

WEST DUNBARTONSHIRE COUNCIL

Report by the Chief Executive

Council: 26 January 2011

Subject: Clyde Valley Shared Services Review

1. Purpose

1.1 The purpose of this report is to set out the outline business cases for those shared services that the Council agreed to pursue through the Clyde Valley Review of Shared Services. This includes:

- Waste Management;
- Social Transport / Fleet Management;
- Health and Social Care; and
- Back Office Services.

1.2 The report summarises the investment requirements, potential benefits and possible staffing implications where relevant for West Dunbartonshire Council if it was to enter into sharing arrangements for any of the above services and seeks Council agreement to progress further as detailed in the recommendations.

2. Background

2.1 The Clyde Valley Community Planning Partnership was established in 2003. The Partnership is made up by 8 local authorities, comprising, West Dunbartonshire, East Dunbartonshire, East Renfrewshire, Renfrewshire, North Lanarkshire, South Lanarkshire, Inverclyde and Glasgow City. The other partners are NHS Greater Glasgow and Clyde, Scottish Enterprise, Strathclyde Police, Strathclyde Fire and Rescue and Strathclyde Partnership for Transport.

2.2 In March 2009, the Leaders of the 8 Clyde Valley Councils commissioned Professor, Sir John Arbuthnott, to lead an independent review of joint working and shared services. Sir John published his report in November 2009, suggesting all 8 Clyde Valley Councils pursue:

- a common charging framework for services;
- a consortium for commissioning of Health and Social Care Services;
- a Clyde Valley solution to Waste Management;
- a single Transport solution;
- joint fleet procurement and maintenance;
- pulling and sharing of expert staff for Road Maintenance;
- a joint approach to back office services and diagnostic business cases;

- a joint Workforce planning; and
- a joint Economic Development Strategy.

2.3 On 27 January 2010, the Council agreed West Dunbartonshire's response. This was supportive of the principles of the report and made it clear that business cases for sharing must be robust and capable of standing up to scrutiny. It was agreed that all decisions in relation to the Clyde Valley Shared Services Review would be taken by the Council. It was also agreed that:

- (a) it might not be possible for all of the papers submitted to the Clyde Valley Community Planning Partnership (CVCPP) to be circulated to all Members of this Council in advance of the CVCPP meetings as some of the papers could be exempt from publication;
- (b) the CVCPP did not have any delegated powers and therefore any decision taken by the CVCPP would need to be approved by the 8 individual Councils involved before any of the decisions could be implemented; and
- (c) following further questions from Members and after hearing Councillor Black, the Council agreed to approve the above motion and that the Leader of the Council be authorised to attend meetings of the CVCPP.

The Council further agreed on 24 February 2010 that while the ten workstream areas all have some merit, and should be supported, that in West Dunbartonshire, priority should be given to:

1. An integrated health and social care service
2. An integrated waste management approach
3. Developing a joint approach to the back office.

The Council also agreed:

- not to support work on a common charging framework; and
- that West Dunbartonshire should offer to play a lead role in the development of a joint economic strategy.

2.4 In June 2010, the Clyde Valley Chief Executives met to agree the scope and priority areas for each of the 4 Workstreams ie. Waste Management, Social Transport, Health and Social Care and Support Services. It was agreed that an outline Business Case should be drafted for each of the 4 workstreams and submitted to the Leaders by the end of November 2010.

2.5 Project Groups were established for each of the 4 work areas with the Council providing either direct staffing support or financial support consistent with the other authorities participating in the review.

- 2.6** The Outline Business Cases have now been completed and the Management Summaries are attached as Appendices 1 - 4. Copies of the full Business Cases are available in the Members' Lounge.
- 2.7** At the meeting on 26 November 2010, the Leaders and Chief Executive met to discuss the Outline Business Cases. Each of the Clyde Valley Leaders was asked to give, in principle, support to moving the reviews forward and to have that 'in principle' position agreed by their respective Councils by the end of February 2011. Leaders were also asked to agree that further work on detailed Business Case and Options as detailed in each of the Outline Business Cases in relation to what type of sharing vehicle and arrangements might work, best be undertaken and reported back by no later than June 2011.

