
REPORT FOR: CABINET

Date of Meeting:	27 April 2017
Subject:	Council Communications Service
Key Decision:	Yes
Responsible Officer:	Tom Whiting, Corporate Director of Resources
Portfolio Holder:	Councillor Sachin Shah, Leader of the Council and Portfolio Holder for Strategy, Partnerships and Devolution Councillor Adam Swersky, Portfolio Holder for Finance and Commercialisation
Exempt:	No, except for Appendix 1 which is exempt on the grounds that it contains “exempt information” under paragraph 3 of Part I of Schedule 12A to the Local Government Act 1972 (as amended) in that it contains information relating to the financial or business affairs of any particular person (including the authority holding that information). “Financial or business affairs” includes contemplated as well as past or current activities
Decision subject to Call-in:	Yes
Wards affected:	All

Section 1 – Summary and Recommendations

Summary:

This report sets out a recommendation to bring the Council Communications Service back in-house by 1st July 2017, following a period of being run by external agencies. The current service has been run by Lambeth Council (Lambeth Communications) since April 2015.

Recommendations:

Cabinet is requested to approve the following:

1. That the Council's Communications Service is brought back into the Council and to delegate to the Corporate Director of Resources and Commercial, following consultation with the Leader (as Portfolio Holder for Communications), the authority to work directly with Lambeth Council in order to bring the service into the Council with a target date of 1st July 2017.

Reason: (For recommendations)

The opportunity has arisen to bring the Communications Service back in-house following mutual agreement with Lambeth Council, who currently run the service, that there is greater scope to deliver improvements to the service and further increases in commercial income as an in-house service.

Section 2 – Report

1. Introductory paragraph

- 1.1 Effective communication is critical to the Council's reputation and enables the Council to set out clearly to residents how it is enhancing the quality of life of its residents. Westminster City Council were awarded the contract by the Council to provide the Services in 2008 and ran the Service until the last major procurement in 2014 (at which point they were operating as WestCo, a trading organisation wholly owned by Westminster City Council). As a result of this procurement Cabinet

awarded the running of the service to Lambeth Council (Lambeth Communications), who have run the service since 1st April 2015. The Communications Service currently provides the Council with the following:

- Media relations and management;
 - Corporate ID, i.e. to act as 'guardian' of the corporate ID/brand and develop and maintain associated guidelines;
 - External communications including campaign development and marketing in order to set out core Council messages to residents and other stakeholders;
 - Support for major consultations and engagements;
 - Delivery of publications, such as Harrow People and Homing In;
 - Internal Communications including the Chief Executives Newsletter; and
 - Contribution to the Council's commercialisation targets.
- 1.2 The change in provision of the service in 2015 to Lambeth Communications introduced the Council to the method of research known as Values Modes (which is a segmentation tool in the United Kingdom, based on the British Values Survey), which has subsequently been used to support the development and delivery of two Communications Plans in the 2015/16 and 2016/17 years. This research, supported by the Campaign Company (as a partner of Lambeth Communications) has enabled the Council to better understand what motivates Harrow residents, which has led to the development of important campaigns such as Building a Better Harrow, 159 and Green Garden Waste (with this campaign helping to make Harrow's scheme the most signed up of any London Borough, both in 2016 and 2017).
- 1.3 The Communications Team, under Lambeth Communications, have also been central to the consultation and engagement on the Regeneration Programme (Building a Better Harrow), having supported all of the major consultation events since 1st April 2015. They also developed the innovative approach to the Residents Regeneration Panel, again set up in 2015, and still running.
- 1.4 Lambeth Communications have also delivered key objectives under Internal Communications, including the relaunch of the Chief Executives Newsletter and the launch of the new Harrow Ambition Plan and organisational values in 2016, with the production of the Council's first corporate video. Social media management has also significantly improved, with a much greater focus on resident contact and communications through Twitter, helping the Council to be more responsive to the views and issues being experienced by our residents.
- 1.5 From a financial perspective, 30% has been taken out of the 2014/15 Communications core spend of £571,000, with the core service costing the Council £400,000 in 2016/17. This has been delivered through a greater degree of prioritisation and efficiencies within the contract, which is managed through an agency model where all work is allocated specific resource from within the core contract or if it is additional it is

costed and paid for by the area of the Council commissioning the work. Given this is an effective model of delivery, it is intended that this model is maintained when the service is brought in-house.

