



CABINET

Subject Heading:

Future of one source

Cabinet Member:

SLT Lead:

Dave McNamara

Report Author and contact details:

Dave McNamara

Tel: 01708 432 201

dave.mcnamara@havering.gov.uk

Policy context:

The return of key services to Havering will align with the developing TOM in Havering, and support the delivery of key priorities for Havering

Financial summary:

The return to Havering the budgets for shared and non-shared services; the one-off cost for implementing the split

Is this a Key Decision?

Expenditure or saving (including anticipated income) of £500,000 or more

When should this matter be reviewed?

4th July 2023

Reviewing OSC:

The subject matter of this report deals with the following Council Objectives

People - Things that matter for residents **x**

Place - A great place to live, work and enjoy **x**

Resources - A well run Council that delivers for People and Place. **X**

SUMMARY

- One Source was established in 2014 by way of a Joint Committee and Delegation Agreement (the “Agreement”) as a joint arrangement between The London Borough of Newham (“LBN”) and The London Borough of Havering (“LBH”) to provide most of the back office or support functions that the councils depend on to deliver other services. The arrangement delivered considerable savings on inception and was considered a relatively ground-breaking innovation at the time.
- One Source retains areas of strength and expertise, but each council now needs bespoke and unique support from some services, hence the decision to return some services to each council, and retaining other services as they benefit sharing.
- It is proposed that the following services are returned to the control of the LBH and LBN: Asset Management, Human Resources and Organisational Development, ICT, Procurement and Finance (Pensions Accounting, Treasury and Reconciliations). The following non-shared services currently managed by One Source will also return to sovereign control: Transport (LBH), Education Computer Centre (LBH), Health and Safety (LBH), Finance (LBH).
- It is proposed that the following services remain within One Source: Legal and Governance, Exchequer and Transactional and the Corporate Business Systems Team.
- One Source will continue to need a very small level of support services, the level of which will be determined over the next few months.
- This report seeks Cabinet’s approval for varying the Agreement and revising the delegations therein. An equivalent report is also being taken through Newham’s formal decision making process.

RECOMMENDATIONS

1. For the reasons set out in this report, Cabinet is recommended to authorise all necessary amendments and variations to the Agreement so as to give effect to the following:

- a) The Council to withdraw its delegation from One Source of the following shared services:
 - Human Resources and Organisational Development
 - Procurement
 - ICT
 - Asset Management
 - Finance: Pensions Accountancy and Treasury

 - b) LBH to withdraw its delegation from One Source in respect of the Reconciliations function, following the review of scope. This will be determined once a bi-borough process improvement plan is implemented over the next few months.

 - c) The Council to retain the following functions within one source, namely:
 - Legal and Governance
 - Exchequer and Transactional
 - Corporate Business Systems Team
 - Print Services
- 2.** LBH authorises the s.151 Officer, in consultation with the Chief Executive, to make all necessary arrangements to give effect to the authorisation at 1 above, including but not limited to:
- a) Implementing the HR and other operational processes to give effect to the recommendations.
 - b) Agreeing the dates for the withdrawal of those services listed at 1(a).
 - c) Agreeing, amending and finalising any variation or variations to the Agreement and the delegations contained therein as necessary to give effect to 1 above, and thereafter to sign and complete any variation on behalf of LBH.
 - d) Making arrangements to receive staff into LBH as a result of the amendments to the Agreement.
 - e) Making arrangements to allow LBH to share some of the proposed withdrawn services for a transitional period beyond the agreed date of implementation whilst permanent arrangements are put in place within LBH.
 - f) Making arrangements to provide a support service to the retained One Source services.
 - g) To prepare and / or receive and thereafter agree and set the investment case for the ICT function.

3. The Council waives the right to any compensatory payments due under the Agreement noting that LBN will also be waiving their rights under these reciprocal arrangements.

REPORT DETAIL

Background

Cabinet is aware that the services provided by One Source are delegated from the two partner councils to the One Source Joint Committee (the “Joint Committee”). The Joint Committee has an agreed Scheme of Delegation for the delivery of those services by officers.

