

Business Case for Sharing Services

Northampton Borough Council and LGSS



Status: DRAFT

Version 1.2

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KEY DOCUMENT INFORMATION

Version Control

Version No	Summary of changes	Author
0.1	First draft outlining potential sections and documenting the initial benefits identified.	Kelly Hassan
0.2	First full draft following completion of 'star chamber' process with service leads.	Peter Cox
0.3	Initial feedback from Project Team and further financial modelling	Peter Cox
0.4	Refinement to text.	Kelly Hassan
0.5	Minor changes following Steering Group feedback.	Kelly Hassan
0.6	Addition of tables.	Neil Goryn
0.7	Further addition of tables/appendix detail.	Neil Goryn
0.8	Update following feedback from service leads and Steering Group approval 15/08.	Kelly Hassan
0.9	Minor formatting/text amendments and update of financial tables following Steering Group meetings 15/08 & 17/09. It includes: -update to the FTEs provided -the addition of the section – How LGSS operates -revised executive summary -qualitative benefits section -implementation plan -minor wording updates to tables in Appendices.	Kelly Hassan
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Contents

Executive Summary

1. Background
2. Scope
3. Finance and Insurance
4. Human Resources, Organisational Development and Programme Management
5. ICT
6. Procurement
7. Legal
8. Revenues and Benefits
9. Cross Cutting Corporate Savings
 - 9.1 Senior Management Savings
 - 9.2 Corporate Procurement Savings
10. Transition Costs
11. Financial Summary
12. Partnership Model and Employment Model
13. High Level Implementation Plan
14. Key Risks

Appendices

Executive Summary

LGSS (the Joint Committee between Northamptonshire County Council 'NCC' and Cambridgeshire County Council 'CCC') and Northampton Borough Council ('NBC') are considering the benefits of sharing services, and have developed a business case to explore this option further.

The business case has been jointly written and agreed between LGSS and NBC. The Leaders from CCC, NCC and NBC have met to discuss the outcomes of the work done to date and agree the recommendations which will go to the three Cabinets in November 2012. These have been approved by the LGSS Joint Committee and have been included within the business case.

Scope

The services considered for sharing are:

- Finance (including S151 Officer function, Treasury Management and Senior Financial Advice)
- Human Resources, Organisational Development and Programme Management (including Payroll and Health and Safety)
- ICT
- Procurement
- Insurance
- Legal (excluding the Monitoring Officer function)
- Revenues and Benefits

Note: final decisions and sign off in relation to strategy for in-scope services will always remain with NBC.

NBC's Revenues and Benefits service is fully integrated with its Customer Services who handle front line Revenues and Benefits services. Due to the complexities in this area, options around this are continuing, therefore no additional costs or benefits have been identified in the business case in relation to the customer front end.

Initially all support services were considered in scope, but following detailed discussion and agreement between the three councils, the following areas are excluded from the business case:

- Asset Management, Facilities Management and Regeneration.
- Risk Management

- Audit, although this will be reviewed in 12 months time.
- NBC's Monitoring Officer function.
- Print unit.
- Policy, Performance and Public Consultation

Benefits summary

This business case sets out the potential benefits that could be achieved as a result of sharing services. These efficiency gains would deliver both qualitative and quantitative savings to both NBC and LGSS.

Net cash savings over 5 years of £9.456 million has been identified by LGSS and NBC sharing services.

It should be noted that the business case will be updated as further work is undertaken to refine baseline costs and savings.

	2013/14	2014/15	2015/16	2016/17	2017/18	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Budget (£)*	10,416	10,602	10,781	10,781	10,781	-
Baseline (2012/13 FTE)	237.00	-	-	-	-	-
Costs	387	226	47	47	47	752
Benefits	-1,154	-1,995	-2,326	-2,367	-2,367	-10,208
Net benefits **	-767	-1,769	-2,279	-2,320	-2,320	-9,456
<i>as a % budget</i>	-7.4%	-16.7%	-21.1%	-21.5%	-21.5%	-

*"Budget" is the Northampton Borough Council budget that would potentially transfer to LGSS.

**"Net benefits" are the net benefits that would be delivered as a result of the additional budget, scale and scope transferring to LGSS.

The figures in the business case represent a best estimate of the savings achievable primarily through management and service delivery efficiencies along with third-party service contract renegotiations. In addition there are considerable qualitative savings through sharing, such as increasing the critical mass of resources, broadening the depth of their skill-base, improving service resilience and staff development.

It should be acknowledged that £9.456m is the minimum saving thought possible though sharing. Further efficiencies within the retained organisation may also be achievable through the adoption of new ways of working.

Strong leadership is critical in achieving the benefits identified. Without it, it would take longer for the benefits to be realised and there is a risk that existing work processes become ingrained in the new shared service.

Assumptions

- The assumed start date for the purposes of the business case is April 2013 with a minimum of a five year period.
- The close proximity of NBC to NCC will be utilised and teams will be co-located where there is a business case for doing so, in collaboration with both partners.
- Existing NBC systems, including Agresso, will continue to be used unless there is a business case for changing them. This would be done in collaboration with both partners.

Partnership Model

It is proposed that NBC will become an Added Value Partner of LGSS. For NBC, this would mean:

- No joining fee.
- No risk/liability sharing.
- Guaranteed savings.
- Strong contractual and service performance measures through a formal Agreement.
- The term for the Agreement will be a minimum of 5 years.

Employment Model

The recommended employment model is the TUPE transfer of NBC's staff to Northamptonshire County Council, as part of LGSS. However, if TUPE did not apply, there are associated risks to the savings identified in this business case. To account for this, it is estimated that there would be a minimum of a 20% reduction in the identified cashable savings as well as the re-profiling the savings over a longer period (minimum of a year). This reflects the added complexity to deliver change and transform services where there is an additional employer.

Split of savings

Of the overall savings identified in the business case, 49% are in the Revenues and Benefits service (£4.660m) through the utilisation of NBC's existing systems and expertise to ensure Norwich City Council's (NoCC) R&B service is improved, in line with NBC's service standard. Of this, £2.060m over 5 years is related to an increased local authority subsidy payment which NoCC would receive through this improved service. The remaining £2.6m is delivered through improved efficiencies and economies of scale and moving to an E-Billing solution.

