Appendix 2

Outline Business Case for Milton Keynes Council Membership of LGSS Joint Committee

Date:14 December 2015

Version:Final

Key document information

Owner's name	Milton Keynes Council – Tim Hannam, Corporate Director, Resources LGSS –John Kane, Managing Director
Version No	Summary of Changes
Final	Final Outline Business Case for Approval

Contents

1 Executive Summary

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.

In October 2015, MKC Cabinet gave approval to create an outline business case based on the proposal that Milton Keynes Council would join LGSS as a full Joint Committee partner. This proposal addresses the principles of the MKC financial strategy, but is primarily a proposal to deliver services differently, while contributing to the financial savings required for the medium term.

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.

The outline business case will deliver a total of £4.47m of financial savings over the period 2016 to 2021. In addition, any benefits beyond the medium term financial plan requirements will be shared between the full partners of LGSS. As well as a clear financial benefit, the OBC sets out a number of non-financial benefits, such as resilience and flexibility, specialist roles, shared systems and support and sharing best practice, which strengthens the rationale for proceeding with this shared service.

2 Introduction to LGSS

LGSS is a well-established, stable and growing shared services organisation which offers very cost effective, shared managed services to the UK public sector.

LGSS was established in October 2010 and is co-owned by Cambridgeshire and Northamptonshire County Council as a 'public to public' Shared Services operation, and it has expanded significantly in recent years with several other Local Authorities and other public bodies (including Norwich City Council and Northampton Borough Council) choosing to transfer their business support services to LGSS. LGSS now has more than 1350 employed across all LGSS shared services operations.

LGSS' business ethos is based on "By the public sector, for the public sector" and LGSS business cases are based on economies of scale, rationalising suppliers, standardisation where possible, and flexing and sharing resource much more cost effectively and for the shared benefit of all LGSS partners and customers.

LGSS is committed to keeping LGSS jobs in the UK and as local to theirpartners and customers as possible. LGSS makes savings and delivers customer benefits through a focus on smarter working, leveraging joint customer investments, greater re-use of assets, shared knowledge and adoption of good practice across all partners and customers.

3 Scope

The services covered in the outline business case are:

- Finance
- ERP
- ICT
- Human Resources and Learning Services
- Transaction Services (Finance, HR and Payroll)
- Revenues and Benefits
- Debt Recovery
- Procurement
- Internal Audit, Fraud and Risk Management
- Insurance
- Democratic Services (excluding elections)
- Service Delivery to Schools

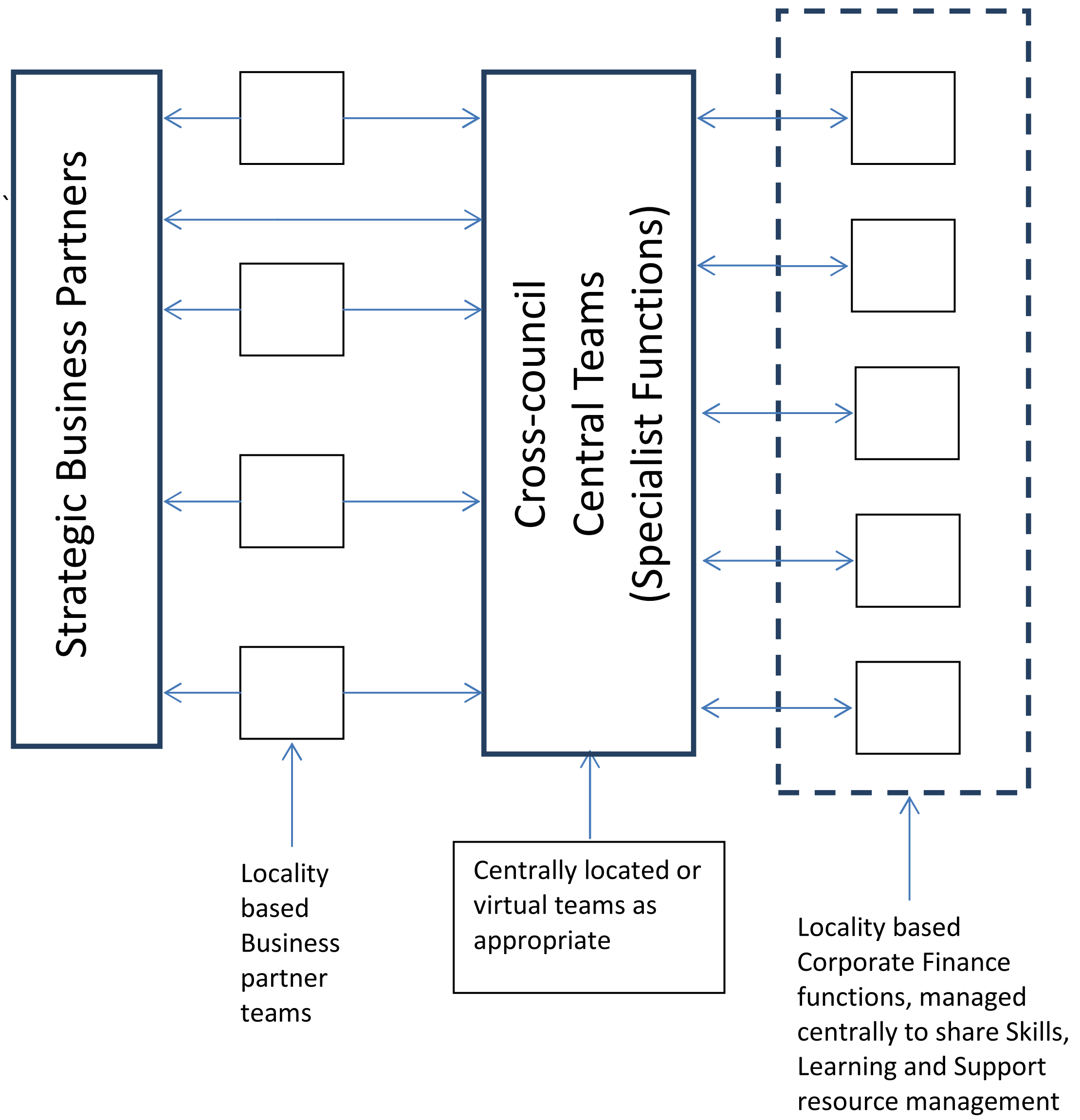
4 Finance Professional

4.1 Executive Summary

The Outline Business Case for Finance reflects the opportunities from greater economies of scale to redesign financial services based on a number of key principles:

- **Business Partnering Services -** All councils will require a strategic customer focussed but challenging business partner approach, to support managers and leaders throughout their organisations. These roles will need a strong awareness of local issues and will be critical to effective financial management for all organisations going forward.
- **Cross Council Functions -** There will be a number of functions which will be delivered centrally, supporting all councils within LGSS. These are functions where specialist skills and knowledge are required and can be better sustained by sharing these roles also creating added resilience for all councils.
- Financial management support will be provided on a risk-based approach, with good budget management tools to support manager self service.
- The implementation of a shared Agresso ERP platform will be essential to the delivery of further cost reductions and service improvements in Finance. As this will reduce system and support costs; create improved self-service tools and process and enable ongoing development of cross council solutions.
- The finance service will increase its expertise and add increased value to the councils by sharing information, ideas and best practice.
- The councils in this new arrangement are all undergoing major change; there are a number of major projects which will need to be delivered over the medium term. The revised finance team will look to develop specific skills and capacity to support individual organisations with these major projects.
- All councils will have a named S151 officer (as required by legislation). These officers may support more than one organisation, providing they are adequately supported.

As a result of these principles the future finance service will be delivered as follows;



This Outline Business case indicates £0.7m of savings from a combined net budget of £5.8m over the next four years. These savings will be achieved from a combination of cost reduction and increased income. In addition there are the following non-financial benefits:

- Increased resilience by greater volume of people, this means small specialist functions can be delivered in a more secure manner, including greater ability to retain and attract specialist skills.

- Increased size provides the ability for the service to provide career progression and development. All councils are committed to training and growing future finance professionals who will be managers and specialists of the future.
- Bringing spending capacity together will also provide significant benefits in terms of single systems implementation; support and process improvement.
- Sharing best practice and ideas for financial savings across councils, adding greater benefits to these organisations.
- Bringing together traded services will give a stronger market share, across a wider area as a good base for increasing income for the benefit of the partner authorities.

4.2 Service Delivery Model

4.2.1 The Current Model

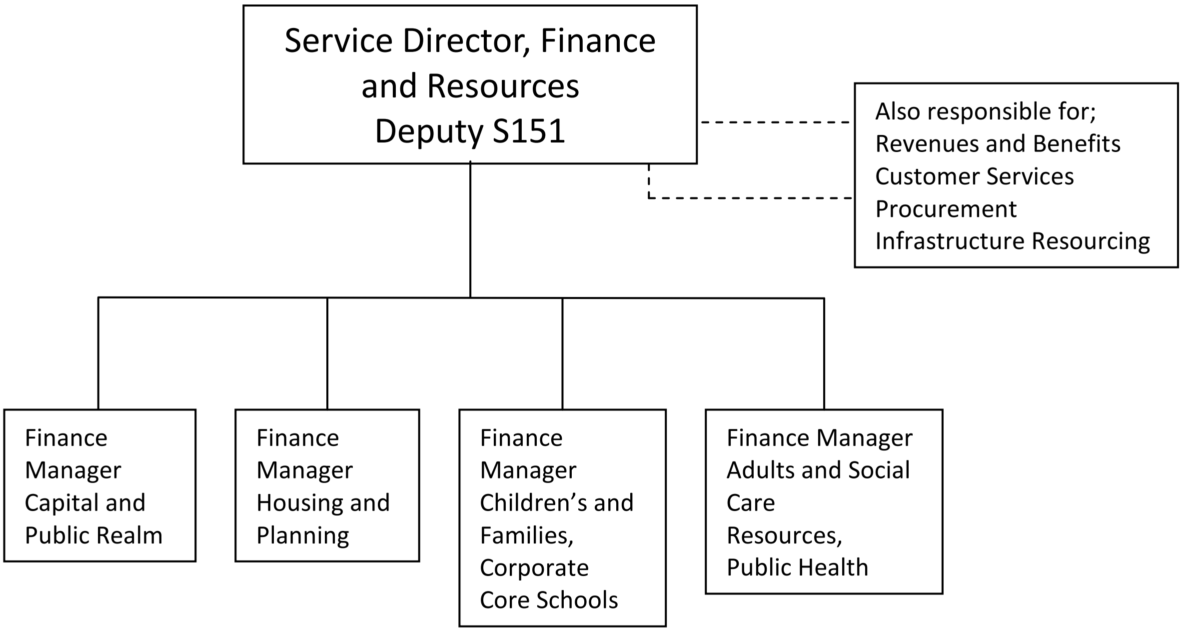
Milton Keynes Model

The Milton Keynes Council model for finance currently includes transactional services (accounts payable, payments and purchasing hub, systems finance, which includes income allocation and finance and financial assessments). These more transactional services are included in a separate proposal for integration. Therefore this business case focuses on the non transactional finance services and does not incorporate the transactional functions.

Milton Keynes currently operates 4 business partner teams, supporting 3 corporate directors and the management of the capital programme. These roles currently offer business partner services including financial advice and support, projects to implement change and delivery of key financial processes such as budget setting and budget forecasting and management. MKC has a two stage capital approval process which is integrated with project management and assurance. A particular focus is ensuring that the considerable resources from developers (including our unique tariff funding solution) are committed and utilised to deliver essential infrastructure for communities.

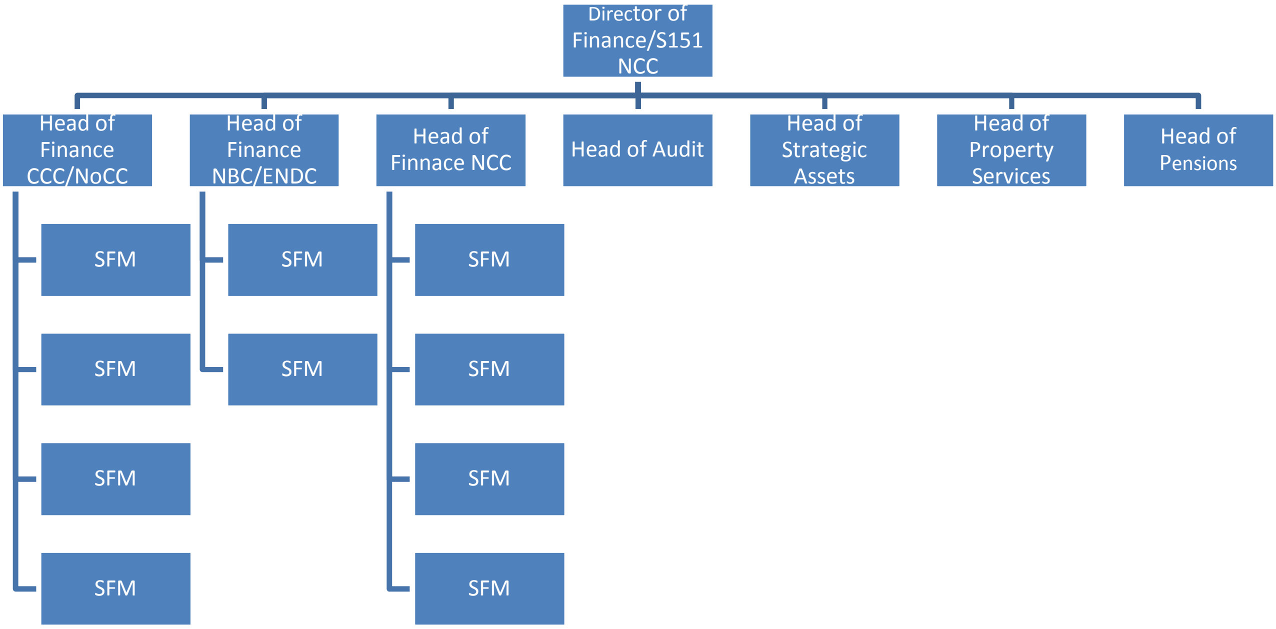
MKC has a corporate finance team which manages the medium term financial planning process; council tax and business rates forecasts and treasury management functions. Final accounts and the co-ordination of budget monitoring are currently overseen by a co-ordination team, due to historic client/contractor models. These functions were planned to be brought together under a single team, however this was delayed due to recruitment issues.

The service currently operates under the following model;



LGSS Model

Finance is currently one of four services led by the Director of Finance LGSS, the others being Audit, Strategic Assets, Property Services and Pensions as set out in the structure below.



The Finance model is predominantly based on a Business Partnering approach with the Strategic Finance Managers (SFM) leading support to service directors as well as holding corporate responsibilities along some established centres of excellence.

The centres of excellence currently operate across the full geography of LGSS' current operations. There is a Strategic Finance Team operating out of the Northamptonshire office which provides Treasury and VAT/Tax functions, high level Local Government Finance support and the systems 'client' role for the Directorate. There are less well established centres of excellence on school services and closure of accounts, these arrangements being put in place in the current year. The Schools work is led from the Cambridge office and includes statutory work on the formula as well as a single traded option. The close down team is led at a Group Account level in the Northampton office and currently just covers the two county councils.

There is a mixed economy on the Business Finance Partnering model operated by the three Heads of Finance. From the left of the structure chart the Cambridgeshire team is split across:

- Children's Social Care plus the schools centre of excellence,
- Adult Social Care and Public Health,
- Corporate and Environment Transport and Economy, and
- The Norwich Team.

The Northampton team is split across:

- Housing and Customers and Communities with the lead for HRA, Budget Monitoring and
- Planning and Regeneration, Enterprise and Planning and Corporate with the lead for Closedown and Technical.

Finally, the Northamptonshire team is split across:

- Children's Families and Education,
- Adult Social Care and Public Health with the lead for monitoring and budget planning,
- LGSS, Environment Development and Transport, Corporate Services, with the lead for Capital and the Centre of Excellence for the Closure of Accounts, and
- Strategic Finance

Discussions between MKC and LGSS have highlighted that the key functions of the finance service are the same across both organisations, even though the structure of delivery is different. As a result there are some natural synergies that can be exploited through a partnership between MKC and LGSS. For instance the joining of resources, knowledge and expertise in specific areas can build further on the cross- council delivery model already in place within LGSS covering areas such as VAT, treasury management, strategic funding and projects. The principles underpinning the MKC / LGSS proposal are provided in the following section.

4.2.2 Proposal for Day 1 of Transition

The aim will be to balance a seamless transition against the need to move towards the target operating model. The planned approach is as follows:

Day One:

- Merge the MKC Finance Team into the revised LGSS Directorate structure
- This will involve splitting the existing MKC Finance Team into Finance and Finance Transactions
- Staff in the Finance Service will be moved into existing cross functional teams (currently Treasury Management and VAT)
- It should not be underestimated the impact of this change on staff and it will take time for this structure, new management reporting lines and service provision to "bed in"
- It should also be noted customer engagement in this transition will be critical as they will continue to see the "Finance Team" as one team from their perspective
- Determine if a cross council functional team can be created to deliver the closedown of the 2015/16 Accounts

Year One:

- Fully integrate MKC finance staff into the cross council "Closedown Team"
- Create a cross council "Capital Team"
- Create new integrated teams in Finance for Housing and Schools

Year Two:

- Create Business Partner teams which have a greater focus on cross council integration. This will include joint management, locally based support and cross functional teams.

- Creation of further integrated cross council teams.

4.2.3 Ambition for 3 years time

There are a number of principles which supports the design and ambition for an integrated finance model:

- **Business Partnering Services**

  All councils will require a strategic customer focussed but challenging business partner approach, to support managers and leaders throughout their organisations. These roles will need a strong awareness of local issues and will be critical to effective financial management for all organisations going forward.

  The Business partners will be underpinned by a combination of local and central resources to enable sharing and maintenance of specialist skills. Business partners will be the key link at a strategic level, and must be able to advise on a broad range of issues including; budget management, budget setting, governance and risk management; projects and major changes and all on a revenue and capital basis. In order to sustain the necessary skills for these roles within the financial envelope available, it is possible that some of these roles will be cross council, but well supported by local teams. All Corporate Directors will have a single named finance lead to provide strategic level advice and support.

- **Cross Council Functions**

  There will be a number of functions which will be delivered centrally, supporting all councils within LGSS. These are functions where specialist skills and knowledge are required and can be better sustained by sharing these roles also creating added resilience for all councils. It will however be essential to ensure these teams are well linked to business partners and other staff with corporate or local functions. The communication and responsiveness of these central teams will be vital to the success of future service delivery. The functions which could be delivered centrally across a number of councils are as follows;

- Schools (funding including support for Schools Forums and Commercial trading activity)
- VAT
- Treasury management (both providing strategic advice and transactional processes)
- Final accounts
- External funding
- Capital (including financing and accounting)
- Technical corporate functions

- Financial management support will be provided on a risk-based approach, with good budget management tools to support manager self service. The budget monitoring process will be based on the same core processes across all organisations, with the resulting information presented and used in a manner which is most appropriate for individual councils. Self-service tools for managers will be based on a shared Agresso ERP platform, but with additional functionality to ensure tools are easy to understand and use. This is essential to moving the Finance contribution to more value added support. Budget manager tools will provide access to timely and accurate reporting and forecasting will be common across all councils, but with appropriate local reporting to meet the needs of the individual councils.

- The implementation of a shared Agresso ERP platform will be essential to the delivery of further cost reductions and service improvements in Finance. As this will reduce system and support costs; create improved self-service tools and process and enable ongoing development of cross council solutions.

- There is a major change agenda for Finance as part of this proposal so there will need to be some project change capacity within the service, to ensure improved processes, service quality and reduced costs continue to be delivered. The resource to ensure that LGSS has the capacity to support new business development, both within Finance and financially across the whole of LGSS, will be critical to the ongoing success of the partnership.

