

**Review the Establishment of a
Shared Service Centre for the
Leeds Arms Length Management
Organisations (ALMOs)**

Scrutiny Inquiry Report



Introduction and Scope

Introduction

1. The Executive Board in November 2010 approved a report on the future of council housing in Leeds. The report was subsequently called in and was discussed at an additional meeting of the Environment and Neighbourhoods Scrutiny Board on 23rd November 2010.
2. We released the Executive Board report for implementation but in so doing it was agreed that the Environment and Neighbourhoods Scrutiny Board would carry out an inquiry in to one of the key recommendations of the report, the establishment of the Shared Services Centre (SSC).
3. We welcomed the opportunity to have input to this important initiative, which has already identified substantial savings and efficiencies and will streamline Service Level Agreements (SLAs) between the Council and the Arms Length Management Organisations (ALMOs).
4. We recognised at an early stage that our scrutiny review would complement the wider piece of work already being undertaken to establish the SSC. We understood that work already underway would not stop while our inquiry was completed but the findings of our review would feed into the final principles of the SSC.
5. We acknowledged that the creation of a SSC was part of the proposed solution to improving the overall housing service within the City. The SSC was not being proposed

solely to seek cost efficiencies, although that was one key aim. Additionally the SSC would seek to address some of the service drivers identified within the current service including:

- § Improved City wide processes;
 - § Pooled resources to improve expertise;
 - § Reducing unnecessary duplication of processes;
 - § Provide a structure to improve collaboration across organisations;
 - § Help the drive towards consistent service standards and delivery;
 - § Maximise efficiencies and benefits from joint and collaborative working.
6. We are very grateful to everyone who gave their time to participate in this inquiry and for their commitment in helping us to understand and review this matter.

Scope of the Inquiry

7. At our meeting on 6th January 2011 we agreed terms of reference for our inquiry to review the establishment of the SSC for the Leeds ALMOs
8. We agreed to focus on three key facets of the SSC:
 - The potential for achieving the savings identified within the Executive Board in establishing the SSC and offer views on how further efficiencies could be made;
 - The best fit of services to be delivered within the SSC;
 - The potential to develop single service level agreements with services delivered to the ALMOs by Council service departments.
9. We established a working group which received evidence from a number of witnesses.



Conclusions and Recommendations

Potential for Achieving Savings

10. We were aware that a significant weakness of the existing model was the duplication of functions and processes across the ALMOs and the Council, which had led to inefficient use of resources.
11. Under the current arrangements, the ALMOs each have their own back office functions which include, for example, Human Resources (HR), Finance, Governance Support and Asset Management.
12. We understand that in part such arrangements have been developed in response to the approach of the Audit Commission in regulating ALMOs and their insistence that each organisation is independent of each other and the Council leading to the duplication of services across the three companies.
13. We were advised that the estimated recurring savings from the creation of an SSC are £1.6M per annum. This saving can be achieved by:
 - the reduction of 8 senior management posts, as a result of the removal of the duplication of support services, equating to £500k per annum,
 - a further reduction of 41 posts in both operational and corporate support posts, providing the balance.
14. Further savings are anticipated through the subsequent process reviews. One of the key areas for savings is efficiencies generated from procurement. It is estimated

that with a consistent approach to quality and cost across the city, for example within repairs and maintenance contract management, the model should be able to deliver efficiencies of around 2.5% per annum over and above those that could be achieved by the ALMOs acting separately. On this basis, this would deliver efficiencies of £3M over 2011/12 and 2012/13 on the new contracts currently in procurement and due to commence on 1st April 2011.

15. We received a paper detailed in Appendix 1 that summarises the anticipated savings of £1.6M per annum once the SSC is fully operational.

Recommendation 1

That the relevant Scrutiny Board monitor the actual key savings and efficiencies achieved as a result of the establishment of a Shared Service Centre; and,

That the Director of Environment and Neighbourhoods submit an initial report on this matter to the relevant Scrutiny Board no later than December 2011.



Conclusions and Recommendations

Best Fit of Services

16. We were advised that it was proposed to introduce services in to the SSC on a phased basis over the course of the financial year 2011/12.
17. We considered best fit of services using Asset Management as a specific example as this was identified as a particular weakness in the report to Executive Board in November 2010.
18. We were informed that relevant officers from the City Council's Strategic Landlord Section and Property Management Division alongside relevant ALMO officers had reviewed four principle areas of work:
 - § Asset Information, stock condition surveying and assessment;
 - § Investment planning and capital programme delivery;
 - § Planned and cyclical maintenance;
 - § Responsive maintenance.
19. Officers stated that this review had clarified the
 - range of functions under consideration
 - processes involved in each work areas
 - best fit for each function or process within the operational frontline services in the ALMOs or in the back office
20. The range of services that might be part of the SSC are set out in Appendix 2 of our report.
21. We supported the view that priority be given to the establishment of a single asset management / contract

management group within the SSC, to coincide with the introduction of the new contracts for repairs and maintenance, capital works and gas maintenance. We were advised that there was evidence of weakness in the current arrangements in these areas. A major factor being that the necessary skills and expertise are spread too thinly between the ALMOs and the Council, resulting in these vital functions being under - developed and not as effective as they could be. However, we were advised that a unified group within the SSC could develop a single approach to procurement, provide a skilled unit to administer revenue repairs and capital contracts, maximise the resources for scheme delivery and provide expertise in asset management and investment planning.

