



**East Kent (Joint Arrangements)
Committee**

**The Guildhall
Westgate
Canterbury**

03 December 2008

Agenda

**Nadeem Aziz
Chief Executive**



Agenda

East Kent (Joint Arrangements) Committee

**Wednesday
3 December 2008
at 10.00 am**

**The Guildhall
Westgate
Canterbury**

Membership of the East Kent (Joint Arrangements) Committee

Councillors

Councillor R Bliss, Shepway District Council (Vice Chairman)
Councillor P Carter, Kent County Council
Councillor S Ezekiel, Thanet District Council
Councillor J Gilbey, Canterbury City Council (Chairman)
Councillor A King, Kent County Council
Councillor R Latchford, Thanet District Council
Councillor J Law, Canterbury City Council
Councillor D Monk, Shepway District Council
Councillor F Scales, Dover District Council
Councillor P Watkins, Dover District Council

NOTES

- 1 The East Kent Joint Arrangements Committee has not authorised the recording of their meetings by members of the public or the media by any mechanical or electronic device or similar means. Recordings will not be permitted at any such meetings to which the press and public are admitted unless expressly authorised by the Committee.
- 2 The information contained within this agenda is available in other formats, including Braille, large print, audio cassettes and other languages.
- 3 If you have any queries regarding items on this agenda, please contact Lyn McDaid on 01227 862 006 or email lynda.mcdaid@canterbury.gov.uk or write to the address below.

Canterbury City Council
Military Road
Canterbury
CT1 1YW

A G E N D A

Page (s)

- 1 APOLOGIES FOR ABSENCE**
TO RECEIVE apologies for absence
- 2 DECLARATIONS OF INTEREST**
TO RECEIVE declaration of interests
- 3 SUBSTITUTE MEMBERS**
The Chairman to report any notifications received prior to this meeting regarding the attendance of substitutes for the named Members of this Committee.
- 4 MINUTES** 6 - 9
To confirm as a true record the minutes of the meeting of the East Kent (Joint Arrangements) Committee held on 25 June 2008.
- 5 MATTERS ARISING**
Matters arising from the last meeting of this Committee
- 6 MATTERS REFERRED FROM THE EAST KENT (JOINT SCRUTINY) COMMITTEE**
TO RECEIVE any items referred from the last meeting of the committee
(None this time)
- 7 ALLOCATION OF £50,000 FUNDING TO EAST KENT CLUSTER BY KENT & MEDWAY IMPROVEMENT PARTNERSHIP** 10 - 12
TO CONSIDER a report from the Head of Policy and Improvement, Canterbury City Council
- 8 JOINT HOUSING LANDLORD SERVICES** 13 - 84
TO CONSIDER a report from the Head of Community Services, Thanet District Council
- 9 SHARED HR/PAYROLL BUSINESS CASE**
TO CONSIDER a report of the Corporate Director, Shepway District Council –

REPORT TO FOLLOW
- 10 ANY OTHER URGENT BUSINESS TO BE DEALT WITH IN PUBLIC**

11 ANY OTHER BUSINESS WHICH FALLS UNDER THE EXEMPT PROVISIONS OF THE LOCAL GOVERNMENT ACT 1972 OR THE FREEDOM OF INFORMATION ACT 2000 OR BOTH

It will be necessary to exclude the press and public for any business under this item.

TERMS OF REFERENCE of the EAST KENT (JOINT ARRANGEMENTS) COMMITTEE

1. To exercise the executive and non-executive functions of the parties in order to commission, co-ordinate, provide, procure and/or manage any shared services as are agreed from time to time by two or more of the Parties
2. To provide strategic direction to the officers advising the EKJAC
3. To exercise any of the functions or services that are determined to be a shared service in accordance with these arrangements
4. To develop work programmes and projects in relation to the functions which the parties are minded to be delegated to the EKJAC by the Parties
5. To regularly report to each of the Parties on its activities
6. To respond to reports and recommendations made by the East Kent Joint Scrutiny Committee
7. To monitor the operation of the EKJAC and of any shared service
8. To propose a budget for a shared service to the Parties and to monitor and manage any such budget once approved by them
9. To review these arrangements from time to time and make recommendations to the Parties for improvement and change and to propose (as appropriate) the creation of special purpose vehicles for the achievement of the Objectives, including companies, formal partnerships or consortia, the expansion of these arrangements to include other local authorities, the conclusion of contracts with other persons and the provision of services, supplies and works to other persons

The decisions set out in these minutes will come into force, and may then be implemented at 12 noon on the fourth working day after the publication of the decision, unless the decision is subject to call-in.

Date of publication: 27 June 2008

CANTERBURY CITY COUNCIL

EAST KENT (JOINT ARRANGEMENTS) COMMITTEE

Minutes of a meeting held on Wednesday, 25th June, 2008
at 10.30 am in The Guildhall, Westgate, Canterbury

Present: Councillor J Gilbey (Chairman) (Canterbury CC)
Councillor R Bliss (Shepway DC)
Councillor J Gideon - substitute for Councillor S Ezekiel (Thanet DC)
Councillor J Law (Canterbury CC)
Councillor N Kenton - substitute for Councillor F Scales (Dover DC)
Councillor A Marsh - substitute for Councillor P Carter (Kent CC)
Councillor D Monk (Shepway DC)
Councillor S Tomlinson – substitute for Councillor R Latchford (Thanet DC)
Councillor I Ward – substitute for Councillor P Watkins (Dover DC)

Officers: Matthew Archer - Canterbury CC
Nadeem Aziz - Dover DC
John Bunnett - Thanet DC
Mark Bursnell - Canterbury CC
Colin Carmichael - Canterbury CC
Linda Davies - Kent CC
Mark Ellender - Canterbury CC
Nick Hughes - Canterbury CC
Dominic MacDonald-Wallace - Kent Improvement Partnership
Lyn McDaid - Canterbury CC
Jim McDonald - Canterbury CC
Richard Samuel - Thanet DC
Alistair Stewart - Shepway DC
Roger Walton - Dover DC
Peter Wignall - Shepway DC

1 CONFIRMATION OF CHAIRMAN

Councillor John Gilbey was confirmed as Chairman of this Committee for the remainder of the Council year 2008/09.

2 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Paul Carter (KCC), Sandy Ezekiel (TDC), Alex King (KCC), Roger Latchford (TDC), Frederick Scales (DDC), and Paul Watkins (DDC).

3 **DECLARATIONS OF ANY INTERESTS**

There were none made.

4 **PROCEDURE RULES**

The Head of Legal and Democratic Services (CCC) outlined his report on the Procedure Rules of the East Kent (Joint Arrangements) Committee. He asked the Committee to agree the terms of reference; the procedure rules and to note the operating arrangements and terms of reference of the East Kent (Joint Scrutiny) Committee.

A Member asked the Head of Legal and Democratic Services whether it was possible to have named substitutes for both this Committee and the East Kent (Joint Scrutiny) Committee. The Head of Legal and Democratic Services advised that the procedure rules had been designed in order to be flexible. However this Committee could introduce the practise of having named substitute Members, but this would not be binding. This Committee could recommend to the East Kent (Joint Scrutiny) Committee it have named substitute Members.

The Committee then debated the issue of Substitute Members.

RESOLVED -

- a) That the terms of reference in the Schedule to Appendix 1 of the report now submitted be accepted.
- b) That the committee procedure rules detailed in Appendix 2 of the report now submitted, be adopted.
- c) That the operating arrangements and terms of reference of the East Kent (Joint Scrutiny) Committee detailed in Appendix 3 of the report now submitted.
- d) That this Committee have named substitute Members where it is expedient to do so and that the **East Kent (Joint Scrutiny) Committee** be recommended to adopt the same practice for their committee to ensure continuity.

5 **ADMINISTRATIVE PROCESSES - EAST KENT (JOINT ARRANGEMENTS) AND EAST KENT (JOINT SCRUTINY) COMMITTEES**

The Head of Legal and Democratic Services (CCC) outlined his report on the Administrative Processes of the above two Committees. He asked Members to agree to review the arrangements of both Committees after six months. The Committee were informed that it had been suggested that the time of future meetings be amended to 10.00am. The report contained details of suggested speaking rights and proposed dates for both meetings. It was possible that the dates for future "Joint Scrutiny" committee meetings might be amended. The report also included arrangements for recommending items to the Leaders of the respective Councils for inclusion in their Forward Plans.

The Head of Legal and Democratic Services answered a question from a Member explaining that if the administrative arrangements were to change significantly they would need to be approved by the constituent Councils.

RESOLVED –

- a) That the operational arrangements of the East Kent (Joint Arrangements) Committee and the East Kent (Joint Scrutiny) Committee be reviewed by officers of the respective host authorities in six months and a report be taken to a future meeting of the Committees.
- b) That the Committee may, by invitation of the Chairman invite the Chairman of the East Kent Joint Scrutiny Committee or other persons to attend and speak to items on its Agenda.
- c) That the dates for the Joint Committee Meetings as set out in Appendix 1 of the report subject to the time of this Committee being amended to 10.00am. Meetings to be set according to these arrangements.
- d) That the Committee adopt the arrangements as set out in Appendix 3 of the report now submitted for recommending items to the Leaders of the respective Councils for inclusion on their Forward Plans.

6 PROPOSAL FOR THE FUTURE DEVELOPMENT OF THE EAST KENT CLUSTER SHARED SERVICES PROGRAMME

The Head of Policy and Improvement (CCC) outlined his report and asked that the guiding principles, project initiation process, measuring of success and the core programmes for shared service projects, be approved.

The Chief Executive of (CCC) in response to a Members query confirmed that Revenues and Benefits were to be treated as two separate services initially as it was not always the case that they were a combined service in all authorities.

Members queried whether it would be possible to change any of the Officers that had been designated as project managers. The Chief Executive (CCC) confirmed to Members, it would not be advisable to change those project managers where work had already been started. However, the Chief Executives Group could change the Project Managers on those projects that had not already been started.

RESOLVED – That the guiding principles, project initiation process, measures for success and the core programme for shared services projects be approved and that the programme of shared service projects could commence.

7 UPDATE ON THE WASTE MANAGEMENT PROJECT

The Committee received a presentation from the Corporate Director and Deputy Chief Executive (TDC) updating Members on converging the waste and recycling facilities of East Kent. The presentation covered the background and goals of the project, an overview of the principles agreed so far and outlined the next steps and the budget required to fund them.

The Corporate Director and Deputy Chief Executive (TDC) answered Members questions. He advised that Kent County Council would be providing the majority of

the funding requested in the report. It would be recommended to the district Councils that the balance of the budget required would be divided between them on the basis of waste spend. He further advised that at the February 2009 meeting of this Committee, there would be a report covering the recommended Notional Optimum Model.

The Head of Legal and Democratic Services (CCC) reminded the Committee that under their agreed terms of reference the Committee would ask the constituent Member Councils to allocate it funding for a project. When the funding was allocated, it would then become a joint budget under the control of this Committee.

RESOLVED – That in order that external legal and technical support can be procured and the waste management project managed, each Council in the East Kent group, be requested to;

- a) Note the report
- b) That approval is given to spend £200,000 of Waste Collection Authority and Waste Disposal Authority resources to be divided between the five authorities on a waste spend basis. (Underpinned by £100,000 from the Kent Waste Partnership)

8 **DATE OF NEXT MEETING**

It was noted that the next meeting of the Committee would be at 10.00am on Wednesday 10th September 2008 at the Guildhall, Canterbury.

Councillor Paul Carter had submitted his apologies.

There being no other business the meeting closed at 11.15 am

East Kent Joint Arrangements Committee

3 December 2008

Subject: **Allocation of £50,000 funding to East Kent Cluster by Kent & Medway Improvement Partnership**

Director/Head of Service: Joint Chief Executives

Decision Issues: These matters are within the authority of the East Kent Joint Arrangements Committee (EKJAC)

Decision type: Non-key

Classification: This report is open to the public.

CCC Ward(s): All

Summary: *The report seeks clarification how progress on the various projects that have been awarded funding will be monitored, and who will hold the budget for the allocation. The Joint Arrangements Committee is the accountable body and will have the responsibility for showing how the monies spent are delivering value for money.*

However, in practical terms the East Kent Chief Executive's Forum should be delegated authority to allocate funding to projects with the Joint Arrangement Committee acting as the monitoring body.

- To Resolve:**
- a) **That any four of the Chief Executive's of the parties or their nominated representatives acting together have delegated authority to allocate funding to relevant projects within the agreed shared services programme, with EKJAC acting as the monitoring body**
 - b) **to agree that the principle of a holding fund be recommended to the parties, subject to funding being made available in future years, to enable EKJAC to agree the funding of projects without the need for a referral back to the constituent authorities**
 - c) **that any funds allocated by the Chief Executives as above or voted by the parties or otherwise in respect of specific projects be allocated to the project champion as designated officer, such funds to be managed and expended in furtherance of the**

project

- d) the designated officer may appoint or retain external agents or contracts or any officer of any of the parties for any purpose**

Next stage in process To monitor the delivery of supported projects and to spend the remaining budget

SUPPORTING INFORMATION

1. Introduction

This funding has been secured by the Kent & Medway Improvement Partnership from Improvement and Efficiency South East for the establishment of the east Kent Local Strategic Partnership (EKLSP) and to facilitate the creation of a shared service decision making body for East Kent – the Joint Arrangement Committees. Given both of these bodies have already been established the funding can be used for specific shared service projects as the set up costs for both were borne by the districts.

2. Detail

Lead officers for the joint service projects included in the programme that has already been approved by the Joint Arrangements Committee, were asked if they wished to bid for a proportion of the monies to progress shared service projects and if so, for what purpose.

At the East Kent Forum meeting of 3 October, in order to hasten project progress, funding for the joint Building Control service of £8,440 and the joint Human Resources service of £20,000 were approved from those bids received. £5,000 was also allocated to the cost of organising the joint management meetings between the four councils.

The role of the Joint Arrangements Committee is to monitor the delivery of these joint service projects and to ensure the monies allocated are facilitating the projects and delivering good progress.

The Kent & Medway Improvement Partnership Board, at its meeting on 10 October agreed that the £50,000 provided for each of the three – west, mid and east - Kent clusters, would be allocated to the respective Chief Executive group running the projects.

From time to time funding may be voted by the parties, or become available from other sources. This generally happens in relation to specific projects. It is also intended by this report that the Committee approve same provisions which will take effect unless there is a specific decision by the Committee which will override them. The intent is that there should be some delegated powers in place to enable projects to be progressed without further decision.

3. Relevant Council Policy/Strategies/Budgetary Documents

East Kent protocol on Joint Services

4. **Consultation planned or undertaken**

Consultation with the lead project officers has taken place

5. **Options available with reasons for suitability**

- a) To allocate the funding as recommended and select an appropriate budget holder
- b) Find an alternative way to allocate funding to projects

6. **Reasons for supporting option recommended, with risk assessment**

Option a) represents the best means to facilitate the delivery of joint projects

7. **Implications**

(a) Financial Implications

The £50,000 is for the current financial year only

(b) Legal Implications

None

Other implications

(c) Staffing/resource

Likely to be significant, but not known at this time

8. **Conclusions**

This report sets out a suggested approach to spending the £50,000 allocated to the East Kent Cluster and assign an appropriate budget holder. It also makes provision for allocation and disbursement of future funds.

