

Business Case for Sharing Services

Huntingdonshire District Council and LGSS



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Executive Summary

LGSS (the Joint Committee between Northamptonshire County Council 'NCC' and Cambridgeshire County Council 'CCC') currently provide Huntingdonshire District Council ('HDC') with HR & Payroll services under a Partnership and Delegation Agreement (PDA).

LGSS and HDC are considering the benefits of sharing additional services under a newly agreed PDA (which can also be used as a basis for agreeing any future extensions to existing services as well as covering any additional services going forward).

The business case has been jointly written and agreed between LGSS and HDC.

Leaders from CCC, NCC and HDC have met to discuss the outcomes of the work done to date and have agreed recommendations which will go to the three Cabinets in January 28, 2014 and February 11 and 12, 2014 respectively. These recommendations have been approved by the LGSS Joint Committee on 21 November 2013 and have been included within this business case.

Scope

The services being considered for sharing within this business case are:

- HR & Payroll
- ICT
- Legal

We note that the Revenues and Benefits service area may later be considered by HDC and LGSS for inclusion in a further business case to share services; following conclusion of the issues that are being reviewed and addressed at present.

Benefits Summary

This business case sets out the potential benefits that could be achieved as a result of sharing ICT and Legal services and incorporating the current LGSS, HR and Payroll services into a new Partnership and Delegation Agreement.

The benefits outlined within the business case are primarily as a result of team and management integration, sharing best practice, removing duplication of work and third-party service contract renegotiations.

In addition there are considerable qualitative savings through the proposed sharing arrangement, such as increasing the critical mass of resources, broadening the depth of their skill-base, improving service resilience and staff development.

The net cash savings over 5 years of £1.2 million has been shown in the table below and illustrates the overall savings for both parties; achievable through sharing both ICT and Legal services.

Summary Tables

Budget and net Benefits Summary

Summary	2014/15	2015/16	2016/17	2017/18	2018/19	Total
	£000	£000	£000	£000	£000	£000
Baseline Budget – Day 1						
IT	1,816	1,714	1,677	1,637	1,637	8,481
Legal	376	377	376	377	376	1,882
Total	2,192	2,091	2,053	2,014	2,013	10,363
% Savings	4%	11%	13%	15%	15%	

Service net Benefits

Summary	2014/15	2015/16	2016/17	2017/18	2018/19	Total
	£	£	£	£	£	£
IT (net benefits)	72,000	191,000	232,000	257,000	257,000	1,009,000
Legal (net benefits)	27,641	48,461	48,461	48,461	48,461	221,485
Other Costs	-13,817	-4,754	-4,754	-4,754	-4,754	-32,833
Total	85,824	234,707	275,707	300,707	300,707	1,197,652

It should be noted that the business case and the potential savings (and eventual scope of services to be agreed and included in any final PDA) that may be delivered by LGSS will be further developed at the next stage, if approval to proceed is given.

Assumptions

The following assumptions have been made in the preparation of this business case:

- A start date of April 2014.
- Based on a term of 5 years.
- Staff would be TUPE transferred to CCC.
- Based on HDC continuing to be an Added Value Partner of LGSS, with strong contractual and service performance measures through a formal Partnership Delegation Agreement.

- Financial information provided by HDC may need to be reviewed as the HDC pay review is implemented, so that the baseline is robust. Figures in this document reflect the information provided by HDC to date. Although the impact of the pay review shouldn't change the % return in relation to the staffing proposals. It may however impact on the total savings achieved.
- All budgets exclude indexation and the budget is based on 2013/14 budget.
- The base data provided split budgets across all service into "controllable" and non-controllable. The tables included in this document show only the controllable element and a note is provided to identify the non-controllable element. This can be reviewed in discussion with HDC.

Partnership Model

It is proposed that HDC will continue to be an added Value Partner of LGSS ensuring that:

- Risks and liabilities are shared
- Strong contractual and service performance measures are maintained through a formal Partnership Delegation Agreement
- The term of the Agreement will be a minimum of 5 years.

Split of Savings

The overall savings identified in the business case are being delivered through improved efficiencies and economies of scale and the financial model proposed to share savings between HDC and LGSS is shown in Appendix A which is confidential due to its commercially sensitive nature.

Next Steps

There will be rigorous internal approval processes for both HDC and LGSS to go through over the next couple of months.

Formal approval will be required by Cabinet in all three Councils in January and February 2014, to agree the partnership model between LGSS and HDC and the provision of services.

Cabinet will also authorise the necessary delegations to enable the sharing of services and develop the necessary legal documentation to bring the arrangement into effect.

In addition, the Partnership and Delegation Agreement will go to HDC's full Council between February and March 2014 for agreement.

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 and LGSS is at the forefront of this.

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.

LGSS 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, resilience 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. When LGSS was founded by Cambridgeshire and Northamptonshire County Councils, it created a combined team of over 1,000 people.

Since then a number of partners have been welcomed, including a number of Academies, Councils and most recently Northampton Borough Council in June 2013. This has taken LGSS to approximately 1,350 staff with a budget of circa £59m.

LGSS already provides HR & Payroll services to HDC, and the benefits resulting from this shared arrangement are provided at section 5 (c).

HDC have approached LGSS to explore the benefits from sharing further services as from April 2014.

In April 2013, LGSS and HDC started working together to jointly consider options and develop a business case for sharing ICT and Legal Services.

Service leads from both LGSS and HDC have jointly agreed along with both of the Senior Responsible Officers the opportunities described within the business case.

Where possible potential benefits have been calculated in cash terms and where benefits fall outside of LGSS budgets, these have been described separately.

Areas which require further investigation or development 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 can 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;
- Reputational benefit.

2. Scope

We began the journey by considering a number of business support services as requested by HDC.

Throughout the process, scope has been jointly discussed and revised.

Following joint agreement, the areas below have been evaluated and are considered in the Service Proposal, Sections 5 (a) & (b) of this business case:

- ICT
- Legal (excluding the Monitoring Officer)

The scope of the business case however also includes the HR and Payroll Services, as these services, currently being provided to HDC by LGSS, will be incorporated within the new PDA along with the above services so that HDC and LGSS have a single operational framework, covering all the delegated services.

