



Cabinet Committee Report

Date: 6th July 2010

Subject: Progress on Merger of Services

1. Why change Children's Services – key drivers

The current operating model for Children's Services risks not being fit for purpose in the future and is facing the following drivers to change:

- Tighter budgetary constraints and a commitment to continue to freeze Council Tax
- Expected reduction in funding and grants
- Increasing recognition that other LAs are facing the same financial pressures and need to drive out value for money
- Opportunities exist to build on the strengths of other organisations in order to deliver high quality services
- The current approach to organisational cost reductions is unsustainable long term
- Quality services must be delivered for less cost to the taxpayer
- Fundamental change is required to respond to the 'Coalition Programme' from central government and the 'Magna Carta for Localism' created by the Leaders of Wandsworth, Hammersmith & Fulham and Westminster
- The need to develop an approach to sharing services that can potentially be applied to other functions within the Council

2. How this has been addressed

These drivers provide local authorities with a real opportunity to look at how they deliver and commission Children's Services together. This opportunity has been explored in relation to Education Services by Westminster and Hammersmith & Fulham in the first instance. In parallel to this, Westminster has set out a roadmap over the next three years showing how Children's Services could change from predominantly in-house provision towards sharing services with partners and joint commissioning for outsourced services. This work has been combined to develop options for the future of Children's Services.

3. Options available

This report sets out three options to illustrate the potential for further partnership working and sharing services – these are:

- Option 1: Sharing of services for the key components of Education only between WCC and H&F to be implemented by April 2011 (this has two sub-components: 1A & 1B depending on the range of cuts made);
- Option 2: Combine the majority of Children's Services with H&F (or the NHS as appropriate) by April 2013. Services that are currently outsourced and/or that move to an outsourcing arrangement by then are jointly commissioned;
- Option 3: Extend the sharing of services with H&F to include other suitable LAs as part of an alliance by April 2013. Services that are currently outsourced and/or that move to an outsourcing arrangement by then are jointly commissioned by that alliance.

Under option 1 the key aims of the proposed education merger will be:

- To make significant savings that will not impact on education standards
- Improve each LA's capabilities in intervening effectively when a school is failing
- To develop a special purpose vehicle which could trade services (this could be based on a social enterprise model)

4. Benefits of each option

The table below sets out a summary of the estimated gross financial savings resulting from each option over a three year period:

	FY 2011/12	FY 2012/13	FY 2013/14	Total over 3 years
Option 1A Education Services only (H&F+ WCC)	£335K	£335K	£335K	£1.0m
Option 1B* Education Services only (H&F+ WCC)	£525K	£525K	£525K	£1.6m
Option 2 (includes 1B savings) All services + 1 Partner (H&F/NHS)	£622K	£1.0m	£1.5m	£3.1m
Option 3 (includes 1B savings) All services + 3 or more Partners (Alliance)	£622K	£1.0m	£1.9m	£3.6m

** This option involves the reduction of management costs and further staff reductions. See paragraph 2.8.*

Note: These savings are based on directly controllable budgets – grants and funding have been removed as well as corporate recharges. It is assumed each saving will be realised before the start of the FY, i.e. before April. Please see Appendix 5 for a further breakdown.

These savings are based on full year estimates and must be validated as part of the next stage of work if the recommendations are accepted. The savings table above shows savings relating to WCC only although for Options 1A and 1B, H&F are expected to be able to deliver the same amount of savings. Savings delivered for each Council would be allocated pro-rata depending on the size of the existing service area in each Council.

In addition to these potential savings, the move towards sharing of services between Local Authorities should deliver:

- Flexible services that offer increased choice to parents and children;
Increased capacity and resilience to absorb increased demand for services and maintain agreed acceptable performance levels;
- Potential to drive down indirect costs as a result of economies of scale (on premises, human resources and ICT costs)

5. Costs of each option

The savings figures above are gross and do not include any one-off investment costs. The table below shows indicative costs likely to be incurred by each option, bearing in mind that potential redundancies are seen as necessary to the implementation of any savings option and will form the majority of the costs.

	2010-11	2011-12	2012-13	2013-14	Total Costs
Option 1A	£ 247,160				£ 247,160
Option 1B	£ 412,360				£ 412,360
Option 2	£ 412,360	£ 535,620			£ 947,980
Option 3	£ 412,360	£ 267,810	£ 267,810		£ 947,980

Note: The above costs include expenditure for redundancies and project management services.

A further breakdown of costs is shown in appendix 8. It is assumed any necessary costs can be met from the Transformation Fund.

Taking into account both costs and benefits of each option the net savings are as follows:

	2010-11	2011-12	2012-13	2013-14	Total Net Savings
Option 1A	(£247,160)	£ 335,000	£ 335,000	£ 335,000	£ 757,840
Option 1B	(£412,360)	£ 525,000	£ 525,000	£ 525,000	£ 1,162,640
Option 2	(£412,360)	£ 86,380	£ 1,000,000	£ 1,500,000	£ 2,174,020
Option 3	(£412,360)	£ 354,190	£ 732,190	£ 1,900,000	£ 2,574,020

The savings should be considered alongside the impending reductions expected on Central Government grants and ring-fenced funding. Any reduction will impact the scale of savings that can be made if current service demand remains constant or increases. The savings are separate and do not form part of any existing savings currently committed by Children's Services.

Both Councils now share the ambition to progress option 1B. However, further political alignment is needed if either option 2 or 3 are to be implemented. These options cover the more emotive and critical services: Statutory Child Protection, some areas of Looked after Children's services and Early Intervention services, the latter having a need for very local delivery. These are high risk and complex services with a high reputational risk for both Councils if there is a failure of delivery. There is a desire between both Chief Officers to achieve Option 2, but more detailed work needs to be undertaken to determine which services should be merged or provided differently. The organisational model to deliver these services and the potential savings need to be verified, so that a comprehensive business case can be made to both Councils.

6. Recommendations

1. That it is agreed that Officers collaborate with Hammersmith and Fulham Council to develop detailed plans to implement sharing of services for Education in accordance with option 1B set out below and to do everything necessary to progress the proposal including consultation with staff.
2. That Options 2 & 3, below, are fully explored by Officers between the two authorities (and others) in relation to the remaining children's services and that a further report be submitted in October.
3. That the Strategic Director of Finance and Performance be requested to release £90k from the Transformation Fund to resource the above recommendations.



City of Westminster

Committee Report

Item No:	
Date:	6 th July 2010
Classification:	For General Release
Title of Report:	Progress on Merger of Services
Report of:	Michael O'Connor – Strategic Director (Children and Young People), Westminster Council
Wards involved:	All
Policy context:	Financial strategy
Financial summary:	<p>The following indicative savings are likely to be realised from the options outlined in this report:</p> <p>Option 1A: Net savings of £760K Option 1B: Net savings of £1.1M Option 2: Net savings of £2.2M Option 3: Net savings of £2.6M</p> <p>Above benefits will be realised by March 2014.</p> <p>Net savings are cumulative and include costs for potential redundancies and project management services required to facilitate and implement option chosen.</p>
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1. Introduction

- 1.1. In a report to the Improving Education Westminster Cabinet Committee, on 24th March 2010, at which Hammersmith and Fulham officers were present, initial proposals to amalgamate education services across Westminster (WCC) and Hammersmith and Fulham (H&F) were set out. Since then, further work has been conducted to identify the following:
 - The size and nature of the savings that could result from combining key components of Education Services from WCC and H&F, including the source and the timing of those savings
 - The wider operating model changes that could be made to Children's Services overall from Westminster's perspective, what the roadmap over the next 3 years looks like and what potential savings could result
- 1.2. All children's services' departments operate within a tight legislative framework. Spending priorities are controlled by central government through ring fenced funding and national improvement programmes. The socio-demographics of central London make this a more difficult challenge, but many of our neighbours are responding to the same pressures. For these reasons, most authorities have very similar priorities, as set out in their Children and Young People's Plans.
- 1.3. It is clear that the resulting duplication of service provision in London is not sustainable. Furthermore the small size of individual London boroughs inevitably reduces the diversity and possibly the quality of services. Closer working with neighbouring authorities would not only reduce costs, but could also lead to greater flexibility and choice for parents, as well as those who commission on behalf of vulnerable families.
- 1.4. This report sets out three options to implement sharing of services and joint commissioning:

Option 1: Implement sharing of services for the key components of Education services only between WCC and H&F to be implemented by 2011 (this has two sub-components: 1A & 1B depending on the range of cuts made);

Option 2: Combine the majority of Children's Services with H&F (or the NHS as appropriate) with sharing of services in place by 2013. Services that are currently outsourced and/or that move to an outsourcing arrangement by then are jointly commissioned;

Option 3: Extend the sharing of services with H&F to include other suitable LAs as part of an alliance by 2013. Services that are currently outsourced and/or that move to an outsourcing arrangement by then are jointly commissioned by that alliance.
- 1.5. Each option is covered in the following sections that show the following:
 - The proposed changes to Children's Services
 - The potential savings and benefits

- The constraints and considerations

Potential timetables for each of these options are illustrated in each option with larger versions of the roadmaps shown in Appendices 1 to 3.