3. Main Issues

Waste Management

- 3.1** Clyde Valley Authorities manage approximately 1M tonnes of municipal waste, costing £113M per annum, of which £63M (56%) relates to collection and £50M (44%) to disposal activities. The current year 2010/11, the Scottish Government target for recycling is 40%. The average recycling rate across Clyde Valley is 33%, within West Dunbartonshire the recycling rate following the introduction of alternative work collection is approximately 43%.
- 3.2** The Scottish Government Zero Waste Plan sets a range of targets for all Councils with the scope for fines to be applied under the Landfill Allowance Scheme, albeit these have been suspended for the lifetime of the current parliament. Whilst the application of the Landfill Allowance Scheme is subject to review under the Zero Waste Plan, increasing Landfill Tax is an economic driver to divert waste from Landfill. Other than 2 landfill sites and 2 material recovery facilities (MRF), disposal arrangements are through private sector contracts. These private sector contracts are largely on an authority by authority basis with limited shared working to date. Collection Services are mainly provided by inhouse operations.
- 3.3** In respect of current arrangements for residual, organic and dry recycle, these are summarised as follows:

Residual

- Glasgow and South Lanarkshire are currently procuring separate residual waste treatment services to make their own requirements with estimated operational start dates of 1 April 2014. Glasgow and North Lanarkshire operate their own landfill sites which are due for closure in the near future 2012/13. The remaining authorities dispose of residual waste through private sector landfill contracts, with some of these contracts due for renewal/replacement in 2014/15.

The current position in West Dunbartonshire is that the existing contract with Barr Environmental which formally expired in January 2010 has been extended by agreement under the terms of the previous contract pending the outcomes of this review and the options that may exist for joint procurement.

Residual Waste Treatment costs are forecast to increase significantly due to increase in Landfill Tax and Gate Fees. The Scottish Government Zero Waste Plan proposes to ban biodegradable waste from landfill from 2017. If current performance remains unchanged, Landfill Tax alone will cost Councils an additional £29M per annum from 2014.

Organic

- Food Waste Collection through the Clyde Valley area is generally limited, albeit West Dunbartonshire Council has been collecting food waste for the last 12 months.

The Scottish Government is proposing through the Zero Waste Plan, that food waste should be collected and carried separately from 2013, with all separately collected materials banned from landfill from 2015. All Councils have concerns over the affordability of this strategy in the short term. Scottish Government's definitive position on this will not be known until the conclusion of the consultation process in the spring of 2011.

Dry Recyclate

- All 8 Local Authorities through the Clyde Valley are currently collecting dry recyclate, although there is no standard approach.

The Scottish Government is proposing through the Zero Waste Plan that all dry recyclate should be collected and carried separately from 2013, with all separated collected materials banned from landfill from 2015. All Councils have concern over the affordability of this strategy in the short term. The Scottish Government's definitive position on this will not be known until the conclusion of the consultation process in Spring 2011.

3.4 The review had developed 3 options as follows:

Option 1: As is;

Option 2: Collection Treatment and Disposal; and

Option 3: Treatment and Disposal only.

The details of the 3 options are outlined in Appendix 1, with associated potential benefit, both in financial and operational terms. The potential savings associated with options 2 & 3 are broadly comparable.

- 3.5** It was the view of the Working Group, that to do nothing is not an option, due to escalating gate fees, landfill tax, EU and Zero Waste Plan Targets, as well as the impending closure of Council owned landfill sites. Short term savings to be considered by individual Councils and implemented in each Council include Route Optimisation, Working Patterns and Charges for Services. It should be noted however, that in respect of West Dunbartonshire Council, that the Council is performing well in relation to what is considered as good practice across a range of measures and as a consequence in meeting current targets. It is unlikely therefore that any significant savings will accrue to West Dunbartonshire Council from these issues.

However some scope does exist to consider the level of commercial uplift charges and this will be the subject of a separate report to the appropriate Committee.

- 3.6** Given this, it is not anticipated that any further significant savings are likely to arise from this activity in the short term and that likely benefits will derive from further consideration of a single delivery body for treatment and disposal.
- 3.7** The work done to date suggests that a potential long term gain associated with establishing a single delivery body for collection, treatment and disposal within the Clyde Valley Region may not be worth the shortterm pain. However, to address the challenges of waste treatment and disposal it is believed that a Clyde Valley wide solution may be sustainable.

