

**OUTLINE BUSINESS CASE FOR MILTON KEYNES COUNCIL TO JOIN LGSS
SHARED SERVICES PARTNERSHIP**

To: General Purposes Committee

Meeting Date: 14 January 2016

From: John Kane, LGSS Managing Director

Electoral division(s): All

Forward Plan ref: 2016/016 *Key decision:* Yes

Purpose: To consider and endorse the proposal for Milton Keynes Council to become a full partner of LGSS in line with the Outline Business Case developed and discussed in this report.

Recommendation: It is recommended that the General Purposes Committee:

- i) Based on the attached Outline Business Case, approve the proposal for Milton Keynes Council (MKC) to join LGSS shared services.
- ii) Subject to approval from Northamptonshire County Council's (NCC) Cabinet and MKC's Cabinet (which is being sought in parallel with approval from the General Purposes Committee), delegate to the LGSS Managing Director in consultation with the Chairman, Vice Chairman and Members of the LGSS Joint Committee, authorisation to negotiate and agree, subject to appropriate terms:
 - a. the provision of services to MKC, under the auspices of the LGSS Joint Committee and the terms and conditions under which the Partnering and Delegation Agreement (PDA) will operate;
 - b. any changes to the staffing structures necessary or incidental to the implementation of the service delivery; and
 - c. to prepare, approve and complete any necessary legal documentation, including a proposal for amendments to the current PDA between Cambridgeshire County Council (CCC) and Northamptonshire County Council (NCC) relating to the setup of LGSS (and any resulting changes to the constitutions of CCC and NCC). This proposal will be brought to CCC and NCC Full Council for approval.

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1. BACKGROUND

- 1.1 LGSS and Milton Keynes Council (MKC) have been working together to develop an Outline Business Case (OBC) for MKC to join the LGSS shared services partnership.
- 1.2 This followed a decision by MKC cabinet in October 2015 to give approval for the completion of an OBC for MKC to join LGSS as a full Joint Committee partner, which has been followed by a period of detailed discussions, including workshops between Heads of Service and Directors from both organisations, to inform the contents of the OBC.
- 1.3 The medium-term financial plans of LGSS (and therefore both CCC and NCC) include assumptions regarding income targets from 'trading' or new shared services arrangements with other authorities.
- 1.4 If approved, final arrangements for MKC to join the LGSS Joint Committee would require the approval of full council from CCC, NCC and MKC, as this would include the amendment of the existing Partnering and Delegation Agreement between CCC and NCC which set up the LGSS Joint Committee.
- 1.5 MKC Cabinet will be considering the proposal for MKC to join LGSS on the 11th January 2016.
- 1.6 This Joint Committee report results from the decision by LGSS and MKC to create an OBC exploring whether MKC should join the LGSS as a partner. This report sets out the main points from the OBC; the proposed governance and operational arrangements and the decisions required.

2. OBC DEVELOPMENT

- 2.1 Individual service proposals have been developed by the relevant service leads for LGSS and MKC, and these are set out in the OBC (attached at **Appendix 2**). A number of meetings have been held and data shared to consider the operating model and performance of both services at present, and the opportunities, risks and benefits as a result of MKC partnering with LGSS.
- 2.2 The design work by individual services has also included the identification of potential benefits, both financial and non-financial.

3. SCOPE

- 3.1 The scope of services included by MKC in this OBC includes c.420 posts across the following services:
 - Finance
 - ERP
 - ICT
 - Human Resources and Learning Services
 - Transaction Services (Finance, HR and Payroll)
 - Revenues and Benefits
 - Debt Recovery
 - Procurement
 - Internal Audit and Risk Management

- Insurance
- Democratic Services
- Business Support Services to Schools

3.2 MKC would join as a full partner on the LGSS Joint Committee, with three MKC Councillors joining the existing three each from CCC and NCC, bringing the new total membership of the committee to nine. Full voting rights would apply equally to all committee members i.e. one member, one vote (with the Chair having a casting vote if/as required).

3.3 Employees within the scope of the shared service from MKC will continue to be employed by the Council, but as part of LGSS with the delegation of employer rights and responsibilities to the LGSS Joint Committee and LGSS Managing Director (i.e. no TUPE transfer will apply, similar to CCC and NCC).

3.4 The OBC does not include any savings at Director level in either of the current LGSS or MKC structures, reflecting the fact that as a significantly expanded shared service the capacity will need to be retained at the LGSS Management Board level. The inclusion of MKC services as part of LGSS will require a review to be undertaken of functional responsibilities at Director level, which will be carried out with appropriate consultation with the individuals concerned. A proposed 'Day 1' functional model of LGSS is included in Appendix A of the attached OBC.

4. FINANCIAL BENEFITS

4.1 The OBC being finalised significantly underpins the delivery of the LGSS Medium Term Financial Plan (MTFP) in terms of its future LGSS net budget commitments to CCC and NCC (i.e. planned to be generated from new partnerships like MKC). This OBC also delivers the MKC MTFP requirements in relation to their LGSS in-scope services.

