

## Report of Director of Environment and Neighbourhoods

### Report to Executive Board

Date: 2<sup>nd</sup> November 2011

Subject: ALMO Review Update

Are specific electoral Wards affected? If relevant, name(s) of Ward(s): city wide	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Is the decision eligible for Call-In?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

### Summary of main issues

1. This report provides members with an update on progress in implementing the recommendations set out in the November 2010 Executive Board report on the Future of Council Housing.
2. Progress continues to be made. The Strategic Governance Board meets regularly, and the establishment of the ALMO Business Centre Leeds is progressing with significant staff already transferred into WNWhL to support its establishment as a part of this ALMO's operations.
3. The ALMO Business Centre Leeds' staff from the ALMOs that have been transferred have been relocated into combined teams in interim accommodation at Acorn Business Park, or Tribeca House, as appropriate. Long-term permanent accommodation is still being sourced.
4. The teams that have so far transferred into the ALMO Business Centre Leeds are also starting the formal restructure processes which will confirm the levels of savings being generated by the creation of the new body. The teams reviewed to-date are planned to deliver £0.97m of savings following restructure, compared with the base position of the 2010/11 budgets.
5. Further posts with an annual cost of some £0.37m from within the 2010/11 budgets for other areas in scope of the ALMO Business Centre Leeds are currently being held vacant. This leaves a savings target of a further £0.2m to £0.3m to be identified from

the remaining teams in scope and joining the ALMO Business Centre Leeds, to achieve the target savings level of £1.6m for the end of the financial year.

## **Recommendations**

6. The Executive Board is recommended to note the progress made in implementing the key reforms to the ALMO model in Leeds.

### **1.0 Purpose Of This Report**

- 1.1 The purpose of this report is to update the Executive Board on progress with the implementation of the key reforms to the 3 ALMO model in Leeds as set out in the recommendations to the November 2010 report on the future of council housing.

### **2.0 Background Information**

- 2.1 At the November 2010 Executive Board it was agreed to retain the three ALMO model in Leeds but that two key reforms should be made to that model to overcome current weaknesses.
- 2.2 The key reforms included in that report were the creation of a Strategic Governance Board, which would provide a more coordinated approach to decision making, without removing any decision making powers from the Executive Board or the ALMO Boards, providing a formal link between the City Council, the 3 ALMOs and the Belle Isle Tenant Management Organisation for the development of policy and strategy in relation to council housing. The second reform saw the Executive Board approve the creation of a Shared Service Centre (SSC) to provide a common set of back office teams to support the housing operations undertaken across the City. The SSC has now formally adopted the operating name of ALMO Business Centre Leeds (ABCL).
- 2.3 The creation of the SSC was anticipated to create the opportunity to restructure the teams involved, and deliver staff savings of some £1.6m from its creation.
- 2.4 The proposed changes will not only tackle the perceived weaknesses of the multi organisation operation of the housing service, without losing the strengths and benefits that those local organisations have brought to the City, but will also offer the opportunity to maximise the efficiencies required to secure a long term sustainable financial future for the overall service.

### **3.0 Strategic Governance Board**

- 3.1 The Strategic Governance Board (SGB) convened for the first time in February and has met monthly, with the exception of June, since. The Board consists of representatives from the City Council, the 3 Arms Length Management Organisations and the Belle Isle Tenant Management Organisation and is chaired by the Executive Member for Environments and Neighbourhoods.
- 3.2 No powers are delegated to the SGB, but recommendations are made for decision-making bodies to consider and/or ratify as appropriate.