It is proposed is that a detailed business case is prepared to support Option 3:

- **the creation of a single waste strategy for Clyde Valley; and**
- **the establishment of Clyde Valley Waste Treatment and Disposal Authority.**

It should be noted that this work may incorporate a more detailed examination of the potential benefits of including collective service in the scope of the new delivery body.

- 3.8** The target is for a detailed business case to be approved by each Council in Spring of 2011, with a subsequent application to Scottish Ministers to create a new delivery body. The new delivery body would then be operational during 2012. In advance of this, work would be undertaken to establish a joint waste strategy, joint committee, conclude existing major infrastructure procurements, identify assets and contracts to be transferred to the new body and engage with staff and Trade Unions.
- 3.9** A key priority within this strategy, if the new delivery body is approved by Councils, would be to explore with the Scottish Government the resource and financial support available to implement this change agenda.

Social Transport and Fleet Management

- 3.10** Social Transport consists of local authority transport services for children with special educational needs, older people and adults with learning and physical disabilities attending a range of social work or educational services.
- 3.11** In the main, social transport in each Council is managed and delivered by approximately 3 Council Departments or functions typically consisting of fleet management, with the Education Service as budget holder and commissioning of home to school bus contracts and special educational needs taxi transport and Social Work Services which also commissions taxis and/or uses Council fleet and drivers or selfdrive fleet, often assigned to special facilities.
- 3.12** The services provided by a mixture of scheduled and ondemand services and generally involve a committed vehicle fleet by the authority with some services being contracted out.
- 3.13** Total expenditure by the Clyde Valley Authorities is approximately £60M.
- 3.14** West Dunbartonshire Council spends more than £350,000 per annum on social transport. This figure is one of the highest in the Group.
- 3.15** The proposals developed by the Group comprise of 3 options as follows:

Option1: Joint Programme of Efficiency and Service Improvement

Measure A: Shared Policy for Special Educational Needs and Social Work Transport Services.

This is considered to be a pre-requisite for any form of shared services, as a shared policy forms a consistent baseline on which to take forward all other measures.

Measure B: Shared planning and scheduling technology.

Collaborative use of ICT based route scheduling and booking system.

Measure C: Rationalisation and sharing of vehicle fleet.

This measure extends the model referred to in Measure B, to create a 'virtual fleet' and resources across the Clyde Valley Authority Boundaries.

Measure D: Shared service utilising electric vehicles and renewable energy charging points.

Option 2: Single Shared Service Model - Joint Committee

Option 3: Single Shared Service Model - Special Purpose Vehicle (Arms Length External Organisation)

Generally, both Options 2 and 3, propose the delivery of all social transport and fleet management services through a single body, with similar financial benefits anticipated.

Discussions at the meeting on 26 November 2010 focussed on Option 1 and in particular Option 1, Measure B as a mechanism to improve planning and routing of vehicles.

Health and Social Care

- 3.16 Social Work Services, in partnership with local NHS Boards, provide services and support to some of the most vulnerable people in our communities. For Social Work Services alone across the Clyde Valley, this equates to a total social care budget of almost £1.4 Billion with over 15,000 full time equivalents employed in the delivery of the service. Although the level of this resource will decrease significantly in future years.
- 3.17 Within the Clyde Valley Review, Sir John Arbuthnott noted the demand led nature of Health and Social Care Services, services being delivered to the most vulnerable against a background of need which is often unpredictable.
- 3.18 Given that the budget for Social Work Services now constitutes approximately 30% of the total resource available to local authorities, and the resourcing pressures being experienced within these services have a significant impact upon local authority provision as a whole, it was recommended that opportunities for collaborative working should be explored.
- 3.19 Joint working through the collaborative is seen by all participants as being key to tackling the significant demographic and financial pressures being experienced across the Clyde Valley area as the traditional approach to budget management and targeting of efficiency savings will not allow services to deliver the level of savings required within their organisations.
- 3.20 The Clyde Valley Health and Social Care collaborative is seeking to achieve efficiencies through collaborative procurement and to work together in the longer term to develop proposals for service redesign around Childrens' services, Adult services, Tele Care and Health savings and in relation to shared opportunities around Training and Development. The collaborative has developed proposals around several key areas including:

