



City of Westminster

Cabinet Report

Decision Maker:	Cabinet
Date:	21 July 2014
Classification:	For General Release
Title:	<i>Better City, Better Lives</i> – Further Reform of Local Government Services in Westminster
Wards Affected:	All
Policy Context:	<i>Better City, Better Lives</i> ; Reforming Public Services.
Financial Summary:	<p>The proposals are planned to achieve savings of up to £1.5m in senior management across the three year period 2015/16 to 2017/18. This arises from senior management restructure savings identified in the report in the areas of City Management, Corporate Services, Built Environment, Housing, Regeneration and Property.</p> <p>The proposals to re-organise the Council's operating structure will contribute towards meeting the City Council's reduction in its expenditure of £100m over the next 3 years.</p>
Report of:	The Chief Executive
Cabinet Member portfolio:	The Leader of the Council

1. Executive Summary

- 1.1 Over the past three years, Westminster City Council has reduced its annual expenditure by £100m. This has been achieved through a combination of sharing services (such as the Tri Borough initiative), driving out inefficiencies, focussing on back office savings, generating additional revenue and some reductions to front line services. Reductions in central government grant funding mean that Westminster City Council will need to find a further £100m of savings over the next three year period from 2015 to 2018 and it is expected that the trend of funding reductions will continue into the next decade.
- 1.2 This report sets out a range of measures to establish a new operating model which will place Westminster City Council on a more robust footing in order to address both the funding reductions and the changes that local government

will need to make to meet the growth in demand in some service areas. The prioritisation of resources will support the delivery of the *Better City, Better Lives* vision and at the same time create a new, restructured, model for local government in the borough, which is founded on the principles of:

- Reforming Public Services;
- Supporting Economic Growth; and
- Achieving more Connected Communities.

1.3 The changes outlined in the report will be accompanied by a revamped internal change initiative '*Better Together – the Westminster Way*' employee programme. The revised programme, which is currently being developed by the Chief of Staff, will be launched in the Autumn and will establish a leadership and behavioural culture to enhance managerial reputation, engender a strong and shared approach to delivering services and provide better support for staff to deliver the savings in what will be a critical period for the City Council.

1.4 In order to ensure the City Council has the right senior leadership team in place to move the organisation forward, the report recommends the abolition of the existing Strategic Executive Board and the creation of a new Executive Management Team (EMT), represented by Executive Directors. EMT will need to be a strong, united management team that collectively leads the council. They will work together to drive forward a range of departmental and cross-cutting initiatives which are required to ensure that the council's changes are embedded in a sustainable way throughout the organisation.

2. Recommendations

It is recommended that:

1. The Cabinet authorises the Chief Executive to implement the restructure shown in Appendix 1 and outlined in Appendix 2, in consultation with the relevant Cabinet Members and the Cabinet Member for Finance Corporate and Customer Services.
2. The establishment of a Tri Borough Corporate Services function (subject to Tri Borough partners' agreement of the business cases to be reported to a future Cabinet meeting), be agreed
3. The existing Built Environment and Housing, Regeneration and Property Directorates are disestablished and replaced by the creation of a new Growth, Housing and Planning Department.
4. The existing City Management Directorate be revamped and revised as a City Management and Communities Directorate in recognition of its wider remit.
5. An integrated City and Corporate Policy function, reporting to the Director of Communications, Policy and Performance, that works across Council services,

be established. A further report detailing the proposed operational arrangements to be brought forward for consideration at a future Cabinet meeting.

6. A further report outlining the required support for the delivery of the West End Partnership programme is prepared for consideration at a future Cabinet meeting.
7. The Director of Human Resources is given authority to undertake the necessary consultation and ring fencing arrangements to deliver the proposed new structure, as shown in Appendix 1 and outlined in Appendix 2, and the Appointments Sub Committee is convened to make the necessary member level appointments, where required by Standing Orders.
8. Cabinet authorises the Chief Executive, Head of Legal Services, City Treasurer and Director of Human Resources to propose consequential changes to the Constitution and Financial Regulations, including the revised allocation of existing Officer delegations which arise from the implementation of the new operating model, and that these are, where appropriate, subject to the approval of the full Council via the General Purposes Committee.

3. Reason for Decision

- 3.1 The proposed new strategic framework and changes in the organisational structure will enable Westminster City Council to drive forward the public service reform agenda, facilitate greater economic growth, and achieve more connected and resilient communities. The changes will also contribute to the City Council's savings targets.

