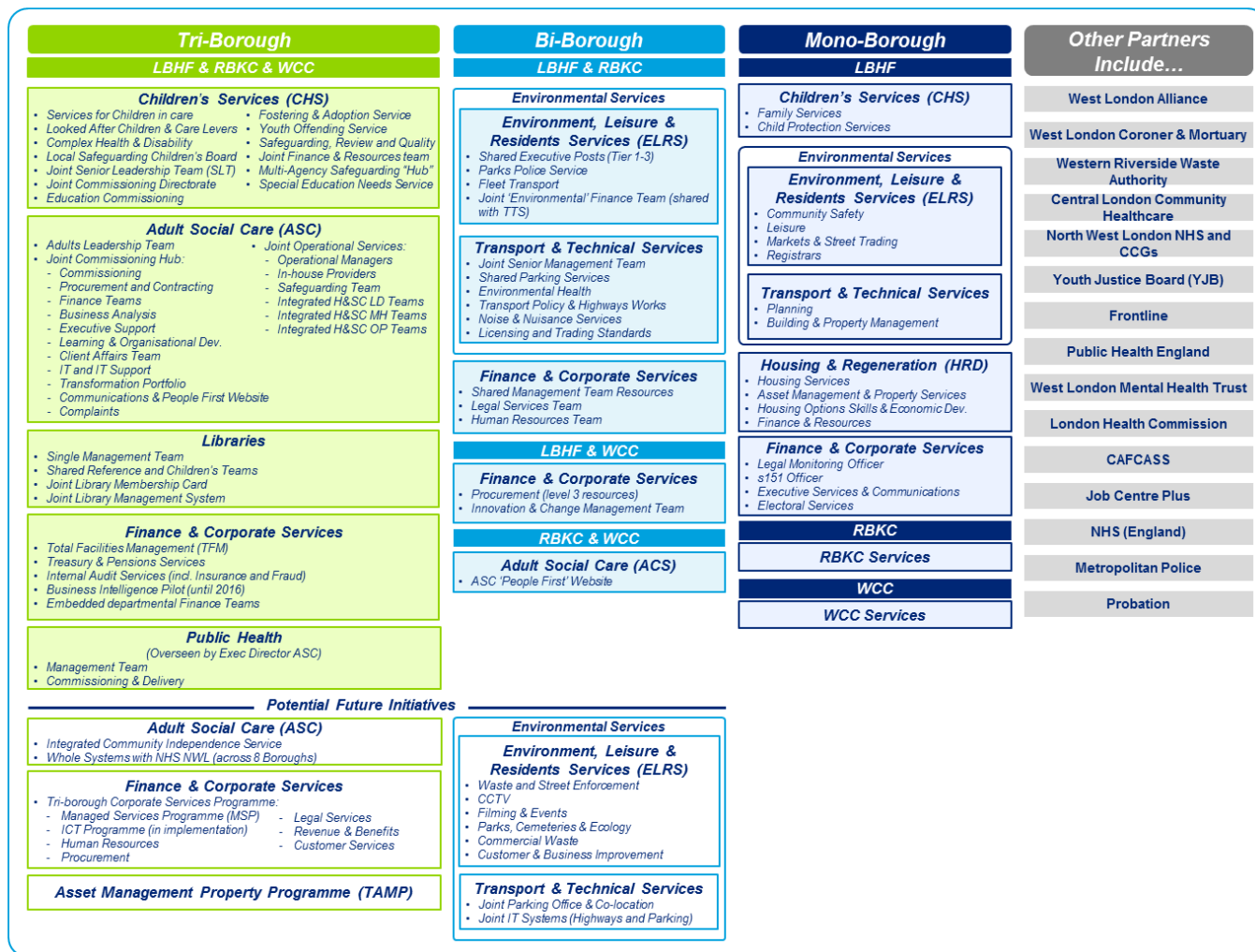
Tri-Borough at the high-level is a framework for joint working arrangements across three London boroughs. Now four years since its inception, the original tri- borough idea has evolved to become a mixture of implemented and planned initiatives at the 'tri-borough', 'bi-borough' and 'mono-borough' levels.

- Sharing services is not unique to the 'tri- borough', and pre-tri- borough there were already some elements of shared arrangements between the three boroughs. However, the tri- borough initiative has created relationships through which sharing services more radically – between three allocated boroughs – becomes more feasible.
- Never meant as the sole answer to all the council's financial challenges, and only ever as one initiative amongst many, the tri- borough proposals have very much evolved and have had some major success – now making up nearly 15% of total savings at LBHF – a proportion that is forecast to grow year on year towards 2017/18.
- Tri- borough working is a relatively new idea and is still at the beginning of its journey – although it has largely achieved its original aims of reducing management costs, and it has shared certain best practices and 'at-scale' working, there are some significant areas of challenge in terms of technology alignment, sovereignty and end-to-end commercial management.
- However, there is still ambiguity on what 'tri- borough' actually is and what it does. The term 'tri- borough' is ultimately a misleading one because it is not one single formulaic initiative; instead it is an 'umbrella' term for evolutionary 'joint working' and collaboration between three London boroughs.
- The initiative has been implemented differently both across borough boundaries and within the individual services themselves leading to multiple interpretations and meanings, depending on where you are viewing from and what you are looking at.
- The joint working arrangements to date have allowed the Council a way to make necessary savings (i.e. management reduction savings) whilst maintaining critical levels of scale and expertise. Whilst at individual service level granularity the resulting structures may serve their purpose, from a high-level 'organisation-wide' view, the multiple arrangements have resulted in a complex structure which lacks the supporting infrastructure to enable its full potential and required level of individual borough accountability.
- Complex or 'difficult to understand' doesn't necessarily mean 'inscrutable' or 'impenetrable'; there are ways in which the current operational complexities can be lessened and better supported to enable more efficient and effective ways of working.

# Tri-, bi or mono- borough?

The phased implementation of this collaborative idea across numerous services and three boroughs has resulted in multiple service specific delivery models and, from the high-level, a complex organisational structure.

## High level view of service-by-service 'identity'



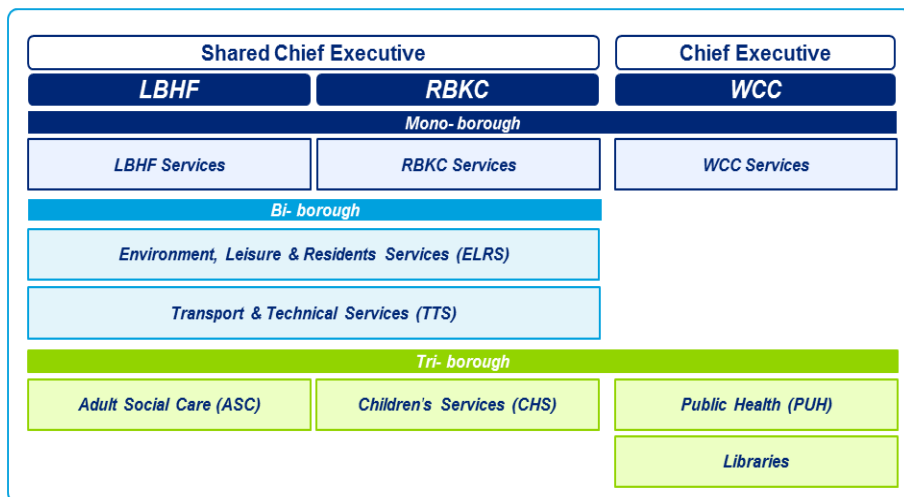
- A high level illustrative diagram of the extent to which the 'tri- borough' framework has been applied to individual services across each borough is shown opposite.
- Those services which would usually be deemed high-risk (ASC/ CHS) have been shared the fullest, whilst some more typical 'shared services' are still mono- borough.



# Organisational ‘ownership’

Different parts of the ‘tri-borough’ landscape are ‘owned’ by different individual boroughs, despite offering services across all three.

- It was a strategic decision from the outset that the first step toward tri-borough implementation would be senior management reduction and re-alignment across the departments; this was seen as a strategic enabler which would allow for initiatives, redesign and further reorganisation to be driven forward by one individual leader from the start.
- Each of the three boroughs decided at the commencement of the process that staff should transfer to one of the other councils using Section 113 of the Local Government Act 1972 – the power to place staff at the disposal of other authorities – and, in the case of health bodies, Section 75 of the NHS Act 2006. The Section 113 route was chosen for practical reasons over TUPE due to the considerations of the sovereignty guarantee, less disruption to staff, as well as the requirement to expedite savings.



## Key ‘Shared Management’ Facts\*

### LBHF ‘share’

- For LBHF this has led to a reduction in management posts of 51% since 2010 (or a reduction in Tier 1-3 resources from 106 to 54)

### Bi- Borough

- 1 shared Chief Executive (LBHF and RBKC)
- 1 shared Director of Human Resources (LBHF and RBKC)
- 1 shared Director of Legal (LBHF and RBKC)
- 1 shared Deputy Director of Finance (LBHF and RBKC)
- Middle and senior management posts within Environment services (shared by LBHF and RBKC) have been reduced from 27 to 16 posts

### Tri- borough

- Middle and senior management posts across Children's Services, Adult Social Care and Libraries have been reduced from 62 into 34 posts

- With the above shared management structures in place, each Council now acts as a lead for a specific tri- or bi- borough service.
- However this, when combined with a lack of formalised governance, leads to risks for individual borough accountability and signals the need for stronger governance to ensure services are consistently being delivered to the sovereign standards required by LBHF.

\*In this analysis we have considered the reduction in the senior management teams in each department based on the first three tiers of management. Tier 1 relates to executive directors, tier 2 to directors and tier 3 to heads of service using the tri-borough terminology. It should be noted that the three authorities used different titles for their senior management teams

# Extent of Integration

The extent to which departments and services can be referred to as tri- or bi- borough depends on which organisational 'lens' you view them from. The arrangements all differ in terms of their level of integration, but at the high level, shared management is the key characteristic of a shared service. In the most part, technology, governance and data are still operated on a single borough basis.

- Management resources are almost fully shared or integrated across those departments which are classified as either tri- or bi- borough. However, Management teams represent only one layer of the current operating models; the extent to which services can be classified as being fully integrated, or not, is dependent on several other core components of a successful operational business.

Organisational 'Lens'		Increasing level of partnership*				
		Coexistence —————> Integration				
Management	Individual management teams operating with mono-borough interests	[Arrow from Coexistence to Integration]				
Suppliers	Contracts let by single boroughs only – diverse portfolio and separate supplier base	[Arrow from Coexistence to Integration]				
Physical Location	Autonomous management of assets and staff located in separate boroughs	[Arrow from Coexistence to Integration]				
People	Independent borough teams, JDs, pay and overheads	[Arrow from Coexistence to Integration]				
Processes	Separate, non-scalable, business processes	[Arrow from Coexistence to Integration]				
Information/ Data	Non-aligned sets of data and business intelligence	[Arrow from Coexistence to Integration]				
Technology	Independent hardware and applications solutions	[Arrow from Coexistence to Integration]				
Customers/ Services	Separate services and customer offerings	[Arrow from Coexistence to Integration]				
Governance	Three sets of separate governance models	[Arrow from Coexistence to Integration]				

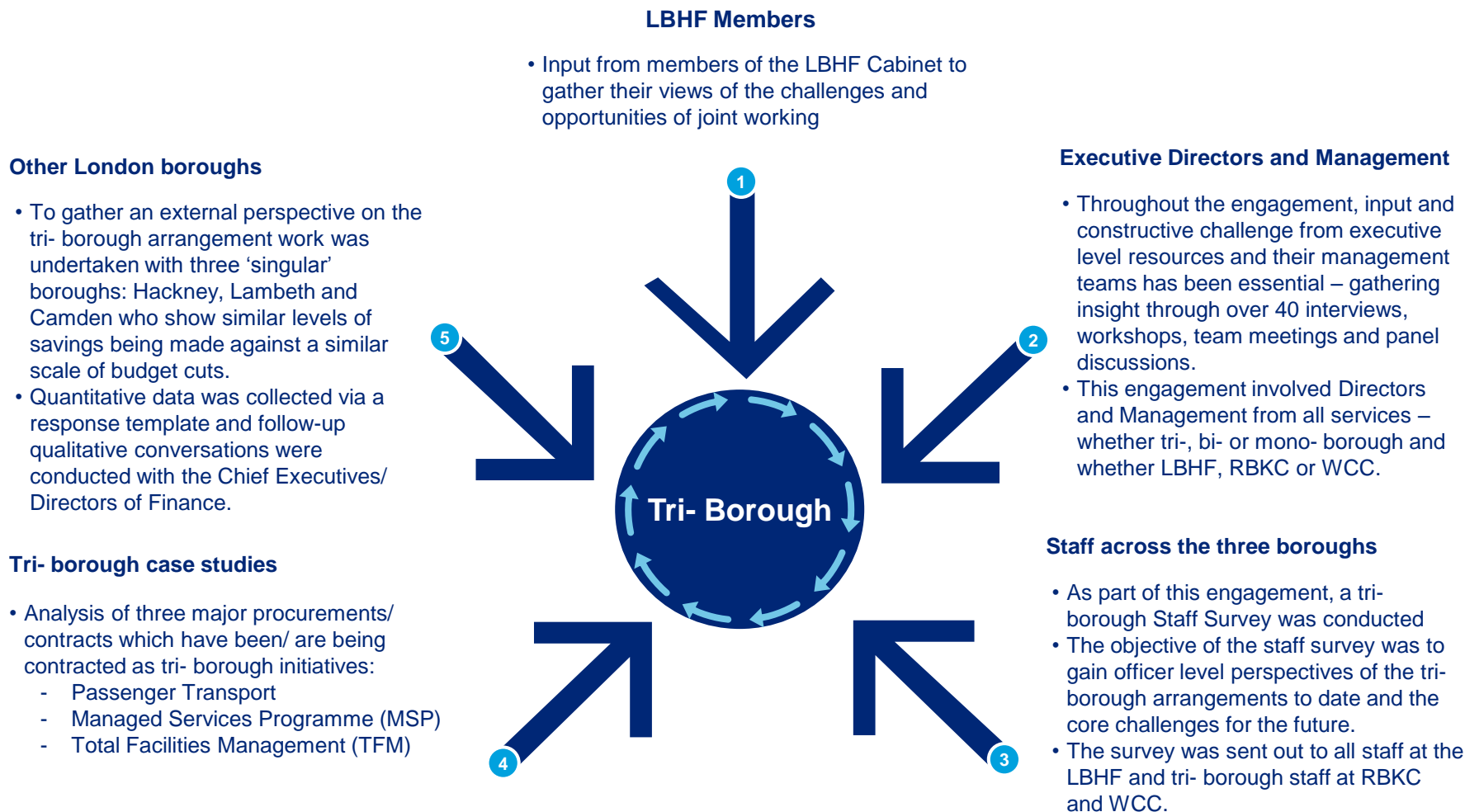
- The figure opposite describes the core layers of a typical organisation, and at a high level illustrates how far the three councils have progressed toward full integration across them all.
- It is not the expectation that the three councils should be fully integrated across all areas of a typical operating model, as there are constraints of sovereignty and local accountability.
- However, it is apparent that technology, processes and governance are lagging behind the shared management, suppliers and teams they are trying to support.

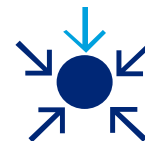
*Illustrative figure taken from a high level perspective – not representative of all individual service areas*

## 4. Tri- borough perspectives

# Tri- borough perspectives

This review has undertaken research from five different perspectives in order to holistically understand the current ways of working, operational realities and key successes, challenges and concerns of the tri-borough arrangements.





# LBHF Members

The new LBHF Labour administration came into office on a manifesto\* that supported the need for shared services – stating that the tri- borough initiative was innovative in principle but could “be made leaner and more effective”.

## Background Themes

- The Members accept that the tri- borough was a welcome and ground-breaking initiative which aimed both to help the boroughs procure services better and to cut costs through sharing management.
- The tri- borough savings to date are seen as an important contribution to overall savings made by the council.
- There is a view that, in light of the wider debate on greater local and regional devolution, many other councils and public sector bodies are reviewing how they can share a variety of services and that therefore strengthening joint working is an important priority.
- However, LBHF Cabinet Members have expressed a view that the current operating model is often chaotic in its nature – this ‘as-is’ view is seen as the result of a structure that has grown organically rather than as a result of a detailed pre-planned approach.
- Members also expressed a view that there was a lack independent oversight that could have challenged accepted thinking or questioned vested interests.

## Key Themes

### Joint Procurement

*Using key procurement case studies, including the Special Educational Needs children’s passenger transport service, Members point to some core failures in the ability of tri- borough to procure to satisfactory delivery standards.*

- **Insufficient preparation** for ‘contract mobilisation’, and failure to provide necessary data for complex requirements
- Resolving the challenges that complex procurements unearth **consumes a large amount of senior management time**
- **Conflicting demands** and timescales for senior tri- borough officers to work towards
- **Slow escalation of risks**, issues and key information flows
- Potential amongst the boroughs for **legal disputes**

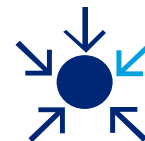
### Shared Management

*Members are concerned by the manner in which management has been merged, mainly from the top down. Tri-borough officers are perceived to be at risk of not being able to offer independent, timely advice to LBHF Members, and risk not pursuing solutions outside of the tri- borough structure with as much vigour as may be required in the future.*

Members perceive three key issues:

1. that LBHF are the **victims of the lowest risk appetite** should one borough not want radical change.
2. that current **complex structures deter expansion** of joint working to other boroughs.
3. that no singular LBHF point of contact **negatively impacts sovereignty**.