On this basis, savings have been split in to 3 principal areas:

1. Savings through sharing of the LGSS core services, excluding those from Revenues and Benefits;
2. Savings specifically related to Revenues and Benefits through improved processes and systems; and
3. Savings in relation to the local authority subsidy received by NoCC through reduced overpayment errors as a result of the improved service.

The financial model proposed is shown in Appendix A, which is confidential due to its commercially sensitive nature.

Revenues and Benefits Agency

Due to the significant savings in the Revenues and Benefits area, made possible by NBC's expertise, processes and systems, it has been proposed that the NBC Revenues and Benefits service could be developed in to the LGSS Centre of Excellence – a LGSS Revenues and Benefits Agency, delivering services to NBC, NoCC and any future appropriate customers.

To reflect this, it is proposed to establish an LGSS Revenues and Benefits Board to provide more specific strategic support and governance in respect of this function. It is suggested that this would comprise a Councillor from CCC, NCC and NBC, in addition to the relevant LGSS Director. In this way NBC will continue to have direct Councillor influence concerning decisions being made in relation to the Revenues and Benefits element of the services. The service would continue to report to a Director of LGSS as part of the LGSS Management Board and under the direct management control of the LGSS Managing Director.

Next Steps

There will be rigorous internal approval processes for both NBC and LGSS.

Formal approval will be required by Cabinet in all three councils in November 2012. Cabinet will be asked to agree the partnership model between LGSS and NBC and the provision of services and authorise the necessary delegations to enable the sharing of services and develop the necessary legal documentation to bring the arrangement into effect.

The Partnership and Delegation Agreement may be required to go to NBC's full Council for agreement.

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1. Background

The public sector is experiencing unprecedented financial challenges, which require innovative solutions to continue the drive for efficiency and enabling resources to be focused on front line service delivery. Shared Service arrangements have been an important part of the public sector's response to this challenging environment of funding cuts and significant changes in government policy alongside growing demand and rising expectations from our customers.

Northampton Borough Council's vision is to be one of the best Councils in terms of public service by 2013. In support of this vision the Council has committed to delivering financial and non-financial efficiencies to ensure that the Council's customers receive value for money. To help achieve these efficiencies, NBC have reviewed several options in relation to the delivery of support services and agreed to pursue LGSS further.

LGSS was established by CCC and NCC as a Joint Committee in 2010. LGSS delivers the full range of strategic, professional and transactional business support services to its founding partners and other public sector bodies. Although established by NCC and CCC under a Joint Committee arrangement, LGSS is a separate business unit which, whilst remaining true to its "by Public Sector for Public Sector" ethos, operates with a large degree of autonomy from both founding councils.

The vision of LGSS is to be "the number one public sector provider of business services in the UK". It has been designed to be a scalable shared service that:

- generates savings to the founding members, partner authorities and public bodies;
- enables local organisations to benefit from LGSS scale economies and depth of skills;
- provides a flexible range of support services and contracts to partners and other authorities;
- keeps jobs local whilst improving performance through a single management structure;
- grows in such a way as to ensure that it is in the interests of the partner organisations;
- offers an effective alternative to outsourcing and public-private joint ventures;
- enables other organisations to easily join through partnership delegation agreements.

LGSS has experience in both setting up shared services and in on-boarding new partners. LGSS was founded by Cambridgeshire and Northamptonshire County Councils, creating a combined team of over 1,000 people with a gross annual budget in the region of £83m. Since then a number of partners have been welcomed on-board, including a number of Academies and most recently Huntingdonshire District Council. In April 2012, Norwich City Council also joined LGSS, with the transfer of ICT services from their incumbent private sector provider, and the transfer of Finance professional and transactional functions,

including the Revenues and Benefits service, expanding LGSS's portfolio. This has taken LGSS to approximately 1,100 staff with a budget of circa £88m.

LGSS and NBC started working together in April 2012 to jointly consider options and develop a business case for sharing services. Service leads from both LGSS and NBC have jointly agreed with both organisations' SROs the opportunities described in this business case. Where possible, potential benefits have been calculated in cash terms. Where benefits fall outside of LGSS budgets, these have been described separately. Where there are areas which require further investigation or development, these have been considered and are noted within the business case.

In addition to the financial benefits of joining LGSS through scale economies, it is important to recognise that both parties could achieve significant non-financial benefits from participating in a multi-authority shared service venture, including:

- Promoting standard ways of working and improving controls by harmonising processes, culture and information;
- Increased focus on citizens by freeing up management capacity to concentrate on their core business;
- Greater capabilities than individual organisations can achieve whilst offering wider opportunities for staff development;
- Improved service quality because of the greater scale of resources available and the sharing of good practice and expertise across councils;
- Providing a vehicle to deliver services to other organisations;
- Reputational benefit.

2. Scope

We began the journey by considering the full range of business support services for NBC. Throughout the process, scope has been discussed and revised. Following joint agreement, the areas below have been evaluated and are considered in the following sections as part of this business case:

- Finance (including S151 Officer function, Treasury Management and Senior Financial Advice)
- Human Resources, Organisational Development and Programme Management (including Payroll and Health and Safety)
- ICT
- Procurement
- Insurance
- Legal (excluding the Monitoring Officer function)
- Revenues and Benefits

All services have been considered, even where elements are not currently within the scope of LGSS. Where this is the case, these are described in the relevant sections.

The following areas are excluded from the scope of the business case:

- Asset Management, Facilities Management and Regeneration
- Audit, although this will be reviewed in 12 months
- Risk Management
- The Monitoring Officer function at NBC
- Print Unit
- Policy, Performance and Public Consultation

The business case is structured by the in scope areas listed above. Each section includes the 2013/14 baseline for the NBC service, in cost and current number of FTE (full time equivalent) employees. Senior Management (the Director, Heads of Service and their support staff) are excluded from the baseline figures for each service, as they are considered separately across the entire shared service.

Where benefits are identified within the scope of the potential shared service between LGSS and NBC, these are in total for the shared service as a whole. Benefits may be realised within existing LGSS services, not necessarily only those which transfer from NBC. Care has

been taken to ensure that only benefits resulting from the sharing of services between LGSS and NBC are included in this business case.

For the purposes of this business case, it has been assumed that all major NBC systems used to deliver services currently are continued unless this is specified otherwise.