4. Background

- 4.1 The challenges currently facing local government as it enters the mid-point of the decade are immense. The squeeze on public sector borrowing continues and the changes to the way in which local authorities are funded will place far greater reliance on the sector becoming more self-financing. These challenges will continue over the remainder of the decade and well into the next. As a consequence, Westminster City Council needs to be organisationally 'fit for purpose' in order to face these future challenges.
- 4.2 Initially, the need to reduce our cost base by a figure of £100m by 2018 will be a major driver in how the organisation is structured. To maintain the Council's reputation as a leading authority for its efficiency, innovation and leadership across London – alongside its strong national reputation – will inevitably necessitate the City Council to make some tough choices and further reform the way it works.
- 4.3 In creating a new 'model for Local Government' to meet these fiscal challenges, the Council will have to, in the longer term, establish a 'deal for Westminster' with government which will support greater financial devolution as well as more local flexibilities (as highlighted in the London Finance Commission's report). This new 'reform agreement' around how we deliver

services will require greater partnership working with stakeholders, a broader relationship with other London authorities and closer working with other public agencies. To create and deliver additional revenues for Westminster, the City Council will also need to place a greater emphasis on place shaping and growth.

- 4.4 At the same time, to ensure that public services are effective, efficient and locally responsive, the City Council needs to make these relevant and less bureaucratic to residents, visitors and people working within Westminster. Instead of a blanket service offer, we must ensure that services are targeted at prevention rather than just need. We can help support people to become more productive and less dependent on council services. As a result of changes to the City Council's cost base, it will become increasingly important to create a financial case that utilises the whole of the public purse (as in the case of future funding of adult social care) more effectively rather than just rely on local authority funding alone.
- 4.5 As part of the journey to achieve a more efficient organisation, we will need to adjust and condense the Council's operating model. Inevitably in having to reduce our costs base by £100m over the next three years, this will necessitate further efficiencies in head count and require different ways of working.
- 4.6 Most notably this will result in redrafted portfolios of responsibility and new management units and departments. We will have to reduce, starting with the top of the organisation, layers of management and support the Council's various transformation projects, with a leadership and behaviours programme, to ensure that Westminster is fit for purpose.
- 4.7 The City Council will need flexibility in the way it operates in order to redesign its service offer around both the individual and where appropriate, to meet the challenges of complex cohorts of people that use our services. Building on work the City Council has already successfully delivered by promoting early intervention and working more closely with partners across the public sector, we should be able to establish a model of services which brings local services and decisions together across agencies, to tackle the needs of our communities more appropriately. Whether this is in areas of Social Care, Children's Social Services or allowing communities to do much more for themselves, we will have to provide better connection between agencies and partners, in order to do things once rather than repeatedly going back to try and fix things. In short, we must challenge cause and effect and significantly reduce demand.
- 4.8 To summarise, over the coming years the City Council will need to:
 - Find innovative ways of raising further capital and revenue funding. To achieve this we must better coordinate our work with investors, developers and stakeholders to grow the Westminster economy – ensuring the City Council benefits from the upside of economic growth including a greater return on Business Rates (NNDR);

- Prioritise resources so that these are aligned and prioritised towards supporting the delivery of the City Council's *Better City, Better Lives* vision, and address the future budget reductions and demographic pressures;
 - Create a new 'model for Local Government', including the establishment of a 'deal' for Westminster with central Government for greater financial devolution, as well as more local flexibilities;
 - Work more collaboratively with our partners to reduce demand and help communities more independently support themselves.
- 4.9 In order to deliver these objectives and meet this range of challenges, the City Council's organisational structure will need to change. It is proposed that the new structure therefore focuses our efforts on three pillars of activity around Public Sector Reform, driving Growth and creating Better Connected Communities.

Reforming Public Services

- 4.10 Following discussions with central Government, there is an opportunity for Westminster City Council and our Tri Borough partners to work with central Government to contribute to the next Comprehensive Spending Review (CSR), by co-designing services and in the process, allowing local authorities more control over spending in their area. Supporting and informing the development of national policy will be critical to ensuring that the City Council has the levers to deal with both current and future demand on its services as well as associated costs in a more integrated way. If this opportunity is to be fully developed, we will need to reorganise our services and working practices on a more thematic basis.
- 4.11 To reduce demand we will need to create models of working that are both effective and efficient. This will necessitate greater cross department working including establishing 'virtual teams' to tackle a number of thematic issues such as Troubled Families and entrenched worklessness. By creating the most effective combination of professional roles, we can also merge some specialist functions where there is evidence for doing so. We must challenge our services to see how well they work for people who really need help, rather than provide a universal offer which extends costs and actually generates demand into the City Council through multiple front doors. This can be resolved by, for example, ensuring help and intervention is provided at the right time by driving forward plans to create a single assessment and identification processes across public and community services.
- 4.12 As part of this new approach the City Council will need to look at outcome based commissioning models to better ensure strong price competition and better transfer of risks through contracts to third parties. Making sure delivery by service providers is 'joined up' with these partners will also improve opportunities to target the more difficult to reach members of our community. Indeed, Westminster City Council has a strong record of joining up services for complex cohorts. Our family Recovery Project demonstrated how a multi-

agency approach could save £2 for every £1 invested and turn troubled families lives around. This model informed the roll out of the national troubled families programme and contributed to a strong evidence base to support outcome based commissioning. We have since established a Payment by Results methodology to commission a two year programme that will achieve a 10% reduction in reconviction rates and reduce local spending on tackling re-offending reduced by up to £6.1 million over five years.