*The new LBHF administration’s manifesto foresees innovative changes to policies and ways of operating, including a commitment to involve residents much more directly in developing policy, making savings and improving services. One of the tests of the tri- borough must therefore be how far it supports or hinders LBHF in delivering its democratic mandate.*



# Executive Directors and Management

Throughout the engagement, we have gathered input from executive level resources and their management teams – gaining insight through over 40 interviews, workshops, team meetings and panel discussions. The overall messages and key themes coming from these are captured below.

## Key Messages from Directors and Management :

- Joining senior management teams as the first initiative was good strategy, as it allowed for one clear team to focus on the future vision and make the changes to structures required.
- Corporate systems, **processes and ways of working are not integrated across the three councils** which is currently creating inefficiencies and frustration.
- Tri- borough is **still in its first phase of development** and as such is still relatively 'immature'.
- A bold and ambitious future vision must be agreed and implemented to provide ongoing clarity.
- Tri- borough should be 'virtual'/ behind the scenes and is not an organisation for customers: tri- borough **must not lose sense of the commitment to the needs of residents**.
- **Sharing knowledge is key** and the resulting skills increase is noticeable.
- The **current 'costs' of the mechanics** of running the tri-borough arrangements (travel, administrative burden, cross-charging) could become a limiting factor because the key enablers are missing.
- **Different pay despite close working is a risk for the longevity** of the current programme of work. Section 113 (sharing staff) was utilised as a 'quick fix' to enable the tri- borough arrangements – however, it stops somewhat short of what is needed to truly share services.
- **No formal governance is a major weakness** and take precious time away from key resources.
- If there is an ambition to do tri- borough properly then it must embrace a modern culture of digital enterprise and **technological innovation**, with shared data backing it up.
- There is a feeling that **staff could lack an identity** at the front line – who do they actually work for and what are the objectives of their roles?
- Savings have been made through management sharing and joint procurement, rather than more fundamental strategic change. **Tri- borough needs to be more streamlined** and tools integrated that work across the three boroughs. Tri- borough now needs to be embedded and taken to the next level.
- The fact is simply that there are still **three different ways of doing things** for most services and different systems and thresholds – the current arrangements need reform.
- Overall, there are more similarities than differences between the boroughs (especially in terms of service delivery).

## Key Themes

*Still early days as a radical change programme – needs to be embedded*

*Sharing learning and Best Practice has been invaluable*

*Enabling functions (IT, HR, Finance and Procurement) must be aligned to enable the full potential*

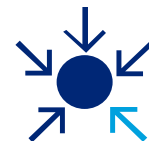
*Governance 'three times' is inefficient and costly*

*'Digitalisation' and 'working from anywhere' is key to the future operations*

*Mixed pay conditions is a future risk*

*More radical options for service alignment are available*

*A shared and ambitious future vision is now required*



# Staff across the three boroughs

As part of this engagement, we conducted a 'tri- borough Staff Survey' with the objective to gain officer level perspectives of the tri- borough arrangements to date and the core challenges for the future – the overarching theme was of uncertainty for the future and an alignment on the key challenges that lay ahead; solving the different processes, technologies and cultures which make shared working difficult.

- The survey was sent to all staff at LBHF, as well as all tri- and bi- borough staff at RBKC and WCC. A total of **589 responses** were received from across the three boroughs with 50% of respondents being officers with no management responsibilities\*.
- The main ways in which respondents' services or roles were identified as being tri- or bi- borough were by reporting to a shared management team (63%), followed by sharing best practices and data (43%) and working as part of a joint delivery team (37%)
- The key themes are explored below (and are evaluated in more detail in Appendix A4)

## Uncertainty Prevails

- There is a high level of **uncertainty as to the true benefits** of 'tri- borough' working with most respondents simply stating 'neither agree nor disagree' when asked about whether tri- borough has enabled both costs savings and service improvement opportunities.
- The most significant perception is that **cost savings are believed to be the overarching priority** for tri- and bi- borough working.
- LBHF staff feel more strongly (+11%) than the other two boroughs that tri- borough working **does not improve individual borough's ability to serve their own residents**.

## Positive for personal development

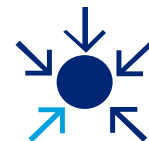
- The tri- borough has **offered personal development opportunities** to those involved through the sharing of best practices and working in shared teams.
- However, 56% LBHF staff feel a level of **nervousness about job security**. It is important to note that any conclusions stemming from questions of job-security cannot be limited to the tri- borough alone and may be a commentary on the wider economic climate and landscape of ongoing austerity.

## Conflicting views on the 'way forward'

- There is a high level of **uncertainty about the future direction of travel** – with a relatively even split between wanting 'more' joint working and wanting to 'discontinue' it altogether. 16% of respondents don't know either way. LBHF staff share the same uncertainty as the other two boroughs.
- The service areas voting for 'more' joint working are predominantly ASC, CHS and FCS (together representing 65% of LBHF 'more' vote). Those stating 'discontinue' are predominantly from ELRS and FCS (60% of LBHF 'discontinue'). This shows an interesting level of uncertainty within Finance and Corporate Services.
- The core challenges for the future were deemed to be **different policies and processes, different technology systems and different cultures**

\*The staff survey was sent out in through August/ Summer Time and it is therefore acknowledged that response volume may have been affected by the holiday period. For more detailed analysis of the Staff Survey Results, please see Appendix A4.





# Tri- borough procurement case studies

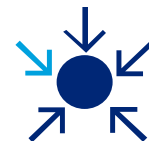
Although only a snapshot of the full landscape of tri- borough working, the three case studies chosen have revealed mixed procurement success and some major ongoing contractual issues. Joint working has added complexity but it not the only cause of the issues. The end-to-end commercial process, legal input, supplier implementation and process governance are the key challenges.

Case study specific themes		
Total Facilities Management	Passenger Transport	Managed Services Programme
<ul style="list-style-type: none"><li>✓ London-wide framework enables other boroughs to participate leading to rate reductions and further cost reductions</li><li>✓ Original savings forecast to be exceeded</li><li>✓ Contract Management intelligent client function 'Hub' set up.</li><li>✗ Mobilisation and transition timings underestimated</li><li>✗ Complexity of cost allocations and financial pricing models among boroughs</li><li>✗ Mixed messages and interpretations of future vision received by suppliers</li></ul>	<ul style="list-style-type: none"><li>✓ Savings have been achieved as per the original business case (although they vary by borough: WCC has the largest saving)</li><li>✗ Lack of upfront stakeholder engagement and end-to-end commercial leadership</li><li>✗ Procurement and Legal not future looking in terms of contractual terms and conditions</li><li>✗ Difficult to gain consensus through the challenging governance processes</li><li>✗ Insufficient recognition of different starting points and little data to support requirements</li><li>✗ Accountability and Sovereignty affected by individual borough 'ownership'</li><li>✗ Diversions due to other 'tri-borough' priorities</li><li>✗ Westminster signed and let the contract – although this was agreed and signed off by all three administrations at the time</li></ul>	<ul style="list-style-type: none"><li>• Issues have been identified here which inform this review but, due to ongoing commercial negotiations, detailed findings have been excluded from this report.</li></ul>

## Key Themes

- 1.Sovereignty is a challenge;** contracts should be let individually to reflect sovereign borough legal and service requirements more accurately
- 2. Achieving consensus is difficult;** multiple governance routes and decision making processes should be streamlined, and different individual borough requirements and 'starting points' should be thoroughly assessed upfront to decide if a procurement should be joint or not.
- 3. Procurement and Legal are key to 'tri- borough',** the functions should work more strategically, with better end-to-end commercial leadership and formalised links into the businesses they support.
- 4. Business case and options development not best practice;** evaluation of full set of options, and contingency/ risk planning should be built into the process as standard.





# Other London boroughs

To gather an external perspective on the tri- borough we worked with three ‘singular’ boroughs: Hackney, Lambeth and Camden to gather their perspectives from the outside looking in.

## Background Themes

- There is a similar magnitude of budget cuts and associated savings being made across the three other councils.
- The increase in the council tax base has benefited all boroughs except LBHF. For LBHF such income has fallen due to cuts made to the council tax charge.
- Over the last four years, savings at other boroughs have largely been made through the same types of initiatives as those which the ‘tri-borough’ enables – management re-structures, demand management and joint procurements
- Other boroughs believe that immediate future savings targets can still be made by looking deeper internally. However, fundamental change has become a must and there is a view that sharing services is becoming a necessary way to achieve that aim.

## Outside view in

### Interested

- Depth and breadth of sharing and scale of savings has impressed other councils
- Joint working can create a more sustainable business model in the longer-term
- Recognition that working ‘at-scale’ brings benefits through increased opportunity for collaboration (e.g. partnerships with Heath, Employment, Third Sector)
- Logical geographic boundaries and some central/ west London cultural, economic and social similarities
- Sharing of best practice made easier through built-up ‘trust’ – which needs time to develop and is lacking in other collaborative arrangements
- Sharing services is seen as the inevitable future for London – especially in light of further budget cuts: tri- borough seen as leading the way.



### Sceptical

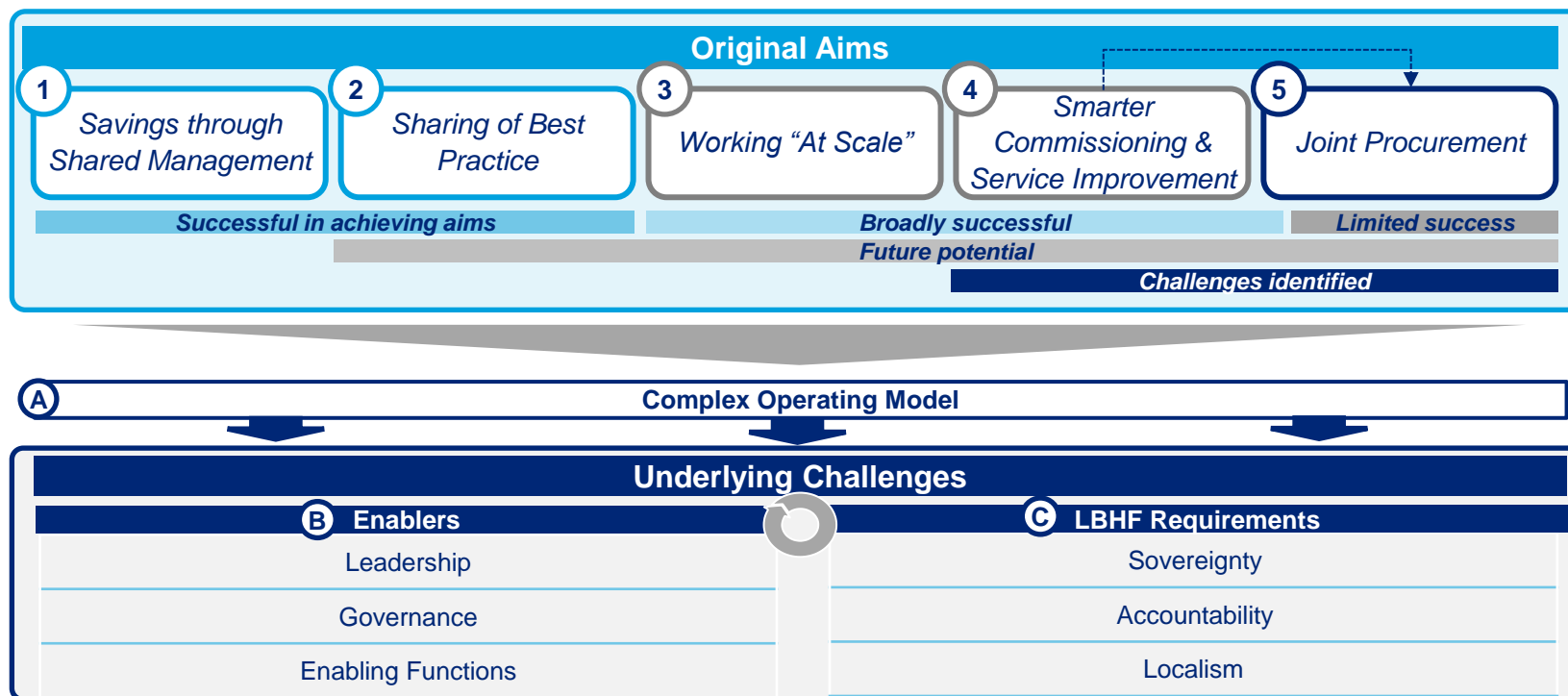
- Perception that the ‘tri- borough’ arrangements are somewhat ‘presentational’ in their identity – how far have they really integrated?
- A level of scepticism exists as to the true quantifiable additional benefits that the tri- borough arrangements bring
- The arrangements from the outside look to be a complex ‘patchwork’ of collaboration with no strong vision and inherent costs to delivery
- Perception that the solutions are highly politicised
- An unattractive structural model to ‘buy into’
- Perception that long-term third party contracts are harder to take costs out of; in-house services may be easier to cut more quickly if more radical changes are required in the future
- Sharing services viewed as a ‘last resort’ when threatened by financial pressures, mainly due to its complexity and risks.

*Although sharing services is generally seen as ‘the future’, the tri- borough arrangements are viewed to be too complex organisationally to ‘connect into’ and are instead viewed with a level of scepticism. Other boroughs appear at present to favour more tactical collaboration on a service by service basis, rather than a strategic decision to join the tri-borough arrangement.*

## 5. Objective perspective of tri- borough working

# Original aims and underlying challenges

From the outset, the original proposals aimed to help the three boroughs reduce costs whilst improving service delivery at scale. Although progress has been made in delivering against these aims, there are areas which can go further still, and others where risks still lie. In addition, more emphasis should be directed toward the enduring underlying challenges; the enablers of joint working and the risks to sovereignty of the current organisational complexity.

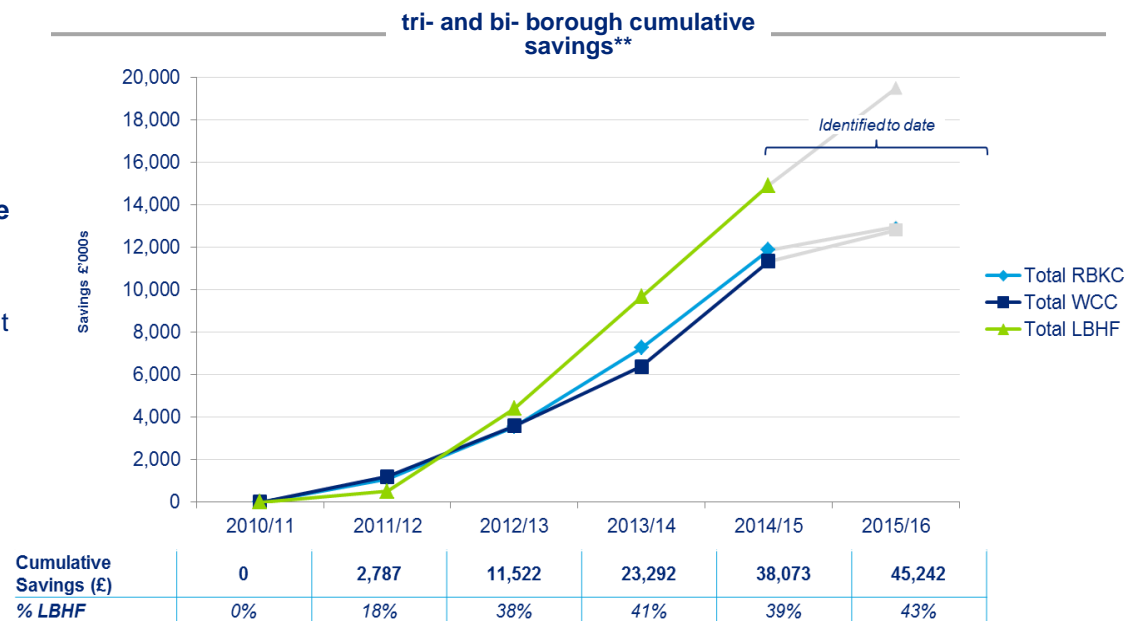


*Although delivering on a number of its key original aims, the tri-borough arrangement has seen mixed success. The remaining challenges stem from the resulting complexity of the shared service operating model as well as the underlying issues relating to the systems and processes required to support joint working and the enduring element of accountability required by LBHF.*

Overview against original aims

The overarching aim and one of the key successes of the tri- borough initiative has been to make savings through shared management. Overall these savings, coupled with cost reductions stemming from other elements of tri- borough working, have exceeded the original forecasts and represent an important and ongoing contribution towards LBHF budget reduction targets.

- ✓ In terms of scale, the tri- borough initiative is just one of 16 individual cost reduction categories being implemented across LBHF and is forecast to represent **15% of total cumulative LBHF savings** since its commencement in 2010/11.
- ✓ Previous estimates understate the total cost savings that have been attributed to tri- borough initiatives across the three boroughs (collectively over £11m at the end of 2012/13) compared to the forecasted £9.9m.
- ✓ Categorising the Top-10 tri-borough initiatives for each year 2010/11 through to 2014/15, illustrates that the most valuable types of savings have been 1) **Management Savings**, 2) Demand Management, 3) Joint Procurement (together representing ~80% of total tri- borough savings)\*.
- ✓ As per the original objectives, Senior Management posts (Tier 1-3) have been **reduced from 106 to 54 (-51%)** which results in a 54% reduction on 2010 costs.
- ✓ LBHF has, up to 2013/14, made **£9.6m savings through 'tri- borough initiatives'**. Or 41% of the total allocated 'tri- borough' savings of £23.3m.
- ✓ Further, the Finance Integration Project (FIP) Board report dated July 2014 notes that the three councils are on track to realise **cumulative savings in excess of the original £40m target** by 2015/16, as shown in the graphic opposite.
- ↑ However, the initial decision to share management to cut costs, although successful in doing so, may have **contributed to a lack of emphasis being put on the enabling functions** required to support the resulting shared teams.
- ↑ Further, it is recognised that in terms of governance and oversight from the political – sovereign – level, shared management working to three political mandates (rather than just one) can create **risks to accountability in individual/ unique borough service areas** (however, the review did not encounter evidence of this in those services currently shared on a bi- borough basis).