- 3.3 The SGB considers Governance, Policy and ABCL items. There is a forward plan for items to be tabled and an ongoing Action List is maintained from meeting to meeting.
- 3.4 The Board does not take on any existing powers currently placed with the Executive Board, nor does it directly manage local delivery of services. The Board meets to agree key high level strategies to ensure that there are joint approaches across the ALMOs on key issues. The ALMO Boards remain responsible for the decisions relating to local service delivery. However, in so doing it is expected that the Chairs of the Boards and their Chief Executives work together to ensure that there is greater standardisation in the delivery of those services.
- 3.5 Whilst a substantial amount of business at SGB has consisted of progressing the set up of the ABCL, policy items discussed at SGB to date include:
- FRS17 proposal
  - Harmonisation of Terms & Conditions
  - Procurement 2011 and issues arising
  - Employment and Skills & Job skills and training
  - HRA Business Plan Project
  - Burglary Reduction Strategy
- 3.6 The November 2010 Executive Board report noted that work would need to be completed to assess the implications of the creation of the SGB and the ABCL. Initial work has commenced through the workstream looking at the service level agreements that will need to exist between the ALMOs and the ABCL.
- 3.7 The current Management Agreements run until January 2013 before which date the Executive Board will need to decide whether or not to continue with the current ALMO model in Leeds.

#### **4.0 ALMO Business Centre Leeds**

- 4.1 A significant weakness of the original 3 ALMO model was duplication of functions and processes across the ALMOs and the Council, which led to inefficient use of resources. Each ALMO had their own back office functions which included, for example, HR, Finance, Governance Support and Asset Management.
- 4.2 The option supported by Executive Board in 2010 was that of 3 ALMOs but with a shared service centre to deliver efficiencies and savings in delivery. This shared service centre is now known as the ALMO Business Centre Leeds (ABCL).
- 4.3 The Chief Executive of WNWhL is the appointed lead for the ABCL and WNWhL ALMO is the employing organisation for the ABCL, with all staff who are going into the ABCL being TUPE'd into WNWhL.
- 4.4 The appointed project team has been managing the programme of change required to create the ABCL since February, and was increased in size with additional resources from all partners as the project progressed. As key roles in the ABCL are appointed it is anticipated this requirement will reduce.

- 4.5 The project is divided into functional workstreams, each having a Leader who coordinates the collaborative activities and workshops required. The workstreams are:-
- Corporate Services – including HR, Finance, Marketing & Communications and Performance, Improvement and Governance.
  - Asset Management services
  - Housing Services
- 4.6 These are supported by infrastructure workstreams which cover:
- HR Support
  - Accommodation and Logistics
  - ICT
  - Communications
- 4.7 Each functional workstream is following a similar process whereby it is working with existing senior managers, managers and appropriate staff to:
- Review the existing tasks and processes undertaken in the ALMOs currently;
  - Identify the staff therefore in scope of the ABC Leeds for each function;
  - TUPE identified staff into WNWhL;
  - Identify the structures necessary to deliver the service required to the ALMOs/LCC;
  - Restructure teams and recruit as appropriate to the identified structures;
  - Instigate a process for culture change and business improvements.
- 4.8 The outputs and recommendations for structures going forward are considered by the Project Team, Departmental Management Team/ Chief Officers Group and subsequently SGB, in order to support the preferred approach. Formal approval is then sought from WNWhL Board to the proposed restructures.
- 4.9 Work is just commencing to support the services and processes to be delivered with formal “Partnership Agreements” between the ABC Leeds and its customers. These aim to define the relationship between the bodies.
- 4.10 In order to support the creation of the ABCL culture from the earliest opportunity, SGB recommended bringing the functional teams from the new organisations together as far as possible within existing Council accommodation as an interim measure following TUPE transfer. The HR and Marketing teams have relocated to accommodation at Acorn Business Park, and the Finance and Asset Management and Investment Planning teams have been brought together in existing accommodation at ENeHL and Landmark Court respectively.
- 4.11 Longer-term accommodation needs for the ABC Leeds staff are still to be confirmed. Costings for a number of options are expected to be finalised by the end of October.
- 4.12 There is some capacity which has been freed up in existing ALMO locations from the relocation of c. 30 staff to Acorn Business Park currently. More may be freed up from the longer-term solutions currently being researched and evaluated. The ALMOs are reviewing their own accommodation needs given these changes.

4.13 The Project Team meet weekly to discuss progress and plan forthcoming activities as required by the Project Plan. As per project disciplines the team also record risks and issues, and provide regular reports to DMTCOG and to SGB.