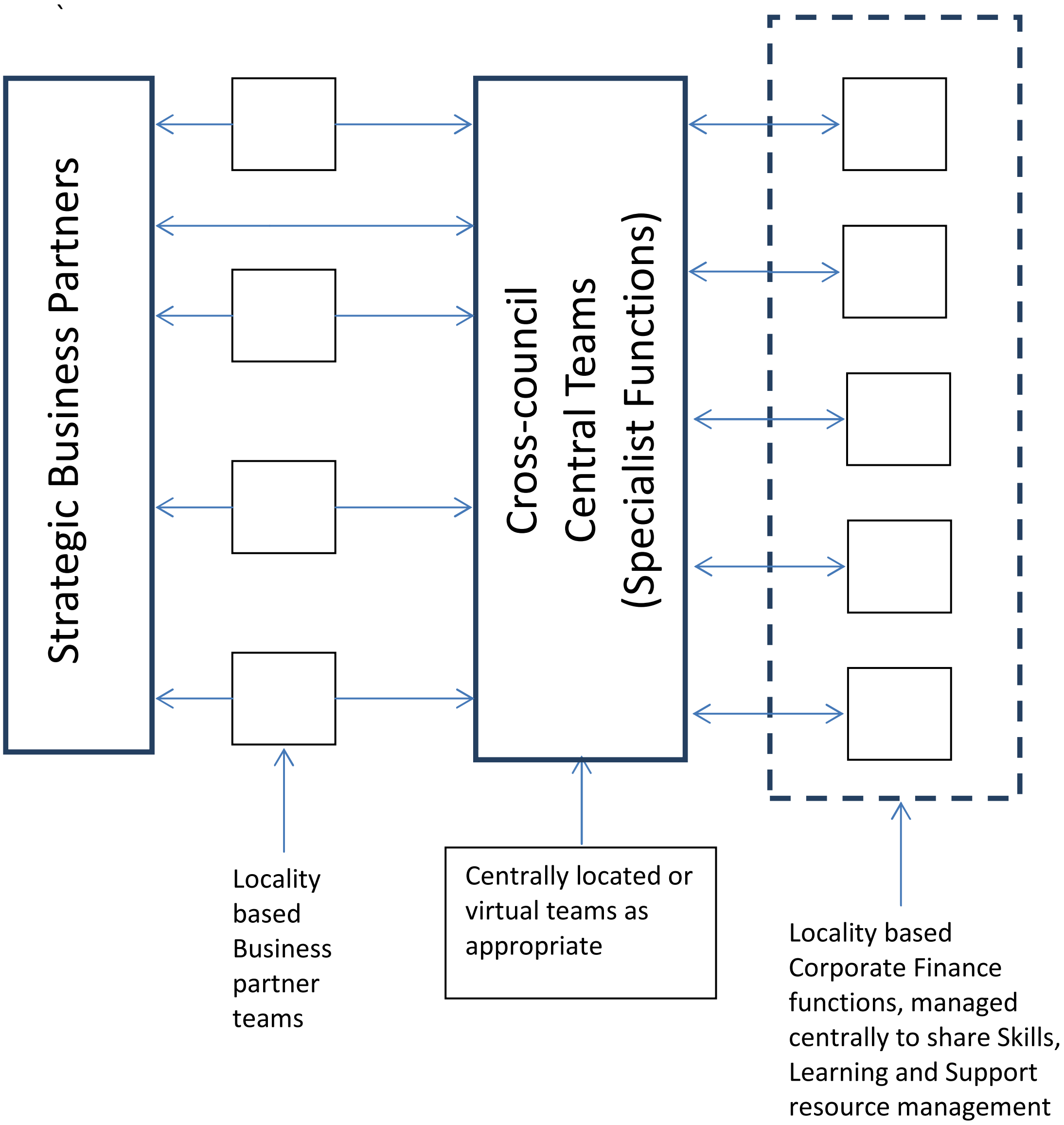
- The model of delivery for the finance service will need to be flexible in order to expand with further contracts for LGSS and as the requirements of individual local authorities change.

- The finance service will increase its expertise and add increased value to the councils by sharing information, ideas and best practice.

- The councils in this new arrangement are all undergoing major change; there are a number of major projects which will need to be delivered over the medium term. The finance team will look to develop specific skills and capacity to support individual organisations with these major projects. However, it is recognised that councils will still need an element of specialist external advice. But it is intended that by sharing skills, knowledge and retaining some capacity, costs for individual organisations could be reduced.

- All councils will have a named S151 officer (as required by legislation). These officers may support more than one organisation, providing they are adequately supported. These officers will have very strong links to the councils where they are statutory officers and will have an influence on the development and service provided by finance, in order to discharge statutory duties, but more importantly to provide an effective, efficient and robust service to each council.

As a result of these principles the future finance service will be delivered as follows;



4.3 Performance Targets compared to current delivery

The Finance Service in MKC is generally well regarded, although our most recent Customer survey did reflect the need to further develop the more complex areas of support, for example supporting managers to be more commercial and the implementation of complex change. The Finance Service has and will continue to play a key role in supporting the Council to maintain a secure financial position, despite the last five years of additional demand pressures and funding reductions.

MKC has a number of detailed managerial performance indicators and four overarching key performance indicators as follows:

Description	Reporting Frequency	Agreed Measure
Unqualified MKC Statement of Accounts approved by statutory deadline (currently 30th Sept) and MKDP Statement of Accounts approved by statutory deadline.	Annual	Y/N
Provision of advice on all council financial matters according to demand. Support for major projects provided through attendance at Board meetings, provision of financial data and strategic advice. This will be measured by S151 and customer feedback	Annual	RAG
Annual budget agreed by Cabinet/Council in February each year. Medium Term Financial Plan agreed by Cabinet/Council In February each year.	Annual	Y/N
The provision of good quality revenue, Dedicated Schools Grant, and capital monitoring reports in line with the Council's reporting timetable, including the identification of pressures and risks and the delivery of savings, together with mitigating actions	Monthly	RAG

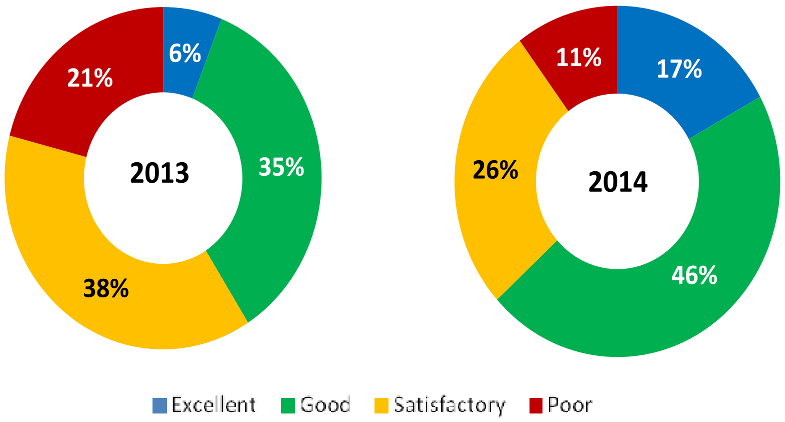
These are consistent with the current LGSS performance measures for finance, with the exception that LGSS Finance does not include a performance measure on the delivery of the Budget. However, all four key performance indicators will remain to report on the performance of the integrated Finance Service for MKC.

The LGSS Finance Directorate has consistently received positive feedback for the service it provides for its customers. This is demonstrated below in the latest customer satisfaction survey across all its clients where the service significantly increased its ratings for Excellent, Good and Satisfied from a total of 79% in 2013 to 89% in 2014.

By the public sector, for the public sector

LGSS

All User Survey - Finance Overall Ratings 2013 Vs 2014



Key Headlines:

- The number of people rating Finance as **'excellent' has increased by 11%** from the 2013 survey, whilst **'poor' decreased by 10%** in the same period.
- Overall, the volume of people rating Finance as 'good' or 'excellent' is 63%, an increase from the 41% combined rating in 2013.

4

CSAT Summary: Finance

The success of the LGSS Finance Directorate's customer satisfaction is due to its focus on client needs and the provision of advice which assist each council in achieving their business needs. The Finance Directorate has a range of performance indicators which are tailored to its clients and backed up by a strong performance management culture.

4.4 Financial Benefits and Investment Needs

4.4.1 Financial summary

The financial table gives a net budget position for the service after existing Medium Term Plan commitments for each authority. Proposals as a result of the partnership between LGSS and MKC are shown as the net benefits.

Partnership (LGSS/ MKC) Recurrent	2016/17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s	2020/21 £000s	
Net Budget						
MKC - net budget	2,222	2,222	2,222	2,222	2,222	
LGSS - net budget	3,652	3,442	3,442	3,442	3,442	
Total Budget	**5,874**	**5,664**	**5,664**	**5,664**	**5,664**	
Total Budget	**5,874**	**5,614**	**5,319**	**5,044**	**4,994**	
New Recurrent Costs/Benefits						
Creation of cross-functional teams	-40	-123				
Remodelling service support teams (either cost reduction or additional trading)	-10	-172	-275			
Additional trading	0	0	0	-50	-50	
Net benefits	**-50**	**-295**	**-275**	**-50**	**-50**	**-720**
% net benefits	*-0.9%*	*-5.0%*	*-4.6%*	*-0.8%*	*-0.8%*	*-12.1%*
Revised Budget	**5,824**	**5,319**	**5,044**	**4,994**	**4,944**	

4.4.2 One-off investment / funding requirements

The investment in the Agresso ERP platform and good quality budget manager tools, to make the Agresso solution more accessible, is essential to the effective delivery of a shared finance service which supports the challenges of the current financial environment and pace of change, whilst still reducing its costs. The costs of these solutions are incorporated in the ERP Outline Business Case.

It is likely that additional development and support will be required for Finance Team in order to create a shared culture; ability to potentially support more than one organisation and to develop the more strategic elements of the service, underpinned by transformational change in processes and systems.

4.4.3 Ongoing service costs and financial savings

Financial savings are based on the following principles:

1) Integration of financial teams to create cross council functions, enabling a more specialist focus, which then better supports local delivery. This builds on some initial areas of integration within LGSS. The phasing of these benefits allows time for the redesign of structures and processes, including designing appropriate integration and support to individual councils.

2) There are expected to be some benefits from creating crossservice teams and as a result of improved systems and processes to create additional efficiencies. The focus of these redesigns will be using the improved systems to enable a self-service approach, allowing for a greater focus on the essential and value added work of finance. These savings allow for an additional post to support this essential process redesign work.

3) Bringing together a wider schools trading function will create a greater market share, ability to share best practice and to develop and focus on attracting additional business. It is expected that some of the benefits from cross-service teams will be through additional income generation, rather than cost reduction.

4) The ambition of expanding LGSS is reflected elsewhere in this business case, it is recognised that the capacity to support the commercial development of LGSS is currently under-resourced, so this proposal will add additional capacity in this area to support further expansion.

4.5 Non-Financial Benefits

There are a number of non-financial benefits arising from a changed model for the delivery of the finance service these include:

- Increased resilience by greater volume of people, this means small specialist functions can be delivered in a more secure manner
- Increased size and capacity means there is greater ability to retain and attract specialist skills, and they can provide these specialist roles across more than one council.
- Increased size provides the ability for the service to provide career progression and development. All councils are committed to training and growing future finance

professionals who will be managers and specialists of the future. Bringing together these services into a new model, means greater opportunities for learning and development for all staff which will help with retention of staff and recruitment.

- Bringing spending capacity together will also provide significant benefits in terms of single systems implementation; support and process improvement. This means specialist staff can be focused on making changes where as an individual authority none of the councils could deliver the level of return that this combined offer will bring. The most significant example is the ERP solution and associated budget management tools.
- Supporting more than one authority will enable business partners, S151 officers and other finance staff to share best practice and ideas for financial savings across councils, adding greater benefits to these organisations.
- Bringing together traded services will give a stronger market share, across a wider area. Rather than competing for business we can build a stronger offer, learning from best practice and reducing costs of delivery. This will give a good base for increasing income for the benefit of the partner authorities.

4.6 Risks and Issues

Risk	Likelihood L/M/H	Impact L/M/H	Mitigation
Impact on strong relationships with customers	L	H	Initial stages will maintain current links with budget managers, allowing models to be redesigned in consultation with customers. Self-service approaches will need to be appropriately supported by training and change management programmes. All S151 officers will maintain current roles throughout the transition.
Impact on efficiency and effectiveness of lengthy period of uncertainty	M	M	Cross council functions will be designed and discussed with staff as part of a managed transition process. Transition will be managed, including taking opportunities arising from staff change.
Some integrated teams and functions will be dependent	M	H	ERP changes will be detailed elsewhere in this business case. There are additional council systems

on systems implementation			which will need to be considered in the future design of cross council services.
Loss of control and oversight for council finances	L	H	Changes will be carefully planned and staff engaged in the process to ensure clarity of roles and direction. Councils will need to buy into the overall approach and support the self-service approach for more routine work.

5 ERP

5.1 Executive Summary

Under a shared service arrangement, MKC would buy into a shared ERP solution with LGSS. This solution would be delivered through the LGSS Agresso 'Gold Client'. This would be a fully hosted and supported system. The 'Gold Client', with a single design shared by all partners, will be based on best practice processes and functionality allowing for automation and self-service to managers and staff across HR, payroll and finance modules.

The proposal outlines the programme of work that LGSS is currently undertaking to develop and implement the 'Gold Client' and how LGSS would work together with MKC to jointly implement it. MKC would be able to take advantage of the significant licence discount that LGSS has negotiated with UNIT4 and the experienced in-house Agresso Business Systems Team.

LGSS and MKC would form part of a shared governance, design, testing and implementation programme, described in more detail in a separate proposal document.

Having undergone a desktop review, the majority of MKC's specification can be met by the current LGSS 'Gold Client' design, although there are some relatively small areas identified which will require further discussion to fully understand MKC's requirements and this will be a key part of the next steps.

The proposal is based on the assumption that the MKC implementation will be on 1st April 2017, to ensure a new solution is in place before SAP licences expire. Meeting this timescale is important to the delivery of a number of financial savings within other workstreams. It is recognised that this is a challenging implementation timescale with Northamptonshire and Cambridgeshire only proposing to go live in December 2016 / January 2017.

For this reason, MKC's original implementation project cost estimate of £1.3m has been increased by a risk factor to £1.6m. This reflects the fact that there is likely to be more reliance on external resources across the project in order to implement for the three authorities in the same timescale. Internal resources will still be used wherever possible and only actual costs incurred will be charged to MKC.

The total costs of implementation and ongoing support are as follows:

Implementation Costs	£
Total cost of implementation *Which includes: licences, collaborative planning, build requirements, training and contribution to joint design costs.*	**£1,586,331**
Ongoing annual costs	£ per annum
Business Systems support, development and maintenance including ongoing licence costs	£271,640
Total – per annum	**£271,640**

6 ICT

6.1 Executive Summary

The vision is to deliver ICT services which support front line services to deliver their services in new ways and enables genuine transformation, whilst ensuring the “Business as Usual” is reliable and resilient. In short, improving services that deliver better value for money; true “more for less”.

These services would be delivered through a shared infrastructure which will reduce costs through an increase in efficient deployment of technology and finance.

The service would be scalable according to the changing needs of the business and, from the business users’ perspective, not constrained by the infrastructure.

Resilience would be built into the proposal. For technology this is through dual data centres based in Northampton and Cambridge. Sharing resources also potentially provides resilience for the staff knowledge base and access to specialised service skills.For example, rationalising the service desks across LGSS will increase efficiency while providing access to a wider spectrum of skill sets across the organisation.

Currently MKC IT have 50 FTE and 12 temporary staff (total 62) delivering support services and projects whereas combining this with LGSS would make this more than 380 FTE, a significant increase in potential capacity and resource. This means projects can be delivered faster and more specialist resource retained internally, meaning less external spend and more importantly the chance to “Do it Once, Do it Well” combining IT projects across LGSS to spread the cost of these amongst multiple partners, reducing the cost to all.

The establishment of a Centre of Excellence for application support could act as a catalyst for further saving by rationalising the systems in use across the partnership and improve services by replacing end of life or inefficient applications. The Centre of Excellence could be physically co-located or operated as a virtual team, allowing skillsets to be placed closest to the LGSS business teams delivering the service.

The LGSS Partnership offers opportunities for expanding traded services. Joint working delivering services to schools and small businesses would give a greater sales surface to work over a greater geographic area.

6.2 Service Delivery Model

6.2.1 The Current Model

The following section provides an overview of the 'as-is' model for IT delivery within Milton Keynes and LGSS.

Functions

Milton Keynes IT Service and LGSS IT Service both deliver the traditional range of end to end solutions and support functions:

- Data hosting, via on site data centres
- Server support
- Desktop support and management
- Application Implementation and support
- Application and Web development services
- E-mail and diary management
- Voice and data network support
- User support services
- Contract management and licence control
- Hardware maintenance and inventory
- Service management
- IT strategy and architecture

- IT project management and business analysis

The key differences between the IT services are:

- MKC have a Print Service function, whilst LGSS outsource this function
- LGSS IT have a Geographical Information System (GIS) function, whilst MKC retain this function outside of IT
- MKC have developed commercial applications i.e. Registrars Online Certification (ROC)
- LGSS have a dedicated Security Manager with oversight of IT Security issues, policies and procedures but MKC do not have an equivalent dedicated function.

Services to schools:

- MK IT have a traded service function to schools which delivers:
  - Support to Capita's Schools Management Information System (SIMS) in 55 schools with additional support for MKC authority wide issues (e.g. HR and Safeguarding)
  - ICT technical support for administration and curriculum systems
  - In-house technician service
  - Provision of software and hardware
  - Remote backup to 42 schools (in partnership with Redstor)
  - Broadband to 15 schools (in partnership with Updata)

- LGSS IT also provide services to schools:
  - Provision of network links through the CPSN network to 224 schools

- Management and monitoring of the CPSN network (with Virgin Media)
- CCC Education IT Service also provide a variety of IT Services to Cambridgeshire schools including central hosting of systems and SIMS support

People

MK IT Service employs 50 permanent IT staff and 12 fixed term IT staff who support 2,700 MKC users (this excludes users supported through traded services). There are an additional 7 permanent staff within the MK Print Service (these are represented as a separate cost centre within the overall IT service budget).

There are 320 IT employees within LGSS supporting 18,000 users across a number of customers across local government, schools and NHS.

Both IT services contain a range of specialist skill sets. MKC note a need to develop resilience within their telecoms and networks function whereas LGSS IT have a dedicated network team. MKC have specialist application support skills particularly in packaging software for a virtual management environment

LGSS IT and MKC service are committed to a ‘grow your own’ approach to developing IT employees and their skills and both recruit apprentices.

MKC Budget summary

From the 1st December all IT budgets will be managed by Hazel Lewis, Service Delivery Manager for ICT and Print.

While core infrastructure budgets sit within IT the budgets for Line of Business systems in the main sit in the service areas.

In addition to visible costs, we would also anticipate that MKC as a whole bears some other additional costs in relation to its application estate. For example, the costs of procuring new applications are likely to be incurred elsewhere in the business.

Even without an accurate financial position on the Application Portfolio, it is clear that the cost of maintaining and supporting the applications estate is not insignificant and thus provides opportunities for savings. These opportunities arise from:

- decommissioning under-utilised applications;
- renegotiating costs with incumbent suppliers;
- partnering with other local authorities and public sector organisations to share costs;
- replacing existing software with open source alternatives, and
- moving towards application platform-based approaches.

LGSS IT Budget summary

LGSS IT budgets are comprised of two types:

- Operational budgets which are largely staffing and related costs
- Managed budgets, i.e. contracts and external spend that are delegated from the retained organisation to LGSS to administer on their behalf. Exact arrangements for budget management vary according to each customer with a consequent variation in bottom line budgets. Some customers have heavily centralised budgets and these have largely transferred to IT to manage whilst others have a more devolved structure with budgets for IT remaining in service budgets. In some cases this 'shadow IT' can equal the centralised budget. These differences are reflected in the budgets that LGSS manage.