\*See appendix A6 "tri- borough savings" for more detail. \*\*Source: LBHF Strategic Planning and Monitoring, Corporate Finance Team, with input from Finance Integration Project (FIP) Board report dated July 2014

Creating a trusted network of sharing is an important aspect of the tri- borough. For LBHF this appears to have been a mechanism for cost savings, increased revenue generation, service delivery improvements in a number of areas, as well as an increase in personal staff satisfaction. Maintaining that trust and openness, and widening the sharing network to other boroughs and beyond will ensure continued challenge and fresh insight into shared working.

Sharing of Best Practice	
Overview	<ul style="list-style-type: none"> <li>✓ Tri- borough working has enabled the <b>effective and direct sharing of best practice</b> across service areas and teams. In many places this has resulted in a better quality of service at reduced or no extra cost because staff from each borough can draw on the wide pool of expertise and specialist knowledge of the other boroughs.</li> <li>✓ Employees report <b>increased job stimulation through learning</b> the other boroughs' policies, challenges, innovations and successes and through comparison of the effectiveness of varying service delivery models.</li> <li>✓ The connection (in terms of people, not process) across tri-borough allows for <b>comparison of different models and approaches</b> and presents opportunities to develop more innovative service delivery or income generating models, compared with the alternative method of benchmarking across other less connected organisations.</li> <li>✓ The tri- borough has created <b>a network for sharing best practice at the local government level</b> – building cooperative teams and enabling communications that cross the boundaries between the three boroughs, where best practice information flow is more business as usual than one-off and hard sought.</li> <li>↑ However, it is acknowledged by staff that through better systems and data alignment, the three councils' ability to benefit from shared information flows and to undertake deeper 'compare and contrast' analysis over areas of professional practice would be heightened.</li> </ul>
Selected Examples	<ul style="list-style-type: none"> <li>- <i>LBHF Children's Services Troubled Families Programme is now based on the WCC model for provision.</i></li> <li>- <i>Sharing good practice with both RBKC and WCC in sales and debt recovery functions has increased commercialisation. ELRS achieved an 11% (£609k) growth in external income over the last 12 months and 17% (£922k) over the past two years due to adopting initiatives utilised by the other two boroughs.</i></li> <li>- <i>The newly created 'Business Intelligence' team utilises technology and data platform functionality from RBKC, and experienced project resources from WCC and LBHF to deliver data driven collaborative savings (e.g. Freedom Passes and Single Person Discounts in council tax realising £600k in year one).</i></li> <li>- <i>Public Health Community Champions Conferences across the tri- borough have enabled a larger volunteer network to meet and train together, sharing experiences and sparking off new projects based on what someone else is doing successfully.</i></li> <li>- <i>In TTS, RBKC is now recharging more highways staff costs to TfL than before, with consequent general fund savings in line with LBHF practice; LBHF copied RBKC's introduction of graduated charges for parking suspensions and use of street assets for wi-fi, both initiatives increasing annual revenue for LBHF.</i></li> <li>- <i>LBHF have improved resourcing and performance in food safety in line with RBKC practice, reducing the level of risk in LBHF; RBKC have been able to reduce costs without adversely affecting level of service in other areas of environmental health by following LBHF's approach.</i></li> </ul>

The tri- borough arrangements allow LBHF to operate 'at-scale' in those services which are shared – a larger geographical footprint, shared resident pool and increased operational flexibility provides a stronger platform for discussion and negotiation with like-sized organisations and interested parties.

Working "At Scale"	
Overview	<ul style="list-style-type: none"> <li>✓ The tri- borough creates 'at-scale' working. In terms of both geographical footprint and local resident populations (see Appendix A1 'Wider Context' for more information), the tri- borough scale provides a <b>strong platform for negotiation</b> with like-sized organisations – for each of the examples below, the single boroughs alone may have lacked the scale to attract funding/ opportunities for discussion in the first instance.</li> <li>✓ By moving to larger scale activities, tri- borough services can provide a <b>larger set of product offers to their residents</b> – and equally, the individual boroughs can gain from the larger population/ footprint available to them.</li> <li>✓ Coming together at-scale also creates an organisation with <b>greater resilience to change and the flexibility to meet fluctuations in demand</b>.</li> <li>↑ Although the tri- borough has created opportunity through its larger scale, it is acknowledged that to move toward larger scale 'London-wide' activities and to provide a stronger platform for Government to be invited to devolve responsibilities with confidence, the <b>current arrangements must be better enabled</b> and more appropriately constructed to allow for others to easily connect and share.</li> </ul>
Selected Examples	<ul style="list-style-type: none"> <li>- <i>Tri- borough Children's Services have been given the opportunity to become a Care Proceedings Pilot and have secured 'Focus on Practice' DfE Innovation Fund. CHS, alongside Ealing, have negotiated with the Youth Justice Board (YJB) to become a "pathfinder area" - to cut costs for young people in custody across the four boroughs.</i></li> <li>- <i>Cultural services and events now have a far larger product offer due to the geographical footprint of the shared borough boundaries (bigger variety of filming/ event locations) and greater choice of and exposure to arts and culture (increasing promotion of arts and cultural assets)</i></li> <li>- <i>Public Health is using its three borough scale to develop meaningful networks and connections between community projects across the three boroughs and is using its scale across three boroughs to introduce flexibility into its strategy – implementing a 'crop-rotation' technique to play to the individual boroughs needs for a snapshot in time (individual level, business level or policy level engagement).</i></li> <li>- <i>ASC is able to more effectively influence the NHS and local CCGs to develop strategy based on known common challenges and shared improvements (e.g. Better Care Fund). That increased scale has also enabled success in the following projects: whole systems health and social care across eight boroughs, Hospital discharge standardisation, Homecare, Placements monitoring including a single market price and market management and the Community Independence Service.</i></li> <li>- <i>One of the Arts Council's highly acclaimed music hubs has been in place since 2012 as a result of the tri-borough partnership, harnessing the strengths of partners such as the Royal Albert Hall and the Royal College of Music and enabling more pupils in each borough to learn an instrument and take part in a choir or orchestra.</i></li> </ul>

Through working at a larger scale and sharing best practices the tri- borough services have delivered some specific improvements in front line delivery for their residents and there is potential to create additional benefits through further alignment. However, the way in which joint teams currently link into the wider procurement process has seen mixed outcomes and has resulted in some major service level challenges.

	Smarter Commissioning & Service Improvement
Overview	<ul style="list-style-type: none"> <li>✓ Both sharing best practices and working at scale are linked to service improvements and through those aims, individual service areas who are working collaboratively are <b>making some service improvements for their residents</b>.</li> <li>↑ However, it is acknowledged that there is <b>still potential here for more effective delivery models</b> for the future. ASC and CHS are currently working together with health and the community to develop fully integrated or 'joint with community' solutions, tailoring services by guiding market development. There is a big play across other boroughs for more intelligent demand management, early interventions, integrate care pathways and more strategic working with the third sector.</li> <li>✓ ASC tri- borough Social Care Commissioning "Hub(s)" have allowed <b>better management of fees and charges across common patient/ residents</b> and customers as well as quality monitoring of shared providers.</li> <li>↑ However, through the case study examples (e.g. Passenger Transport), it is apparent that, as part of delivering smarter commissioning and service improvements, <b>commissioners and procurement need to work together with the business more effectively</b> to plan customer-centric outcomes and to ensure that the process of specifying, securing and monitoring services to meet people's needs at a strategic level is appropriate – at the individual borough level for LBHF, as well as across any joint procurements undertaken in the future.</li> </ul>
Selected Examples	<ul style="list-style-type: none"> <li>- <i>A single library card and over 1,000,000 library books now available to residents across the three boroughs</i></li> <li>- <i>Children's Social Care tri- borough Fostering and Adoption Service (sharing placements across boroughs avoids additional costs of Independent Fostering Agency placements and enables better more timely placements)</i></li> <li>- <i>A pilot scheme run within tri- borough Children's services has reduced the length of care proceedings from 58 to 26 weeks</i></li> <li>- <i>Adult's Services Better Care Fund and specialist commissioning, Placements Monitoring and Market Management.</i></li> <li>- <i>Bi-borough working at scale - sharing resources and assets - has made it easier for grounds maintenance suppliers to improve their services to residents. Response times to incidents by shared Parks Police have been reduced by the same means.</i></li> <li>- <i>Schools have been supported in improving Key Stage 2 and GCSE results in all three boroughs from a far smaller tri-borough school standards service, than the three separate services that were in place previously, helping to achieve a high percentage of schools judged by Ofsted to be good/outstanding, well above national averages in each borough.</i></li> </ul>

*The lack of supporting infrastructure, systems and easily accessible shared data creates increased risks to the delivery of critical services which are jointly managed. This in turn creates difficulties for joint procurements in terms of collating data, requirements and specifications in a timely and uniform manner.*



The review has revealed mixed procurement outcomes and some ongoing contractual issues. Joint working has added complexity but it is not the only cause of the issues. The end-to-end commercial process, contractually sensitive legal input, supplier implementation and process governance are the key challenges.

### Joint Procurement

#### Overview

- ↑ **Procurement (and the wider commercial landscape) is not yet fully equipped to undertake complex procurement and commercial management** often required at the tri- borough level. Although joint procurement has had success with less complex contracts, or through joint commissioning teams in ASC, it is acknowledged that commercial leadership, capability and capacity must be strengthened within LBHF, with the whole organisation becoming more commercially astute 'end-to-end'
- ↑ **Understanding the full complexity inherent in collaborative procurement across three sovereign boroughs is a core challenge.** To date, misunderstanding has resulted in delays to project implementation, too little attention to market data and market making and a lack of decisive stakeholder engagement needed to drive alignment, understand individual borough requirements and develop alternative options. These challenges are compounded by the fact that these procurements often represent the first time each council has undertaken such a complex outsourcing.
- ↑ The required mechanisms, governance routes and processes for undertaking joint procurement at the tri- borough level are not clear; this ambiguity **risks the future success of any other joint procurement** opportunity which may arise (i.e. school meals).
- ↑ The difficulty of **varying procurement threshold levels\* between the three boroughs** (from £20k at LBHF to £1.5m at WCC) creates additional complexity and conflicting demands which adds extra administrative effort and potential for time-lags.
- ↑ Differing borough approaches and resourcing structures means that there is **little formal symmetry when undertaking joint procurement** – generally one borough leads on behalf of the other three but maintains its own way of working which may not fully incorporate others views, processes or governance routes. WCC contracting for shared Passenger Transport highlights the challenges arising from this.

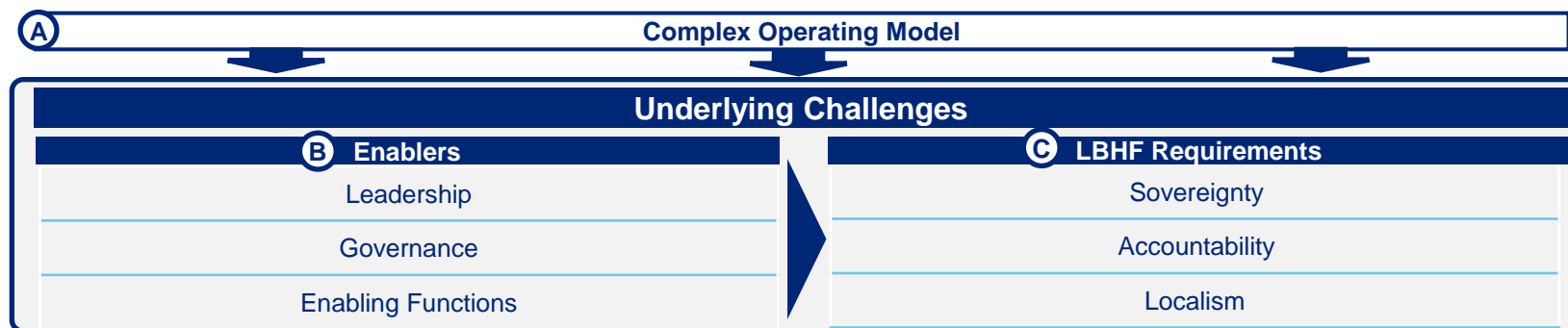
#### Selected Examples

- *Joint procurement of Libraries Management System now live across all three boroughs. In TTS, tenders have been received for bi-borough replacement ICT for the joint parking services, offering enhanced service capability at substantially less cost than the legacy systems in both boroughs.*
- *Joint procurement of Total Facilities Management has been largely successful in terms of immediate cost savings (expected to deliver in excess of £90-£100m (30%) savings over the lifetime of the contract (10-years). However, there is still some difficulty in cross-charging mechanisms for the three boroughs and there are concerns in all three boroughs over the costs of non-core FM services and/ or the quality of core services.*
- *Examples of joint procurement, including SEN Passenger Transport, have seen very serious issues in terms of supplier performance, inflexible contractual terms, inaccurate specifications and misunderstood requirements. They have had cost implications for all three boroughs in terms of lost savings realisation, additional costs for implementation and additional resource requirements to ensure delivery.*
- *The Passenger Transport contract holds some key lessons for the level of required Legal input into complex procurements – namely that joint procurement and their resulting services should not be contracted for by one borough alone; supplier relationships and performance management are key to individual borough service provision and Members must be able to hold suppliers accountable immediately should services not reach required SLAs. Going through another borough, who may be content with the shared supplier, to issue a service credit is not an effective way of contracting for services which require an element of sovereign ownership.*

Underlying challenges

# Underlying challenges of tri- borough working

Although in part a success, the evolutionary implementation of the original aims has resulted in some core areas of challenge for LBHF – a complex operating model and associated organisational design, inadequate enabling infrastructure and a lack of formal aligned governance and an increased risk to accountability at the individual borough level.

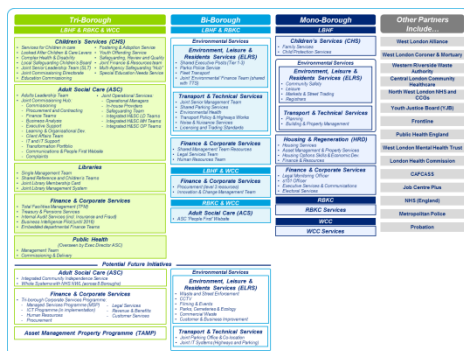


- The evolutionary implementation of the original aims has created a complex operating model with varying organisational structures. These structures lack the required supporting infrastructures to enable them to operate fully effectively and efficiently. Both the organisational complexity (A) and inadequate support functions (B) create further risks to LBHF sovereignty – in terms of its ability to oversee and control provision to its own requirements as well as its ability to direct ambitions outside of the tri- borough construct.
- The enduring individual borough accountability for local residents' needs has created a recognised, democratic and ongoing constraint to what would be 'typical' of a shared services delivery model, i.e. 'The Five Commons':
  1. Common approach to Governance and Process
  2. Common Leadership Structure
  3. Common approach to Service Management and Reporting
  4. Common approach to Continuous Improvement
  5. Common Cultural Understanding and Talent Agenda

Sovereignty over service delivery to local residents is critical for local democracy and means typical 'commonalities' are far more complex to 'share'.
- Due to the implementation of shared management first, the current 'tri- borough' arrangements currently 'lag behind' in those areas which would usually be seen as leading, or at least enabling, the way forward for more effective collaborative working. On the one hand, tri- borough staff require the joined-up enabling functions to do their jobs effectively. On the other, Councillors must not lose oversight of local delivery. The challenge is two fold.
- The question that LBHF must now address is how to build upon previous successes to drive forward a more effective collaborative operating model which will enable future innovations whilst recognising the paramount importance of sovereignty and local needs.

There are a number of different ways of interpreting the current organisational arrangements which have evolved from the top-down implementation of tri- borough – the challenge lies in how its now complex ‘identity’ and lack of supporting infrastructure affects tri- borough staff, LBHF Members and other boroughs from maximising the potential of shared services.

## Tri-, bi-, or mono?



		Increasing level of partnership <sup>a</sup>			
Organisational 'Lenses'		Coexistence			Integration
Management	Individual management teams operating with mono-borough interests				
Suppliers	Contracts let by single boroughs only – diverse portfolio and separate supplier base				
Physical Location	Autonomous management of assets and staff located in separate boroughs				
People	Independent borough teams, 20% pay and overheads				
Processes	Separate, non-scalable, business processes				
Information/ Data	Non-aligned sets of data and business intelligence				
Technology	Independent hardware and applications solutions				
Customers/ Services	Separate services and customer offerings				
Governance	Three sets of separate governance models				

Shared Chief Executive		Chief Executive
<b>LBHF</b>	<b>RBKC</b>	<b>WCC</b>
Mono-borough		
LBHF Services	RBKC Services	WCC Services
Bi-borough		
Environment, Leisure & Residents Services (ELRS)		
Transport & Technical Services (TTS)		
Tri-borough		
Adult Social Care (ASC)	Children's Services (CHS)	Public Health (PUH)
		Libraries

**Mixed identity creates confusion and limits wider sharing**

- No single operational identity or shared future vision as each service working hard to evolve in its own discrete way, as a 'tri- borough'.
- Individual borough priorities become blurred due to a lack of clarity on shared roles & responsibilities in terms of 'boots on the ground' borough identity.
- Harsh environment for enabling support functions to operate within as they must recognise and work to support the multiple different operational and organisational requirements.
- From the outside looking-in, the tri-borough is a complex and politicised mixture of different delivery models and appears to be somewhat exclusive (to the three boroughs).