- 1.6 More challenging has been the development and delivery of income targets as part of the contract, and improving on this performance is a key consideration for bringing the service back into the Council. As part of the reprocurement of the service in 2014, bidders were asked to put forward innovative proposals to maximise income from advertising and other sources, and in so doing outline what levels of sustainable income could be raised for the Council. The first £100,000 of income was to be at the contractor's risk, and all income earned over and above this was subject to a gain share, which was agreed at as 50:50 with Lambeth Communications. To date income levels have not delivered target levels, and given the success of programmes such as Project Phoenix, there is an opportunity to look at a more holistic join up of income generation across the Council, which from a commercial perspective will be less complex without a third party and a gain share arrangement to factor in. The current Harrow Communications Team, have the necessary skills to develop this approach further and bringing them into the Council should support the delivery of more commercial opportunities.
- 1.7 With regards successful delivery of commercial opportunities from Lambeth Communications, there have been successes, including the following:
 - a) Commercialisation of the website and Intranet, through working with the Council Advertising Network (CAN). There are further opportunities to monetise this which will not impact on the space already utilised on the website and will involve working with local businesses to support advertising opportunities
 - b) Advertising through Harrow People and other publications. The Team have changed advertising lead through 2016/17 and this is expected to support better income generation.
 - c) Substantial improvement in the Council's track record in event delivery and the concomitant advertising and sponsorship uptake associated with flagship public-facing events including Harrow's Heroes and the Business Den.
- 1.8 The other factor which supports the decision to bring the service back into the Council is that changes within Lambeth Council since the award of the contract have been made. Lambeth Council have given their commitment to fully support keeping the contract going for the original length of the contract which is to the end of December 2018. However, the changes that have been made have created a greater focus on the core business of Lambeth Council and its residents, and as a result a lesser focus on pursuing out-of-borough opportunities. This in turn has led to a reduction in the level of support being given to the Council from Lambeth, whilst at the same time demonstrating that the Communications Team can perform at a high level with this level of autonomy. The strength of the working relationship between Lambeth

and Harrow is clearly evidenced through the fact that a discussion on options for the service was entered into, and that a mutual agreement has been reached that the best course of action for both Councils and the Service itself is for bringing the service back in-house.

Options considered

1.8 There are three options that the Council has considered:

- Maintaining the current arrangement with Lambeth Council;
- Reprourement of the service; and
- Bringing the Service back into the Council.

The considerations for which of these three options is the best to pursue have been taken around the following criteria:

- Strength of the market to deliver capacity and better value for money,
- Level and access to expertise to support Council objectives,
- Stability of delivery, and
- Commercial and efficiency opportunities.

Taking each of these in turn, the Council considered that bringing the service in-house to provide communications is the best option rather than the other two options.

Strength of the market to deliver capacity and better value for money

- a) The rationale for seeking an external partner to provide this function in 2007 was that the Council was poor at it at that point in time. The success of this model, in that it brought with it access to research and further communications support was the main justification for continuing to keep an externalised service when the decision to reprocore was made in 2014. However, the market has not clearly advanced further since the last time the Council tested it, and it is likely that if a reprourement were to take place that there would only be a very limited number of organisations able to meet the Council's needs. The Council is also now in a stronger position to manage the service than previously.
- b) During the last procurement one of the differentiating aspects of Lambeth's bid was the level of insight and innovation that they brought to campaign development. In bringing the Service in-house we believe that through the nature of the relationships which will be maintained with some of these external agencies that support Lambeth Communications currently, and the skill set that the Harrow Team have, that there is limited risk in losing this expertise in the development and delivery of Harrow's Communications objectives.