Infrastructure

MKC's primary data centre is located in Saxon Court. This building must be vacated by December 2016. There is a fail over between the primary data centre and second located at the Civic Centre, which means that if there are significant issues with systems in the primary location (Saxon Court) the users of those systems will be able to continue working from systems located in the secondary location (Civic Centre). Due to data volumes there are concerns about the level of resilience and the proportion of the service which could remain operational. As part of the MKC Future Working Programme the data cabinet provision at Civic Centre will be refurbished. MK IT Service has project in place to analyse options for data hosting – the preferred option is to procure space in an externally hosted data centre connected via strong links to MKC.

LGSS have a newly refurbished data centre at its Angel Street office, Northampton. A project is underway to refurbish the Cambridge data centre to the same standard. Further detail regarding the data centre is found within the proposal 1 for year 1 (2016-17).

Contracts

MKC and LGSS have shared and analysed contract registers. Opportunities for joint procurement, convergence and flexing of licensing models are presented in the proposal for year 1 (2016-17).

There are opportunities to use capacity and expertise in MKC to review schools provision and SIMS support to bring services in house that are currently delivered by Capita.

Business Systems

Analysis has been undertaken on the business system provision across LGSS and MKC to identify opportunities for collaboration. There are a number of clear similarities across the organisations and economies of scale for specialist application support and Database Administrator resource to support the big line of business systems for our customers, see below:

- Capita One and Capita SIMS for Education (in use within - NCC, CCC and MKC)
- CMIS for Democratic Services (in use within - NCC, CCC, MKC and NorCC)
- Iken
- Civica Icon (in use almost everywhere)
- Northgate Revenues and Benefits (in use within - NBC, NorCC and MKC)

An opportunity to leverage the commercially advantageous LGSS contract for Civica ICON is being explored by LGSS/MKC but is not included in this business case. It is important that the work done on this opportunity is aligned with IT as technical support for the current implementation and the contract management for the LGSS contract with Civica sits within IT.

6.2.2 Proposal for Day 1 of Transition

MKC and LGSS would work together to minimise disruption on transfer, both to ensure service continuity for front-line services and to reassure and support staff and management through the change.This means Day 1 service will be very little different to start with although planning for change and communication with stakeholders will have begun before transition and will continue throughout in order to deliver the improved services and cost and value benefits we need to jointly achieve.

Staff Transition

As MKC is becoming a full partner member of LGSS then it is understood that TUPE transfer is not involved, so all staff will remain employed either by MKC or their existing employer in LGSS. No changes to staffing levels are envisaged on Day 1 of the service, although LGSS resources will be brought in to work with MKC teams to plan the transfer of the Data Centre if this option is chosen to be the most cost effective and best delivery model

Systems

From Day 1 all existing systems will be transferred to LGSS and delivered as they are currently including any systems used for internal functions such as payroll, pensions, e-recruitment and e-forms for mileage and expenses claims will remain in use until the functionality is developed for MKC users and these can be implemented in agreement with MKC.

Locations

Day 1 the expectation is that all staff will remain based in their current locations although it should be noted that some travel will be required to work on the new Data Centre project (see below). LGSS could roll out collaboration tools like Microsoft Skype for Business by go-live which can help alleviate the need for unnecessary travel. It is understood MKC wish to vacate the Saxon Court building by December 2016 and would be moving to the new refurbished Civic Office.

6.2.3 Proposal for Year 1 2016/17

Data Centre Hosting and sharing infrastructure

For two years LGSS have been in the process of creating a Public Sector private cloud running across our PSN accredited network. This started with the refurbishment of the Northampton Data Centre, which has now been completed, the installation of fast, high capacity, low latency network links between Cambridge and Northampton which is almost complete, and the refurbishment of the Cambridge Data Centre which is just beginning. To implement a full private cloud will require further hardware and tools which are being designed currently.

The current MKC Primary Data Centre is based in an office location in Saxon Court which the Council has plans to exit by December 2016. The server estate is highly virtualised but most if not all of the physical hardware is ageing and end of life and a project for the replacement of this was already in progress when the conversation with LGSS was entered into.

It is expected that significant savings can be delivered by taking advantage of this investment and existing procurementby building a new virtual infrastructure for MKC within the existing LGSS virtual solution in Northampton and using Cambridge as a resilient disaster recovery site. It should be significantly cheaper to use part of the existing infrastructure in Northampton and Cambridge, than to source this from a for-profit private sector organisation and it should enable team consolidation in the future when we are managing one estate instead of separate MKC/LGSS ones.

By creating a “tenanted” infrastructure within the LGSS Data Centre for MKC as physically part of the same LGSS virtual server farm it should be possible to deliver MKC a completely new infrastructure at a much lower ongoing revenue cost.

MKC have indicated that as part of their planned infrastructure refresh they are intending to source a new SAN to cope with upcoming end of life for the current solution and the growth in storage expected as MKC adopt new ways of working. So less paper, more collaboration and new business processes should reduce physical space requirements whilst the requirement for electronic storage would grow substantially.

LGSS IT are sourcing a new “virtual” SAN which has just finished procurement and is about to start on the installation project. This has a very significant size and is designed to contain a tenanted solution similar to that described for the server farm in Proposal 1 above, so it should be able to deliver a similar benefit in terms of a reduced capital cost for MKC.

Prior to engagement with LGSS, MKC IT had considered different models for Data Centre hosting including:

A ‘Hybrid’ Cloud option of upgrading the facilities in Civic to make it the primary Data Centre with backup to a third party (Cloud) provider

Use of a single commercial facility (known as Co-Lo) for the primary Data Centre and utilising cloud providers for backup/DR services.

At the time of engagement the latter of these options was preferred however, the extensive analysis undertaken on this business case by LGSS and MKC has made it clear that the revenue costs for both of these options are prohibitively high and they have therefore been excluded from this comparison with the LGSS options in this business case and from any further consideration by MKC.

Further work and analysis has been undertaken on the following options:

- MKC purchasing IT infrastructure systems and locating these in LGSS Data Centres (Northampton and Cambridge), effectively replicating the hosting arrangements offered by a commercial (Co-Lo) facility.

- MKC sharing LGSS infrastructure hosted in LGSS Data Centres (Northampton and Cambridge) as described earlier in this document.

- MKC purchasing IT infrastructure systems and locating these in two commercial (Co-Lo) facilities.

Indicative costs for these options have been produced and these high level capital and revenue costs have been compared for this business case, however it should be noted that as technical designs have not yet been finalised these costs are indicative only.

Contract renegotiation and sharing

One of the strongest opportunities LGSS is able to deliver is the ability to drive savings through combining contracts, and renegotiating using our scale to deliver great deals from suppliers. We have already identified a number of convergence opportunities where we use the same systems and suppliers now, and we would look to either bring MKC into existing LGSS frameworks, or use our new combined bargaining power to deliver better deals for both.

However it is evident from the information gathered as part of this process that a greater amount of IT contract spend in MKC sits outside the IT Service – so in service budgets. This is illustrated in the table below.

	2015/16	2016/17	2017/18
MKC IT Contracts	£	£	£
Centralised IT Contracts	945,188.93	945,188.93	945,188.93
Departmental IT Contracts	1,626,194.12	1,626,194.12	1,626,194.12
Total	2,571,383.05	2,571,383.05	2,571,383.05

This devolution of IT budgets has also been noted separately by the third party company – Methods who have identified that MKC needs a better understanding of its devolved IT spend in order to understand the total cost of ownership (TCO) of its IT systems. This arrangement is also in place in other parts of LGSS and duplicates the supply and contract management of external IT spend significantly limits the scope of savings that can be made. LGSS IT will review and look for opportunities to realise savings for the partner organisations from jointly specifying and procuring devolved IT contracts where it makes sense to do so. For example at the point of significant change in those contracts, due to expiry or technical upgrade, develop an agreed business case with a view to sharing of benefits between MKC and LGSS on an equitable basis as the contract is centralised.

Where IT budgets are centralised and managed by the LGSS IT Service and Contract Management function and/or they are given the right to negotiate contracts on behalf of the retained services the savings are significantly increased. However, these savings are mitigated, or limited to a shorter period in some areas (e.g. Revenues & Benefits) where the procurement of a new single line of business system is a main element of the service OBC (detailed in section 8) and is already factored into the R&B budgets.

6.2.4 Ambition for 3 years time

Shared Service Desk

LGSS currently operate a virtualised service desk located in two sites but using common software (LANDesk). The MKC Service Desk could be absorbed into this structure increasing the overall capacity to deliver first line support and increasing the resilience of the service.

MKC Currently use a different software solution (SupportWorks) to deliver this service so an opportunity exists for to rationalise this which has been recognised in the contract sharing opportunity. Development of a common Configuration Management Database (CMDB) would make it easier to identify skill sets and provide access to the wider range of knowledge existing across the partnership.

Joint Application Support team

Across the LGSS partnerships there are a number of applications used by MKC and at least one other authority:

- Capita One – Local Authority children's information management system

- Capita SIMS – School information management system
- Civica Spydus – Library management system
- Astech Consultants CMIS – Committee and governance system
- Iken Business Iken – Legal case management system
- Northgate Revenues and Benefits management system
- Xmbrace Optitime – housing repair bookings
- Artemis Artifax – appointment/course booking
- Civica ICON – income management
- Xpress Software Solutions – Electoral register system
- InPhase Performance Plus – Performance management

Economies of scale for specialist application support and Database Administration (DBA) resource to support the big line of business systems for our customers, e.g. Capita One, Revenues and Benefits, ICON.

It is difficult to put any detailed efficiency numbers on these opportunities at the moment without further work but indicative savings has been included.

Sharing service teams in the form of virtual units will meet the local business needs either by maintaining current service levels or by encouraging business process improvement in collaboration with local business services.

Sharing Management Resource

There is a potential saving for sharing management responsibilities across the Partnership. If the service desk and applications support teams were to become single virtualised teams there is scope to rationalise the management of the teams. There would also be scope to rationalise strategic and operational management of the overall LGSS ICT service.

Staff reduction through attrition and collaboration

There is an expectation that over time there will be a certain level of staff attrition as well as further opportunities for collaboration which will release savings.

Additional future opportunities

Print services

As noted previously the models for delivering print/design services differ between MKC and LGSS with the former retaining a full print shop function on site and the later outsourcing work to CDS. The costs and benefits of each delivery model will be compared to see if future cost savings can be identified.

Traded services to Schools in Northamptonshire

LGSS do not currently provide any IT services to Northamptonshire schools and there is an opportunity to use capacity and expertise in MK to review schools provision and SIMS support bringing services in house that are currently delivered by 3rd parties. This would extend the scope of the MKC schools facing traded service (in particular the Capita accredited SIMS support) into that area as it that is likely to be a more cost effective option. This would provide additional income for the combined IT service.

Mobile phones

LGSS have realised significant savings for existing customers through convergence of mobile phone contracts, these have not been included in the costed proposals as the expenditure does not sit in the IT Service and there is a resulting lack of information about the current usage/expenditure. However, we will look to assess whether there could be a saving arising from any alignment of future procurement.

Information Technology Strategies

LGSS have an IT Strategy that allows them to deliver customers' strategies whilst embracing their unique IT functions. LGSS apply public sector expertise with a continual service improvement process and a holistic approach to service delivery resulting in their customers having an agile, efficient and trusted IT service delivered back to them.

Where there is commonality between LGSS customers they look to identify best practice, centralise, consolidate and then redeploy across our entire customer base. Centralisation and continual improvement ensures superior service levels can be offered, combined with efficiencies of scale in terms of technology, resources and savings.

Where there is uniqueness in the customer's operations the specialism required is respected whilst still applying continual improvements where they can be found to ensure optimal delivery of service and to showcase those functions to the wider community.

6.3 Performance Targets compared to current delivery

No changes are envisioned to the performance targets of future service delivery compared to the current model in year one. The changes involved in the Data Centre Hosting and sharing infrastructureproposal are significant and therefore performance targets will be reviewed at this point.

6.4 Financial Benefits and Investment Needs

6.4.1 Financial summary

The financial table gives a net budget position for the service after existing Medium Term Plan commitments for each authority. Proposals as a result of the partnership between LGSS and MKC are shown as the net benefits.

Partnership (LGSS/MKC) Recurrent	2016/17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s	2020/21 £000s	
Net Budget						
MKC - net budget	2,588	2,436	2,436	2,436	2,436	
LGSS - net budget	4,537	4,357	4,357	4,357	4,357	
Total Budget	**7,125**	**6,793**	**6,793**	**6,793**	**6,793**	
Total Budget	**7,125**	**6,695**	**6,510**	**6,290**	**6,240**	
New Recurrent Costs/Benefits						
1 - Data Centre	-88	-65	-50	-50	-50	
1a - Agresso ERP	10	10	10	10	10	
2 - Contract negotiation	-20	-20	-10	-10	-10	
3 - Service desks			-60			
4 - App Support		-25	-25			
5 - Shared Management	0	-25	-25	0	0	
6 - Staff Attrition		-60	-60			
Net benefits	**-98**	**-185**	**-220**	**-50**	**-50**	**-603**
% net benefits	*-1.38%*	*-2.76%*	*-3.38%*	*-0.79%*	*-0.80%*	*-9.11%*
Revised Budget	**7,027**	**6,510**	**6,290**	**6,240**	**6,190**	

6.4.2 One-off investment / funding requirements

Data Centre Hosting and sharing infrastructure

This proposal relates to the relocation of existing MKC Data Centre facilities and refresh of ageing infrastructure. The proposal identifies significant savings in using LGSS facilities and sharing infrastructure but the overall costs – both capital and revenue – are significant. As this planning had commenced prior to LGSS / MKC engagement is has been confirmed that there is a capital allocation of £3,600,000 for this work commencing in 2015-16 and ending in 2017-18.

Capital costs associated with proposal to use LGSS Data Centres have been estimated as £961,375 for new IT equipment (Infrastructure) plusthe staffing estimate from the existing MKC capital bid with 20% contingency. This compares to a capital programme allocation of £1.1m (as part of the wider Data Hosting programme). This reduction in cost will be used to fund the increased initial investment cost of the ERP solution.

No other proposals have any investment or funding requirements.

6.4.3 Ongoing service costs and financial savings

Data Centre Hosting and sharing infrastructure

There is no specific revenue budget allocated to this work and it any revenue costs associated with externally hosting the MKC Data Centre(s) will need to be found from existing within the IT baseline budget of £2,918k. The options compared for this proposal have identified that the LGSS opportunity results in a cost avoidance saving for MKC of £289 over 5 years, profile shown below.

6.5 Non-Financial Benefits

For both LGSS and MKC IT Services a key advantage of joining together is access to skills and capacity not currently available within either service. This will provide resilience and expand the available knowledge base, reducing the need for external consultancy.

LGSS focuses on developing best practice in professional and transactional business services – with the aim to be the best provider in the local region across the public sector. To achieve this LGSS invest in their workforce as success lies in how they deliver services to our customers. LGSS continues to benefitfrom developing a diverse and multi skilled workforce and we welcome new employees joining us to further enhance the services we provide.

The benefits for employees

- **Expansion of skills, knowledge and experiences**

  The LGSS MKC partnership will look to expand knowledge and experience, and therefore welcome colleagues from varied career backgrounds. As a partnership LGSS and MKC will able to deliver a flexible and improved range of support services because of the greater scale of resources available and the sharing of good practice and expertise. This can be summarised by the philosophy that the whole is greater than the sum of all the parts.

- **Talent management and staff development**

  The partnership will offer greater capabilities than an individual organisation but we will also able to offer wider opportunities for staff development and career progression as our focus is on business services alone. Both LGSS and MKC will benefit from an increasing joint pool of skills and knowledge surrounding the latest IT best practises and knowledge of the latest technologies available to support our services and communities. This translates into a robust forward thinking organisation that supports innovation and integrity.

- **By the Public Sector, for the Public Sector**

  The partnership offers a solution for services to be delivered in a joined up and innovative way, still with the benefit of enabling employees to continue to work in a public sector environment. LGSS takes pride in the fact that it was formed by the public sector and continues to strive to deliver robust solutions and services to the public sector which has been proven through our successful track record.

For the staff joining LGSS there will be opportunities for career development that may not be available in smaller organisation. Both MKC and LGSS IT actively encourage the development of staff within their service and both have a number of examples where people have secured promotion, new skills or have applied the skills to new applications, technology and customers.

In the IT sector many projects are the same in multiple organisations because they are driven by technology changes which affect the whole industry. So for instance the widespread adoption of tablet and other mobile technologies, or the move from Windows XP to more recent versions of Windows, are things affecting all of LGSS partners as well as MKC.

One of the key benefits of collaborative working from an IT perspective is that projects, upgrades and procurement exercises can be done across the partnership allowing costs and resources to be shared. This means things can be done better and faster, with more resource available than that to a single organisation, but the costs can be shared. Procurement could benefit from the bigger organisation to give economies of scale which means potentially lower costs.

6.6 Risks and Issues

Risk	Likelihood L/M/H	Impact L/M/H	Mitigation
Consumers of the IT service continue to operate with devolved IT budgets that IT strategy and savings realised effectively.	H	H	LGSS/MKC can work together to build individual business cases which has worked well in other places, but it takes time and reduces savings. The clearly best solution for the organisations is through directive management enforcing move of budgets. MKCto invest time in getting to a more accurateunderstanding of the total cost of ownership of IT. MKC IT service to continue to collect data about the application estate, with a particular emphasis on understanding business ownership, business use and total cost of ownership.
If MKC choose a different data hosting partner savings will not be delivered for LGSS	L	M	This is unlikely, there is a “win-win” in sharing existing assets and investments. Decision should be made as part of this proposal.
Costs are based on outline estimates derived from the data available at the time of writing however detailed technical design work is required and there is a risk that this will reveal additional costs not apparent at this time. Further due diligence is required	M	L	This will require due diligence as the technical design work progresses, but LGSS have good experience of working together with organisations in a true partnership to deliver joint benefits which can be brought to bear here. Continue with data gathering exercise, technical design and validation of costs
Costs for replacement of SAP equipment required to take SAP to end of life need to be picked up elsewhere	H	H	Unable to quantify risk until replacement options have been completed and option fully identified This risk needs to be picked up by the ERP project
Cost and volumes have been provided by MKC to LGSS and saving estimates then provided by LGSS.Proposed changes and associated efficiencies or savings would be actioned across LGSS to the benefit of the partnership as a whole	L	L	Due to the nature of our business, the demands, costs and resources will vary as part of business as usual (BAU), so this is a common reality. Things will change and we will need to change to reflect this. Communication and transparency of costs, proposals and plans

7 Human Resources and, Learning Services

7.1 Executive Summary

This joint proposal identifies the benefits of MKC and LGSS of integrating their HR and Learning services.

We believe there are significant benefits in MKC joining LGSS and expanding into a third geographical area, bringing together through their support services three major Councils and sharing of best practice and specialist capacity.

MKC's future agenda requires a capacity and capability in their strategic and advisory HR function to enable and support the workforce implications arising from MKCs transformation requirements. There are also opportunities to build a wider customer base across schools in the region as well as exploring the further integration of Adults and Children's workforce development.

The alignment of traditional transactional services such as Management Information, Payroll and HR Transactions services where savings are linked to system improvement and automation will bring is addressed in the Transactions and ERP business cases. The focus of this Business Case is on HR Strategic and Advisory services.

As well as enabling the resilience and economies of scale through integration of the HR and learning services there are wider opportunities in releasing our joined up purchasing power to drive down HR commissioned contracts and costs such as in Occupational Health and the Agency Worker contracts.

7.2 Service Delivery Model

7.2.1 The Current Model

The LGSS People Services model covers Workforce Planning and Strategy, HR Advisory, HR Policy and Projects, Learning and Development and Health and Safety/Wellbeing.

