

**LGSS: SHARING SERVICES WITH NORTHAMPTON BOROUGH COUNCIL**

**To:** Cabinet

**Date:** 27 November, 2012

**From:** Christine Reed, LGSS Director of People and Transformation

**Electoral division(s):** All

**Forward Plan ref:** 2012/050 **Key decision:** Yes

**Purpose:** To consider the opportunity for LGSS to provide services to Northampton Borough Council on an Added Value Partner basis following recommendation from the LGSS Joint Committee on October, 18<sup>th</sup> 2012.

**Recommendation:** Following approval of the LGSS Joint Committee on 18<sup>th</sup> October 2012, it is recommended that Cabinet authorise, subject to agreement of appropriate terms:-

- a) the proposed provision of the in-scope services to Northampton Borough Council under the auspices of the LGSS Joint Committee on the basis of the recommended model.
- b) the establishment of an LGSS Revenues and Benefits Board, reporting to the LGSS Joint Committee, having oversight of the Revenues and Benefits elements of the in-scope services and comprised of two members of the LGSS Joint Committee and one member of Northampton Borough Council, as nominated by their respective Councils.
- c) the LGSS Managing Director, in consultation with the LGSS Director of People Performance and Transformation, LGSS Director of Law and Governance, Chair and Vice Chair of the Joint Committee, to negotiate and agree appropriate terms and conditions with Northampton Borough Council, under which the arrangements will operate.
- d) the LGSS Director of Law and Governance to prepare, approve and complete any necessary legal documentation.

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## 1. BACKGROUND

- 1.1 Northampton Borough Council's (NBC) vision is to be one of the best Councils in terms of public service. In support of this vision NBC has committed to delivering financial and non-financial efficiencies to ensure that their 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.
- 1.2 To this end, LGSS and NBC started working together in April 2012 to jointly consider options and develop a business case for sharing services.
- 1.3 In line with LGSS's strategy, this proposal seeks to increase its scale further to maximise the benefits available to its founding authorities, to its existing partners and to local taxpayers.
- 1.4 The proposed arrangements complement a number of LGSS's strategic objectives, and gives further evidence of LGSS's ability to successfully deliver shared service solutions.
- 1.5 The assumed start date for delivering services to NBC is April, 2013.

## 2. BENEFITS

The total net cashable savings identified through sharing are £9.456m over five years. LGSS believes this figure to be conservative, partly due to the collaborative approach taken to identify the savings and work is ongoing to investigate further savings opportunities. It should also be noted that the business case will be updated as further work is undertaken to refine both baseline costs and savings. The business case is included in **Appendix A**.

- 2.1 The business case excludes cashable opportunities with regard to renegotiating/rationalising IT contracts towards 2016/17. These are thought to be significant, but have been excluded in cashable terms due to their longer term and more speculative nature.
- 2.2 In addition to the cashable savings identified there are significant qualitative benefits for LGSS and both NBC and our existing partner, Norwich City Council (NoCC), for example:
  - The system and strategic expertise NBC offers LGSS around Revenues and Benefits, a service which LGSS currently provides to NoCC.
  - The potential to develop a marketable LGSS Revenues and Benefits Agency service offering which could generate further income opportunities.
  - NBC will further expand the LGSS shared services offering with its well developed housing and Agresso systems.
  - The resilience LGSS offers NBC as any alternatives for NBC 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 NBC 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.

### **3. SCOPE**

3.1 The NBC services considered as part of the business case and in scope of the proposal are:

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

3.2 Asset and Facilities Management, Regeneration, Audit, the Monitoring Officer role, Risk Management, Policy, Performance and Public Consultation and NBC's Print Unit are excluded from scope at this time. However, it was noted that the provision of Audit services could be reviewed in 12 months time.

3.3 As a result of the proposed arrangement, LGSS would also gain the following new functions and systems:

- The Housing Revenue Account and systems
- NBC's Agresso ERP system. This system is widely used by District and Borough Councils

3.4 Both of these could potentially increase LGSS's marketability and attractiveness to other District and Borough Councils.

### **4. EMPLOYMENT MODEL**

4.1 To effectively realise the savings identified, it is proposed that NBC staff TUPE transfer to Northamptonshire County Council as part of LGSS.

