**Title:** Senior Management Arrangements and the Potential for Shared Services with Thurrock Council.

**Report of:** THE CHIEF EXECUTIVE

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<th>Wards Affected:</th>
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**Report Author:** Graham Farrant, Chief Executive

**Contact Details:**
- Tel: 020 8227 2789
- E-mail: graham.farrant@lbbd.gov.uk

**Accountable Divisional Director:** n/a

**Accountable Director:** Chief Executive

**Summary:**

PAASC have sought reassurances from the Chief Executive regarding the robustness of the current management structure in relation to the management of the Council’s corporate risks and the Internal Audit department.

This report also introduces the mechanisms for exploring and bringing forward shared services between the London Borough of Barking and Dagenham (LBBD) and Thurrock Council, and sets out possible governance and decision making mechanisms. It contains details of the process that will be undertaken to evaluate the potential opportunity for both in terms of savings for each Council and mechanisms for strengthening the resilience of individual services. This information is contained in **Appendix One**, a report which was presented to Thurrock’s Corporate Overview and Scrutiny Committee.

**Recommendation(s)**

PAASC is recommended to note the contents of the report.

**Reason(s)**

This report was requested by Councillors Jamu and Channer.

Information relating to the management of the Council’s corporate risks and Internal Audit function were requested by Councillors Jamu and Channer. In addition, PAASC is responsible for the overview of corporate governance. As this report relates to potential shared roles across the two authorities, a broader report on shared services is appended for information.
1. Introduction and Background

1.1 PAASC have sought reassurances from the Chief Executive regarding the robustness of the current management structure in relation to the management of the Council’s corporate risks and the Internal Audit department.

1.2 This issue was raised due to the departure (or planned departure) of the officers responsible for managing the audit and risk teams and ensuring the Council has a strong and compliant corporate culture. The posts in question are:
   - Chief Executive / Head of Paid Service
   - Corporate Director of Finance and Resources / Section 151 Officer
   - Divisional Director of Legal and Democratic Services / Monitoring Officer

1.3 This report also introduces the mechanisms for exploring and bringing forward shared services between the London Borough of Barking and Dagenham (LBBD) and Thurrock Council, and sets out possible governance and decision making mechanisms. In part, this will seek to address – in the longer term – the concerns raised by PAASC around Risk Management and Internal Audit. It contains details of the process that will be undertaken to evaluate the potential opportunity for both in terms of savings for each Council and mechanisms for strengthening the resilience of individual services. This information is contained in Appendix A, a report which was presented to Thurrock’s Corporate Overview and Scrutiny Committee on 11 September 2012.

2. Issues

History

2.1 As a part of last year’s budget savings, the post of Divisional Director of Audit and Risk Management was deleted and the responsibilities subsumed into the Corporate Director of Finance and Resources and Divisional Director Finance (Mr Jonathan Bunt).

This decision was challenged by Councillors Twomey and Rodwell using the “call-in” mechanism – as outlined in the Council Constitution. This call-in was considered by PAASC on 17 January 2012. The call-in was upheld by PAASC and referred back to Cabinet, where it was dismissed due to the need to make drastic budget reductions.

At the time of the call in the then Chief Executive reassured members that she – along with the other two posts mentioned above – would, in a broad sense, take the ultimate responsibility for ensuring the Council’s corporate risks and internal audit arrangements are managed and Internal Audit remains robust and respected, thus ensuring a strong culture of compliance – a topic which PAASC has raised as an area of concern on several occasions.

Due to the departure (or planned departure) of those three post holders, and the possibility of sharing all three posts with Thurrock Council, Councillors Channer and Jamu have sought reassurances that the current, and future, arrangements are still fit for purpose.
Current Structures

2.2 The following arrangements are in place or planned:

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<th>Post</th>
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<th>Notes</th>
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<tr>
<td>Chief Executive / Head of Paid Service</td>
<td>Mr Graham Farrant</td>
<td>Shared post with Thurrock Council.</td>
</tr>
<tr>
<td>Corporate Director of Finance and Resources / Section 151 Officer</td>
<td>Ms Tracie Evans</td>
<td>Ms Evans leaves the Council at the beginning of October 2012. Arrangements to cover these responsibilities in the short to medium term are being finalised.</td>
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<tr>
<td>Divisional Director of Legal and Democratic Services / Monitoring Officer</td>
<td>Ms Tasnim Shawkat</td>
<td>Ms Fiona Taylor (LBBD Group Manager, Legal) has been appointed as the new Head of Legal and Democratic Services. This post is shared with Thurrock Council.</td>
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Reassurance

2.4 Members will be aware that the two councils have shared the Divisional Director of Legal and Democratic Services post since 1 April 2011. This has been very successful and has reassured officers and Members alike that senior management roles can equally be shared to the benefit of both councils and time managed appropriately.