- c) The Communications Service is one which needs to develop strong and effective working relationships with the Administration of the Council. Given the timing of the London Local Elections in May 2018, there is a risk that in running a procurement exercise at this time, which would likely lead to award in the latter part of 2017 at the earliest, that if there was a change of Council Administration in 2018 who wished to follow a different direction for delivery of their Communications Service, then this risk could have an impact on the choice that potential providers could take in whether they tendered for the service. This was the rationale for only offering an initial contract term until December 2018, in order to give any Administration in May 2018 the option of whether they wished to continue with the current service or undertake a new procurement. This could be mitigated against by approaching a reprocurement as a cross-party initiative, and although this would be achievable if this was the chosen route, the Council believes that there is more value to the Council in bringing the Service in-house, as set out in this section.
- d) The current contract and commercial income targets, create a strand of the service, which has increasingly become more important, as the Council itself looks to commercialise. Given the current expectations of commercial income as set out in the Medium Term Financial Strategy, there is a significant risk that given our knowledge of the market and the proposals put forward during the last procurement in 2014, that this could put increased risk to the Council of a lack of delivery of income targets and could compromise outputs from the Communications Service if targets were not met. The full benefits of bringing the Service in-house for commercial income opportunities are covered in the later section, but as the income and delivery of communications are intrinsically linked in how we have designed the service, we believe there is more risk to the Council of reprocuring this service than bringing it in-house from the perspective of delivering commercial income targets.

Level and access to expertise to support Council objectives

- e) Bringing the service back in-house has to be based on the assumption that the Council has the skills to recruit and run a successful communications function, and that the current Service (given it would be subject to TUPE) is also performing at a good level. The Council does feel it has the necessary skills to effectively manage its Communications Service in-house, especially with the diverse levels of skills and experience in the current team.
- f) Through having an externalised service additional expertise has been provided such as customer insight through the Values Modes research carried out by the Campaign Company. However, these relationships are not exclusive to Lambeth Communications, and both Councils would still be happy to collaborate on other opportunities where there is clearly a mutual interest in doing so. The current Service is also fully aware of the power of this insight

(which was a key element of Lambeths' winning tender) and this has been embedded into the Council's campaign planning. As a result the change to internal provision should have no impact on the use of this expertise.

- g) Further support available from Lambeth has been impacted by their change of focus over the last year, and as a result the team has performed more autonomously. As set out in paragraph 1.8, we believe that this mitigates the risk of bringing the team in-house, as their delivery is accountable to Harrow. The Council also has confidence that the level of expertise within the team is such that it can operate as effectively under Harrow management as it can under Lambeth Communications management, and that relationships with key external partners to provide specific expertise are well embedded.

Stability of delivery

- h) At a time when the Council is embarking on major communications campaigns on Building a Better Harrow and Making Harrow Clean Again it is important to consider the option which maintains stability of delivery. As the team are well embedded and fully accountable in their activities to Senior Officers and Members, it has meant that Lambeth Communications have allowed more autonomy in the management of the service. The nature of the management regime set out in the contract can be replicated following the transfer, so that accountability and delivery are maintained. In some areas the logistics become less complex. For example, as the spend of the Service would be subject to Harrow Council Procurement rules as an in-house service (rather than Lambeth rules as is currently the case) any advice and support required is more easily accessible for a team based in Harrow, as well as having more scope to deliver against the local priorities of procurement spend supporting Harrow businesses where we are able to. The Council therefore believes that stability is better maintained by bringing the Service in-house, as there is less disruption and there will likely be reductions in the complexity of business processes the team will need to follow.

Commercial and efficiency opportunities

- i) The risk of commercial income, in particular the first £100,000 of any commercial income made being at the contractors risk, would be brought back into the Council, which the contract currently shields the Council from. However, we believe that the market has changed significantly in the last two years, and as a leading Commercial Council, there is now greater opportunity to exploit income streams through bringing the service in-house and therefore enabling more effective working across the Council on these opportunities.
- j) For example, when Lambeth started in April 2015, Project Phoenix had not started, so some of the areas, like events (which were set

out in Lambeth's proposal for commercial income generation) have more of a natural home with the Community Engagement Team working within Project Phoenix. In bringing the Service in-house there is therefore an opportunity to improve the synergies of event delivery, and place it all under a single team, which will support a more co-ordinated and targeted delivery, which in turn should improve commercial income delivery.