22. We noted that the next priority would be to bring together other corporate and back office services such as HR and Finance. This would offer significant opportunities to rationalise procedures and ensure a more efficient use of resources between the ALMOs and the SSC.
23. The next phase would then see other services provided by the Environment and Neighbourhoods Directorate through the Strategic Landlord Group moved into the SSC; such as the
 - administration of the advertising process in Choice Based Lettings
 - procurement and administration of capital contracts
24. Currently this split in processes is also inefficient and wasteful of resources.



Conclusions and Recommendations

Recommendation 2

That the Director of Environment and Neighbourhoods provide details to the relevant Scrutiny Board in December 2011 on progress in transferring services to the Shared Service Centre in 2011/12 and the conditions that have been applied to measure the outcomes of each service transfer.

Benchmarking of Housing Service

25. During our inquiry, although outside our original remit, we asked for information on the benchmarking of the housing service. We noted that the Leeds Council Housing Service has one of the largest local authority housing stocks in England, with a total stock of over 57,000 tenanted homes and provides freehold landlord services to just over 1,600 leasehold properties.

26. The housing stock is managed on behalf of the City Council through management agreements with the ALMOs and Belle Isle Tenant Management Organisation as follows:

- Aire Valley Homes (AVH) 15,471
- Belle Isle Tenant Management Organisation (BITMO) 1,984
- East North East Homes (ENEH) 19,324
- West North West Homes (WNWH) 21,478

27. We noted that the proposed changes associated with the creation of the SSC will not change the split of operational management across the City and that the housing organisations have been subject to detailed inspections by the Audit Commission since the creation of the ALMOs.

28. The most recent inspections were carried out over 2009 and 2010 and all three ALMOs were rated as 2 star 'good' organisations with 'promising prospects' for further improvement. That placed the Leeds ALMOs amongst the better performing council housing organisations across the country, although not performing as well overall compared to ALMO only inspection results.

29. For ALMOs across the country one third are 3 stars rated, over half of the remainder being 2 star, with the remaining ALMOs being 1 star.

30. However the Audit Commission inspection regime is not proposed to continue and we were informed that in future the Council will make greater use of benchmarking information.

31. We were advised that the ALMOs have subscribed to Housemark, the industry recognised benchmarking tool; which provides an annual survey of housing organisations including useful information on the detailed performance and costs of organisations.

32. Officers advised us that as part of the option appraisal process for the Future of Council Housing, a detailed benchmarking of cost and performance was commissioned



Conclusions and Recommendations

from Housemark to compare the Leeds ALMOs against 15 comparable housing organisations across the country.

33. The organisations were a mix of 2 and 3 star organisations ranging in stock size from 3,500 homes up to 42,000 homes. The benchmarking exercise compared a broad range of performance indicators and organisation unit costs across the Leeds ALMOs and the 15 comparator organisations. The results are set out below:

GN & HfOP	UNITS/ TOTAL STAFF	TOTAL UNITS/ TOTAL STAFF
ENE	70.74	73.11
Leeds ALMOs consolidated	65.83	70.25
ALMO 1	62.60	70.03
WNW	58.40	60.45
ALMO 2	44.78	50.04
ALMO 3	40.45	48.88
ALMO 4	37.03	37.78
ALMO 5	35.77	37.56
ALMO 6	35.54	37.46
ALMO 7	33.22	33.97
ALMO 8	31.35	35.17
ALMO 9	31.12	33.58
ALMO 10	28.92	32.14
ALMO 11	28.53	41.49
ALMO 12	27.99	49.30
ALMO 13	27.47	45.04
ALMO 14	27.28	27.59
ALMO 15	23.30	27.08

34. The comparison examined the full range of housing services including: rents, repairs, lettings and voids, estate management, cyclical maintenance and major works, tenant involvement and tenant satisfaction, as well as issues such as overheads, sickness levels and management costs.

35. We were pleased to hear that the Housemark report demonstrates the relative low cost and value for money of the Leeds ALMOs and the services they deliver, in comparison to similar organisations across the country, expressed in terms of the number of properties per Full Time Employee (FTE). The Leeds combined figure being 70.25 properties per FTE compared to an average of 40.47 properties per FTE. In effect Leeds is delivering its housing services with approximately 40% less staff than many other comparable organisations.

Recommendation 3

That the Director of Environment and Neighbourhoods provide the relevant Scrutiny Board with a further benchmarking report towards the year end 2011/12 following completion of the transfer of services to the Shared Service Centre to identify what effect it has had in reducing costs and increasing value for money.