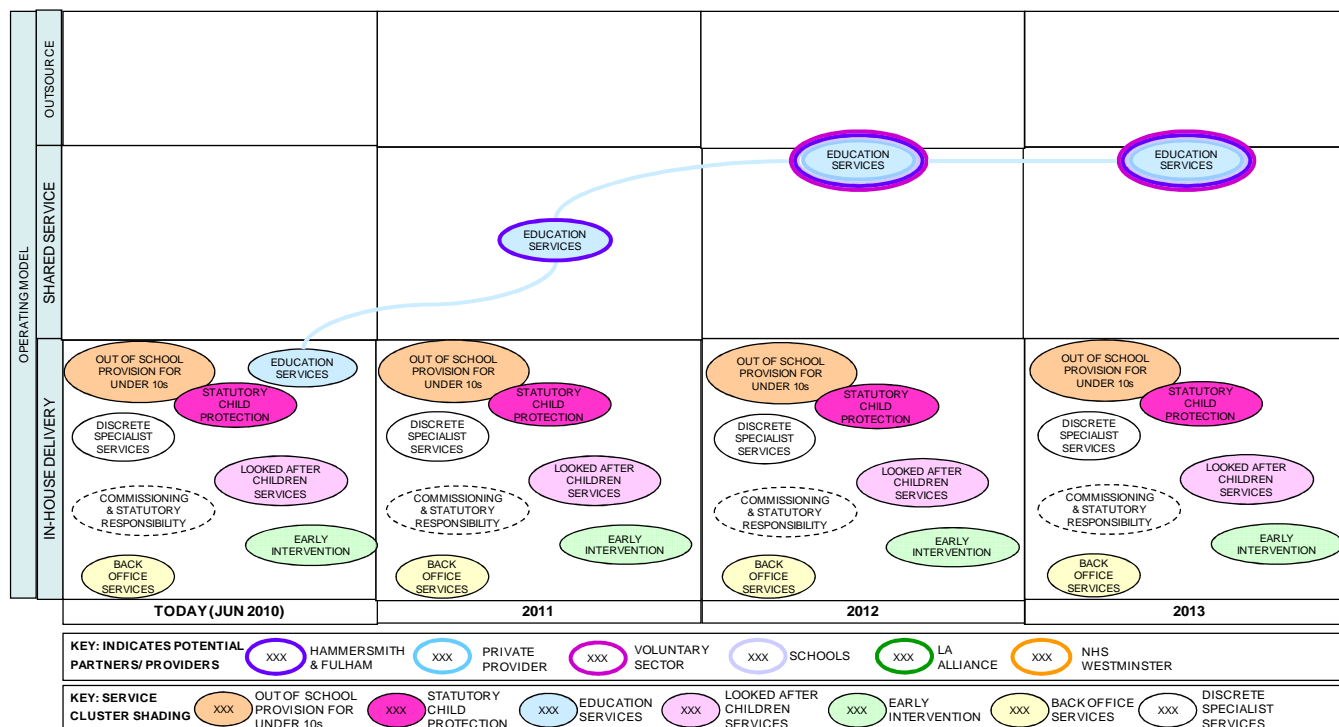
2. Option 1 - Sharing services and Joint Commissioning for Education across Westminster and Hammersmith and Fulham

What would change?

- 2.1. In the 24th March 2010 report, initial proposals to merge education services across Westminster and Hammersmith and Fulham were set out. Since then further discussions have taken place and initial proposals for the merger of education services are set below.
- 2.2. Westminster and Hammersmith and Fulham share an ambition to ensure that 75% of pupils achieve 5+ A*-C grades (including English and maths) by 2012. Both authorities have a recent strong record for improving educational achievement. The new government shares this commitment to raise standards and its plans to enhance school autonomy and review the role of Ofsted suggests that there is now a golden opportunity to redefine the role of the local authority in this area.
- 2.3. There is an ambition to combine the key statutory Education between Hammersmith & Fulham and Westminster. Despite some differences in how the services are organised, it is proposed that the merger of these in-house services could be achieved, in two stages by the end of (March and September) 2011, as illustrated below.

TARGET ROADMAP – OPTION 1: MERGING & OUTSOURCING EDUCATION SERVICES WITH H&F

- Illustrates the major changes to the operating model of the major service clusters within Children's Services and where a change is made, who is suitable to deliver that model – indicated by the rings round the ovals (if more than one suitable partner/provider is identified, multiple rings are used to highlight this)



- 2.4. Outsourcing of some of the services predominantly to Schools or the Voluntary Sector is proposed by 2012 with current outsourcing arrangements remaining the same with joint commissioning in place. This could also include the creation of a social enterprise or joint venture company potentially producing a dividend for both Councils.

2011 Changes:

- Admissions: in-house sharing of service
- 14-19: in-house sharing of service
- Statutory school improvement: in-house sharing of service
- School improvement delivery: in-house sharing of service
- Enforcement of attendance: in-house sharing of service
- Governor support: in-house sharing of service
- Education psychology: in-house sharing of service
- SEN provision: in-house sharing of service
- Behaviour support (PRU): in-house sharing of service
- Education Business Partnership: in-house sharing of service
- LAC Education (Virtual School): in-house sharing of service
- SEN Transport: outsource outsource (but jointly commissioned)

SEN Transport

- 2.5. A separate report to be submitted to the Cabinet Member for Children and Young People sets out proposals to jointly commission transport services and seeks funding from Capital Ambition to support the project. The aim is to have new joint procurement arrangements in place by September 2011.

School Improvement Delivery

- 2.6. Any new service will need to retain the capacity to intervene where schools are judged to be “causing concern”, which is a statutory LA function. This will be the primary role of the Statutory School Improvement Service, including the School Improvement Partner (SIP) programme. At present both Westminster and Hammersmith and Fulham, along with all other authorities, have additional capacity to promote continuous improvement amongst all schools and promote the continuous professional development (CPD) of the schools’ workforce. A significant proportion of this provision is funded through specific grants, which are likely to end in 2011, with the remainder funded through “buy back” income. If any of this provision is to be retained it is likely that it will have to be funded through the Area Based Grant or through additional “buy back” agreements with schools.
- 2.7. In order to continue to promote school improvement and CPD it is proposed that the posts below be retained as part of a School Improvement Delivery service. This service would be significantly smaller than currently existing across the two boroughs (11.5 FTE for Westminster; 13.5 FTE for Hammersmith and Fulham):

1 secondary English consultant
1 secondary maths consultant
1 head of primary school improvement (responsible for allocating support to schools)
4 primary teaching and learning consultants
2 CPD officers
2 Ethnic Minority Achievement (EMA) advisers
1 Traveller/Refugee advisor
1 Business Support Officer

Total : 13 FTE

2012 Changes:

- School improvement delivery: shared service outsource
- Behaviour support (PRU): shared service outsource
- Education Business Partnership: shared service outsource

Potential Savings & Benefits

- 2.8. As a result of comparing staffing structures for equivalent teams in each organisation (see Appendix 4), two sub-options have been developed:

Option 1A: reduction in management posts as a result of combining the teams

Option 1B: reduction in management posts and further headcount reduction

Any savings realised would be shared as a percentage of existing expenditure. Assuming a 50:50 share, the indicative gross savings that each authority could make over three years are shown below.

	FY 2011/12	FY 2012/13	FY 2013/14	Total over 3 years
Option 1A	£335K	£335K	£335K	£1.0m
Option 1B	£525K	£525K	£525K	£1.6m

- 2.9. It is important to note that these indicative savings do not take account of set up costs or increased demand in areas such as SEN placements or exclusions. On the other hand, economies of scale could be achieved through sharing of existing maintained provision and/or joint commissioning from the independent sector.

Constraints and considerations

- 2.10. The table below illustrates the relative feasibility of implementing Option 1 (see Appendix 6 for breakdown of feasibility criteria):

OPTION 1	FEASIBILITY/ DOABILITY OF OPTION: LEVEL OF COMPLEXITY TO IMPLEMENT			
SERVICE CLUSTER	EXISTING ALLIANCE ARRANGEMENTS IN PLACE	MARKET MATURITY	EXTENT OF DELIVERY CAPABILITY REQUIRED TO IMPLEMENT	LEGAL COMPLEXITY
EDUCATION SERVICES	EXIST = LOW COMPLEXITY	PARTIAL = SOME COMPLEXITY	MODERATE EFFORT = SOME COMPLEXITY	SOME COMPLEXITY
OUT OF SCHOOL PROVISION FOR UNDER 10s	N/A	N/A	N/A	N/A
EARLY INTERVENTION	N/A	N/A	N/A	N/A
STATUTORY CHILD PROTECTION	N/A	N/A	N/A	N/A
LOOKED AFTER CHILDREN SERVICES	N/A	N/A	N/A	N/A
BACK OFFICE SERVICES	N/A	N/A	N/A	N/A
DISCRETE SPECIALIST SERVICES	N/A	N/A	N/A	N/A

- 2.11. Whilst the merger of Education Services will be a significant undertaking for H&F and WCC, the political impetus and existence of close working relationships serve to make this the most feasible of all the options to implement and deliver the savings identified in the previous section.