- 4.13 The City Council's partnership-working with other agencies will also need to increase in order to deal with the failure of demand across other public services. The proposed new operating model and revised approach to partnership working will be critical to the future of a range of local authority services, particularly Adult and Children's Services. The City Council will need to work with partners such as the NHS, Clinical Commissioning Groups, GPs and schools to consider how the City Council can manage and reduce demand from what is often the same cohort.

Growth

- 4.14 The restructure outlined in Appendices 1, 2 and 3 will ensure that the City Council is better positioned to secure greater revenue returns to support its core activities, by providing more tailored support to businesses in the city, driving up competitiveness and in return securing a greater share of business rates and other uplifts in values within the local economy.
- 4.15 With responsibility for the heartland of the national economy, and by being located at the centre of a global city, there is a real opportunity for the City Council to secure a greater share of the upside of economic growth as part of a 'deal for Westminster', based upon the recently announced London settlement on Growth, Employment and Fiscal Devolution. With both of the major national political parties having announced commitments to further financial devolution, continuing to seek access to a greater share of the growth in Business Rates and other taxes, such as Stamp Duty, would ensure that Westminster City Council is able to secure additional revenues and continue to grow its local economy.
- 4.16 In order to effectively support business and facilitate increased opportunities for economic growth, the City Council's policies for improving competitiveness and increasing opportunities for growth need to be aligned with a new spatial framework that covers planning, investment, infrastructure, transport and place management services. We will need to protect the living heritage of our city to ensure that our current assets are fit for purposes going forward into the future. To properly support a balanced environment and economy, the necessary planning decisions must at the same time ensure that Westminster's environment is safe, clean, and green and supports the amenity services necessary to improve the quality of life of our residents.
- 4.17 In due course the City Council will also need to ensure that sufficient resources are prioritised and allocated towards supporting the work of the West End Partnership. Over the past year the Partnership has become

integral to the development and creation of a sustainable vision for growth in the area which is at the very heart of our economy. The type and quantity of support will be subject to a separate report to Cabinet and will depend on the outcome of the ongoing visioning work, and discussions regarding costs being shared with our partners.

Connected Communities

- 4.18 In order to deliver our shared ambitions to create more connected communities, Westminster City Council will need to reprioritise resources towards developing a more responsive and less bureaucratic offer to our residents; an offer which is also targeted towards prevention and helping reduce demand. This approach will ensure that local people are able to gain their share of growth by accessing the numerous employment opportunities in London, in the process reducing dependency, improving health outcomes and creating more resilient communities. For example, an average Employment Support Allowance claimant currently costs public services and estimated £8,831, resulting in a total cost to the Westminster taxpayer of £9.85m per annum. Supporting this cohort into sustainable employment can generate the evidence required to underpin future joint investment agreements with the Department for Work and Pensions and other partners (such as Clinical Commissioning Groups) which will return a proportion of the costs to the City Council and create a more sustainable funding model.
- 4.19 Not all areas are uniform and some localities within Westminster by necessity require more support than others. Some of our communities and 'villages' have a particular uniqueness that requires certain services to be tailored and targeted towards supporting their particular circumstances. As a result, we will need to establish a new model of area working that begins to target a more 'joined up' approach to services; working together to tackle the problems facing some of our more complex residents. This will need to be combined with providing a stronger regulatory and enforcement framework to ensure that residents have the right social infrastructure and amenities that enhances their living experience.

Organisational Design

- 4.20 The full details of the proposed new operating model are set out in Appendices 1, 2 and 3. To improve the coordination of our services and deliver the objectives set out above, it is recommended that the City Council establish a new Growth, Housing and Planning Department, that will provide a stronger, integrated offer to support the economic growth ambitions of the City Council. This will include a dedicated Economic Development Unit who will be tasked to support the supply side of growth.
- 4.21 The City Council has already made significant progress in supporting communities to self-identify by geographic area through the establishment of Neighbourhood Forums and through facilitating the creation of eight Business Improvement Districts. The new structure will drive this work forward, particularly the creation of a new area-based working model to be delivered

through a revamped City Management and Communities department. The new model will see services provided on a locality basis; services which are more responsive, less bureaucratic and targeted towards prevention as a means to reduce demand.