Contact Officer: Mark Bursnell Telephone: 01227 862056

East Kent Joint Arrangements Committee**3 December 2008**

- Subject:** Joint Housing Landlord Services
- Director:** Velia Coffey, Director of Community Services
- Decision Issues:** These matters are within the authority of the Committee.
- Decision type:** N/A
- Classification:** This report is open to the public.
- Summary:** This paper builds on the decision of the East Kent Leaders' Group to move forward with proposals to create a Shared Services Vehicle for the future management of council housing in East Kent and Ashford. Using the experience of local authorities that have established successful arms length arrangements to manage their housing stock, this report begins to flesh out the proposals in terms of what the Shared Service Vehicle (SSV) might look like and what functions it will deliver. The paper sets out the project management and implementation proposals and includes a revised timetable for decision-making and implementation that takes account of the statutory requirement to consult tenants and demonstrate their support for the proposal.
- This paper also deals with the arrangements concerning the joint management of council housing. A separate paper about the establishment of Local Housing Companies will be presented to the next meeting after the cabinets/executives of each authority has considered the outline proposals.
- To Resolve:**
- a) **The project structure and role of EKJAC as project sponsor**
 - b) **The outline principles for the governance of the SSV in section 2.4**
 - c) **The outline of functions to be transferred to the SSV in section 2.5**
 - d) **Two executive members of Ashford Borough Council be co-opted onto this**

Committee as non-voting members to participate in debates on the landlord services project

- e) The delegation of management and expenditure of the project budget to the Chief Executive of Thanet District Council**
- f) Such recommendations shall only take effect when the last of the district councils concerned in this proposed project has voted to support it in principle.**

SUPPORTING INFORMATION

1. Introduction

- 1.1 As part of the aspiration of the East Kent local authorities to achieve service improvements and efficiencies through shared services, the housing leads were tasked with developing proposals for joint working in the management of council housing in East Kent. Given the distribution of stock holding authorities in Kent, it was logical that Ashford B.C should also be included in this project.
- 1.2 Outline proposals and options were presented to the East Kent Chief Executives and Leaders early in 2008. At this stage it was agreed to work up more detailed proposals on establishing a joint services vehicle for the management of the housing stock and a local housing company to develop new homes using the councils' housing assets.
- 1.3 The East Kent Leaders Group (including Ashford BC) considered more detailed proposals in early November and affirmed their desire to continue with an aspiration to have the new arrangements in place by April 2010. Since that time each authority has sought from their executive/cabinet/council an in principle decision to proceed and an agreement to a budget to cover the implementation costs. Not all Authorities will have decisions in place to a principle agreement to proceed at the date of this committee. The project will only proceed when the last of the district councils concerned in this project has voted to support it in principle.
- 1.4 Preliminary consultation has taken place during this period with tenant representatives, staff, unions and members.
- 1.5 The rationale for joining up the management of council housing and the benefits that the project is expected to deliver are set out in previous papers to the East Kent Leaders and in papers presented to the cabinets/executives of each council. In summary they include:

- **Service improvements** – including the aspiration to raise the rating of the service from fair/good to excellent.
- **Efficiencies and cost reductions** – initial savings of around £700,000 pa have been identified.
- **Resilience** – giving us the depth of experience and critical mass to compete effectively with RSLs and strengthening the long term viabilities of the HRA Business Plans
- **Improving capacity** –being able to recruit, train and retain high calibre and specialist staff that will be required to deliver excellent standards of service

2. Detail

2.1 What is being proposed- Shared Service Vehicle (SSV)

It is proposed to establish a Shared Service Vehicle through an arms length management company jointly owned by the five local authorities to manage the 21,000 homes owned collectively by the partners. The new company would be accountable to its own Board. Some outline considerations on the composition of the Board and the governance arrangements are set out below. It is anticipated that each council will have to agree the governance arrangements at the next decision stage in February /March next year.

Existing staff involved in delivering the housing service in each of the local authorities would transfer to the new company. Each council would delegate to the SSV responsibility for the running of the HRA housing management service.

The new organisation will be a significant operation in terms of size with around 270 FTE posts being transferred from the five councils to the new organisation.

The SSV would be subject to Secretary of State approval following detailed tenant consultation.

These issues are set out in more detail below.

Each council retains ownership of its stock and responsibility for setting the HRA budget, rent levels, the HRA Business Plan and long-term investment priorities. It also agrees the annual service delivery plan to which the SSV must operate. The councils will also have a nominee on the board of the SSV Company. Key policies, such as allocation of council housing, also remain with the local authorities. Tenants are still tenants of the individual councils with their respective rights and responsibilities unchanged.

The SSV through its board is responsible for running the service specified by the councils through a management agreement and annual service delivery plan. The SSV board must be independent of the councils and so must comprise councillors, tenants and independents. Suggested SSV governance arrangements are set out later.

2.2 Project management

The proposed project structure is set out below:

The East Kent Joint Arrangements Committee will act as the project sponsoring body in line with Prince 2 principles. The Committee's role will be to ensure that the project is kept on track to meet the April 2010 implementation target and to ensure that there is a consistency of approach across all authorities, i.e. it will resolve any disputes or disagreements between the parties over the implementation or approach to the new arrangements. The position of Ashford BC in these arrangements needs to be clarified. Constitutionally there is provision for the membership of EKJAC to be extended to include Ashford on a non-voting basis. Ashford BC can make their own arrangements to mirror decisions to be made in the project.

Project Team. The project team will be lead by Richard Samuel the Chief Executive of Thanet District Council The project team will include the five lead officers for housing, the Project Director, the Project Manager and a tenant representative. The Project Team will meet at least monthly throughout the implementation period.

Project Director. It has been agreed to appoint a Project Director to advise and help steer the project. The Project Director will be independent of the five authorities and will have experience of implementing or working for a housing Arms Length Management Organisation in other local authorities. It is likely their appointment will be part time. A number of potential candidates have already been identified.

Project Manager. An officer from Ashford BC has been seconded to act as project manager for the implementation of the SSV to work at least 2-3 days a week on the project

Sub Groups. A series of sub groups dealing with the main work streams will report into the Steering Group and these include:

- **Legal and Governance**
 - Establishment of SSV
 - Memorandum and articles for company
 - Charitable/Non Charitable status
 - Management agreements between SSV and each local authority
 - Section 27 consent from the Secretary of State
 - Appointment of and liaison with external legal advisors
 - Person specification and Job description for Board members
 - Recruitment of Independent Board members
 - Membership and terms of reference of area boards
- **Finance**
 - First year budget for SSV
 - Calculation of annual management fee
 - Arrangements for HRA accountancy

- Residual effects on General Fund
- VAT and other tax issues
- **Communications and publicity**
 - Communications with the media and all stakeholders
- **IT**
 - Arrangements for IT support for existing housing systems
 - Communication and network requirements for SSV
 - Service level agreements between SSV and IT teams
- **Procurement**
 - Repairs
 - Services from the local authorities
- **Strategic Housing**
 - Arrangements for managing the residual strategic housing functions post SSV
 - Client role
 - Impact on other general fund activities
- **Tenant involvement**
 - Consultations arrangements pre implementation
 - Participation arrangements post implementation
- **Human Resources**
 - Consultation with staff
 - TUPE arrangements
 - Appointments for senior Management team

2.3 Indicative Project Timetable

Indicative timetable

Month	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M
1. Agreement is secured from members to proceed																		
2. Project-based decision making body																		
3. Project management resources for development of the project																		
4. Carry out formal tenant consultation on proposals under Section 105 Housing Act 1985																		
5. Recruit and train Shadow Board																		

Month	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M
6. Appoint Management Team and other structures/posts																		
7. Develop service agreements with existing support and other services																		
8. Develop and submit Section 27 application to Government																		
9. Development and sign off of Management Agreements and delivery planning																		
10. TUPE staff for 'go live'																		

2.4 SSV Governance Options

A jointly owned independent company will be formed to carry out the management of all council housing and associated functions in the five local authority area. The model for the company and its governance arrangements will draw on the experience of local authorities that have set up arms length arrangements for their housing and on best practice outlined by the Audit Commission and others. The proposed company will be limited by guarantee and not for profit. We will explore the possibility of the company having charitable status although none of the existing 70 ALMOs in the country appear to have gone down this route. A number of RSLs set up by local authorities to take the transfer of their housing have been granted charitable status.

In line with best practice it is suggested that the Board has 15 members, including five councillors (one nominated from each authority), five tenants (again one from each district/borough) and five independent members, (recruited through an open selection process). It may be advantageous if the chairman of the Board is one of the independent members to remove any perceptions of bias to a given local authority area. The Chair of the Board could be recruited specifically to that position, rather than be selected from the Board.

A key decision will be whether or not Board members will be paid. A majority of ALMOs have unpaid Boards linked to the ethos of service to the community. Others with paid Board members claim that it has increased the quality of Board members especially the independents.

Area Boards

The Board of the SSV will be supported by a structure of district/borough based Area Boards. Representation on these Boards is yet to be determined but it is proposed that they are made up of members and tenant representatives. The role of the area boards will include:

- Monitoring local service delivery
- Providing tenant and member input in to investment decisions
- Advising on local priorities for the annual delivery plan
- Providing local accountability to members

2.5 Transfer of functions

Working on the experience of ALMOs established by other local authorities it is proposed that the following activities transfer to the SSV

- Direct housing management and maintenance functions
 - Tenancy management
 - Leasehold management
 - Responsive, day to day repairs
 - Capital, programme and cyclical repairs
 - Procurement of repairs services and grounds maintenance services
 - Sheltered housing
 - Rent recovery including former tenant arrears
 - Estate management including cleaning services
 - Management and allocation of garages,
 - Processing of Right to Buy applications
 - Lettings of HRA tenancies
 - Tenant Participation

We would be minded to transfer responsibility of the following functions to the SSV

- Housing specific support services
 - Finance and HRA accountancy
 - Legal services relating to tenancy management, possession actions, ASB

Staff currently involved in delivering these functions would be considered for transfer to work for the SSV

The Council would continue to provide the following services to the HRA

- Legal Support to the HRA
- Customer contact- Gateway access
- HR and payroll

- IT support
- Democratic/Committee Services

The council would continue to have control over the following activities/policies

- Setting budgets
- The setting of rents and service charges
- HRA Business Plan
- Lettings and allocations policies
- Asset disposals

Although the council will remain responsible for these activities the preparatory work and delivery may be delegated to the SSV

The staffing structure of the SSV will be determined by the Shadow Board but based on ALMOs the senior management structure is likely to include

- Chief Executive
- Director of Housing/Operations
- Corporate Services Director and company secretary
- Director/Head of Finance

2.6 Accommodation

The Audit Commission would want to see some physical separation between the councils and the SSV. At the same time there needs to be a commitment to retain a local management based in all five districts. Using models from ALMOs it is proposed that the head office and backroom functions of the SSV are relocated to new premises away from existing council activities. However, front line services, housing management and surveying teams will continue to be located in council premises. This situation will be reviewed as the relationship between the SSV and councils evolves.

2.7 Decision making Framework

Annex 1 outlines the anticipated decision making required for key aspects of the project.

3. Relevant Council Policy/Strategies/Budgetary Documents

N/A

4. Consultation planned or undertaken

The development of the SSV creates opportunities for tenants and leaseholders to have a far greater influence over the housing service than they had previously through their involvement in the Board and Area Boards.

The involvement of tenants in the implementation and decision making process is critical. In order to get approval of the Secretary of State we are required to demonstrate the support of our tenants for the proposal. There is also a legal requirement under the Housing Act 1985 S105 on councils to consult tenants about any significant changes in the arrangements for the management of their homes.

It is proposed to engage an Independent Tenants' Advisor to support tenant representatives in the process and help develop a robust consultation programme that can be used in evidence to support our submission to the Secretary of State.

A detailed formal consultation process will be required for all five groups of tenants. Subject to professional and legal opinion, our view is that each authority's tenants would need to demonstrate support in order to proceed with each management agreement. Public relations and communications advice within a communications strategy would be desirable and considerable resources required supporting the processes which could entail public meetings and surveys.

Tenant support is **essential** for Section 27 consent.

The key activities would include:

Preparation of all publicity and offer material
Carry out actual consultation events
Report on outcomes to the project sponsors.

External communications advisers may well be required to develop the specialist materials needed to secure support.

A tenant's consultative board will be established to work in parallel with the officer steering group. Amongst other things the tenant's consultative board will be charged with developing proposals for how tenant representatives will be elected to the SSV Board. A tenant's representative will also be elected to the Project Team which will oversee the various sub groups described in 2.2. This will provide the tenant's representative with an opportunity to help and shape the emerging work streams and to report back to the tenant's consultative board on progress and issues.

The need for extensive tenant consultation has an impact on the decision making timetable. It is proposed that in February the cabinets/executives of the five authorities will be asked to agree:

- The operating name of the SSV
- The legal and governance structure of the SSV including its charitable/non charitable status
- The Shadow Board arrangements
- The shape of the SSV and what functions will transfer
- The arrangements to involve tenants in the decision making process

- The timetable and process for seeking Secretary of State approval
- A Business Case to justify moving to the next stage of the implementation stage. Including firmer costs for setting up the SSV, robust forecasts on potential savings to each HRA, the viability for each HRA to proceed and a full acknowledgement of the risks to the General Fund.

It is hoped that the programme of tenant consultation will be concluded in the summer of 2009, with each Council making a formal decision to delegate its housing management function to the SSV in the autumn. For most authorities this is likely to be a decision of full council. An application to the Secretary of State will be made at the year-end allowing the SSV to be operational by April 2010.

5. **Options available**

1. To agree proposals set out in the report
Essentially these proposals enable detailed work to pursue the concept of a single housing management service through an SSV. The background studies, previously considered by the East Kent and Ashford Leaders and Chief Executives and more latterly by their respective decision making bodies, suggest this model as one best suited to meeting the project objectives set out in paragraph 1.5 above.
2. To amend proposals set out in the report
Any amendments need to be considered against the project objective in paragraph 1.5 and the decisions already reached by the Cabinets/Executives/Councils of the respective district councils.
3. To reject proposals set out in the report
Rejection would leave each council with an incomplete project designed specifically to meet the objectives in paragraph 1.5 above.

6. **Reasons for supporting option recommended, with risk assessment**

There has been considerable effort and resources committed to establish a sustainable and cost effective model of joint working for housing management services. The discussion and studies to-date have concluded that an East Kent and Ashford SSV is the best way forward. Nevertheless there are still a number of issues that need further exploration and specific consents to be secured before an SSV can be established. The key risk therefore is that the resources committed to the project would not be recouped if the SSV is not established or is established but is not successful. A fuller schedule of risks and possible mitigation is set out in Annex 2.

7. **Implications**

- (a) Financial Implications – the estimated set up costs for the SSV is around £550,000. This will be met by contributions of £110,000 from each HRA. The estimated annual efficiency savings are estimated to be in the first instance around £700,000

- (b) Legal Implications – Section 105 of the Housing Act 1985 requires the council to formally consult with its tenants before making significant changes in the management of the service. Some preliminary consultation has taken place with the tenants' representative bodies. More detailed consultation will take place with all tenants before an application is made to the Secretary of State under section 27 of the Act to delegate the management of our council housing to another organisation

Other implications

- (c) Staffing/resource – as above. The set up resources are covered in part by the project finance approved by each authority. In addition senior management time will be required to lead the project streams. EKJAC will need to meet more frequently as project sponsor if a deadline of April 2010 is to be met.

8. Conclusions

This project will have a significant impact on the way in which housing services are operated. It also provides an impetus to driving further efficiencies at the host authorities. However there is a considerable amount of work to undertake and support to be gathered prior to final decision-making. A key milestone will need to be reached in the spring to when EKJAC and the individual authorities will need to decide the parameters of the SSV and the detailed implementation phase, all of which will be subject to detailed tenant involvement and consultation and ultimately requiring Secretary of State approval of the SSV. EKJAC will play an important role in steering the project and resolving differences.