Areas of potential constraint in delivering the savings relate to:

- The quality of service provision and availability of suitable service providers for services that are outsourced
- The implications for management staff are high as a result of the reduction in overall staffing numbers and in some instances will double the number of direct reports for some managers
- The legal implications will be dependent on how the organisational arrangements are set up (whether one LA leads the other or whether there is joint responsibility)
- By removing additional posts in Option 1B, any change in service demand for the services could impact the performance of the service
- Compatibility of ICT
- The availability of resource from support units within each organisation to guide the business through the merger (particular resource commitment will be required from HR, Legal & Finance in the first instance)

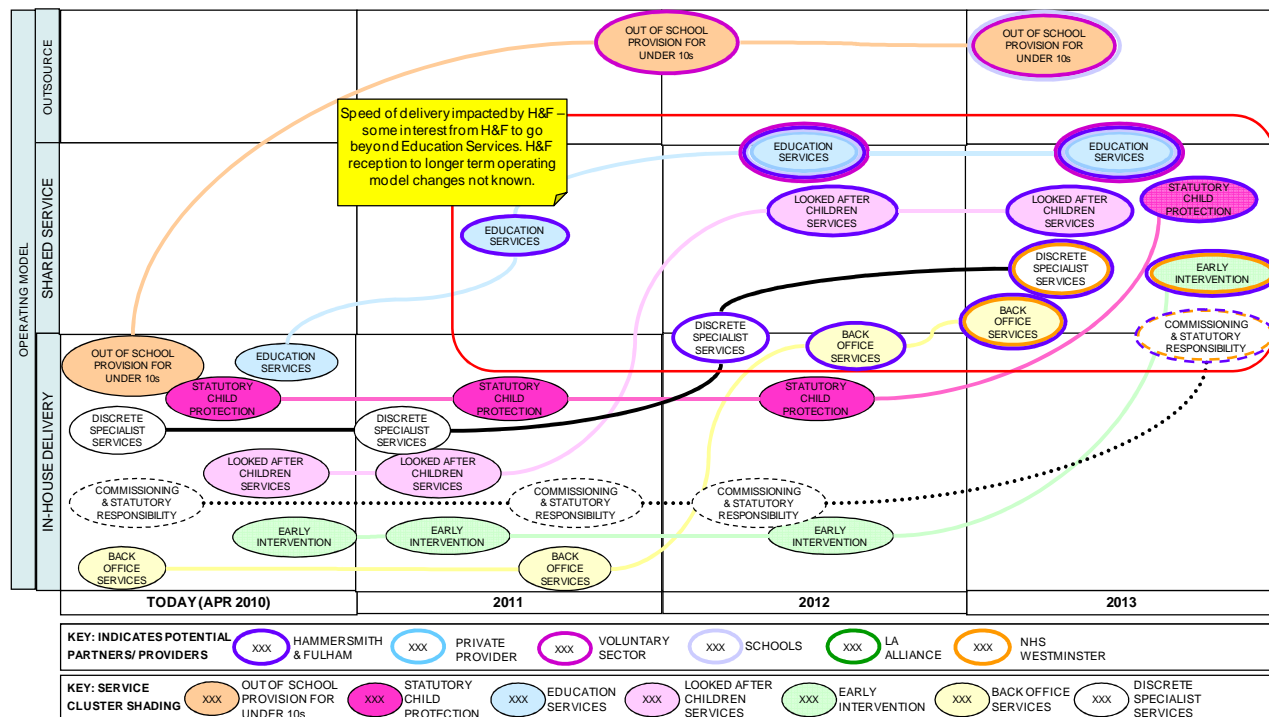
3. Option 2 - Sharing services and Joint Commissioning for all Children's Services with a single Partner (Hammersmith and Fulham and for some services, the NHS)

What would change?

- 3.1. Discussions have also begun between the two authorities to look at the timing and feasibility of developing shared provision and joint commissioning for the remaining children's services outside of Education Services.
- 3.2. All of the services could be merged with Hammersmith & Fulham. However Early Intervention Services and Children with Disabilities also have the potential to integrate with NHS Westminster due to the close alignment of client groups and the progression towards locality working centred on the child which has been constructed with NHS Westminster. The roadmap below shows the proposed timeline for the changes:

TARGET ROADMAP – OPTION 2: MERGING & OUTSOURCING FURTHER CHILDREN'S SERVICES WITH ONE OTHER PARTNER (H&F OR NHS)

- Illustrates the major changes to the operating model of the major service clusters within Children's Services and where a change is made, who is suitable to deliver that model – indicated by the rings round the ovals (if more than one suitable partner/provider is identified, multiple rings are used to highlight this)



- 3.3. The changes in this option are arranged in clustered service groups which are intended to indicate the high level movement of services based on their logical groupings into clusters. Details about the clusters can be found in the Appendix 7.

2011 Changes:

- Education services: in-house sharing services with H&F (as per Option 1A/1B)
- Out of school provision: in-house outsourced (remaining in-house service provision outsourced)

2012 Changes:

- Looked after children services: in-house sharing services with H&F
- Some discrete services (YOT): in-house sharing services with H&F
- Out of school provision: in-house outsourced (remaining in-house service provision outsourced – carrying on from previous year)
- Some Education Services: sharing services with H&F outsourced (as per Option 1A/1B)

2013 Changes:

- Statutory child protection services: in-house sharing services with H&F
- Early intervention and preventative services: in-house sharing services with H&F or NHS Westminster
- Other discrete services (Childcare Review Unit, Emergency Duty Team): in-house sharing services with H&F
- Other discrete services (Children with Disabilities Team (CWD)): in-house sharing services with H&F or NHS Westminster

Looked after children services

- 3.4. Discussions have taken place between Westminster and Hammersmith and Fulham to consider how sharing of provision in this area could be developed, although unlike education services there are less existing alliance arrangements in place to build upon. However, well established market provision is available in some areas, which both boroughs could use joint commissioning budgets to potentially reduce cost, improve choice, and produce additional savings. Services in Westminster and Hammersmith and Fulham are well established and perform well. However, their capacity to meet placement choice is hampered in some key areas by lack of supply and lack of capacity to make management economies within a number of small or very small specialist teams. Although these services are responsible for identifying and supporting children and young people with complex needs, there is capacity within current markets for a number of teams to be outsourced fairly quickly, with others being merged into shared provision - e.g. Adoption and Fostering.

Out of school provision for under 10s

- 3.5. Westminster currently commissions schools and voluntary sector to deliver most of these services. However, most play provision and the Family Information Services (FIS) is currently delivered in house. There are currently no agreements or existing partnership arrangements in place with other authorities to develop shared provision or to commission services jointly. However, with the exception of FIS there is an established market of provision in the schools and voluntary sector. Given existing processes for commissioning are already well established, delivery capability is high. Local authorities have a relatively high level of discretion in this area. Legal obstacles will therefore be minimal.

Statutory Child Protection Services

- 3.6. To date, discussions with Hammersmith and Fulham, or any other authority, have not focussed on these services. These services are generally managed very closely by local authorities, with little in the way of shared or partnership working arrangements or market provision. They contain the highest risk for providers and therefore there has been little market development outside of agency recruitment of social work staff. Westminster services have recently been reconfigured to produce savings through closer early intervention and targeting as well as the use of the Family Recovery

programme. Managing the cases in these teams is often complex and high risk, involving multiple agencies. The legal and regulatory framework is very prescriptive. It would be possible to develop a joint service with Hammersmith and Fulham which would at least reduce management costs, but both boroughs would clearly have to agree a similar direction of travel with more emphasis on multi-agency activity and intensive change programmes with complex and difficult families.

Early intervention and preventative services

- 3.7. Levels of investment in these services and the way they operate can vary between different local authorities. Responsiveness to local needs is the key purpose. As these services include a range of professionals from education, health and social care the legal complexity is high.

Potential Savings & Benefits

- 3.8. The controllable budgets for WCC were used to calculate potential savings for WCC only from the proposed changes. The Education Services detailed savings work has been included in the figures below and based on Option 1B. For all the other service clusters assumptions were applied based on the nature of the changes made to the service (see Appendix 5 for the assumptions):

	FY 2011/12	FY 2012/13	FY 2013/14	Total over 3 years
Option 2	£622K	£1.0m	£1.5m	£3.1m

- 3.9. Furthermore, as with demand pressures relating to SEN and exclusions for education services, these potential savings could be affected by demand, for example in relation to placements for looked after children. Again, this could be offset by economies of scale achieved through sharing of existing in house provision and/or joint commissioning from the independent sector.
- 3.10. It is important note that these are indicative gross savings that do not take set up costs into account. Estimated set up costs are £950k as set out in appendix 8.
- 3.11. Savings for Back Office services are minimal due to the constraint of centralised support functions and recharges ensuring that back office costs are ring-fenced and not under the direct control of Children's Services. To realise savings from back office services, this constraint would need to be addressed and permission given to combine functions such as HR, Finance and ICT with Partners.