Procurement

- They key procurement areas being targeted relate to Childcare, Adult Care and Residential Care Home places, purchased through the National Care Home Contract. These represent significant areas of spend for each Clyde Valley Authority with procurement of Supported Living Services alone equating to around 13% of the total Social Care budget across the Clyde Valley. Clyde Valley Local Authorities are working collectively to develop proposals to redesign services, particularly in relation to Fostering and Residential Services for Children and Supported Living Services for Adults with learning disabilities. The National Care Home Contract represents the final element of the procurement programme being taken forward by the collaborative. The 8 Clyde Valley Authorities spend an estimated £185M per annum on Care Home places through this contract and are actively participating in discussions with providers on the current level of rates attached to the contract. These discussions are being led by CoSLA with the participating of senior officers across the Clyde Valley Authorities.

Tele Care/Health

- The key areas identified by the group for further exploration, relates to potential savings which could flow from joint call handling arrangements with partners such as NHS 24 and the development of Tele Health Initiatives with NHS Boards. Links have been established to work being taken forward by Scotland XL on the development of a National Framework for procurement of tele care equipment, whilst a clear benefit is likely to be the sharing of best practice and joint working between local participating local authorities and Health Boards.

Shared Training and Development Proposals

- This area of expenditure is likely to decrease in future years and the collaborative was keen to progress shared opportunities around training and development in order to ensure value for money across authorities was maximised. This particular workstream has considered opportunities for crossagency elearning initiatives, for potential joint procurement opportunities in relation to behaviour management training and potential savings relating to delivery of SVQs across organisations.

3.21 The implications of these proposals must be viewed in the context of current activity with West Dunbartonshire Council on these key areas.

Adult Care

The Council is currently considering proposals to rationalise Adult Care provision through agreeing cost reductions with care providers. This may involve changing the way overnight (sleepover) provision is delivered and providers working in partnership to reduce management costs. Benchmarking is also underway to identify variations in price for similar services and as a bargaining tool to drive discussions with providers.

The CVCPP plan would be to aim to obtain between 4% and 5% in year 1. The additional potential being 1% would equate to around £90k for WDC, however saving already taken £975k over 2 years - this equates to around 9% of our Housing Support budget over two years. It is believed that 5% is a challenging target, particularly given the link between Housing Support savings and income targets - both of which were savings agreed on 14 October (SWK01 and SWK15), and the management adjustment (then called SWK11) to remove £125k from Learning Disability. There can be no assumption at present around additional savings other than already expected as a result of the Council's previously agreed decision on charging for services on 14 October 2010.

Children's Services (relates to residential schools (including secure) and fostering agencies)

Negotiations have commenced with providers of both secure accommodation and external fostering placements - seeking to drive down costs of these services. For secure accommodation this is linked to a reduction in the secure estate as vacant places require to be funded through the price of placed filled by Councils making the unit costs higher than they would be in running to a reduced capacity. For fostering the level of provision and support provided to agency foster carers would be higher than is normally provided to Council foster carers and the aim would be to align these and to ensure any "profit" element is reasonable.

The target in the Business Case is not clear - but possibly the same model as above - target 4% and expectation that CVCPP approach gains an additional 1%, but again this higher end target is viewed as ambitious. It is suggested that a more likely target and outcome is 2.6% - which would generate around £155k for WDC in 2011/12 (split between Social Work and Education - SWRK £84k and Education £71k).

Older People's Care Homes National Care Home Contract

Negotiations are underway through CoSLA and target for CoSLA 2.6%. CoSLA negotiators are expecting this to be unsuccessful and expecting 1%. This is worth £70k to WDC. This will depend on CoSLA negotiations and it is unclear what the end date for this will be and as a consequence until then anything higher than the £70k is over ambitious.

Telecare/Telehealth

The main thrust of this is to develop a new procurement process to attempt to reduce the cost of Telecare/Telehealth equipment. In addition there is a longer term potential for a more centralised approach to call handling. WDC does not spend a huge amount on such equipment each year and may save around £5k in 2011/12 if the proposed procurement process is completed speedily and is better than the current price we obtain through an existing large procurement process. Other possible changes regarding call handling are 2/3 years away.

