

LOCAL GOVERNMENT SHARED SERVICES (LGSS): SHARING SERVICES WITH HUNTINGDONSHIRE DISTRICT COUNCIL

To: **Cabinet**

Date: **28th January 2014**

From: **LGSS Director of Law, Property & Governance**

Electoral division(s): **All**

Forward Plan ref: **N/a** *Key decision:* **No**

Purpose: **To inform Cabinet of the proposal for establishing a shared service arrangement between LGSS and Huntingdonshire District Council for the provisions of Information and Communications Technology (ICT), Legal, Human Resources and Payroll services as recommended by the LGSS Joint Committee at its meeting on 21st November 2013.**

Recommendation: **It is recommended that Cabinet:**

- i) Note the content of the attached Detailed Business Case (DBC) for the establishment of a shared service with Huntingdonshire District Council (HDC);**
- ii) Approve, subject to satisfactory outcome of negotiations, the establishment of the shared services arrangement under the auspices of a partnership and delegation agreement and in accordance with the detailed business case, including the TUPE transfer of HDC staff into the employment of Cambridgeshire County Council;**
- iii) Authorise the LGSS Managing Director and the LGSS Director of Law, Property & Governance; in consultation with the Chairman and Vice Chairman of the LGSS Joint Committee, to negotiate and agree appropriate terms and conditions with Huntingdonshire District Council, under which the arrangements will operate; and**
- iv) Authorise the LGSS Director of Law, Property and Governance to prepare, approve and complete any necessary legal documentation necessary to implement this decision.**

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1. BACKGROUND

- 1.1 Huntingdonshire District Council (HDC) has a vision and the drive to provide the best in terms of public service whilst ensuring that their customers receive value for money. In common with other local authorities they are facing significant financial challenges due to the reductions in public expenditure allocations for local authorities. In order to address these challenges whilst maintaining services, HDC has concluded that the shared services model holds the potential to help it achieve the necessary efficiencies and has embarked upon a project with LGSS to jointly explore a possible shared service and produce a Detailed Business Case as the basis for such an arrangement.
- 1.2 To this end, in April 2013 LGSS and HDC commenced working together to jointly consider options and to develop a business case for sharing services. During the Autumn of 2013 Outline Business Cases were finalised in respect of Legal and ICT services and HDC and the LGSS Joint Committee agreed to progress the project to detailed business case stage with a view to implementation, subject to satisfactory DBC.
- 1.3 The rationale underpinning this proposal lies within LGSS's strategy, which is to maximise the benefits derived from scale in the provision of a range of back office services by forming partnerships with other local authorities within Cambridgeshire and Northamptonshire.
- 1.4 This proposed arrangement would further increase the scale of LGSS and result in mutual efficiency benefits for HDC its founding authorities and to its existing partners.
- 1.5 In addition to the direct financial benefits derived from increased scale, it is envisaged that the arrangement will also give rise to other benefits such as enhanced service resilience and improved business process design. Due to its size, LGSS also has greater capacity for investing in service improvements which benefit all the partners and clients.
- 1.6 In accordance with the current planned timescales the start date for implementation of the shared service is April, 2014, subject to approval being obtained from the relevant decision making bodies within CCC, NCC and HDC.

2. MAIN ISSUES

2.1 Scope

- 2.1.1 The HDC services considered as worthy of further exploration and development of a detailed business case are:
 - ICT
 - Legal

2.1.2 LGSS has been providing HR and Payroll services to HDC since May 2012 under the auspices of a service agreement and, in the interests of consistency it is recommended that the services covered under this earlier agreement be formally incorporated into the new Partnership and Delegation Agreement (PDA) covering the proposed shared service partnership.

2.2 Benefits

2.2.1 The total net cashable savings identified through sharing services is £1.2 million, over 5 years.

2.2.2 The details of savings and how these may be split are outlined in Appendix A of the Detailed Business Case (found at Appendix 1 of this report) which is exempt from publication by virtue of paragraph 3 of part 1 of Schedule 12A to the Local Government Act 1972.

2.2.3 The officers who have worked on these projections have adopted a prudent approach to the estimation of savings and as such it is considered that these figures are conservative. Work is currently ongoing to investigate further savings opportunities and the business case will be updated as further work is undertaken to refine both baselines costs and savings should these vary between now and the final sign off.

2.2.4 In the event that additional savings are identified after the commencement of the shared service, the additional benefits will be shared between LGSS and HDC in accordance with the provisions of the PDA. This model of benefit share is designed to align the interests of the partners to maximise the incentive for both parties to identify better and more efficient ways of doing things.

2.2.5 The detailed business case, containing the financial information is included in Appendix 1 to this report. The savings contained in Section 5 of the report have been agreed by senior, service lead officers of both LGSS and HDC. It is suggested that the joint assurance on the figures enhances their credibility.