The following areas have now been excluded following the previous outline business case:

- Sundry Debtors
- Revenues and Benefits

Discussions with HDC have indicated that although there are some potential benefits of sharing the Sundry Debtors service, these are significantly reduced (currently) by the system/service integration required and HDC have determined that Sundry Debtors should now be out of scope of this Business Case.

HDC and LGSS are continuing to refine the proposals for sharing Revenues and Benefits services. At this point in time however, HDC have advised that a more staged approach to on-boarding this service is required. The work currently being undertaken between the two organisations will now inform a separate Revenues and Benefits business case; working towards a later timeframe than that associated with this business case.

The Business case is therefore structured by the “in scope” areas listed above and each section includes the 2014/15 baseline for the HDC service, in cost and current number of FTE (full-time equivalent) employees.

Where benefits are identified within the scope of the potential shared service between LGSS and HDC, 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 HDC

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

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

3. The Partnership and Employment Models

3.1 Accessing LGSS Services

LGSS is a public sector provider of business support services. It was created in October 2010 as a Joint Committee between its founding authorities, Cambridgeshire and Northamptonshire County Councils.

The Joint Committee is created under the provisions of the Local Government Acts of 1972 and 2001 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.

Other local authorities can access LGSS services through the negotiation and completion of a Partnership and Delegation Agreement between the authority and Cambridgeshire and / or Northamptonshire County Council.

3.2 The Partnership and Delegation Agreement .

This agreement would delegate specific business support services to be delivered through the LGSS Joint Committee. Subsequent amendment to the authority's constitution may be required to reflect the agreement

Using this partnership model, HDC and LGSS would develop a new Partnership and Delegation Agreement between HDC and Cambridgeshire and Northamptonshire County Councils and include how future savings generated by LGSS with HDC would be shared and the service level, LGSS would deliver.

Any Partnership and Delegation Agreement would be a non-commercial, collaborative working arrangement, possible through the Local Government (Goods and Services) Act

1 Sections 101, 102, Sections 112 and 113 of the Local Government Act 1972, and Sections 19 and 20 of the Local Government Act 2000 and the regulations made under these Acts; together with the general power within Section 2 of the Local Government Act 2000 and the supporting provisions within Section 111 Local Government Act 1972

1970 and powers under the Local Government Acts of 1972 and 2000 and the Localism Act 2011².

This model is that which has been used by LGSS to date in providing services to other organisations and one which HDC are familiar.

There has been two recent ECJ cases (Lecce 2012³ and Piepenbrock 2013) which has challenged collaborative arrangements, but as the LGSS model is built around collaboration both initial and ongoing, characterised by the savings/costs sharing mechanisms and the level of involvement and input our stakeholders have to the management of the services, we take the view that it doesn't contravene legislation.

A short paper outlining these cases is outlined in Appendix B.

3.3 LGSS Added Value Partner

For this business case, HDC would continue to be an Added Value Partner of LGSS having representation at the stakeholder Board (Partnership Liaison Board) as described in Section 4; Governance.

3.4 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.

This is the basis of the savings identified in this document.

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 so would have to be reviewed if not the case.

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

² Powers under the Local Government (Goods and Services) Act 1970, and powers to undertake administrative arrangements of this nature under Sections 101,102,112 and 113 of the Local Government Act 1972 and Sections 19 and 20 of the Local Government Act 2000, together with the general power within Section 2 of the Local Government Act 2000 and the supporting provisions within Section 111 of the Local Government Act 1972 and the Localism Act 2011