Constraints and considerations

3.12. The table below illustrates the relative feasibility of implementing Option 2 (see Appendix 6 for breakdown of feasibility criteria):

OPTION 2	FEASIBILITY/ DOABILITY OF OPTION: LEVEL OF COMPLEXITY TO IMPLEMENT			
SERVICE CLUSTER	EXISTING ALLIANCE ARRANGEMENTS IN PLACE	MARKET MATURITY	EXTENT OF DELIVERY CAPABILITY REQUIRED TO IMPLEMENT	LEGAL COMPLEXITY
EDUCATION SERVICES	EXIST = LOW COMPLEXITY	PARTIAL = SOME COMPLEXITY	MODERATE EFFORT = SOME COMPLEXITY	SOME COMPLEXITY
OUT OF SCHOOL PROVISION FOR UNDER 10s	FEW EXIST = HIGH COMPLEXITY	GOOD MARKET = LOW COMPLEXITY	HIGH EFFORT = HIGH COMPLEXITY	LOW COMPLEXITY
EARLY INTERVENTION	FEW EXIST = HIGH COMPLEXITY	IMMATURE = HIGH COMPLEXITY	IMMATURE = HIGH COMPLEXITY FOR MOST SERVICES	HIGH COMPLEXITY
STATUTORY CHILD PROTECTION	FEW EXIST = HIGH COMPLEXITY	IMMATURE = HIGH COMPLEXITY	IMMATURE = HIGH COMPLEXITY	HIGH COMPLEXITY
LOOKED AFTER CHILDREN SERVICES	FEW EXIST = HIGH COMPLEXITY	GOOD MARKET = LOW COMPLEXITY	IMMATURE = HIGH COMPLEXITY FOR MOST SERVICES	HIGH COMPLEXITY
BACK OFFICE SERVICES	FEW EXIST = HIGH COMPLEXITY	GOOD MARKET = LOW COMPLEXITY	MODERATE EFFORT = SOME COMPLEXITY	LOW COMPLEXITY
DISCRETE SPECIALIST SERVICES	SOME EXIST = SOME COMPLEXITY	PARTIAL = SOME COMPLEXITY	HIGH EFFORT = HIGH COMPLEXITY	HIGH COMPLEXITY

3.13. The breadth of Children's Services and the different nature of the services highlight a number of issues that would need to be addressed in order to make the changes feasible and deliver the savings:

- Both Councils will need to agree alignment across a number of the more emotive and critical services: Statutory Child Protection, some areas of Looked after Children's services and Early Intervention services; the latter having a need for very local delivery. These are high risk and complex services with a high reputational risk for both Councils if there is a failure of delivery.
- Back Office services yield low savings potential (see Appendix 5) and have little political alignment despite good market maturity and low legal complexity implying potential ease of implementation;
- The legal implications will be dependent on how the organisational arrangements are set up (whether one LA leads the other or whether there is joint responsibility);
- Resource from support units within each organisation to guide the business through the mergers will be critical (particular resource commitment will be required from HR, Legal & Finance in the first instance) – delivery timescales would be adversely impact if sufficient support is not made available
- Clarity of commissioning functions, strategic objectives and outcomes will be required between partners to ensure the services deliver an acceptable level of performance and meet an agreed level of demand

- There will be an impact of existing contracts for services which may need to be varied or terminated

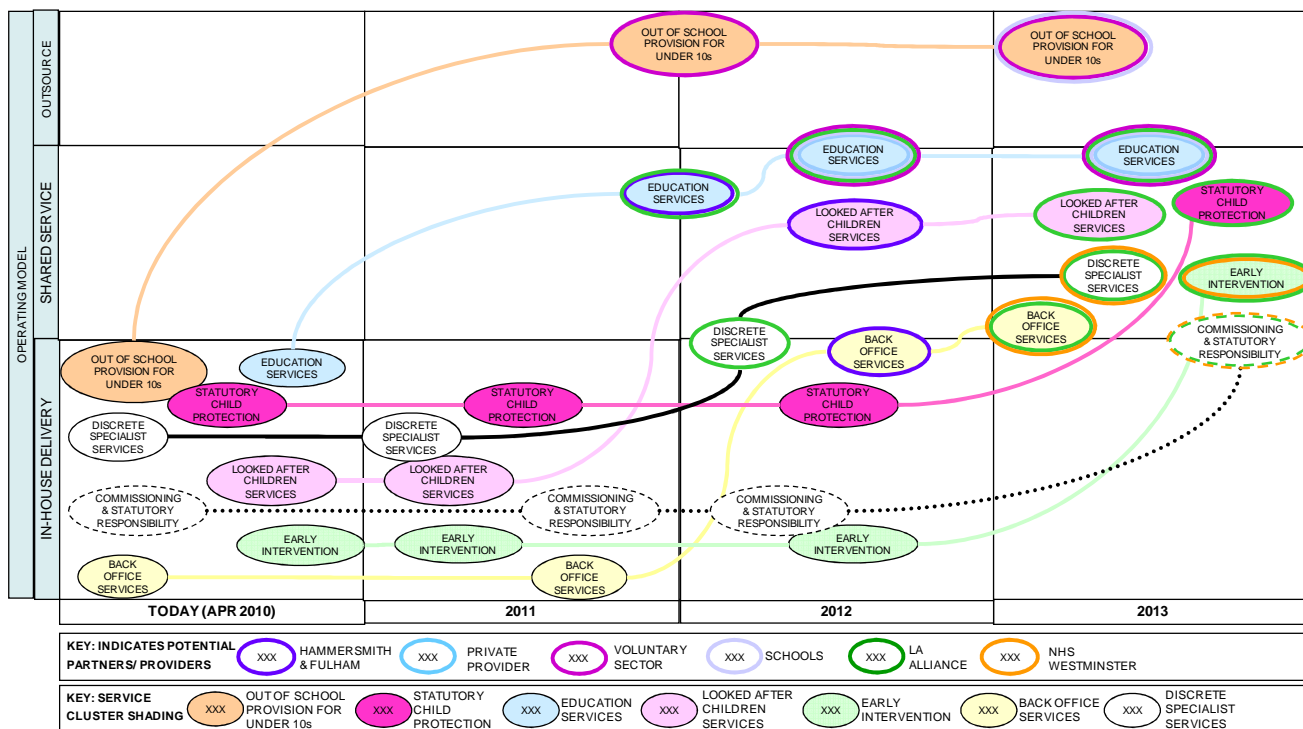
4. Option 3 - Sharing services and Joint Commissioning for Specific Children's Services across Three or More Authorities

What would change?

- 4.1. Option 3 builds on the creation of sharing services with another Local Authority but goes further to include multiple partners to form an alliance by 2013. The intention from this option is to incrementally construct the sharing of services initially with one partner (Hammersmith & Fulham) and then bring other suitable Local Authorities in to form an alliance. Existing working includes:
 - Hammersmith & Fulham
 - Royal Borough of Kensington & Chelsea
 - Ealing Borough Council
 - London Borough of Hillingdon
 - Hounslow Borough Council
- 4.2. However, it is proposed that in addition to Hammersmith & Fulham, the following potential members are investigated due to their proximity to Westminster and the sharing of boundaries with the borough:
 - Royal Borough of Kensington & Chelsea
 - Brent Borough Council
 - Camden Borough Council
 - Lambeth Council
- 4.3. This option assumes that by 2013, Children's Services are combined in a shared service that is jointly commissioned with three or more LAs as part of an alliance or outsourced with joint commissioning by the alliance. The roadmap below shows the proposed timeline for the changes:

TARGET ROADMAP – OPTION 3: BUILDING ON MERGERS WITH H&F TO PROGRESS TO AN ALLIANCE WITH 3+ COUNCILS

- Illustrates the major changes to the operating model of the major service clusters within Children's Services and where a change is made, who is suitable to deliver that model – indicated by the rings round the ovals (if more than one suitable partner/provider is identified, multiple rings are used to highlight this)



4.4. The changes in this option are arranged in clustered service groups which are intended to indicate the high level movement of services based on their logical groupings into clusters. Details about the clusters can be found in the Appendix 7.

4.5. It is anticipated that certain services could be moved into a sharing model with an alliance faster due to the nature of the service, for example the Youth Offending Team. Some of this work is already linked through a shared court structure, also with the Royal Borough of Kensington & Chelsea. The three Boroughs have been meeting to draw up future proposals based on a shared service across the three areas. This could be in place by March 2012.