9. Background Papers

East Kent and Ashford; Landlord services joint working; stage two report

Contact Officer: Velia Coffey Telephone: 01227 862 149

ANNEX 1
Decision Making

Decision	Project Board	Executive / Cabinet Committee	East Kent Joint Area Committee	Full Council
Establishment of SSV	✓	✓	✓	✓
Agreeing the Memorandum and Articles for SSV Company	✓	✓	✓	✓
Consider Charitable/Non Charitable Status for the SSV	✓	✓		
Agree the management agreements between SSV and each Local Authority	✓	✓		✓
Appointment of professional advisers (including legal)	✓			
Agree person Specification and Job description for Board members	✓			
Agree membership and terms of reference of area boards	✓	✓	✓	✓
Setting First Year budget for SSV	✓	✓	✓	✓
Agree the calculation of annual fee	✓	✓	✓	✓
Agree the arrangements for HRA accountancy	✓	✓	✓	
Assess the residual effects on General Fund	✓	✓	✓	✓
Resolve Vat and tax issues awareness	✓			
Agree the communications strategy (with all media and all stakeholders)	✓			
Consider IT support for existing housing systems	✓			
Assess communication and network requirements for SSV	✓			
Assess the service level	✓			

Decision	Project Board	Executive / Cabinet Committee	East Kent Joint Area Committee	Full Council
agreements between SSV and IT teams				
Agree the approach to procurement of services from external providers and from the local Authorities	✓			
Have a vision about the arrangements for managing the residual strategic housing functions post SSV	✓			
Assess the Housing client role	✓	✓	✓	
Agree the consultation arrangements pre implementation	✓	✓	✓	
Agree the participation arrangements post implementation	✓	✓	✓	
Agree the consultation process with staff	✓	✓	✓	
Agree the TUPE arrangements with local authorities	✓	✓	✓	
Agree the appointment for the Chief Executive of the SSV	✓	✓	✓	

ANNEX 2

	High level risk	Probability	Impact	Possible mitigation
1	Support does not continue at all authorities	Medium: affected by initial 'buy in'	High: SSV may need to be reconstituted, aborted set up costs	Ensure initial commitment and buy in Negotiate options to counter local concerns
2	Tenants' support not received	Medium: ensure involved tenants support	High: aborted set up costs	Early negotiation options within the SSV to meet tenants' concerns
3	Section 27 not approved by gov't	Unknown	High: would need to seek alternative model	Establish communication from the start
4	Project costs over budget	Medium	Medium: depends on progress	Ensure appropriate contingencies in HRAs
5	Unforeseen additional service costs	Medium	Low/medium: depends on level	SSV/company to fund additional efficiencies
6	Principle of 'no financial impact' for LAs cannot be met	Low-Medium	High: may require fundamental review of options	Ensure clarity in initial service and other agreements
7	Efficiency targets not able to be met	Low-Medium	Medium-High: not able to deliver promised service improvements	Recast SSV and HRA business plans
8	Adverse impact on current services from large set up project	Low	Medium: threaten reputation and credibility for project	Ensure project resources appropriately deployed
9	Difficulties with TUPE for critical staff	Low (staff to date supportive)	Medium: may affect services of new SSV in short term	Ensure robust approach to recruitment in SSV
10	Difficulty in harmonisation of staff terms / conditions	High	Medium: affects scope to achieve efficiencies in medium term	Adoption of suitable HR and IR protocols
11	Inability to recruit directors	Low	High: reputational and governance issues	Ensure robust approach to recruitment in SSV
12	Ashford not in EK joint decision making (eg ongoing shared	High	Medium	Protocols between various joint working initiatives within East / Mid Kent

	services reviews)			
13	HRA Subsidy Review affects ring-fence)	Low	Medium	Continued robust budget management within authorities
14	Support services do not achieve alignment SLAs after review period	Medium: SSV unable to achieve efficiencies	Low	Ongoing negotiation to ensure value for money in support services

**Joint Working Stage Two Summary Report
East Kent and Ashford: Landlord Services
Joint Working**

AUGUST 2008

Strictly private and confidential

East Kent and Ashford: Landlord Services Joint Working Stage Two Summary Report

1 Introduction

This summary report sets out the findings from stage two of the investigation into the options for joint working in Kent's local authority landlord services. The detailed findings are contained in a series of four annexes.

The three primary recommendations are to develop a Shared Services Vehicle to take over the management and maintenance of the housing stock for all five authorities, to develop five individual local housing companies co-operating in a joint development venture to build new affordable housing and to establish appropriate financial principles to underpin the process. There are opportunities to:

1. Deliver an estimated £700k of efficiencies annually in the delivery of landlord services over an extended period for reinvestment in the long term improvement of services, in the long term viability of HRA business plans and increasing investment in sustainable communities.
2. Develop around 400 new affordable housing units on land currently held within council housing neighbourhoods to help meet growing need and demand for new housing in this part of Kent.
3. Protect the financial position of each authority through establishing appropriate principles for the management and administration of support services in the early period.

Our stage one report was presented to a meeting of Chief Executives at the end of February at which the go ahead to move into more detailed investigation at stage two was received. The stage one findings were to move forward on joint working on a road map with four areas as part of two carriageways as follows:

Carriageway One: joint service working

1. Develop a form of Kent Local Authority Procurement Network (KLAPN) or explore the potential to join an existing procurement network.
2. Develop the scope for shared service provision in a separate vehicle or via one authority providing services for others; initially this should include leasehold management, resident participation and back office services whilst continuing to explore the scope for 'whole service' sharing perhaps via a form of joint venture company.
3. Commit to share best practice more formally than at present.

Carriageway Two: new build and development

4. Develop a joint Local Housing Company (LHC), or alternatively companies with a Joint Development Network, to bring forward local authority land and build new housing; to approach Government to be a '15th' LHC pilot.

The stage two work has focused on the East Kent authorities and Ashford; the three North Kent authorities in stage one are being kept informed of progress.

Work at stage one highlighted that the medium term (5-7 year) prognosis for the HRAs and HRA business plans was relatively positive at all of the five authorities at an investment standard close to or just above the Government's decent homes standard. None are likely to pursue alternative options for the foreseeable future. The joint working approach could be utilised to a) secure efficiencies, with b) the opportunity for reinvestment in services and stock investment and community sustainability at a standard beyond the government's minimum and c) a contribution to new affordable housing, all of which would improve the business planning prospects of each authority.

The work at stage two has focused on a more detailed consideration of the options and the opportunities for achieving greater efficiencies and therefore reinvestment; the work has included an initial review of stakeholder views via a series of workshops held with senior officers, members and tenants. All key findings are summarised below including a series of recommendations with some preliminary work also undertaken into the possible project resourcing needs. More detailed commentaries on the key findings and issues are contained within the annexes.

As external advisers, we note the widespread commitment to explore joint working initiatives in this part of Kent. It is clear that housing landlord services can provide a string catalyst to build momentum in the stimulation of changes in other service areas through further joint working initiatives.

2 Joint Working options

The options for sharing service delivery and procurement which were considered together with a summary of the issues and benefits are as follows.

2.1 *Hosting by one or more individual authority of service units*

This option would involve one or more authorities assuming responsibility across the five authority areas for the delivery of individual services functions and could be based upon the 'best and most efficient' taking on the role on a service by service basis. For example, as the best resourced service in the five areas, Thanet could take on leaseholder services for all; other services could be taken on by other authorities as agreed. Service agreements would be required from the host to the other authorities.

The main advantage of this approach would be that it would be relatively straightforward to establish once agreed and as there would be no new vehicle or body involved, have relatively low set up costs. There would be opportunities for some efficiencies but the main objective would be to improve service effectiveness to 'best in the area'. Tangible benefits realised in some areas might lead to a positive impact for other service areas.

The main issues involved would be around the need for agreement on the criteria for determining which authority would lead on which service and the potential for some authorities to take more of a lead than others causing obvious political and consultative difficulties; the chance for some authorities simply to opt out on a service by service basis could also undermine the commitment to joint working.

It is therefore difficult to envisage this approach taking place on anything other than a limited scale and, given likely political opposition and almost certain tenant opposition, impossible to see a scenario where one authority provides all landlord services to the other four. Our view is that this approach would not therefore represent the demonstrable commitment to joint working that the five authorities are looking for and could actually prolong the time through until agreements are able to be reached.

2.2 Development of joint procurement approaches

This would involve authorities committing to jointly procuring goods and services and has already begun with three of the East Kent authorities exploring the joint procurement of responsive repairs contractors.

There would be advantages in terms of efficiencies in procurement, management and overheads and a track record of co-operation in procurement could lead onto more structured commitment in sharing services.

The main issues are around the continued operation of 'multiple clients' (and in some authorities continued individual authority-based standing orders and other procurement rules) together with the timing of when contracts and partnerships are up for renewal, although we are aware that work is underway in East Kent to produce a common set of standing orders and these have already been adopted by two authorities. The opportunities for real service efficiencies are limited to 'bought in' good and services and do not fundamentally affect the staffing or central services base for each landlord service.

The gradual bringing on stream of services into a joint procurement arena would demonstrate a clear commitment to joint working; however, we wonder whether this will be accompanied by the structures necessary to lock in joint working into the future.

2.3 Development of a Shared Service Vehicle (SSV)

This option would involve the establishment of a new vehicle, most likely a company limited by guarantee, jointly owned by the five authorities with a board of directors, to take over the operation and delivery of all or some landlord services. Services would be delegated to the SSV from each authority rather than sub-contracted so that the day to day responsibility for service delivery would rest with the SSV/board through management agreements which would run for several years at a time. Staff currently engaged in those services which the SSV would provide would transfer to the company.

The main advantages of such an approach are that the commitment to joint working is locked into a specific joint venture and that the delegation of functions is over an extended period which allows the potential for efficiencies and effectiveness from joint working to be fully realised over a set period. Joint procurement is inherent within the model as the SSV would assume service responsibility and would therefore be the body that would procure goods and services. The SSV model could also be utilised to cover some or all services and therefore allow for some phasing of service transfer if preferred by authorities.

The main issues are that the establishment of a completely new vehicle will require resources and commitment from each authority over a considerable set up period and that such a body could be seen to affect the political input from individual authorities. If the

range of services provided by the SSV becomes extensive, there might also be some uncertainty from those currently providing support and central services to HRA services although there are options to ensure that there are no financial losses to authorities General Funds which could be adopted.

2.4 A shared service vehicle with some or all services

The SSV approach could be utilised on a service by service basis (perhaps on a phased approach) or to take on the delivery of all landlord services (management, maintenance and HRA capital programme). The report considers the benefits and disadvantages of each approach.

Stage one highlighted the potential for greater efficiency and effectiveness in service delivery for leasehold management and tenant participation as these are currently under-invested in within the five authorities.

The key problems with the phased approach are felt to be around the need for individual agreement on a service by service basis from each authority and the obvious diseconomy involved in investing time and resources in the creation of a new vehicle and governance structure where the opportunities for efficiencies are limited to relatively small services in the early period. The phased approach also risks losing momentum and loss of buy-in which could threaten the achievement of wider efficiencies.

Moving all services (or perhaps management and maintenance/capital separately in two large tranches) into an SSV places responsibility for the delivery of efficiencies firmly in the context of legally binding management agreements locking in the commitment to joint working, the commitment to delivering efficiencies and reinvestment and avoiding the potential for disagreement.

2.5 Options for joint working in developing new affordable housing

The main options for involvement in new build local authority housing arise from the availability of land and resources within each authority and the keenness of the new Homes and Communities Agency to engage positively with local authorities in bringing forward innovative new ways to add to the amount of new affordable housing being developed.

Development by local authorities is being carried out by almost all forward thinking authorities. Development within local companies would mean freedom from rent restructuring, allow building without the Right to Buy, allow overhead costs within the HRA to be defrayed over a larger property base and would help to rebuild capacity within authorities for a significant additional contribution towards meeting affordable housing targets.

Our stage one report identified the two main options to establish either a joint development company partly owned by the five authorities or for each authority to individually establish a local housing company and commit to a joint development venture between the companies. Recent announcements have also indicated that it might be possible for local authorities to receive grant directly from the HCA. The joint development venture could either be linked to shared service delivery or undertaken as a separate venture and both

would benefit from the consistency of housing service delivery that is often lost when transferring land to RSL partners thereby also enhancing the viability of HRA services.

The main advantage of the joint company approach is that the joint development venture and the company are the same entity. The disadvantages are however more tangible in that the ownership of new properties would be by the company rather than each authority with all the issues for landlord and tenancy that this might entail and there would be a need for each authority to place capital resources and maybe even prudential borrowing with the jointly owned company.

Five individual companies would be straightforward to create with relatively small boards of management. The joint development approach would need to be established as a co-operative venture between the companies and therefore authorities involving the appointment of officers to procure and manage the development process. Authorities would need to agree the land and resources which would be committed to the development of new housing.

As the agenda develops, it would be appropriate to note the scope for receipt of grant directly for authorities directly and ensure that development plans take any opportunities into account.

2.6 Summary

In overall summary, as 'service hosting' would prove difficult to secure on anything other than a piecemeal basis, our recommendation is that the best chance to deliver the efficiencies and reinvestment that run from a long term commitment to joint working arises from the creation of a Shared Service Vehicle that takes on responsibility for the delivery of either management or maintenance/capital delivery or preferably both from a set date. Joint procurement across all services would be inherent within such a vehicle as would a formalised commitment to sharing best practice.

Whilst the range of shared services is being explored and set up in detail, our recommendation is that the establishment of five individual local housing companies and the allocation of resources to act as a development venture on behalf of all five authorities, are pursued more or less immediately.

The key features and opportunities arising from these initiatives are summarised below and contained within the following annexes:

1. Feedback from stakeholder workshops
2. Opportunities for efficiencies and increased effectiveness
3. Opportunities for new development
4. Project planning and resourcing.

3 Shared Service Vehicle: features and opportunities

3.1 Features

The key features of a proposed SSV for landlord services are as follows.

Company

The company would most likely be limited by guarantee and jointly owned 20% each by each authority – this approach limits potential future controversy if based on any other split. The company would be not-for-profit and have a board of management in line with the best practice governance guidance for other housing organisations.

Governance

Best practice in governance suggests a board of management of no more than 12 or 15 drawn from tenants, councillors and independents. As this might be perceived to be a weakening of local interests, there is the opportunity to develop area boards, comprising tenants and councillors, and where day to day programme management and resource allocations within HRAs would take place. This approach is in place at a number of larger high performing housing organisations and would allow effective local consultation and engagement to continue whilst protecting the ability to achieve efficiencies through joint working.

Delegation / management agreement

Services would be delegated under a management agreement with each authority based on a standard model but variable for local service standards to be agreed with tenants in line with best practice. Management agreements could last for many years but would usually have a five year break clause for renegotiation. The equivalent of annual delivery plans would be agreed with each authority based on the resources allocated to the HRA budget (and HRA capital programme) by each authority. There would be the need for a small client function at each authority, the usual experience at equivalent ALMO authorities being up to one FTE.

Resource utilisation

Members at each authority would continue to have ultimate responsibility for the allocation of resources and setting of HRA budgets. As each HRA would continue unchanged, with HRA subsidy per authority and rents set locally (within the context of national policy), there is no prospect of any cross-subsidisation of resources between authority areas. A protocol for the distribution of efficiencies would be required.

Location

Local services would continue to be provided locally but if a vehicle was set up, there would need to be a head office identified from existing accommodation or new. Any additional costs would need to be found from efficiencies within the organisation.

Procurement – external

Joint procurement would be inherent within such a SSV. Our feeling is that centralised procurement of repairs, capital contracts and other goods and services would, in time, represent a positive route for efficiencies. The organisation would have its own procurement rules which would be drawn from the best practice within each authority.

Central and support services

The SSV would have formal Service Level Agreements with existing central and support services providers such as legal, finance, IT and other corporate services currently charged to the HRA. These would be able to represent current costs at day one subject to value for money review over a set period. There should be the opportunity for the providers of support services to realign resources with service delivery to ensure that value

6

for money is provided. The scope for greater sharing of services within back office and support is also clear.

Tenancies and tenant consultation

Tenancies remain tenancies of each authority and tenants are tenants of the council. New consultative structures would be needed to engage with the SSV but the primary consultative framework of existing landlord and tenants bodies would be unchanged.

Costs of set up and funding

Costs of set up have been estimated at around £0.55m (see below). Potential efficiencies have been estimated at £0.7m plus per year.

Summary

A joint working initiative based on a new shared services vehicle along the lines of the above would place the five authorities at the centre of an innovative project which would attract national interest. All other new housing organisations have to an extent been established to spend more money (transfers or ALMOs) but provide a guide to best practice in future management and maintenance which the Kent authorities can draw on. This would be the first case to be predicated at least partly on the delivery and reinvestment of efficiencies through economies of scale and whilst there is inevitable difficulty comparing with others given the unique nature, what evidence we do have suggests that the potential for efficiencies for reinvestment are considerable and therefore able to recover set up costs within a short space of time.