4.2 LGSS has been successful in using this approach, most recently with Norwich City Council and Huntingdonshire District Council staff who TUPE transferred to Cambridgeshire County Council when joining LGSS.

4.3 If TUPE were not to be agreed as part of the recommended model for sharing services, then the net impact would be a minimum of a 20% reduction in the identified cashable savings as well as a re-profiling of the savings over a longer period (minimum of a year). This is because:

- Consultation and negotiation with 3 different employers and trade unions would be complex, slow and would significantly reduce LGSS's ability to transform and release people savings.
- Standardising and converging processes would be more difficult.
- Culturally, 3 employers would make it difficult and take longer to transform services and create and embed an LGSS identity.
- 3 different employers and sets of terms and conditions could lead to inequity and potential legal challenge, as well as poor staff morale.

4.4 If approved, it is estimated that 237 FTE would be included in the TUPE transfer, although this is subject to due diligence.

- 4.5 Due to the proximity of NBC and NCC, full advantage will be taken regarding location. Teams will co-locate where there is a business case to do so. This would be in collaboration with NBC and teams would be fully consulted where this is proposed.

## **5. PARTNERSHIP MODEL**

- 5.1 Following extensive exploration of the benefits to be derived from a partnership between NBC and LGSS, a strategic partnership is proposed whereby NBC will delegate the provision of its support services to LGSS.
- 5.2 It is proposed that NBC will become an Added Value Partner of LGSS. This would be on the same partnership basis as the current arrangements between LGSS and Norwich City Council. . This means that NBC would not become members of the Joint Committee.
- 5.3 In terms of the governance of this model, the partnership will be founded in accordance with a formal Partnership and Delegation Agreement which would set out a range of terms, conditions and specifications defining the relationship between LGSS and NBC.
- 5.4 Management and monitoring of the services within the agreement would be carried out between NBC and an account manager within LGSS for NBC. This will be supported by formal reporting by LGSS against agreed performance measures.
- 5.5 LGSS has established a Partner Liaison Board as a forum for its Added Value Partners to engage with the business at the core of its governance arrangements and this forum would be open to NBC.

## **6. REVENUES AND BENEFITS SPECIALIST SERVICE OFFERING**

- 6.1 When LGSS entered into its shared services partnership with Norwich City Council (NoCC), Revenues and Benefits were added to the LGSS offering; however there are some significant improvements required in this service. 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 within LGSS and its service to NoCC.
- 6.2 The Revenues and Benefits service is intrinsically linked to its contact centre at both NoCC and NBC, although different approaches in how they interact are taken in each. The options around this are currently being analysed, but the 2 main options are:
1. Revenues and Benefits would move into LGSS, but NBC would provide the front end customer contact for this service through a SLA back to LGSS; or
  2. The Revenues and Benefits service moves entirely into LGSS including customer contact, with NBC retaining its own customer contact centre
- 6.3 The Revenues and Benefits (R&B) service will be significantly affected by changes that are currently being considered by central government, e.g. the introduction of 'Universal Credit' and other welfare reforms, such as changes to the Council Tax Support Scheme. As the impact is currently unclear, any assumptions and figures based on this have been excluded from the business case. However, this could present an opportunity for both LGSS and NBC to benefit through the sharing of

expertise and specialist research and development of potential solutions when more is known about the reforms.

- 6.4 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 District, Borough or other future customers.
- 6.5 NBC are unlikely to progress such an offering alone and LGSS would provide a platform and market legitimacy for this service. For LGSS, it could increase the market viability and attractiveness to other District and Borough Councils or other customers, bringing in additional future revenue.
- 6.6 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 model is depicted in diagrammatic form in **Appendix B**.
- 6.7 The Board would report to the LGSS Joint Committee and would in effect constitute a subsidiary of the main LGSS Group. Should this be agreed, the Board 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.

## **7. TIMESCALES**

- 7.1 In addition to CCC's Cabinet, the decision will also be going to NCC and NBC Cabinets in November 2012 (13<sup>th</sup> and 14<sup>th</sup> November respectively).
- 7.2 The Partnership and Delegation Agreement may have to go to NBC's full Council for approval.
- 7.3 The assumption in the business case is April, 2013 for service commencement.