**Challenging operational environment due to limited supporting function integration**

- Management cost reductions have not led quickly onto the realisation of full potential of front line efficiencies as enabling functions are lagging behind
  - Current costs of business are high due to lack of supporting infrastructure, technology systems, travel time and 'doing things three times' to three different timetables (reporting, governance, stakeholder engagement)
  - Staff 'good-will' will only go so far in terms of this lack of integration – both in terms the extra administrative effort, but also the varying terms & conditions within joint teams.
  - Governance to support front line shared services is not aligned, creating ongoing risks to political accountability, decision making and timely escalation of issues.
- © 2014 Long

**Management structures and ownership issues risks individual borough accountability**

- The way in which management posts have been reduced has left senior resources managing 'one service' whilst reporting into multiple boroughs. This makes it more challenging to maintain appropriate accountability for service delivery and to issue timely and consistent service quality information.
- Time and effort spent gaining consensus and resolving issues from other boroughs is costly and risks distracting from other innovations.
- Re-charging (in terms of accommodation costs for co-located teams) mechanisms not yet fully understood both between the three boroughs. This extends into contractual pricing mechanisms with shared suppliers; where cross-charging is not fully developed based on individual borough location.

## B) Ineffective enabling infrastructure

The historical focus on a 'top-down' approach has inevitably effected the implementation of enabling structures, processes and governance.

Type	Issue	Specific Challenges
Leadership	• <b>Lack of continuity</b>	- None of the original tri-borough founding Leaders or Chief Executives are still in post and the party political landscape has changed alongside it – <b>the original proposals will only go so far</b> in determining ways of working for the future
	• <b>Lack of a shared vision</b>	- <b>Different leadership priorities and communication channels across the three boroughs can create confusion</b> amongst officers. The 'tri- borough' initiative is currently at a natural 'pause' point awaiting input from the Critical Friends Board. - This time should be used for the development of a future joint working strategy, <b>acknowledging the challenges of the tri- borough</b> and the LBHF plans to address them.
	• <b>Differences of ambition</b>	- The three individual boroughs have <b>different levels of ambition</b> based on their cultural and financial starting points which can create uncertainty. Decisions must now be made on 'how far to go' together – strengthening joint working arrangements whilst acknowledging known differences. The staff survey sees 'different cultures' as the third largest challenge of joint working going forward.
Governance	• <b>No single, aligned governance model</b>	- A lack of aligned and formal governance for the tri- borough creates increased levels of bureaucracy (in most 'tri- borough' departments, reporting is done three times, to three different timetables and templates). In Adult's Social Care, the forward planning and co-ordination of multiple reports for tri-borough has resulted in a new 'Business Manager' post, directly adding to costs. There is a risk here that staff are <b>concentrating on internal process and tri- borough admin issues</b> , rather than strategic service delivery. - The lack of coherent governance creates ongoing risks to appropriate political oversight, through slower timelines for information flow, issue resolution and decision making. It also creates potential issues for appropriate <b>performance management of tri- borough staff and suppliers</b> as well as scrutiny of business plans and benefits tracking of initiative successes. Further, little attention is given to 'process governance' which is required to align processes in a lean manner to reduce operational complexity.
	• <b>Decision Making not aligned</b>	- Although governance is in place informally across the tri- borough, there are <b>insufficient formalised and aligned governance</b> processes for each service area to work towards. - Should one borough have issue with a shared supplier/ service, the <b>current decision making and escalation procedures are inefficient</b> and can sometimes create challenges with slow 'information flows' at the individual borough level. - <b>Procurement threshold levels* vary</b> between the three boroughs, creating a more complex environment within which to undertake joint procurements.
Enabling Functions	• <b>Technology and Systems not supportive of ambition</b>	- Three different systems and data sets creates a administrative-heavy working environment. Some services have found it <b>challenging to transfer into a tri- borough structure still operating individual borough systems</b> . This can lead to an additional requirement for temporary staff to process transactional backlogs. The staff survey highlights that unaligned processes and technology are seen as the two biggest challenges to joint working going forward. However, within ASC and Libraries there has been work undertaken to implement now successful shared IT systems. - <b>Inter-borough costs of working</b> (e.g. administrative, travel and 'shared' accommodation costs) and doing tasks 'three times' to three different system configurations could begin to undermine some benefits of tri-borough working. Developing appropriate, connective and enabling ICT systems and more innovative 'ways of working' could help reduce that cost whilst increasing staff efficiency.
	• <b>HR risk</b>	- The <b>enduring variance in terms and conditions</b> between and within teams creates a difficult working environment and the risk that the 'good will' of staff is being stretched too far. It also limits the flexibility and 'attractiveness' of the tri- borough model.

## C) Risks to accountability at the individual borough level

Alongside and arising from the complex operating model, and inadequate supporting infrastructure there are some risks for the ongoing maintenance of individual borough accountability and ambition. These must not be overlooked by LBHF should the march for further collaboration, on any level, gather pace.

Type	Issue	Specific Challenges
Sovereignty & Accountability	• Joint Procurement	<ul style="list-style-type: none"> <li>- Within a joint procurement implementation, shared senior tri- borough officers may have to work to different timescales and with conflicting individual borough demands and requirements. <b>There is therefore a risk that maintaining appropriate oversight of specific borough specifications and customer expectations may become challenging.</b></li> <li>- Examples of current failures in complex tri- borough joint procurements suggest that the <b>upfront stakeholder, business and customer engagement needs to be stronger</b>. They also point to the fact that, for LBHF, joining a shared procurement should only be done where it makes sense to do so based on solid customer, supplier and service level data, current levels of existing alignment and a shared ambition for the future of the specific service delivery.</li> <li>- However, just as the sharing of procurements should not be the immediate 'go-to' initiative for tri- borough services, its proven benefits as a way to make savings and improve services should not be confined to the ambitions of solely the three 'tri- borough' councils. Ensuring that the <b>right service is procured in the right way with the correct contractual basis</b> to enable individual borough control, regardless of who is collaborating, is key to success.</li> </ul>
	• Legal and contractual	<ul style="list-style-type: none"> <li>- There is potential amongst all three councils that, should a service be inappropriate or non-performing once contracted, there are <b>legal disputes in attempting to step back from the arrangements</b> as one council may have negotiated and signed the contract on behalf of the 'tri- borough' and therefore may hold the key to performance management, the issuing of service credits or even enacting termination clauses.</li> <li>- Ultimately, this means control of one boroughs service provision is in the hands of another borough. Going forward, all joint procurement and resulting contractual arrangements should enable individual borough control and performance management.</li> </ul>
	• Structures	<ul style="list-style-type: none"> <li>- The way in which management posts have been cut has left senior resources <b>managing 'one service' whilst being expected to report into multiple boroughs</b>. This makes it more challenging to maintain appropriate accountability for service delivery and to issue timely and consistent service quality information.</li> <li>- This management structure, coupled with the current 'clunky' governance structures at the tri- borough level creates <b>ineffective and at times conflicting processes</b> which are currently at risk of not reasonably flagging individual-borough issues in a timely manner.</li> </ul>
	• Innovation	<ul style="list-style-type: none"> <li>- Insufficient senior level attention to individual boroughs needs. This creates <b>a risk that too little strategic thought is put into the development of 'alternative' innovations</b> at the single borough level. This could be augmented by the current inefficiencies of tri- borough working as well as the very term 'tri- borough' which suggests an element of exclusivity – this may influence current thinking regarding strategic thinking, as the tri- borough becomes the go-to initiative for all cost savings.</li> <li>- The currently political 'tri- borough' identity and its structures are complex and difficult to understand from the 'outside looking in'; this can make the <b>tri- borough an unattractive proposition for other boroughs to 'connect into'</b>. In an era where sharing services is becoming a core principle of re-shaping provision and cutting costs, this could preclude the tri- borough boroughs from perusing other potential options for innovation.</li> </ul>

## 6. The future of tri- borough



# Moving forward with joint working

It is evident from the work carried out for this report that collaboration among the three boroughs has real benefits, now and for the future. However, there are a number of challenges and important improvement areas that need to be addressed, regardless of whether there is less, the same or more collaboration in the future. Further, addressing these challenges is a prerequisite to enabling closer working with other London councils.

- This report has identified that the **tri- borough has delivered some real benefits** in terms of both cost reduction and working at scale to deliver services more innovatively and that there are further potential opportunities for the future. We see little value in LBHF withdrawing from the arrangement. Indeed, there would be significant cost in doing so, and alternative options for collaboration presently appear to carry even greater risks with even less certainty of success.
- As a construct, the tri- borough is **still a relatively new and immature initiative** across the three boroughs. Despite an identity resulting from shared management resources, the functions needed to enable its full potential are still not sufficiently implemented.
- With the majority of LBHF services now operating some form of collaborative working with the other two boroughs, there would be **little value in withdrawing from the arrangements** altogether. We therefore believe the broad principles of 'joint working' should continue, to enable those services which are shared to flourish, and to facilitate better processes to enable sharing with others.
- However, the joint working arrangements should not continue as they currently are, as there are a number of challenges and important improvement areas that need to be addressed, regardless of whether there is less, the same or more collaboration between the three boroughs in the future. Further, we see addressing these challenges a prerequisite to enabling LBHF to be in a stronger position to work more closely with other London councils (outside of the tri-borough) in the future.
- The recognition of these improvement areas will form the foundation to enable the LBHF to **shape the future of how it connects into and utilises the tri- borough arrangements and shared services more generally** in order to achieve the goals of its political mandate.
- **The following section will explore these improvement areas in more detail**, highlighting observations against each area and illustrating the key considerations and options LBHF should draw down on to inform future initiatives for implementation.



# Summary of recommendations for improvement

The table below provides a synopsis of the key recommendations of this report. In order to move towards better operational effectiveness the council should develop the improvements as a full programme of change as many form intrinsically linked critical paths as part of a reinforced tri- borough operating model.

Improvement Area	Description
1 Agree Future Vision	<ul style="list-style-type: none"> <li>The tri- borough lacks a cohesive vision for the future. Recognising the different borough mandates, the three cabinets should aim to discuss the current challenges and reach a consensus on the future vision for collaborative working, at whatever level they decide this to be. This vision should also develop thinking on how joint working with other London boroughs could be more easily achieved where it will add further benefits to do so. Part of this vision should also be focused on the name and brand 'tri-borough'. Terminology should reflect the true nature of the arrangement, which is a mixed model of shared services and collaboration – currently across only two and three boroughs – which should be broadened to develop collaboration across multiple boroughs.</li> </ul>
2 Strengthen Leadership	<ul style="list-style-type: none"> <li>In line with the future vision, behaviours and values should be refreshed through engagement and communication from the top-down. Strong and audibly aligned leadership will be required to push forward and deliver the future planned tri- borough savings and service improvements.</li> </ul>
3 Assess options for increased accountability	<ul style="list-style-type: none"> <li>The LBHF leadership needs to assure itself that the necessary compromises of joint working do not risk undermining localism and sovereignty; any perceived or actual compromise must be understood, governed and appropriately assessed. To strengthen accountability and control, LBHF should appoint a dedicated chief executive.</li> </ul>
4 Address Structures and Management	<ul style="list-style-type: none"> <li>It needs to be easier and clearer for other councils to join the collaboration. Subject to the overall level of ambition within LBHF and current individual service area characteristics, there are a number of options for addressing the current organisational complexities. Given the savings requirement, it is timely for LBHF to review its own management structures again to drive out further efficiencies (although we recognise that the joint nature of some management posts across the three boroughs makes this a more complex task).</li> </ul>
5 Improve shared service governance	<ul style="list-style-type: none"> <li>In order to successfully deliver current, as well as future, collaborative working arrangements, there is a need for an aligned and formalised governance model to help ensure compliance, reduce risk and increase agility. These governance arrangements need to oversee joint working arrangements on a service by service basis and need to be much more visible both inside and outwith the Council than at present.</li> </ul>
6 Strengthen Commercial Acumen	<ul style="list-style-type: none"> <li>Procurement and commercial capabilities need to be strengthened in LBHF. End-to-end commercial activity should be positioned at the 'top-table' with strong leadership to drive business, customer and market engagement. Capability and capacity issues should be addressed in line with the complexity of ongoing collaborative procurements. Contract and Supplier performance management should also be reviewed to ensure the end-to-end process continues to add value. This needs to be done for LBHF, regardless of the tri-borough arrangements.</li> </ul>
7 Implement enabling Technology	<ul style="list-style-type: none"> <li>In order for the three boroughs to continue to work together, current systems and applications are inadequate to serve the operations they are in place to support. The digital agenda needs to be embraced more fully and systems need to be aligned so that they support staff in smooth working between the three boroughs.</li> </ul>

# 1 Agree Future Vision

The tri- borough lacks a cohesive vision for the future. Recognising the different borough mandates, the three cabinets should aim to discuss the current challenges and reach a consensus on the future vision for collaborative working, at whatever level they decide this to be.

## Implement a revised vision for the future

- The LBHF should set objectives for the future of their involvement in the tri-borough arrangements and then aim to reach consensus on them across the full tri- borough leadership.
- LBHF should re-define where necessary and then communicate the 'Guiding Principles' from which to evaluate all tri- borough decisions going forward and to set 'stakes in the ground' from which to re-shape the current operating model where required.
- LBHF should aim to conduct a rapid service-by-service review and executive officer level interviews to give voice to what and why certain elements of tri-borough are working/ not working and to better understand how potential future initiatives and options for more tri- borough working impact or align to a new set of LBHF "shared service principles".
- The first outcome should be a set of 'anchoring decisions' that LBHF need to address immediately as part of the future of tri- borough.
- The tri- borough has come to natural and necessary pause for reflection. A future vision must speak candidly to the concerns and constraints of sharing services on the Local and Regional Government level, but acknowledge that the future is beset with challenges where reaching compromise, as long as it is appropriately managed, is necessary to achieve the overarching goals of the council: tri- borough should be seen as less of an entity in itself, but more as a strong foundation for sharing services at the larger scale.
- As part of this vision then, the label or 'brand' of the "tri-borough" should be deconstructed to reveal its true identity – that of collaborating and sharing services where it makes sense to do so, and with whomever it makes most sense to do it with in order to realise cost savings and service improvements at scale.

## Examples of LBHF Shared Working Principles

- 1 Where it makes sense to do so, strive to align and eliminate processes and standardise structures to reduce operational costs and increase efficiency – even if a compromise must be made.
- 2 Employ a frequent, consistent, and transparent communications strategy with LBHF and shared working officers.
- 3 Develop customer intimacy and understanding and engage residents in the development and procuring of services.
- 4 Prioritise training and development for all shared-service employees including continuous improvement tools and techniques, and organisational design skills.
- 5 Stimulate the market to provide greater choice, encouraging the development of suppliers and the third sector.
- 6 Utilise performance metrics and benefits tracking models to monitor and clearly communicate service quality and responsiveness to customer requirements and demands
- 7 Always provide a strong internal control structure that ensures compliance with LBHF individual policies and statutory requirements.
- 8 Seek to always establish shared organisational structures that are agile and flexible to adapt to future expansion and/ or contraction of scope and operations
- 9 Ensure that shared services are not just seen as a cost reduction exercise by ensuring resulting operations actually increase individual borough residents service levels where possible.

## 2 Strengthen Leadership

In line with the future vision, behaviours and values should be refreshed through engagement and communication from the top-down. Strong and audibly aligned leadership will be required to push forward and deliver the future planned tri- borough savings and service improvements.

### Political leaders to drive change

- Tri-borough is a test of political leadership in that it requires members to deliver fundamental change across three sovereign, public facing and generally risk averse organisations. Ultimately, political leaders are responsible for ensuring the successful delivery the council's ambitions and residents' needs.
- The LBHF leadership should drive change and provide direction, purpose and inspiration to the biggest asset at their disposal; their people.
- Recognising different priorities and the desire to maintain independence, Members of the tri- borough should strive to work closer more often to agree the conditions required for the future success of their shared services and aim to refresh behaviours and values at the very top level in line with the future vision for collaboration.
- Going forward on a service-by-service basis, members should implement plans to work together more frequently and consistently to ensure total ongoing oversight of joint working as well as individual services. This engagement should feed from more effective, formal and aligned governance model(s) for tri- borough arrangements.
- Political leaders, through 'championing' the benefits (and highlighting the constraints constructively), can help drive forward the positive change required for the future success of the current shared service arrangements, as well as setting the foundations for future sharing more widely.

### Engage and Communicate

- Effective communication during this period of change is crucial in order to maintain an energised culture and effectively address the concerns that staff have voiced quickly and effectively.
- Leaders should aim to develop a proactive and continuing business engagement plan to ensure an appropriate level of tri-borough/ singular borough communication.
- This should include political engagement across the three boroughs (as well as with other London boroughs), senior management engagement to inform and drive buy-in and operational level engagement to nurture LBHF behaviours and understanding.
- When required across tri- borough services, it is essential that communication is consistent across all three boroughs.
- Communication should always focus on early engagement.
- Communication of the successes of tri-borough to date is a key part of the change process.