The operating model is based on having a senior Head of HR managing a locally based HR Advisory service in each shareholders authority (HR Business Partners) working closely with the authority's senior management team but reporting into a Head of People Services. The senior HR role works with the wider People Services Management Team where a Head of HR Policy and Projects, a Head of Workforce Planning and Strategy and a Head of Learning and Development manage services that are cross cutting across each shareholder and partner authorities. This Business Partner model is also in practice in Health, Safety and Wellbeing.

The cross cutting centres of excellence – building professional expertise and transformational/change support - in HR policy, workforce and learning are currently predominantly based in Northampton but work across each geographical area and are visible to and work with key customers. The business model is to develop transformation/pay review approaches, policies and best practice once for all customers that are shaped for individual need, develop programmes that meet common core needs and brings together expertise that individual stakeholder and customers cannot afford themselves.

Advisory East/CCC Fte 30.34	Advisory West/NCC Fte 27.27	Health, Safety and Wellbeing Fte 16.04	HR Policy and Projects Fte 12.13	Workforce Planning and Strategy Fte 7.00	Learning and Development Fte 66.34

The service provides professional support to Northamptonshire and Cambridgeshire County Councils, Northampton Borough, Huntingdonshire District, public owned companies in older people's care (Olympus Care Services (OCS)), housing (Northampton Partnership Homes (NPH)) and the majority of schools in Northamptonshire and policy in Cambridge schools.

Stakeholder & Customer Achievements 14-15

Centres of Excellence

- PADP – Best practice approach established with all customers
- Leadership & Management Development
- Employee surveys for LGSS/NCC/NBC
- Provided face to face training courses, events and individual coaching sessions for over 15,700 attendees (from April 14– Sept 14) with consistently high satisfaction customer ratings never below 95%
- New Pensions scheme implementation
- 20 major policy reviews in the last 2 years
- Better use of buildings/environment
- Embedded wellbeing processes and initiatives

LGSS

- 39 Change Ambassadors
- Workforce Strategy & Employee Recognition
- Strategic Reviews
- 350 transferees
- Joined LGSS teams - Advisory
- Launch of IOSH working safely & managing safely courses

NBC/NPH

- Employment Cost Review , 6m savings (eg. sick pay, 40 hours p/w)
- 13

OCS

- Refocus support TUPE

HDC

- Advice & Pay Modelling to

Schools

- New offering SLA
- Radiation protections services supporting curriculum delivery
- Design technology, training for schools

These are in addition to core business as usual within advisory Service Level Agreements (SLAs)

The service is currently restructuring the Learning and Development team to meet planned savings and future customer investment, and the creation of a dedicated Workforce Planning and Strategy Team is in response to a growing need from our shareholders and customers to have better intelligence on their current and future workforce profile requirements. This team will analyse workforce trends and challenges and develop innovative workforce interventions to ensure that our shareholders are seen as an employer of choice in a highly competitive market. This team will build on the success of the 'grow your own' Social Work Academy in Northampton and will identify hard to recruit to/single points of failure risks within our shareholders organisations in order to plan and address these gaps. The new team will be in place by 1st April 2016.

The MKC HR Service is largely focussed on operational support to the Council and a number of schools and lacks strategic capacity. It also includes payroll and service desk teams which will be considered within the Transactional Services case.

The service was restructured in August 2015 and at that point consisted of circa 49 FTE and 58 people. The service is subject to budget reductions which will total approximately £351k by 31 March2016.

The service will operate from 1 April 2016 in three main groupings: -

HR Operations and Consultants and Management Information	Service Desk, Payroll and Admin	ER, Pay, Reward, Resourcing and Governance
17.65 FTE	20.46 FTE	2.15 FTE

The service is led by a Service Delivery Manager (currently vacant).

The Operations Team consists of business partners, project and management development consultants and, currently, the Management Information Team. The Employee Relations, Pay etc team consists of 2 managers (1.15 FTE) and a temporary 'Resourcing Specialist'. Administrative support to HR totals 5.05 FTE.

This approach to the savings in 16/17 avoids the need for formal restructuring whilst delivering the savings required.

However, the service needs to support major change programmes within the Council over the next 3 years. In doing so it must have the capacity to support (and where appropriate lead) strategic direction for people management in the council, including creation of a comprehensive resourcing strategy and employee development framework, a review of reward to align more closely with business needs and further enhancement of performance management.

The Council is looking to further develop manager self-service (MSS) and employee self-service (ESS) and web based guidance and support to enable the focus of HR resources on added value support. The role of the service desk will be enhanced to increase its capacity to offer ‘low level’ advice and reduce the need for business partner involvement.

The differences between the two models are:-

- MKC has a Management Information Team, Payroll and Service Desk embedded whereas this is undertaken in other areas of LGSS
- There is a formal administrative support team in MKC
- MKC has no formal strategic transformational capacity and no capacity to support creation of a comprehensive employee development framework
- Ratio of HR policy/advisers to headcount is 1:115 for MKC, 1:181 LGSS.
- LGSS is structured in advisory and by centre of excellence/expertise, MKC have a more historical structure built around previously existing roles. Policy is developed within operational teams.

7.2.2 Proposal for Day 1 of Transition

The MKC and LGSS models have many similarities and could readily be developed and integrated. In order to ensure that a partnership model can work for both MKC and LGSS, and deliver the savings already identified by MKC, there would be a need to refine the application of budgets for certain ‘business as usual’ roles within the current MKC structure.

The partnership structure to support MKC will be led by a new ‘Head of HR’ who will manage the business partner team located in, and visible to, MKC stakeholders; the current Service Delivery Manager (SDM) role will not exist. This mirrors the support offered to other partners. The Head of HR will be accountable to the LGSS Head of People Services who will also form an integral part of the support available to the MKC top team.

The immediate agenda for Head of People and the Head of HR will be to ensure that stakeholders across MKC understand the changed approach and are comfortable with their access to services. This opportunity will also allow the re-launch of the service and its customer offer, with clarity about performance standards and responsibilities. It will provide the opportunity to enhance risk based management of issues and using local knowledge develop more proactive support.

The provision of 'business as usual' support to MKC, within current LGSS cross cutting teams undertaking workforce planning, pay and policy work, together with any supplementary resourcing required, will be funded through the deletion of a number of current roles (3) within the proposed MKC 1 April 16 HR structure and the integration of current MKC 'consultant' roles in the relevant LGSS team.

This will provide continuity to MKC on current work in these areas but will also crucially provide immediate access to LGSS 'centres of excellence' offering wider expertise and capacity across the full spectrum of people management issues. This will include the best practice policies and frameworks which have already been developed within LGSS.

For example, the integration of current Management Development roles in the LGSS Learning and Development centre of excellence will immediately bring much needed resilience as well as additional capacity which could not be achieved in MKC in this timeframe.

The integration of MKC into the partnership will enhance peer support to the current HR team but will also offer access to new career development opportunities. This will also have the potential to counter a growing retention challenge in MKC.

From the outset strategic leaders in LGSS and the MKC business partner team will work with the Chief Executive and senior managers and Councillors in MKC to develop its People Strategy and identify key strategic priorities. It is clear that MKC's programme of work goes well beyond business as usual but LGSS is uniquely equipped and experienced to offer support in these matters – support which MKC would struggle to provide from current resource and to necessary timescales.

For example, MKC has committed to review its terms and conditions of service to ensure they are well targeted to meet its changing priorities and support retention of good staff. This would be a major project and would require dedicated project resource which is likely to need to be funded on an invest to save basis by MKC.

LGSS has a strong track record on such matters and can access to the necessary expertise from across its Pay and Reward and HR Policy and Projects teams and has developed and operated the necessary frameworks to complete such work. It would support the creation of a business case for the work and manage the project to achieve agreed outcomes and timescales.

Finally, there will be an immediate change to reporting lines and a move of budgets for management information, HR transactions and payroll to the Head of Transactions.

7.2.3 Ambition for 3 years time

Background

The local government environment and its 'operating model' are experiencing unprecedented change in response to reductions in government funding and growing demand and expectations. There is a real danger that the effort to achieve new service models and tailor the workforce to the new cost base will not be accompanied by a parallel rethink on the workforce.

Individual councils are struggling to manage in this environment; dealing with current workforce issues takes all the resource they can spare. The LGSS offers a unique opportunity to ensure that there is capacity not only to do this but also to plan and put in place the necessary measures to secure the workforce of the future.

From 2016/17, LGSS will have in place the necessary suite of systems which will underpin modern people management, offering real time support to managers and employees through enhanced and targeted self service and reporting. It will be in a position to further enhance its offer of best practice, 'off the shelf' policies and frameworks and will be structured to resource both business as usual and more strategic projects.

MKC as an LGSS HR Partner

In the next 3 years an LGSS, which included MKC as a partner, can build on the achievements to date and set an ambitious target to meet stakeholder needs for support to people management in the Council and across its target region. The enhanced LGSS will develop a comprehensive, focussed best practice offer whilst continuing to reduce unit costs.

In the period to 2020, the size of the MKC workforce will continue to reduce. Already planned to be below 2000 people, it may well become significantly smaller as new initiatives take hold, for example, the integration of services into LGSS itself, changes the scale and nature of the operation.

The effective development of a customer focussed, more strategic offer on HR, through LGSS, in the next 2 years will support changes not only in the size but also in the make up and culture of the MKC workforce – driving home the benefits of the Agile Workforce programme. As this, the enhanced system based support to managers and employees and changes to governance have effect, so HR support will evolve and can be even more effectively targeted.

At the same time the LGSS as a partnership will continue to develop its HR (and other) customer base, which will bring not only benefits of scale but also the opportunity to be a 'force for good' in support of issues which challenge the public sector across the target region. As a full partner this will further benefit MKC.

Key areas to focus these benefits may be: -

- Traded services to schools. MKC has a discreet school service; LGSS has a similarly large share of the Northamptonshire Schools market and is exploring extending into Cambridgeshire Schools. Together we can respond to the twin challenges of profit making private competitors and trust formations by developing a wider schools service, creating an "invest to save" model which offers a real alternative to the competitive challenge. For example we would together be ideally placed to lead on joint policy, trade union relations and deliver good professional advice. In relation to the current MKC offer, we would be offering better more accessible systems – which is a key issue for many schools in making their business decisions – as well as much greater resilience.

- Learning and Development specialists in LGSS could create joint programmes and regional "grow your own" academies for hard to recruit roles, such as social workers could run programmes for interns and apprenticeships, or the National Graduate Scheme which would offer wider choice to candidates, in effect leveraging a regional approach which would be more attractive to the employment market and cheaper to do together.

- LGSS can work flexibly with stakeholders to jointly develop a regional expertise in Children's and Adult's staff development offering significant saving by procuring and delivering what will be similar development plans jointly. The development of joint working on this basis will then allow consideration of further developments which could benefit all parties, such as the creation of a single LGSS provision with the potential not only to enhance quality but also to reduce the cost base.

- IT training in MKC has recently been devolved into services. LGSS has and is consolidating all IT training and could together with MKC build a centre of excellence.

- The scale of development provision that LGSS can sustain means there will be opportunities to review how development and training budgets are spent and has the potential to make significant savings.

The development of the wider LGSS offer and the consolidation of the benefits of LGSS partnership to MKC should enable further cost reduction within the HR service. Subject to the changes to scale, culture, governance and systems outlined above, we would plan to make further direct saving accruable to MKC of between circa £150k and £200k – or approximately a further 17% on current budget provision. (Note: this is addition to any cost reductions accruing in services transferred to Transactional Service)

This could be achieved through:

- Consolidation in LGSS teams supporting learning and development, policy and projects with the aim of producing efficiencies, by 2019 and up to a 50% joint saving of circa 85k.

- The further consolidation of business partner (advisory) capacity in line with organisational developments in the period should see 'organic' reductions which could produce up to £105k in cost reduction

Further opportunities

Health and Safety

Currently within MKC's Environmental team, there are 3 roles nominated as Health and Safety (H&S). A positive initial discussion has taken place and there is clearly scope for a further discussion and a potential proposal. (Note – H&S does not currently form part of MKSP).

Contracts

There are a number of contractual arrangements operating in MKC which offer potential for future saving. This could come either from the use by MKC of existing LGSS contract arrangements at marginal cost or by joint procurement opportunities for partners and customers. Examples are: -

- Hays contract (for agency workers) managed by HR, will run until August 2017, could be an option for Procurement colleagues to consider against other existing managing agent models depending on precise contract terms but certainly following end of the current contract

- Consolidation of the Occupational Health contract within LGSS wider procurement – the existing MKC contract is due to end 3rd October 2016, the value of this is estimated to be £60k and £13k counselling. LGSS is in procurement in early 2016 on a new risk based and lower cost approach

- Develop an option to provide a combined and best practice senior recruitment and resourcing LGSS offer to bring together the capacity to establish a best practice offer for recruiting all senior (Director and above)roles for stakeholder and customers.

- Develop total reward solutions across the sector, saleable products, common policies

7.3 Performance Targets compared to current delivery

LGSS People services is a professional service which identifies customer feedback as its key way of measuring achievement and performance at two levels.Firstly at a strategicstakeholder level for strategy, policy and major projects, and secondly at a all customer level for HR advisory and learning products. LGSS measures it advisory teams on volumetrics to demonstrate size of delivery and are using a HR case feedback, together with annual HR Business Partner interviews for senior customers.

Existing MKC HR and OD measures are operationally focussed around delivery standards, timeframes etc with specific targets for recruitment.

7.4 Financial Benefits and Investment Needs

7.4.1 Financial summary

The financial table gives a net budget position for the service after existing Medium Term Plan commitments for each authority. Proposals as a result of the partnership between LGSS and MKC are shown as the net benefits.

Partnership (LGSS/MKC) Recurrent	2016/17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s	2020/21 £000s
Net Budget					
MKC - net budget	767	767	767	767	767
LGSS - net budget	3,804	3,804	3,804	3,804	3,804
Total Budget	**4,571**	**4,571**	**4,571**	**4,571**	**4,571**
Total Budget	**4,571**	**4,541**	**4,446**	**4,351**	**4,351**
New Recurrent Costs/Benefits					

Benefits (new)	-30	-95	-95	0	0	
Net benefits	**-30**	**-95**	**-95**	**0**	**0**	**-220**
% net benefits	*-0.66%*	*-2.09%*	*-2.14%*	*0.00%*	*0.00%*	*-4.89%*
Revised Budget	**4,541**	**4,446**	**4,351**	**4,351**	**4,351**	

7.4.2 One-off investment / funding requirements

There will be direct and indirect costs around induction and partnership set-up.

Potential travel costs will be shared but cannot currently be quantified, although they are unlikely on the basis of the forgoing to be significant.

LGSS maintains its own support services in HR and Finance separately so this element of any MKC stakeholder would need to be identified.

MKC's outline programme for strategic change is likely to require investment on an 'invest to save' basis to deliver the major projects identified or likely to be needed. These projects are currently not provided for in MKC HR budgets but actual costs would be assessed in the relevant business case. However, the costs of these should be lower within LGSS than those applying on a stand alone basis and on the basis of the existing LGSS framework for managing such projects.

7.4.3 Ongoing service costs and financial savings

This proposal is based initially on using existing investment (and budgets) to provide MKC with the professional services it needs to maintain its 'business as usual' position and address some of the current shortcomings in strategic capacity. This takes full account of saving already identified by MKC to have effect from 1 Apr 2016.

Thereafter, further savings (£150 - £200k) should accrue as a result of the development of business, the customer offer and further consolidation of provision.

The predicted trading position (schools and related – payroll and HR advisory services) for 15/16 is not yet clear for MKC. There is a requirement for a trading 'margin' of £200k+ but there is no breakdown of the split between payroll and advisory and related areas. There is a presumption of income from training of £16k and Job Evaluation of £20k.

There is an additional target of 88k in 16/17 and a proposed future one for 17/18. This has not been clarified in sufficient detail so this area is identified as a risk while mitigating actions are being understood.

There will be as yet un-costed potential reductions set out above in relation to contracts/procurement of services and further consolidation of particularly development/training costs.

7.5 Non-Financial Benefits

Some of the benefits are apparent in the Day 1 and 18/19 opportunities sections, but in summary:-

- Resilience and flexibility in professional support as demand varies
- Best practice and the sharing of new ideas and innovations
- Improved strategic transformational capacity/ access to specialism not existing and would have to be purchased or developed
- Better training opportunities
- Internal career development for colleagues to increase motivation and retention/recruitment.

7.6 Risks and Issues

Risk	Likelihood L/M/H	Impact L/M/H	Mitigation

The trading position in MKC is not sufficiently clear to be able to understand current deliver and surplus, plus how effective plans may be to achieve the increase of £88K in 2016/17 (this inc payroll)	H	M	MKCis exploring the current position for 15/16 to confirm income. Identify the size of market and the potential to increase trading in schools.
Strategic transformation capacity unable to be expanded in time for MKC needs, or cost too high.	M	H	Early indication of progress to enable development to start. Clear understanding of the direction and definition of outcomes expected by MKC.
The size and current demand, with significant reductions planned limits the direct amount of HR savings.	H	L	The proposed use of existing funding could provide MKC with the skills and capacity to enable its own savings targets. Which arguably it would have to invest more to achieve in the coming 2/3 years.
MKC users feedback and reputation of the current HR services is below expectations. Will users be ok with a step change in how they are support, along the lines already planned at MKC.	M	M	Relaunch of services with LGSS allows for a reposition of the role of support and the role of managers. Additional resilience and flexibility helps with demand. Clear understanding of what HR andLearning Services provides. And wider access to skills and knowledge form an integrated service will help build and improved reputation.
Transition to partnership sees people leaving with key local knowledge, for example the new MKC Job evaluation. Good employees leaving.	L	H	If partnership is agreed a communication plan with employees impacted would be required, and knowledge transfer if appropriate for Business Case. Early engagement with employees and LGSS, and early joint working to sell the partnership.
Challenge on internal LGSS pay levels.	M	L	Transparent policy and protocol on how LGSS manages between 3 sets of terms and conditions, and tri-partite consultation frameworks with trade unions.
Co-locate disrupts delivery. Access to support not effective.	M	H	Partnership launch. Good understanding of services provided, and how, access and flexibility.

8 Transactions

8.1 Executive Summary

This proposal is based on Milton Keynes Council (MKC) becoming a shareholder in LGSS with the following operational services ultimately being delivered through single, integrated teams:

- Payroll and control
- HR Transactions
- Accounts payable
- Accounts receivable
- Financial assessment (with the possibility to widen scope to include monitoring and payments)
- Appointee and deputyships
- Finance and HR and Payroll Helpdesk

There would be agreed service standards, service levels and key performance indicators for all services so that performance can be monitored and continuous improvement activity undertaken.

There are clear benefits to be realised from sharing transactional services if MKC becomes a partner in LGSS both in terms of shared and converged systems, technology and process improvements as well as efficiencies through the integration of transactional teams into single centres of excellence increasing resilience and achieving economies of scale.

8.2 Service Delivery Model

8.2.1 The Current Model

LGSS has an experienced Transactions Service delivering high volume quality processing to a wide range of LGSS customers in the following areas:

- Payroll and HR Transactions
- Account Payable
- Accounts Receivable
- Financial Assessments
- Client Funds (Appointee and Deputy services)
- Finance and HR and Payroll Helpdesk services

The LGSS Transactions Service currently operates with integrated teams delivering services from centres of excellence through either a single location or where services determine a local presence, e.g. financial assessments, from multiple locations but under a single management structure.

Where technology and systems allow we provide converged standardised transactional processes in a shared service operational model exploiting the use of technology to re-engineer processes and automate manager and employee self-service.

All LGSS Transactions teams (except appointee and deputy's) are supported by the LGSS Helpdesk that acts as the single point of contact for all enquiries and service requests. The strategic direction for this service is to enable first time resolution through the automation of processes and encourage channel shift away from telephone contact onto the Lets Go Direct website enabling the end user to self serve wherever possible in order to release efficiencies in Transactional services. Staff can also use the web portal to track progress and resolutions to their request or enquiry.