## **8. ALIGNMENT WITH PRIORITIES AND WAYS OF WORKING**

### **8.1 Developing the local economy for the benefit of all**

This proposal is a part of continued commitment to collaborative public-public partnership working that will enable greater efficiencies and value for money.

The report above sets out the implications for this in sections 1.3, 2 and 9.

### **8.2 Helping people live healthy and independent lives**

There are no significant implications for this priority.

### **8.3 Supporting and protecting vulnerable people**

There are no significant implications for this priority for Cambridgeshire citizens.

## 8.4 Ways of Working

The following bullet points set out implications identified by officers for:

### **Leadership:**

By working together, this proposal will enhance an already effective partnership arrangement and allow partners individually and collectively to achieve best possible value for money in sharing in the delivery of business services. It will add to, and build LGSS's reputation as a leader in this field.

### **Investing in growth:**

LGSS was chosen as the Council's preferred delivery model for the provision of business services to Cambridgeshire and Northamptonshire County Councils and others. The LGSS strategy includes planned outcomes that include the delivery of; value for money business services and minimum cost business services. Growing the LGSS partnership is also a key theme which will directly improve the ability to ensure value for the taxpayer.

## 9. SIGNIFICANT IMPLICATIONS

### 9.1 Resource and Performance Implications

9.1.1 The total net cashable savings identified through sharing are £9.456m over 5 years. The details of savings and how these may be split are outlined in **Appendix C**, which is exempt from publication by virtue of paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972.

9.1.2 The table below shows the costs which have been included in the business case:

		Forecast		
	2013-14	2014-15	2015-16	2016-17 & 2017-18
	£000	£000	£000	£000
<b>Revenue costs</b>				
Costs – Staffing	119	0	0	0
Other	267	226	47	93
Total costs	386	226	47	93
Funded by	The costs identified above are funded through the project on-boarding as "investment to transform". The costs are linked directly to the delivery of financial benefits. The business case identifies the net benefit position (costs (as per the above) – savings = net benefit). The savings identified in year one out-weigh the costs identified and therefore the breakeven/pay back is in year one.			

What benefits will the proposal deliver?	In addition to net benefits through sharing of £9.456m over 5 years, there are significant qualitative benefits. These are outlined in section 2 of the Cabinet paper and the detailed financial implications are included in <b>Appendix C</b> , which is exempt from publication by virtue of paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972.
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## 9.2 Statutory, Risk and Legal Implications

### 9.2.1 Risk(s) associated with the proposal

<b>Risk</b>	<b>Mitigation</b>	<b>Residual Risk</b>
NBC's baselines and the costs/savings in the business case will be 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 within LGSS and NBC, the transition and 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 in taking on a new partner.	The project plan should account for the required approvals and a robust project governance structure will minimise the impact on the project.	Amber
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.	This could present an opportunity for LGSS, however it should be considered carefully from both sides when developing the Partnership and Delegation Agreement.	Amber
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.	Provision for this will be incorporated in to the Partnership and Delegation Agreement, but it could also be an opportunity for LGSS to deliver these services more widely.	Amber

### 9.2.2 Risk(s) associated with not undertaking the proposal

<b>Risk</b>	<b>Risk Rating</b>
Without taking on NBC as an Added Value Partner, , there is a risk that net financial and other benefits aren't realised and LGSS would need to onboard other partners to meet its income targets in 2013/14.	Red
There is a reputational risk of not taking this opportunity, given the close proximity to NCC and the benefits that have been identified through sharing.	Red

### 9.3 Equality and Diversity Implications

LGSS has carried out an equality and diversity impact assessment and there are no implications arising from the report.

### 9.4 Engagement and Consultation Implications

9.4.1 A report outlining the proposal went to the LGSS Joint Committee on 18<sup>th</sup> October 2012. The recommendations in this report were approved at this meeting.

9.4.2 The LGSS 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 the 18<sup>th</sup> October formal meeting.

9.4.3 Staff who would TUPE transfer to Northamptonshire County Council would be fully consulted and terms protected in accordance with legislation.

### 9.5 Public Health Implications

There are no public health implications.

### Appendices

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

**Appendix A: NBC and LGSS Business Case**

**Appendix B: Diagram of potential revision to LGSS governance arrangements**

**Appendix C: Financial implications**

Source Documents	Location
None	