3.2 Greater effectiveness

There is widespread evidence that focused housing organisations deliver more effective services. Of 19 3-star inspections of landlord services since 2003, 16 are of ALMOs and 3 are of RSLs. There has not been a 3 star rating for a directly managed landlord service for many years. Focused housing services in East Kent and Ashford would be able to improve effectiveness through the building of capacity and economies of scale.

3.3 Opportunities for efficiencies

A detailed analysis of the total resources being utilised in service delivery across the five authorities compared to 'best in class' similar sized ALMOs and with high performing service providers as reported in HouseMark benchmarking is contained at annex 2. This analysis is summarised below in reporting the potential scope for efficiencies though a comprehensive approach to joint working. The analyses remain work in progress pending ongoing and further review by each authority. However, some general conclusions about the scale of the undertaking of the whole landlord service and the extent of resources bound up in the provision of services to the HRA, front-line and support, directly provided and recharged are able to be inferred.

In the context of the objectives at this stage, we can draw out the following main points.

The number of FTE that are directly involved in providing landlord services is 238.8. The headcount would be higher, estimated at over 260. The number of FTE engaged on front line service delivery but which work for non-landlord service units (Thanet and Dover rent

arrears and Dover property services) is estimated at 30. The total of front-line and direct housing staffing FTE is therefore estimated at 270.

Whilst there are some difficulties making direct comparisons with others, there appears to be some evidence of scope for efficiencies in mainstream housing management and management of maintenance with the potential for reinvestment in community and estate based services, tenant participation, a more robust leaseholder service and in stock investment if desired.

Although very illustrative at this stage, achieving benchmark patterns of expenditure for high performing housing providers of similar overall size would imply staffing reductions of around 10 (increasing average caseloads for the average staffing complement) within management and up to 15 in the management of maintenance (reducing the %age of management costs taken up in managing maintenance to around 25%) with the potential for reinvestment in community safety and direct estate services. Whilst we would not want these numbers to form part of any target setting without further detailed work and certainly are not in a position to highlight specific posts, we do feel able to state that there is scope for this kind of efficiency and reinvestment if a full shared services vehicle were to be the adopted approach.

At average direct salaries of £25k, efficiencies of up to 25 posts for could represent reinvestment potential of around £700k per year including overheads and other costs.

The total cost of support services incurred within the overall five HRAs is £6.15m in line with average benchmarks within other similar sized housing organisations. However, considerable care is required in ensuring that like for like comparisons are being made. It is clear is that there could be scope for reducing many of the support costs as part of momentum to explore further shared service delivery and streamlining within these services, subject to ensuring no impact on the remainder of the council's finances.

Conversely, the movement of many recharged costs into formal Service Level Agreement with any new joint working organisation might provide the scope for streamlining via joint working for support and back office services across the authorities. We are clear that these costs do not need to be affected in the early period if the shared service vehicle approach is adopted. As has been the case with all other new housing providers created in the last 10-15 years, there is a bedding-in period in which current charges are protected whilst the opportunity to realign costs with resources and service delivery is taken.

We note that no authority's finances have been undermined by the creation of similar types of housing organisation (be that outsourced as at Westminster, ALMO or stock transfer) and many authorities report a positive impact on the providers of back office and support services through an increased sense of value for money in the provision of those services.

The cost of staff charged to the HRA where staff are engaged in both HRA and GF activities is estimated at around £1.5m offering some scope for savings in either or both upon adoption of any new arrangements.

3.4 Summary

Across all services at all authorities, there are well over 300 FTE involved in landlord service delivery, most in housing specific service units but a significant minority as part of other corporate-based service units.

When comparing to 3 star ALMOs of equivalent size and when comparing to 'best in class' service providers via HouseMark, the *overall* amount of resources being put into service delivery across the five authorities appears in line. However, there would be opportunities to create a new *shape and pattern* for service delivery which took advantage of potential efficiencies in mainstream housing management and the management of maintenance and for these resources to both recover set up costs within two years and to allow substantial reinvestment in specialist services which need investment, in community and neighbourhood based services and in stock improvements.

The potential could be £3.5m+ over 5 years. After recovering set up costs, service investment could be boosted by up to 10% or stock/community investment boosted by a further £130 per unit, the equivalent of 19% of MRA.

4 Developing new housing in LHCs: features and opportunities

Refer to annex three for a more detailed description of the features and opportunities developed at the five workshops.

4.1 Features

The strongest case is for five separate companies which buy into a development partnership, taking advantage of the very strong push from the HCA to involve local authorities directly in development, subject of course to the developing agenda. The key issues are that authorities would be able to use their own land for redevelopment and the leveraging in of resources and grant would be an easier process if transferring to a wholly owned company.

A development partnership would be in a strong position viz a viz developing RSLs in the county. Such a partnership would have advantages over RSL development in consistency of management within existing council estate areas and the likely enthusiasm of the Homes and Communities Agency in engaging proactively.

A key advantage of wholly owned companies is that governance and board membership can be appropriately limited in the early period to senior officers and members from the council and specialist independent members as necessary. We suggest that no more than four board members drawn from the council and professional communities in the five districts would be needed; a suitable council officer could be appointed Company Secretary.

Should there be five separate companies, the link between a shared service vehicle and the proposed development partnership would need to be thought through. However, the development partnership could proceed immediately and in the absence of any other

shared working initiatives through agreement of each authority to engage an officer and to commit land and resources following a more detailed trawl of sites.

The companies could be established immediately and a protocol developed to place resources into a pot to employ a lead officer who would act on behalf of all authorities and lead the development proposals including liaison with the Homes and Communities Agency and the development of a business plan. These resources would be recoverable as capital costs from the development schemes. Finance is likely to be an issue without grant and the five-company approach would, unless confirmed otherwise, mean each having to qualify separately for grant via the Housing Corporation.

Financial modelling could begin immediately with the aim of developing 400 units over say a three-five year period. Procurement of development partners could be in line with the joint procurement initiatives for repairs.

Subject to planning permission and the meeting of appropriate procurement directives, we estimate that building could take place within 12-18 months. Pre-qualification for Housing Corporation grant should also be sought and active engagement with the agency pursued in the forthcoming period.

4.2 Opportunities for new housing

There is a sub-regional strategic market / needs assessment process ongoing and all authorities have infill and garage sites with development potential available as of now with the potential to develop new affordable housing.

We estimate that land with the space for anything up to a total of 400 properties across the five authorities could potentially become immediately available. This figure is based on the initial trawls undertaken and does not include any approaches where there is redevelopment (ie demolition and rebuild).

There are also redevelopment opportunities within the authorities including maisonettes at Canterbury and sheltered schemes within Dover.

In particular at Thanet and Shepway, there are options to use a Joint Housing Company to access private sector land to pump prime the regeneration of areas particularly given the current economic climate.

Ideally authorities would look for 100% rented on small sites but there would be a willingness to accept shared ownership and market sale, in line with current policies on the delivery of affordable units via RSLs.

Resources to pump prime schemes are available in all to a greater or lesser extent. However, these are limited in Thanet and Dover given previous commitments or other pressures. We estimate that around £2million might be available at this stage, grant equivalent perhaps for around 50 rented properties.

4.3 Summary

There do not appear to be many barriers to the immediate creation of new local housing companies and the creation of a programme to develop 400 new homes across East Kent

and Ashford. A project plan to commence the development of new homes within 12-18 months could be generated which would include the following key headings:

- Development of finance and business plan
- Engagement with the Homes and Communities Agency and seeking of pilot status with Government
- Company design and set up
- Engagement of staffing and other advisors to develop proposals
- More detailed trawl of sites with a view to land assembly and the development of initial plans for numbers and tenure options.

5 Note on consultation undertaken to date

Initial informal consultation was carried out with key stakeholders at a series of workshops held at each authority in early June. Refer to annex one for a more detailed description of the findings.

5.1 Members

Members were invited to an informal discussion over lunch and senior portfolio holders and leaders/deputies participated at three of the five authorities. We noted a positive sense in wanting to learn of the opportunities and interest in the model of a shared service vehicle.

As would be expected, there was some variation of views with strong enthusiasm at one authority but with some questions over the future of the democratic role in landlord services at others.

There was a general keenness to maximise the opportunities for efficiencies in back office service and overheads/management and some anticipation that these kinds of efficiencies were likely to be deliverable, in line with all of the other shared service initiatives in the county.

5.2 Tenants

Tenants were not unsupportive of proposals to achieve greater efficiency and effectiveness through joint working providing any proposed vehicle or company was not a 'stalking horse' for future stock transfer. Reassurance was able to be provided that such a vehicle would be the opposite of a stock transfer and that any such company would not be privatisation but a joint venture between a authorities with no private finance.

Local services should continue to be provided locally and this should be enshrined in any joint working arrangements. Efficiencies should be reinvested in improved effectiveness of services or in new services. Tenants felt strongly that there should be no cross-subsidisation of resources between areas. Tenant engagement and consultation should be enshrined with appropriate mechanisms to protect local interests adopted in any proposed new arrangements.

There was general enthusiasm for the idea of local housing companies but with the focus of new development on houses not flats.

An appropriate process for liaison and consultation with tenants' representatives at each authority should be incorporated into the project management and development process.

5.3 Officers

Senior managers from the housing service were engaged in the workshops and a broad consensus reached on the following issues affecting the possible views of staff within each authority to any degree of joint working:

1. There was a notable degree of positive approach from those managers who took part in the workshops - the opportunities to grow services, become more effective and to allow for more staff movement and therefore motivation generally outweigh the threats.
2. There were some fears about job security expressed but this was a small minority view only.

If a large scale SSV were to be the favoured model, as would be expected, the key issues to be addressed would include:

- The harmonisation of terms and conditions linked to service standards; an analysis of current average salaries suggests such harmonisation is a distance away.
- Early confirmation of the ability of any new company/vehicle to join the county pension scheme is essential.
- The disaggregation of posts for TUPE could be difficult in some areas but could be overcome via short term service agreements for support services and any other services which are currently provided in non-housing dedicated units.

6 Project planning and timescales: key headings

A summary of the main project management and resourcing implications for the establishment of a Shared Service Vehicle is set out below and based on the establishment of the vehicle and delegation of services to it under a series of management agreements as a pre-cursor to the reorganisation and rationalisation of service delivery. A more detailed analysis with an outline project plan trajectory to a live date of the earliest April 2010 is contained at annex 4.

6.1 Project phases

The key project phases to a live date for a new SSV would fall into the following key headings. These are not in series, for example work on the S27 application would begin early within the project.

1. Agreement secured from members to proceed
2. Create project-based decision making body – ideally member based with authority to take decisions delegated from each authority and with an appropriate role for tenants representatives
3. Appoint project management resources for development of the project (which could be seconded from one or more of the participants)
4. Carry out formal tenant consultation on proposals under Section 105 of the Housing Act 1985
5. Recruit and train Shadow Board

6. Appoint Management Team and other structures/posts critical for the pre-operation period
7. Develop service agreements with existing support and other services
8. Develop and submit Section 27 application to Government
9. Development and sign off of Management Agreements and delivery planning
10. TUPE staff for 'go live'.

Such a process is consistent with the approach adopted in the creation of other housing provider models.

6.2 Resources

Overall, we estimate that set up costs could run to £0.55m across all authorities from the outset over a minimum of 18 months and across at least two financial years. This is consistent with the establishment of large ALMOs as the closest comparators. Costs would be incurred through the appointment of project management resources, expenses in delivering the project, training and public meetings/consultation and the appointment of external legal and other advisers. Internal secondment costs might also be incurred depending upon the approach adopted at each authority.

The input from each authority would therefore be in the region of up to £110k across the life of the set up project. All of the costs of set up would be financed from the HRA and could be capitalised if appropriate. It is anticipated that these costs would be more than recovered through efficiencies in the first years of operation.

Costs of set up for the five housing companies and the joint development venture are estimated to be within £100k including initial design fees, the cost of a lead officer plus secretariat and external legal and financial advisers. If schemes to deliver 400 new properties are developed, the scheme costs would be in the region of £40million and therefore the initial set up costs contained to 0.25% of these.

6.3 Timescales

Given the need for agreement at critical stages throughout what would be a complex project, the absolute earliest a live date for a new SSV could be delivered is April 2010. More likely, a realistic target date might be April 2011 which would allow time for the necessary political, legal and organisational agreements to be reached prior to service delegation.

Within such a project, there is a need for an appropriate risk management strategy to be adopted in line with the corporate requirements of each authority. An initial specimen schedule of risks is set out in the table in section 8 below.

7 Summary of recommendations

Following stage two of the landlord services joint working project, our main recommendations are as follows.

1. To develop a Shared Services Vehicle as the best chance of securing long term efficiencies for reinvestment in new services and the stock. Additionally,
 - a. To develop a detailed project management plan to achieve a delegated 'go live' date of April 2010 with a view to identifying whether this might be achieved earlier if felt to be realistic.
 - b. To identify resources to support the development of a SSV totalling £110k from each HRA from the 2008/09 and 2009/10 financial years; further to designate lead officers at each authority and to appoint a lead project officer/manager to take an overall lead for the project.
 - c. To further continue the process of detailed analysis of the staffing and financial position for each HRA to inform the project and to confirm the potential for efficiencies and greater effectiveness to be realised.
2. To establish five individual local housing companies and to allocate an equal amount of resources from each authority totalling £100k into a development venture pursued more or less immediately with the appointment of a lead officer to work on behalf of all five authorities.
 - a. To carry out a more detailed trawl of the land assembly opportunities with a view to developing specific schemes for specific sites consistent with the objectives of each authority and taking into account the availability of resources within each and potentially from the Homes and Communities Agency.
3. To establish a principle within both projects of 'no impact on the authority's finances' and to ensure that this principle is adopted in the initial establishment of support and other service agreements. Over time, we would expect further momentum to develop to explore joint working in these services across the authorities.

8 Specimen Risk Management Summary

We have set out below an initial specimen schedule of major risks should the recommendations be approved. This would be further developed and appended at an early stage within the project.

	High level risk	Probability	Impact	Possible mitigation
1	Support does not continue at all authorities	Medium: affected by initial 'buy in'	High: SSV may need to be reconstituted, aborted set up costs	Ensure initial commitment and buy in Negotiate options to counter local concerns
2	Tenants' support not received	Low: ensure involved tenants support	High: aborted set up costs	Negotiate options within the SSV to meet tenants' concerns
3	Section 27 not approved by gov't	Unknown	High: would need to seek alternative model	Establish communication from the start
4	Project costs over budget	Medium	Medium: depends on progress	Ensure appropriate contingencies in HRAs
5	Unforeseen additional service costs	Medium	Low/medium: depends on level	SSV/company to fund additional efficiencies
6	Principle of 'no financial impact' for Las cannot be met	Low-Medium	High: may require fundamental review of options	Ensure clarity in initial service and other agreements
7	Efficiency targets not able to be met	Low-Medium	Medium-High: not able to deliver promised service improvements	Recast SSV and HRA business plans
8	Adverse impact on current services from large set up project	Low	Medium: threaten reputation and credibility for project	Ensure project resources appropriately deployed
9	Difficulties with TUPE for critical staff	Low (staff to date supportive)	Medium: may affect services of new SSV in short term	Ensure robust approach to recruitment in SSV
10	Difficulty in harmonisation of staff terms / conditions	High	Medium: affects scope to achieve efficiencies in medium term	Adoption of suitable HR and IR protocols
11	Inability to recruit directors	Low	High: reputational and governance issues	Ensure robust approach to recruitment in SSV
12	Ashford not in EK joint decision making (eg ongoing shared services reviews)	High	Medium	Protocols between various joint working initiatives within East / Mid Kent
13	HRA Subsidy Review affects ring-fence)	Low	Medium	Continued robust budget management within authorities
14	Support services do not achieve alignment SLAs after review period	Medium: SSV unable to achieve efficiencies	Low	Ongoing negotiation to ensure value for money in support services
15	Sales proceeds not realised for new build	Medium	Medium: need rethink development finance	Reduce reliance on sales and ensure prudent assumptions
16	Grant not able to be secured from HCA	Low-Medium	High: not be able to proceed with schemes	

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Networks: Ben Osborne – ben@hqnetwork.co.uk

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The Source: David Ganz – dave@hqnetwork.co.uk

Or call any of the above on 0845 4747 004. For further information: www.hqnetwork.co.uk

Summary Report (Stage Two Draft 2.1 August 2008)

Annex 1: Feedback from stakeholder workshops

East Kent and Ashford: Landlord Services Joint Working

AUGUST 2008

East Kent and Ashford: Landlord Services Joint Working Summary Report (Stage Two Draft 2.1 August 2008) Annex 1: Feedback from stakeholder workshops

Introduction

This annex forms part of the overall Stage Two Draft Report on landlord services joint working for the four East Kent authorities and Ashford.