Training

The proposal mainly relates to rationalising provision of SVQ training. WDC has already rationalised this training a few years ago. The other options being considered have potential, particularly around e-learning, however it is expected that these savings will start to be seen in 2012/13 and 2013/14. Therefore no significant savings on this in year 1 for WDC.

Summary of Clyde Valley CPP activity for 2011/12:

Adult Care	Nil
Children's Services	£155k
National care Home Contract	£70k
Telecare	£5k
Training	Nil
Total	£230k

- 3.22** A detailed plan, including timelines for benefits realisation is attached in Appendix 3. It is clear that benefits in financial terms are likely to be limited to £230k already identified in the shortterm as a budget option given the complexity of the work to be undertaken. However, the proposals should be noted and continued involvement maintained.

Support Services

- 3.23** The Clyde Valley Partnership Support Services Work stream developed an Outline Business Case for a model of transactional and professional activities/processes across a number of functional areas delivered through a public/public or a public/private joint ownership company.

Scope

- 3.24** The scope of the shared support services work stream covered five main functional areas:-
- Finance - Financial accounting and financial related processes and advisory support services

- HR & Payroll - Human Resources and Payroll services
- ICT - ICT services covering infrastructure, applications and future development/project services
- Revenues & Benefits - Revenues collection (Council Tax, NDR, Rents and Sundry Income) and Benefits payments (Housing & Council Tax)
- Customer Access - Centralised customer contact operations involving three main customer access channels - telephone contact centres, “one stop shop” face to face and web based self service.

3.25 Estimates of current staff numbers and associated costs per annum across the five functional areas within West Dunbartonshire Council are detailed below.

HR/Payroll	Finance	ICT	Customer Access	Revs & Bens	Council Total
55 FTE	79 FTE	57 FTE	15 FTE	90 FTE	296 FTE
£1.8M	£2.5M	£2.2M	£0.3M	£3.3M	£10.1M

3.26 It is important to highlight that shared services does not mean that all of the activity within a function is transferred to the shared services operation. Councils’ would retain those strategic and advisory activities that are vital to effective corporate management, statutory responsibilities and the provision of tailed local services delivery where required. Specialist services may transfer in on a phased based and the level of specialisms being shared may vary from Council to Council, however such variation will impact on the financial benefits that can be generated. For the purposes of modelling the outline business case assumes all specialist services in all eight Councils are included.

3.27 The Outline Business case developed highlighted how the creation of a shared service across the five functional areas detailed above could enable the eight Clyde Valley Councils to collectively save up to £79.5M over the next 5 years. This would carry an indicative investment cost over five years of £31.6 million, generating gross savings after five years of £79.5m with net annual recurring savings of £37.8m from year 5 on. However, there are some concerns that there may be inconsistencies in the data across the 8 Councils.

3.28 Using the figures identified in the outline business case and using a simple proportionate share of investment costs and benefits West Dunbartonshire’s share of the investment costs over five years would be £2.9 million, generating gross savings after five years of £7.3M with net annual recurring savings of £3.4M from year 5 on. These figures are very approximate in nature and will be refined during the development of the full business case. Additional costs associated with release of staff are estimated at £2.9m.

- 3.29** The development of the outline business case has highlighted that the sharing of support savings could have significant longer term financial benefits for Councils but also provide Councils with the opportunity to improve and enhance support services.
- 3.30** While the outline business case has identified savings in 2014/15 for Councils, the costs associated with establishing a shared services vehicle and accommodating staff reduction costs would prohibit savings before that time.
- 3.31** A key component of the development of the full business case will be to look at the potential to bring down these costs by making best use of existing systems and infrastructure within the participating councils and investigating the mechanisms by which these investment costs can be spread over an extended period of time.
- 3.32** The next phase of the project will also seek to identify the extent to which participating in the shared service will reduce the need for planned future investments within individual councils.
- 3.33** The Project Team have requested that a senior officer from each Council be nominated to oversee progress. It is also estimated that each authority would require nominating a lead officer for each of the functional areas and that 1 to 2 days per month would be required of each officer during the development of the full business case.
- 3.34** The ultimate decision about entering the shared service will remain with the full Council and only be decided after the detailed business case and delivery options appraisal are complete by the end of June 2011.
- 3.35** The Outline Business Case was developed base on the assumption that all 8 Clyde Valley Councils would participate. Investment costs and deliverable savings will therefore be subject to change dependent on levels of participation.
- 3.36** Further detailed work would also require to be undertaken in the development of the full business case:
- to establish IT infrastructure needs;
 - exploration of Legal and contractual issues associated with existing arrangements in each Council;
 - potential to extend current licensing arrangements of common systems
 - a more detailed cost/benefit analysis given concerns raised in relation to baseline data by a number of authorities;
 - further refinement of timescales and costs once levels of Council participation are established; and
 - consider the financing options for the upfront capital investment.