When the One Source partnership was set up in 2014 a number of ‘back office’ functions including Exchequer & Transactional, Finance, Asset Management, Legal, HR & OD, Procurement, and ICT were delegated to the Joint Committee by both Councils and operated as a shared and integrated service. It was always the intention that the delegation of functions to One Source would be dynamic and change over time, and indeed over the last eight years there have been several service changes to the delegated functions. For example, Audit and Strategic Property returned to LBN in 2020.

Detailed discussions have taken place between the partner councils regarding the variation of the services that sit within One Source. Following these discussions, the Leader of LBH, the Mayor of LBN and the Chief Executives of both Councils then met in early November to consider and agree the future direction of One Source.

Key Considerations & Proposals

Both councils have recently considered the services delegated to One Source and in addition One Source has conducted its own review. As a result of these reviews a number of changes have been proposed and agreed in principle by all parties.

It is proposed that One Source returns delivery back to the Council the following shared services, with each service reverting back to the oversight as prescribed in the constitution:

Asset Management	HROD	Finance	Procurement	ICT
<ul style="list-style-type: none">• Property Services• Capital Delivery & Corporate estate	Human Resources and Organisational Development	<ul style="list-style-type: none">• Pensions• Accounting• Treasury	All Procurement	All ICT

Cabinet, 12th April 2023

The function of Reconciliations will also return to sovereign control; the scope will be determined once a bi-borough process improvement plan is implemented over the next few months.

It is further proposed that the following services are to remain under the One Source Shared Service umbrella. Whilst the existing delegations to those functions will remain in principle, the Agreement will be revised and updated to ensure the arrangements for those remaining services are fit for purpose:

Legal and Governance	Exchequer and Transactional	Finance
<ul style="list-style-type: none">• All Legal and Governance	All Exchequer and Transactional	<ul style="list-style-type: none">• Corporate Business Systems Team

One Source will continue to need a very small level of support services. The print function is currently being reviewed, to determine the location within one source. The decision on both should be delegated.

The services being returned to the Council will be aligned under the following three pillars. The Council is currently introducing a new target operating model and structure, and the reporting lines for these returning services will be confirmed in due course.

People	Place	Resources
<ul style="list-style-type: none">• Education Computer Centre	<ul style="list-style-type: none">• Property• Capital Delivery and Corporate Estate	<ul style="list-style-type: none">• Human Resources and Organisational Development• Finance• Procurement• IT

It is envisaged that the returning services will do so on a staged basis.

The Agreement allows for variations to be made by agreement between the parties. Where one party unilaterally agrees to remove services from the Agreement then a compensation payment becomes due to the other. In this case no compensation payment will be required or paid by either council to the other as the proposals are mutually agreed. The costs of functions within the two councils will be a matter for the two councils each to determine. The Council will deliver the services returning to its sovereign control within their current agreed budgets, except for the ICT function which will be subject to a separate investment case.

If approved by each individual council, further work will be undertaken to complete these changes, and staffing changes will follow the usual processes, including consultation with the staff and recognised trade unions. The Chief Executives of LBH and LBN and/or the LBN Corporate Director of Resources, and LBH S151 Officer should be delegated the authority to complete these changes and agree the dates for the withdrawal of services, and road map for implementation.

It is noted and acknowledged that implementation dates will vary between services dependent on the needs and the readiness of the service, and will therefore be decided on a case by case basis. Nevertheless, it is noted that it is the intention of both the Joint Committee and the Councils that these implementation dates should take place as soon as is feasibly possible.

All returning services, apart from ICT, will start formal consultation on the proposed changes after the April cabinets in both councils, with an indicative return to borough milestone of September. The approach and timeframe for the return of ICT to sovereign boroughs is currently being determined.