2.5 The Chief Executive has made arrangements to ensure his diary has been organised so that he can spend time in both authorities on most days and so that he can attend all of the Cabinet and Council meetings. He will ensure that the same applies to any other shared senior management post.

2.6 Risk Management and the management of the Internal Audit department are undertaken by separate officers at Group Manager level who, in turn, report to the Divisional Director Finance. None of the senior management changes (outlined above) impact on these arrangements.

2.7 The attached report (Appendix One) was presented to Thurrock’s Corporate Overview and Scrutiny Committee and contains an appendix titled A Governance Guarantee for Shared Services. It outlines what is and is not acceptable as the two councils work more closely together.
2.8 Any proposals to work more closely with Thurrock Council will require formal decisions to be taken by Members and consultation will be ongoing throughout the process. I am happy to report on progress to PAASC on an ongoing basis.

2.9 On 26 July the Chief Executive hosted the first joint meeting of the senior managers of LBBD and Thurrock. This proved to be a very successful morning with all of the managers taking an open and active view of the potential synergies and similarities between the two councils.

2.10 Having explored the perspectives of staff, customers and partners, managers started to set out some of the ground-rules for managing Council services through the development of a “Headline Business Case” for each function. This Headline Business Case, if it shows potential, will be converted through an Outline Business Case into a Full Business Case to fully explore the potential benefits and advantages from sharing or merging the management across the two councils.

Savings

2.11 Sharing the Chief Executive, Corporate Director, and Divisional Director posts could produce significant savings for LBBD without impacting directly on the services used by borough residents.

2.12 Any shared posts will be jointly funded by each council most probably on an equal basis, providing additional savings similarly without impact on service provision.

3. Options Appraisal

3.1 The appendix outlines the Terms of Reference for exploring and bringing forward shared services. This exploration is still in its very early stages and a range of options and opportunities are available.

4. Consultation

4.1 A meeting with senior managers took place on 26 July 2012. This dialogue will be ongoing. Informal meetings have also taken place with trade union representatives and members.

4.2 The Potential For Shared Services report is put before PAASC (as a part of this report) and any and all feedback is welcome.

5. Financial Implications

Implications completed by: Olufunke Johnson
Telephone and email: 020 8227 2485  |  Olufunke.johnson@lbbd.gov.uk

5.1 The financial implications of each stage of the process of moving towards shared or merged services will need to be considered at the appropriate points.

5.2 A shared service option would generate savings for the Council but any savings which arise as a result of the proposals will need to be net of any additional costs required to establish the arrangement.
6. **Legal Implications**

Implications completed by: Eldred Taylor-Camara  
Telephone and email: 020 8227 3344 | [Eldred.Taylor-Camara@BDTLegal.org.uk](mailto:Eldred.Taylor-Camara@BDTLegal.org.uk)

6.1 No legal implications.

7. **Other Implications**

7.1 **Risk Management**
Risk Management is and will continue to be directly managed by the Divisional Director Finance. The departure of the three officers outlined in this report does not impact on that.

7.2 **Contractual Issues**
No council will be obliged to break an existing contract.

7.3 **Staffing Issues**
Staff and unions will be fully consulted on each proposal.

7.4 **Customer Impact**
Commissioning or delivering services together is specifically designed not to change how residents receive and experience services unless there is an advantage to do so.

**Background Papers Used in the Preparation of the Report:**

- PAASC Minutes – January 2012
- Potential For Shared Services with London Borough of Barking and Dagenham – Terms of Reference report (11 September 2012, Thurrock Council)
- Council Constitution

**List of appendices:**

- Potential For Shared Services with London Borough of Barking and Dagenham – Terms of Reference report (11 September 2012, Thurrock Council)
EXECUTIVE SUMMARY

This report introduces the mechanisms for exploring and bringing forward shared services between the two Councils and sets out possible governance and decision making mechanisms. It also contains outline details of the process that will be undertaken to evaluate the potential opportunity both in terms of savings for each Council and mechanisms for strengthening the resilience of individual services.

1. RECOMMENDATIONS:

1.1 That the Terms of Reference for exploring shared services with the London Borough of Barking and Dagenham be noted as set out in this report.

3. SHARED SERVICES:
3.1 It has been agreed between the Leaders of the political groups that the terms of reference for potential negotiations around shared services for the London Borough of Barking and Dagenham should be reported to the Corporate Overview and Scrutiny Committee. This report introduces the mechanisms for bringing forward shared services between the two Councils and sets out possible governance and decision making structures. It also contains outline details of the process that will be undertaken to evaluate the potential opportunity both in terms of savings for each Council and mechanisms for strengthening the resilience of individual services.