This annex provides details of the feedback from the five workshops held at each authority in June focusing on the issues surrounding the development of joint shared service working and procurement via the establishment of a new vehicle to provide services.

This annex also includes a more detailed schedule of feedback points from staff and tenants identified through briefings held for each on the day.

1 Introduction

The work to date within stage two has focused specifically on the following:

- The establishment of a Shared Service Vehicle to provide landlord services for each of the five authorities.
- The establishment of a Joint Housing Company or Companies to transfer land from each authority to provide new affordable housing.

The establishment of these would obviate the need to separately plan for a procurement network or more detailed benchmarking activity although it is acknowledged that joint procurement of responsive repairs partners is being developed by three of the four East Kent authorities.

1.1 Summary of feedback from authority workshops (June 2008)

Sections 2, 3 and 4 summarise the outcomes from five workshops held in June at each authority; the appendices in future versions will include both the outline for the days, participants and the collated detail of workshops.

Each workshop comprised:

- A review of options for development of the SSV with senior staff
- A review of the scope for new development in a JHC with housing, planning and estates staff
- An initial presentation to tenants for initial feedback.

2 Development of a Shared Service Vehicle (SSV)

Feedback and initial responses were sought under the following headings and a series of set questions discussed at each authority to ensure consistency of the nature of replies. The main headings were:

- Ownership and governance
- Individual services vs whole service
- Big bang vs series of services at a time
- Support services
- Individual service area feedback
- Fear factors and barriers
- Stock and boundaries.

Further limited discussion in the role of joint procurement in the SSV was held although at each authority, the consensus was that as the SSV would take over delegated responsibility for housing management and maintenance services, all future procurement would be necessarily 'joint'.

2.1 Ownership and governance

Consensus was reached on the following key principles affecting the ownership and governance of the SSV.

1. The company should be jointly owned by the authorities.
2. The sharing of services should not be on the basis of one or more authorities providing different services on behalf of all.
3. Stakeholders, particularly staff, would need to be persuaded that the SSV should be a private company, with private sector governance models and a profit making ethos. The preference would be for a vehicle that was non-profit making and closely related to other housing provider organisation models common within the social housing sector.
4. Governance at board level should be in proportion to the ownership of the company and participation of the five authorities.
5. The Management Agreement/Contract would be with each authority individually and each authority would remain the legal landlord; the agreements need drafting should have sufficient flexibility to allow for local service preferences but ensure that maximum opportunities for rationalisation and economies of scale are able to be secured.

There was no material divergence from any stakeholders to these general principles.

A number of issues and barriers were identified, including:

- What would be the scale of representation from local areas in the governance of the SSV? Should it be proportionate to ownership or stock holding or some other approach?

- The SSV would not be a 'group structure' along the lines of a RSL group; it would be single company providing services under five management agreements.
- The loss of democratic control was identified as a potential barrier in some areas; there may however be scope to develop transitional Area-Based governance arrangements to preserve service delivery and tenant representation within current local areas.

A separate paper on governance issues will form the basis of a workshop discussion at the next joint meeting and agreement sought on issues such as board composition, chairmanship, the role of area boards, resolution to develop a shadow board and payment (or non-payment) of members.

2.2 Individual/whole – big bang/'at a time'

Consensus was reached on the following key principles affecting the approach to the delegation and placing of services within the SSV.

1. *All in one go* is the preferable approach – the process of individual services moving into the SSV on a case by case basis was seen as unworkable by all stakeholders.
2. There is a strong 'top down' feeling for a significant early contribution to the wider shared services agenda to be made by landlord services, the approach coming from members and from senior directors within each authority.
3. There would be a 'vesting day' for the delegation of services to the SSV. Organisational improvement after 'vesting' means that services could transfer (via TUPE) in 'as is' for management and repairs and develop over time as a result of decisions taken within the SSV.
4. There was a strong feeling that if organisational structures had to be agreed before 'vesting', this would provide a powerful disincentive to the conclusion of a positive joint working agreement.

Although there was no material divergence from these principles, it was noted that there could be a case for large service block – for example repairs or management – to be placed in the SSV before the other.

2.3 Support services

Consensus was reached on the following key principles affecting the approach to the treatment of support services provided to the housing services which will be delegated to the SSV.

1. There cannot be a financial hit on the General Fund of any authority – seen as a 'deal breaker' by all.
2. Some support services seem very expensive in per unit terms and there does not appear to be a consistent or apparent link between costs and levels/standards of service

There was some divergence of views about the standard and value for money provided by some support service colleagues within some authorities, with the most divergence around legal services.

In progressing the SSV, the potential for a General Fund hit must be overcome or avoided. Consensus was therefore reached on an approach which would make the 'least change on day one' and that this be applied to support services under new Service Level Agreements time limited and subject to value for money review, to allow time for adjustment.

IT was identified as a clear and major issue for longer term rationalisation – each authority uses either different housing systems or the same system in different ways and receives differing levels of support from corporate IT providers as well as local 'super users'. The rationalisation would be a major long term project for the SSV.

2.4 Individual service area issues

A summary of the main service organisational issues noted is set out below.

1. Housing Officers are always generic for estates and tenancy management in all authorities.
2. There are some differences in the provision of the voids/lettings function although this remains generic in some authorities.
3. One authority splits sheltered housing officers from housing officers for the rest of the general needs stock, the other four have specialised housing support officers.
4. Patch sizes for housing officers appear broadly consistent.
5. All income and arrears recovery functions are specialised, two are operated within the corporate/central finance function.
6. ASB is managed both horizontally and vertically in different authorities.
7. Repairs management is generally consistent across all authorities with the exception the degree of integration with corporate property services functions at Dover.
8. There are only a small number of local office presences – most services are centralised.
9. There appear to be some opportunities to be more efficient in stock management, particularly for some villages close to current authority boundaries. However, these are not felt to be significant and can be treated on a case by case basis in due course.

Service standards will of course differ across different authorities but it does appear that housing services have evolved largely consistently across the five authorities.

2.5 Fear factors and barriers

There was consensus reached by all stakeholders on the following issues affecting the possible views of staff within each authority service.

1. There was a notable degree of positive approach from those managers who took part in the workshops; as these might tend to be viewed as the opinion shapers of other more junior staff, this was felt to be very welcome feedback.
2. It was acknowledged that the opportunities to grow services, become more effective and to allow for more staff movement and therefore motivation generally outweigh the threats around change management and changing location.

There were some fears about job security expressed but this was a small minority view only.

The key issues to be addressed include:

- Terms and conditions will need to be harmonised but these must be linked to service standards; our analysis of current average salaries suggests that this piece of work could be considerable.
- Early confirmation of the ability of any new company/vehicle to join the county pension scheme is essential.
- The disaggregation of posts for TUPE could be difficult in some areas but could be overcome via short term service agreements for support services and any other services which are currently provided in non-housing dedicated units.

2.6 Shared Service Vehicle: summary of feedback

In summary therefore, a broad consensus on the following was reached, subsequently confirmed at the review meeting of 25th June.

- There should be an Area Board structure to protect current local 'democratic' and tenant representative structures, within the context of a jointly owned company and a board made up of people from each authority area.
- All services which will form part of the long term should be delegated on day one ('Big bang') as opposed to a case-by-case approach.
- Management agreements should allow differential service standards.
- The commitment to local service delivery should be protected within the agreements and enshrined within the constitution of the SSV.
- There should be single vesting of all delegated service on day one approach with the SSV taking decisions on future delivery around support and other services from that date but with initial SLAs established to formalise and continue existing recharges for a set period of time.
- The main options are for a single shared landlord service covering management and maintenance or for the services to move over in large groups eg either management or maintenance.

3 Tenants and residents: initial issues

3.1 Introduction

Outline presentations were given to tenants' representatives at each authority, totalling some 40 tenants and residents in all. The intention was to provide a briefing on the project and to seek initial views and feedback on progress on an informal basis. Detailed and formal consultation will be undertaken at the appropriate time in the development of the proposals. The feedback was generally positive and a summary of the key points set out below.

3.2 Key points raised by tenants

Providing the proposed SSV was not in any way a 'stalking horse' for future stock transfer, tenants were not unsupportive of proposals to achieve greater efficiency and effectiveness through joint working.

Whilst there was a recognition that some rationalisation would be inevitable and desirable if efficiency was increased, the principle that local services should continue to be provided locally should be enshrined in the new company.

There was general enthusiasm for the idea of local housing companies but with the focus of new development on houses not flats.

There was interest in achieving greater efficiency providing savings are reinvested in improved effectiveness of services or in new services.

A critical point was that there should be no cross-subsidisation of resources between areas; as there would be five HRAs and therefore five HRA subsidy claims continuing (at least pending the outcome of the current financial review), allowances such as the Major Repairs Allowance would still be specific to each landlord area.

There was concern (from all groups) that the best of service delivery should become the model for all landlord areas, rather than any sense that the lowest common denominator would prevail.

There was a strong feeling that gains and benefits should be tangible and identified at the outset and articulated in the formal consultation in order to maximise the support for new proposed service delivery arrangements.

A key issue was the way in which the new vehicle would engage with tenant representation, particularly as the primary relationship between tenants and their landlord would not be affected by the creation of a new service vehicle. There was initial discussion of options for the creation of joint representative bodies to act as the main consultee body for the new company.

There was some concern that the creation of the SSV should not be a privatisation or outsourcing solution which centralises services and becomes remote from the personal housing management and repairs services which are required by tenants locally.

In terms of progress to the establishment of the vehicle, there was some concern about the reality of local political agendas becoming barriers to progress; it was felt that proposals for area-based democratic input would be critical in the early stages to give local stakeholders a sense of ownership in the new arrangements.

3.3 Project arrangements

In summary, the general feeling was that tenants were perhaps more encouraging than might have been expected once the initial fears about takeover, privatisation and cross-subsidisation had been allayed within the briefings.

As the proposals are developed in the next few months, it will be essential that an appropriate process for liaison and consultation with tenants' representatives at each authority are incorporated into the project management process. There are options for each local group to appoint working groups who would focus on informing the proposals with regular reporting back to the main representative forums. Although there is no major history of cross-authority tenant meetings, each of the five small working groups could form an umbrella sounding board for the project. Alternatively, local groups may want to develop their own proposals.

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Summary Report (Stage Two Draft 2.1 August 2008)

Annex 2: Opportunities for efficiencies and increased effectiveness

**East Kent and Ashford: Landlord Services
Joint Working**

AUGUST 2008

East Kent and Ashford: Landlord Services Joint Working Summary Report (Stage Two Draft 2.1 August 2008) Annex 2: Opportunities for efficiencies and increased effectiveness

Introduction

This annex forms part of the overall Stage Two Draft Report on landlord services joint working for the four East Kent authorities and Ashford.

This annex provides a more detailed analysis of the work comparing staffing and financial costs for the five authorities and between them all as a total with

- High performing ALMOs of similar size.
- Other benchmark cost patterns as identified in HouseMark and other industry standard benchmarking within the housing sector.

This analysis serves to highlight the potential scope for efficiencies compared to 'best in class' and therefore the opportunities for reinvestment of resources in improved service delivery and in the stock and communities.

1 Note on data collection

This report follows a detailed collection, collation and analysis exercise at each authority begun at the workshop review days in June and continued through joint meetings held on 25th June and 30th July when the format and content was shared with the partner authorities.

This annex summarises the total general costs and total current staffing arrangements for the provision of each authorities landlord function identified and financed from individual Housing Revenue Accounts (HRAs). The work presented below remains *work in progress* as authorities have been refining inputs up to the point of drafting.

There are no judgements to be made about the differential costs and income levels between the authorities and HRAs and therefore we have focused on presenting the overall position of the five authorities compared to benchmarks and 'best in class' performers. The exercise has identified the total staffing and other financial resources currently utilised in providing landlord services across the five authorities and to highlight the key issues affecting the levels of staffing and costs in preparation for any new vehicle which might emerge from the joint working initiative.

The key outputs have been to:

- Identify the number of staff that could be affected by joint working arrangements if they applied across the board for landlord services.

- Identify the number of staff engaged on front line service delivery but which work for non-landlord or other corporate service units.
- Identify the number of staff (and more particularly the FTE) involved in providing support services to HRA funded services and which are therefore paid for from the HRA.
- Identify the number of staff (and FTE) engaged in both HRA and GF activities.

We have also made some initial comparisons between current average staffing costs for similar posts in order to highlight the potential differentials in current terms and conditions which prevail.

2 Analysis of stock and overall costs

2.1 Breakdown of the Stock

The following table (1) shows the current stock levels at 1/4/2008 analysed into various categories. It should be noted that all figures in red/italics throughout this report remain to be confirmed.

Table 1: Analyses of stock

	Ashford*	Canterbury	Dover	Shepway	Thanet
Total Stock	4,709	5,288	4,644	3,460	3,117
General Needs	4,246	4,694	4,191	2,843	3,117
Sheltered	463	594	453	617	0
Leaseholders	251	334	643	201	360

* Excludes 479 PFI properties

The total property base is therefore 21,218 tenanted properties with 1,789 leaseholders. This makes the overall landlord service across the five authorities the same scale of undertaking as a large ALMO and would be larger than many metropolitan authority and London Borough housing services, as well as comfortably larger than the undertaking of the major RSLs in Kent.

2.2 HRA: analysis of costs and income per unit

Table 2 demonstrates income and expenditure on a per unit basis. Where the costs of maintenance administration were originally accounted for in the maintenance budget, these have been allocated to management costs for a like-for-like comparison. The same applies for procurement costs that have been provisionally allocated within capital budgets.

Table 2: Average income and costs per unit 2008/09

	Total all 5
Net Rent	-£3,525
Non-Dwelling Inc	-£96
Net Management	£875
Net Maintenance	£826
Other Exp	£35
Cap Financing	£70
MRA (Depr)	£700
Subsidy	£906
One-Off Exp	£18
Pension Adj	£32
RCCO	£233
	£0
(Surplus)/Deficit	£73
Net Management:	
General Needs	£930
Sheltered	£327

The tables show the per unit HRA income and expenditure for all five authorities together. All cost data is presented on the basis of the 2008/09 HRA budget.

Average management costs are budgeted to be £875 per unit and maintenance costs £826 per unit in 2008/09. These compare to benchmarks as follows:

- Budgeted average maintenance costs in England of £916 per unit and in the South East region of £877. The average for larger authorities is well above this level reflecting the stock base of many large urban authorities and which would not be shared by the Kent authorities.
- Budgeted average management costs in England are £892 per unit but the equivalent figure for the South East region is £716.

Taken together, these comparisons suggest that the potential for efficiencies in repairs might be limited to the management of the service – see below. Subject to the usual difficulties in comparing different types of management cost between authorities, it is possible to infer that, on average, management costs within the five Kent authorities have scope for efficiencies compared to like-for-like average comparators.

Whilst the overall unit cost comparators do not highlight great differences in average costs, the pattern of expenditure within service costs does differ considerably between the five authorities and benchmarks as set out below.

3 Staffing Analysis

3.1 Overall staffing within the HRA

The table below (3) identifies the number of Full-Time Equivalents (FTEs) that are charged to the HRA; these are summarised into the main headings shown and are broken down into further analyses within the remainder of this report.