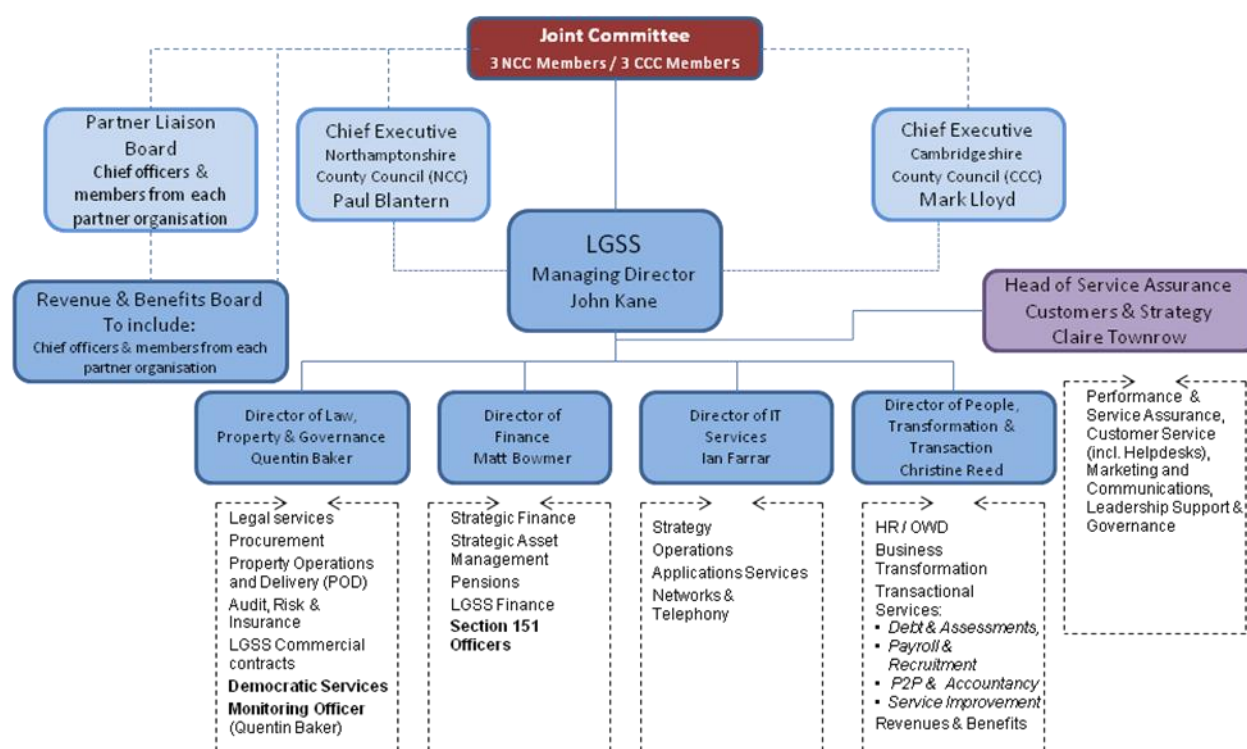
³ ECJ Case C-159/11 19/12/12

4. Governance

4.1 Structures and Boards

One of the unique aspects of LGSS is its commitment to engaging at every level with its customers in order to ensure customers have real influence on the direction and development of LGSS and the Partnership. Hence LGSS has established a Partner Liaison Board as a forum for its customers to engage with both the LGSS Management Board and with the LGSS Joint Committee (on a six monthly basis).

The diagram below outlines the structure of LGSS, including how the services are structured and how HDC currently and would continually fit into LGSS's structure and Board arrangements.



4.2 How LGSS operates with its Partners

LGSS understands the public sector and prides itself on building excellent relationships with its customers.

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

Where possible, LGSS would continue to be an integral part of HDC's management teams, providing strategic support and advice. This enables LGSS to gain a full understanding of the

key drivers and issues affecting HDC, facilitating a more targeted service for both organisations.

Our services would be measured by formal service level agreements and customer satisfaction surveys, providing performance information and trend analysis data.

At the outset, HDC would be assigned a LGSS client services manager who, in conjunction with our Service Assurance team, would meet a minimum of quarterly with HDC officers to review performance and listen and act on feedback.

The Service Assurance, Customers and Strategy Team

The customer contract team will manage the contract with HDC, including non-financial and financial obligations, ensuring all service assurance elements are managed including the production of a performance report on services delivered. This will be produced by the Performance and Information team upon joint agreement of the service schedules, Key performance indicators and associated baseline and future targets to be achieved.

Communications and marketing in relation to services delivered will be issued to key stakeholders for HDC to manage their own channels of communication to staff. If a greater level of strategic and media communications and marketing support is required, this can be scoped and quoted for.

The Service Assurance, Customers and Strategy team will provide support to the HDC Client Service Manager, to ensure that performance of LGSS service provision is monitored and managed according to the contractual relationship.

LGSS Helpdesk and Customer Feedback

The LGSS Helpdesk provides a single first point of contact for LGSS services.

The Helpdesk Transformation Project will, over time, ensure a single first point of contact for all LGSS Services provided to the client. Self service and channel shift is at the heart of our design principles.

Online Customer Satisfaction Surveys will be sent to the first three tiers of the client organisation once a year.

The Customer Compliments, Comments and Complaints procedure/process

This service, provides a channel for all employees of the client organisation to present LGSS with feedback on the service received at any given time. All customer feedback plays a vital role in the cyclical LGSS Service Improvement Plans.

A summary of all associated costs can be found at Appendix A.

5. Service Proposals

(a) ICT Services

Introduction

LGSS IT

LGSS sees clear benefits from working with IMD, and will, in return offer further opportunities and access to resilient services for HDC.

LGSS IT is working towards delivering as much as possible within the existing teams, as this is cheaper than outsourcing and LGSS has the scale to both retain skills and develop people to train them to support more of the day to day business. This is leading to rationalisation of suppliers leading to fewer, more strategic relationships concentrating on providing services we only do once or occasionally. These suppliers will be expected to provide better deals to win a larger slice of the business, again reducing costs.

For our people this is a great opportunity to develop skills and experience across larger, more complex infrastructures – and this will also develop promotion and personal growth to further careers. This will be supported by the introduction of more staff at the start of their careers through real apprenticeships, and in future years, graduate schemes and work placements.

To develop this properly we are creating “virtual” teams, led by one authority but with staff working in many locations, able to support our systems remotely. So for example, where we may have had 1 or 2 email specialists in each authority, we might now have 8 mail specialists across LGSS. This will lead to greater interworking and support, and the ability to put in place proper out of hours support for example. A single authority will lead each virtual team to co-ordinate the support and work with the technical leads on strategy, and this will create centres of excellence. This might lead to HDC becoming a centre for skills in a number of areas - for example, GIS, a current strength - pulling expertise together across LGSS.

HDC IT – The ICT /Information Management service as currently provided

Information Management Division (IMD) provides a wide range of services to HDC, including:

- Strategic leadership for ICT and Information Management
- Help Desk service
- Data and voice (desktop) network and associated infrastructure
- System support including IT Business Continuity

- Programme and Project Management & Business Analysis
- Websites and Intranet
- Information Management (including Freedom of Information but not Data Protection – latter the responsibility of Legal)
- System interfacing
- Management of IT contracts and suppliers including mobiles
- IT training
- Corporate Business Continuity (not part of the proposed delegation)

The service is led by a Service Manager with an Operations Manager and Development Manager completing the management team. There are c 30 FTE in IMD. However, to allow flexibility during this evaluation stage 6 posts (i.e. 20%) are either held vacant or have post holders on short term contracts.