3.2 We have a reasonable level of experience of providing shared services with other Councils and are already engaged in a variety of specific shared services. However, these are, with the exception of legal services, specific arrangements on individual services that enable cost efficiencies. The opportunity arose for exploring the potential of a shared Chief Executive with the London Borough of Barking and Dagenham following the resignation of the previous post holder in June 2012. Cabinet supported the sharing the Chief Executive role with the view to exploring the potential for further joint management of the two Councils.

3.3 As a result of this decision officers have been exploring the opportunities for shared or merged services between the two Councils during August and are beginning to shape up their conclusions as to the degree and depth of sharing that is possible between the two Councils.

4. TERMS OF REFERENCE FOR EXPLORING SHARED SERVICES

4.1 Members need to agree a set of terms of reference for the exploration of shared services and the draft terms of reference are set out below:

Governance guarantee – “a Governance Guarantee” should be agreed which sets out, at a high level, the continued separate nature of the governance arrangements for each of the Councils. A draft of the Governance Guarantee is attached as Appendix 1.

4.2 The exploration of individual shared or merged services should identify the benefits to each Council in terms either:

4.2.1 Ongoing financial savings through sharing costs and/or
4.2.2 Increased resilience for the services through strengthened management or delivery arrangements that compliment those currently available.

4.3 No service is off the agenda and nothing is excluded from the consideration of merged or shared services other than any decision which would adversely impact on the Governance Guarantee.

4.4 In assessing the impact of any proposal for shared services on those services which are statutory in nature, due regard should be placed on the views of the statutory officers of the Council.

4.5 Proposals for sharing any services would need to be ratified in terms of risk and cost by the Council’s Section 151 and Monitoring Officers.

4.6 Appropriate governance arrangements need to be set up, including a forum for Members to influence and to agree the final decisions around each shared service, including the appointment of any officers who would be caught within the Council’s pay policies.
4.7 Due regard should be placed on the short term costs of restructuring, but any view on the costs should be balanced against a notional five year target saving unless any other specific person is agreed.

5. PROCESS FOR EVALUATING OPTIONS

5.1 The Chief Executive has put in place an initial assessment process comprising of three steps, following a joint management meeting between Heads of Service/Divisional Directors and Directors in late July:

**Headline business case** - setting out the scope of each service and, in headline terms the potential for sharing or merging services built around the following headings:

- Introduction to the services
- Key outcomes being sought
- Objectives and strategic fit
- Existing arrangements
- Options for change
- Recommended option
- Rationale for recommended change – benefits (cost and service) linked to key outcomes

5.2 **Outline business case** – a more detailed view of the services and the opportunities which would be used as the basis for seeking Members' approval to move forwards.

5.3 **Full business case** – setting out the benefits and the process for realising those benefits including the approval process.

5.4 Officers have been asked to consider their services at the headline business case level and to submit their ideas and questions to the Chief Executive by the end of August. The suggestions are now being collated and considered internally. There are in essence four options for each service that might come forward:

1. no synergy or benefit from sharing
2. resilience benefits by locking the two organisations structures together and sharing services but minimal savings to be achieved
3. Clearly identifiable savings with “convenient” synergistic opportunity due to a vacancy or structural fit.
4. Synergy opportunities which require a formal restructure to deliver savings in costs.

5.5 As the Headline Business Cases come forward, practical decisions will need to be taken around the capacity of the organisations for further change and the speed with which synergy can be achieved. This will enable the production of a more detailed project plan setting out the options and the most appropriate programme for delivery.

5.6 It is possible that the opportunities that arise will be able to be clearly grouped into back office and service synergies. For example, it would be possible to move more quickly towards back office synergies notwithstanding the complexities of the Serco and Elevate Strategic Service Partnerships that are in place in each Council. This could mean leaving service synergies to be addressed later on. However, it is more
likely that the proposals that come forward will be a mix of back office and service delivery options.

6. MEMBERS’ GOVERNANCE

6.1 Any decisions to be taken by members to move into formal shared arrangements will be taken through the normal member forums as appropriate, mostly through the Council’s Cabinet.

6.2 The political group leaders meet regularly with the Chief Executive and this mechanism will be used to discuss future options.

6.3 Corporate Overview & Scrutiny Committee may monitor progress overall.

6.4 Individual Overview & Scrutiny Committees may seek progress reports regarding their specific services.

6.5 Joint member arrangements may be set up between the two Councils to discuss and agree the overall direction and programme.

7. JOINT APPOINTMENT PROCESSES

7.1 The two Councils will need clarity around the processes for making any further joint appointments. A paper is being prepared for Members’ approval setting out proposals for agreeing any joint appointments that come forward through joint officer or member interviews as appropriate.