### Build constructive connections

- Comparing and contrasting services across boroughs can expose conflicting requirements and different political certainties; a high level of trust among the three boroughs is therefore essential.
- This level of trust is already in place between senior management, which is largely down to the high level of contact that takes place there.
- However, this level of trust must also be instilled from the top down political leadership into the 'boots on the ground' front line resources.
- Having a strong sense of shared purpose and transparency on 'how things work' as well as a structured and formalised governance model will help encourage understanding and build a platform for better shared working where people see the shared vision and are pulling together in the same direction to achieve it.

### 3 Assess options for increased accountability

The LBHF leadership needs to assure itself that the necessary compromises of joint working do not risk undermining the constraints of localism and sovereignty; any perceived or actual compromise must be understood, governed and appropriately assessed. Any current permanent roles should be reviewed and strengthened at a more senior level within LBHF to support this.

#### Appoint permanent LBHF Accountability Roles

- Changes are currently in motion in order to improve sovereign advice to LBHF - ensuring that senior officers are in place who have focus on **pursuing and defending (where necessary) the particular interests of LBHF residents.**
- These roles should help test and assure alternative options for services beyond the current s151 officer views – this is more about the evaluation of options based on LBHF unique needs, but should also seek to ensure that wider (than just tri- borough) service innovations and the wider market place are appropriately considered.
- In line with the 19-point sovereignty guarantee, adopted by LBHF in June 2011, this **is already being considered within the tri-borough.** For example, Licencing in TTS have pooled their team, but maintained a separate 'Licencing Officer' for each borough to deal with potential contentions. Further, ASC and CHS Tier 2 officers are already in place.
- It is proposed here that LBHF work with the other two boroughs to **understand the areas where potential contention/ sovereignty risk is most likely to manifest itself now** (and in the future), and the 'controls' already in place, and begin to implement complimentary or similar LBHF sovereign accountability type roles within those services **where it makes sense to do so** – either through firming-up job descriptions of already existing staff or hiring in new where capability or capacity are deemed to be lacking.
- This exercise should be undertaken in line with current plans to further reduce management posts throughout LBHF and will form part of a larger exercise to understand 'spans of control' and activity based costing at the individual post-by-post level.
- It is crucial that any resulting plans to implement these LBHF **roles should link systematically into any revised Governance models** to ensure that the right people are in the right places at the right time to make the right decisions.

#### Consider alternatives as standard

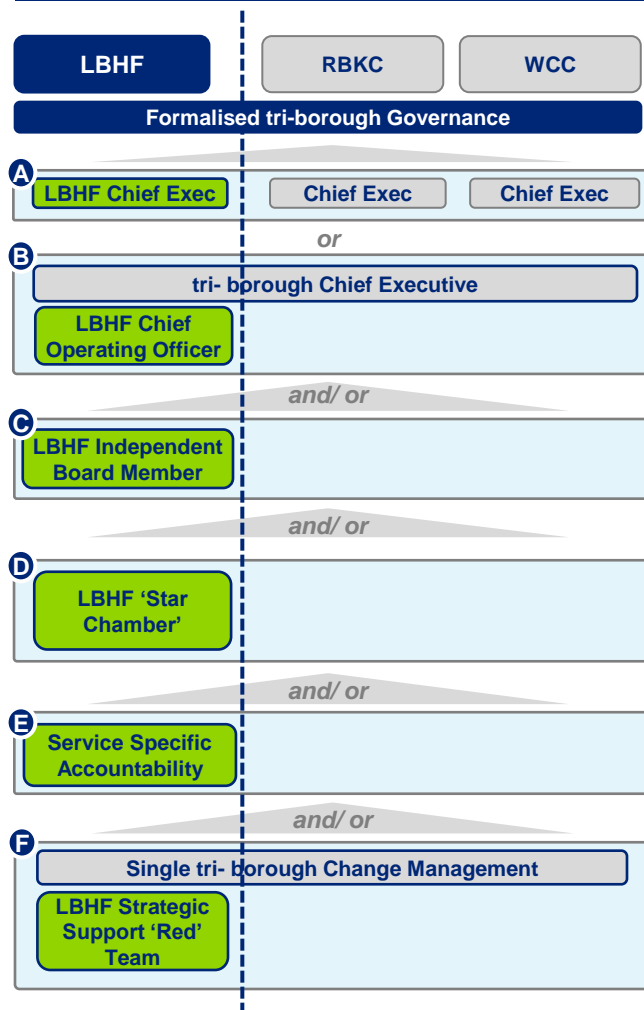
- Develop the idea that **'Form follows Function'** – because without evidence that new/ shared models actually improve services or reduce costs there is a ongoing danger that business requirements may be ignored in the rush to institute revised models *du jour*. **the business case is therefore sacrosanct.**
- Undertaking a **service-by-service review** will allow the current administration to test the forward plans for all services – to ensure that where necessary business cases consider alternative options to 'tri- borough as standard' in sufficient detail.
- **Business plans should always look to make sharing services as 'inclusive' as is possible**, rather than 'exclusive' to the three tri- boroughs. The revised LBHF 'guiding principles' should help inform this, but all potential shared services going forward should be considered alongside valid alternatives to ensure that the tri-borough does not prevent any one of the three councils from responding innovatively to their own democratic mandates.
- As part of this, Members must initiate structured service-by-service conversations to **explore alternative options and innovations with other London Boroughs** (for example Camden's approach to further reducing management posts, or Lambeth's ongoing commitment to its 'Co-operative Council' initiative).
- Going forward, a more thorough and ongoing examination of the potential service delivery options, and the associated dependencies and risks, and costs and benefits will be required before business cases are produced. This approach should link strongly into procurement from the outset to **ensure commercial aspects of all decisions are understood** from the beginning.

### 3 Assess options for increased accountability

To address LBHF need for accountability formally, LBHF must review the options for new structures or individual borough accountability roles, and integrate them into any revised governance models.

#### Align shared service Governance with Accountability Checks

##### Structural Options for Increased Accountability



- It is anticipated that improvement of current processes toward a more formalised, aligned and well represented (i.e. all three boroughs at the highest level) governance structure for tri-borough services should eliminate the majority of sovereign accountability issues going forward: the first line of defence.
- However, as shown opposite in green, there are a number of options LBHF could utilise to strengthen their individual borough accountability where it is deemed necessary to do so.
- For fear of over-complicating joint working with red-tape and bureaucracy it is suggested here that any aspect of individual borough governance is done on a case-by-case basis or at fixed points throughout the year (i.e. during MTFS proposal creation) through minimal intervention wherever possible.

#### Address accountability through the creation of a 'critical friends' function or role(s).

There are several options available:

- a) Revert back to three Chief Executives** to help align individual borough preferences and ensure appropriate level of borough specific oversight and the capacity to operate for LBHF solely. This is the preferred option of the Critical Friends Board.
- b) Appoint one Chief Executive** to oversee and drive consistent change and messaging from the top, whilst maintaining political sovereignty. This could be 'offset' via the appointment of a LBHF specific Chief Operating Officer who has direct control over LBHF specific requirements, constraints and issues.
- c) Appoint an Independent (external) Board Member** to ensure an objective view point is always considered in light of ongoing tri-borough decisions.
- d) Create a "LBHF Star Chamber"** – including the Chief Executive, Cabinet Member(s), key Director level staff as well as finance to serve as a reliable forum for robust and challenging conversations concerning both qualitative and quantitative data and intelligence about current and future plans from service areas. The Star Chamber will provide assurance to the Members that LBHF has identified initiatives that secure savings without jeopardising the quality of services provided to LBHF residents.
- e) Create LBHF service specific roles within the business** by re-writing job descriptions of key LBHF staff in 'risk prone' services to create a devolved expert on LBHF issues.
- f) Implement tri-borough Change Management** to drive joint working from a joint strategic, skilled, team. Concurrently, design a small and focussed LBHF team to drive local LBHF innovation, strategy, and evidenced based change in the areas which add most value in terms of both cost reduction and service outcomes to LBHF residents.



## 4 Address Structures and Management

It needs to be easier and clearer for other councils to join the collaboration. Subject to the overall level of ambition within LBHF and current individual service area characteristics, there are a number of options for addressing the current organisational complexities.

### Simpler & Leaner Structures

- The currently complex organisational structures stem from the management sharing that initiated the tri-borough arrangements – resulting in a stretched senior team without the capacity to take on additional joint working arrangements.
- LBHF should aim to undertake a full **'spans and layers', activity based costing and JD review** in order to achieve three aims:
  1. To pinpoint opportunities for organisational simplification to enable more agility and flexibility in terms of sharing services at a larger scale.
  2. To identify specific areas where LBHF may want to increase senior level resource to add strength to its individual sovereignty and control of services
  3. To identify further potential for cost savings through management re-structures.
- Further, **terms and conditions could be reviewed** across the tri-borough for ways in which to better align teams who are currently co-located or jointly resourced.

### Adapt 'Ways' of working to address complexity

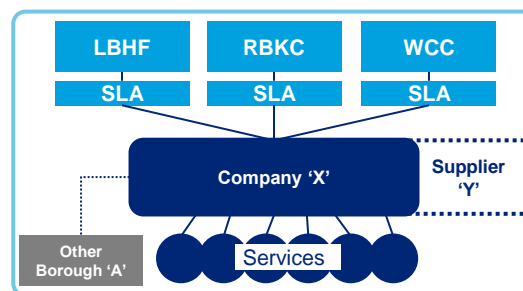
- After implementing simpler organisational structures, LBHF should continue to **cut across recognised organisational complexities** by pushing the drive to work with data and technology more effectively.
- LBHF should focus on the drive toward the **Digital Agenda**, working with ICT and TTS to understand and embed new 'ways of working' by utilising 'digitalisation'.
- Use the current Business Intelligence (BI) function to create previously unknown insights based **on rigorous analytical research** at both the single borough and tri-borough levels.
- Simpler teams working more effectively with more aligned data will help foster transparency, understanding and trust across the boroughs. Building data driven insight and BI will enable the capture of meaningful metrics, allowing for future forecasting, demand management and trend analysis currently lacking by the councils.

### Consider Alternative Structures

- LBHF should consider the options for creating a more **radical 'arms-length' company structure** for the delivery of certain services which lend themselves to a shared service model in the context of the broader London landscape (e.g. Legal services).
- This would enable the streamlining of governance, terms and conditions, management and accommodation whilst maintaining sovereignty through structured service level agreements.
- It would reduce the perceived and actual complexity from the outside looking-in, enabling others to join-in and benefit.
- To a lesser extreme, combined authority approaches may work with an accompanying single investment pot - this too would improve the terms of business and enable progress at scale on common purpose.

### Address space & place

- Re-structuring teams where necessary and enabling them to work differently and more effectively via data and technology will release opportunities for addressing space and place issues in terms of accommodation and real estate. The more radical the vision, the more opportunity for savings.
- Depending on the level of ambition, utilise the current TAMP programme to drive better understanding of assets and asset potential through assessing styles, methods, requirements and data alignment and look to radicalise real estate strategies and workforce location through joint asset management.
- LBHF should consider this both within, and outside of the current tri-borough operations (e.g. with other appropriate public sector organisations i.e. NHS, Police, Fire Service).



## 5 Improve shared service governance

In order to successfully deliver current, as well as future, collaborative working arrangements, there is a need for an aligned and formalised governance model to help ensure compliance, reduce risk and increase agility. These governance models need to oversee, on a service by service basis, joint working arrangements and need to be much more visible both inside and outwith the Council than at present.

### Align Shared Service Governance

- Current governance models and structures across the three boroughs have not changed with the same pace as the services they are there to support and are therefore not formally aligned – decision making timings, board attendees, threshold levels, reporting templates and even forum names are different creating **a complex mix of administrative hurdles** for tri-borough services to navigate.
- **On a case-by-case basis**, LBHF should continue the journey towards **developing a single strategic governance arrangement for their shared services** and formalise a single common approach to the decision making process.
- Utilise the service-by-service review and current 'Member Steering Group' set-ups to inform the level of engagement required – i.e. **two or three Cabinet Members in one briefing to promote clarity and transparency**. This is particularly important with reference to the assessment of future shared service procurements/ contracts.
- Aligned strategic governance would cut administrative effort, help increase transparency and trust and would **enable time for more strategic thinking**.
- It is important to ensure that this revised governance structure speaks to the requirement of individual borough sovereignty, **providing an additional level of control to ensure residents or customer requirements are delivered** and issues resolved rapidly to the individual boroughs specifications.
- As part of this, **individual boroughs must be able to hold officers to account for timely delivery and issue resolution** – putting mechanisms in place to formalise this process will enable staff to better deliver in this area.
- In addition, appropriate governance should be put in place to **ensure processes which can be aligned are aligned** to create shared, non-contentious, efficiencies.

Governance Components	Purpose	Sample Mechanisms
Strategic Governance	• Provide a single, shared leadership group to bring overall perspective to scope and performance across tri- borough services	• Governance Council • Scrutiny Committee • Steering Groups
Risk and Issue Management	• Provide mechanisms to drive better management of risk and issues from discovery and escalation to timely resolution	• Performance Metrics • Service Level Agreements • Cost Allocations
Customer Governance	• Provide an arrangement that closely links shared services to their individual borough and its residents	• Business Partners • Customer Councils
Procurement Governance	• Provide a formal, aligned construct for assessing procurement plans and spend – current and future looking	• Deal Approval Board • Executive Oversight Board
Process Governance	• Provide a tri- borough mechanism to establish and embed a strong community of interest in related processes	• Process Forums / Communities • Nominated Process Owners

- It is key that LBHF review governance on a case by case basis based on current service governance models in place, any progress already made toward informal shared governance and the perceived level of risk that each service holds for LBHF.
- More regular key shared service meetings should take place (i.e. at least once a month with attendance from all three Cabinet members). Chief Executives across the three boroughs could meet fortnightly, as well as attending Cabinet level meetings where required.

## ⑥ Strengthen Commercial Acumen (1/3)

Commercial capabilities across the service areas should be addressed. First, a process to assess the complexity of potential future collaborative procurements should be implemented to ensure correct 'fit' for collaboration. LBHF should then look to position procurement at the 'top-table' and commercial activity as a core priority with strong leadership to drive business, customer and market engagement.

### Improve Upfront 'Assessment' and Preparation

- A key challenge of tri- borough working to date is that **complex procurement is not always implemented well** – this is due in part to a lack of aligned 'end-to-end' commercial understanding across the three boroughs, as well as poor upfront market, customer, data, stakeholder and service requirement analysis supported by an appropriate governance process to enable agile decision making.
- In terms of upfront preparation, LBHF should fully analyse all potential procurements via an agreed set of 'collaborative tests' (see opposite for examples) to decide whether a service/ product is suitable for joint procurement. Once agreed, there must be better alignment of business goals and the vision for future service delivery; consensus must be built early on with the resource to follow-through.
- A commercially strategic LBHF procurement function should look to construct a **pipeline of all ongoing and future contracts and projects**, making them visible to the other two boroughs and beyond to enable cost benchmarking and indexing and to open up further possibilities for larger scale tendering exercises. LBHF (and the wider tri- borough) should conduct comprehensive analysis of total third party spend to identify a **common classification of goods and services** (looking to other boroughs for alignment opportunities) to inform category sourcing strategies going forward.
- Encouraging the use of, and training on, the already operational **CapitalSourcing solution across London** will help to drive efficiency, automation and behavioural change at the wider scale.

### Improve Procurement Leadership

- **Procurement (and commercial) at LBHF should be represented at the top table** with a procurement or end-to-end commercial leader positioned to execute what will be more complex future strategic sourcing, whether at the individual borough or as part of a larger collaborative effort.
- LBHFs procurement (or more rounded 'Commercial') leader should deliver on four key roles; 1) as a **catalyst** to drive through change and engage the wider business; 2) as a **strategist** to determine procurement's direction, supporting upfront procurement strategies; 3) as a **operator** to ensure the delivery of the business requirements at reasonable cost whilst maintaining service levels and; 4) as a **steward** to get the process right ensuring robust governance and control structures are in place and risk is minimised.
- LBHF should consider undertaking an assessment of its procurement function broadly to understand **capacity and capability needs** in order to build a more rounded understanding of all current resources with touch-points into commercial activity, and inform an effective way to build for the future to ensure critical skills and revised processes are injected in the right place at the right time.

### Collaborative Procurement critical success factors

1. Collaborate based on existing similar characteristics, including size, specifications, demographics, geographies.
2. Collaborate based on existing strength of relationships between procurement staff, services and the market.
3. Collaborate only when upfront commitment from all parties is agreed and all parties have committed to dedicated technical and operational expertise to drive momentum.
4. Create unambiguous plans and timelines and pro-actively market the benefits – this will be more attractive to other organisations.

### Collaborative Procurement Complexity Tests

Attribute a score for each of the elements below to define current product/ service complexity:

1. Current degree of product/ service similarity and legitimate reasons for local difference?
2. Supplier market maturity and level of ongoing innovation and market making potential?
3. Extent to which product/ service is 'public facing' and directly impacts the 'front line'.
4. Extent to which current service is understood in terms of data, performance, users, demand.
5. Openness of the other boroughs and extent to which they 'guard' their current product/ service?



## 6 Strengthen Commercial Acumen (2/3)

'Procurement & contracting' are just one process step in a long line of commercial activities required to deliver successful contracts and high performing third party services. LBHF must work on the end-to-end commerciality of the whole business to ensure all activities are applied consistently and effectively across all current and future contracts – whether those contract services are shared or not.