IMD performs well across a number of key areas:

- **High levels of Customer Satisfaction** - in an annual survey with 95% rated overall IMD performance as Good or Excellent which compares with 92% in the proceeding 2 years.
- Regularly in the **top c.10% of District websites** - as assessed by the annual SOCITM Better Connected survey
- **Annual Revenue Budget savings** of c. £350k since 2009/10, forecast to reach c.£500k by 17/18
- **Delivered savings for other departments** - totalling many £k for example, adopting CPSN and a new CRM has saved £100k pa for Customer Service
- **Generated profit of over £100k** in the last 3 years by selling IMD products and services to other authorities
- **Robust & modern IT network** – with current project to significantly improve desktop performance
- Two **modern Data Centres** – with fast inter-connectivity
- **Multiple awards** – including the best LLPG in East of England in 2013
- Consistently **more than 90% of FoI** requests processed in under 20 days

This is underpinned by a series of service standards that allow effective delivery of performance. A detailed list of these will be part of the PDA, but to illustrate the breadth of the service a number of examples are provided below:

- The HDC website has a target availability of 99.9% uptime
- When customers have enquiries about the website they are generally responded to within 24 hours
- Should the website 'go down' the team will generally replace it with a 'site down' notification within the hour
- System, Network and Help Desk: range from Priority 1 (critical faults/requests) which we aim to resolve in 2 hours to Priority 4 (low level faults/request) which we aim to resolve in 5 days.

IMD is a proactive department with many projects both underway and planned. This will continue into the potential delegation to LGSS. A sample from across IMD include:

- **Replacing most of the desktop PC estate** to ensure these machines run a supported operating system from April 2014 onwards
- **Implementing aspects of the Customer Service Strategy** – for example even greater use of the Council's website through channel migration and moving the Call Centre from its current location at St Ives into the Council Offices at Huntingdon
- Concluding a project to **increase the use of e-forms** and more efficient assessment of claims within Revenues & Benefits.
- **Migration of our SharePoint estate** (the system that provides the Website, Intranet and a number of applications) to a more up-to-date version.
- **Market assessment of existing systems**, with the Leisure IT system being of notable significance
- **Email environment and archive upgrade** – software and hardware upgrade of the council's email and email archive systems.
- Changes to HDC's IT infrastructure and practices to achieve **PSN compliance** (Government's security rules for shared networks and inter-working between public bodies)
- Supporting the HDC – Cambridge City joint initiative to share **CCTV control room**
- Managing the **migration of HDC's mobile 'phones** to a new supplier (EE)

In addition IMD also maintains a log of prospects – which may become projects in due course. Some examples of these are shown below:

- Using mobile technology to create efficiencies– for example having ‘instant’ reports from refuse crews to officers in Customer Services
- Improving the HDC website to make it even more suited to use on mobile devices
- Continued market assessment of IT systems to ensure best value and comply with Code of Procurement
- Supporting other HDC services who may enter into shared service agreements with other organisations (not just with LGSS)

Overall IMD performs well and approaches the possibility of shared service from a strong baseline. In particular the IMD Management Team has a positive approach to sharing with LGSS-IT.

Anticipated Benefits

(i) Quantitative Benefits

The financial benefits to both organisations are set out in the tables below.

The largest and most significant savings would be generated by renegotiating existing hardware and software contracts. Using LGSS strategic partnerships and scale will drive licence and hardware cost savings from suppliers. This is estimated to be 10% for all costs with further savings of 20% from economies of scale from other District Council contracts already used in LGSS. LGSS is confident of being able to match or exceed this level of saving as this has already been achieved at Norwich City Council.

Other savings will be possible as opportunities arise to rationalise teams over the course of the contract.

IMD continues to generate profit through selling products (SharePoint applications) and services (business analysis consultancy and in the implementation/support for Uniform). There is a potential to increase the income using LGSS contacts and customers as well as jointly developing existing products and new ones for joint benefit.

The status of remote access and Bring Your Own Device (BYOD) solutions – e.g. provision of secure email to an officer or member owned smart phone – is under scrutiny by government PSN authorities. However, if HDC’s current pilot solution, GOOD, is retained then there can be some benefit from joint procurement and support with NBC who also use this product. This principle can be extended across other areas leading to savings from working together on projects across the LGSS group – doing things once and sharing multiple times.

(ii) Qualitative Benefits

- a) The System & Network team, although currently staffed by technically strong individuals, suffers from a lack of permanent staffing levels and overall capacity – especially when there is a heavy development workload. It would greatly benefit from the additional back-up and support from other LGSS IT experts. As this team is critical to the continuing function of all HDC's IT infrastructure this additional support is a significant benefit for HDC.

The current vacancy for a System and Network manager - planned to be dropped in any case from 2015/16 - would be replaced with support from the wider LGSS network team. There would be a qualitative benefit from managing the service as part of a single remote management team led from (but not necessarily based in) Cambridge.

- b) There could also be a significant qualitative improvement in out of hours (OOH) support. Once the networks and server estates are connected together we would be able to put in place a formal OOH support structure and spread the costs across LGSS. Currently, at HDC (as at CCC), this is done on a “grace and favour” basis at some risk to the business.
- c) Service Management (SM) processes have not been fully implemented at HDC. The implementation of the LGSS SM model - based on ITIL (an IT industry standard) - should allow the installation of consistent processes at low cost leading to benefits across the service.
- d) Database Administration (DBA) can be combined into a virtual team (i.e. servicing multiple sites) to relieve a current single point of failure and strengthen the support of the two major database systems i.e. Oracle & SQL. This is particularly important for HDC as it lacks SQL support capacity and this is a significant and growing issue.
- e) The IMD Help Desk provides a key service to customers who also appreciate the personal face to face support offered. Some additional work is needed to determine how best to achieve the current (or better) levels of service whilst also delivering this more efficiently. HDC would wish this important customer focussed service to be retained at Pathfinder House.
- f) The HDC EDM solution - Information at Work - from Northgate is also used in Norwich and moving to a LGSS solution long term may generate reductions. There will be many opportunities to rationalise systems across LGSS partner authorities but the significant investment of time & money should not be underestimated.
- g) There is a current HDC SharePoint 2007 upgrade to SharePoint 2010 project which could potentially benefit from other projects on-going at both Counties. SharePoint is used for

the Intranet, team shared sites and the Council Website. This IMD team also manages system integration and could fit well within the LGSS virtual teams to both provide and receive resource to meet HDC and LGSS needs.

- h) HDC's Customer Relationship Management (CRM) system has just been migrated to Microsoft Dynamics from Onyx. Similar projects are also ongoing at both CCC and NCC so there is a clear potential benefit for LGSS through reuse.