Table 3: Overall staffing (FTE) charged to HRA 2008/09 by main heading

Overall Analysis	TOTAL	%age	%age exc sheltered/mgmt
Directorate	7.2	3%	-
Management	74.7	28%	42%
Rent Arrears	26.1	10%	15%
Support Services	7.8	3%	4%
Caretakers	7.1	3%	4%
Supported Housing	83.3	31%	-
Maintenance	57.8	22%	32%
Exceptional	4.6	2%	3%
	268.6	100%	
Alarm Call/CCTV	14.4		
Strategy	11.5		
Options	20.1		
	46.0		
Total	314.6		

We have identified generic job descriptions that fall within the above main headings. Each authority has identified for each employee which two generic job descriptions are best suited for the role they provide. It should be noted that the totals within individual tables below may differ from the above overall summary due to rounding,

We have excluded from the detailed analysis of landlord functions below the 'non-landlord' functions of Alarm Call/CCTV, Housing Strategy and Housing Options as the consensus of the group at this stage is that these functions would continue to be managed by the Council's Strategic Housing teams (funded by the General Fund) and not any landlord services body. The Councils' strategic teams are part-funded by HRAs.

The total engaged in direct service provision is therefore 268.6 FTE, representing staffing levels of around 12-13 per thousand properties.

Although it is difficult to make precise comparisons (given the differential approaches to repairs services), our feeling is that this is on the low side for high performing ALMOs of similar stock size – the average is 15-16 in the two northern ALMO comparators (Kirklees and Gateshead). However, the pattern is interesting with a far higher focus on certain management areas across the five Kent authorities compared to others. The equivalent benchmark figures derived from the latest HouseMark reports (2006/07) identify that as a %age of core management pay costs, the benchmarks for districts in the South East are 40% for tenancy and estate management including lettings and voids management

(compared to 42% in the five Kent authorities), 23% on repairs management (compared to 32% in the five) and 15% for rent arrears collection (compared to 15% in the five authorities).

This suggests that there may be scope for efficiencies in the management of maintenance with some scope for inquiry into general tenancy and estate management. Notwithstanding the comparisons with benchmarks, our feeling is also that there may also be scope for efficiencies within the rent arrears function when the record of arrears collection is taken into account (see below).

3.2 Directorate staffing

The table below (4) details the staff charged to the HRA for Directorate functions.

Table 4: Analysis of staffing (FTE) identified to the 'Directorate' heading

Directorate	TOTAL
Director of Housing	2.0
Assistant Director	2.8
Director Support	2.4

It should be noted that this represents many more posts than 7.2 FTE as there is extensive split charging between HRA and General Fund and we have commented below on the scope for benefit to GF if these posts transferred into a new vehicle. We would also add that a directorate staffing of 7-7.5 does not appear out of kilter with an organisation managing 21,000 units.

3.3 Housing Management

The general needs housing management service has been broken down as shown in table 5.

Table 5: Analysis of staffing (FTE) identified to the 'Housing Management' heading

Management	TOTAL
Head of Housing	6.1
Housing Officer	31.1
Housing Assistant	21.0
ASB	1.5
RTB	1.2
Leasehold	5.6
Tenant Participation	5.4
Garages/Non Dwellings	0.6
Monitoring/Stats/Fin Officer	1.3
Hostels	1.0

Note that the leasehold management and support functions for Canterbury are currently carried out by the central/corporate finance function of the council and that these services would either be covered by an SLA or by transferring the staff to the housing service within any new joint working arrangements.

Whilst there do not appear to be any major differences in comparators between overall management costs, there are some differences in the pattern of management staffing between the five authorities and others. The key examples are leasehold management and tenants participation.

For leasehold management, the total staffing per thousand leaseholders is 3.15 which compares to figures as high as 12 in urban and London authorities and an average of around 4-5 in other districts. This suggests that there is scope for investment in the leasehold function.

For tenant participation (TP), the number of staff is 5.4 for nearly 22,000 properties. By contrast, specialist TP units in high performing ALMOs with over 20,000 properties might typically carry 10 or more officers, although some of these might also be engaged in leaseholder consultation. This suggests that there may be scope for investment in TP.

Take together therefore, if certain specialist areas appear to be under-invested compared to the highest performers, this would suggest that the mainstream tenancy and estate management functions carry some scope for efficiencies, perhaps at the management and supervisory levels given that patch sizes are comparative to the average.

3.4 Rent arrears

The rent arrears function has been separated from the housing management analysis above on the basis that the housing officers are specialised (ie not generic) and that each authority has a specific team that deals with arrears. For Dover and Thanet, this function is currently carried out by the central/corporate finance function of the council and that services would either be covered by an SLA or by transferring the staff to the housing service within any joint working arrangements. For information, the following is a table of arrears information as at July 2008.

Table 6: Analysis of staffing (FTE) identified to the 'Rent Arrears' heading

Rent Arrears	TOTAL
Rent Manager	3.2
Rent Officers	17.7
Rent Accounts Officer	2.3
Rent Assistant	2.9

Table 7: Current and former arrears July 2008

Rent Arrears	Total all 5
Current *	1,708,584
Cases	5,271
Former	990,944
Cases	1,294

* Note current arrears approx 2.2% of rent debit across all authorities

The total number engaged in rent arrears collection is 26.1 FTE which represents around 15 for every £1m of current arrears. Whilst comparisons are necessarily difficult given differential approaches to caseloads and collection and whilst in overall terms as a share of management staffing, the amount engaged in this function appears in line with the

average, the level of staffing given the workload does appear higher than comparators. For the best performing ALMOs with 20,000+ properties, specialist recovery officers are 12 for more than £2m arrears (the average for the two comparators).

Our feeling is that there is scope for efficiency in rent arrears, perhaps in the supervisory roles inherent with five current supervisory structures.

3.5 Support Services

This analysis identifies the levels of staffing within housing services engaged in performing a support function rather than a direct landlord function. These are disparate between the authorities.

Table 8: Analysis of staffing (FTE) identified to the 'Support' heading

Support Services	TOTAL
Manager	3.3
Officer	1.8
IT Champion	1.9
Assistant	0.8

3.6 Caretakers

This analysis shows the caretaking staff that are directly employed/financed from the HRA. It is recognised that the duties and responsibilities vary between authorities.

Table 9: Analysis of staffing (FTE) identified to the 'Caretaking' heading

Caretakers	TOTAL
Resident/Estates	7.1

This number of caretakers (or estate services/officers equivalent) appears very low compared to the very best performers across the country. Emphasis on community safety and cleanliness, caretaking services and localised estate-based services has increased rapidly in recent times, and would now be seen as essential in achieving three stars.

3.7 Supported Housing

This analysis details the Sheltered and other Supported Housing staff employed/financed through the HRA.

Table 10: Analysis of staffing (FTE) identified to the 'Supported Housing' heading

Supported Housing	TOTAL
Manager	5.7
Floating Officer	24.6
Scheme Officer	17.8
Extra-Care Scheme Officer	4.0
Assistant	26.3
Cleaner	4.9
Total Sheltered Units	2127
Staff Per Unit (Ave)	0.04

These staffing levels appear in line with the number of properties covered by support services.

3.8 Maintenance

For maintenance, we have analysed staffing levels into three general sub-headings in line with budget setting. These are:

- Day to Day – for day to day repairs management
- Capital – to manage the HRA Capital programme
- Planned – contract monitoring around cyclical programmes and other contracts.

All staffing engaged in supporting, delivering or administering capital programmes (or the proportion of staffing engaged in capital programmes) are excluded.

Table 11: Analysis of staffing (FTE) identified to the 'Maintenance' heading

Maintenance	TOTAL
Service Manager	4.1
Day to Day Manager	1.8
Day to Day Inspector	10.2
Day to Day Assistant	1.8
Day to Day Repairs Report	5.6
Capital Manager	1.2
Capital Surveyor	18.4
Capital Assistant	1.6
Planned (Rev) Manager	
Repair Contracts	5.0
Non-Repair Contracts	3.9
Planned Assistants	4.2

It should be noted that:

Day to Day Repair Reporting

Canterbury, Shepway and Thanet currently have their repair contractors taking repair calls direct from their tenants. An administration fee is payable to the contractor to cover this

service, separate to the cost of repairs. Ashford takes calls directly to council staff.

At Dover, all the staffing identified in respect of maintenance for Dover is in a corporate Property Services team, outside of the direct housing service. These services could either be covered by an initial SLA or by transferring the staff to the housing service within any joint working arrangements from day one. There would however be an expectation that this function would be provided directly by any joint working organisation as part of any delegated management agreement after a set transitional period if an SLA was established.

The total of 57.8 appears to be high compared to benchmarks.

3.9 *Exceptional*

This analysis identifies staffing that appears to be carrying out services over and above the 'core' landlord function at a cost to the HRA.

Table 12: Analysis of staffing (FTE) identified to the 'Exceptional' heading

Exceptional	TOTAL
PFI Monitoring	1.0
Regeneration	1.0
Other Management	2.6

These numbers are immaterial overall but service to illustrate the diversity of services being provided within landlord services.

3.10 *Summary*

There appears to be some evidence therefore of scope for efficiencies in mainstream management and management of maintenance with the potential for reinvestment in community and estate based services, tenant participation and a more robust leaseholder service.

Although very illustrative at this stage, achieving benchmark patterns of expenditure for high performing housing providers of similar overall size would imply staffing reductions of around 10 (increasing average caseloads for the average staffing complement) within management and up to 15 in the management of maintenance (reducing the %age of management costs to around 25%) with the potential for reinvestment in community safety and direct estate services. Whilst we would not want these numbers to form part of any target setting without further detailed work and certainly are not in a position to highlight specific posts, we do feel able to state that there is scope for this kind of efficiency and reinvestment if a full shared services vehicle were to be the adopted approach.

At average direct salaries of £25k, efficiencies of up to 25 posts for could represent reinvestment potential of around £700k per year including overheads and other costs.

4 Costs of Recharged Services

Each HRA is recharged for central and other costs allocated on varying bases from the General Fund. We have analysed these costs into three categories: direct, support and central costs.

1. Direct costs (for example front line services) which are provided from functions outside of housing services total £2.34m, and are incurred mainly at Dover.
2. Support and central costs are not easily disaggregated from HRA recharges nor are the number of FTEs and proportion which are staffing costs. However, we estimate that there may be around 50-55 FTE involved in the provision of support and central services to the 5 HRAs, an estimated average of 10 per authority but all within posts where non-HRA activities are undertaken.

4.1 Support and central costs

These have been identified as potential costs, by their nature, that any new joint working venture could be charged via Service Level Agreements with each individual authority but with a commitment to fundamental/Value for Money review in a set time frame following commencement of the arrangements.

Table 13: Support and central services costs funded by the HRA

SLAs	Total
Accommodation	£312,177
Finance	£669,812
Income	£649,099
Personnel	£160,085
IT	£468,364
Legal	£445,289
Estate Cleaning	£45,688
Grounds Maintenance	£59,880
Out of Hours	£10,000
Contact / Services Centre	£670,573
Property Services	£164,551
DIRECT	
Accommodation	£52,878
Estate Cleaning	£122,180
Grounds Maintenance	£65,250
CCTV	£67,620
Alarm Call	£208,150
Communications	£118,994
Community Safety	£84,020
CENTRAL	
Accommodation	£15,600
Finance	£183,409
Income	£38,310
Insurance	£81,468
Democratic Charges	£373,810
Corporate Charges	£1,032,831
Property Services	£56,100
TOTAL	£6,156,138

Support charges are a mixture of directly funded and recharged services and total £6.15million over the 5 authorities. This represents around £290 per unit across all authorities and is in line with benchmarks and comparators in line with comparators where the total for support costs of this nature might be expected to be less than £300/unit. Within this average, we note however there are variations; in particular the charges at Ashford are around 20% above this average cost.

However, considerable care is required in ensuring that like for like comparisons are being made. It is clear is that there could be scope for reducing many of the costs set out in the table above, subject to ensuring no impact on the remainder of the council's finances.

Conversely, the movement of many of the above costs into formal Service Level Agreement with any new joint working organisation might provide the scope for streamlining via joint working for support and back officer services across the authorities. We are clear that these costs do not need to be affected in the early period if the shared service vehicle approach is adopted. As has been the case with all other new housing providers created in the last 10-15 years, there is a bedding-in period in which current charges are protected whilst the opportunity to realign costs with resources and service delivery is taken.

We note that no authority's finances have been undermined by the creation of similar types of housing organisation (be that outsourced as at Westminster, ALMO or stock transfer) and many authorities report a positive impact on the providers of back office and support services through an increased sense of value for money in the provision of those services.

4.2 Possible impact on authority General Funds

There would be potential impacts for each General Fund if there are any changes made to the charges currently recharged to the HRA. The foregoing analysis demonstrates that these levels should not necessarily change if an initial commitment to establish SLAs with existing support and other service providers is made. The SLAs would be charged direct and paid by the HRA via a management fee if the shared services vehicle were adopted. All other charges could be maintained in their existing format and charged to the HRA.

This approach would provide service providers with the opportunity to ensure that their staffing and service standards are organised according to the needs of the housing service so that when the initial period is over, they are strongly placed to retain the SLA. The key benefit of such an approach is that time is afforded to service providers to align staffing and costs so that the impact of any future change of arrangement can be minimised.

A key exception could be with staff currently providing front line services, where appropriate, within central finance functions and within Dover's Property Services function, could be transferred to any new arrangements, replacing the current charge to the HRA with retrospective adjustments to support costs such as Human Resources, for example, to ensure there is no loss to the General Funds.

4.3 Staff charged to both HRA and General Fund

Our review has identified though that some staff are charged to both the HRA and the General Fund. A detailed review would be needed on a post by post basis but there would be both an option for staff to TUPE to the SSV with a reverse charge made back to each Council, if appropriate, and for staff to remain with the council and charge their time into any new organisation.

If no future charge were made to the General Fund, then there is potential for savings, though at the expense of the HRA.

Where the costs are significant, the nature of the posts tends to be senior or managerial. The issues arising from the treatment of these posts would need to be evaluated given precedents within stock transfers and ALMOs. The total salary costs tied up in posts affected in this way are £1.5m in 2008/09.

5 Summary

The above analyses remain work in progress pending ongoing and further review by each authority. However, some general conclusions about the scale of the undertaking of the whole landlord service and the extent of resources bound up in the provision of services to the HRA, front-line and support, directly provided and recharged can be seen.

In the context of the objectives at this stage, we can draw out the following main points.

The number of FTE that are directly involved in providing landlord services is 238.8. The headcount would be higher, estimated at over 260.

The number of FTE engaged on front line service delivery but which work for non-landlord service units (Thanet and Dover rent arrears and Dover property services) is estimated at 30.

The total of front-line and direct housing staffing FTE is therefore estimated at 290.

Whilst there are some difficulties making direct comparisons with others, we are able to infer the following key conclusions at this stage:

- There appears to be scope in general management and in the management of repairs services to seek efficiencies for reinvestment in community based, neighbourhood and estate based services, specialist functions such as tenant participation and leasehold management and in stock investment if desired.
- An illustrative estimate of efficiencies could be up to 25 posts carrying a cost (with overheads) of £700k per year.

The total cost of support services incurred within the overall five HRAs is £6.15m and above average benchmarks within other similar sized housing organisations.

The cost of staff charged to the HRA where staff are engaged in both HRA and GF activities is estimated at around £1.5m offering some scope for savings in either or both upon adoption of any new arrangements.

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For further information, please contact:

Consultancy: Jason Lukehurst – jason@hqnetwork.co.uk

Networks: Ben Osborne – ben@hqnetwork.co.uk

Events: Fiona Macfarlane – fiona@hqnetwork.co.uk

Training: David Ganz – dave@hqnetwork.co.uk

The Pool: Ruth Leap – ruth@hqnetwork.co.uk

The Source: David Ganz – dave@hqnetwork.co.uk

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Summary Report (Stage Two Draft 2.1 August 2008)

Annex 3: Joint development of new housing

**East Kent and Ashford: Landlord Services
Joint Working**

AUGUST 2008

East Kent and Ashford: Landlord Services Joint Working Summary Report (Stage Two Draft 2.1 August 2008) Annex 3: Joint development of new housing

Introduction

This annex forms part of the overall Stage Two Draft Report on landlord services joint working for the four East Kent authorities and Ashford.