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3. Finance and Insurance

LGSS operates an organisational model where professional and transactional services are managed in different Directorates (Fig. 1). This enables efficiencies to be gained from the natural synergies of these services, their underlying drivers, shared technologies and their ways of working. However, there still continues to be close working between the Finance Professional (Finance) and Transactional (Finance Operations) teams in LGSS.

The finance function is centralised within NBC, with 44 FTE supporting 20 senior budget managers across all services within the council. There is 1 FTE in insurance.

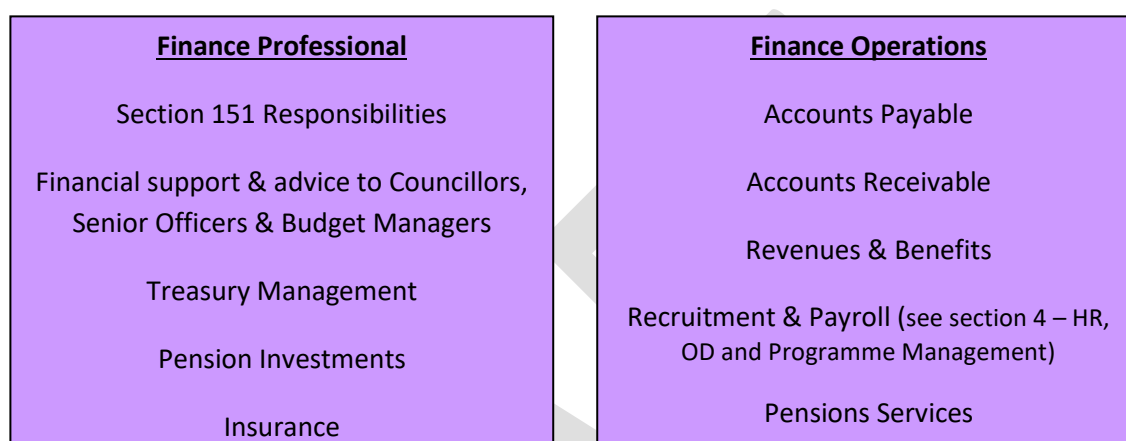


Fig.1

For the purposes of this business case, the current configuration of the finance service at NBC (both professional and transactional finance) has been incorporated into this section of the business case. Therefore the assessment of benefits for moving these in to a separate Finance and Operations areas within LGSS, as described above has been largely excluded at this stage and will be the subject of further work. The exception to this is the Payroll and Exchequer function (Accounts Payable and Receivable) where it has been easier to identify and separate out within the NBC structure and therefore benefits in this regard have been included in the business case.

It should also be noted that:

- Corporate debt recovery within NBC is included within the Revenues and Benefits service. This would be considered a part of the Finance Operations service within LGSS.
- Payroll within NBC sits within the Finance function. In LGSS they would become part of the LGSS Recruitment and Payroll service, again within the Operations directorate. For the purpose of the business case, payroll is considered in Section 4, HR, OD and Programme Management.

All professional finance functions for NBC could be provided through LGSS, including the Section 151 Officer. This is not dependent upon the partnership or employment model, as

there are no obstacles to local authorities sharing a S151 Officer. The vires for doing so exists under s.113 Local Government Act 1972 (one authority placing their officers at the disposal of another authority). This model is currently operated by LGSS for the Section 151 Officer function as part of its service provision to Norwich City Council and East Northamptonshire District Council.

a. Cashable benefits identified against baseline

	2013/14	2014/15	2015/16	2016/17	2017/18	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Budget (£)	2,403	2,439	2,476	2,476	2,476	-
Baseline (2012/13 FTE)	45.00	-	-	-	-	-
Costs	0	0	0	0	0	0
Benefits	-111	-220	-220	-232	-232	-1,016
Net benefits	-111	-220	-220	-232	-232	-1,016
<i>as a % budget</i>	-4.6%	-9.0%	-8.9%	-9.4%	-9.4%	-

The majority of benefits have been identified through the integration and reorganisation of the finance teams.

Savings would also be realised through contract savings by sharing existing contracts between LGSS and NBC for specialist Treasury Management & Capital Finance advice, and cash collections. Use of the LGSS in-house VAT advisory function will also mean a small saving can be made on the current NBC contract to provide this advice externally.

b. Other Benefits

Sharing services with NBC provides a wider range of services within LGSS through the inclusion of more specialist functions such as the Housing Revenue Account, which could increase the attractiveness of LGSS services to other potential partners.

One of the design principles of LGSS is to encourage the use of manager and employee self-service. This approach is one which is currently being developed and rolled out across NBC, so sharing services will help to encourage and support this culture change. This will further support the convergence of transactional business processes in order to achieve efficiencies with the removal of manual processes.

Due to the size of Insurance teams, there are limited savings opportunities over and above a potential saving on renegotiation of the current insurance premium for NBC when this is due for renewal.

4. Human Resources, Organisational Development and Programme Management

The HR and Business Change service of 16 FTE in NBC supports 1027 employees (800 FTE) across the full range of services delivered by the council. It also supports 303 employees within the Northampton Leisure Trust. At NBC, this service includes organisation development functions (including learning and development), HR Systems and Quality, Health and Safety, Performance, Communications, Policy and Public Consultation and Programme Management. Within LGSS the recruitment and employment functions of Human Resources are included within the Recruitment and Payroll service as part of the Operations directorate (see Fig. 1).

NBC's Performance, Communications, Policy and Public Consultation are included within this service area at NBC but were considered more appropriate to be retained NBC functions. These are not currently LGSS functions.

a. Cashable benefits identified against baseline budget

	2013/14	2014/15	2015/16	2016/17	2017/18	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Budget (£)	860	868	873	873	873	-
Baseline (2012/13 FTE)	16.00	-	-	-	-	-
Costs	0	0	0	0	0	0
Benefits	-129	-261	-262	-262	-262	-1,175
Net benefits	-129	-261	-262	-262	-262	-1,175
<i>as a % budget</i>	-15.0%	-30.0%	-30.0%	-30.0%	-30.0%	-

By integrating teams, converging process, sharing best practice, removing duplication of work and rationalising middle management posts, significant efficiency savings are possible across the HR, Organisation & Workforce Development (OWD), Health & Safety and Recruitment & Employment functions.