2011 Changes:

- Education services: in-house sharing services with H&F (as per Option 1A/1B)
- Out of school provision: in-house outsourced (remaining in-house service provision outsourced)

2012 Changes:

- Looked after children services: in-house sharing services with H&F
- Some discrete services (YOT): in-house sharing services with an Alliance (H&F and RBKC)

- Out of school provision: in-house outsourced (remaining in-house service provision outsourced – carrying on from previous year)
- Some Education Services: sharing services with H&F outsourced (as per Option 1A/1B)

2013 Changes:

- Looked after children services: sharing services with H&F sharing services with an Alliance
- Statutory child protection services: in-house sharing services with an Alliance
- Early intervention and preventative services: in-house sharing services with an Alliance which could include the NHS
- Other discrete services (Childcare Review Unit, Emergency Duty Team): in-house sharing services with an Alliance
- Other discrete services (Children with Disabilities Team (CWD)): in-house sharing services with an Alliance which could include the NHS

Potential Savings & Benefits

- 4.6. The controllable budgets for WCC were used to calculate potential savings for WCC only from the proposed changes. The Education Services detailed savings work has been included in the figures below and based on Option 1B. For all the other service clusters assumptions were applied based on the nature of the changes made to the service (see Appendix 5 for the assumptions):

	FY 2011/12	FY 2012/13	FY 2013/14	Total over 3 years
Option 3	£622K	£1.0m	£1.9m	£3.6m

- 4.7. It is important note that these are indicative gross savings that do not take set up costs into account. Estimated set up costs are £950k as set out in appendix 8. .
- 4.8. Savings for Back Office services are minimal due to the constraint of centralised support functions and recharges ensuring that back office costs are ring-fenced and not under the direct control of Children's Services. To realise savings from back office services, this constraint would need to be addressed and permission given to combine functions such as HR, Finance and ICT with Partners.
- 4.9. Option 3 provides the largest potential savings of all the options based on the assumption that the increased number of partners that combine their service provision and commissioning will drive out economies of scale and increase value for money. The potential sources of benefits are:
- Reduced need for existing management levels across combined services
 - Joint design of services across an alliance should result in optimising the capability strengths of each member and eliminating the areas that are weaker
 - Increased capacity to absorb increased demand and reduce cost to services

- More robust capability to maintain an acceptable level of performance (assuming high quality staff from all partners and the reduction in needing temporary hires)
- Reduction in duplication of functions across partners
- Increased buying power for contracted services through shared commissioning resulting in lower per head/unit costs
- Economies of scale on indirect costs

Constraints and considerations

4.10. The table below illustrates the relative feasibility of implementing Option 3 (see Appendix 6 for breakdown of feasibility criteria):

OPTION 3	FEASIBILITY/ DOABILITY OF OPTION: LEVEL OF COMPLEXITY TO IMPLEMENT			
SERVICE CLUSTER	EXISTING ALLIANCE ARRANGEMENTS IN PLACE	MARKET MATURITY	EXTENT OF DELIVERY CAPABILITY REQUIRED TO IMPLEMENT	LEGAL COMPLEXITY
EDUCATION SERVICES	EXIST = LOW COMPLEXITY	PARTIAL = SOME COMPLEXITY	HIGH EFFORT = HIGH COMPLEXITY	SOME COMPLEXITY
OUT OF SCHOOL PROVISION FOR UNDER 10s	FEW EXIST = HIGH COMPLEXITY	GOOD MARKET = LOW COMPLEXITY	HIGH EFFORT = HIGH COMPLEXITY	LOW COMPLEXITY
EARLY INTERVENTION	FEW EXIST = HIGH COMPLEXITY	IMMATURE = HIGH COMPLEXITY	HIGH EFFORT = HIGH COMPLEXITY	HIGH COMPLEXITY
STATUTORY CHILD PROTECTION	FEW EXIST = HIGH COMPLEXITY	IMMATURE = HIGH COMPLEXITY	HIGH EFFORT = HIGH COMPLEXITY	HIGH COMPLEXITY
LOOKED AFTER CHILDREN SERVICES	FEW EXIST = HIGH COMPLEXITY	GOOD MARKET = LOW COMPLEXITY	HIGH EFFORT = HIGH COMPLEXITY	HIGH COMPLEXITY
BACK OFFICE SERVICES	FEW EXIST = HIGH COMPLEXITY	GOOD MARKET = LOW COMPLEXITY	HIGH EFFORT = HIGH COMPLEXITY	LOW COMPLEXITY
DISCRETE SPECIALIST SERVICES	SOME EXIST = SOME COMPLEXITY	PARTIAL = SOME COMPLEXITY	HIGH EFFORT = HIGH COMPLEXITY	HIGH COMPLEXITY

4.11. Out of all the options, the feasibility of Option 3 highlights the complexity of sharing services with more than one partner. Areas of potential constraint in delivering the savings relate to:

- Current political alignment across potential partners for an Alliance is unknown and key potential partners like RBKC have not been fully engaged (although initial contact has been made);
- The delivery capability required to establish the sharing of services and joint commissioning through an Alliance is most significant with this option. The Finance, HR, ICT, Legal and other relevant support units across each partner will need to work together to form a single, coherent view and approach to the consequences of sharing services
- The organisational arrangements for an Alliance could warrant the creation of a social enterprise or separate Arms Length Organisation which could impact the delivery timescales of the savings depending on the complexity of the arrangements
- The decision-making process and governance arrangements across the Alliance will depend on clear roles & responsibilities being agreed and strategic priorities being aligned
- The legal implications will be dependent on how the organisational arrangements are set up (whether one LA leads the other or whether there is joint responsibility);

- Clarity of commissioning functions, strategic objectives and outcomes will be required between partners to ensure the services deliver an acceptable level of performance and meet an agreed level of demand.
- Compatibility of ICT
- Impact on other contracts for services which may have to be varied or terminated

5. Next Steps

Options 1A and 1B - Organisational Arrangements

- 5.1. Each individual local authority will retain responsibility for the commissioning of services and accountability for outcomes for children, young people and families. A joint board or children's trust with representatives from each of the key organisations would be needed. There are three basic options for the management of service delivery which now need to be considered:
- A. A joint delivery board (or boards) with representatives from each local authority and/or independent delivery agency
 - B. One local authority assumes operational management responsibility for services in specific areas
 - C. A special purpose vehicle is established – this could be a social enterprise
- 5.2. Under option 1 (WCC/H&F Education) and option 2 (WCC/H&F Children's Services) governance arrangement A is recommended initially as a stepping stone towards option B. Arrangement C would be the most complex and would have the greatest financial implication. This would only be a cost effective option if a third local authority partner is in place under option 3 (3+ LA partnership).

Staffing Implications

Step 1 – Option A above

- 5.3. As a first step it is proposed that there be a merger of agreed specific education services with each local authority retaining its own employees. As they remain employed by separate employers there will be no need to change terms and conditions however, as turnover of staff happens, agreements will need to be in place regarding the terms and conditions to be applied and where in the structure of either authority the post should reside. Once there is a move to one employing body via TUPE to one of the councils, harmonisation of terms and conditions and a restructure to take out previous duplication would be required. There would then need to be a restructuring process with all staff applying for posts in the new structure.

Step 2 – Options B and C above

- 5.4. As only one authority would be the employer for any area of specified work under Option B, this could be achieved either by the formal delegation of responsibility for specific services to either Westminster or Hammersmith and Fulham as appropriate or one authority contracting with the other to carry out the work. This would result in the formal transfer of staff in the relevant services through a TUPE process and it is likely that the receiving authority would require an indemnity for any resulting redundancy costs. Option C would also require a TUPE process and, depending on the nature of the special purpose vehicle created, that vehicle would need to be resourced to fund set up; staffing; pension and other operational costs.
- 5.5. Any decision to outsource services jointly may require EU procurement requirements to be engaged, depending on the value of the service. This will have timing implications.

Key considerations to be addressed

- 5.6. Changing the operating model of Children's Services requires the following additional considerations to be addressed:
- The impact on internal support units/functions will be significant particularly for Finance, Human Resources, ICT, Legal and Premises and resource from these areas will be required to implement the changes
 - Joint governance covering Design, Delivery & Change will be required to direct a joint project team to progress the detailed work required to deliver the changes across partner Local Authorities – the cost of this will need to be quantified and will depend on which option is chosen
 - To deliver Option 3 (which may in the longer term deliver the most benefits), significant political alignment will be required across LAs that are deemed to be a good match (in addition to Hammersmith & Fulham, RBKC has been identified as a key potential member of any alliance that is created)

Overall Risks affecting the Options

- 5.7. If any of the proposed new models are to deliver the indicative savings, as well as deliver against agreed strategic objectives and outcomes, then a series of high level risks will need to be managed. The likelihood of these risks impacting on the project will increase as the number of local authorities and/or delivery agents increases.
1. Over time the commitment of partners to agreed strategic objectives could wane. This could make the new models unsustainable.
 2. Poor performance amongst delivery agents could reduce the quality of service available to children, young people and families.

3. The set-up costs will differ for each model and increase proportionally based on the number of services being changed and the number of partners involved
4. Delivery agents may not respond appropriately to longer term demand pressures. For example, this could result in an insufficient supply of appropriate school places.
5. Delivery agents may not take into account the full range of complex needs the most vulnerable children, young people and families present.
6. There could be additional budget pressures placed on partners in an alliance that have not yet been taken into account. Many of the budget pressures are demand led, for example placements for looked after children or children with complex special educational needs.
7. Decision making processes across an alliance could become too complex and drawn out if clear roles & responsibilities are not agreed in a formal statement of intent from the outset.

Project Management Arrangements

- 5.8. To deliver any of the options included in this paper joint project governance arrangements across Westminster and Hammersmith and Fulham are needed, with other partners to be included as and when appropriate. Two main boards will be established:
 - Project Board – joint team focused on overall direction roadmap approval and progress
 - Project Steering Group - focused on designing the solution/new operating model within the 'roadmap' agreed by Project Board. This must represent all stakeholders that will influence/be a barrier to design.
- 5.9. Additional separate groups are likely to be needed within each organisation, alongside key one to one meetings between individuals. A single point of leadership for the project is also recommended.