MKC operates a slightly different model whereby whilst most services reside with their overarching professional service line so, for example, Payroll and HR Admin is part of the wider HR service.

Some services operate standardised transactional processes with some elements of self-service especially in the HR and Payroll area.

Payroll and HR Transactions

LGSS services are provided from a fully integrated single Payroll and HR Transactions team currently located in Northampton providing services across Cambridgeshire, Northamptonshire, Huntingdonshire District and Northampton Borough Councils.

Existing service improvements through the exploitation of technology include;

- E-recruitment which automates the end to end recruitment and appointment process removing all paper based application forms and processes whilst providing real time information on speed of recruitment and appointment processes
- DBS E-bulk provides an electronic end to end DBS pre-employment checking process which has increased the average speed of receiving DBS clearance from 5 weeks to 48 hours.
- E-forms for travel and subsistence and absence. Removing all paper processes and providing managers with automated absence trigger point alerts.
- LANdesk help desk technology and Lets Go Direct web portal which enables single point of contact for all Payroll and HR Transactions with a customer tracking functionality from point of request to resolution
- EDRMs SharePoint solution for Personnel files releasing asset space at Cambridgeshire Shire Hall site and Northamptonshire’s John Dryden House site.

Further automation of processes, such as on-line payslips, are being developed through the implementation of Agresso functionality and the expansion of e-form capability through the Let’s Go Direct Web Portal.

The MKC HR Transactions and Payroll service is centralised delivering services from a single location to Milton Keynes Council. It is made up of Payroll, HR Admin and HR Management Information teams. Employee and Manager Self Service functionality using SAP is deployed for expenses claims, absence management recording and online payslips. All other processes are performed using manual forms and there is currently no automated recruitment, medical or DBS systems deployed.

The teams are supported by a HR Service Desk that is the single entry point for all calls and forms for the teams but does not appear to be supported by a fully developed CRM system.

Accounts Payable

The LGSS services are provided from a fully integrated single team providing services to Cambridgeshire, Northamptonshire, Norwich City and Northampton Borough supported by the Finance Transactions Helpdesk acting as the single point of contact for all calls and forms (except invoices) for the team.

All supplier requests and changes are managed using online forms. Requisitions are raised directly in ERP by users and converted to purchase orders (PO) automatically as part of the approval process, which is fully automated within the ERP.

Kofax OCR invoice scanning technology is utilised, which creates the invoice record in Oracle and automatically attaches the scanned invoice image to it. Standard Oracle workflow is used to manage invoices that cannot be paid immediately, e.g. no goods receipt. All payment runs (BACS and cheques) are performed by the Payables team together with multiple interface loads from line of business systems and management of the Construction Industry Scheme with suppliers / HMRC.

MKC accounts payable service is centralised providing services to Milton Keynes Council. All supplier requests and changes are managed using Excel MDEFS forms.

Requisitions are managed as a separate process with users not accessing SAP ERP directly to raise orders. A user completes an Excel MDEFS request and submits this to a central team (the ‘Hub’) to validate and create a Purchase Order, which is then issued to the supplier. The

Hub team also manages all PO queries, non-compliance with the process and interfaces with the supplier / user on any issues.

There is no invoice software deployed. An invoice image is created and stored in Info@Work (not linked to SAP) by transactions number with SAP ERP workflow used to manage invoices that cannot be paid once received for payment, e.g. no goods receipt.

All payments runs (BACS and cheques) are performed by the Exchequer Services team but interface loads from line of business systems are carried out by the Financial Systems team. Construction Industry Scheme management is split between Exchequer Services who manage the processing of invoices and the Finance Control Team who manage the CIS returns and provide any advice required.

Accounts Receivable

LGSS services are delivered from a single combined service based in Cambridge and supported by the Finance Transactions Helpdesk, the benefits of which have already been explained. All customer requests and changes are managed using online forms. Customer (sales) invoices are raised directly in ERP by users and posted out centrally. Income management is undertaken using Oracle and Agresso ERP together with Civica ICON.

Debt recovery is part of this team and utilises standard processes that include the use of external agents and enforcement activities where required. The LGSS MKC case for sharing debt recovery is covered in a separate section of this business case.

MKC services are delivered from multiple teams in different services all based in Milton Keynes. All customer (sales) invoices are requested through the use of Excel MDEFS forms and raised by the Exchequer Team. All customer requests and changes are managed using the same forms. Customer invoices are posted out centrally. Income management is undertaken using SAP ERP together with Civica ICON.

Debt recovery is part of the MKC Revenue and Benefits Service and includes the use of external agents and enforcement activities where required.

Financial Assessments (inc. Monitoring and Payments)

LGSS services are delivered through teams located in Cambridgeshire and Northamptonshire with a single management structure and supported by the Finance Transactions Helpdesk. A single system (Abacus) is used to record, calculate and manage the financial assessment process with links into the shareholder and customer organisation's care systems for additional information required.

MKC services are managed through a single team utilising standardised processes located in Milton Keynes. A single system (Controcc) is used to record, calculate and manage the financial assessment process with links into MKC's care systems for additional information required.

The monitoring element of the Adult Social Care monitoring and payments process is currently undertaken by the centralised Financial Assessments team in MKC. The payments element is currently based within the Adult Social Care Directorate of MKC.

Client Funds (Appointee and Deputy Services)

LGSS services are delivered from a single combined service based in Northampton utilising single standardised processes. Currently deputy services for Cambridgeshire County Council are retained within the CFA Directorate.

A new system called CASPAR has recently been deployed to manage service user accounts and automate many of the manual processes that were previously deployed.

MKC services are managed through a single team utilising standardised processes located in Milton Keynes. There are currently no systems deployed to manage the workload with spreadsheets being used to manage service user accounts.

8.2.2 Proposal for Day 1 of Transition

There is limited scope to make significant efficiency savings other than moving the services under a single LGSS Director and Head of Service and management team on day one. This is due to the differing operating platforms (notably ERP systems) and associated processes that will take time to harmonise and converge.

Consideration has been given to whether services could integrate pre-MKC moving onto the Agresso platform however, the risks in terms of losing local knowledge and skills together with the costs of training new staff for a relatively short space of time are considered too great.

In addition, LGSS Transactions currently has staff deployed onto the Agresso Programme (see ERP section) and this number will increase in the summer of 2016 as we enter the User Acceptance Testing (UAT) and training phases. Overlaying training of the remaining staff on SAP would further increase the risks of potential service failures, e.g. increased payroll errors, supplier invoices paid late.

For these reasons, it is proposed that services continue to be delivered from their current locations (so Northampton, Cambridge or Milton Keynes) using their current service processes but that the reporting lines for MKC operational services be transferred to the LGSS Transactions Service.

There will be some pre-transfer moves necessary to achieve this as the current MKC structural configurations mean some staff will need to move teams within MKC to enable a seamless transfer to occur.

Consideration of the opportunity to move all debt recovery processes across LGSS and MKC to a single team under one LGSS Director and Head of Service will be dealt with as part of a separate business case.

The main areas for potential early process improvements, cost avoidance for MKC and potential efficiency savings are:

- eRecruitment – investigate implementing the standard LGSS eRecruitment configuration into MKC at the earliest opportunity to enable manager self-service of the recruitment process and automated document production of the letters / emails required throughout the recruitment process.

- DBS eBulk – switch MKC to using the LGSS DBS solution that is a fully automated online system that returns a DBS decision within a matter of days for nominal cost saving weeks off the recruitment process and enabling new starters to commence their roles and contribute to MKC faster. This is dependant on the current MKC contract with Atlantic Data Services either ending or MKC being able to exit early without (or with no significant) financial penalties.
- EDRMs SharePoint solution for the electronic storage and access by managers supporting MKC asset utilisation strategy
- Supplier Invoice Portal – investigate whether it would be feasible to deploy the LGSS supplier portal (once procured) into MKC ahead of the delivery of the new ERP platform. Initial indications are that this could be cost prohibitive but a further review will be undertaken once the portal choice has been made.
- CASPAR – deploy the CASPAR system into MKC at the point of transfer to manage the appointee and deputy cases and realise efficiencies / redeploy resources elsewhere

Each proposal would need to be developed as individual invest to save business cases but the LGSS experience has shown that the following benefits can be realised;

- Significant reduction in development, build and implementation costs for MKC
- Reductions in licensing, hosting and support costs
- Significant reductions in the cost of advertising spend for MKC
- Release of asset space and resultant assets savings
- Improved management information and reporting
- Remote access for managers to their employees personnel files
- Improved processing times
- Improved KPI and volumetric information

- Increased efficiencies in Transactions releasing FTE savings.

8.2.3 Ambition for 3 years time

Assuming MKC agree to implement the LGSS gold client design and build HR and Finance Agresso solution with a parallel implementation by April 2017 we could integrate all transactional services into single LGSS centres of excellence during 2017-18. The ambition is that a fully integrated LGSS Transactions Service based on single integrated teams model is in place by April 2018.

The business case for MKC implementing the LGSS Agresso solution will be dealt with separately but we are confident that if implemented this would lead to major process improvements and financial benefits for MKC by moving to a single, LGSS in-house hosted and supported ERP solution.

Implementing the LGSS Agresso solution will also improve the end-user experience, enhancing employee and manager self-service together with providing a flexible solution more capable of adapting to the changing needs of MKC and wider LGSS partner organisations. Being a replacement ERP system rather than first time implementation will enable the project focus to be on these business improvements.

A single ERP solution with converged business process will enable LGSS to provide the most efficient and effective best in class professional and transactional HR and Finance support services to MKC

- An integrated system across both HR and Finance enabling a ‘single source of the truth’ with a single organisational view across budgets and people
- The ability to remove historical paper-based processes and forms, replacing with a fully automated people and financial support system
- A flexible, agile and intuitive end user experience, enabling positive employee and manager self-service

- The provision of transactional services through a shared services co-located model using best in class converged and automated processes improving efficiency and reducing cost

It also assumes that strategic third-party systems, e.g. online supplier portals, interfaced links to debt enforcement agencies, document production software, etc are deployed across all partners.

The locations of the teams will be dependant on the skills, knowledge and experience of staff and where the services can be best delivered in terms of efficiency and effectiveness.

This arrangement would enable savings and improvements to be achieved through processing economies of scale, the use of e-technologies and the use of self-service by NCC, CCC and MKC employees, suppliers and customers.

Not only does this achieve tangible cashable efficiencies but provides a high level of service resilience and access to a wide pool of expert skills that is often cost prohibitive for smaller organisations to achieve alone.

The longer-term plan would be to create mixed-skilled teams who could undertake multiple operational processes so enabling greater resource management to handle ‘peaks and troughs’ together with improved resilience, flexibility and job satisfaction for employees. This would require careful management to ensure sufficient skilled resources in each operational discipline is retained to support the complex, more technical aspects of delivering the services.

We are confident that these technology changes will generate an improved customer experience together with additional savings as a result of the economies of scale that will be achieved as a result of single system processing activity combined with the additional benefits that are provided with the Agresso systems functionality.

The Agresso ERP system will also provide an enhanced customer experience as a result of the self service functionality available through online forms for activities such as expenses, absence management, performance management, submitting employee changes and leavers.

The planned ERP implementation date is April 2017 so by year 2 significant savings can be realised by all LGSS partners fully utilising standard Agresso ERP functionality for example by enabling the capability to raise requisitions and create purchase orders (PO's) and manage supplier maintenance activities that are not undertaken using a Supplier Portal.

The introduction of the LGSS supplier portal is designed to drive increased electronic invoicing over a 2 year period so that by 2018/19 we no longer process paper invoices thus removing the need to manually re-enter data into Agresso. A key element of this change will be a comprehensive engagement exercise with all suppliers regarding the change and providing the support necessary for a seamless transition particularly for the smaller, local suppliers.

The full capability of the Supplier Portal is not yet known (soft-market testing is underway prior to procurement) but whatever product is chosen a stepped approach will need to be taken with regards to reducing the resources deployed to manage invoices and payments. The reductions are dependant on the strategic decision of the partner organisations to move to electronic invoicing by 2018/19.

The move to a centralised LGSS BACS Bureau from year 2 will streamline the current process and enable efficiencies from economies of scale to be realised. Likewise, the merging of the LGSS and MKC purchasing cards functions during year 1 will derive additional savings in the administration of this. There is also the potential in future to move towards a converged contract across all partners that may realise additional savings.

Once Agresso has been deployed, there will be opportunities to market our services more widely to schools and academies as potential sources of new business. One area that will be explored is whether to create a single schools service team that combines transactional and professional staff to deliver a fully integrated, seamless service.

Accounts Receivable

The proposal for accounts Receivable is based on the transfer of all income processing activity to the LGSS Finance Transactions Service. The proposal for all debt recovery activity is covered in a later section of this business case.

Financial Assessments

The proposal for Financial Assessments is based on the transfer of all processing activity to the LGSS Finance Transactions Service with teams but with local teams to support the service users of the respective partner organisations.

As part of the year 1 activity, MKC would be migrated to the Finance Transactions Helpdesk, the benefits of which have been explained earlier.

The current Financial Assessments team would remain in MKC with the line management being transferred into LGSS Transactions. Year 1 activity would be focussed on process review and standardisation together with working with Adult Social Care colleagues on how the customer journey can be improved / the teams can collaborate better.

There is a strategic partner decision concerning the care systems currently deployed in NCC and MKC and whether these are fit for purpose or need to be replaced. CCC is currently procuring a new system and there will be an opportunity for NCC and MKC to consider whether this meets their needs and could be used.

Until these decisions are made there is limited scope to make significant improvements that would derive financial benefits outside of improving the speed at which assessments are carried out and potentially mandating the use of direct debits to pay care invoices.

Client Funds (Appointee and Deputy)

The proposal for Client Funds is based on the transfer of all processing activity to the LGSS Finance Transactions Service with teams located geographically to support the service users of the respective partner organisations.

The current Appointee and Deputy staff would remain in MKC with the line management being transferred into LGSS Transactions. Year 1 activity would be focussed on deploying the CASPAR system with its associated standardised processes to maximise efficiency and create capacity within the team. It is not proposed to release any savings from this activity.

Concurrently, this service would be prepared for marketing to other local authorities and NHS bodies on a traded basis utilising the CASPAR system and standardised processes. This will generate additional income into LGSS with no additional costs as we will utilise the capacity created by implementing the CASPAR system.

Acquiring, training and retaining the skilled staff required to operate this service effectively, efficiently and to a high standard is costly and so reducing the resources should only be considered as a last resort if the service cannot be sufficiently traded to maximise the capacity created and cover its costs.

8.3 Performance Targets compared to current delivery

The current LGSS measures for NCC and CCC, which are reported quarterly, are below.

<table>
<tr><th colspan="5">LGSS Performance Measures - Payroll and HR Transactions</th></tr>
<tr><th rowspan="2">Description</th><th rowspan="2">Purpose</th><th rowspan="2">2015/16 Target</th><th colspan="2">Performance</th></tr>
<tr><th>Q1</th><th>Q2</th></tr>
<tr><td>Overall payroll accuracy for all employees paid monthly based on fully completed and accurate forms being received by the published deadlines</td><td>To determine the accuracy of the payroll by calculating the percentage of payment corrections required as a percentage of total pay bill</td><td>98%</td><td>100%</td><td>100%</td></tr>
<tr><td>New Starter requests that are fully complete and received by the published deadline are set up in time for the payroll</td><td>Completed New starter information provided by the published deadlines is recorded appropriately</td><td>98%</td><td>100%</td><td>100%</td></tr>
<tr><td>Leaver requests that are fully complete and received by the published deadline are set up in time for the payroll</td><td>Completed Leaver information provided by the published deadlines using the agreed form(s) is recorded appropriately</td><td>98%</td><td>100%</td><td>100%</td></tr>
<tr><td>Any changes to staff details that are fully complete and received by the published deadline are set up in time for the payroll</td><td>Completed Changes to existing staff details (hours, grade, etc.) provided by the published deadlines are recorded appropriately</td><td>98%</td><td>100%</td><td>100%</td></tr>
</table>

LGSS Performance Measures - Finance Transactions				
Description	**Purpose**	**2015/16 Target**	**Performance**	
Undisputed Supplier invoices will be paid within 30 days Note: This will measure the end-to-end process of both LGSS and the customer in this area. (Calculation from Invoice Received date into LGSS)	Receiving and processing supplier invoices and ancillary payments, ensuring that invoices are correctly and promptly paid to supplier	95%	99%	99%
Undisputed and compliant Supplier invoices will be processed ready for payment within 5 working days from receipt into LGSS	Receiving and processing supplier invoices and ancillary payments, ensuring that invoices are correctly and promptly paid to supplier	95%	98%	100%
Process fully completed supplier requests within 3 working days of receipt	To maintain accurate supplier information	95%	100%	100%
BACS payment runs will be completed in line with the published schedules	Receiving and processing supplier invoices and ancillary payments, ensuring that invoices are correctly and promptly paid to supplier	95%	100%	100%
Process fully completed customer requests within 3 working days of receipt	To maintain accurate customer information	95%	100%	100%

The current measures for MKC are as follows:

MKC Performance Measures - Payroll and HR Transactions				
Description	**Purpose**	**2015/16 Target**	**Performance**	
Effective employee relations – case resolution timescales	Target met when no more than 10% of live formal employee relations cases have a case duration over > 200 days	10%	14%	11%
Effective employee relations – case resolution timescales	Target met when no more than 30% of live formal employee relations cases have a case duration over > 120 days	30%	28%	31%
RTI - monthly Final Payment Summary (FPS) filed by payday and monthly Employee Payment. Summary (EPS) filed by 22nd of following month	RTI - monthly Final Payment Summary (FPS) filed by payday and monthly Employee Payment. Summary (EPS) filed by 22nd of following month	100%	100%	100%
Year End - LGPS, Teachers Pensions, P60, P11D		100%	100%	100%

Sickness Absence - Supporting Managers to reduce Sickness Absence	Percentage of workforce whose absence pattern has caused them to "trigger" intervention.	4%	6%	6%
MKC Performance Measures - Finance Transactions				
Description	**Purpose**	**2015/16 Target**	**Performance**	
MDEF Requests processed within 36 hours of receipt	Receiving MDEF requests and processing them efficiently and accurately, minimising any delay for the requisitioning service.	100%	99%	99%
Invoices paid within supplier payment terms (all invoices processed)	Receiving and processing all invoices and ensuring they are posted to the system efficiently and accurately	98%	80%	91%
Invoices available for payment (i.e. not blocked, goods receipted etc) paid within supplier payment terms	Ensuring that all invoices that are able to be paid are processed quickly and accurately	98%	98%	99%
Customer/Vendor/Accounting codes set up within 5 working days of request	Receiving all requests for new vendors/customers/accounting codes efficiently to minimise any impact on the requesting service	100%	98%	100%
Completion of Financial Assessments within 5 working days of receiving all necessary data	Receiving all required information needed to undertake the assessment and carrying out the assessment efficiently	100%	100%	99%

For most services it would be expected that in Year 1 the impacts on performance should be minimal assuming the existing resources deployed remain largely the same. There is a risk to these, however if retaining staff through the transition phases becomes challenging and we lose knowledgeable staff.

At the point the organisations are migrated to Agresso there will be a disruption to services in terms of LGSS Transactions Service staff and wider employees adapting to the changes, however it is not possible at this time to predict the impact of this. A comprehensive training and rollout plan together with employee engagement sessionsshould help to mitigate any impact.

The future performance targets for all operational services would need to be reviewed in line with the implementation of the Agresso ERP system and associated technologies, e.g. Supplier Portal. It is too early to predict what these may be at this time and they would require input from the partner organisations to agree.

8.4 Financial Benefits and Investment Needs

8.4.1 Financial summary

The financial table gives a net budget position for the service after existing Medium Term Plan commitments for each authority. Proposals as a result of the partnership between LGSS and MKC are shown as the net benefits.