Unresolved Issues for further Consideration

There are a number of unresolved issues that require further work:

1. HDC needs to decide whether it will delegate the Business Analysis and Project Management Team and the responsibility for Information Management Strategy (such as information retention/storage rules, information sharing policies etc). A recommendation from IMD to retain this has been previously assessed by COMT; but they have asked IMD to document the alternative option of delegating this service. This will require some input from LGSS to establish the potential operating model and funding sources.
2. HDC needs to determine the scope of the LGSS Client Manager role for IMD (and delegated services more generally). This would have a cost to HDC - this isn't a role currently in place at HDC.
3. The decisions taken by HDC in (1) & (2) will have a bearing on whether HDC delegates control of ICT capital budgets approved by Members in the Council's Medium Term Plan (MTP). Over the 5 year period these budgets equate to over £1.8m
4. The HDC Senior Management Group (SMG) is currently being restructured and the IMD Service Manager post is at risk. HDC will not be transferring this role. Should the role be deleted there will be an impact on the remaining management roles within IMD as they absorb more responsibility from the deletion of the most senior role within IMD.
5. A further post within IMD may be deleted if the delegation occurs. This role is a technical one, delivering vital services to HDC. Further assurance is required that LGSS can deliver these services to HDC before this potential saving can be added to the Business Case. This would add a further circa £200k of savings to the Business Case. Further detail is not given here due to the need to maintain confidentiality.

6. A proposal to delete a vacant IMD Support Officer role is included at this stage – this will be removed if LGSS is not confident this role can be covered.

Cashable Benefits So Far Identified Against Baseline Budget:

Budget and net Benefits Summary

Summary	2014/15	2015/16	2016/17	2017/18	2018/19	Total
	£000	£000	£000	£000	£000	£000
Original Baseline Budget	1,870	1,835	1,805	1,785	1,785	9,080
Savings identified pre-transfer*	-140	-194	-194	-194	-194	-916
LGSS Support Charges	86	73	66	46	46	317
Revised Budget – Day 1	1,816	1,714	1,677	1,637	1,637	8,481
Savings	-47	-112	-152	-152	-152	-615
Savings – Third Party Contracts	-25	-79	-80	-105	-105	-394
Net Benefit Sub-total	-72	-191	-232	-257	-257	-1,009
Agreed New Budget	1,744	1,523	1,445	1,380	1,380	7,472
Total Savings	126	312	360	405	405	1,608
% Savings – From Original Baseline Budget	7%	17%	20%	23%	23%	

* HDC have indicated that some agreed savings from staff changes will now be made before LGSS Transfer. These savings are only possible because the replacement resource will be delivered in a cheaper way by LGSS, so have been included. LGSS recommend additional resources to strengthen the service and these costs have also been included. It should also be noted that as well as receiving the full saving HDC will bear the full costs of any redundancy payments which are not currently known and therefore are not currently included. A reasonable estimate of these costs would be around £60k.

In addition Capital budgets identified are:

Capital (£000s)	2014/15	2015/16	2016/17	2017/18
Telephony & ICT network renewal	0	0	100	100
ICT replacement & virtualization	132	132	277	132
Business Systems	195	195	195	195
Total	327	327	572	427

(b) Legal Services

Introduction

LGSS Law

LGSS Law is a legal practice of approximately 100 FTE based primarily in two branch offices in Cambridge and in Northampton making it one of the largest local authority legal teams in the UK. The team is focused exclusively on the provision of legal services to local authorities and other public/not for profit sector organisations and provides its services largely on a not for profit basis.

LGSS Law already works with a number of District and Borough Councils and our lawyers have a thorough understanding of the relevant areas of law including key areas such as planning, property and contract law. We also have a team of skilled litigators including barristers, who are able to handle all but the most specialist of matters for which we have a panel of Barristers chambers whose rates are discounted for LGSS Law.

The team has held Lexcel accreditation for many years and this year was a finalist in the MJ awards under the category of most innovative legal team. The team utilises a modern ICT based case management system on which we keep cases files and record time spent on files. This system also provides information for clients on their bills and the breakdown of work done. It is remotely accessible and enables team members from different offices to work on the same file.

LGSS Law operates as a business unit and charges directly for legal services used. This has many benefits for client authorities as it tends to ensure that legal support is used in appropriate way and provides transparency to ensure value for money.

Scale matters in the provision of a comprehensive legal service and LGSS Law exploits its scale to ensure that it provides all its clients with highly cost effective, responsive and robust services. The growing number of LGSS clients experience services levels of a large and well organised practice without the expense associated with obtaining that from commercial sector.

Huntingdonshire District Council – Existing Legal Team and Demand for Legal Services

HDC's in-house legal team comprises 7 FTE, including 2 solicitors, a Legal Executive, a Legal Assistant and 3 paralegal support staff. One solicitor post is currently vacant pending a decision on the possible partnership with LGSS and the legal assistant post has been filled on an interim basis to 31 March for the same reason. In common with other in-house teams HDC seek to undertake the bulk of the work within the team although there will be occasions when they need additional capacity or specialist expertise which is bought in from external providers. The in house team has had favourable responses to internal customer satisfaction surveys and also utilises a legal case management system (albeit different to that used by LGSS).

Due to the range of activities undertaken by Local Authorities, the legal teams are called upon to provide legal support across many areas of practice and this mitigates against team members developing specialisms.

The work of the in-house team is augmented utilising external Counsel and Solicitors. The figures provided indicate that an annual spend of around £100,000 on these external resources can be expected. Both the in-house team and LGSS have access to external legal framework contracts for solicitors and barristers and so benefit from the reduced rates that these frameworks provide.

The Council is required by law to designate one of its officers as the Monitoring Officer although LGSS Law could offer advice and support to that person, if necessary and has several team members with significant experience in that role. The financial information outlined below does not include the cost of the Monitoring Officer role at present.

Anticipated Benefits

The benefits fall into two main categories: those which provide a direct, cash saving and those which provide indirect financial savings or non financial benefits.