4.2 The financial benefits are discussed in more detail in the confidential **Appendix 1** to this report.

5. NON-FINANCIAL BENEFITS

5.1 Milton Keynes Council joining LGSS would take the number employees in LGSS to c1,800 and the total employees of the partners being supported to more than 25,000. This increase in scale and geography will enhance the reputation of LGSS as a leading public sector shared service and provide critical mass in regional scale and presence. The addition of a unitary council as a Joint Committee partner provides greater assurance to potential customers for some services not delivered by county councils and the ability to create synergies across a two tier relationship. It is anticipated that MKC joining LGSS will further enhance its strong commercial trading basis for sharing services in the future. The ambition is both to increase small scale trading (for example individual schools) but also to encourage other councils and public sector organisations to join the shared service. In addition, LGSS will be enhanced as an employer of choice, with employees and prospective employees able to access a broader range of career opportunities.

6. PROPOSED TIMELINE – KEY DATES

December	<ul style="list-style-type: none">• Outline Business Case completed• Proposal considered by LGSS Joint Committee
January	<ul style="list-style-type: none">• Proposal considered by MKC Cabinet• PDA discussions
February	<ul style="list-style-type: none">• Legal review of PDA• CCC/NCC approval processes relating to PDA (and corresponding MKC processes)
March	<ul style="list-style-type: none">• CCC/NCC Full Council approval of proposed changes to PDA (and corresponding approval by MKC)• Staff engagement• PDA sign-off
April	<ul style="list-style-type: none">• 'Go live' – partnership arrangements in place from 1st April onwards (including governance arrangements, and day 1 Functional model as described in this report)

7. ALIGNMENT WITH CORPORATE PRIORITIES

7.1 Developing the local economy for the benefit of all

By contributing to the LGSS Strategic Plan, this proposal contributes to future LGSS net budget reduction commitments to CCC. CCC will therefore have control over these funds and the ability to use them as appropriate, with potential indirect benefits to the local economy.

7.2 Helping people live healthy and independent lives

By contributing to the LGSS Strategic Plan, this proposal contributes to future LGSS net budget reduction commitments to CCC. CCC will therefore have control over these funds and the ability to use them as appropriate, including potentially investing them in this area.

7.3 Supporting and protecting vulnerable people

By contributing to the LGSS Strategic Plan, this proposal contributes to future LGSS net budget reduction commitments to CCC. CCC will therefore have control over these funds and the ability to use them as appropriate, including potentially investing them in this area.

8. SIGNIFICANT IMPLICATIONS

8.1 Resource implications

The resource implications are discussed in more detail in section 4 and in confidential appendix 1 to this report.

8.2 Statutory, Legal and Risk Implications

a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
Loss of direct management, means services do not reflect Council needs	CCC, MKC and NCC as partners will influence the planning and operation of the shared service through their role on the Joint Committee. This will include agreeing Service Plans and reviewing performance. The additional director role on the operational board will also enable priorities for and feedback from MKC to be incorporated.	Green

Financial savings are not delivered	LGSS has delivered all financial savings requirements in previous years for existing partner authorities. Monitoring of savings plans and income will provide assurance on delivery, along with a project management approach where individual proposals require significant change.	Green
Service quality does not meet Council requirements	CCC, MKC and NCC will monitor and manage service quality through both the operational board and the Joint Committee.	Green
Non-financial benefits are not delivered	An integration plan for MKC will be developed once the Cabinet and Council decisions have been taken, which will focus on delivering both the practical changes and culture change necessary to maximise the benefits of a shared service arrangement.	Green
Loss of key staff	As part of the transition staff will be engaged in the plans for the shared service and will understand the shape and opportunities a shared service could bring. There are some key areas of risk, this will need to be monitored and managed appropriately.	Green

b) Risk(s) associated with not undertaking the proposal

Risk	Risk Rating
Not achieving the 'trading targets' set for LGSS	Red

8.3 Equality and Diversity Implications

No Equality Impact Assessment is required for this paper as there are no direct implications for external customers.

8.4 Engagement and Consultation Implications

No public consultation is required as there are no direct implications for external customers. Relevant members have been consulted, for example this proposal has been presented to the LGSS Joint Committee and CCC Group Leaders.

8.5 Localism and Local Member Involvement

See 8.4 above

8.6 Public Health Implications

There are no direct implications for external customers and therefore no direct impact on the health of Cambridgeshire residents.

Appendix 1

Confidential Appendix to General Purposes Committee Report – Financial Benefits

Appendix 2

Outline Business Case for Milton Keynes Council membership of LGSS Joint Committee (plus appendices)

- Appendix A – Organisational Model
- Appendix B – Partnership Financial Arrangements (confidential)

Source Documents	Location
Joint Committee on Local Government Shared Services – 17 December 2015 (Agenda and Minutes)	http://www2.cambridgeshire.gov.uk/CommitteeMinutes/Committees/Meeting.aspx?meetingID=1091