Partnership (LGSS/MKC) Recurrent	2016/17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s	2020/21 £000s	
Net Budget						
MKC - HR trans net budget	390	390	390	390	390	
MKC - Trans other net budget	898	898	898	898	898	
LGSS - HR trans net budget	703	703	703	703	703	
LGSS - Trans other net budget	2,461	2,361	2,461	2,461	2,461	
Total Budget	**4,452**	**4,328**	**4,452**	**4,452**	**4,452**	
Total Budget	**4,452**	**4,305**	**3,835**	**3,596**	**3,596**	
New Recurrent Costs/Benefits						
Benefits (new)	-24	-470	-240	0	0	
Net benefits	**-24**	**-470**	**-240**	**0**	**0**	**-733**
% net benefits	*-0.53%*	*-10.91%*	*-6.25%*	*0.00%*	*0.00%*	*-17.69%*
Revised Budget	**4,428**	**3,835**	**3,596**	**3,596**	**3,596**	

8.4.2 One-off investment / funding requirements

The key transformational aspects of this business case are linked to the Agresso ERP Gold Client Programme and the investment funding for this programme is covered elsewhere in this business case.

In terms of the other technology improvements that MKC could benefit from in Year 1 if they were to join with LGSS, indicative one-off investment costs to configure and deploy the systems and ongoing funding / charging requirements are as follows:

E-Recruitment into MKC:

- Set-up costs (System supplier and LGSS Business Systems) £5,445
- Annual maintenance costs £1,515
- Per candidate application fee £1.21
- Jobs Go Public Advertising £8,000 (one-off fee for 2016/17 – future years subject to contractual negotiation)
- External Website Adverts (e.g. Total Jobs) £45 per advert

DBS eBulk into MKC:

- Set up costs £1,000
- Per DBS Check Admin Fee £6
- External ID Check £2.50 (in addition to the £6 admin fee)
- Current DBS Fees Standard Check £26; Enhanced Check £44; Volunteer £2.50 (no admin fee applicable)

There would be additional costs if MKC wanted any bespoke development undertaken to the standard E-Recruitment system configuration.

There would be additional costs in terms of training and rolling out the changes to MKC employees, however LGSS has extensive experience of undertaking such activities that MKC would benefit from so easing this transition.

The automated Document Production technology is unlikely to incur significant systems costs but further details are awaited from the supplier to confirm this. There would be some internal costs associated with deploying the software but this is considered to be relatively small and most likely could be absorbed by the enlarged LGSS Transactions Service.

The migration of MKC appointee and deputy work to the LGSS CASPAR system is unlikely to incur significant systems costs but further details are awaited from the supplier to confirm this. There would be some internal costs associated with deploying the software but this is considered to be relatively small and most likely could be absorbed by the enlarged LGSS Transactions Service.

In year 2 it is proposed to implement an Electronic Document Records Management System for all personal files. The indicative systems costs to set up MKC personnel files within the LGSS systemare:

- System Set up costs (including storage) £3,200
- Annual Maintenance £900
- Data Migration* £10,000

*This is difficult to predict and an assumption has been made that c.3 monthsof work will be required

There would be additional costs in terms of training and rolling out the change to MKC employees, however LGSS has extensive experience of undertaking such activities that MKC would benefit from so easing this transition.

8.4.3 Ongoing service costs and financial savings

A summary of the financial benefits relating to MKC joining LGSS are as follows:

Payroll and HR Transactions			
	2016/17 **£**	**2017/18** **£**	**2018/19** **£**
Opening Budget	652,818	629,258	394,073

Savings	23,560	235,185	94,144
Closing Budget	629,258	394,073	299,929
Finance Transactions			
	2016/17 **£**	**2017/18** **£**	**2018/19** **£**
Opening Budget	898,324	898,324	663,715
Savings	-	234,609	142,375
Closing Budget	898,324	663,715	521,340
Total Combined Savings 2016-19		729,873	
As a Percentage		47%	

8.5 Non-Financial Benefits

Some of the benefits are apparent in the Day 1 and 18/19 opportunities sections, but in summary:

- Increased resilience and flexibility in how operational services are delivered
- Best in class processing utilising Agresso functionality and supporting automation
- Increased self-service usage and channel shift enabling more efficient support service delivery
- Improved demand management with larger pool of resources available
- Improved management information and compliance capabilities through deploying an end-to-end automated E-Recruitment solution
- Single point of access to personnel information via Agresso and the Electronic Document Records Management System (for personnel files)
- Best practice and the sharing of new ideas and innovations
- Improved transformational capacity / access to functional specialists not existing and would have to be purchased (via consultants) or developed

- Wide range of training opportunities
- Internal career development for colleagues to increase motivation and retention / recruitment
- Reduction of paper processes and storage requirements enabling greater asset utilisation and associated savings

8.6 Risks and Issues

Risk	Likelihood L/M/H	Impact L/M/H	Mitigation
Employees leave once news of the partnership is confirmed taking local and current systems knowledge with them. We lose good employees	M	H	On the basis the partnership proceeds, clear, concise communications and engagement plan with all employees would be required. Some knowledge transfer would have to be undertaken to ensure business continuity, if required.
Capacity to enact change with competing demands of partner organisations and potential loss of skilled resources.	M	H	Clear plan of activities and resources agreed by the partners. Early notice of partnership progress would aid development of plans.
Systems are not delivered on time or do not provide the expected levels of self-service / required functionality	L	H	Operational resources pro-actively involved in the Agresso ERP and associated systems development. Regular employee engagement to incorporate feedback into developments
Co-located teams / matrix management disrupts service delivery	L	M	Clear partnership launch and engagement with staff.
Transition to employee self-service model is slow increasing demand on operational services that have been reduced in size. Impact on service deliver and performance.	H	H	Clear communication plan and engagement with staff on changes. Commitment by all partner organisations to self-service ethos and employee compliance / consequences.

9 Revenues and Benefits

9.1 Executive Summary

The Officers of Milton Keynes Council (MKC) and LGSS recognise that the creation of a Revenue and Benefits Shared Services presents significant quantitative and qualitative benefits for all Joint Committee partners and their citizens.

Both organisations currently provide Revenues and Benefits to a good standard and are committed to continually improving performance. Local government funding is undergoing significant changes as grant based payments reduce; to be mitigated by greater retention of locally collected revenue, this means the need to maximise revenue baselines and collection is key to all councils.

Revenue collection in terms of local taxes and fees and charges will become critical to every authority maximise funding for services. In parallel with this change, the national frameworks of welfare reform will alter the local authority benefits service provision. It is likely that changes will be phased in and it is essential during his period to ensure that service performance to customers is maintained.

It will be crucial to deliver continual improvement in performance across the Revenues and Benefits Service in order to maximise opportunities and mitigate risks to all partner organisations.

This outline business case illustrates the potential benefits of a shared service arrangement for revenues and benefits, both in financial and non-financial terms. The proposal would develop platform for service delivery, which makes the best use of technology to streamline processes and help customers to service themselves; increase efficiency through sharing support functions; share best practice to maximise revenues; increase resilience and stability by creating opportunities for staff and accessing a wider labour market and also provide a strong shared service offer which would be scalable for other authorities.

ProposedOperating Model

The strategic vision for a shared service revenue and benefits operating model covers the following areas which will be described in more detail section by section;

- Shared management teams, efficiencies through economies of scale; increased resilience and structures that support growth
- Transformation of customer access channels. Supporting and enabling channel shift through increased self service and use of customer access channels
- Enablement of a single line of business systems on a converged and shared platform / Business process re-engineering to streamline and automate
- Shared best practice policy alignment where local requirements allow

Shared management teams, efficiencies through economies of scale, increased resilience and structures that support growth

The shared services vision is to align the Revenue and Benefits services across NBC and MKC into a shared service with a single management team led by a single Head of Service but with a local presence, particularly for the delivery of "face to face" customer contact access. There will be clear standards of service and performance outcomes which will enhance the service offering from the partnership.

Wherever possible resources from across multiple operations would be integrated to achieve resilience and increased efficiency/economies of scale. This will support the ability to move work across teams in order to manage peaks and troughs on demand.

Using single systems and infrastructure will enable the movement of work across multiple sites irrespective of location. This flexible approach will allow partners to access a broader workforce market to attract staff and the size and scale of the operation will allow for some additional opportunities for development and progress to enable retention within the service.

This operating model will also put the shared service in a favourable position to attract future customers and/or additional Foundation Partners. This will in turn generate further income opportunities for MKC/LGSS/NBC through trading its collective expertise with other public sector organisations.

Transformation of customer access channels /Supporting and enabling channel shift through increased self service and use of customer access channels.

Currently customers can access the revenue and benefits service through a variety of access routes such as; face to face, self service through web access or via self service points through the customer contact centres and over the phone. Through the technology which underpins each point of access customers can interact with the service via multiple locations and multiple service providers for example housing providers and the third sector.

The new shared service would deliver services using the most optimal customer access channels encouraging where appropriate a behavioural shift from an over reliance on face and face and telephone contact to increasing confidence in the use of self service technology. In parallel the service will provide a broad set of customer access channels to support those service users unable to use these online channels. However the use of Customer access portals will still be encouraged with support offered from officers both over the phone and face to face.

The most cost effective and often quickest contact for the customer is via self service through the web, however the aim will always be to utilise channels that achieve resolution of customer requirements at the earliest point possible, reducing multiple transactions for one resolution wherever possible.

Enablement of a single line of business systems on a converged and shared platform / Business process re-engineering to streamline and automate.

Currently LGSS and MKC use Northgate for their revenue and benefits processing system. They are on the same version but the systems are differently configured. In addition LGSS use Civica Document Management and workflow, whereas MKC use a document management solution provided by Northgate, but which is not integrated within the core system. These systems supplemented by a number of smaller systems / modules enable some automation through e-forms to support customer self service and remove paper based processes. We will also look to implement a site to site shared telephony so that first telephone contact can be handled across all locations and the demand can be resolved.

As a shared service this creates a significant opportunity to develop a shared business system on a converged and shared platform which in turn should generate significant licensing, hosting and support savings as well as enable standardised processes across multiple teams and locations.

The intention would be during year 1 to re-procure a single system which will drive the formation of combined processes and procedures to enable a true day to day shared service operation. These combined set of lean processes will support efficiency and performance for the long-term and will also consider how services are configured in readiness for the future, post welfare reform, service delivery model.

Shared best practice policy alignment where local requirements allow.

Wherever possible the shared service will develop a single approach to revenues and benefits policies adopting best in class model. The shared service will ensure that each Council receives appropriate policy advice and support to maximise collectable income, with any sharing of benefits being agreed as part of individual business cases, agreed by all parties.

The new shared service will remain focused on supporting service users through welfare reform transitions. In addition the shared service will be focused on a growth plan that ensures retention of our staff assets throughout this period of uncertainty. Delivery of first class services to current members and future members via the joint committee, alongside the trading of services will leave it well placed to retain its scale and expertise and continue to be competitive for the long-term. A further aim will be in mitigating possible redundancy liabilities to partners as a consequence of the implementation of universal credit and transfer of Housing Benefit to the DWP.

Financial estimates of benefits from implementing the operating model

Target Operating Model Theme	Saving Identified
Shared management teams A single Head of Service will be in place and it is envisaged a further reduction can be achieved in year 2 within the management team structure.	Reduction in Management Team Costs
Efficiencies through economies of scale A target reduction has been included as a result of reduced duplication of technical / support roles.	Support Services Target Reduction
Structures that support growth Traded Income targets have been included that represent a conservative estimate of the trading opportunities available to the new shared services. The aim will be to retain service expertise as we achieve savings. By trading capacity in the service we achieve retention of key personnel. These include management consultancy, supporting technical service areas (tax base, collection fund, subsidy, Discounts and Exemption review service, general offsite processing support). By working with other public sector organisations the new shared service expects to create trust in our services and therefore attract longer-term partnerships via new customer Partnership agreements or new foundation partnership.	Various income targets against service expertise.
Transformation of customer access channels /Supporting and enabling channel shift through increased self service and use of customer access channels. This savings aims to reduce baseline costs to the shared service through shared projects aimed at channel shift and aligning best practice. Savings likely to be achieved through staff turnover and non replacement of these vacancies.	Staff Savings through non replacement of vacancies (following efficiency projects)
Enablement of a single line of business systems on a converged and shared platform / Business process re-engineering to streamline and automate.	Line of Business systems project saving estimate
Shared best practice policy alignment where local requirements allow	An income estimate has been included.

An estimate of the income benefits to NBC has been included to illustrate the benefits of aligning policies and practices to those in place at MKC	

9.2 Service Delivery Model

9.2.1 The Current Model

LGSS currently provides a Revenue and Benefits service to NBC and Norwich City Council (NorCC). This is not delivered as a shared service model due to NorCC wishing to take a "stand alone" support delivery model via a single Revenue and Benefits management team with a local Operations Management presence. So for the purposes of this business case NorCC Revenue and Benefits budgets and FTE are excluded for modelling purposes as they will not form part of the shared service Foundation Partner Joint Committee model. LGSS will however continue to provide the Revenue and Benefits service at NorCC under an existing Partnership and Delegations Agreement.

LGSS NBC Budget Description	£	FTE	Information
Staff	£2,567	92.65	Excludes corporate debt element
Supplies and Services	£305	N/A	Includes Systems Cost and Business Rates (Elements to be transferred to staff budgets from 16 – 17.

LGSS provide its services using a number of well established systems and processes. Key features of the current delivery model include:

- Operated from the Guildhall in Northampton with a mixture of roles supporting the service, however currently in the process of recruiting to generic posts across service roles (with retained specialism where required)
- An Operations Manager in Northampton is supported by 8 Team Leaders,
- Technical areas report into the shared Revenues Manager (Part of shared management team)

- Training, Performance and Quality report into the shared Customer and Support Manager and this post also supports the Head of Service with Partnership management and reporting
- The shared Benefits Manager for the service also leads on the delivery of Welfare Reform Transitions, partnership liaison (DWP, Community Groups etc) and currently ICT project delivery
- Access Channels developed to meet customer preferences on interactions with the Council including face to face, over the telephone, post, email, web and home visits
- A self service system for customers and Landlords to view and submit electronic forms
- Customer Access portal via the web and by telephone available in the Customer Service Centre in Northampton
- Appointment only system for face to face enquiries
- Evidence drop off point for customers to avoid queuing
- Complete removal of paper based Benefit new claim forms – 100% via automated E-forms (with data loaded straight into back office system), completed via the web, in person or over the telephone
- Full suite of Revenues E forms including 3 high volume interactions fully automated with back office system (65 – 70% of these require no further review by officers)
- Well established joint working arrangements in place with housing providers and third sector to support the new claims process for benefits
- Well established partnership with third sector partners supporting those in arrears to the Council – ability for these providers to make arrangements on behalf of the Council
- A cross funded senior management team supporting NBC and Norwich City Council (NorCC) – Expertise across services including Revenues, Benefits, Customers, Training, Performance and Service Development
- 3 Training Officers supporting the Northampton service including customer service team (NBC managed), 3 service officers trained as NVQ assessors / verifiers

- Ongoing projects being delivered for/in 2016-17 to further extend automated e-forms (4 new forms in development)
- Full process review underway to support further process and procedural review – aimed at first point resolution of enquiries and increasing further expertise at first point of contact

MKC provides its services using a number of well established systems and processes. Key features of the proposed restructured delivery model include:

- Operated from the Civic Offices in Milton Keynes which other than a mixture of roles supporting the service, the delivery model ensures that service experts deal with customer demand as part of 'one function', not 'front office / back office' splits.
- The Operating Model is designed around reducing transactions by ensuring resolution of customer need at the earliest possible point of contact, in doing so, reducing cycles to achieve resolution, delivering a combination of efficiencies and high levels of customer service.
- The Operating model is heavily reliant on detailed performance data, understanding customer demand in order that avoidable contact is removed.
- Whilst the Corporate Debt Team manage Enforcement Agents, including issuing instructions, setting recovery timetables etc, the Revenues Advisors deal with customer demand for all demand types, including those relating to recovery action, other than the particularly specialist areas such as insolvency, committal etc.
- The various elements of Benefits delivery (HB, CTRS, LWP, DHP) are generalised to Benefits Officers to ensure that the expert can exploit the 'right tool', based on customer and authority need, however teams are split by core claim type to ensure maximum expertise in core functions
- A Service Delivery Manager is supported by a Revenues Operation Manager, a Benefits Operations Manager, a Welfare Reform Manager, Support and Resource Manager and a Service Development and Controls Manager.

- The current restructure disaggregates Training and Performance and Quality to embed the training functions within the processing teams.
- The Welfare Reform Manager (whilst a permanent role) is only within budget in 2016/17.
- A self-service system Landlord Portal is in operation and a wider corporate solution to customer online access and self-service is in the latter procurement stages. This solution will be predicated on end to end resolution opportunities (Channel Shift) as opposed to partial self service (Channel Duplication).
- Face to face enquiries are operated on both an appointment and drop in basis, appointments being utilised more for benefits enquiries.
- The Service operates a triage system for face to face demand, where an expert will assess whether the work can be completed. If it can't be completed, an appointment is made at a later time or date. If it can be completed within approximately 10 minutes, it is done, but if it is likely to take longer, customers are able to wait to see an expert to complete their work.
- Evidence drop off point for customers to avoid queuing, but preferred model is to complete the assessment there and then wherever possible
- Well established joint working arrangements in place with housing providers and third sector to support the new claims process for benefits
- Demonstrative demand reduction through waste and failure demand removal.
- Significant Central Government influence through various Working Groups
- IRRV QCF Assessment Centre, delivering qualifications to internal and external customers.
- Structure appended. Staffing numbers including Corporate Debt and Blue Badges of 130.45 FTEs

9.2.2 Proposal for Day 1 of Transition

Day one would be a pick and drop of as-is arrangements under a single LGSS Director with Revenue and Benefits teams remaining untouched. The LGSS Director will develop a

Revenue and Benefits shared management team proposal for consultation within the year of operations with the intention to move to a single Head of Service and a shared management team in year 2.

Period	Milestone / Activity	Link to Target Operating Model Theme
Quarter 1 2016	• Re - organisation of technical support teams through economies of scale (Training, Performance, Quality Assurance, Systems)	Efficiencies through economies of scale
	• LGSS Trading company options appraisal	Structures that support growth
	• Full policy review aligned to debt collection / increasing income	Shared best practice Policy
	• Commence process and procedural alignment (Initial Phase commenced alongside line of business review - short term aims) - Channel Shift focus / demand reduction	Transformation and Alignment
	• Commence Line of Business Systems Review – Requirements	Single Line of Business System
	• Live Universal Credit Phase 2 MKC and NBC	Transformation and Alignment
	• Implement Shared Telephony	Transformation and Alignment
Quarter 2 2016	• Policy Review complete and new policy intentions implementation commences	Shared best practice policy
	• Finalise Line of Business requirements	Single Line of Business System
	• Commence Procurement of single Line of Business System	Single Line of Business System
Quarter 3 2016	• Benefit realisation of Policy review for year one income benefits	Shared best practice policy
	• Award Contract Line of Business Systems	Single Line of Business System
	• Commence process and procedural review - driven by LOB system capability and requirements	Single Line of Business System / Transformation and Alignment
	• Commence system transition planning and data migration where applicable	Single Line of Business System
	• Review service delivery teams against new capability / requirements of single Line of Business (LOB) system	Efficiencies through economies of scale
Quarter 4 2016	• Single Head of Service and shared management team proposal	Shared Management Team
	• Further re - organisation of technical support teams to support year 2	Efficiencies through economies of scale

	efficiencies - linked to Line of Business decision	
	• Finalise any service re-structuring resulting from systems transition	Efficiencies through economies of scale
	• Conduct data mapping across MKC / LGSS Systems	Single Line of Business System
	• Sign off Data Mapping	Single Line of Business System
	• 2 test data cuts where required / live testing of single system	Single Line of Business System
	• Integration testing of new single line of business system	Single Line of Business System
	• Test output - bills / notifications etc.	Single Line of Business System
Quarter 1 2017	• Further test data cut where required / live testing of single system	Single Line of Business System
	• Further Integration testing of new single line of business system	Single Line of Business System
	• Further Test output - bills / notifications etc.	Single Line of Business System
	• User acceptance Testing and Sign off	Single Line of Business System
Quarter 2 2017	• Live with new Single Line of Business Systems	Single Line of Business System
	• Implement single Head of Service and shared management team proposal	
	• Live with single workflow across operations	Transformation and Alignment

9.2.3 Ambition for 3 years time

Period	**Milestone / Activity**
Quarter 1 - 2018	• Fully live with complete Target Operating Model (alongside Line of Business Systems)
	• Future Service transition review (Universal Credit Check point review)
Quarter 2 – 2018	• Post implementation review LOB
	• Post implementation review new Target Operating Model
Quarter 3 – 2018	• Further Future Service transition review (Universal Credit Check point review)

The ambition for Service delivery would be to create a single shared service, operating as one on a single and converged business system and processes, but delivering to three or more sites, alongside the wider trading of services. This could involve the various elements of the Revenue and Benefits service being centrally managed but delivered either across all sites (customer demand driven processing) or Centres of Excellence, built on the available expertise at one site or the other. For instance (and purely for illustrative purposes), the necessary accuracy checking function is a task that can be entirely delivered remotely. MKC accuracy has struggled in recent years, with difficulty in recruiting trainers and accuracy checkers. Northampton has a more established team, which would be able to undertake this element of the service for all sites.