Direct Financial Benefits:

- i) Enhanced productivity. Better use of resources.
 - a. The integration of teams allows greater specialism and improved productivity.
 - b. Improved systems and greater performance focus.
- ii) Potentially a reduced need for outsourcing.
- iii) Where external legal support is required there may be potential for cost savings due to more active management of outsourcing.
- iv) Reduced cost of research/library.
- v) Shared training – reduced unit cost.
- vi) Access to business support services.

Items 1(a) and (b) above are difficult to quantify precisely in financial terms, however, experience over the last three years operation of LGSS Law has demonstrated the real potential for greater cost efficiency as a result of these factors.

Subject to undertaking due diligence to identify the existing volumes of work and fully quantify the existing costs of providing this, we would envisage that a 10% direct financial saving on the total costs would be readily achievable in the first year and likely to be exceeded in following years.

Current total cost of service is circa £276k pa @10% equals a saving of £27,461 in year 1 then, assuming increased efficiency is achievable as outlined above, increasing to 15%

(£41,461) in years 2-5. There will however be some transition and ongoing costs (see table below) for a number of years e.g. in transferring live cases to the LGSS case management system and maintaining HDC's Legal Case Management system for a number of years to deal with potential queries or legal claims.

Total net savings against baseline over 5 years = £171,485.

N.B. due to the collaborative nature of LGSS savings are shared at an agreed level.

The current cost of utilising external Counsel and Solicitors has been estimated at around £100,000 per annum. LGSS would envisage that a saving of 10% on this figure should be achievable as a result of reduced need to use external lawyers.

Indirect Benefits

- i) Greater resilience and responsiveness due to accessing larger team containing teams of specialist lawyer. Better able to manage peaks and troughs of work.
- ii) Access to more training and legal briefings.
- iii) Improved career development opportunities for existing in-house team members.

Financial Models

There are 2 financial models for consideration in terms of the charging mechanism for LGSS Legal Services:

- 'pay as you go' (Model A)
- block contract (Model B)

The details of these are set out below:

MODEL A:

The savings are derived in 2 distinct ways:-

- i) **reduced cost of service:**
 - more efficient team structure
 - spreading management overheads
 - highly efficient business support function, enabling fee earners to focus on fee earning
 - maintaining centres of excellence, supplying specialists to carry out work in a timely and streamlined manner
 - reduced reliance on external support
 - enhanced performance management

ii) smarter utilization of legal services:

- control of budget and transparency of costs enable and encourages smarter use of legal resource
- enables greater scrutiny by Senior Management Team of this use of the legal resource and rationing.

How it works:-

- HDC retain their entire legal budget and control the rate of expenditure;
- In terms of evidencing the savings, HDC see the under spend on their legal budget, and through the transparency of our business systems can assess precisely where the savings are being made;
- This entails HDC being charged by LGSS for the legal services they use, on an hourly rate which is discounted by 10% on the normal 'external' hourly rate. This represents a significant 'up front' saving.
- HDC pay LGSS on invoiced sums, where we will set out the detail of the costs incurred per matter during the billing period.
- The only obligation is to use the services of LGSS exclusively, who in turn take on all the risks for the staff who have been transferred.
- HDC needs to ensure measures are put in place to avoid client departments exceeding their budget

Savings are achieved by :-

- Making efficient use of all our staff, including the TUPE transferees, and allocating work according to appropriate levels;
- Enabling you to take advantage of our large team, an opportunity not available to you at your current size;
- Utilizing our business support systems, management systems and wider skill levels to deliver the costs savings you seek;
- Stripping out the management tasks currently undertaken and building these into our own model to further deliver efficiency savings;
- Minimizing the requirement for external legal support;
- Education of the client to utilize legal services in a more focused and efficient way;

Why it works:-

- It affords HDC a degree of certainty of costs from the outset – every instruction undertaken would be subject to a costs estimate agreed at the start of the matter.*[should the written estimate change for any reason which was not foreseeable initially, written confirmation would be supplied, in addition to a request to continue with the instructions]*

- this would contribute significantly to both the costs saving and to the degree of ongoing budgetary control. It encourages the user of the services to consider that usage in financial terms, and leads to more efficient and effective working relationships between fee earner and client.
- It utilizes the economies of scale afforded by the scope of LGSS and allows HDC access to a more streamlined management structure.

MODEL B

How it works:-

- HDC provide the budgeted sum at the outset of the arrangement, for an agreed amount of legal work based on historic usage.
- Legal work is then charged on the hourly rate basis against this fixed sum and any excess is charged at cost rate
- This represents guaranteed savings from the outset, as the budget is transferred **after** the projected savings of between 6/14% have been taken off.
- The proposed sharing arrangements for costs and savings would lead to any further savings in the [Delegated Activities,] [here meaning legal services], being shared on a 60(LGSS)/40 (HDC) basis.
- With regard to [Managed Contracts] the share is 80 (LGSS)/20 (HDC).
- This model means that the risks and rewards are shared between the partners, and would be set out in the PDA.
- This block purchase, which is effected by means of a monthly payment to LGSS, places a limit on the hours with challenging targets for all staff being set.

Why it works:-

- The share of the costs & benefits is shared by both parties to the arrangement.
- This model has been well tested in other arrangements, and has been refined to provide clients with the benefits of maximum efficiency and transparency.
- The purchase model enables HDC to retain control of the legal spend through the effective use of management systems.

Issues for Consideration

There are a number of potential issues for Huntingdonshire District Council, which will need to be considered.

If the option of pay as you go were chosen this would involve a significant change in the way in which the cost of legal services would be managed.

The existing legal budget would need to be apportioned on an equitable basis and allocated across the service areas (which may not be a simple exercise), who would then be required to manage that budget to purchase the legal services they require. This would be a departure from the existing situation where there is open access to the legal team constrained only by the limit of team's capacity.