7.2 The Council’s recently appointed Fiona Taylor as the Joint Head of Legal Services to replace Tasnim Shawkat. This process was carried out using a joint appointment process which comprised of the two members’ bodies from each Council meeting together as a single Members’ Panel of eight members (four from Thurrock and four from Barking and Dagenham). Having sat as a joint committee to interview the candidates and make a recommendation, the two individual councils’ appointment committees then convened and voted independently to confirm the decision in respect of their own councils. This provides a model for the most senior levels of recruitment which will form the basis of the proposal to be brought before Members.

7.3 It is important that the process to be adopted complies fully with the Constitutional requirements of each the Councils, as well as providing a forum for reasoned and valid decision making.

8. CONSULTATION (including Overview and Scrutiny, if applicable)

8.1 The process of reviewing the opportunities for shared services have involved initial consultation with senior managers who are inputting via the Headline Business Cases, and informal consultation with the trades unions which will become formal as proposals are worked up in more detail.

9. IMPACT ON CORPORATE POLICIES, PRIORITIES, PERFORMANCE AND COMMUNITY IMPACT

9.1 These proposals have the potential to unlock new ways of delivering the council’s corporate policies and priorities. The governance guarantee will ensure that the impact on the community is minimised in terms of decision-making and delivery.
10. IMPLICATIONS

10.1 Financial

Implications verified by: Mike Jones
Telephone and email: 01375 652772
mjones@thurrock.gov.uk

The financial implications of each stage of the process of moving towards shared or merged services will need to be considered at the appropriate point. Any savings which arise as a result of the proposal will be considered as part of the Council’s Medium Term Financial Strategy.

10.2 Legal

Implications verified by: David Lawson
Telephone and email: 01375 652087
Dlawson@thurrock.gov.uk

There are no direct legal implications at this stage.

10.3 Diversity and Equality

Implications verified by: Samson DeAlyn
Telephone and email: 01375652472
sdealyn@thurrock.gov.uk

The Equality Act 2010 places a statutory duty on the local authority to give due regard with respects to equality in terms of functions and activities performed by the Council. The governance arrangements set out in Section 6 set out a framework to ensure that elected members will be fully engaged in any proposals which are adopted for the sharing of services, and this will provide a mechanism for review of any equality impact.

The duties set out under the Equality Act also make provisions for employment and other work situations. These requirements will be important in any recruitment process; in particular, there will need to be consideration of each Council’s corporate employment and equalities policies. The business cases referred to in this report may result in the redeployment of staff resources between both councils and any recruitment process will be open and transparent and should give confidence that the equalities dimensions are being taken fully into account.

10.4 Other implications (where significant) – i.e. Section 17, Risk Assessment, Health Impact Assessment, Sustainability, IT, Environmental

There are no other implications at this stage.

APPENDICES TO THIS REPORT:

- Appendix 1 Draft Governance Guarantee
Report Author Contact Details:

Name: Graham Farrant  
Telephone: 01375 652152  
E-mail: gfarrant@thurrock.gov.uk
Appendix 1

Thurrock Council                                          London Borough of Barking & Dagenham

A Governance Guarantee for Shared Services

Objectives:

The two councils are committed to continuing to representing the needs, priorities and ambitions of local people in their communities.

We are exploring reducing costs and strengthening our capacity by working together and identifying areas of common interest.

Commissioning or delivering services together is specifically designed not to change how residents receive and experience services unless there is an advantage to do so.

To safeguard local autonomy the Councils confirm the following ten-point governance guarantee:

1. Local residents will continue to elect the same number of councillors to each Council and there will be no change in the name or governance structure of any of the Councils, other than to effect joint decision-making.

2. Each Council will retain its own constitution, setting out how it makes decisions, organises scrutiny and delegates authority.

3. The boundaries of the areas for each Council will not change.

4. Each Council will continue to set its own Council Tax and publish its own budget and accounts.

5. Each Council will continue to spend its own money to support its local communities.

6. Each Council will continue to be able to set its own spending priorities and its own policies on how services are delivered. The Councils may jointly commission some services from contractors, voluntary bodies and others, but can also decide to commission, or grant aid, on their own.

7. Neither Council can be ‘out-voted’ by the other Council in a way which requires that Council to make any decision such as adopt a policy, accept a cost or change a priority that its decision makers are not willing to support.

8. The costs of changes and the benefits achieved from change will be fairly attributed and shared to the satisfaction of both Councils.

9. No Council will be obliged to break an existing contract.

10. Each Council will continue to speak up for its own residents, even when there is an apparent conflict of interest between the boroughs.