## 5.0 Progress by Function

5.1 In the March Update Report the following timeframes were provided.

**Phase 1** – Implement by end of June 2011:

**Phase 2** – Implement by the end of September 2011

**Phase 3** – Implement by the end of December 2011

5.2 Phase 1 commenced in May, with the first TUPE into WNWhL actioned on 30<sup>th</sup> June.

Phase 2 work commenced in July, and the first TUPE of staff from this phase is planned to be actioned on 31 October.

Phase 3 work commenced in July. TUPE is likely to be actioned during January or 1<sup>st</sup> February – dependant upon progress and on the feasibility of a mid-month TUPE date.

5.3 The project is showing some minor slippage against the timescales contained within the March report, but the ultimate target of having all new structures and processes in place by the end of the financial year is still on track to be achieved.

5.4 In Phase 1 the following teams were transferred into the ABC Leeds under TUPE arrangements.

Function/Team	TUPE date	Number permanent staff and FTC transferred into ABCL	Number of vacant posts and posts covered by temporary agency staff	Location post transfer
Leadership	1 <sup>st</sup> July	4	2	Various
HR	1 <sup>st</sup> July	17	5	Unit 1, Acorn Business Park
E'ee Health & Safety	1 <sup>st</sup> July/1 <sup>st</sup> Sept	2	0	Unit 1, Acorn Business Park
Finance	1 <sup>st</sup> July	20	8	Tribeca House
PMS	1 <sup>st</sup> July	16	4	Landmark Court
Technical Monitoring	1 <sup>st</sup> July	3	0	Landmark Court
Investment Monitoring, Planning & Validation	1 <sup>st</sup> July	4	0	Landmark Court
Marketing & Communications, inc Research.	1 <sup>st</sup> September	12	1	Unit 1, Acorn Business Park
<b>Sub-total</b>		<b>78</b>	<b>20</b>	
1 October transfers:				
Capital Project & Programme Delivery & Tenant Liaison Teams	1 <sup>st</sup> October	13	6	Dispersed amongst ALMO's
Health & Safety, Asbestos and Fire.	1 <sup>st</sup> October	6	0	Dispersed amongst ALMO's
Commercial Asset Management	1 <sup>st</sup> October	5 + 2 students	0	Dewsbury Road
<b>Totals</b>		<b>104</b>	<b>26</b>	

- 5.5 Proposals for restructure for the Leadership Team and the HR and Finance structures were considered by SGB, and subsequently agreed by WNW Board (as employer), during July. Consultation with staff and unions has been undertaken, and the formal restructuring process will have taken place during September and October.
- 5.6 Proposals for restructure of the Asset Management Teams that have TUPE'd continue to be developed. Formal consultation with staff will only take place after the TUPE of the second phase of staff on 1 October, as they will be affected by the restructure.
- 5.7 The existing teams now confirmed as in scope have been developed and confirmed since the last update, and are noted in the table below.

Corporate Support	Operational Support	Asset Management Support
Finance	Choice Based Lettings	Procurement
HR & Training	Registrations	Capital Programme Delivery, Contract Administration and Tenant Liaison
Service and Performance Standards		Commercial Asset Management
Governance		Health & Safety, Asbestos and Fire
Marketing & Communications		Technical Monitoring
Research		Investment Planning
		Contract Management
		Disrepair

Some functions currently excluded from scope (e.g. PFI contract management) will be subject to a later review and possible later inclusion in to the ABCL, subsequent to April 2012.

## 6.0 Infrastructure Support

- 6.1 Support of the overall programme of change continues to be necessary to ensure that adequate planning and support is given to the working groups and the project team's responsibilities.
- 6.2 The ALMOs and the ABCL have continued the human resources approach of : running an Early Leaver Initiative for ALMO staff, joint organisation vacancy planning, and use of a recruitment freeze. Any vacancies from all three ALMO's are being filled on temporary contracts and are released internally.
- 6.3 The ABCL has a distinct and separate identity that is clearly evidenced through such things as email addresses ([name@abcl.org.uk](mailto:name@abcl.org.uk)), a portal, and branding of reports, presentation and premises. This positions the ABCL as separate from each of the ALMO's, including WNWHL. ALMO ICT has facilitated working with corporate ICT to ensure that staff moving into the ABCL have maintained the correct and appropriate data and systems access following their move.