**Procurement Operating Model Options** – decisions must be made about the most suitable procurement operating model for LBHF and the tri- borough

**Procurement Governance** – must be stronger and more formalised to enable full political oversight, alignment and agile decision making

**Procurement Leadership** – must have capability and capacity to undertake/ oversee the end-to-end commercial activities listed below

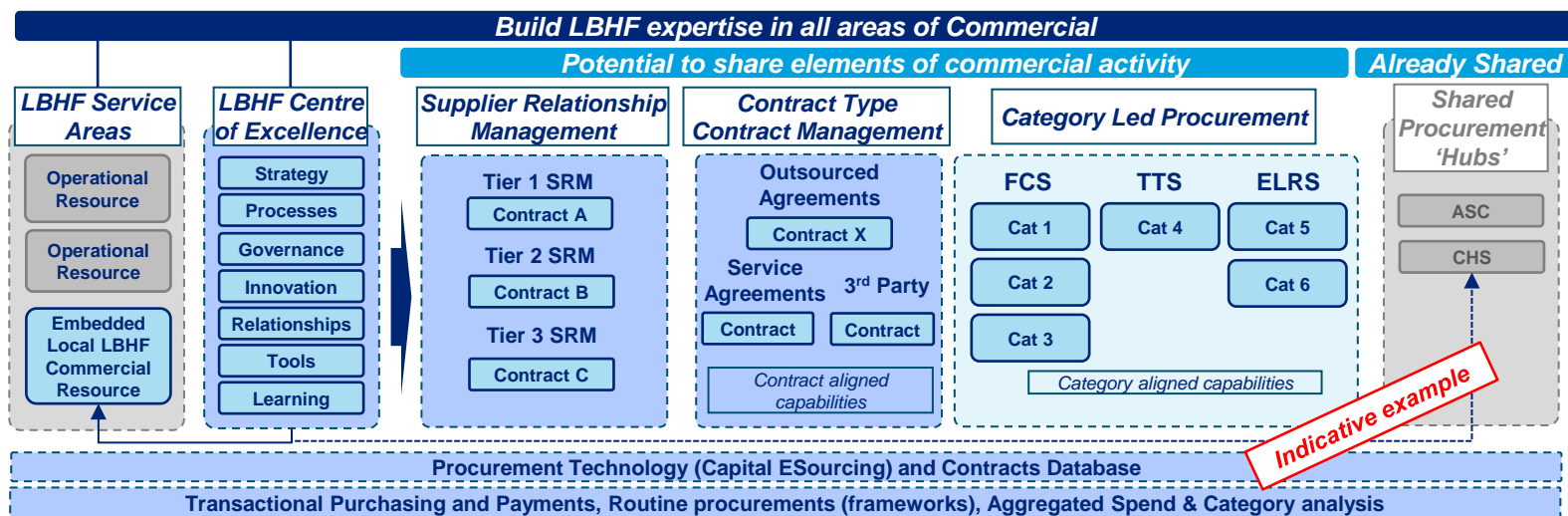


## ⑥ Strengthen Commercial Acumen (3/3)

LBHF must now make decisions about the future of procurement (and the wider commercial landscape within which it sits) as a function within LBHF and as part of the tri- borough. Current operating models do not make the most of available resources and the mixed roles, responsibilities, governance routes and thresholds create complexity and can add to sovereign delivery risk.

- Current procurement operating structures across the three boroughs are divergent, with LBHF operating a small (~7 FTE) 'centre of excellence' model and RBKC a de-centralised function (~2 FTE) – both allow end-users or the business to lead on the majority of procurement activity. WCC has a far larger (~20 FTE) centralised procurement team operating a category management approach. But, with a total collective revenue expenditure of c£966m in 2014/15 (LBHF c£306m)\* there are future opportunities for further external spend collaboration.
- However, LBHF first must take steps to ensure that the commercial management of any future joint procurement is focused, proportionate and structured in a way that **better manages internal commercial risk** and consistently delivers a **high performing services**.
- In the context of recent joint procurement, contractual and supplier issues, any revised LBHF 'commercial team' (encompassing current procurement resource, but also wider touch-points into 'commercial' activities throughout the business) will be expected to **further embed robust processes** that mitigate against supply chain risks. With joint procurements in particular, this will be facilitated with better alignment of upfront strategy and vision for future services and more joined-up governance routes to gain consensus on spend (key to this is differing borough spend thresholds – Appendix A2).
- In order to tackle this, the LBHF should look to implement a **new operating model** for its currently decentralised procurement function, which will drive the value of commercial activity throughout the whole organisation, emphasising on the **role of upfront stakeholder, business and legal engagement** as well as more structured post-contract **commercial contract management and supplier oversight** activities. This new function should look to share resource and spend with the tri- borough where it makes sense to do so on joint procurements, whilst maintaining a LBHF focus\*\*\*.

- Create a single LBHF commercial team with a CoE function.
- Embed commercial expertise into service areas – both shared and mono- borough.
- Build (and look to share where it makes sense to do so) SRM and Contract Management capability.



\*Based on budget estimates of local authority revenue expenditure and financing for the financial year April 2014 to March 2015, DCLG (July 2014), Revenue Account Data 2014/15. \*\*further considerations for procurement Operating Model design at LBHF are detailed in Appendix A6.

## 7 Implement enabling Technology

If the three boroughs are going to continue to work together, current systems and applications are inadequate to serve the operations they are in place to support. The digital agenda needs to be embraced more fully and systems need to be aligned so that they support staff in smooth working between the three boroughs.

### Increase transactional efficiency

- All three administrations recognise that the full potential effectiveness and efficiencies of current tri- borough arrangements are **stifled by the lack of supporting technology infrastructure**. However, action is being undertaken to resolve this.
- The current MSP Programme – ‘one-system’ for transactional Finance and HR – is being implemented with the correct principles in mind but has seen significant delays.
- LBHF should look to either commit to MSP now in order to drive it forward, or else, very rapidly find alternative solutions.
- It is important that a strong message is communicated that joint working should be supported by joint support functions and systems – especially where sovereignty issues or public facing services are not a prominent force and compromise does not have to be made in terms of residents’ needs.

### Support shared services with appropriate technology

- The current tri- borough service delivery model(s) must continue to be better supported by an **aligned and enhanced ICT capability**.
- ICT should continue to ‘connect and consolidate’ existing infrastructures to better support joint working arrangements; the tactical ICT solutions currently supporting this are not sustainable long-term.
- For already tri-borough services like Audit, reviewing one-system rather than three brings obvious benefit. Aligned and supportive technology will free up capacity allowing officers to undertake more strategic tasks (e.g. outward looking LBHF options analysis, better stakeholder engagement and data analysis to identify and voice priorities and development of the skills required to deliver within a collaborative environment).
- New systems should aim to support the delivery of better business intelligence in order to push through more innovative performance improvements and ensure increasingly scarce resources are directed to those areas with the most reward. New solutions should be ‘open’ to share data widely and easily via intuitive user-friendly interfaces.
- Importantly, the LBHF ICT function should be flexible and able to adapt to the internal tri- borough changing business models and needs whilst also looking towards **more innovative ways to procure services that actively enable larger-scale integration** with other external groups and other boroughs; re-positioning long-term multi-million pound complex ICT contracts with more radical cloud based solutions to reduce cost, increase efficiency and create a more flexible approach to wider connective systems.
- To make large-scale savings in ICT, organisational re-design as a joint team should be considered. Acknowledging the different starting points of the three boroughs (WCC outsourced, RBKC in-house, LBHF bridge contract expiry in 2016) and the different funding considerations also, the best value for money solutions (outsource/in-source/multi-source/internal shared service) should be considered. The potential to reach out to other boroughs through this approach is made simpler due to the unified approach.

### Increase self-service and digitalisation

- There is a growing sense that LBHF would benefit from a bold move toward ‘digitalisation’, mobile working and self service; the ICT agenda should aim to deliver agile working to increase workforce productivity, harness mobile platforms and improving connectivity with staff, boroughs and vulnerable residents alike. The tri- borough arrangements, and sharing services more generally, only makes this digital agenda more beneficial.
- This report acknowledges that this aim would may be better implemented from a tri- borough platform with one digital ambition – subject to the resulting solution(s) being easy to ‘buy-into’, adapt and tailor for others once set-up.
- The proposed ‘Working from Anywhere’ programme should seek to create a truly dynamic working arrangement between the three boroughs – taking insights and advice (and maybe even systems and solutions) from other boroughs who are on similar journeys.

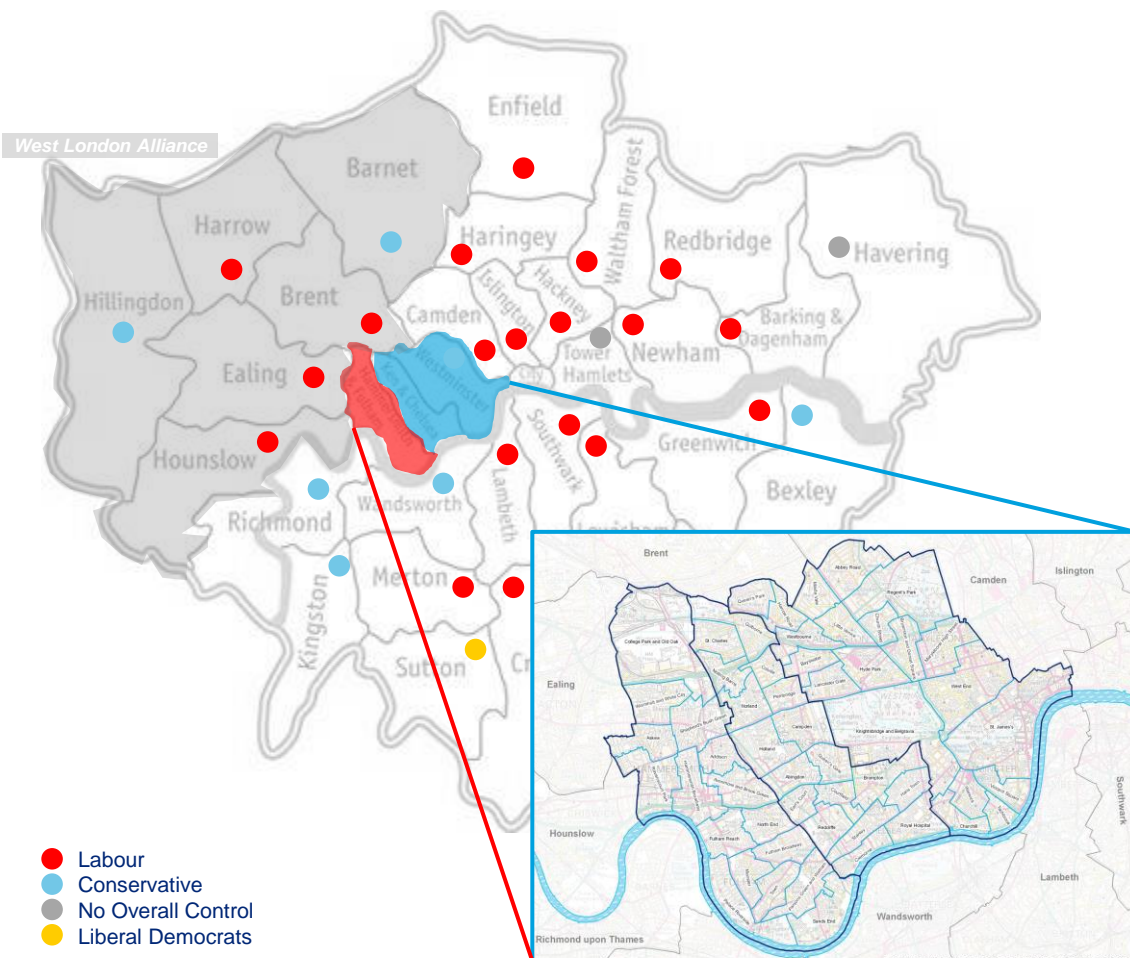
# Appendices (A1 – A7)

# A1. Wider context

# The three parts of the 'tri- borough' whole (1/2)

The three boroughs are a strong fit geographically and, despite mixed political party leadership, share localised similarities, shared borders and dense populations.

Figure 1 – Geographical Location and Political Control of the tri- borough councils



- Three of thirty-two subdivisions of Greater London, the LBHF, RBKC and WCC are responsible for providing the majority of local government services to their residents; from large universal services, such as libraries, housing, highways, transport and the disposal of waste to more specific services for adults and children, through social care services.
- The tri- borough consists of one Labour borough (LBHF) and two Conservative boroughs (RBKC and WCC). As a location, it shares borders with seven other councils, of which five are Labour.
- The geographical location of all three boroughs (as shown on the Figure 1 opposite) can be defined as inner city (as part of the Central Activities Zone\*) and is therefore bound by specific local factors:
  - distinct social infrastructure needs
  - high population and building density
  - large volumes of vehicles and associated air quality issues
  - dependence on smaller 'open spaces'
  - higher than average house prices
  - larger proportion of office-related employment and 'big business'



# The three parts of the 'tri- borough' whole (2/2)

The three boroughs are all relatively small in area and relatively large in population density and do share some similarities in labour, housing and health markets. Viewed 'as one', the three boroughs together have the largest population of residents in London.

- Although separately three of London's smallest boroughs – both in terms of population and inland area – when viewed as a collective the tri- borough councils boast a total population of over 560,000 and an area of over 5,000 hectares.
- The three boroughs together represent 17% of the total population of inner London.
- This makes the collective boroughs by far the largest 'pool' of residents in London. For comparison, the next largest borough is Croydon with 373,000 residents (some 50% fewer). In terms of geographical span, the tri- borough is 'mid-table' – comparable with both Greenwich and Harrow for footprint area.
- Figure 2 opposite provides a more in depth view of the three Boroughs main indicators.
- The 2010 Index of Multiple Deprivation (IMD) placed LBHF, WCC and RBKC as the 13th, 17th and 19th most deprived boroughs in London (out of 32) and the 31st, 75th and 98th most deprived in England (out of 326) respectively. Whilst the other two boroughs have stayed relatively static or improved, this represents a worsening for LBHF from its relative rating in 2007 where the borough was ranked 59th most deprived in England.

Figure 2 – tri Borough Statistics\*

Theme	Indicator	Tri-Borough Statistics				Comparator
		LBHF	WCC	RBKC	Total/ Avg	Inner London
Demography	GLA Population Estimate 2013	181,000	226,600	155,700	563,300	3,339,900
	GLA Household Estimate 2013	79,689	108,550	77,211	265,450	1,408,739
	Inland Area (Hectares)	1,640	2,149	1,212	5,001	31,929
	Population density (per hectare) 2013	110.4	105.5	128.4	114.8	104.6
	Average Age, 2013	34.9	36.7	38.3	36.7	34.1
Labour Market	% of resident population born abroad (2012)	40.5	52.6	50.0	47.7	40.5
	Employment rate (%) (2013)	71.5	66.6	65.3	67.8	68.3
	Unemployment rate (2013)	6.0	6.1	7.4	6.5	9.2
	Gross Annual Pay, (2013)	38,068	39,166	45,625	40,953	34,524
Economy	% of employment that is in public sector (2012)	20.3	13.6	16.0	16.6	15.6
	Number of active businesses, 2012	12,270	49,825	12,570	74,665	230,730
Community Safety	Crime rates per thousand population 2012/13	119.2	282.0	131.5	178	121.7
Housing	Median House Price, 2013	570,000	730,000	980,000	760,000	400,000
	Average Band D Council Tax charge (£), 2014/15	1,034	678	1,082	931	1,094
	Rented from Local Authority or Housing Association, (2012) %	29.7	28.5	25.5	28	32.8
	Rented from Private landlord, (2012) %	26.8	36.5	31.0	31	30.7
Environment	% of area that is Green space, 2005	19.1	38.2	15.1	24	21.7
Deprivation	% children living in out-of-work families (2013)	21.8	22.9	14.5	20	24.2
Children	Achievement of 5 or more A*- C grades at GCSE or equivalent including English and Maths, 2012/13	66.5	69.6	80.2	72	-
	Rates of Children Looked After (2013)	71.0	52.0	36.0	53	67.0
	% of pupils whose first language is not English (2013)	45.9	66.4	53.2	55	52.8
Health	Male life expectancy, (2010-12)	79.1	81.1	82.1	81	-
	Female life expectancy, (2010-12)	83.3	85.1	85.8	85	-
	Happiness score 2012-13 (out of 10)	6.9	7.1	7.5	7	7.2
	Anxiety score 2012-13 (out of 10)	3.2	3.6	3.1	3	3.4
Governance	Political control in council	Lab	Cons	Cons	-	-
	Proportion of seats won by Conservatives in 2014 election	43.5	73.3	74.0	64	23.7
	Proportion of seats won by Labour in 2014 election	56.5	26.7	24.0	36	69.5
	Proportion of seats won by Lib Dems in 2014 election	0.0	0.0	2.0	1	3.8
Members	Number of members	46	60	50	156	-

# Local government funding projections

Although London boroughs have responded decisively to the current climate of funding cuts, economic growth issues and growing demand for services, further spending cuts still loom on the horizon.

- In July 2014, the LGA published an updated funding outlook model which highlighted that the financial black hole facing local government is widening by £2.1 billion a year is expected to reach £12.4 billion by the end of the decade, or a 33% fall in real spending\*\*.
- This puts acute pressures on councils ability to deliver their statutory obligations within the available resource envelope. To date, councils have coped successfully in balancing their budgets.
- Going forward, the ongoing funding pressures coupled with rising demand for services will create an even greater requirement for accelerated change which fundamentally begins to alter 'business as usual'.
- Councils must begin to use their scarce resources better to not only cut costs but to incentivise their partners to address the key issues facing many communities such as the need for more housing, creation of jobs and economic growth.