4. People Implications

- 4.1** The Business Cases in so far as they are developed, outline the potential considerations around staffing which primarily relate to issues associated with TUPE should single service delivery frameworks be developed. However, a significant amount of further work requires to be done in the detailed business cases in advance of the Council taking any decision on whether it would wish to proceed.

5. Financial Implications

- 5.1** The Financial pressures facing all Local Authorities in Scotland demand that Councils consider all options which present realistic opportunities to deliver savings in the medium to longterm and support, as far as practicable, the continued delivery of quality front line services.

- 5.2** The outline Business Cases developed to date, provide indicative savings which may be realised over the course of the next 5 years. However, significant further work is required to establish the accuracy of the indicative savings and investment costs, what savings would otherwise accrue outwith any shared services activity and thereafter to establish the net savings associated with the Clyde Valley activity. Until such times as the detailed Business Cases have been developed, it is not possible to provide accurate information in relation to the potential financial benefits. What is clear is that any financial benefit is likely to accrue from 2013/14 onwards.

6. Risk Analysis

- 6.1** There is significant risk attached to not pursuing opportunities where they have been identified. The current economic and demographic climate makes it clear that an increase in joint working and shared service arrangements is likely to be essential to meet these challenges. The areas considered priority by the Council i.e. Waste Management, Health and Social Care and Back Office Services clearly represent significant risks for the Council going forward given increase in demand, future charges to be levied by Scottish Government etc. As a consequence, the financial impact of not pursuing shared service arrangements may be considerable.
- 6.2** Any action to develop joint working of shared services should be based on a robust process of impact assessment to assure equalities, health and sustainability issues are not adversely affected.

7. Equalities Impact

- 7.1** No significant issues were identified in screening for potential equalities impact of this initiative at this stage. This will be considered as part of the development of the detailed Business Cases.

8. Conclusions and Recommendations

- 8.1** Over the course of the last six months the work in relation to the outline business cases for key areas has progressed significantly with the projects reaching a critical stage in relation to Council's considering whether they wish to take the work forward or withdraw from this activity.
- 8.2** Given the current economic climate it is felt that the outline business cases have identified considerable opportunities for saving or reducing burdens in future years. Future involvement in the development of the full business case in each of the areas will allow the Council to consider detailed options and make informed options in relation to the implications for future service delivery within West Dunbartonshire Council. Work involved in the development of the full business cases will also be beneficial in the ongoing examination of the quality and cost effectiveness of current service delivery models.
- 8.3** It is recommended that the Council:
- (i) agree in principle to continue to participate in all workstreams, excluding that on a common charging framework;
 - (ii) agree to further progress the business cases for waste management based on Option 3 - Treatment and Disposal.
 - (iii) agree to further progress the business case for social transport/fleet management based on Option 1 - Measure B;
 - (iv) agree to further progress the business case for the social work and health collaborative;
 - (v) agree in principle to further explore shared support services (back office services) on the basis of the enhanced scope shared services described in the outline business case document;
 - (vi) agree to the establishment of necessary project teams to enable detailed work to be undertaken in each of the workstreams; and
 - (vii) agree that subject to (ii - v) above, that the detailed business cases are brought back to the Council for consideration once completed.

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Date: 10 January 2011

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Appendices:

Outline Business Case Executive Summary

- Waste Management
- Social Transport & Fleet Management
- Clyde Valley Health and Social Care
- Health and Social Care

Clyde Valley Partnership Support Services Workstream

Background Papers:

None

Wards Affected:

All