These savings have been quantified using ratios of the council's employees supported by HR and OWD staff, which would be efficient within an integrated LGSS due to the scale economies which would be available to NBC as part of sharing services. However, in recognition of the transition period required to deliver these opportunities, and integrate teams, these savings have been phased during the first year (2013/14).

NBC have a contingency budget for professional support to reinforce capacity at key times. Again, due to the additional resilience brought about by sharing services, this current cost has been identified as a saving from 2015.

Current external costs incurred by NBC on their e-learning system have also been identified as a saving, as LGSS also has an e-learning solution which can be used across the shared service.

b. Other Benefits

NBC have performance and programme teams focused on helping the council through organisational and service transformation. Significant project and programme management work is bought in by service areas, the need for the team is therefore dependant on the demands placed on it, therefore efficiencies are unlikely in numbers. Benefits of working with LGSS transformational resources are significant in terms of building a wider capacity and service, combining skills and best practice and providing for NBC a higher level of project management and resource available.

NBC has a corporate budget committed to training on management development, such as safeguarding leadership, team effectiveness and cultural diagnostics. Through LGSS this could be either delivered cheaper through increased capacity internally, or procured cheaper externally due to the increased scale economies of the shared service. At this stage, these have not been quantified, but it is estimated that a saving of approximately 10% could be achieved and reinvested to enhance the offering.

5. ICT

The ICT service of 46 FTE, including NBC's Housing Systems team, will effectively centralise the ICT services across NBC within LGSS.

NBC's print unit, which is currently part of the ICT service, delivers print and design services. Options were considered in relation to this area, but it was deemed more appropriate for NBC to retain the print function. Printing in relation to the services in scope of LGSS (specialist stationery) will be provided by LGSS. The business case will be updated to reflect the costs and benefits accordingly once further investigation has concluded.

a. Cashable benefits identified against baseline budget

	2013/14	2014/15	2015/16	2016/17	2017/18	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Budget (£)	2,725	2,765	2,809	2,809	2,809	-
Baseline (2012/13 FTE)	46.00	-	-	-	-	-
Costs	50	0	0	0	0	50
Benefits	-161	-345	-345	-345	-345	-1,541
Net benefits	-111	-345	-345	-345	-345	-1,491
<i>as a % budget</i>	<i>-4.1%</i>	<i>-12.5%</i>	<i>-12.3%</i>	<i>-12.3%</i>	<i>-12.3%</i>	<i>-</i>

NBC has recently invested significantly in ICT services, through letting a number of contracts with third parties, therefore short term opportunities for the realisation of savings are reduced. However, savings have been included in relation to disaster recovery, desktop devices and NBC's primary internet connection – all of which could benefit from the scale economies of using existing LGSS agreements. The cost element included in the business case relates to configuration and technical change activity required to change NBC's internet connection. This cost would pay back in the second year of the new service starting.

Through integrating teams and cross utilising the skills base between the councils, some staff savings have also been identified.

Savings of £19,000 per year have also been included through use of the fully accredited LGSS BACS Bureau service which could be immediately available to NBC.

b. Other Benefits

It is expected that significant opportunities through the integration of ICT services across LGSS and NBC would be achievable in 3 – 4 years time, as current contracts expire and technologies are reviewed or refreshed. As part of a shared service with NBC, LGSS would develop a comprehensive ICT Strategy to explore and exploit these benefits, for example in the consolidation of systems, networks and data centres. As this strategy develops, greater opportunities will also arise for the integration of the ICT service teams across NBC and LGSS, including the support helpdesks.

There is also opportunity for NBC to utilise LGSS's processes which are based on ITIL standards. This would result in increased process efficiency and alignment to the international ITIL standard.

The Housing Systems team is included within the scope of this business case, despite offering no cashable savings. Completing this centralisation of ICT across NBC currently offers the widest possible opportunity for releasing future efficiencies by including the whole service. The inclusion of this area of ICT support will also make the scope of any potential service to other Borough and District Councils potentially more attractive.

6. Procurement

NBC currently employs 4 FTE within its procurement team and would benefit from the additional procurement expertise and resilience which LGSS could provide through its wider strategic procurement focus and dedicated category managers.

a. Cashable benefits identified against baseline budget

	2013/14	2014/15	2015/16	2016/17	2017/18	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Budget (£)	164	165	166	166	166	-
Baseline (2012/13 FTE)	4.00	-	-	-	-	-
Costs	0	0	0	0	0	0
Benefits	-16	-33	-33	-33	-33	-148
Net benefits	-16	-33	-33	-33	-33	-148
<i>as a % budget</i>	-9.8%	-20.0%	-19.9%	-19.9%	-19.9%	-

Savings on the current procurement team staffing budget have been estimated from 2013/14. By combining the NBC and LGSS procurement team, there would be an opportunity to slightly reduce the number of posts but focus on resources at a higher level so that the procurement contribution to the organisation can be increased. The savings are predicted in this timeframe as the combined budget would be needed in the short term to fund the development and up-skilling of the team, to increase the level of procurement resource needed to continue to drive out savings across the entire portfolio. Reducing staff earlier is likely to impact capacity and capability and putting savings and procurement compliance at risk.

There are also opportunities for NBC to make procurement savings through economies of scale on a range of common goods and services also procured by LGSS. Where procurement savings relate to in scope services, such as insurance and financial advice, they are shown within individual areas. This is also the case for spending on agency staff, whereby work could be either absorbed by LGSS or jointly recruited to where there is a case for doing so - reducing the need for expensive contractor resources.

b. Other Benefits

NBC use external contractors to provide procurement support to major projects as and when required. Although this can be combined with other services such as project management, LGSS has additional procurement expertise and may be able to provide procurement advice and support to improve outcomes and value for money on major procurements. Full evaluation of the expertise NBC currently source externally would be undertaken on a case by case basis to ascertain if LGSS could provide the required resource or if it would have to be sourced externally.

LGSS would also widen the use of its existing e-tendering tool to include NBC, including a web based contract register and access to run e-auctions, both of which will aid the identification and delivery of procurement benefits. It is assumed that in itself this will be cost neutral, as it will save the costs associated with NBC's existing system.

7. Legal

NBC's legal team currently numbers 17 FTE. Like LGSS, its legal practice is LEXCEL certified, by the external Law Society accreditation.