This annex provides details of the findings of work looking at the joint development of new affordable housing by the five authorities, including feedback from the five workshops held at each authority in June.

1 Joint Local Housing Company

This section summarises the feedback and outline principles developed decisions reached on the development of a joint approach to setting up new local housing companies for the building of new local authority housing.

1.1 *Appetite and work done to date*

Feedback was generally positive from all officers engaged in the discussions. There were some members who were more reticent in some authorities, arising primarily from a view point of 'why us compared to an RSL?' This was contrasted with strongly positive views in others in which ambition appeared to be to replace RSLs as the main providers of new housing (!).

Most authorities have already carried out a trawl/analysis of garage sites with development potential or are in the process of doing so.

Some authorities have moved onto to look at open spaces and other opportunities within the HRA land and asset base.

1.2 *Land and site opportunities*

All authorities have infill and garage sites available as of now with the potential to develop new affordable housing.

We estimate that land with the space for anything up to a total of 400 properties across the five authorities could potentially become immediately available. This figure is based on the initial trawls undertaken and does not include any approaches where there is redevelopment (ie demolition and rebuild).

As would be expected, the redevelopment opportunities are more scattered and variable around the authorities. At Canterbury (maisonettes) for example, there appear to be key opportunities for redevelopment to increase densities and remove problem or expensive housing. Others might also be available.

The options to use the Joint Housing Company to access private sector land and pump prime regeneration of areas where the private sector has to date shown less appetite to invest is also an opportunity in two authorities. This is emphasised in the current economic climate.

1.3 Tenure mix and finance

There was some discussion around set questions to test the basis upon which authorities might be willing to undertake developments. The outcomes are summarised below.

1. Ideally authorities would look for 100% rented on small sites but this would be moderated by a view that any affordable housing in small sites would be a bonus given affordability thresholds.
2. There would be a willingness to accept shared ownership in line with current policies on the delivery of affordable units via RSLs.
3. Some authorities were prepared to accept properties market sale, others were more reticent. Each site/scheme could be taken on a case by case basis.
4. There is a strategic market / needs assessment process ongoing.
5. Resources to pump prime schemes are available in all to a greater or lesser extent. However, these are limited in Thanet and Dover given previous commitments or other pressures
6. In general, the amounts immediately available (from S106 commuted sums for example) are not as great as we might have hoped across all five authorities, perhaps limited to no more than £2million at this stage, grant equivalent perhaps for around 50 rented properties.

1.4 Options for structure and governance

The main discussion was between the options of:

- Setting up a single, jointly owned company to develop and own properties.
- Setting up five individual local housing companies which join a development consortium/venture.

The strongest case is for five separate companies which buy into a development partnership. The key issues are:

- Authorities would be able to use their own land for redevelopment.
- Levering in resources and grant to transferred land would be an easier process if transferring to a wholly owned company.
- Critically, there would be retention of interest in value and asset on the authority balance sheet

- A development partnership would be in a strong position viz-a-viz developing RSLs in the county
- Land assembly across boundaries could be considerable
- Finance is likely to be an issue without grant and the five-LHC approach would, unless confirmed otherwise, mean each having to qualify separately for grant via the Housing Corporation.
- A key advantage of wholly owned companies is that governance and board membership can be appropriately limited in the early period to senior officers and members from the council and specialist independent members as necessary.

Should there be five separate companies, the link between the SSV and the proposed development partnership would need to be thought through. The key issues are:

- Does the SSV become the vehicle for the Development Partnership? Or given the experiences and specialist nature of development, is there a strong case for establishing a separate partnership structure?
- The skills, expertise and personnel, whilst specialist, could have a common directorate / management structure with the SSV.

1.5 Summary

The balance of advantages and disadvantages is towards ensuring that the SSV takes responsibility for the development of new housing but that the form of the venture would be created separately, maybe as a separate unit within the SSV.

There are no barriers to the establishment of individual companies more or less immediately and a key strand of the work and project plan in developing the joint working agenda can focus on bringing together exemplar schemes in each authority area to form part of an initial approach to the development community.

The current economic climate clearly has an impact on the development venture approach and early views from developers and other key participants in the market should be sought before advancing plans in too great a detail. We envisage however that developers would be keen to work closely with such a venture, despite (maybe even because of) the current climate.

Project planning for the establishment of five companies and a development partnership are set out below.

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Summary Report (Stage Two Draft 2.1 August 2008)

Annex 4: Project planning, resourcing and timescales

**East Kent and Ashford: Landlord Services
Joint Working**

AUGUST 2008

East Kent and Ashford: Landlord Services Joint Working Summary Report (Stage Two Draft 2.1 August 2008) Annex 4: Project planning, resourcing and timescales

Introduction

This annex forms part of the overall Stage Two Draft Report on landlord services joint working for the four East Kent authorities and Ashford.

This annex provides a more detailed analysis of the project arrangements and high level planning required if agreement were to be secured to develop a Shared Services Vehicle jointly owned by the five authorities to take on the delivery of housing management or housing maintenance or both.

1. Set up and lead in: options and issues

1.1 *Overarching options for development*

This annex identifies the main high level options for the development process to the point of assumed service delegation to any new vehicle and creation of the development partnership.

Put simply, either the SSV is established based on existing structures and organisation, with existing service levels and standards prevailing locally, with all the necessary steps put in place prior to delegation of services. Service delegation would be on an 'all on day one' basis with the primary responsibility for service development, rationalisation and reorganisation over time resting with the SSV.

An alternative approach might be to create the SSV as above but ensure that detailed discussions about future structure, organisation and service delivery are dealt with before operations are delegated. Whilst this might provide for more predictability to staff and tenants once decisions are taken, it is highly likely that such an approach could be affected by difficulty to secure the agreement of local stakeholders at each stage of the decision making process.

All stakeholders consulted to date, including members and authority directors and senior managers have indicated that the first approach is the only realistic way of making significant progress quickly.

1.2 *Overall approach*

The proposed approach set out below is therefore based on:

- The creation of the SSV to assumed delegated responsibility for management and maintenance service delivery as soon as practical. Delegation would require consent from the Government under Section 27 of the 1985 Housing Act.

- The SSV would be identified also as the sponsor of the development partnership but activities to develop scheme proposals can be carried out in advance of 'vesting'.
- Identification of the decisions and actions that need to have been taken prior to the initial formal decision to proceed and then prior to delegation and operations commencing.
- Identification of the main project management headings requiring development within the overall project to vesting and beyond.
- Identification of the internal and external project management resources and external advice required to support the project with an estimate of the budgets required for establishment within each local authority

Conceptually, this might be referred to in the following stages. Such an approach would represent a 10-phase process; each stage is considered in turn below setting out:

- Key activities
- Key decisions
- Project resources.

A 'stage 11' to appraise and reorganise structures for service delivery would take place after delegation had taken place and would in itself be further split into service review and other projects to develop excellent services.

Figure 1: 10 stage project

1. Project management **proposals developed** and **consulted** upon as appropriate from which **agreement** is secured from members to proceed
2. **Create project-based decision making body** – ideally member based with authority to take decisions delegated from each authority and with an appropriate role for tenants representatives
3. **Appoint project management resources** for development of the project
4. Carry out formal **tenant consultation** on proposals under Section 105 of the Housing Act 1985
5. Recruit and train **Shadow Board**
6. Appoint **Management Team** and other structures/posts critical for the pre-operation period
7. Develop **service agreements** with existing support and other services
8. Develop and submit **Section 27 application** to Government
9. Development and sign off of **Management Agreements** and delivery planning
10. **TUPE staff** for 'go live'

The overall outcomes would need to be defined and agreed during the initial stage, however simply described as: a fully functioning Company operating under a management agreement with each authority and which has made progress in procuring a development partnership to develop new housing for five local housing companies. Providing agreement at stage one is secured this autumn, the absolute earliest that an overall milestone to achieve a 'go live' would be by 1st April 2010, but more likely 1st April 2011 or even later depending upon the appetite and progression of project management at each authority.

1.3 High level project planning

1.3.1 Project management proposals developed, consulted upon and agreed

This stage represents the current phase (stage two) and would run to October 2008. The key activities are focused on developing 'in principle' proposals for decision, consultation and refinement with stakeholders appropriate to role and stake and the securing of agreement from each authority's council / cabinet / executive.

The key activities are therefore to:

1. Continue to develop proposals on an ongoing basis
2. Carry out formal consultation on proposals with stakeholder representatives
3. Generation of summary report for submission to Joint Meeting of Chief Executives (or equivalent)
4. Continue to seek advice as appropriate on legal, financial and other issues material to the development of the companies.
5. Design detailed project planning.

The key decisions needed are around providing recommendations to the authorities prior to formal resolution to proceed into the development project include:

- Ownership of the company
- Structure and representation of the board of management, including chairmanship and proposed approach to payment (or otherwise)
- Structure and representation of area boards (if appropriate)
- Draft schedule of delegations to be made to the SSV
- Company structure and board membership model for local housing companies
- Proposed allocation of resources (staffing and financial) from each authority including the case for investing in the shared service venture
- Development of detailed project plan for early phases of the project.

The resources required for completion of this phase of the project include:

- Continued commitment to provide input to joint meetings and the provision of data and information for reporting to members.

- Time and input to the preparation of reports for members, overall for the project and individually within each authority.
- The securing of further legal and other specialist advice on proposals (if required)

1.3.2 Create project-based decision making body or bodies

The report from the current stage (stage one of the overall project) would include recommendations on the appropriate decision making structures within the project. Appropriate delegation and the ability to take 'fast' decisions is required in order to prevent the need to go back to members on occasions other than when there is likely controversy or where there are matters of political/democratic input required.

A joint body of members delegated from each authority as 'project sponsors' might be one approach, supported by a senior officer panel/working group. Alternatively, this could be a joint body comprising the Chief Executives and lead members for housing from each authority.

There would be a need to enshrine principles of tenant consultation within the decision making structures and ideally a joint representative body from the five tenant forums/federations appointed for this purpose. There may be a need to appoint independent tenant advice to support the work of this group. Consideration should also be given to the role of leaseholders within the group.

The resources required would be senior officer and member time as well as the time of tenants and other stakeholders; there would be disbursements and expenses related to the decision making role.

1.3.3 Appoint project management resources for development of the project

The development of both the SSV and JHCs will be a very complex project. There would be a need for a minimum of:

- An appointed overall project manager to act as key link between project sponsors and decision makers, shadow board, external advisers and project support officers. This resource could be external or appointed from within current authority officers.
- Project lead officers identified as key liaison points at each authority, of sufficient seniority to act as adviser on likely senior management and member views in each authority.
- Project support workers for a central project team and within each authority.
- External financial, legal and communications advice.
- External advisers for the recruitment and training of the shadow board.
- External independent tenant advisers if required.

The project would need to be carried out to recognised standards (eg Prince 2) and support identified as necessary.

Resources could be seconded. Best practice would suggest that where secondments are made, backfilling of posts is charged to the project.

The project manager would be responsible for overall project planning.

1.3.4 Carry out formal tenant consultation on proposals under Section 105 of the Housing Act 1985

A detailed formal consultation process will be required for all five groups of tenants. Subject to professional and legal opinion, our view is that each authority's tenants would need to demonstrate support in order to proceed with each management agreement.

Public relations and communications advice within a communications strategy would be desirable and considerable resources required to support the processes which could entail public meetings and surveys. Tenant support is essential for Section 27 consent.

The key activities would include:

- Preparation of all publicity and offer material
- Carry out actual consultation events
- Report on outcomes to the project sponsors.

External communications advisers may well be required to develop the specialist materials needed to secure support.

1.3.5 Recruit and train Shadow Board

The key outcomes of this phase would be a board of management nominated/appointed ready to take over Shadow Board duties ideally several months prior to 'go live' with the member appropriately trained on their roles given the decision making vested with them.

It is likely that an external adviser to facilitate the process of recruitment would be needed, to determine and appraise roles and responsibilities. identify potential recruitees and to oversee the process of nomination.

Training in core housing knowledge and skills, financial issues and basic competencies would be required prior to 'go live' and an external facilitator would be needed for this role

Resources to support Shadow Board meetings would need to be identified although in other projects of this nature, the wider project management role is able to pick up the initial work.

1.3.6 Appoint Management Team and other structures/posts critical for the pre-operation period

The first key role of the Shadow Board will be to recruit a Chief Executive for the company.

A view would also need to be taken on the recruitment of other key posts prior to 'go live', perhaps financial and legal advisers if not sourced externally.

In addition, decisions on the structure of the company, the future appointment of directors and on the developing memorandum and articles of association and the management agreements and delivery planning would all be needed prior to 'go live'.

1.3.7 Develop service agreements with existing support and other services

The key activities in this stage would be to develop robust service agreements which describe current support and other services and the price of those services to the SSV. A detailed schedule of all support and recharged services would be required along with the development of a standard template for each agreement.

A process for review would also need to be set out in time for 'go live'.

These agreements would need to be in place for day one of 'go live'.

The resources required will necessarily draw upon the time of council officers who may not have it as their main job and planning therefore carefully managed. Preparation for many ALMO set-ups often foundered on an absence of capacity and understanding within council provided support service functions.

1.3.8 Develop and submit Section 27 application to Government

There will need to be a formal application prepared in line with government guidance. Liaison with government would be essential to secure adequate resource at the appropriate time from them. The key headings are around delegation, assets, ownership and delivery planning.

Ideally, the application would be made in the 6 month period prior to intended 'go live' but earlier versions may have been discussed with government beforehand.

Both shadow board and each council will need to approve the application.

Consent under section 27 should be received a few days before intended 'go live' at the latest.

External legal and organisational advice would be required prior to submission, in order to maximise the opportunity for 'first time' consent.

1.3.9 Development and sign off of Management Agreements and delivery planning

Incorporated within this project stage would be the development of the legal documentation supporting the relationship between the SSV, the JHCs and the authorities.

External legal advice on the development of the memorandum and articles of associations for all new companies, advice on the governance of the LHCs and in the development of the management agreement would be essential along with significant input from in-house legal professionals.

Individual authorities will need to individually approve their management agreement; the shadow board will also need to formally approve all documentation and may deem it appropriate to secure their own independent legal and professional advice.

1.3.10 TUPE staff for 'go live'

A process of staff liaison and consultation, review of terms and conditions, job roles and responsibilities would need to begin from the outset and conclude with the construction of a TUPE list for a few days before 'go live'. The key decisions within this stage include:

- Identification of who is to TUPE
- The TUPE basis for transfer (ie transfer agreements)
- Consultation and liaison with staffing across all authorities.
- Identification of the resource issues related to TUPE.
- Preparation of reports for shadow board and authorities as appropriate.

Specialist human resources advice would be essential and could be identified from within existing authority services or recruited externally.

1.4 Resource estimates

There is no directly comparable process with which to benchmark possible costs of the project to 'go live' although the establishment of a large ALMO following the option appraisal processes which concluded in 2005 are the closest comparator. Costs would be incurred under the headings identified as stages in the above commentary with high end estimates in £'000's as follows.

	Directly employed resources	Secondments	External advice	Expenses
2. Project-based decision making body				20
3. Project management resources for development of the project	120		25	15
4. Carry out formal tenant consultation on proposals under Section 105 of the Housing Act 1985		35	25	80
5. Recruit and train Shadow Board		30	20	25
6. Appoint Management Team and other structures/posts				50
7. Develop service agreements with existing support and other services		25		
8. Develop and submit Section 27 application to Government			30	10
9. Development and sign off of Management Agreements and delivery planning			30	10
10. TUPE staff for 'go live'				

Overall therefore, we estimate that set up costs could run to £0.55m across all authorities from the outset over a minimum of 18 months and across at least two financial years. This is consistent with the establishment of large ALMOs as the closest comparators. Costs would be incurred through the appointment of project management resources, expenses in delivering the project, training and public meetings/consultation and the appointment of external legal and other advisers. Internal secondment costs might also be incurred depending upon the approach adopted at each authority.

The input from each authority would therefore be in the region of up to £110k across the life of the project.

Unless otherwise indicated, all of the costs of set up would be financed from the HRA and could be capitalised if appropriate. Resources would be required to be identified at the outset from each HRA (see below).