REASONS AND OPTIONS

Reasons for the decision:

Delivering Council Policy and Corporate Priorities

The variation of the services provided by One Source to LBH will allow for a better alignment to the Council's corporate priorities and its corporate structure. It is recognised that in the eight years since the shared partnership was established, there have been significant changes to local government and there are now different requirements and demands on the 'back office' support services. The rationale behind the changes is that many policies and procedures do not align between the 2 boroughs and therefore do not generate cost savings through economies of scale. Given the significant changes LBH is currently undergoing, LBH now need bespoke and unique support from some services to help them manage those changes. It is anticipated that having "sovereign" support services for certain key functions will better support the delivery of corporate priorities.

Other options considered:

As part of the review a range of options were considered for the services including remaining "as is" and complete disentanglement. Neither of which were considered wholly viable.

The proposals followed a period of negotiation. The One Source agreement between the councils set out the process for the variation and withdrawal from One Source, which would have to be followed if a mutual agreement between the parties was not reached.

IMPLICATIONS AND RISKS

Financial implications and risks:

The One Source 2023/24 net controllable opening shared budget is approximately £25m split £12m LBH and £13m LBN. The costs within the shared area relate mostly (but not entirely) to staffing and are allocated to each authority in proportion to its budget contribution. There are different cost share percentages for different areas within One Source.

The variation to the One Source agreement between LBH and LBN will result in the following services' budgets and costs being removed from the One Source cost sharing arrangement:

Service	Havering Budget	Newham Budget	Total Budget
HR	£1.3m	£2.4m	£3.7m
Procurement	£0.3m	£0.8m	£1.1m
Asset Management	£1.1m	£0.9m	£2.0m
Pensions & Treasury	£0.1m	£0.0m	£0.1m
ICT	£4.2m	£4.5m	£8.7m
Total	£7.0m	£8.6m	£15.6m

The table above does not include the combined £0.5m budget for Reconciliations, as the scope for this is yet to be determined.

Any redundancies arising from the returning of services back to the sovereign authorities will be split in accordance with the cost share percentages for the area which they relate to.

Any requests from staff to be employed by the opposite borough will be accommodated as far as possible which will assist in minimising redundancy and recruitment costs, however, there is no guarantee that any such requests will be able to be fulfilled.

The expectation is that post-split sovereign structures will be designed to be accommodated within the existing budgets, subject to the requirements of each borough.

There will be no penalty payments attributable to either borough by the other as a result of terminating the sharing arrangements for these services.

Costs will be shared until the point at which the service exits the One Source arrangement, after which time each authority will be responsible for 100% of its own costs. Final cost share invoicing will take place between the two authorities to ensure that each council records the appropriate amount of spend within its ledger.

It is envisaged that all of the services listed above will be removed from the One Source sharing arrangement over the course of 2023/24 with the exception of ICT where the complexities involved will result in the exit date being 2024/25.

Cabinet, 12th April 2023

The one-off spend on the resources required to implement the split have been estimated to be approx. £1.25m which will be shared equally between the London Borough of Havering and the London Borough of Newham.

Duration	Purpose	FTE	Total	Havering	Newham
9 months	Delivery of the split (payroll changes, hierarchy changes, recruitment and project management)	7	400,000	200,000	200,000
6 months	Splitting and bedding in HR	2	70,000	35,000	35,000
18 months	Splitting out of ICT services (project managers, architects, information assurance)	8	780,000	390,000	390,000
	TOTAL		1,250,000	625,000	625,000

The Council has identified £1m within its Medium Term Financial Strategy to fund the establishment of sovereign services. For 2023/24 this will be used to cover any additional costs incurred in transitioning services out of one source.

It is expected that there will be a need to provide additional permanent revenue funding for ICT during the course of its removal from one Source. A piece of work has been commissioned to gain a greater understanding of the size of this growth, however, it is likely that an element of this funding would have been required regardless of whether the service remained within One Source or not. This piece of work will incur a one-off cost of £80k, which will be shared equally between the London Borough of Havering and the London Borough of Newham.

Legal implications and risks:

This report seeks the Cabinet's approval to an agreement between LBH and LBN to vary the services provided on a shared basis and the contractual agreement between the councils to undertake sharing. If the agreement is reached, LBH will agree to withdraw some of the functions currently delegated to the Joint Committee, which are then carried out by officers working for One Source.