NBC's Freedom of Information and Data Protection services (2 FTE) are included within this service area. These services are outside the scope of LGSS, and whilst these were considered, it was deemed more appropriate for these functions to be retained by NBC, so have been excluded from the scope for this business case.

The Monitoring Officer role will be retained by NBC.

NBC has entered a shared legal service with East Northants Council following Cabinet approval. This Agreement will be novated to LGSS.

a. Cashable benefits identified against baseline budget

	2013/14	2014/15	2015/16	2016/17	2017/18	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Budget (£)	466	479	490	490	490	-
Baseline (2012/13 FTE)	17.00	-	-	-	-	-
Costs	0	0	0	0	0	0
Benefits	-100	-103	-103	-103	-103	-513
Net benefits	-100	-103	-103	-103	-103	-513
<i>as a % budget</i>	-21.5%	-21.6%	-21.1%	-21.1%	-21.1%	-

Savings identified for this service relate to the deletion of the currently vacant post of Practice Manager at NBC, achieved by the integration of the teams into a single LGSS legal practice. Sharing resources across the LGSS function will also enable a reduction of one solicitor post, currently occupied by a locum solicitor as the breadth of expertise and increased resilience means that work can be absorbed by LGSS. In the future, this increased resilience would more generally reduce the requirement for external contractors or locums. A combined service is better able to manage the 'peaks and troughs' of NBC's legal requirements.

Additional savings are achievable through the integration of teams and improved processes.

b. Other Benefits

LGSS has a project currently underway to integrate their legal case management systems into a single solution. There are further opportunities to expand this to NBC, saving on licensing, training, maintenance and process convergence which will be identified as this

project progresses. Further opportunities to rationalise the support to the legal practice will also be investigated, for example through a review of subscriptions to joint on-line resource providers and arrangements for the training and continuing professional development of lawyers.

The sharing of legal services between NBC and LGSS also broadens the current range of services provided. Areas of specialism at NBC such as land charges will increase the attractiveness of the LGSS offering to other Borough and District Councils. This wider service also offers improved opportunities for career development of individuals within the service.

Incorporating the land charges function as part of the shared service in LGSS will require a legal indemnity being put in place regarding any potential future liabilities as a result of legal challenges currently underway in relation to this service.

In addition to the estimated savings identified above, further savings may be possible on the cost to NBC of legal advice, including that related to major projects. Where legal demands cannot be met from within LGSS resources, LGSS has framework contracts and other agreements in place, for example in relation to the engagement of Counsel. Due to the unplanned nature of these requirements, no savings have been assumed for the purposes of this business case.

8. Revenues and Benefits

Revenues and Benefits is NBC's largest support service area, employing 100 FTE. This includes the customer service centre staff who are multi-skilled to deal with Revenues and Benefits enquiries for NBC. Significant investment has been made by NBC to develop this function to include fully integrated working with the customer service centre and has built a reputation for excellence as a 'best in class' provider of revenues and benefits services.

Revenues and Benefits is already a service provided by LGSS to its partner, Norwich City Council. This service was taken on recently, in April 2012. LGSS provides first line customer service functions for Revenues and Benefits only, alongside Norwich City Council's customer contact centre.

Both LGSS and NBC already use the Northgate and Civica systems to underpin the delivery of these services.

a. Cashable benefits identified against baseline budget

	2013/14	2014/15	2015/16	2016/17	2017/18	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Budget (£)	3,356	3,443	3,522	3,522	3,522	-
Baseline (2012/13 FTE)	100.00	-	-	-	-	-
Costs	47	47	47	47	47	233
Benefits	-140	-445	-750	-749	-749	-2,833
Net benefits	-93	-399	-703	-702	-702	-2,600
<i>as a % budget</i>	-2.8%	-11.6%	-20.0%	-19.9%	-19.9%	-

A very significant area of financial benefit through the sharing of services across LGSS is that as a result of process and service efficiencies, it is expected that Norwich City Council will be able to increase its national government subsidy by reducing its level of local authority overpayment errors. How this saving would be split is discussed in section 11, and is subject to further discussion with Norwich City Council.

	2013/14	2014/15	2015/16	2016/17	2017/18	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Net benefits	-412	-412	-412	-412	-412	-2,060

The current integration of NBC's Revenue and Benefits service and Customer Services team presents two options for entering into a shared service with LGSS:

1. Separate the current model of service delivery, moving the Revenues and Benefits service into LGSS, whilst retaining the existing customer contact centre within NBC
2. Revenues and Benefits service moves entirely into LGSS including customer contact, with NBC retaining its own customer contact centre functions for other services

Other options, such as the inclusion of Customer Services as a whole for NBC into scope for LGSS have not been considered as part of this business case due to the complexity and strategic implications of such a decision. The two options described above will be investigated in more detail to ensure that implications of both are more fully considered, along with associated costs and benefits.

There are significant benefits through the sharing of this service, particularly using the skills and expertise developed by NBC to improve performance through the streamlining of processes and exploitation of technology.

This sharing opportunity includes development of the Northgate and Civica systems to be shared across the organisations. Additional module costs have been included and the expertise exists in NBC to develop these systems in-house. It has therefore been assumed for the purpose of this business case that there is no additional system development costs will be incurred - although the level of work required to integrate both councils would be significant. To support the use of in-house resources to deliver this, significant reductions in staffing levels have been phased to later years of the business case.

By sharing systems, it is envisaged that processes and teams can be converged as well as the contracts which support them, leading to improved efficiency. The exploitation of technologies has also enabled NBC to work more flexibly and improve the efficiency of services by allowing online benefit claims and the use of home-working for its teams – efficiencies which will be expanded across the combined LGSS service. Increasing the scale of the service through LGSS will provide significant opportunities to improve the resilience and flexibility of the service offered.

Particular areas of system functionality used extensively by NBC which have not been exploited in the delivery of Revenues & Benefits services to Norwich City Council through LGSS are around e-forms and e-billing. These have been identified by LGSS and Norwich City Council as areas for further development as part of a wider improvement programme, but sharing NBC experience and expertise will significantly improve the speed and deliverability of this work.

b. Other Benefits

It is also expected that wider opportunities for benefits from sharing should also exist, which will be investigated further. For example, a shared approach to the use of Bailiffs and Court

Officers in the debt recovery functions could increase efficiency and improve collection rates. NBC is also an accredited centre with trained NVQ assessors for this service, which could also enhance the wider LGSS offering.