There may be a need to provide loans to the new companies in the early live period; this is usual for ALMOs and stock transfers although in the former case, experience shows that financial timings can be adjusted through payment of fees.

A detailed cost-benefit, invest to save analysis should be presented as part of the proposals to secure member agreement at each stage.

The pricing and quantification of benefits would be under the following headings and more work undertaken to the final report in assessing estimates:

- Improved performance through dissemination of best practice.
- Rationalised service management and organisation of support services. Areas where there are clear opportunities are in the overall directorates for housing services, legal and financial support and other administration.
- Rationalisation of front line services: some show clear opportunities, particularly arrears collection and recovery and maintenance management functions.

All efficiencies would be reinvested in improved service delivery.

1.5 Overall outline timetabling

Clearly, the detailed project planning would be generated from autumn 2008 onwards. However, at this stage, it might be helpful to set out the overall timetabling issues. With 'go live' at the very least 18 months away (April 2010), there is sufficient time to carry out all of the project stages providing appropriate resources are identified on an ongoing basis and the absolute quickest that the process could be achieved by would necessitate a project plan not dissimilar to that set out below.

Figure 2: Quickest trajectory to 'go live' for a 10 phase project

Month	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M
1. Agreement is secured from members to proceed	█																	
2. Project-based decision making body	█																	
3. Project management resources for development of the project	█	█																
4. Carry out formal tenant consultation on proposals under Section 105 Housing Act 1985							█	█	█	█	█	█	█					
5. Recruit and train Shadow Board			█	█	█	█	█	█	█	█								
6. Appoint Management Team and other structures/posts									█	█	█	█	█					
7. Develop service agreements with existing support and other services					█	█	█	█	█	█	█	█	█	█	█	█	█	
8. Develop and submit Section 27 application to Government							█	█	█	█	█	█	█	█	█	█		
9. Development and sign off of Management Agreements and delivery planning			█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█
10. TUPE staff for 'go live'		█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█

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For further information, please contact:

Consultancy: Jason Lukehurst – jason@hqnetwork.co.uk

Networks: Ben Osborne – ben@hqnetwork.co.uk

Events: Fiona Macfarlane – fiona@hqnetwork.co.uk

Training: David Ganz – dave@hqnetwork.co.uk

The Pool: Ruth Leap – ruth@hqnetwork.co.uk

The Source: David Ganz – dave@hqnetwork.co.uk

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Agenda supplement

East Kent (Joint Arrangements) Committee

**Wednesday
3 December 2008
at 10.00 am**

**The Guildhall
Westgate
Canterbury**

Membership of the East Kent (Joint Arrangements) Committee

Councillors

Councillor R Bliss, Shepway District Council (Vice Chairman)
Councillor P Carter, Kent County Council
Councillor S Ezekiel, Thanet District Council
Councillor J Gilbey, Canterbury City Council (Chairman)
Councillor A King, Kent County Council
Councillor R Latchford, Thanet District Council
Councillor J Law, Canterbury City Council
Councillor D Monk, Shepway District Council
Councillor F Scales, Dover District Council
Councillor P Watkins, Dover District Council

NOTES

- 1 The East Kent Joint Arrangements Committee has not authorised the recording of their meetings by members of the public or the media by any mechanical or electronic device or similar means. Recordings will not be permitted at any such meetings to which the press and public are admitted unless expressly authorised by the Committee.
- 2 The information contained within this agenda is available in other formats, including Braille, large print, audio cassettes and other languages.
- 3 If you have any queries regarding items on this agenda, please contact Lyn McDaid on 01227 862 006 or email lynda.mcdaid@canterbury.gov.uk or write to the address below.

Canterbury City Council
Military Road
Canterbury
CT1 1YW

A G E N D A

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9 SHARED HR/PAYROLL BUSINESS CASE	5 - 13
TO CONSIDER a report of the Corporate Director, Shepway District Council and the Director of Corporate Services, Canterbury City Council	

EAST KENT JOINT ARRANGEMENTS COMMITTEE

3 DECEMBER 2008

- Subject:** Shared HR/Payroll Business Case
- Director/Head of Service:** Jim McDonald, Director of Corporate Services,
Canterbury City Council
Wendy Head, Corporate Director, Organisational
Performance, Shepway District Council
- Decision Issues:** These matters are within the authority of this
Committee
- Decision type:** Non-key
- Classification:** This report is open to the public.
- Summary:** This report sets out the progress to date, towards the
creation of a shared service for the delivery of HR and
payroll services to the East Kent authorities of Dove
DC, Canterbury CC, Shepway DC and Thanet DC and
asks the East Kent Joint Arrangements Committee to
agree to the recommendations below being
implemented.
- To Recommend/
Resolve/Consider:** **To recommend that the Executive of each
participating Council:**
- 1. Delegates to EKJAC the responsibility to
develop business models for a shared HR and
Payroll Service between some or all of the
parties and to make recommendations to them.**
 - 2. Contributes £10,000 to develop the project.**
 - 3. Agrees to KCC commencing an appropriate
procurement process for the acquisition of a
suitable HR/Payroll software system provided
that the system shall not be acquired until the
participating Districts have approved the
business model.**
- To resolve that upon the first two parties approving
the above recommendation the following shall take
effect:**
- 1. The EKJAC delegates to the Project Lead**

(Wendy Head, Corporate Director, Organisational Performance, Shepway District Council) the power to develop the business models for a shared HR and Payroll Service between some or all of the parties.

- 2. The EKJAC delegates decisions on the use of funding secured to develop the project to the Project Lead as above in consultation with the Chief Executives of the parties.**

1.0 Introduction

- 1.1 This report presents the case for the creation of a shared HR and Payroll Service across the East Kent Districts authorities in line with the Kent Commitment and the shared services agenda

2.0 Background

- 2.1 On 3 September 2008 the East Kent Chief Executives' Forum considered the high level business case for the delivery of HR and Payroll services through a shared services model. An overview of the key points of the business case is set out in section 4 of this report.

3.0 Potential savings

3.1 HR Service

- 3.1.1 The early financial analysis around the preferred model of delivery for HR through a shared service indicates a potential saving from year 2 onwards (April 2011) in the region of £400,000 across the 4 authorities.
- 3.1.2 This saving is based on a reduction in staffing costs from approximately £1.2 million to around £760,000.
- 3.1.3 The current level of staffing delivering the HR service (excluding payroll staff) across the 4 authorities is 24.6 FTE.
- 3.1.4 Benchmarking with other local authorities indicates this level of staffing is high for the number of employees served by HR, i.e. 2500. As an example Sunderland City Council has 7000 employees and a HR team of 30 staff.
- 3.1.5 The current cost of delivering the HR service is around £480 per employee. This is significantly higher than the average HR service costs identified in studies in the last few years.
 - The 2006 APQC Shared Services Benchmarking report found the average cost to be between £230 and £360 per employee.
 - The 2005 Saratoga Public Sector Benchmarking study found the average cost per employee to be £311.
- 3.1.6 Under a shared service arrangement the cost per employee of delivering the HR service will be around £304.

3.2 Payroll

3.2.1 Delegation of payroll would result in a total overall saving from year 2 onwards of approximately £120,000 across the 4 authorities. The table below sets out the potential saving for each authority.

Authority	Saving
Canterbury	£14,000
Dover	£59,000
Shepway	+£ 10,000
Thanet	£51,500
Total	£114,500

3.3 Sensitivity Analysis

3.3.1 In order to test the sensitivity of the data in terms of a proven business case should one authority decide not to take part in the project, a further analysis of the savings has been undertaken on the basis of the largest partner withdrawing.

3.3.2 The logic of this additional analysis being that if the business case is still proven with the largest partner withdrawing then there still remains a viable business case regardless of which partner withdrew.

3.3.3 The largest partner authority is Canterbury City Council If they were to withdraw from the project the project would still be viable and would still bring significant savings, increased resilience and efficiencies.

3.3.4 It should be stressed that there has been no indication that any partner intends not to continue with this project. This additional analysis was undertaken to test the robustness of the payroll element of the business case only. All partners are still very much on board with delivering the shared payroll and HR service.

3.3.5 Savings in year 1 from both the proposed service delivery model and payroll option will be impacted by redundancy costs and set up costs.

3.3.6 It is anticipated that some of the proposed reduction in staffing will be achieved through natural wastage but there will inevitably be redundancies to be funded.

3.3.7 Further detailed financial modelling being undertake on an ongoing basis as the project is shaped will give a clearer indication of the impact of such costs but also projected savings over a 5 year period. Once the HR/payroll preferred system provider has been selected, actual costs will be able to be built into the financial modelling to allow actual savings and ongoing running costs of the shared HR service to be demonstrated.

3.4 Additional savings

3.4.1 Due to economies of scale there will inevitably be other cashable savings in the creation of the shared service. e.g.

- Learning and Development (current spend approximately £800,000 across the 4 authorities)
- Recruitment advertising (current spend approximately £200,000 across the 4 authorities)
- Occupational Health provision (Joint contract being let in summer 2009 is expected to bring savings)
- Reduction in the need for technology support to individual systems and individual upgrade costs.

3.4.5 All of the above will be further quantified as the service design is shaped.

3.5 Financial Protocols.

3.5.1 The project has a number of working groups set up which bring together officers with particular expertise to ensure that detailed work on all aspects of the project is undertaken.

3.5.2 The legal, governance and finance working group are currently working on the governance arrangements for the new service including the financial protocols. These will be finalised once final costs of the new HR/payroll system are known and the potential numbers of redundancies.

4.0 **Overview of the high level business case**

4.1 Purpose

4.1.1 The purpose of the high level business case was to investigate alternative methods for the delivery of HR and payroll services for the authorities in the East Kent Cluster. It justified the case for an alternative method of provision of these services to be advanced to the next stage, and demonstrated that the preferred option met the East Kent Cluster's strategic objectives for the service deliverables at an affordable cost, i.e. demonstrating value for money.

4.1.2 The following functions are the main elements of the HR and payroll being considered for alternative service delivery;

- Learning and Development
- Employee Relations
- Compensation and Benefits
- Recruitment and selection administration
- Information and data processing
- Payroll

4.2 Objectives

4.2.1 The project group have clarified the objectives of the project as a wish to:

- Deliver shared HR Services for the East Kent cluster from 01 April 2010 at the latest.

- Deliver payroll through delegation/contractual arrangement to Kent County Council by 1 April 2010 at the latest.

4.2.2 Achieving these objectives is initially expected to deliver:

- Efficiency savings (after initial set up costs have been incurred).
- Increased service resilience.
- Aligned business processes.
- An efficient HR /payroll system which facilitates self service for managers and staff and provides relevant and timely management information.
- Ready access for each partner to a larger pool of expertise for each authority through a combined team of high quality HR staff.
- Greater buying/procuring power.

4.2.3 In the longer term the project is expected to deliver:

- A common job evaluation scheme.
- A set of standard policies for adoption in all the partner organisations.
- Greater development and career opportunities for staff in the shared service centre.
- Greater development and career opportunities for staff in each authority.
- A quality training programme that meets the needs of the partners, staff and managers on a timely basis.
- Standardised terms and conditions across the East Kent authorities.

4.3 Business Drivers

4.3.1 The crucial business drivers behind the delivery of HR/payroll through a shared service solution are;

- At least 3 of the councils are in need of replacement payroll systems so joint working is likely to lead to better procurement terms.
- Modern IT systems are normally able to provide much better staff and management reporting and information.
- A single system will be managed more efficiently than having each council manage its own system.
- The agenda for policy development continues to grow and therefore the development of new policies or revision of existing policies once for use four times has to deliver efficiencies.
- All the partner organisations have experienced difficulties recruiting and retaining qualified/experienced HR professionals.
- The payroll service in each district relies on one or two people and there is, therefore, a need to increase resilience.

4.3.2 In addition the following factors will enable the project to progress and achieve the objectives set out above:

- There is a consensus amongst all partners that a shared service is the way forward in addressing the above drivers.
- There is consensus as to which collaboration options(s) and service delivery models are acceptable.

5.0 Service Design issues

5.1 Payroll

5.1.1 Payroll is essentially a discrete, contained service. It is envisaged at this stage that the service in its entirety will be transferred to KCC under the proposed arrangements with the contract being managed from within the HR shared service.

5.1.2 The service will include:

- Monthly payroll (weekly where appropriate)
- End of year returns
- Payrolling of expenses
- Salary sacrifice scheme administration
- Management information
- Pensions processing

5.1.3 The project group has the benefit of very knowledgeable and experienced officers from KCC who are taking the lead on the procurement of the new HR/payroll system.

5.2 HR Services

5.2.1 Officers from each of the four authorities are currently working on shaping the design of the new service. This work includes consultation with stakeholders, including managers from the partner authorities about how the service should be designed and delivered.

5.2.2 This work has identified 5 key service design principles which are underpinning the service design work. These are in draft form at the moment but essentially are around:

A service which is:

- Accessible
- Business focussed
- Clear and consistent
- Proactive
- Professional and supportive

5.2.3 The service design work is highlighting a variety of issues which require detailed work by the project group and discussion with the Chief Executives on the East Kent Forum.

5.2.4 The following is a flavour of the kinds of issues currently emerging from the service design process and which are being worked through by the project group;

1. Should there be any retained HR/Payroll function within each authority?
2. Should Corporate Health and Safety be included in the new service? (This currently sits within HR in two of the authorities).
3. How much of the service will be provided by self service through the new HR/payroll system.

6.0 Risks

- 6.1 The project group has undertaken an initial risk assessment around the project and created a risk log to help control the risks. The risk log is reviewed at the fortnightly project group meetings. The most significant risks and their control measures are set out below:

Risk Description	Risk Impact Description	Control measure
One of the partners pulls out of the project.	Potential increased cost for remaining partners/reduced savings.	Seek formal commitment at early stage of the project and closely monitor views.
3 partners pull out of the project	Project fails	Seek formal commitment at early stage of the project and closely monitor views.
Key personnel are absent from work or directed to other projects during critical phase of the project.	Slippage in the implementation plan.	All parties commitment to making resources available
Funding to progress beyond the business case is not made available.	Project stalls or ceases.	All parties commitment to making resources available
Pressure of the day job reduces time available for working group members	Project stalls	Joint Service Planning and management of workload.
Feedback from stakeholders on proposed service is negative	Project loses credibility	Consultation work stream undertake robust consultation, Service design work stream take heed of feedback in service design process. Project group members communicate ethos within each authority as often as possible

7.0 Key milestones

- 7.1 A detailed project plan has been developed to which the project group and the work stream project groups are working.
- 7.2 Identified in this project plan are key milestones to be achieved to allow the project to progress to successful conclusion. These are:

3 December 2008

Agreement of EK JAC to proceed

December 2008 – February 2009	District Councils to support recommendations of EKJAC
January 2009	Procurement process for HR/payroll system commences
March 2009	EKJAC recommends preferred business model to participating parties
March – April 2009	Participating parties approve preferred business model and make appropriate delegations
April 2009	Contract for HR/Payroll system let to successful bidder
May 2009	HR Service Manager appointed
July 2009	New HR/Payroll system goes live at SDC followed by each of the remaining authorities over the following 6 months.
October 2009	Revised structure for HR service takes effect – Shared HR service “goes live”.

8.0 Forward Plan

8.1 The Leaders of the parties are advised that the decisions that are anticipated to be taken in March/April 2009 should be included in their Forward Plan

9.0 Conclusion

9.1 The high level business case identifies significant potential savings and makes a compelling case to progress this project as swiftly as possible.

9.2 Agreement to progress is needed in order to meet the deadlines set out in the high level business case and identified in paragraph 4.2.1 of this briefing note, and in particular the commencement of the procurement of the HR/payroll system.

9.3 Delivering this project to the planned timescale will provide real learning opportunities for other large service areas currently progressing shared services within the partner authorities. The principles and processes developed through this project will assist these other projects to progress successfully.

10.0 Background Papers

1. The Business Case (in this report referred to this high level business case) presented to the EK forum on 3rd September (*This document is confidential but is available through members of the project group in each authority*).

Contact Officer: Wendy Head, Corporate Director, Organisational Performance
Telephone: 01303 853308