- 4.22 This report also recommends that Cabinet agrees, in principle, to the creation of a new Corporate Policy function. The work to establish the new team is currently being taken forward by a review of policy development. The review will identify where specialist staff are closely involved in the delivery of front line services, and which staff could benefit from being better co-ordinated in an integrated corporate team. A full report with the findings of the review and recommendations will be brought to Cabinet for consideration in the autumn.
- 4.23 In order to meet the financial challenge, it is also recommended that the City Council undertakes a further rationalising of the Tri Borough 'back office' arrangements to reduce our Corporate Services costs. Detailed business plans for the proposed Corporate Services will be the subject of a separate report to each Tri Borough partner authority in the autumn.
- 4.24 Finally, in order to established and embed greater cross-cutting and thematic working, this report recommends a closer alignment of Executive Directors, Departmental and Cabinet Member responsibilities, including the establishment of a new Executive Management Team (EMT) of Senior Directors. The new EMT will, under the Chief Executive, be tasked with ensuring services are delivered in a more integrated way whilst providing greater visibility to Cabinet Members about lines of accountability and responsibility within the management of the Council. The new EMT will, on behalf of the Cabinet, be integral to redesigning services, ensuring that these are targeted, effective, delivered in partnership with stakeholders (where appropriate), and meet the challenges of reducing demand and the costs of our complex high cost cohorts.

Summary

- 4.25 Westminster City Council has a strong record for leading change, delivering efficiencies and having effective value for money services. As a result, the organisation is in a strong position to use this experience to positively meet the challenges facing local government.
- 4.26 The proposed strategic framework and changes in the organisational structure of the City Council will help to build on past successes and maintain Westminster's national reputation as a leading authority. Delivering what is a complex agenda and new ways of working, will necessitate a strong organisational capacity at the level just below Executive Director.
- 4.27 Some of this capacity is already contained (and will be maintained) within the City Council, most notably around areas of Planning and City Management, Property, Waste and Sport and Leisure. However, it is also recognised that some operational areas, such as Housing, may need strengthening along with Economic Development. Ensuring we have, where appropriate, the right

professional, technical and managerial capacity will be essential. An early review of this capacity and the managerial competencies necessary to deliver the City Council's ambition will form part of the detailed 'design' of the next tiers of operational structure.

5. Financial Implications

- 5.1 The proposals are planned to achieve savings of up to £1.5m in senior management across the three year period 2015/16 to 2017/18. This arises from senior management restructure savings identified in the report in the areas of City Management, Corporate Services, Built Environment, Housing, Regeneration and Property.

6. Legal Implications

- 6.1 Section 112 of the Local Government Act 1972 empowers the Council to appoint such Officers as it thinks fit. Section 113 allows authorities to share its officer resource, by agreement. Approval to enter into a formal S113 agreement in respect of corporate services will be included in the business case report to be submitted to a future meeting.
- 6.2 Standing Order 51 provides that Chief and Deputy Chief Officers will normally be appointed, and dismissed, by the Council's Appointments Sub Committee. As necessary the Sub Committee will be convened to carry out this function.
- 6.3 The proposals in this report will upon implementation require changes to the current scheme of Officer delegations to be undertaken. At this time, it is unclear whether this will require any further delegations. Should further delegations be required, an additional report will be brought to Council, but in the meantime it is intended that any changes will be made by the Chief Executive and Head of Legal under delegated authority.
- 6.4 The structure chart will be included in the Council's constitution to reflect the new Council Senior Officer structure.

7. Consultation

- 7.1 Once a decision is made by the Cabinet formal consultation with staff and their recognised trade union representatives will be carried out in accordance with the Council's statutory obligations, as required under appropriate employment law provisions, primarily the Trade Union and Labour Relations (Consolidation) Act 1992 and the Employment Rights Act 1996 as amended and in line with Council policy and Tri Borough HR principles where appropriate.

If you have any queries about this Report or wish to inspect any of the Background Papers please contact: Simon Gartshore, External Relations Manager, x2799 or sgartshore@westminster.gov.uk

Other Implications

1. Resources Implications

The details of the resources required to establish the new Operating Model will be set out in a further report to Cabinet.

2. Business Plan Implications

The new Operating Model will ensure the City Council's resources are most appropriately deployed and targeted towards delivering the *Better City, Better Lives* strategic vision for Westminster.

3. Equalities Implications

The public sector equality duty has been considered by officers in the development of the proposals. This is an internal change which does not affect services. We are not aware of any equality implications but an Equalities Impact Assessment will be carried out.

4. Staffing Implications

The staffing implications are set out in paragraphs 4.20 to 4.24 of the report.

5. Communications Implications

A tailored communications plan will be developed to support the proposed restructure, outlining the reasons for undertaking the proposed restructure, and supporting the Chief of Staff to create and embed the *'Better Together – the Westminster Way'* across the organisation.

Appendix 1 – Headline structure at Director-level

Appendix 2 – Headline indicative next tier structure

Appendix 3 – Reporting lines by Cabinet Portfolio