NBC are currently members of a business rates consortium with the Borough Council of Wellingborough. This may present a business development opportunity for LGSS through combining this with its services to Norwich City Council.

The Revenues and Benefits service may be significantly affected by forthcoming changes in this area currently being investigated by central government (consulting on the introduction of 'Universal Credit' and other welfare reforms, such as the Council Tax Support Scheme changes which have been announced). As the impact is currently unclear, any assumptions based on this have been excluded from this business case. However, sharing services through LGSS could also present an opportunity for both organisations to benefit through the sharing of expertise and specialist research and development of potential solutions when more is known about the reforms. At this time, the benefits as well as the risks and liabilities will also be explored.

c. Revenues and Benefits Agency

Due to the significant benefits identified in the Revenues and Benefits service, it is proposed that a LGSS Centre of Excellence for Revenues and Benefits is formed and a LGSS Revenues and Benefits Board be established in respect of this function. This is discussed in more detail in section 12.2.

9. Cross Cutting Corporate Savings

9.1 Senior Management

The individual services have excluded from their baseline cost or savings those in relation to their NBC Director or Head(s) of Service, and their support staff. In total, this includes 9 FTE and a cost of £468,000.

	2013/14	2014/15	2015/16	2016/17	2017/18	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Budget (£)	467	468	468	468	468	-
Baseline (2012/13 FTE)	9.00	-	-	-	-	-
Costs	0	0	0	0	0	0
Benefits	-70	-140	-140	-140	-140	-632
Net benefits	-70	-140	-140	-140	-140	-632
<i>as a % budget</i>	-15.0%	-30.0%	-30.0%	-30.0%	-30.0%	-

Sharing services between NBC and LGSS provides significant opportunity for the rationalisation of senior management. For the purposes of this business case, an assumption has been made that savings of at least 30% of the cost will be possible by reducing the requirement for senior management roles.

Sharing services across LGSS will also provide qualitative benefits in terms of value for money, by increasing the breadth and scope of services managed by employees at this level.

The nature of the LGSS shared service arrangement through the public sector and Joint Committee constitution means that its partners do not require a significant client management function in their retained organisations. This is a significant difference and tangible benefit between LGSS and public / private, or private sector arrangements.

9.2 Corporate procurement savings

Whilst NBC has already benefitted from procurement savings through both its own procurement activities and collaboration with other agencies on framework contracts, some savings have been included to reflect opportunities on revenue contracts through increased economies of scale and use of new procurement techniques. On some current NBC contracts, there is little or no opportunity due to the current deals being best in class and / or a lack of competition in the supplier markets.

In addition, some contracts generate income in the form of a refund which isn't guaranteed. The refund is generated as a result of work that the Procurement team undertake and hence this contributes towards the team cost, however as this refund isn't guaranteed, it is not shown within the procurement budget and instead is accounted for below.

The table below represents the budgeted rebate income and future procurement contract savings across the areas in scope for LGSS and shows refunds received through procurement contracts.

	2013/14	2014/15	2015/16	2016/17	2017/18	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Budget (£)	-24	-24	-24	-24	-24	-
Baseline (2012/13 FTE)	0.00	-	-	-	-	-
Costs	0	0	0	0	0	0
Benefits	-15	-35	-60	-90	-90	-290
Net benefits	-15	-35	-60	-90	-90	-290

10. Transition Costs

Project costs have been included within this business case to reflect the additional cost to the two organisations of transitioning to the proposed shared service arrangement.

Recognising the existing capacity within LGSS and NBC, these have been kept to a minimum, but include the cost of a Project Manager, HR support and the legal costs involved in drawing up the partnership agreement.

There will be an opportunity cost to both LGSS and NCC of investigating and implementing the sharing of services. This will be monitored internally, but it has been assumed that this will be absorbed within existing staff resources.

The business case identified across the services includes a significant level of staffing reductions. Every effort will be made to ensure that staff are redeployed, either within LGSS or NBC and a vacancy protocol has been developed between the two organisations to ensure that this is given due consideration for any vacancies arising whilst the business case for sharing services is being agreed. However, an allowance has been made in this business case for the cost of any unavoidable redundancy.

	2013/14	2014/15	2015/16	2016/17	2017/18	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Costs	290	179	0	0	0	469

11. Financial Summary

The table overleaf summarises the net benefit identified through this business case. Benefits have been separately identified where they will be realised in budgets outside those which would be delegated to the shared service arrangement between NBC and LGSS.

In the business case, 49% of the savings identified are in the Revenues and Benefits service (£4.660m) through utilising NBC's existing systems and expertise to improve the LGSS R&B service offering to Norwich City Council (NoCC). Of this, £2.060m over 5 years is related to an increased local authority subsidy payment which NoCC would receive as a result of improvements in this service. The remaining £2.6m is delivered through other service improvements, efficiencies and economies of scale.

On this basis, savings have been split in to 3 principal areas:

1. Savings through sharing of the LGSS core services, excluding those from Revenues and Benefits;
2. Savings specifically related to Revenues and Benefits through improved processes and systems; and
3. Savings in relation to the local authority subsidy received by NoCC through reduced overpayment errors as a result of the improved service.

The split of savings which has been approved by the LGSS Joint Committee and will be jointly recommended to CCC, NCC and NBC Cabinets are shown in Appendix A. This is confidential due to its commercial sensitivity.

a. Qualitative Benefits

In addition to the financial benefits, it is important to recognise that there are considerable non-financial benefits that would be achieved through sharing:

- Providing value for money for the taxpayer
- Reducing the net cost of change for each authority
- Supporting a change in the authorities' culture
- Providing a vehicle to deliver services to other organisations
- Freeing-up management capacity
- Improved controls through consolidation and process standardisation
- Improved management information
- Share and deploy best practice across the councils
- Sharing of expertise
- Pooling of scarce, high cost resource
- Service resilience

- Staff / career development
- Reputational benefit

Another key benefit is the addition of Agresso to LGSS. Agresso is NBC's ERP system which underpins its Finance, HR and payroll services. The Agresso system is a widely used and popular system amongst District and Borough councils.