- 6.4 A communication strategy was put in place to incorporate a wide range of stakeholders. Staff at the ALMO's and E&N have been kept informed through weekly bulletins, released via email, regular rounds of a 'roadshow' and the development and use of a sharepoint site. The latter is able to be a reference point for documents, policies and information.
- 6.5 For staff going through the TUPE process they are invited to pre-TUPE consultations, an induction meeting and a post TUPE Team Building and Culture workshop.

## 7.0 Financial Budgets and Projected Savings

- 7.1 The Executive Board report of 3<sup>rd</sup> November 2010 noted significant deficits going forward in the ALMO Business Plans. The 2011/12 Business Plan updates from the ALMOs do show significant improvements on this position arising from work done in identifying and delivering efficiencies during the year in the ALMOs, but with nevertheless more efficiencies required to demonstrate ongoing financial viability of the ALMOs.
- 7.2 The Executive Board report of 3<sup>rd</sup> November 2010 estimated that in establishing the SSC some £1.6m would be saved through staff reductions. Further savings would be achieved through process reviews in areas such as contract management and procurement. These savings would serve to support the ALMOs moving towards a financially sustainable position going forward by improving their Business Plan projections. Progress towards achieving the £1.6m would be monitored and measured.
- 7.3 A summary of savings identified to date through the implementation of the proposed ABCL structures is:

<u>Function</u>	<u>Saving</u>
Leadership team	£228k
Finance	£132k
HR	£99k
Asset Management	£453k
Marketing & Communications	<u>£55k</u> estimated
Savings identified through proposed restructures to date:	£967k
Further posts currently held vacant:	<u>£376k</u>
Total savings identified to date	<u>£1,343k</u>

- 7.4 Detailed structure proposals have been developed and agreed for Leadership, Finance, HR and Asset Management teams. Proposals have been put forward for the Marketing & Communications team but have yet to be formally agreed. The preferred option has been used for the above calculation.
- 7.5 The figures quoted above for savings show levels of saving ranging between 15% and 25% in each of the functions reviewed to date, and an overall saving of 21% for the proposed structure to date, reflecting a reduction of 28.3 FTE and £967k.
- 7.6 Of the staff identified to be within the 'scope' for the ABCL, it is estimated that up to a potential 90 FTE with a base salary budget of £3,110k still remain to be reviewed and restructured. However, within these identified posts, 10 posts are already held vacant at an annual budget of £376k. This annual saving is included in the £1,343k savings figure shown above. Thus, in order to achieve the £1.6m saving target, a further £257k of savings must be generated from a net base cost of £2,734k (£3,110k less annual vacancy savings of £376k). This equates to savings of circa 9% of the remaining base cost.
- 7.7 To achieve this level of saving from remaining areas will be challenging, but is considered achievable. Higher levels of savings have been generated from those areas already considered, but these later teams are likely to be more difficult to identify savings from within due to some already being in one team within the Council environment, and the teams themselves being generally small in nature.
- 7.8 Savings arising directly from staff restructures are thus forecast to be at or close to the target of £1.6m.
- 7.9 Overall the number of staff "in scope" is now less than was assumed at the point of the paper being prepared in November 2010. It is clearly an option to cut further than has been proposed, but this could put services at risk. Leeds is already one of the lowest cost providers of social housing services in the country, as demonstrated in the benchmarking exercise undertaken to support the scrutiny board report in March, and it is not recommended to go further than the restructures proposed at this time. It will be expected that the ABCL will constantly review its own services to create further efficiencies in future years
- 7.10 It should be noted that the base position against which the savings are measured is the 2010/11 salary budgets. Some elements of the savings are already reflected in the 2011/12 budgets in the ALMOs and the HRA, some of which were funded by reserves and some of which were chargeable to the capital programme. Thus the full £1.6m is not available as a cashable sum for redirection in the current year.
- 7.11 It should also be noted that we confidently expect to create other, non-staff related, efficiencies through joint working and procurement across the ALMOs. Just considering, for example, obvious opportunities that have been identified within the finance and HR spheres, there is the provision of external legal advice to HR; creditor payment services; and savings in treasury management costs. Other such areas will be identified as we undertake more detailed work in reviewing processes.