Similarly, MKC has a very advanced National Non-Domestic Rates (NNDR) team, which focuses on revenue protection and retention in equal measure to recovery action. Northampton has until April 2016 received an NNDR service delivered by a third party, but has been instructed to bring it into LGSS. This is an ideal opportunity to pool resources to deliver that function for MKC, Northampton and possibly Norwich. There is a clear possibility of delivering increased revenue to the Partners with some form of sharing or risk/reward.

In order for these elements to operate in this way, processes, and wherever possible, policies need standardising, while still allowing councils discretion about issues which are locally significant. These processes can then be operated by shared teams across all sites or by one site for the whole shared service. This would enable resources to be used more flexibly, underpinned by different systems.

By combining channel shift tools (a self-service offer for business and residents to manage their Council Tax and Business Rates accounts on an end to end basis) to reduce demand and harmonising the process design of back office processing, systems administration and customer interactions, it will enable both increased capacity and an opportunity to provide ‘best in group’ service delivery across all sites. From a customer service point of view, a local presence will be maintained at all sites which will allow some self-assessment / reduce data entry time when face to face, but working within one operating model.

The shared service will be designed to provide a strong regional offer and a scalable model which will provide a clear trading offer and good value for money for any other authority. As local government funding is changing, a truly integrated shared service which is designed around taking the best performing and highest expertise across all sites and staff will create an extremely strong offer to the market.

The changes in government funding will create an increasing risk to partners as revenue protection, performance improvement and accurate forecasting will become an increasingly significant element of a strategic Revenues and Benefits Service. LGSS has the opportunity through the shared risk / reward model with all Partners to develop an exemplar service in this regard providing enhanced expertise beyond the 'received wisdom' of transactional processing. This will create a unique selling point which does not currently exist in either the Public/Public or Public/Private market.

The longer term governance model for Revenues and Benefits will also be explored to create an attractive platform for a wider shared service model. This will be considered based on feedback from potential customers; effective models for service delivery and the management of risk and reward.

9.3 Performance Targets compared to current delivery

Northampton and MKC 14/15 Outturn key performance indicators (KPIs) and performance are detailed in the following table.

MKC is committed to considering opportunities for delivery cost reduction / revenue increases, but on the basis of continual improvement in current performance. Consolidated / standardised KPIs would provide an opportunity for all partners to benefit from a 'best in class delivery model.

The approach of each organisation has been discussed, with MKC committed to performance improvements through 'invest to save' business cases, but also reducing costs through true efficiency measures. This shared service would allow for a shared risk / reward model to be developed to create a shared incentive for continual performance improvement across all partners.

Key performance indicators will be developed for the new shared service in conjunction with customers and partners (maintaining key PIs for current customers/ partners). In addition further management performance measures will be collected which will ensure performance issues and risks are identified at an early stage, to allow action to be taken to minimise the potential impact.

Northampton Borough Council				**Milton Keynes Council**			
	Target	***14/15 Outturn***			***Target***	***14/15 Outturn***	
REV01	*11 days*	9.1	Speed of Processing New Claims and Changes	KPI908	*17 days*	15.79	New Claims (days to process)
REV04	*0.40%*	0.39%	LA error	KPI 909	*6 days*	4.83	Changes (days to process)
REV06	*89.67%*	83.2%	Contact Centre % answered	KPI910	*9 days*	5.60	New and Changes Combined (days to process)
REV08	*96.20%*	96.2%	Council Tax In Year Collection	KPI911	*97.50%*	97.80%	Council Tax In Year Collection
REV09	*99.50%*	99.41%	NNDR In year Collection	KPI912	*98.20%*	98.60%	NNDR In year Collection
REV10	*4.50%*	3.42%	Inactive Debt - % of overall debt outside of management	PI	*99.50%*	99.60%	Former Years arrears collection after 3 years
REV11	*90%*	97%	DHP Reviewed within 14 days				

9.4 Financial Benefits and Investment Needs

9.4.1 Financial summary

The financial table gives a net budget position for the service after existing Medium Term Plan commitments for each authority. Proposals as a result of the partnership between LGSS and MKC are shown as the net benefits.

One-off	2016/17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s	2020/21 £000s	
One-off Costs/Benefits						
One-off Benefits	0	-50	-75	-50	-50	
Net benefits	**0**	**-50**	**-75**	**-50**	**-50**	**-225**

Recurrent	2016/17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s	2020/21 £000s	
Net Budget						
MKC - net budget	3,755	3,755	3,755	3,755	3,755	
LGSS - net budget	2,745	2,745	2,745	2,745	2,745	
Total Budget	**6,500**	**6,500**	**6,500**	**6,500**	**6,500**	
Total Budget	**6,500**	**6,270**	**5,744**	**5,414**	**5,238**	
New Recurrent Costs/Benefits						
Benefits (new)	-230	-490	-300	-150	-50	
Benefits (new debt recovery)	0	-36	-30	-26	-15	-107
Net benefits	**-230**	**-526**	**-330**	**-176**	**-65**	**-1,327**
% net benefits	*-3.54%*	*-8.39%*	*-5.75%*	*-3.25%*	*-1.24%*	*-22.17%*
Revised Budget	**6,270**	**5,744**	**5,414**	**5,238**	**5,173**	

9.4.2 One-off investment / funding requirements

A single line of business system for all partners will require investment, although yet to be quantified, however based on the single site existing Business Case for MKC, a significant return on investment is likely within a 5 year period.

9.4.3 Ongoing service costs and financial savings

A single system would enable single Systems Administration, financial reconciliation, Direct Debit processing, recovery runs etc. Restructuring these support / back office elements of the service would provide financial savings (yet to be quantified).

9.5 Non-Financial Benefits

As part of the data collection process that has been undertaken across both services, a number of further benefits have been identified and are presented below:

- Increase in the critical mass of resources
- A broader depth of the skill-base
- Improved service resilience
- Increased support for quality assurance
- Best in class staff training and development
- Reference site for shared service formation and development / management
- Reputational benefits of the new shared service / best in class Operating Model and systems underpinning service delivery
- Increased influence both in the public sector and when negotiating with the private sector

9.6 Risks and Issues

Risk	Likelihood L/M/H	Impact L/M/H	Mitigation
Savings identified are considered conservative	L	L	Ensure challenge given to leads by the senior responsible officers for inclusion in the detailed business case
The partnership/service does not deliver the	L/M	M	A strong due diligence process on the business case and thereafter will ensure the business case is

identified savings			deliverable. Ensure a robust Revenues and Benefits management structure with strong governance will monitor this.
The partnership/service does not deliver agreed performance levels	L/M	H	Regular monitoring and access to wider resource minimises this risk. The membership of the Partnership Board for MKC and existing arrangements fro monitoring KPIs for Norwich and NBC will mitigate the risk.
Implementation is delayed	L	M	Timeframes should be jointly agreed and reported regularly through a robust governance structure. Shared management structure, reporting to an LGSS Board member will ensure delivery remains on track and is prioritised appropriately in LGSS.
Staff resistance to change may erode benefits	M	H	Engage with all in-scope staff; develop and implement an effective staff communications strategy; ensure immediate development and adoption of new work processes Strong and supportive leadership to guide staff through the change.
Due to the sharing of resources, management is stretched too thin	L	M	Ensure the continuous development of the agreed, robust target operating model.
Savings identified are considered conservative	L	L	Ensure challenge given to leads by the SROs for inclusion in the detailed business case

10 Debt Recovery

10.1 Executive Summary

Local government funding changing, reliance on individual debt collection and locally raised income will become increasingly important. This means a better view of overall debts and more efficient and effective management of debt is required.

This business case is predicated not only on cost reductions, but more importantly on improved revenue assurance for partners, through the ambition to create a single view of debt and an integrated debt team. However it is recognised that these changes need to be managed effectively and sensitively to avoid any adverse impact on debt collection.

However there are a number of benefits which can be achieved from this proposal. These include financial savings, the ability to share best practice, increased resilience and flexibility through a larger team

10.2 Background and Rationale

Local Government funding has and will continue to change. Rather than being largely funded from a fixed revenue support grant, funding will now largely be from retained business rates and council tax. In addition, as part of the response to ongoing financial challenges councils are becoming increasingly commercially minded, both in terms of charging for services and looking for ways to increase efficiency and reduce costs.

This increased commercial focus; increase in charges and reliance on business rate income means that it is essential to maximise the cash collection of amounts owed and to improve the service to customers. The intention wherever possible is to reduce the volume and levels of debt, through changes to payments in advance, including online transactions and the use of direct debits and standing orders.

The debt recovery team will therefore need to work closely with the Transactions team to change charging practice in service areas where large (both volumes and value) debts are accruing to reduce the risks and costs for the Council. This relationship needs to support the most effective delivery of the end to end processes and will need to be underpinned by performance and management information.

However, this change of context also requires a different approach to debt management to ensure the following:

- Better overview of authority debt
- Better view of all individuals debts owed (single view of the debtor)
- Improved collection performance across all debt streams
- Reduced costs of collection
- More accurate Bad Debt Provision
- Closer monitoring of more ‘risky’ debt
- Efficient recovery, including exploiting specialist knowledge and shared skills.
- Expandable model to enable traded debt collection services

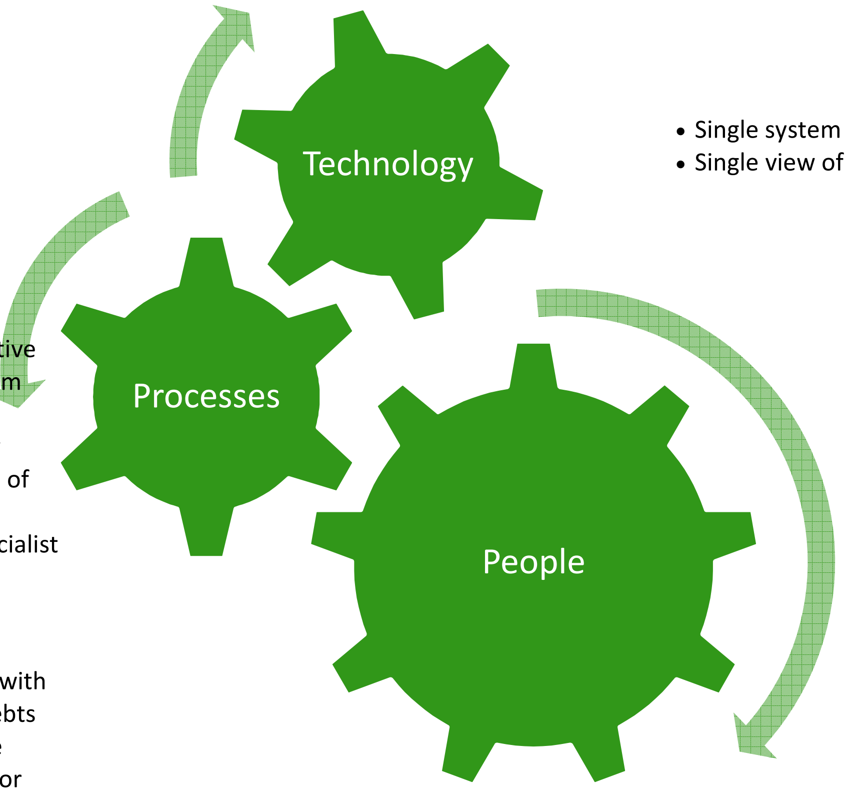
MKC reviewed its approach to debt, which identified a large cross over in debts for individuals, with up to a 40% crossover in Housing Benefit Overpayments and Former Tenancy Arrears and a 30% crossover in Parking and Council Tax. In terms of Council Tax and Sundry/Miscellaneous income, early indications suggest a 20% crossover in debts.

LGSS Northampton conducted a similar exercise in 2009 and identified that 58% of debtors had multiple debts owed to the Council. As a result of this process and the need to bring Council debts back into a managed position, a separate combined Corporate Debt team was formed within Revenues and Benefits.

Recognising the need to avoid duplication and contact with debtors, the team were tasked with ensuring that the Council recognised the single indebtedness of individuals and a Corporate Debt resolution team was formed in order to support better outcomes for both the individual and the Council. A new corporate debt policy underpinned this approach to single indebtedness and fair debt principles were applied to ensure the Council did not inadvertently recover debts at a level that were not affordable.

Service areas from across the Council, particularly the Councils Housing Service were engaged to raise awareness and expertise to improve income collection and therefore avoiding the debt being referred in the first place.

This means that teams operating separately were duplicating contact with debtors, whilst creating resilience issues caused by being such small teams and not providing a corporate approach / priority to debt collection. The vision for the future model is predicated on three areas of development:



- Single system
- Single view of debt

- Efficient & Effective
- Best practice from different teams
- Management by debtor, not type of debt
- Maintaining specialist knowledge and experienceto:
  - Support customers with multiple debts
  - To improve collection for customers with single debts

- Integrated Debt Team
- Managed under a single LGSS Director
- Sharing Best Practice
- Sharing Skills
- Improved performance management
- Improved resilience

The proposal will be to create a integrated debt team, which can handle the range of Council debts (excluding housing rents), supported by a single view of debt system. The new model will balance:

- the need for specialist roles to deal with the complexity of individual debt streams, where no crossover exists or where particular technical requirements or vulnerability issues are prevalent
- the opportunity to address all customer needs in a single contact where multiple debts of a similar type exist
- the ability to share experience, knowledge and enforcement approaches to minimise costs (both to the Council and the customer) and maximise recovery;
- increased resilience and flexibility for staff

The model will need to be designed in detail and be scalable based on the types of debt streams involved and the specialism required.

Technology

While soft market testing has proven that corporate debt systems exist, it does not appear that any supplier currently provides a solution that allows for a single view of debt by debt stream and by debtor; that enables corporate debt recovery to create payment arrangements for one debtor across multiple debt streams and that allows payments to be received and reallocated to core systems. However, soft market testing did demonstrate willingness in the market for suppliers to jointly develop such a product.

Such a product is seen as a key enabler to this project in order that debt streams are more efficiently monitored and efficiencies are extracted through a single debtor approach to recovery action. This technology solution will create benefits for customers and increase the efficiency in the debt collection process.

10.3 Service Delivery Model

10.3.1The Current Model

Processes

Milton Keynes has brought together (within the remit of the Revenues and Benefits Service Delivery Manager) a number of devolved debt management teams, and is now in the process of restructuring to a revised model. The proposed model incorporates a mix of specialist knowledge and responsibilities, but overseen by a robust management and performance framework. Work is currently ongoing to explore the system solutions to create the single view of debt, which will then provide the platform for increasing efficiency by resolving multiple debts with a single transaction.

The debt team manages all MKC debt, excluding housing rents, this includes:

- Council Tax
- Business Rates
- Housing Benefit Overpayments
- Former Tenancy Arrears
- Sundry Debt / Miscellaneous Income (including Adult Social Care Debt)
- Parking
- Commercial Rent

The LGSS Transactions Service, which incorporates Cambridgeshire and Northamptonshire County Councils Debt teams, currently operates as fully integrated team delivering services from either a single location or where services determine, e.g. financial assessments, from dual locations.

Simplified and standardised operational processes are utilised in a shared service arrangement with increasing business process re-engineering through automation and manager self-service.

The Debt team is based in Cambridge (with the exception of two Adult Social Care roles, which are based in Northampton) and supported by a Finance Transactions Helpdesk that is the single entry point for all calls for the team. They will resolve queries, where possible, and take payments for invoices logging queries that require specialist knowledge on a central system for tracking and resolution.

The Debt team manages all Northamptonshire and Cambridgeshire County Council debts together with those customers to whom we provide finance services except Northampton Borough Council whose debts are managed by the Revenues & Benefits service.

LGSS Northampton Borough's generic Corporate Debt Team, continue to support collection in line with the agreed corporate debt policy under the direction of the LGSS Head of Revenue and Benefits, working closely with housing colleagues to minimise rent arrears and maximise Council Tax Recovery. The service is focused on ensuring debts owed to NBC are fully managed through their respective processes and focuses on both collection and low levels of inactive debt within systems, recognising where debts can or can't pay debt as early as possible. The service is highly performance managed in order to maximise collection of Council debts and reports every six to eight weeks to the Councils Audit Committee. The service has also explored the procurement of a Single View of Debtor system to support its existing approach to single indebtedness and implementing a system forms part of the overall Revenues and Benefits Programme of work.

Northampton Borough Council debt is managed as part of the Revenues and Benefits Service, across the following debt types:

- Council Tax
- Business Rates
- Housing Benefit Overpayments

- Former Tenancy Arrears
- Sundry Debt / Miscellaneous Income
- Leaseholder Rents
- Private Sector Rent Arrears

The relative size of the debt involved for a single debt team is as follows:

	Milton Keynes		LGSS		LGSS NBC or CCC& NCC
	Balance at 31/3/15 (£000)	No. of Accounts / Invoices	Balance at 31/3/15 (£'000)	No. of Accounts / Invoices	
Council Tax	5,324	8,000	9,381	WIP	NBC
Non Domestic Rates	5,347	402	1,442	423	NBC
Former Tenant Arrears	1,101	842	821	1097	NBC
Housing Benefit Overpayments	4,153	2,663	5,244	4,435	NBC
Sundry Debts (Inc ASC) -	5,859	12,237	64,513	38,676	NCC / CCC
Parking (as at 01/09/15)	340	4,900	N/A	N/A	N/A

10.3.2Proposal for Day 1 of Transition

The restructure in MKC is due to continue, which will create the Corporate Debt Team in advance of the possible creation of the MKC/LGSS Shared Service.

The reporting lines for individual teams embedded within the various service areas will be transferred to a single service director, in order to produce a transition plan, which will achieve the integrated and remodelled service in the medium term. Standardised performance management information will be produced to enable comparisons and learning from best practice across the group.

A twofold review would be undertaken to collate and review processes, procedures and policies to enable efficient, fair and high performing debt collection, together with a review of outstanding debt. This will include not only improved debt collection procedures, but processes that will avoid debt through prepayments, automated pay methods and methods that make it easier for customers to pay generally.

During the first 6 months the shared service will tender for a supplier to develop a single view of debt solution, which will support the future operation of the team.

It is expected that management arrangements will be brought together in year 2, alongside changes to processes and procedures.