Further work required

- 5.10. As the first practical steps towards implementing option 1 and developing greater alignment under options 2 and 3 the following activities have been proposed :
 1. A workshop for Westminster and Hammersmith and Fulham managers to agree:
 - Common list of services and definitions
 - Comparison of Westminster's road map with Hammersmith and Fulham's direction of travel
 - Look at services where there is no alignment

- Assess the capabilities for aligned services and options for new operating models
- 2. Follow up half day workshop to:
 - Consolidate the findings above
 - Sense check results against broader strategic objectives
 - Agree timetable to quantify savings
- 3. Complete more detailed assessments and develop detailed proposals to take to appropriate governance bodies in each organisation.

6. Legal Implications

- 6.1 The full legal implications of the proposal to merge Children's Services with the London Borough of Hammersmith and Fulham and possibly other authorities cannot be fully considered until more detailed proposals have been developed.
- 6.2 Under existing legislation each local authority would retain its existing responsibilities and decision making processes through its Directors of Children's Services and Lead Member roles and its Children's Trust. Services would be jointly planned and commissioned. Where this would involve the contracting of services from third parties it is presumed that this would also be done on a joint basis with both boroughs being contracting parties.
- 6.3 There may well also be implications for services already contracted which contracts may have to be varied, novated or terminated.
- 6.4 As the merger of services progresses the legal implications will be more wide reaching especially as regards governance issues. There may be formal delegation of functions under Section 19 of the Local Government Act 2000 or either borough may act as lead borough for delivery of certain services. Depending on the success of any 'alliance' model, consideration could be given to the creation of a special purpose vehicle, be it on a commercial or charitable basis, for the delivery of services to alliance boroughs, and third parties. This would be by far the most complicated option and would have additional governance, financial and tax implications.
- 6.5 Consideration will also need to be given to extending the terms of reference of the Cabinet Committee to progress proposals relating to non-education services.

7. Financial Implications

- 7.1 The financial implications are outlined in sections 4 and 5 of the executive summary.

8. Staffing Implications

- 8.1 Potential staffing implications are outlined in paragraphs 5.3 and 5.4.

9. Business Plan Implications

- 9.1 The proposals will enhance the Council's corporate priorities and the Children's Services Departmental business plan priorities.

10. Consultation

- 10.1 There are City Wide implications, and all ward members will be encouraged to engage.

11. Crime and Disorder Act 1998

- 11.1 There are no specific implications under Section 17 of the Act.

12. Health and Safety Issues

- 12.1 There are no significant health and safety implications.

13. Human Rights Act 1998

- 13.1 There are no specific implications.

14. Risk Management Implications

- 14.1 Risk management issues are outlined in paragraph 5.7.

15. Reason for Decision

- 15.1 To begin the process to merge education services across Westminster and Hammersmith and Fulham and to seek approval to continue discussions relating to the potential merger of remaining children's services.

If you have any queries about this report or wish to inspect one of the background papers please contact Carl Purcell on 020 7641 2630, email cpurcell@westminster.gov.uk

Background Papers

'The Westminster Education Commission Report', September 2009

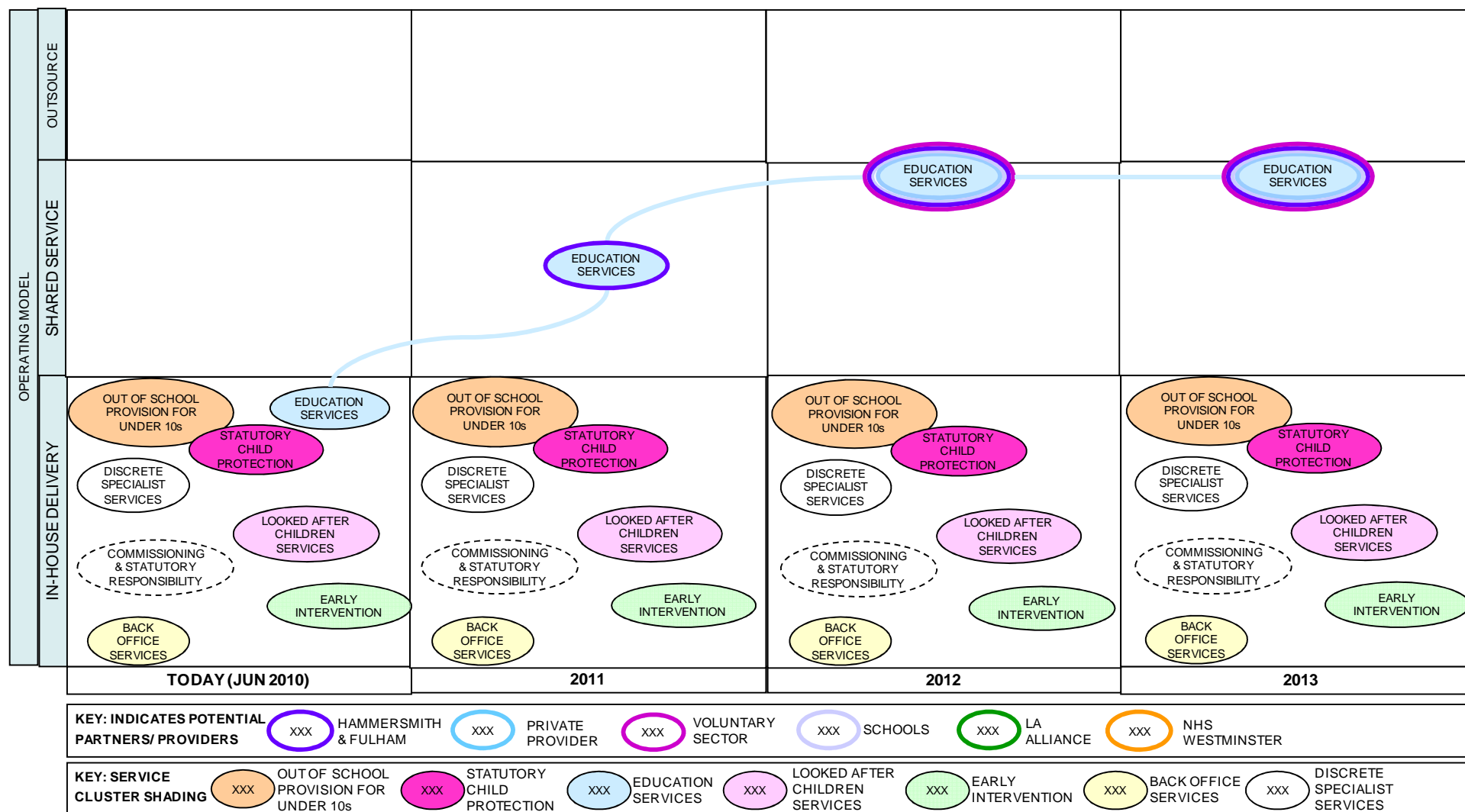
'Education in Westminster' Cabinet Committee Report 24th March 2010