2.2.6 In addition to the cashable savings identified there are significant qualitative benefits for LGSS and HDC for example:

- The resilience LGSS offers HDC, as any alternatives for HDC would be around the traditional “salami slicing” reduction of back office costs.
- Access to a wider pool of expertise.
- Providing a catalyst for transformational change.
- Sharing services between LGSS and HDC will be a positive message of the benefits of sharing for other Cambridgeshire and Northamptonshire District and Borough Councils and nationally will add to LGSS’s reputation and viability as a shared service business model that is successful and growing

2.3 Partnership and Employment Models

- 2.3.1 The proposed approach envisages that HDC will incorporate the existing service delivery requirements associated with HR and Payroll into the new Partnership and Delegation Agreement covering the additional service areas, with a 5 year term, and which would set out a range of terms, conditions and specifications defining the extended relationship around a jointly agreed business case between LGSS and HDC based on shared costs risks and benefits/savings approach.
- 2.3.2 Management and monitoring of the services within the agreement would be carried out between HDC and a Client Services Manager within LGSS for HDC. This would be supported by formal reporting mechanisms, by LGSS, against agreed performance measures.
- 2.3.3 To effectively realise the savings identified, it is proposed that HDC officers working within the in scope teams would transfer to the employment of Cambridgeshire County Council and become part of LGSS. This will, in some cases, involve relocation of staff where this will facilitate the delivery of savings through enhanced working.
- 2.3.4 LGSS has been successful in using this approach, most recently with Northampton Borough Council, Norwich City Council and with Huntingdonshire District Council; who are already familiar with this model, with staff having transferred to Cambridgeshire County Council when joining LGSS in 2012.

2.4 Planned Timescales

- 2.4.1 In addition to Cambridgeshire County Council, the decision will also go to Northamptonshire County Council and Huntingdonshire District Council Cabinets in January and February 2014.
- 2.4.2 The proposal will also be required to go to Huntingdonshire District Council's full Council for approval in February 2014.
- 2.4.3 The final wording of the Partnership & Delegation Agreement will be agreed between LGSS and HDC through a process of negotiation and the associated schedules will require populating with the relevant detailed service information. This process will run in parallel to the approval process mentioned above and it is envisaged that the final sign off will be delegated to the Managing Director of HDC and the LGSS MD, in consultation with relevant senior politicians.

3. ALIGNMENT WITH PRIORITIES AND WAYS OF WORKING

3.1 Developing the local economy for the benefit of all

The report above sets out the implications for this priority.

3.2 Helping people live healthy and independent lives

There are no significant implications for this priority

3.3 Supporting and protecting vulnerable people

There are no significant implications for this priority.

3.4 Ways of working

The report above sets out the implications for leadership, working locally, and investing in growth.

4. SIGNIFICANT IMPLICATIONS

4.1 Resource and Performance Implications

The report above sets out details of significant implications and in addition it is important to note that the alternative option, not to pursue sharing services with HDC through LGSS would result in the net financial and other benefits not being realised in 2014/15 and future years.

4.2 Statutory, Risk and Legal Implications

The following table sets out details of significant implications identified by officers:

a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
HDC's baselines and the costs/savings in the business case will be subsequently refined and so may change	Changes are thought to be minimal; however the Projects' SRO will ensure the business case remains viable for LGSS	Amber
Recognising the existing capacity with LGSS and HDC the transformation costs have been kept to a minimum, However this could result in the diversion of existing service staff resource and impact service delivery or failure to deliver the identified benefits	Ensure strong leadership and direction is given to ensure the benefits are delivered by the services, whilst continuing service delivery.	Amber
Delay in service commencement due to the complexity of approvals required	The Project Plan should account for the required approvals and a robust project governance structure will minimise the impact on the Project	Amber

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

Risk	Risk Rating
Without on-boarding HDC there is a risk that net financial and other benefits are not realised in 2014/15 and future years	Red
There is a reputational risk of not taking this opportunity, given the links, proximity and benefits identified through sharing	Red

4.3 Equality and Diversity Implications

There are no significant implications for any of the prompt questions within this category.

4.4 Engagement and Consultation Implications

- 4.4.1 A report outlining the proposals went to the LGSS Joint Committee on 21st November 2013. The recommendations in this report were approved at this meeting.
- 4.4.2 The LGSS Overview and Scrutiny Working Group has formal oversight of LGSS activity, including the LGSS Joint Committee. The Group have received the business case and the report to the LGSS Joint Committee (for 21st November 2013) on 13th November 2013.
- 4.4.3 Staff who would TUPE transfer to CCC would be fully consulted and terms protected in accordance with legislation.

4.5 Public Health Implications

There are no significant implications for any of the prompt questions within this category.

Source Documents	Location
None	

WHETHER A REPORT SHOULD BE PRIVATE AND CONFIDENTIAL

The report contains commercially sensitive information that would prejudice the County's or another organisation's commercial interests.

List of Appendices

Note: Appendix A of Appendix 1 of this report is exempt from publication by virtue of paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972.

Appendix 1:

Business Case for Sharing Services between LGSS and HDC