The ERP system used by LGSS is the Oracle E-Business Suite, which includes wider functionality but is a system more typically used in larger and more complex organisations. Significant investment has been made by LGSS in its Oracle solution, particularly with a view to developing a standard Oracle shared service offering which can then be more easily implemented for new LGSS partners. One option for the shared service arrangement with NBC was to move all the services on to the LGSS Oracle platform; however it is considered that the Oracle system would be too complex for NBC's requirements. On this basis, the assumption in the business case is that NBC would continue to use Agresso.

This addition of Agresso to the LGSS offering may make the LGSS shared service more attractive, especially where potential partners are already using Agresso, or where system migration costs would be very high to move to an Oracle solution.

b. Costs

Costs totalling £752k have been included in the business case. £283k has been included within the services to realise the savings outlined in the business case. These are in relation to Revenues and Benefits (£233k) and the sharing of systems with Norwich City Council, and ICT (£50k) in relation to setting up a consolidated network.

The remaining costs relate to project costs to reflect the additional cost to the two organisations of transitioning to the proposed shared service arrangement. Recognising the existing capacity within LGSS and NBC, these have been kept to a minimum, but include the cost of a Project Manager, HR support and the legal costs involved in drawing up the partnership agreement. These are discussed in section 10, Transition Costs.

There will be an opportunity cost to both LGSS and NBC of investigating and implementing the sharing of services. This will be monitored internally, but it has been assumed that this will be absorbed within existing staff resources.

12. Partnership and Employment Model

LGSS is governed by a Joint Committee, created by Cambridgeshire and Northamptonshire County Councils under the well-proven provisions of local government legislation in this area. It is a distinct entity and the two County Councils have delegated specific business support service functions to LGSS. These delegations are included in the constitutions of the Councils. Reflecting its full public sector ownership and democratic control, the Joint Committee consists of three elected members from each authority and controls the appointment and direction of the LGSS Management Board, delegated on a day-to-day basis to the LGSS Managing Director. Following joint agreement, the option of Added Value Partner has been included in this business case.

12.1 LGSS Added Value Partner

Using this partnership model, NBC and LGSS would develop a Partnership and Delegation Agreement between NBC and Cambridgeshire and Northamptonshire County Councils. This agreement would delegate NBC business support services to be delivered through the LGSS Joint Committee. The Partnership and Delegation Agreement would be a non-commercial, collaborative working arrangement, possible through Local Government legislation. This model is that which has been used by LGSS to date in providing services to other organisations.

The benefits of this model for NBC is that it would not require the payment of a joining fee to the founding authorities of LGSS, nor would NBC be liable for the sharing of risks and liabilities.

The Partnership and Delegation Agreement would detail how future savings generated by LGSS with NBC would be shared.

12.2 Revenues and Benefits Agency

When LGSS on-boarded Norwich City Council (NoCC), Revenues and Benefits were added to the LGSS offering, however there are some significant improvements required to bring this service to standard. NBC have a 'best in class' Revenues and Benefits service and significant benefits have been identified in the business case through the sharing of NBC's processes, systems and expertise with NoCC.

To reflect this, it has been proposed that within LGSS, the NBC Revenues and Benefits service could be developed in to the LGSS Centre of Excellence – a Revenues and Benefits Agency, delivering services to NBC, NoCC and any future District, Borough or other customers.

For LGSS, it could increase the market viability and attractiveness to other District and Borough Councils, bringing in additional future revenue, therefore an alternative model has been proposed.

It is proposed to establish an LGSS Revenues and Benefits Board in respect of this function which will comprise a Councillor from CCC, NCC and NBC, in addition to the relevant LGSS Director. In this way NBC will continue to have direct Councillor influence concerning decisions being made in relation to the Revenues and Benefits element of the services. The model is depicted in diagrammatic form in Appendix B.

The Board would report to the LGSS Joint Committee which would in effect, constitute a subsidiary of the main LGSS Group. Should this be agreed, it would exercise delegated decision making in relation to the Revenues and Benefits Agency service. The service would continue to report to a Director of LGSS as part of the LGSS Management Board and under the direct management control of the LGSS Managing Director.

It should be noted that the Revenues and Benefits (R&B) service will be significantly affected by changes that are currently being investigated by central government (consulting on the introduction of 'Universal Credit' and other welfare reforms, such as the Council Tax Support Scheme changes which have been announced). As the impact is currently unclear, any assumptions and figures based on this have been excluded from the business case.

If the government moved away from certain functions like benefits being administered by local authorities, this could result in these services no longer being required through LGSS. It may however also present an opportunity for the Revenues and Benefits Agency service to be involved in the future delivery of these services on behalf of the government, particularly in relation to housing services.

12.3 Employment Model

The employment model in place for LGSS between Cambridgeshire and Northamptonshire County Councils is that employees within the shared service are employed by one or other of the councils. Where LGSS provides services to other organisations and the Transfer of Undertakings (Protection of Employment) Regulations, or TUPE, has applied, employees have transferred to one or other of the founding authorities.

The business case is based on staff TUPE transferring to Northamptonshire County Council.

Of the savings identified as part of this business case, a very significant proportion relate to opportunities to transform and reduce current staffing levels. If employees were not to TUPE transfer, the proportion of the cashable benefits identified in this business case would be more challenging to deliver and very likely take longer. Figures in the business case would therefore have to be adjusted to reflect this. It is estimated that there would be a

minimum of a 20% reduction in overall identified cashable savings, as well the need to re-profile the savings over a longer period.

Once the partnership and employment models have been agreed, a detailed Target Operating Model would be developed at the earliest opportunity.

12.4 How LGSS operates with its partners

Whichever model is agreed, the ethos of LGSS remains – it's about working closely with its partners to 'understand your business'. LGSS understands the public sector and prides itself on building excellent relationships.