- k) The current Harrow team now have significant experience of different ways of working as a professional agency for local government compared to many other Council Communications Teams. We believe that in bringing the Service and the team in-house that there is an opportunity to use this experience to build Harrow's own commercially-positive offer to local authorities where synergies can be established and economies of scale found. For example, there are options the Council could explore around collaboration with other Councils on shared posts or specific functions necessary to run an effective Communications Service, for example print and distribution, but also specialist posts to support key projects like regeneration.

- 1.9 Given the considerations above, the Council believes that the best choice for the running of an effective Communications Service, which cover the scope of the service as outlined in Paragraph 1.1 is to bring the service into the Council.

2 Background

- 2.1 In 2008 Harrow Council made a decision to restructure, develop and outsource its Communication Services to the Westminster City Council (the WCC). The contract commencement date was 1st May 2008 and expired on 31st March 2015 without the option to extend. A decision was taken in 2012 not to exercise the break clause which could have come into effect on 31st March 2013, on the basis of satisfaction with the current provider and the fact that the end of the contract term in March 2015 enabled a discussion with an incoming Administration in 2014 on their communications priorities, and could then tie the contractual cycle with the political cycle. As a result of the following procurement exercise in 2014, Cabinet made the decision in January 2015 to award the tender to Lambeth Council (Lambeth Communications), and they commenced the service on 1st April 2015, and have ran the service to date.

Current situation

- 2.2 The current Communications Service is managed within the Strategic Commissioning Division, within the Resources and Commercial Directorate. The service will continue to be managed in this division. Current arrangements for Contract Management are a quarterly review of deliverables, including income generation and key campaign delivery. The campaigns and other communications activity such as media management and social media, are reviewed fortnightly through a meeting with the Portfolio Holder for Communications (Leader), plus a

smaller meeting every other fortnight to review any communications activity that may require a more immediate decision.

- 2.3 The core work of the Communications Service is funded through the contract budget, which sits with the Strategic Commissioning Division. There is a commitment from the Housing Division to route their communications activity through the Lambeth Communications Service, which to date equates to £44,000 per annum. The contract also includes a £100,000 income target which is at Lamco's risk, and the remaining income earned over the £100,000 is split on a gain-share arrangement of 50:50. Additionally to this the Communications Team are also commissioned from other parts of the Council to undertake work, the details of which are covered in the Part II appendix. As part of the contract management arrangements the Divisional Director, Strategic Commissioning is made aware of all commissioned work and ensures that an agreement to pay for this work has been reached with the relevant part of the Council.

Why a change is needed

- 2.4 As outlined above, the change is considered the best option to maintain stability of the current team providing the service, in a key delivery period for the service, and to support better commercial income generation.

3 Implications of the Recommendation

- 3.1 As a result of this decision, the Council will ask Lambeth Council to start a consultation with the existing Communications Team, in order to deliver a TUPE transfer into the Council, where they would then supply the Council with a list of which staff members were in scope and their details. It is expected that this process once started will conclude in time to enable the service to be fully brought in-house by the 1st July 2017. A detailed timetable will be developed once the authority to proceed with the transfer of staff has been given.
- 3.2 The full implications of the TUPE transfer will not be fully understood until formal consultation has commenced, but the expectation is that staff will be on Local Government Terms and Conditions and the team operate within the agreed funding envelope for the service, so the risk of additional costs as a result of the TUPE transfer are low, although with any transfer of staff there will be a pension impact, although there is no requirement for an actuarial assessment as the total number in scope is under ten.
- 3.3 An internal project team will be set up involving HR and Legal colleagues in order to ensure that all risks and issues are suitably managed, and Legal and HR have been contacted in order to support this process.

Performance Issues

3.4 The contract has to date been managed on an outcomes basis, where shifts in residents perceptions of the council in terms of reputation, involvement and engagement will be measured and used to performance manage the contractor. For external measurement, Lambeth have been expected to provide a robust source of evidence which is expected to be measured every twelve months. This measurement will still be carried out when the service is brought in-house. The current KPIs are as follows:

External: measurement by external survey; percentage improvement from 2015 baseline (developed through Values Modes research and other survey work before 30 June 2015):

- residents feel well informed about Council's activity (percentage);
- residents feel satisfied with the Council (percentage);
- residents feel the Council offers value for money (percentage);
- residents feel that the Council does act on the concerns of local residents (percentage);
- residents feel that the Council does take account of residents' views when making decisions (percentage);
- residents feel that they can influence decisions in their local area (percentage).