'Magna Carta for Localism', Centre for Policy Studies

Appendix 1

TARGET ROADMAP – OPTION 1: MERGING & OUTSOURCING EDUCATION SERVICES WITH H&F

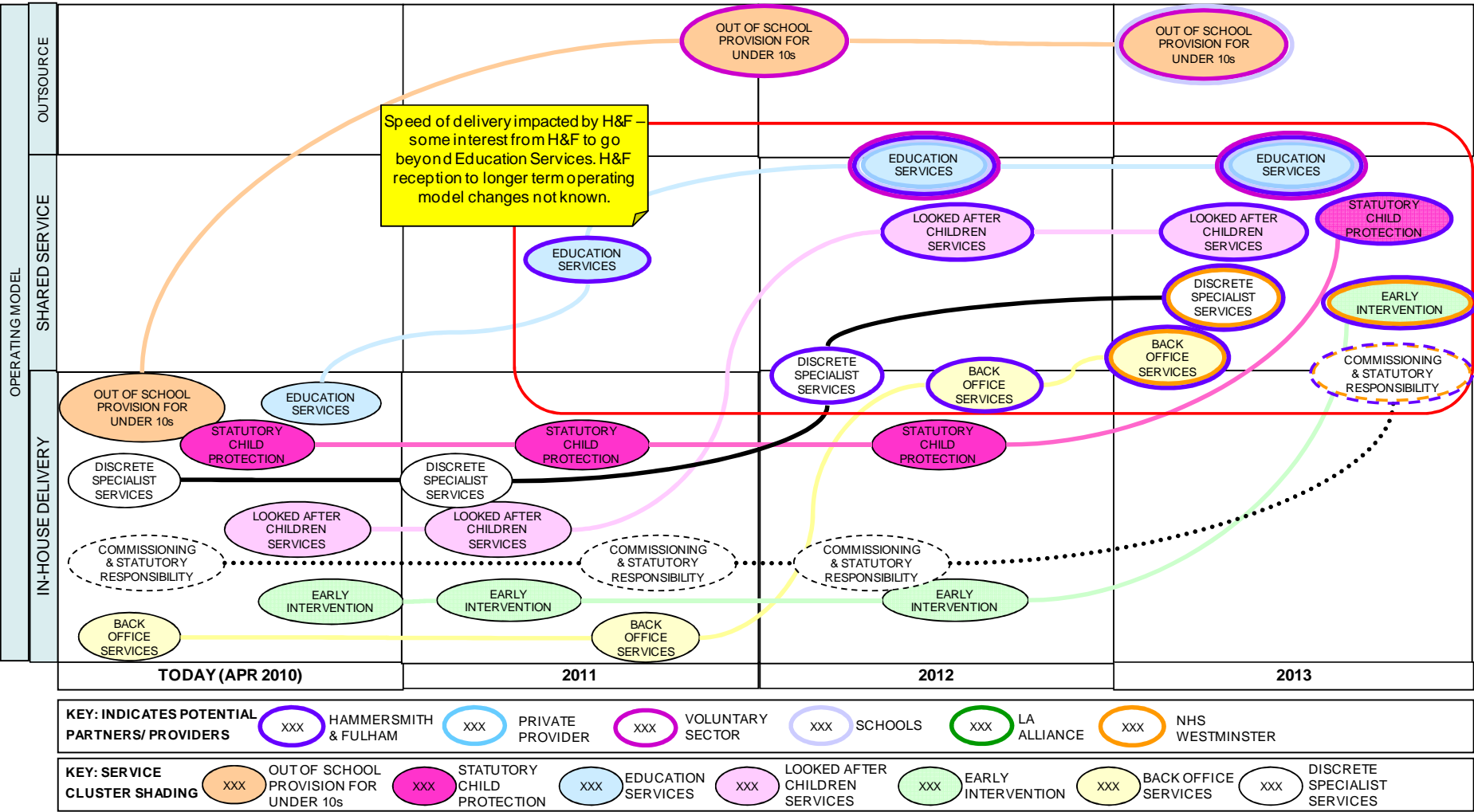
- Illustrates the major changes to the operating model of the major service clusters within Children's Services and where a change is made, who is suitable to deliver that model – indicated by the rings round the ovals (if more than one suitable partner/provider is identified, multiple rings are used to highlight this)



Appendix 2

TARGET ROADMAP – OPTION 2: MERGING & OUTSOURCING FURTHER CHILDREN’S SERVICES WITH ONE OTHER PARTNER (H&F OR NHS)

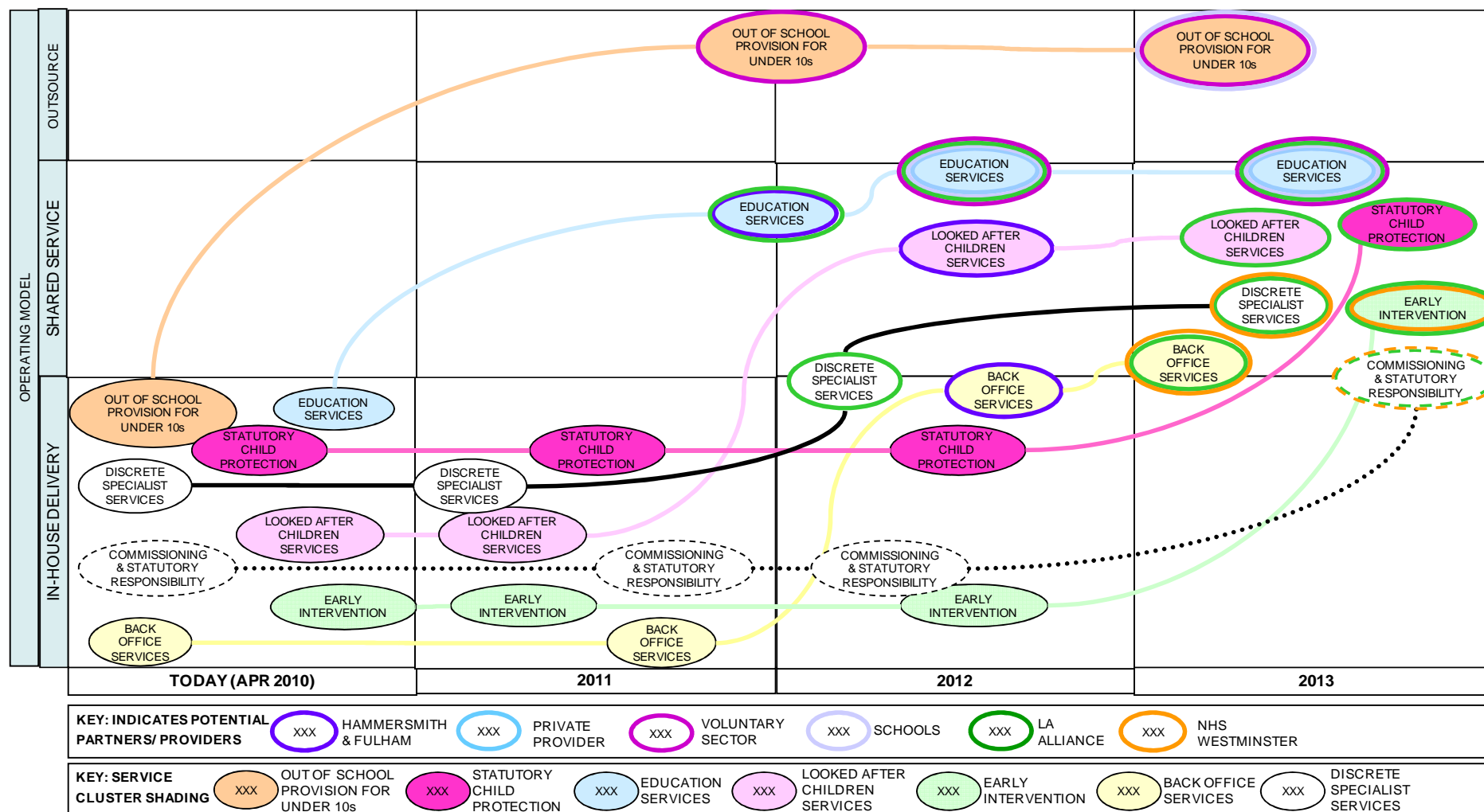
- Illustrates the major changes to the operating model of the major service clusters within Children’s Services and where a change is made, who is suitable to deliver that model – indicated by the rings round the ovals (if more than one suitable partner/provider is identified, multiple rings are used to highlight this)



Appendix 3

TARGET ROADMAP – OPTION 3: BUILDING ON MERGERS WITH H&F TO PROGRESS TO AN ALLIANCE WITH 3+ COUNCILS

- Illustrates the major changes to the operating model of the major service clusters within Children's Services and where a change is made, who is suitable to deliver that model – indicated by the rings round the ovals (if more than one suitable partner/provider is identified, multiple rings are used to highlight this)



Appendix 4 – Proposals for Merger of Westminster and Hammersmith and Fulham Education Services

Statutory Obligation	WCC current structure	H&F current structure	Savings - option 1A		Savings - option 1B	
			FTE (£estimate)	£000 estimate	FTE	£000 estimate
Admissions	1 manager and 6 staff. 2 new posts to be created for September (paid for out of DSG) to manage new requirements around in year admissions.	1 manager and 6 staff. Some staff split time between admissions and student finance. Team also manages website, schools bulletin and statutory consultations.	1 manager (60)	60	1 manager (60) 1 officer (40)	100
14-19	1 commissioning manager, 2 officers and 1 admin officer. One additional officer post (data) currently vacant.	0.5 FTE principal adviser, 2 senior advisors, 2 officers and 1 admin officer	1 manager (70) 1 admin officer (30)	100	1 manager (70) 1 officer (50) 1 admin officer (30)	150
School improvement statutory	1 head of service, 3 primary SIPs, budget for consultants	1 assistant director, 2 principal advisors, 3 primary SIPs, budget for consultants	1 head of service (100)	100	1 head of service (100) 1 SIP (70)	170
Enforcement of attendance	1 senior EWO, 2 officers Majority of capacity is embedded within integrated locality teams	1 head of service, 7 EWOs, 1 admin officer	1 manager (60)	60	1 manager (60) 1 EWO (40)	100
Governor support	2 officers	1 manager, 5 clerks Service is self funding (bought by schools)	1 manager (60)	60	1 manager (60)	60
Education Psychology	1 principal EP, 9 Eps, 1 Parent Partnership officer	1 principal EP, 1 senior EP, 6 EP, 1 Parent Partnership officer	1 principal EP (70)	70	1 principal EP (70) 1 EP (50)	120
SEN provision	0.5 FTE head of service, 7 officers	1 head of service, 6 officers	1 head of service (90)	90	1 head of service (90) 1 officer (40)	130
Behaviour support (PRU)	1 secondary PRU, 1 manager, 1 officer	1 primary PRU, 1 secondary PRU, 1 principal	N/a - funded through DSG	N/a - funded through DSG	N/a - funded through DSG	N/a - funded through DSG
Education Business Partnership (EBP)	1 manager, 4 officers	1 manager, 5 officers	1 manager (60)	60	1 manager (60) 1 officer (40)	100
LAC Education (virtual school)	1 virtual head, 5 officers	1 virtual head, 1 senior teacher, 3.5 teachers, 1 admin officer	1 virtual head (70)	70	1 virtual head (70) 1 teacher (50)	120
Total Indicative Savings				670		1,050
Westminster's Share				335		525
H&F's Share				335		525