Potential to Develop Single Service Level Agreements

36. We agreed that an important priority was to ensure that individual ALMOs have confidence that they can have effective service delivery as and when it is needed. This will require carefully constructed Service level Agreements (SLAs) and the establishment of strong business relationships between the ALMOs and the SSC.



Conclusions and Recommendations

37. We noted that the ALMOs currently receive many services from the Council. Examples of this are services such as ICT, Forestry, Contact Centre and Legal Services. These services are currently provided through a series SLAs.
38. The current practice is that each ALMO negotiates its own SLA with Council provided services. This leads to duplication of effort and often differing agreements with regard to service provision and cost. This means that there is often standard provision for customers across the city and often leads to unnecessary complications in service delivery.
39. We were advised that the SSC would analyse the current range of SLAs between the ALMOs and the Council and seek to reduce them to one per service. There will have to be some careful negotiations between the ALMOs and the SSC. The SSC would then take the lead in monitoring the delivery of those services to ensure compliance with the agreement and in consultation with the ALMOs identify service improvements.
40. We were pleased to hear that this approach will reduce the number of meetings and remove an element of duplication and thus providing a more efficient process. It will provide the service deliverer with a single point of contact and enable the service to concentrate on delivering to a single service standard. The approach will also ensure that customers receive a similar service regardless of their location across the City.

Recommendation 4

That the Director of Environment and Neighbourhoods submit a report to the relevant Scrutiny Board in December 2011 on the progress and outcome of the introduction of single Service Level Agreements and details of the savings and benefits that have accrued as a consequence.

41. We acknowledged the fact that the main political parties were involved in the appointment of the Chief Executive to the Shared Service Centre and hope this continues in the future.

Recommendation 5

That the decision making process relating to the operation of the Shared Service Centre be referred by the Head of Scrutiny and Member Development to the Corporate Governance and Audit Committee to monitor and ensure that proper and transparent arrangements are in place.



Evidence

Monitoring arrangements

Standard arrangements for monitoring the outcome of the Board's recommendations will apply.

The decision-makers to whom the recommendations are addressed will be asked to submit a formal response to the recommendations, including an action plan and timetable, normally within two months.

Following this the Scrutiny Board will determine any further detailed monitoring, over and above the standard quarterly monitoring of all scrutiny recommendations.

Members of the working group

Councillor B Anderson, Chair
Councillor R Grahame
Councillor G Driver
Councillor P Ewens

Reports and Publications Submitted

Report of the Director of Environment and Neighbourhoods on "The Future of Council Housing -The Shared Service

Report of the Director of Environment and Neighbourhoods on the Leeds Housing Shared Service Centre (SSC) Report 2 including appendices on:

- Draft structure SSC Model and Host ALMO
- VFM Comparison Data – Housemark October 2010
- Asset Management Functions and Tasks
- Services to be included in the SSC

Witnesses Heard

Mr J Statham, Strategic Landlord Manager
Mr John Clark, Chief Executive of the Shared Service Centre and Aire Valley Homes
Mr Ian Kyles, Public Private Finance (PFI) Project Adviser

Dates of Scrutiny

6 January 2011, Scrutiny Board (Environment and Neighbourhoods) – Terms of Reference
3rd February 2011, Scrutiny Board (Environment and Neighbourhoods) SSC Working Group
21st February 2011, Scrutiny Board (Environment and Neighbourhoods Working Group) SSC
11th April 2011, Scrutiny Board (Environment and Neighbourhoods)



Appendix 1

Review of Savings

Function	Current		3 ALMO SSC		3 ALMO SSC Saving
	FTEs	Cost	FTEs	Cost	
Senior Management	39	2,568,547	31	2,011,909 (556,638)	(556,638)
Retained LCC	62	2,288,400	62	2,288,400 0	0
OPERATIONAL SUPPORT					
- Landlord Services	95	2,909,192	64	2,203,214	(705,978)
- Asset management	53	2,004,085	46	1,765,589 (944,474)	(238,496)
CORPORATE SUPPORT	46	1,550,441	42	1,444,823 (105,618)	(105,618)
OPERATIONAL STAFF	659	20,992,745	659	20,992,745 0	0
Overall Staffing	953	32,313,409	904 (49)	30,706,679 (1,606,729)	(1,606,729)



Appendix 2

Corporate Support	Operational Support	Asset Management
Finance	Choice base lettings	Procurement
HR	Paralegal (Possible secondment only)	Contract Administration
ICT	Leasehold Management	Commercial Asset Management
Service & Performance Standards	Disrepair	HRA assets –small land/gardens, Misc prop leases
Governance		Technical monitoring
Marketing		Contract compliance
Procurement		Contract Management
Housing Applications Support Team (Strategic Role around systems to remain at Leeds City Council)		Investment planning

Asset Management Support included in phase 1. Corporate Support included in phase 2. Operational Support Services requires further consideration and to be included in Phase 3