If this payment model was used HDC will require some sort of monitoring of expenditure by managers and the Council as a whole to ensure its budgets are not exceeded. This could have benefits in "empowering" managers and avoiding the unnecessary use of legal, but conversely might discourage use of legal at an early stage when this might avoid potential problems later.

Other issues which will apply irrespective of the chosen model include:-

- The need to migrate live matters from one case management system to another and to maintain a database archive for a number of years. Although there will be some staff time and cost involved in this process, experience gained from similar previous exercises has demonstrated how this can be minimised through careful management of the process. There would be an ongoing cost, however, of maintaining the Council's current Case Management System for a number of years to deal with any issues or claims that may arise out of completed matters.
- More limited availability of legal staff on site for immediate access. Currently both officers and elected members have ready and immediate access to the in-house legal team and not having the equivalent presence on site will require a change of culture and practice. On the face of it this may be regarded as detrimental but it may have some benefits in that it may reduce the level of interruptions and thereby increase productivity. It also instils more discipline in instructing officers to utilise their contact time more effectively.
- As part of supporting the transition LGSS LAW would provide awareness training and workshop style programmes where these would be helpful, both to HDC staff and client officers if appropriate. This would assist with the understanding of how, for example, a Pay As You Go model might operate in practical terms, and seek to promote a more detailed understanding of the use of the legal resource under the new arrangements. This might include a detailed Induction Programme, incorporating information on charging mechanisms, time recording, contact and access details, aimed at promoting a supportive and transparent process for the transition so that all parties are involved in making the change experience a positive one.
- Senior members of the LGSS LAW management team would be regularly present at HDC, both on an 'ad hoc' basis as required for support and also in a regular pattern of meetings and open access visits. It is anticipated that there would be as a minimum a weekly presence at HDC, with a planning lawyer additionally present on planning committee days. Whilst not necessarily frequent, conflicts of interest

between the 2 organisations may arise. However, LGSS Law has experience of managing these by utilising its two geographically separate offices to form 'chinese wall' arrangements which have proved effective.;

- Potential loss of personal knowledge of the organisation and how it operates. Although there will be a greater pool of lawyers who can potentially be deployed on HDC work and some will not possess as great a knowledge of the organisation, as part of client care, LGSS Law will aim to deploy team members in such a way that they focus on a limited number of client authorities and thereby develop and maintain 'local knowledge'.

Support for Transition

Whichever model is adopted, it is not fixed but would be subject to review after the first 12 months of operation. In the event of issues arising the alternative model may be adopted if appropriate.

In both cases LGSS would provide a comprehensive service to the client, including out of hours support where necessary and provision of contact details accordingly.

Our interest in going forward is to develop a viable, sustainable and broad based quality service, whilst delivering clear and measurable savings for the authority.

Cashable Benefits So Far Identified Against Baseline Budget:

Summary Table: Legal Services Internal

Legal Services - internal	2013/14	2014/15	2015/16	2016/17	2017/18	Total
	£	£	£	£	£	£
Baseline budget	276,408	276,408	276,408	276,408	276,408	
Costs	10,000	3,000	3,000	3,000	3,000	22,000
Savings	-27,641	-41,461	-41,461	-41,461	-41,461	-193,485
Net Benefits	-17,641	-38,461	-38,461	-38,461	-38,461	171,485
% Net Savings	6%	14%	14%	14%	14%	

Summary Table: Legal Services External

Legal Services - External	2013/14	2014/15	2015/16	2016/17	2017/18	Total
	£	£	£	£	£	£
Baseline budget	100,000	100,000	100,000	100,000	100,000	
Costs	0	0	0	0	0	0
Savings	-10,000	-10,000	-10,000	-10,000	-10,000	-50,000
Net Benefits	-10,000	-10,000	-10,000	-10,000	-10,000	-50,000
% Savings	10%	10%	10%	10%	10%	

Baseline for external expenditure is based on historic spend over the last three financial years.

(c) HR & Payroll Services - *Current Provision & Benefits Realised*

Introduction

HDC already receive HR and Payroll Services from LGSS, which came into affect in April 2012 via a Delegated Partnership Agreement.

Working with LGSS brings benefits to both the contracting organisation and the employees that transfer into LGSS employment. This report aims to set out the benefits that have been realised by Huntingdonshire District Council (HDC) as an organisation, and also to those Human Resources employees that have transferred into LGSS.

HDC Organisational Benefits

Strategic HR Support

Strategic HR support prior to the commencement of the LGSS contract was provided to HDC by a contractor. From the start of the LGSS contract, LGSS have provided a dedicated HR Business Partner to HDC, in addition to the employees that transferred from HDC into LGSS. Senior managers have noted and reported a more strategically focussed and risk preferring approach to HR management to support the organisational objectives.

Organisational and Workforce Development

A significant benefit to HDC is the ability to access the wide ranging accredited management development programmes, vocational qualifications and short courses offered by the LGSS Organisational and Workforce Development (OWD) team. The ability to access this wider offering brings with it more cost effective provision due to the buying power of LGSS, and the wider range of internal expertise on offer across a larger organisation. 500 short course spaces are provided to HDC as part of the contractual offering. In addition to these, consultancy days and Strategic OWD support is offered.

Significantly increased resilience in service provision

The transferred employees into LGSS are now part of the wider People, Transformation and Transactions Directorate. This means that resources can be pulled from a wider group of staff significantly increasing the resilience in service provision, and reducing the reliance on a small team of staff.

LGSS administer and manage the HDC payroll, and consistently high accuracy rates have demonstrated that this transfer of service provision has been highly successful. Again transferring the HDC payroll team into the wider LGSS Payroll team has significantly increased the resilience and resources that this team are able to utilise.

Access to Specialist Professional Services

In addition to maintaining the current levels of service provided to HDC prior to the transfer, the LGSS staff who have transferred into LGSS are able to access and utilise specialist professional advice within areas such as HR Policy. This would not have been freely available to HDC staff prior to transfer and significantly improves the quality of advice and service being provided.