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“Still not halfway there yet  
on planned spending cuts”

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The Institute for Fiscal Studies, 2014\*

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\*IFS, “Green Budget 2014”, [http://www.ifs.org.uk/pr/Green\\_Budget2014.pdf](http://www.ifs.org.uk/pr/Green_Budget2014.pdf) \*\*LGA, “Future Funding Outlook 2014 - Funding outlook for councils to 2019/20”, [www.local.gov.uk](http://www.local.gov.uk)



## A2. Tri- borough decision thresholds

## A2. Tri- borough decision thresholds

- When considering timescales for procurement, the varying requirements of the three currently separate borough governance routes must be recognised and reflected.
- Current lead-times to go through the tri- borough governance process vary depending on the level of decision, and when the three borough calendar dates 'align'. To gain approval by all three Cabinets would typically take around 3-6 months.

Hammersmith and Fulham	Executive Director: can authorise spend up to £20,000
	Cabinet Member: can authorise spend up to £100,000
	Cabinet Meeting: can authorise spend over £100,000
Kensington and Chelsea	Executive Director: can authorise spend up to £100,000
	Cabinet Member: can authorise spend over £100,000
	Cabinet Meeting: in exceptional circumstances
	Grants of £20,000 or more to voluntary organisations are deemed in normal circumstances to have a 'significant impact on the community' and will therefore be key decisions
Westminster	Executive Director: can authorise spend up to £100,000
	CAB (Contracts Approval Board): £100,000 - £1.5m
	Cabinet Member: can authorise spend over £1.5m (or £300,000 for consultancy agreements)
	Cabinet Meeting: in exceptional circumstances

## A3. Other borough perspectives

# Scale of savings

A high level comparison with three 'singular' boroughs (Hackney, Lambeth and Camden) show similar levels of savings being made against a similar scale of budget cuts\*

## Scale of savings

	2010/11 – 2014/15 Budget Movements (£m)			
	LBHF	Camden	Hackney	Lambeth***
Spend Pressures**	55.5	36.3	53.3	-
Government Grant / Business rates Reduction	43.1	61.7	50.2	-
Council Tax	3.9	-3.1	-7.7	-
<b>Total Savings Achieved</b>	<b>-102.5</b>	<b>-94.9</b>	<b>-95.8</b>	<b>-106.6</b>

- There is a similar magnitude of budget cuts and associated savings being made across the three councils.
- To balance the books savings have had to significantly exceed spend pressures.
- The increase in the council tax base has benefited most boroughs except LBHF. For LBHF such income has fallen due to cuts made to the council tax charge.

	2010/11 – 2014-15 Change in Reserves (£m)			
	LBHF	Camden	Hackney	Lambeth
2010/11 Opening General	15.0	12.9	15.0	28.7
2010 /11 Opening Earmarked	31.9	82.9	129.9	67.0
2014/15 Opening General	19.0	13.6	15.0	24.9
2014/15 Opening Earmarked	92.5	106.8	185.0	67.8
<b>Change in General</b>	<b>4.0</b>	<b>0.7</b>	<b>0</b>	<b>3.8</b>
<b>Change in Earmarked</b>	<b>60.6</b>	<b>23.9</b>	<b>55.1</b>	<b>0.8</b>

- Both LBHF and Hackney have seen a significant increase in their reserves.

\*There are some data alignment challenges across the boroughs. It is clear that different accounting treatments have been applied and assumptions made. In particular the figures for 2013/14, when the local business rates retention scheme and local council tax support scheme were introduced, bear limited comparison. However, this concern with the data does not alter the broad conclusions. Namely all the boroughs have had to make significant cuts. Local choices and the impact of the business rates retention scheme have increased the cuts needed to be made by LBHF. \*\*Spend pressures covers growth, inflation and other adjustments. Note that the savings do not include for full costs e.g. implementation, mobilisation and set-up costs, nor do they include costs of redundancy. \*\*\*At the time of the compilation of the report, only partial data was available from Lambeth

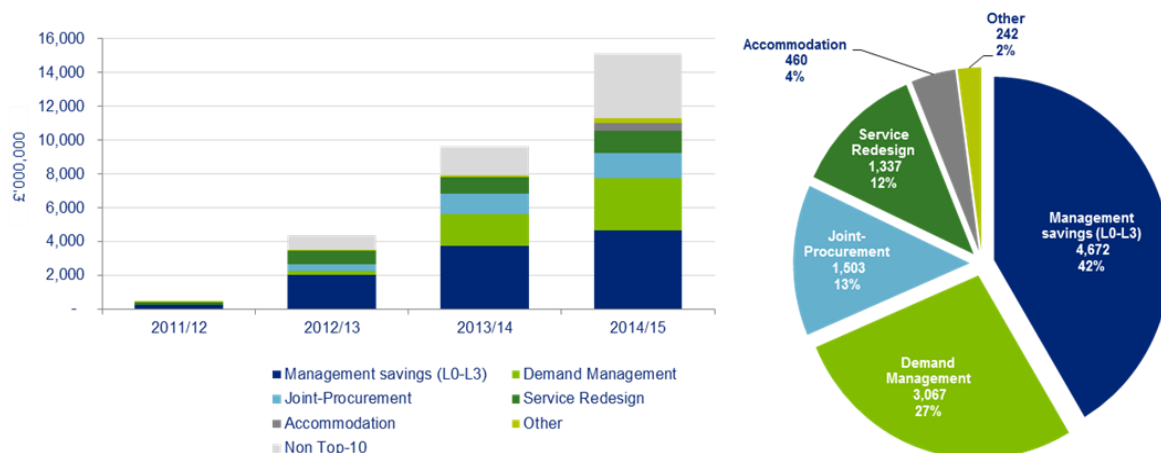
# Types of savings

Over the last 4 years, savings at other boroughs have largely been made through the same types of initiatives as those which the 'tri-borough' enables – management re-structures, demand management and joint procurements

## Types of Savings

- For LBHF, 'tri-borough' initiatives have contributed £15m (15%) of total savings achieved from 2010/11 to 2014/15.
- The 'tri-borough' category is the second most valuable\* for LBHF in terms of savings delivered.
- Categorising the Top-10 tri-borough initiatives for each year 2010/11 through to 2014/15, illustrates that the most valuable 'types' of savings have been 1) **Management Savings**, 2) **Demand Management**, 3) **Joint Procurement** (80% of total tri-borough savings).

Top-10 tri-borough initiatives for each year 2010/11 through to 2014/15



- Over the last 4 years, the three other councils have made very similar 'types' of savings and at similar scales\*\*
  - Management re-structures (c40-50% reduction – slightly under LBHF of 54% through tri-borough sharing)
  - Reduction in officer posts (c15-20% reduction in staff – under LBHF reduction of 26%)
  - Demand management in key areas such as ASC and CHS
  - Re-procurements/ Framework contracts
  - Service re-organisations

*Over the last 4 years, other boroughs have been making the same types of savings and at a similar scale and believe that future savings targets can still be made by looking deeper internally. However, fundamental change has become a must and there is a view that sharing services is becoming a legitimate way to achieve that aim.*

\*The first is 'Commercialisation/ Income' with 'Staffing / Productivity' in third. There are 17 categories in total.

\*\*note that all four councils have different savings baselines, assumptions and accounting treatments.

# The outside view in

Perceptions from the three other councils signal that the ‘tri- borough’ arrangements are built on a solid concept and that service delivery remains high. However, the current organisational structures are difficult to understand and the true ‘identity’ hard to pinpoint.

## Interested

- Depth and breadth of sharing and scale of savings has impressed other councils
- joint working can create a more sustainable business model in the longer-term
- Recognition that working ‘at-scale’ brings benefits through increased opportunity for collaboration (e.g. partnerships with Heath, Employment, Third Sector)
- Logical geographic boundaries and some central/ west London cultural, economic and social similarities
- Sharing of best practice made easier through ‘trust’ – which is lacking in other collaborative arrangements
- Sharing services is seen as the inevitable future for London – especially in light of further budget cuts: ‘tri- borough’ leading the way.

## Sceptical

- Perception that the ‘tri- borough’ arrangements are somewhat ‘presentational’ in their structural identity
- A level of scepticism exists as to the true additional benefits that the tri- borough arrangements bring
- The arrangements from the outside look to be a complex ‘patchwork’ of collaboration with no strong vision
- Perception that the solutions are highly politicised
- An unattractive structural model to ‘buy into’
- Perception that long-term third party contracts are harder to take costs out of; in-house services may be easier to cut if more radical changes in the future
- Sharing services is a ‘last resort’ when threatened by financial pressures.

*Although sharing services is generally seen as ‘the future’, the tri- borough arrangements are viewed to be too complex organisationally to ‘connect into’ and are instead viewed with a level of scepticism. Other boroughs appear at present to favour more tactical collaboration on a service by service basis, rather than a strategic decision to join the tri-borough arrangement.*

# Other borough 'internal' innovations

The three other boroughs have alternative initiatives which lie outside of collaborative shared services, and look more internally at service delivery innovations and towards clarity of understanding on current costs and actual outcomes.

- Cutting heads and 'salami-slicing' will no longer deliver a sustainable solution. Councils must strive to implement more focussed innovation whilst building 'commercialism' into everything they do.
- Other councils are developing thinking on: **technology** enabled resources, **assets** management, fundamental change in **delivery models** based on outcomes and interventions, community and **third sector** empowerment and changing patterns of **demand**.

## Key innovations

Borough	Innovation	Brief Description
Camden	✓ <b>Community Investment Programme</b>	- A 15 year plan aiming to raise £300m to invest in schools, homes and community facilities by redeveloping or selling buildings or land that are underused or expensive to maintain.
	✓ <b>Internal Change Management</b>	- Designing and implementing a new model for managing and delivering change: flexible mixed resources model, a Camden Public Collaboration Lab and a smaller model for providing strategy support to the organisation through evidence based approaches and more rigorous performance management
	✓ <b>Role of managers</b>	- Deliver a programme of redesigned management roles across the Council to improve the way services are resourced to enable greater flexibility. This will reduce the number of management posts required and improve staff engagement and productivity and performance. Coupled with other complimentary initiatives on 'workforce planning' and 'temporary labour' use, this is expected to save the council up to £14m over the next three years.
Lambeth	✓ <b>Co-operative Council</b>	- A Council-wide 'Transformation and Efficiency Programme' – working in partnership with citizens to design and deliver public services which meet their specific local needs, incentivising citizens to play a more active role in their local community and more co-operation with a wide range of service providers
	✓ <b>One Oracle</b>	- Six London borough councils (Lambeth, Brent, Barking & Dagenham, Croydon, Havering and Lewisham) are using Capgemini to implement, host and manage a new shared instance of Oracle's enterprise resource planning (ERP) in order to standardise business processes (HR, Finance, payroll, pensions, and procurement). Now one year delayed.
Hackney	✓ <b>TRASC Programme</b>	- Several projects aimed at re-designing externally commissioned services, including Supporting People and community based preventative services: improving people's independence and well-being to reduce reliance on long term social care
	✓ <b>The One Approach</b>	- The One Approach represents a move away from pro-rata reductions to service budgets to a fundamental review of services across Children's Services which will bring together services for young people and families, focusing investment on where it has greatest impact and bringing together QA, workforce development and business services

## A4. Staff perspective



# Introduction to the staff survey

The objective of the staff survey was to gain officer level perspectives of the ‘tri- borough’ arrangements. The survey was sent out to all staff at the LBHF and tri- borough staff at RBKC and WCC.

## Overview

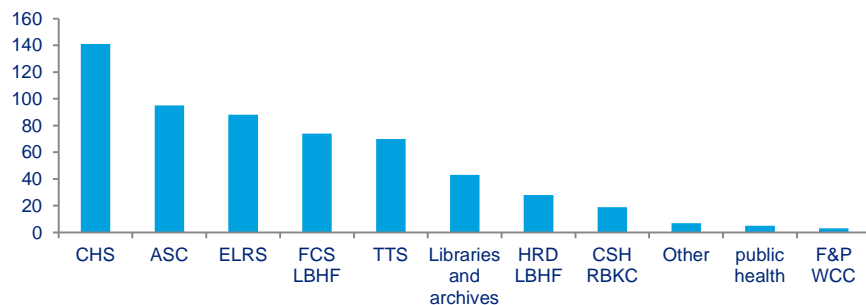
A total of **589 responses** were received from across the three boroughs...

	Count	%
LBHF	280	48%
RBKC	209	36%
WCC	89	15%

From the following breakdown of resources...

	Count	%
Senior management	66	12%
Line or project manager	166	29%
Officer with no management	278	49%
Other	62	11%

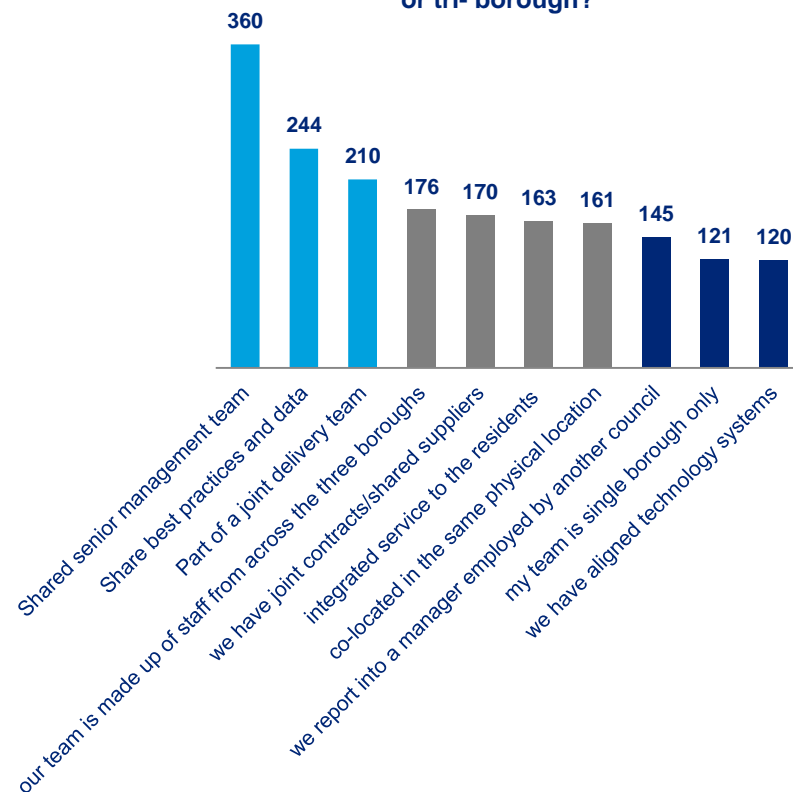
And the following directorate/ service areas...



Describing their service or role as per the below:

	Count	%
tri-borough	254	48%
bi-borough	149	28%
H&F/single borough	132	25%

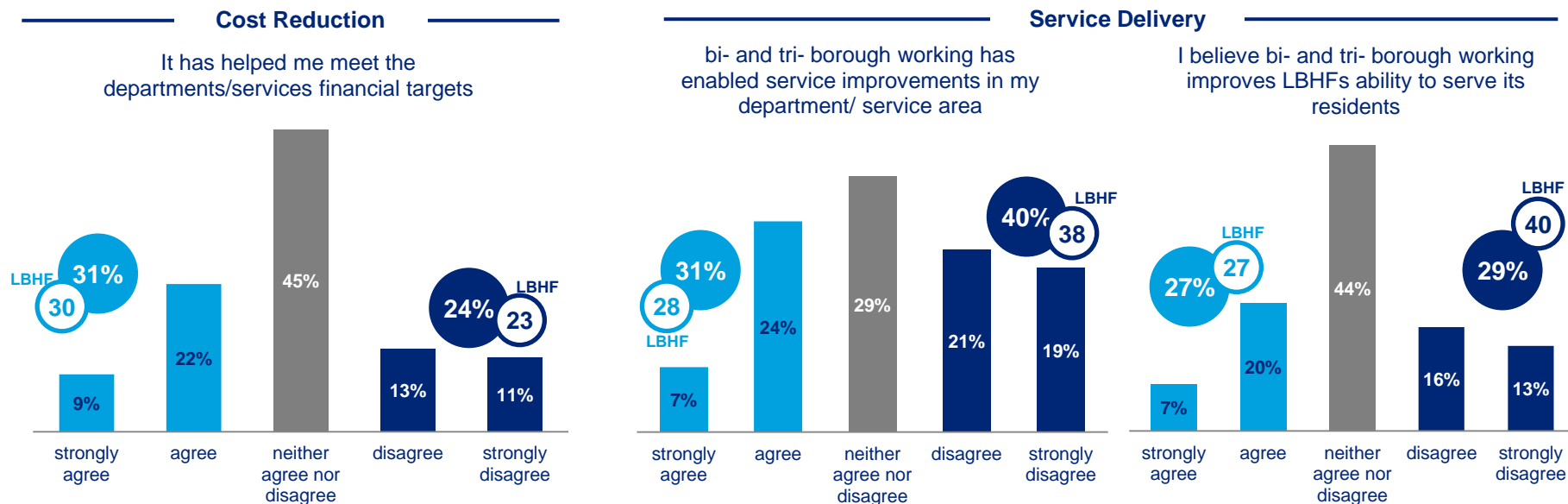
## In what way is your team/service or role considered bi or tri- borough?