Internal measurement by the bi-annual staff survey; percentage improvement from 2014/15 baseline):

- staff feel that the Council keeps them well informed (percentage);
- staff are clear on the Councils vision (percentage);
- staff understand their role in helping the Council achieve its vision (percentage);
- staff feel that the Council communicates information that is clear and easy to understand (percentage);
- staff who feel information that they receive from the Council is relevant to their job (percentage).

3.5 Performance against these measures is set out below.

Table 1: Performance Against External KPIs*

Key Performance Indicator	2015/16 Target**	2015/16 Actual	2016/17 Target	2016/17 Actual
Residents feel well informed about Council's activity	58%	60%	63%	***
Residents feel satisfied with the Council	62%	56%	67%	***
Residents feel the Council offers value for money	48%	29%	51%	***
Residents feel that the Council does act on the concerns of local residents	30%	36%	35%	***

Residents feel that the Council does take account of residents' views when making decisions	28%	29%	34%	***
Residents feel that they can influence decisions in their local area	22%	27%	28%	***

* No internal KPIs have been measured to date as this is reliant on the Staff Survey which will not be undertaken until later in 2017 at the earliest

** Based upon latest data as of April 2015

*** To be measured in May 2017.

- 3.6 Given the rise of social media and other forms of digital communication Lambeth have been expected to use the range of communications channels which they feel will best deliver the improvement in the outcomes measures. In bringing the Service in-house, consideration will be given to additional KPIs and targets which should be applied to the service on top of the existing outcome measures.
- 3.7 An annual communications plan will still be developed and agreed with Members which will set out the campaigns and delivery channels to achieve the outcomes in the performance framework. These plans will have targets agreed as appropriate on an annual basis.
- 3.8 The contract with Lambeth Communications also provides for commercial income to be generated, £100,000 of which is at Lambeth's risk to deliver. Paragraph 5.2 in the Finance section sets out how this works.

Environmental Implications

- 3.9 There are no environmental implications as a result of this report.

Risk Management Implications

- 3.10 The risk of delivering ineffective communications is a risk on the Directorate risk register and as part of bringing the Service in-house a new risk register for the Communications Service will be developed, which will be signed off by the Divisional Director, Strategic Commissioning.
- 3.11 The risk on the Directorate risk register is around the delivery of ineffective communications. This will be managed through the line management arrangements of the service.

4. Legal Implications

- 4.1 The current contract with Lambeth Communications to provide the Services to the Council expires on 31st December 2018. However, the Council can negotiate an early exit on agreed terms and bring the Service back in house. TUPE implications have been set out in Section 3 above.

5. Financial Implications

- 5.1 The total annual budget for the Services in 2016/17 is approximately £400,000. For further years the Medium term Financial Strategy (MTFS) approved at February Full Council in 2017 sets out an additional 20% reduction (of the 2014/15 budget level of £571,000) in the contractual spend which the Council expects to be made in two tranches of £57,000 in 2017/18 and again in 2018/19, as well as further increases in expected income. The annual budget for the service is set out in Table 3 below, which shows the net budget reducing annually from £206k in 2016/17, £124k in 2017/18 and £4k in 2018/19.
- 5.2 The contract with Lambeth Communications also provides for commercial income to be generated, £100,000 of which is at Lambeth's risk to deliver. In this circumstance the Council receives an additional service worth the value of the income target on top of what it pays, and a gain share agreement has been agreed with Lambeth. The Communications income targets in the MTFS for 2017/18 of £75,000 require Lambeth to make £250,000. This is because the first £100,000 is wholly at their risk and any income over and above £100,000 has a gain share of 50:50 applied to it. Therefore, if Lambeth made £250,000 in 2017/18, the first £100,000 offsets the income already assumed in the contract, and then the remaining £150,000 would be split 50:50 to give the Council £75,000. By bringing the service back into the Council, in order to hit the £75,000 income target, the Service would only need to make £175,000 of income as opposed to £250,000, as there would be no gain share applied to the service.
- 5.3 Table 2 below sets out the budget profile for the Communications Service as well as the MTFS income targets and how much income Lambeth Communications would be expected to make in order to support delivery of the MTFS targets under the contractual obligation of at-risk income and gain share.