Appendix 5 – Savings Breakdown by Cluster for each Option

SERVICE	OPTION 1A				OPTION 1B				OPTION 2				OPTION 3			
	2011-12	2012-13	2013-14	TOTAL	2011-12	2012-13	2013-14	TOTAL	2011-12	2012-13	2013-14	TOTAL	2011-12	2012-13	2013-14	TOTAL
EDUCATION SERVICES	£335,000	£335,000	£335,000	£1,005,000	£525,000	£525,000	£525,000	£1,575,000	£525,000	£525,000	£525,000	£1,575,000	£525,000	£525,000	£525,000	£1,575,000
BACK OFFICE	£0	£0	£0	£0	£0	£0	£0	£0	£0	£10,000	£43,000	£53,000	£0	£10,000	£57,000	£67,000
DISCRETE SPECIALIST SERVICES	£0	£0	£0	£0	£0	£0	£0	£0	£0	£17,000	£17,000	£34,000	£0	£17,000	£145,000	£162,000
EARLY INTERVENTION AND PREVENTION	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£251,000	£251,000	£0	£0	£334,000	£334,000
LOOKED AFTER CHILDREN SERVICES	£0	£0	£0	£0	£0	£0	£0	£0	£0	£357,000	£375,000	£732,000	£0	£357,000	£500,000	£857,000
OUT OF SCHOOL PROVISION	£0	£0	£0	£0	£0	£0	£0	£0	£97,000	£97,000	£160,000	£354,000	£97,000	£97,000	£181,000	£375,000
STATUTORY CHILD PROTECTION	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£144,000	£144,000	£0	£0	£192,000	£192,000
TOTAL	£335,000	£335,000	£335,000	£1,005,000	£525,000	£525,000	£525,000	£1,575,000	£622,000	£1,006,000	£1,515,000	£3,143,000	£622,000	£1,006,000	£1,934,000	£3,562,000

Assumptions

- 1) All figures are indicative and based on the 2010-11 controllable base budget for Children's Services.
- 2) Savings in areas funded by grants are outside the scope of this project.
- 3) Preliminary work will be undertaken in 2010-11 therefore assumed no savings will be realised in that year.
- 4) Expected that any planned savings already committed by Children's Services will be delivered in addition to any savings identified in this project.
- 5) Assumed that government grants and other grant funding will continue at current (2010-11) level.
- 6) Set up costs necessary for planning and implementation have been included and are to be incurred in the first year. However, due to phased implementation costs likely to be incremental.
- 7) Set up costs comprise costs necessary for consultation, project management and potential redundancies. To note, this figure is indicative and subject to change depending on number of staff issued with redundancy notices.
- 8) Option 1A and Option 1B likely to incur lower set-up costs relative to Option 2 and 3, due to fewer services being merged.
- 9) Any further costs not included, but necessary for planning, implementation or delivery will be in addition to those noted in this model.
- 10) Where a service is shown as being outsourced or merged with a single entity or multiple entities, it is assumed entire service will be provisioned through that route.
- 11) Any savings arising as a result of lower support service charges have not been included at this time, as further clarity needed on timescale of delivery and level of achievement.
- 12) Savings for Business Support have been delayed until the final year as it is assumed these can only be realised once services have successfully merged/outsourced.
- 13) Services that are already outsourced such as SEN Transport will be subject to joint commissioning arrangements whereby LA will purchase from the same provider thus realise economies of scale.
- 14) Assumed that merging with a single entity will yield 3% savings; merging with more than one 4%; and joint commissioning services which are already outsourced 2%.

Appendix 6 – Feasibility Criteria

The proposals outlined in detail below under each option are based on an assessment against four key criteria. The degree of complexity clearly varies for each option.

1. Where existing partnership working or alliance arrangements are in place, a more formal merger to create a shared provision will be more feasible. A number of such alliances currently exist, particularly for education services.
2. Any decision to jointly commission and outsource services will be dependent upon the quality of provision available in the market. The degree of market maturity is likely to differ across the range of children's services.
3. Capability amongst partners to develop and implement sharing of services and joint commissioning will also be important. This will include the input of a range of corporate and support services including: HR, legal, ICT, communications, finance, and performance services.
4. For certain services we must also be aware of any legal implications associated with new arrangements. In some instances new legislation or a relaxation of existing procedural requirements may be needed.

Appendix 7 – Service Cluster details

Education Services

There are some differences in the way education services are currently organised across Westminster and Hammersmith and Fulham. It is therefore, proposed that services will be reconfigured based around the statutory functions set out below:

- Admissions
- 14-19
- Statutory school improvement
- School improvement delivery
- Enforcement of attendance
- Governor support
- Education psychology
- SEN provision
- Behaviour support (PRU)
- Education Business Partnership
- LAC Education (Virtual School)

Looked After Children's Services

Children's services are required to provide a number of services to promote the best life chances for looked after children and young people. The main services cover:

- LAC social work team
- Adoption and fostering
- Placements
- Support for care leavers
- Legal services
- Child and Adolescent Mental Health services (CAMHs)

Out of School Provision

At present Westminster funds a range of out of school provision for children, young people and families. This includes:

- Family centres
- Youth clubs
- Support for young carers
- Nursery and childcare provision
- Play
- Family Information Services (FIS)

Statutory Child Protection Services

This group of services are responsible for working with families with the most complex needs. This includes responding to all serious child protection referrals (Section 47s) and safeguarding children with a Child Protection Plan. The main services are:

- Duty and assessment
- Child protection social work teams
- Child protection advisory service

- Family Recovery project
- Childcare Review Unit
- Emergency Duty Team

Early Intervention and Preventative Services

In recent years new services and processes have been developed to improve the early identification of children, young people and families in need. By investing in preventative services we can reduce the demands place on more specialist and resource intensive services. Services developed in Westminster include:

- Children's Centres
- Extended schools
- Integrated locality teams
- Targeted young people's services
- Hospital social work team

Discrete Specialist Services

A number of services were considered to be sufficiently standalone and are therefore grouped under 'Discrete Specialist Services', namely:

- Childcare Review Unit
- Emergency Duty Team
- Children with Disabilities
- Youth Offending Team

Children with Disabilities Team (CWD)

The CWD service is already based with NHS Westminster and a closer partnership with the Health service could result in further efficiency savings. A multi agency service across two or more boroughs would further increase capacity, but would need more detailed programme expertise to manage quickly. Currently this service has had an injection of targeted grants and has been committed to developing service improvements on a single borough basis. As these grants end it will be important to look at how these improvements may be sustained.

Youth Offending

To date the only service for which a third potential partner is in place is for Youth Offending. Hammersmith and Fulham have expressed an interest in developing a shared YOT. Some of this work is already linked through a shared court structure, also with Kensington and Chelsea. The three Boroughs have been meeting to draw up future proposals based on a shared service across the three areas. This could be in place by March 2012.

Back Office Services

Corporate recharges and premises costs have been excluded from this report. Back office services have been confined to:

- Administration & Business Support for Education and Children, Young People and Families

- Some systems support functions
- Some departmental management functions

A disaggregation of centralised corporate budgets is required to unlock savings across partners as the sharing of services is developed. The services defined as back office that are currently part of children's services in Westminster, now include senior directorate management and business support services. Hammersmith and Fulham additionally hold responsibility within their Departmental structure for a number of areas already shared corporately in Westminster. It will be important that all these areas are reviewed to understand where savings can be made across the whole range of back office functions including ICT, HR, finance etc.

Appendix 8 – Breakdown of Indicative Costs for Each Option

The below figures represent indicative costs likely to be incurred by each project and include both costs for any redundancies identified as necessary to realise the savings and project management services required to facilitate the chosen option.

	Option 1A	Option 1B	Option 2	Option 3
Total Post Reductions	10	18	X	X
WCC's Share of Post Reductions	5	9	20	20
Average Cost per Redundancy	£ 41,300	£ 41,300	£ 41,300	£ 41,300
Indicative Redundancy Costs	£ 206,500	£ 371,700	£ 826,000	£ 826,000
Project Management Costs	£ 40,660	£ 40,660	£ 121,980	£ 121,980
Total Costs	£ 247,160	£ 412,360	£ 947,980	£ 947,980

Assumptions

- Any administrative costs or those relating to consultation have not been shown above and will be incurred additionally.
- The average cost of a redundancy has been calculated at £41,300; this is subject to change depending on individual circumstances of employee.
- For Option 2 and Option 3 it is assumed 20 post reductions will be required due to scale of project, however this is dependent on method chosen to realise savings.
- Project management costs for Option 2 and Option 3 are considered to be three times as much as those incurred in Option 1B, due to scale of work required.