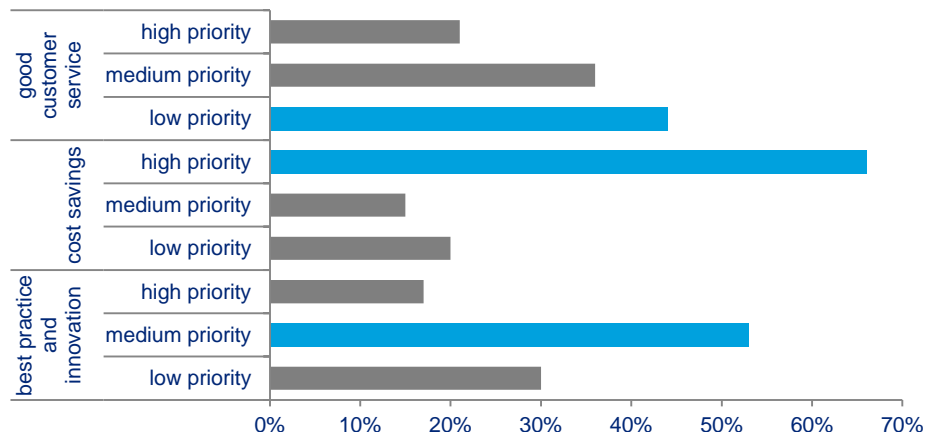
- The main ways in which respondents' services or roles were identified as being bi- or tri-borough were by reporting to a shared management team (63%), followed by sharing best practices and data (43%) and working as part of a joint delivery team (37%).
- The top three areas identified here are shared in the same order of magnitude, with LBHF only respondents.

# Uncertainty prevails

There is a level of uncertainty as to the true benefits of tri- borough working, beyond the perception that cost savings are a high priority. LBHF staff feel more strongly than the other two boroughs that tri- borough working does not improve individual boroughs ability to serve their own residents



## What you believe are the overarching priorities for bi-borough working



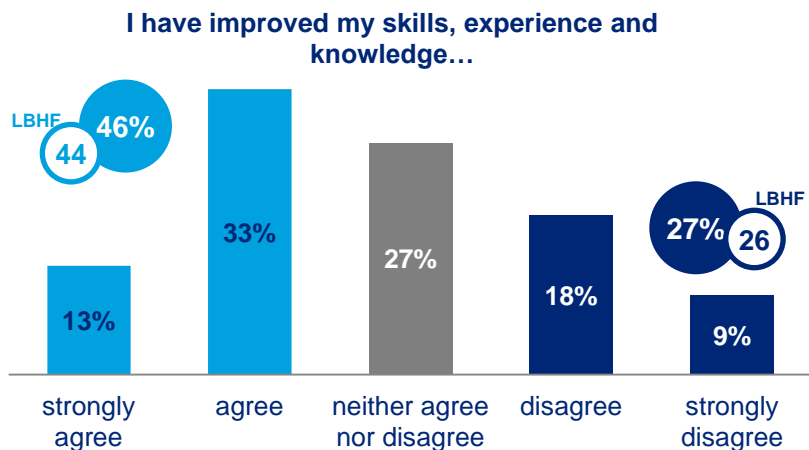
“...We've reduced costs, yes, but at the expense of services”

“...I do not believe the residents of H&F are taken into consideration. **Customer care and quality are not on the agenda.** It appears to be a cost cutting exercise”

“...It is clear that **financial savings are the core delivery target** of this strategy”

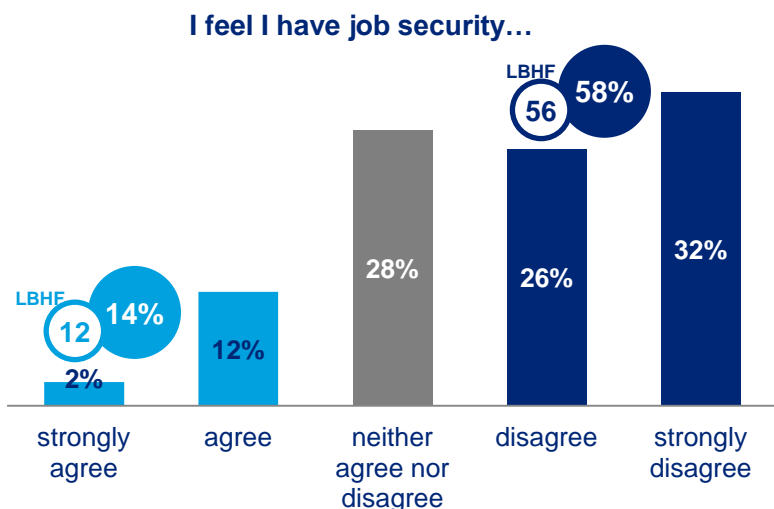
# Tri- borough is a positive for personal development

Staff acknowledge that the tri- borough has offered skills, experience and career development opportunities, but at the cost of 'job security'.



*"...there have been **brilliant opportunities** to **share ideas** and learn from practice that differs across the three boroughs"*

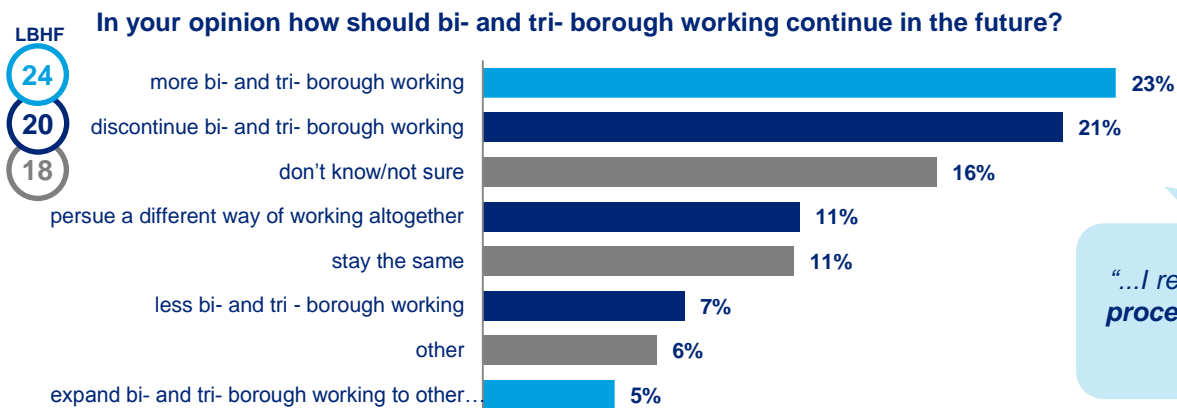
*"...I feel **no sense of commitment** to tri- borough as compared with LBHF. I feel my **LBHF client departments have suffered** in the service I can provide because of tri- borough and I do not consider myself to have any long term future with tri- borough"*



- The tri- borough has offered personal development opportunities to those involved whilst subjecting staff to a nervousness about job security.
- However, it is important to note that any conclusions stemming from questions of job-security cannot be limited to the tri- borough alone and may be a commentary on the wider economic climate and landscape of ongoing austerity.
- Even without the 'tri- borough' arrangements, there would certainly a different/ competing initiative looking to do the same: cut costs through organisational redesign and post reduction.

# Conflicting views on the 'way forward'

There is a high level of overall uncertainty about the future direction of travel – with a relatively even split between wanting 'more' joint working and wanting to 'discontinue' it altogether. 16% of respondents don't know either way. Most see differing policies, processes and technologies as the biggest challenges.

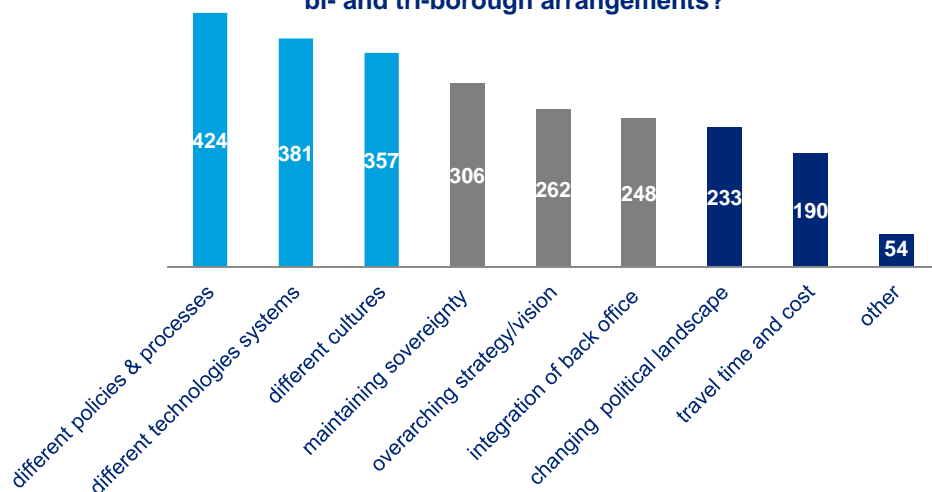


*"...I believe **tri-borough can work** if re-aligned and invested in"*

*"...I really like the principle of tri-Borough. However, the **processes have not kept pace with the principle** and so is not yet working as it could"*

*"...bi- and tri- borough working **can work well** where **Boroughs' priorities are aligned** for that area, but it can have a negative impact where they are not"*

## What do you believe are the key challenges of working within bi- and tri-borough arrangements?



- LBHF staff share the same uncertainty as to the future as the other boroughs. Predictably, the service areas voting for 'more' joint working are predominantly ASC, CHS and FCS (together representing 65% of LBHF 'more' vote). Those stating 'discontinue' are predominantly from ELRS and FCS (60% of LBHF 'discontinue'). This shows a level of uncertainty within Finance and Corporate Services.

## A5. Tri- borough savings

# Tri- borough savings

As a single savings category, the tri- borough initiatives are a significant contributor to overall LBHF savings and have the potential to become proportionately larger in the future.

## Proportionate Savings

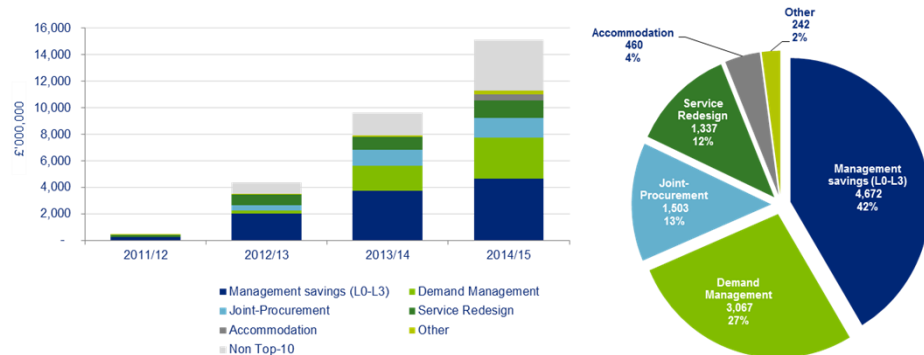
- The graphic below illustrates the proportional importance of tri- borough savings as a percentage of total LBHF savings.
- For LBHF the proportionate importance of these types of savings is increasing – from 2011/12 to 2014/15 they have increased in relative scale from 2% to 29%.
- For LBHF, tri- borough savings represent the second most successful initiative 'category', anticipated to produce over 15% of savings since by the end of 2014/15\*.



## tri- borough Initiatives

- Categorising the Top-10 tri-borough initiatives for each year 2010/11 through to 2014/15, illustrates that the most valuable 'types' of savings have been 1) **Management Savings**, 2) **Demand Management**, 3) **Joint Procurement** (80% of total tri- borough savings).
- As per the original objectives, Senior Management posts (Tier 1-3) have been reduced from 106 to 54 which results in a 54% reduction on 2010 costs.

### Top-10 tri-borough initiatives for each year 2010/11 through to 2014/15\*\*



\*The first is 'Commercialisation/ Income' with 'Staffing / Productivity' in third. There are 17 categories in total. \*\*Source: Indicative categorisation based on top-10 initiatives and their descriptions only. Analysis based on data provided by LBHF Strategic Planning and Monitoring, Corporate Finance Team, with input from Finance Integration Project (FIP) Board report dated July 2014 .

\*\*Note that savings figures above do not include for costs of implementation or redundancy.

## A6. Procurement Operating Model

# Agreeing design principles

Design principles inform the development of organisational structures by defining key outcomes and constraints that the new structure will need to satisfy. Design principles incorporate both relevant good practice and organisation specific requirements

## *Future Commercial Operating Model – LBHF Design Principles (illustrative)*

1. **Consistency in process & outcomes:** Increased consistency of approach to all commercial activity & service delivery
2. **Consistency in roles & responsibilities:** Clearly defined and consistent commercial roles and responsibilities
3. **Clear Accountabilities:** Vertical alignment of organisation structure with cascading responsibilities, clear accountability and ownership
4. **Operational Efficiency:** Procurement that operates efficiently and effectively; removes duplication and aligns tasks to appropriate level.
5. **Customer Focused:** Responsive, alignment of customer, contractor and LBHF expectations, supporting the 'right' behaviours
6. **Affordable:** New operating model to meet budgetary constraints while having the right blend of capabilities
7. **Innovative:** New operating model that is transformational
8. **Appreciated Sovereign Requirements:** New operating model which speaks to individual borough needs and requirements

*LBHF to draw from best practice to supplement the specific design principles*

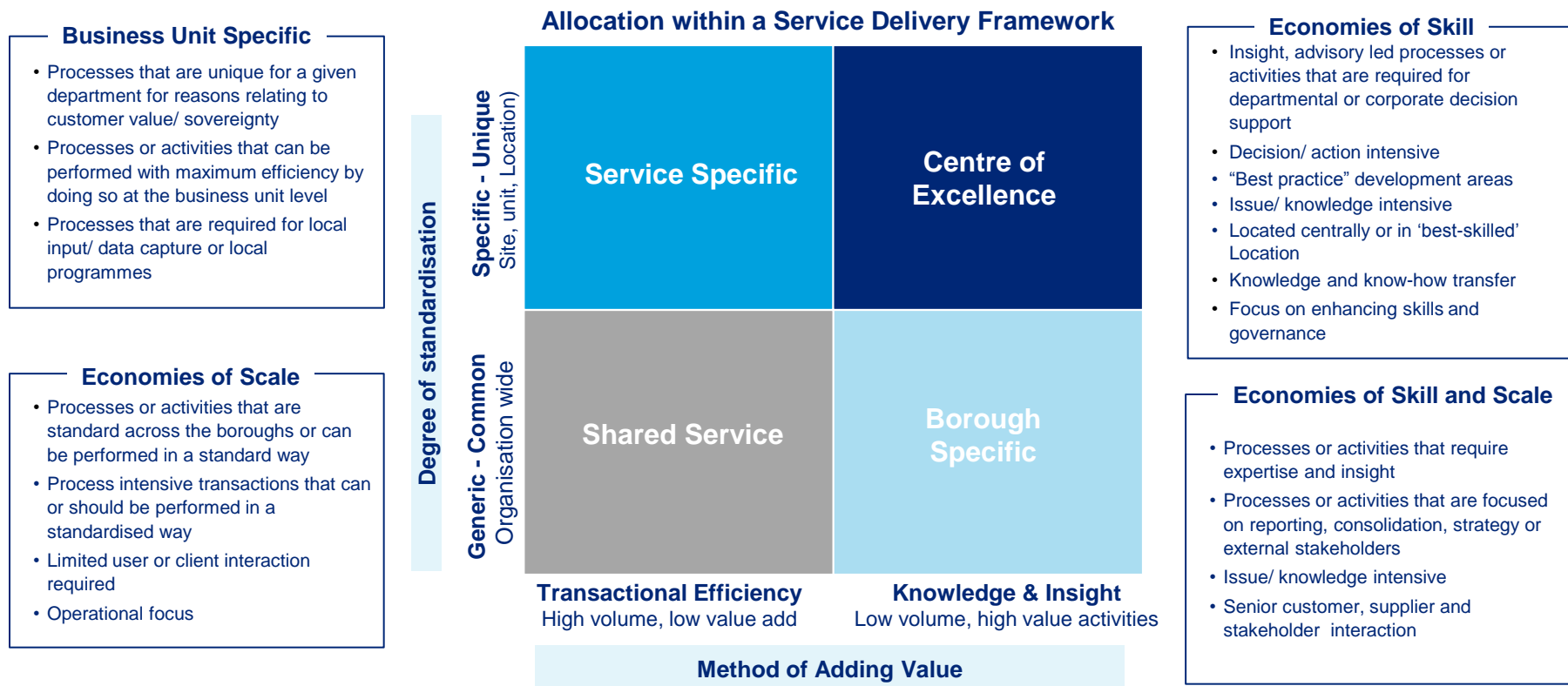
## *Leading Practice Design Principles*

- Group similar capabilities
- Clear roles and reporting lines
- Unity of command (an employee should have only one boss at any one time)
- Not one over one (a supervisor should have more than one direct subordinate)
- Design for business need (a job should be designed around activities that need to be performed, and not tailored to the qualifications of the individual)
- Clear interface with customers
- Clear interface with suppliers
- No single points of failure (do not design roles so that the whole operation will fail if one individual is absent)
- Size and balance (there should be a reasonable balance in the size of departments and divisions so they can be managed. Peer roles should be of roughly equivalent size)
- Spans of control that fully use managerial talents and minimise organisational layers
- Responsibility and commensurate authority are delegated down the organisation as far as possible
- Blend advantages of decentralised autonomy with centralised economies of scale



# Alternative operating model options

The to-be procurement operating model has implications for each of the Boroughs and how they will operate in the future. As part of defining the 'best fit' model, each element of the commercial lifecycle should be individually considered in terms of standardisation and transactional opportunities, as per the Service Delivery Framework outlined below.



## A7. The Journey

# Overview of the tri- borough journey to date

Sharing services is not unique to the 'tri- borough', and pre-tri- borough there were already some elements of shared arrangements between the three boroughs. However, the tri- borough initiative has created relationships through which sharing services more radically – between three allocated boroughs – becomes more feasible. However, the way in which the original idea has been implemented has created some challenges to the current operational and sovereign delivery of services which need to be resolved to enable more effective and broader shared services for the future.