Table 2: Expected Spend and Income Targets for Communications Services under Lamco Arrangements

	2016/17 MTFS	2017/18 MTFS	2018/19 MTFS
Direct Cost	£400k	£343k	£286k
Income Targets (Harrow income in MTFS)	£50k	£75k	£138k
Lambeth Income Targets (at-risk proportion)	£100k	£100k	£100k
Lambeth Income Targets (Gain Share)	£100k*	£150k*	£275k*

* NB: gain share at 50:50 enables Harrow MTFS income target to be met

- 5.4 In terms of how this is represented in the Council's Medium Term Financial Strategy, the following table sets this out with the final budget spend expected for the Service after netting off expected savings and income.

Table 3: Budget for the Communications Services

	2016/17	2017/18 MTFS Saving	2017/18	2018/19 MTFS Saving	2018/19
Expenditure	£400k	(£57k)	£343k	(£57k)	£286k
General Fund Income	£150k	(£25k)	£175k	(£63k)	£238k
Income recharges – HRA	£44k		£44k		£44k
Total budget	£206k	(£82k)	£124k	(£120k)	£4k

- 5.5 Budget savings set out in the MTFS are dependent upon demand for the core service being reduced to enable the service to operate effectively at half the budget in 2018/19 as it was in 2014/15. This position will be managed closely through regular Portfolio Holder Meetings and through the Resources and Commercial Directorate management mechanisms.
- 5.6 With bringing the team in-house and removing the gain-share, there is an opportunity to bring all Council-based advertising, marketing and media sales into one place, which can then access all of the channels available across the organisation to maximise sales/sponsorship opportunities and therefore contribute increased income for the Council. There is currently a red saving flagged on achieving the income target in the Q3 monitoring report. As bringing the Service in-house will remove the gain share this is part of the mitigation against these targets.
- 5.7 The details of the financial performance of the Lamco Service for 2016/17 is covered in the Part II Appendix.

6. Consultation

- 6.1 In the process of developing this report the Leader and other relevant Portfolio Holders have been consulted. The Opposition Portfolio Holder has also been informed on the process and the decision for bringing the Communications Service In-house.
- 6.2 The Council's Corporate Strategic Board has also been advised of this proposal to bring the Communications Service in-house.
- 6.3 All consultation with the team has been managed through Lambeth Council, but the Communications Team have been made aware of the intention to seek approval to bring the Communications Service in-house. All formal activity will commence following the decision of Cabinet.

7. Equalities implications / Public Sector Equality Duty

- 7.1 There are no adverse equalities implications that the Council is aware of at this stage in making this decision. Communications is an outsourced service so TUPE applies to the team. However, the EQIA will be further

developed after the TUPE transfer is completed so that any equalities implications can be appropriately managed.

8. Council Priorities

- 8.1 The Communications Service delivers against the Council's priorities by setting out a communications plan annually which provides the capacity and resource to ensure such messages are being communicated to residents and staff in a clear and transparent way.

Section 3 - Statutory Officer Clearance

Name: Sharon Daniels	<input checked="" type="checkbox"/>	On behalf of Chief Financial Officer
Date: 18 April 2017		
Name: Stephen Dorian	<input checked="" type="checkbox"/>	On behalf of Monitoring Officer
Date: 28 March 2017		

Ward Councillors notified:	NO, as it impacts on all Wards
EqIA carried out:	YES
EqIA cleared by:	Alex Dewsnap, Chair of the Directorate Equality Task Groups for Resources

Section 6 - Contact Details and Background Papers

Contact: Alex Dewsnap, Divisional Director, Strategic Commissioning,
Email: alex.dewsnap@harrow.gov.uk
Tel: 020 8416 8250, ext 8250

Background Papers: None.

**Call-In Waived by the
Chairman of Overview
and Scrutiny
Committee**

NOT APPLICABLE

[Call-in applies]