The two councils entered into a contractual agreement in September 2014 to share services, including terms for its variation and withdrawal from One Source. The proposals in this report seek to vary the One Source agreement by mutual agreement of the two boroughs and thereby waive the contractual provisions on variation and withdrawal.

LBH has various powers to enter into this agreement and to continue the shared services agreement with LBN (including but not limited to s.1 of the Localism Act 2011 and the powers of delegation below). The terms of the agreement are reasonable and it is noted that (a) the agreement is dependent on approval by both boroughs and (b) will be subject to a contractual agreement between the boroughs.

To give effect to the agreement, Cabinet is asked to withdraw the delegation of executive powers to the Joint Committee (the powers related to those services set out in the report which are returning to the sovereign boroughs) under section 9EB of the Local Government Act 2000 (as amended). It is noted that once this is

Cabinet, 12th April 2023

finalised, the Joint Committee will amend / update its Scheme of Delegation to reflect the withdrawal of delegated functions.

The Agreement will require variation to provide for the variation of services for Newham and Havering. This may include some transitional provision of shared services and the councils may use their powers under s.113 of the LGA 1972 to second staff to deliver functions for each other or reach a similar agreement under s.1 of the Localism Act 2011.

It is noted that if the agreement is not reached, the terms of the Agreement remain in force, including the terms with regard to variation and withdrawal from the agreement.

Human Resources implications and risks:

All staff within the One Source service remain employed by their “home” borough under the joint committee arrangements and there are no “One Source employed” staff.

In the majority, staff in the affected services will start to work for a single borough (where their contract states is their base) once the agreement is implemented and a number of organisational changes will need to be made to staffing structures. The necessary corporate HR policies and procedures will be followed when implementing these changes. Union engagement has already begun and will continue throughout the consultation and implementation process. Appointment procedures that applies in each council will be applied.

The principles for change underpinning this return of services to sovereign boroughs are as follows:

Where teams are returning to Boroughs they will return to their employing borough (stated in their contract of employment)	TU meetings continue as is including One Source and will be chaired by one of the Directors of One Source and both HRD/Head HR or delegated officers for HR will attend
No one will be forced to go to the other Borough	Each council team will provide a lead point of contact for One Source
If someone wants to move (or stay in a role they have been doing) to the other Borough they will need to apply, we will do our best to accommodate	During the period of change and transition all vacancies will be advertised internally first ahead of external recruitment
Any move to the other Borough will be done on the receiving borough's standard terms and conditions. Pay protection will not apply neither will mileage allowances	Secondments and acting up provisions will be reviewed and if change is needed notice periods will be given for change
A standard 45-day consultation period will apply	It's possible some teams will split back in phases – for example HR Ops may go back to Councils ahead of specialist teams like Policy or Data & Metrics

2017 protocol was for the creation of One Source and does not need to apply for the disbanding of teams – council policies will apply	VR applications not in scope for this change at the outset.
---	---

Equalities implications and risks:

Under section 149 of the Equality Act 2010, LBH has a duty when exercising its functions to have “due regard” to the need to eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act and advance equality of opportunity and foster good relations between persons who share a protected characteristic and persons who do not. This is the public sector equality duty. The protected characteristics are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

“Due regard” is the regard that is appropriate in all the circumstances. The weight to be attached to each need is a matter for LBH. As long as LBH is properly aware of the effects and has taken them into account, the duty is discharged.

If agreed, the changes may have staffing implications that are currently being assessed. As all One Source employees have remained as employees of their “home” borough, there is very limited impact on employment rights and any staffing changes will be carried out in accordance with HR procedures and following an assessment of the Council’s public sector equality duty. It is unlikely that there will be any significant impact on the Council’s equalities duties.

Health and Wellbeing implications and Risks

People will be supported through the organisational change with interview preparations, inductions, teambuilding and cultural change development. An Employee Assistance Programme is also available for individuals should they feel they need to avail themselves of this.

BACKGROUND PAPERS