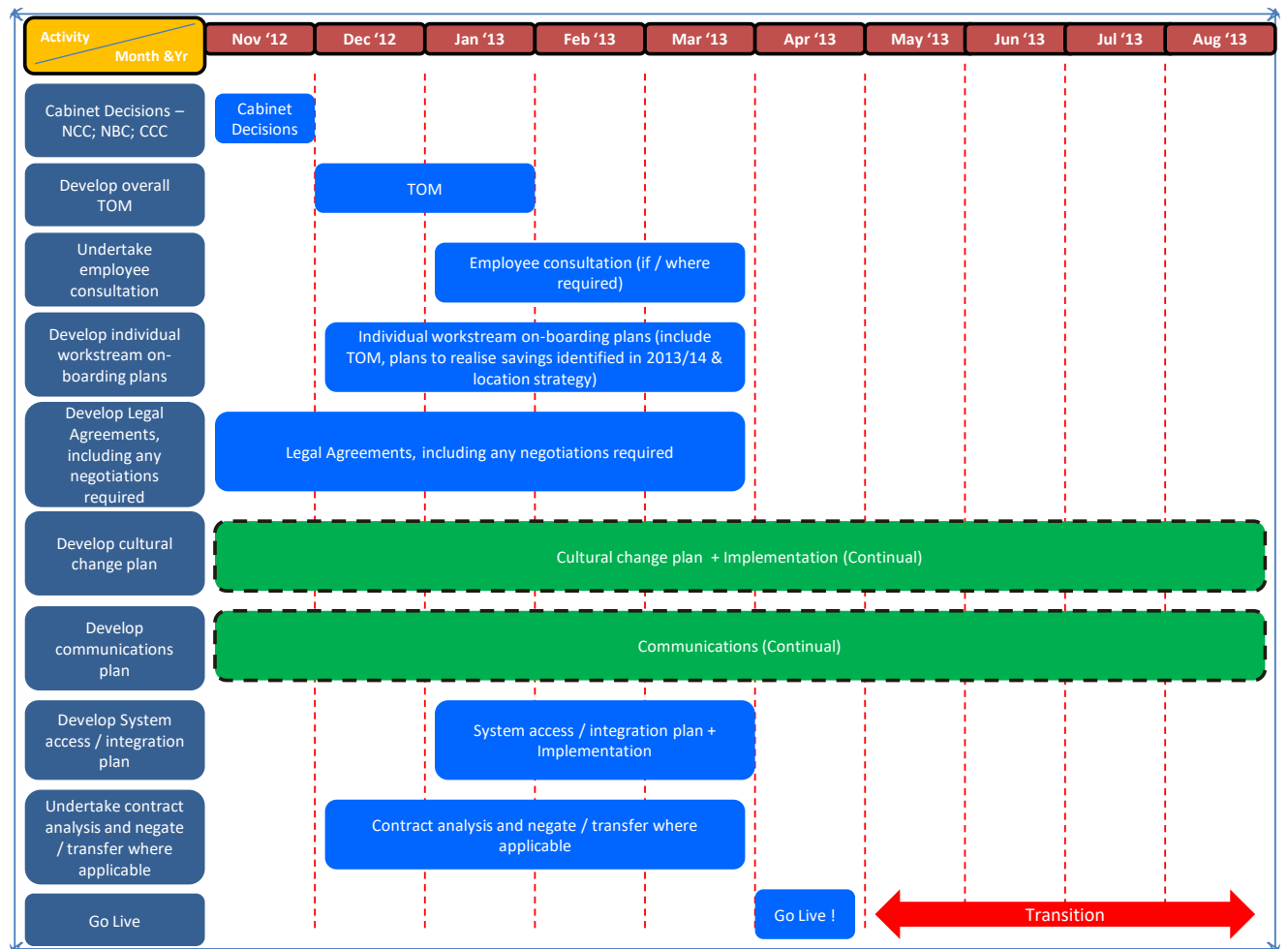
LGSS would work with NBC by fully integrating with, and acting as an extension of existing teams, engaging at political and officer level to understand NBC's requirements.

Business partners would continue to be an integral part of NBC's management teams, providing strategic support and advice. This enables LGSS to gain a full understanding of the key drivers and issues affecting NBC, facilitating a more targeted service.

At the outset, NBC would be assigned a LGSS senior relationship manager who would regularly meet with NBC to review performance and listen to feedback. This approach removes the requirement for traditional contractor/client relationships, again reducing overheads for the relationship.

13. High Level Implementation Plan

The key activities to on-board NBC are outlined in the diagram below. A more detail plan will be developed and project governance established once the key decisions have been made. To on-board the services, both parties will have to work closely together to ensure a smooth transition, to time.



14 Key Risks

Risk	Likelihood L/M/H	Impact L/M/H	Mitigation
Cabinet do not approve the decision	L	H	Ensure Members are consulted and kept informed throughout the process.
Savings identified are considered conservative.	L	L	Further challenge should be given to leads by the SROs for inclusion in this business case.
LGSS does not deliver the identified savings.	M	H	A strong due diligence process on the business case and thereafter will ensure the business case is deliverable. Ensure a robust management structure with strong governance will monitor this.
There are minimal costs identified to deliver the level of change. This could result in the diversion of existing service staff resource and impact service delivery or failure to deliver the identified benefits.	M	H	
Implementation is delayed.	L	M	Timeframes should be jointly agreed and reported regularly through a robust governance structure.
Staff resistance to change may erode benefits.	M	H	Engage with all in-scope staff; develop and implement an effective staff communications strategy; ensure immediate development and adoption of new work processes. Strong and supportive leadership to guide staff through the change.
Due to the sharing of resources, management is stretched too thin.	L	M	Ensure a robust joint target operating model is built, using LGSS experience to inform it.
Service expectations and obligations aren't correctly identified within the Agreement.	L	L/M	Ensure the Agreement is subject to due diligence, with the right people to input in to it.

Some benefits in the R&B service are dependent on home working. The NoCC policy doesn't easily allow this. If this is not possible, savings could be eroded.	L	L	Leads to investigate the likelihood of this and ensure the project team are informed if it can't be delivered.
The government could move away from certain functions like benefits being administered by local authorities, this could result in these services no longer being required through LGSS.	L	L	This could present an opportunity for LGSS, however it should be considered carefully from both sides when developing the Partnership Agreement.
If NBC decided to move the Housing service outside of its organisation, a model which has been followed by many other councils, it could have a significant impact on LGSS if it were effectively outsourced.	L	L	NBC should consider their position, but provision for it should be incorporated in to the Partnership Agreement.

Appendix A – Confidential – Financial Implications - Split of Savings, LGSS and NBC

For NCC and CCC Cabinet, please refer to Appendix C in the Report.

Appendix B – Diagram of potential revision to LGSS governance arrangements, v0.7a



Appendix B LGSS
NBC sharing model v0.7a

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