For Transferred Employees

Greater HR resources to help out with peak workloads

The transfer and integration of the HDC teams into LGSS teams has enabled resources to be utilised outside of the dedicated HDC teams when necessary. An example of this is where an independent HR Adviser is needed to support a disciplinary appeal and all staff in the HDC team have been involved in the case.

Wider pool of HR Professional Colleagues

The employees are now fully integrated into the relevant teams that they have been transferred into and able to learn from and share best practice with the wider LGSS teams.

Promotional Opportunities

Transferred employees are now able to apply for any vacancies internal to Cambridgeshire County Council or across LGSS. An example of a recent promotion is the appointment of one of the HR Advisers who transferred from HDC to the post of HR Manager.

In summary it can be seen that there are significant benefits to both HDC as an organisation and to those employees who transferred from HDC to LGSS. It is expected that the same benefits will be realised for any future HDC staff who may transfer into LGSS if new services are contracted from LGSS.

HR & Payroll Services will be included within the new Partnership Delegation Agreement so that any future benefits afforded by this particular Agreement can be realised within the new five year term associated.

6. Financial Summary

6.1 Sharing Arrangement (costs and savings: net benefits)

The proposed sharing arrangement for costs and savings is detailed in Appendix A

6.2 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 performance and 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

6.3 Costs

Costs totalling £54,833 have been included in the Business case with £22,000 included within the services to realise savings outlined in the Business case.

The remaining costs of £32,833 relate to:

- (a) costs associated with service assurance and performance is outlined in section 4 Governance and;
- (b) 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 HDC, these have been kept to a minimum, but include the cost of a 6 week transition period, involving a Project Manager and HR support, and the Legal resources involved in drawing up the partnership agreement.

There will be an opportunity cost to both HDC and LGSS 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.

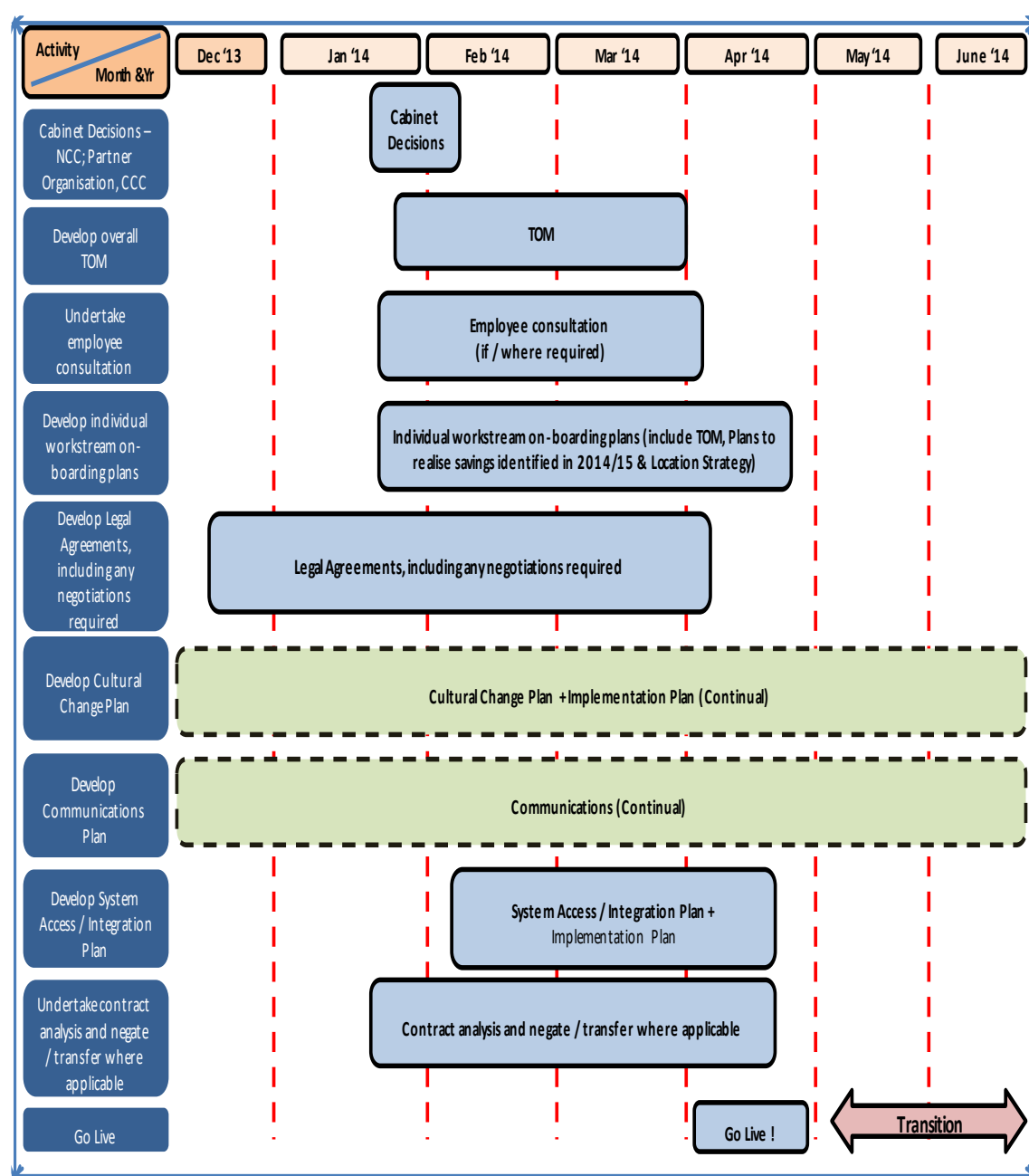
Details of all the costs associated can be found at Appendix A.

7. High Level Implementation Plan

The key activities to on-board HDC are outlined in the diagram below.

A more detail plan will be developed and project governance established once the key decisions have been made in January and February 2014.

To on-board the services, both parties will have to work closely together to ensure a smooth transition to meet an agreed April 2014 service commencement date.



8.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 has been 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

			<p>new work processes</p> <p>Strong and supportive leadership to guide staff through the change.</p>
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 into it.