## **8.0 Corporate Considerations**

### **8.1 Consultation and Engagement**

- 8.1.2 Widespread staff consultation on the set up of the ALMO Business Centre Leeds has also taken place through regular Roadshows and communications. Specific and regular Union meetings to support the process have also taken place.
- 8.1.3 Tenants have been kept informed through updates at tenant forums, and pieces in tenant magazines.
- 8.1.4 Most recently, a collaborative working event has been held for all ALMO Board Members which aimed to both promote the benefits of the ALMOs working collaboratively, and to seek ALMO Board members views on ways of improving joint working.

### **8.2 Equality and Diversity/ Cohesion and Integration**

- 8.2.1 The development of the Strategic Governance Board and the ALMO Business Centre Leeds will support the Council in ensuring consistent provision of services across all Council areas, whilst allowing a continuing focus on any specific needs of individuals or groups as necessary.

### **8.3 Council Policies and City Priorities**

- 8.3.1 The creation of the Strategic Governance Board has not altered existing arrangements for decision making at the Executive Board, the ALMO Boards or through delegated authority, with the Board making recommendations for action or agreeing joint approaches for ratification through the appropriate delegated arrangements within the ALMOs.
- 8.3.2 No changes have been made to the proposed arrangements for the Strategic Governance Board as set out in the Executive Board report of 3<sup>rd</sup> November 2010.
- 8.3.3 The development of the Strategic Governance Board and the ALMO Business Centre Leeds will support the targets encapsulated in the Safer and Stronger Communities Plan, the Vision for Leeds and the Council Business Plan, in particular.
- 8.3.4 The plans strongly support the localism agenda, retaining the improvements in tenant engagement that have been driven by the ALMOs since their creation. But the creation of the ALMO Business Centre Leeds also supports the drive to ensure the ALMOs are financially sustainable by driving out further efficiencies from support service operations and protecting front-line delivery.

### **8.4 Resources and Value for Money**

- 8.4.1 The detailed financial implications of this project are discussed in detail in para 7 above, and have been discussed in detail with the Environment and Neighbourhoods Financial Management Team.

- 8.4.2 The human resources implications are also noted in the detail of this report. Regular meetings with Union representatives are in place to support the restructuring of teams that are joining the ALMO Business Centre Leeds, and an assimilation policy has been agreed with the Unions to support the restructuring process. Various initiatives such as Early Leavers Initiatives and recruitment freezes have been implemented to reduce the potential of any compulsory loss of jobs in the creation of the ALMO Business Centre Leeds.
- 8.4.3 To ensure that the proposed support service changes can be implemented without adverse impact on service delivery the changes are being implemented in a staged process during 2011/12.
- 8.4.4 A key requirement for the functional work groups is to ensure that proposals for change are made ensuring that no adverse impact results on a 'business as usual approach'. No adverse effects have been noted as yet.
- 8.4.5 The project costs of the implementation team are being managed within existing resources. Costs of refurbishing new accommodation and of the implementation of the Council's Changing the Workplace initiative are not considered in this, and will be the subject of further discussion between the ALMOs and the Council.
- 8.4.6 No explicit provision has been made for any costs arising from the restructuring exercises being undertaken. It is within the assimilation policy agreed with the unions that we are seeking to minimise such costs.

## **8.5 Legal Implications, Access to Information and Call In**

- 8.5.1 There are no identified significant legal implications from this report.
- 8.5.2 This report constitutes an update on the implementation of a previous decision, rather than a decision in itself.

## **8.6 Risk Management**

- 8.6.1 The part of the project relating to the set up of the ALMO Business Centre is supported by detailed project management disciplines. This includes a risk register which is reviewed regularly by senior officers and is regularly reported to the Strategic Governance Board.

## **9.0 Recommendations**

- 9.1 The Executive Board is recommended to note the progress made in implementing the key reforms to the ALMO model in Leeds.

## **10.0 Background papers**

None