10.3.3Ambition for service delivery by 2018/19

The ambition for service delivery is to improve partners' corporate visibility in relation to debt streams and their recoverability; to improve collection processes to increase revenue to partners, whilst delivering a service which takes account of the specialist nature of some debt streams. The model for future delivery is set out in more detail above.

This model will be scalable, with the intention that once developed fully, it can be traded to both public and private sector organisations.

The overriding ambition would be to attract other local authority partners by developing a cost effective, high performing Corporate Debt Collection Service, which would deliver both revenue and cost benefits to partners.

The Debt collection service will be integrated across all LGSS partners and will be using single systems which will provide effective reporting and debt management. There will remain a need at all sites to retain a front facing resource to deal with customer requirements.

10.4 Performance Targets compared to current delivery

At present the debt recovery teams use different measures for debt. In relation to Sundry Debts, MKC cleared 94.71% of all debts within 90 days. LGSS has cleared 94.70%. The CIPFA Benchmarking average performance is 90%.

Invoices cleared with 90 days	**2014/15**	**2015/16 YTD**
MKC	94.71%	95.26%
LGSS R&B	94.70%	96.10%
LGSS Transactions	Not Measured	Not Measured

Invoices raised and cleared in year	**Invoices raised in 2014/15**	**2014/15 Invoices cleared in 2014/15 (£)**	**2014/15 Invoices cleared in 2014/15 (%)**
MKC	£91,269,265	£79,193,054	86.77%
LGSS R & B	£29,533,231	£21,599,764	86.22%
LGSS Transactions	Not Measured	Not Measured	Not Measured

LGSS Revenues and Benefits monitor the effectiveness of its debt management using an inactive debt indicator. The table below provides the current levels against this indicator. The service has a target of unmanaged debt being kept below 4.5%:

	Mar-15	**Jun-15**	**Sep-15**	**Nov-15**
LGSS Revenues and Benefits % inactive debt [PI]	3.40%	2.51%	2.50%	4.28%
LGSS Transactions	Not Measured	Not Measured	Not Measured	Not Measured
MKC	Not Measured	Not Measured	Not Measured	Not Measured

LGSS Transactions currently report overdue debt as a % of total outstanding invoices, on a rolling 12 month basis. Below provides the position as at April 2015:

Cambridgeshire County Council

	Apr-15
Debt Outstanding	23,217,483.95
Value of Invoices raised	241,339,644
Debt as a % of current O/S invoices	**9.62%**

Northamptonshire County Council

	Apr-15
Debt Outstanding	£41,295,305.00
Value of Invoices Raised	£150,328,584.98
Debt as a % of current O/S invoices	**27.47%**

10.5 Financial Benefits and Investment Needs

10.5.1Financial Summary

The financial table gives a net budget position for the service after existing Medium Term Plan commitments for each authority. Proposals as a result of the partnership between LGSS and MKC are shown as the net benefits.

Partnership (LGSS/MKC) Recurrent	2016/17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s	2020/21 £000s	
Net Budget						
MKC - net budget	566	566	566	566	566	
LGSS - net budget	584	584	584	584	584	
Total Budget	**1,150**	**1,150**	**1,150**	**1,150**	**1,150**	
Total Budget	**1,150**	**1,150**	**1,062**	**988**	**925**	
New Recurrent Costs/Benefits						
Benefits (new)		-88	-74	-63	-54	
Net benefits (Total)	0	-88	-74	-63	-54	-279
% net benefits	0.00%	-7.65%	-6.97%	-6.38%	-5.84%	-26.83%
Net benefits (corporate)	**0**	**-52**	**-44**	**-37**	**-39**	**-172**
% net benefits	*0.00%*	*-4.51%*	*-4.11%*	*-3.76%*	*-4.20%*	*-16.59%*
Revised Budget	**1,150**	**1,062**	**988**	**925**	**886**	

10.5.2One-off investment / funding requirements

A single view of debt system will require some investment, soft market testing has indicated this would be in the order of about £30,000 per year (to include capitalised purchase and set up costs and annual support and maintenance), supplemented by the time of local staff to develop the product in conjunction with a supplier. The tender will determine how future benefits of the solution developed would be shared between partners and the supplier.

10.5.3Ongoing service costs and financial savings

Longer term financial benefits of a corporate approach to debt collection are:

- Improved performance resulting in increased revenue to partners
- Reduction in delivery costs through reduced handovers and made the processes generic

If overall, a crossover of about 20% of debts per debtor is experienced, this will result in reduced demand. The aggregation of different debt teams in MKC has resulted in proposed staffing savings of about 20%. Whilst the quantum of debt across the partnership will increase, due to the need to deliver face to face services at each site, it is unlikely that this level could be achieved across the partnership, but a conservative estimate would be an overall saving of about 10 to 15% over three years.

LGSS transactions currently uses collection agents on a 'no win – no fee' basis and pay a fee based on the age of the debt recovered. MKC and LGSS Revenues and Benefits leverages its existing Enforcement Agent contract for statutory debts to obtain collection agent services at nil commission. It is anticipated that this would further reduce costs across the partnership.

10.6 Non-Financial Benefits

A number of further benefits have been identified and are presented below:

- Increase in the critical mass of resources, adding the capacity for increased resilience in specialist debt streams and flexibility.
- A broader depth of the skill-base.
- Greater ability for staff development, supporting improved outcomes, recruitment and retention.
- Reference site for shared service formation and development / management.
- Opportunities for sharing end-to-end process improvements to reduce debts and increase income for all partners.

10.7 Risks and Issues

Risk	Likelihood L/M/H	Impact L/M/H	Mitigation
Savings identified are considered conservative	L	L	Ensure challenge given to leads by the SROs for inclusion in the detailed business case
Collection performance is not maintained	L	M	Robust performance management frameworks will be implemented to ensure that debt collection performance is maintained and improved.
Delays agreeing process and policy changes with individual partners	M	H	Early engagement with all partners and customer where offering a service
Shared funding arrangements not agreed by all partners	L	M	LGSS / MKC will review the business case for implementation to determine the best approach.
Single generic team focuses on more valuable debts for Unitary and CC partners to the detriment of smaller partners / customers	M	L	Clear service levels in place need to safeguard levels of expectations

Single Location could lead to loss of expertise from MKC, NBC or LGSS	M	L	Plans should include clear transitional arrangements to support business continuity for all partners
Income targets are not met due to worsening financial conditions within partner locations (reducing benefits / increased conditionality penalties)	H	M	Income targets, where agreed, should take account of future factors, where known and where data can support accurate analysis.

11 Procurement

11.1 Executive Summary

The primary role of Procurement is to enable the Council to achieve its strategic objectives through the delivery of goods and services provided externally and to deliver improved value from these goods, works and services. This will be achieved through developing effective working relationships with key individuals within each partner Council both at Councillor and Officer level. Effective procurement is best achieved through early engagement on proposed procurement activity with stakeholders throughout the business and by taking a risk assessed approach, to procurement and contracting activity.

MKC joining LGSS will offer the following key benefits:

- Increased opportunities from both greater economies of scale on areas where we can jointly commit to contracts
- Sharing best practice and experience on procurement activity to streamline processes and reduce risks for single council procurement areas.
- Create opportunities to remove duplication across individual Procurement team resources and activities, including the rationalisation of systems costs
- Support the retention of a category specialist model
- Provide greater resilience and scope for specialist roles such as contract review work.
- Provide a strong regional platform for selling procurement advisory services and developing contracts which can generate income.

11.2 Service Delivery Model

11.2.1The Current Model

The table below shows a summary of the current service models in each Council including the key differences

MKC	LGSS
Users of Procurement Service Services provided to MKC and some schools **Scope and structure of service** Team structure based on 3 main areas covering: • Strategic projects • Procurement Systems and Process • E-tendering including quotation management <£100k The central team operate based on Procurement Managers covering a range of areas and are not based on a category approach There is a team within the People Directorate which is responsible for the commissioning, procurement and contract management of individual contracts; however the Corporate Procurement team defines the Council's approach to procurement. Current posts: 11	**Users of Procurement Service** **Partner Councils (CCC and NCC)** Full procurement service provided **Customer Councils** Northampton Borough Council (NBC), Northampton Partnership Homes (NPH) and Olympus Care Services via PDA Procurement services also provided to East Cambridgeshire District Council and some schools via SLA **Scope and structure of services** Team structure based on four clusters: • Supply chain and contract value reviews, commercial development, policy and performance and lead contact to customers • Procurement cluster for adults, children, health and wellbeing • Procurement cluster Property works including housing for NPH, Estates and Facilities Management • Procurement cluster highways, transport and waste. The Insurance team also currently report into the Head of Procurement but details are not included in this paper. Current posts excluding insurance and ex NBC Staff: 21.6
Budgets Net Central Team Budget for 2015/16 = £0.47m Budgeted FTEs – 11 currently 3 vacancies Less committed savings for 2016/17 Net Budget 2016/17 = £0.41m	**Budgets** Net Team Budget 2015/16 excluding NBC/NPH agreement = £0.913m Budgeted FTE – 21.6 (excluding ex NBC staff) Further committed budget savings for 2016/17 £63k and further £50k for 2017/18.

	Net budget 2016/17 = £0.85m (excludes NBC/NPH) Net budget 2017/18 = £0.8m (excludes NBC/NPH)
Scope of Supplier spend Overall annual spend over which influence c£230m	**Scope of supplier spend** Overall annual spend in scope c£820m including NBC and NPH Annual spend excluding NBC/NPH that we have influence over c£780m
Management of low value quotes £5k to £100k Resource FTE and Budget cost – 3 FTE 80% (£96K)dedicated to quotation work Value of quotation spend c£3.3m (capital and revenue) Anticipated benefit from intervention £650,000	No equivalent provision in LGSS as primary role to manage tenders >£100k in total value LGSS Procurement do provide advice below this level with approach based on setting up contracts for services required on a repeat basis to reduce number of individual low value requisitions and are currently running a pilot for quotes via e-procurement system.
e-procurement solutions including Contract Management, market place solution and procurement spend reporting In-tend cost £17,000 (included in IT budget); contract due to end in November 2016. Service includes all tendering/quotes above £5K, reporting dashboard, and contract management	**e-procurement solutions including Contract Management, market place solution and procurement spend reporting** Due North for e-tendering and contract management contract until March 16 (plan to extend to March 2017) current cost c£10k p.a. that is included in IT Budget LCAT system (hosted by Lincolnshire County Council for spend contract currently committed to 2016 plan to commit to March 2018 cost c£6k per annum for two counties
Other non payroll costs E-marketplace (Proactis- £15,000 pa. Minimal- relates to training	Other non payroll costs Minimal relates to training

11.2.2Proposal for Day 1 of Transition

From experience of merging the two individual teams from CCC and NCC one of the most important considerations is ensuring that Councillors and existing customers within the retained Council are fully engaged. This is particularly important for Procurement as the added value from the Procurement team generally comes at the very start of the procurement process.

To ensure we maintain regular early engagement with key clients in MKC we would recommend that the merger of the two teams is best achieved via several overlapping phases summarised below:

The pace of change can be flexed and refined during the preparation of the business case and after go live:-

Phase 1 – Collaborate and deliver quick wins

This phase will start on day one and focus on identifying a lead Procurement Business partner for MKC from the combined Procurement team (the same arrangements will apply for CCC and NCC). Their role will be to support the Head of Procurement in engaging directly with relevant Councillors, representing Procurement at relevant Committees and engaging with key clients in MKC to provide continuity during the period of change. Their role will be to ensure any potential negative impacts are mitigated during the period of change and to develop a constructive working relationship and understanding of the forward work plans and priorities for MKC.

This phase will also build on the work done as part of the business case in developing a single set of data relating to supplier spend and details of existing contracts.

We will jointly work on areas for immediate collaboration such as on those contracts for services included in the future scope of the expanded LGSS as well as other obvious areas where economies of scale can be gained from combining our committed procurement spend.

In addition we should commence merging our contract registers and forward procurement plans into single work plans to enable future consolidation where this is applicable. We will also begin work on reviewing all three partner's Contract Regulations to create a best practice approach, whilst allowing some opportunities for local issues. This standardisation will support the potential benefits from joint procurement and a cross Council service. It is recognised Contract Regulations will need to be defined in conjunction with each Council and formal approval may take some months.

We will review the existing organisational structures across MKC Procurement and LGSS Procurement to identify future reporting lines, leadership roles, any areas of obvious overlap or where existing vacancies can be released based on the efficiencies gained by merger.

Whist any new structure is unlikely to be implemented in full on day 1 one option is to move to a structure based on the current category cluster in LGSS adding in additional responsibilities relating to Procurement Business Partners for each Council as soon as this is practical and the benefits outlined are based on this option.

The key outputs from this phase will include:

- Single leadership structure agreed
- Procurement Business Partner identified and key clients fully engaged
- Consolidated spend information and contract registers
- Review opportunity and viability to extend quotation management service to other public sector clients

Phase 1 is likely to last up to 9 months from go live.

Phase 2 – Consolidate Procurement work plans, Contract Procedure Rules and support systems

The outputs from this phase should include a single forward procurement work plan that categorises contracts and spend areas into:

a) Where we will be able to consolidate and commit spend in a future single contract in areas where control and budgets are likely to remain part of the retained organisations e.g. agency resource engaged by individual Councils, community care equipment contracts.

b) Where we are unlikely to be able to commit spend to a single contract for example where local provider markets are best placed but where we can still apply the optimal procurement approach (e.g. selective use of e-auctions where appropriate) and specialist category expertise in each separate contract e.g. local transport contracts or contracts for care services.

c) For service lines moving into LGSS (e.g. IT) we will help to identify areas where we can consolidate and commit spend in a future single LGSS led contract e.g. software for business support solutions, mobile phones, occupational health. In these cases the saving will be shown in the relevant service area Business case.

The other outputs from this phase would include:

- Consultation with Councillors and other key stakeholders on the development and adoption of a common set of Contract Regulations (Contract Standing Orders) with applicable local variations to reflect any local political priorities such as key decision limits and the importance of local supplier spend. The aim should be to complete in phase 2 depending on the level of change necessary to both sets of Contract Regulations. We should also be working to common procurement policies and processes allowing for local priorities where appropriate.

- Defining common templates for procurement activity and contracts, to simplify processes for procuring officers and to increase efficiency.
- A risk based approach to procurement activity, with use of flexible resource to support category specialist when required.
- Review opportunities to deliver improved value from reviewing and re negotiating existing contracts particularly but not limited to where we are using common suppliers across the partner Councils.
- Development of a single forward work plan and firm plans to move to a single e-tendering solution as well capturing, utilising and reporting supplier spend data via one solution.
- We will develop and expand our commercial offering where appropriate to reduce the net cost of the Procurement team to our owning Councils and this could include extending the quotation management service to other public bodies such as District Councils.
- Increase awareness of benefits from effective procurement across all Council staff providing guidance and training to raise commercial skills.

This phase can be done alongside and build on phase 1 and should be complete within 12 to 15 months of go live.

Phase 3 – Converge

Whilst we would look to merge the teams under a single leadership structure in phase 1 further merger of roles is likely after this initial period to ensure a fully integrated team operating across all 3 partner Councils. We recommend operating specific category teams responsible for spend across all LGSS partners and customers regardless of location. It is recommended that an on-going local presence in each Council location is maintained with our Procurement Business Partners acting as a relationship manager and point of escalation for each partner council. The physical location of members from each category team will be determined based on the needs of our customers as well as the suitability for individual members of staff.

If not achieved within phase 2 by the end of phase 3 we will have adopted a single e-procurement solution.

This phase can happen alongside the other phases but may take a little longer depending on the success of the first two phases and any changes that are required based on feedback from our partner Councils should be completed within c18 months of go live.

11.2.3Ambition for 3 years time

By 2018/19 we will have a well established single unified team with the majority of staff undertaking work focussed on their areas of expertise for the benefit of all LGSS partners and customers and not just for one Council at a specific location.

We will have established Procurement Business Partners allocated to each Council with that individual normally based in the relevant location. This will not be a full time role but will be added to the role of specific senior individuals within the team.

The team will build on the existing commercial work already being done and increase the traded income received in order to reduce the net cost of the team to CCC, MKC and NCC, they will do this via a mix of:

- Further growth in contingent fee income by opening up LGSS Contracts to other public sector bodies
- Lead on sub regional and regional procurement contracts where CCC, MKC and NCC are an interested party and LGSS can charge other participants
- Use opportunity to drive further economies of scale where a wider committed volume can be secured beyond CCC, MKC and NCC

- Expand the commercial offering of Procurement as a service to other public bodies in the geographical area building on the success so far in the health sector, districts and educational establishments.

11.3 Performance Targets compared to current delivery

Procurement delivery targets (14/15) are currently focussed on:

Measure	**MKC**	**LGSS**	**Future Joint Targets**
Revenue based savings achieved	£2.923m	£6.19m	TBC
Ratio of revenue savings to cost of team	6.58 to 1	6.7 to 1	TBC
Customer satisfaction	98%	Average score 3.54 out of 4	TBC
Contract opportunities advertised	All over £5000 (251 in 14/15)	223	TBC
Speed of tender opening (% opened and distributed to clients within 24 Hours	Instantaneous after closing time/date.	100%	Potentially drop indicator now both using e-solutions
Local supplier spend	43.76%	38.9%	TBC

MKC also record one off savings against capital project budgets and in 2014/15 this equated to £3.744m

In the future the majority of these measures are still likely to be relevant with savings still key with other measures such as traded income and the measurement of the impact of social value being added.

11.4 Financial Benefits and Investment Needs

11.4.1Financial summary

The financial table gives a net budget position for the service after existing Medium Term Plan commitments for each authority. Proposals as a result of the partnership between LGSS and MKC are shown as the net benefits.

Partnership (LGSS/MKC) Recurrent	2016/17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s	2020/21 £000s	
Net Budget						
MKC - net budget	380	380	380	380	380	
LGSS - net budget	850	800	800	800	800	
Total Budget	**1,230**	**1,180**	**1,180**	**1,180**	**1,180**	
Total Budget	**1,230**	**1,160**	**1,120**	**1,045**	**985**	
New Recurrent Costs/Benefits						
Benefits (new)	-20	-40	-75	-60	-35	
Net benefits	**-20**	**-40**	**-75**	**-60**	**-35**	**-230**
% net benefits	*-1.63%*	*-3.45%*	*-6.70%*	*-5.74%*	*-3.55%*	*-21.07%*
Revised Budget	**1,210**	**1,120**	**1,045**	**985**	**950**	

11.4.2One-off investment / funding requirements

There is likely to the need for a small amount of investment in implementing a single e-procurement solution although this will depend partly on the licence model adopted. There may also be the case for implementing other spend analysis tools across all partner spend where this can be justified. The overall cost is unlikely to exceed £10,000.

11.4.3Ongoing service costs and financial savings

The split of savings between MKC and LGSS will be subject to the wider business case. In addition we do anticipate savings to the retained organisation from a combination of:

- combined procurement commitment on certain commodities or services such as agency resource, care equipment contracts, training provision, property facilities management services

- benefit of implementing new procurement techniques where a joint commitment may is not possible e.g. local transport contracts, home care support

- review and renegotiation of existing contracts particularly in areas where our supply base is common

At this stage it is not possible to quantify these savings but our early view is that these are more likely from year 2 onwards and will need the commitment of service owners in the retained Councils particularly where we are jointly committing volumes.

11.5 Non-Financial Benefits

- Resilience, without merging the teams in this way further cuts in individual procurement staff budgets will seriously impact the teams ability to deliver an effective procurement service, bringing increased financial and reputational risk

- LGSS Procurement has a seat at the table on several bodies that influence Procurement strategy and policy nationally including the LGA National Advisory Group on Procurement. This benefits LGSS in terms of brand and allows our individual owning Councils a voice on the national stage that would not be possible as individual Councils

- Improved ability to recruitment and retain, through our size and national reputation we are able to offer improved career opportunities and that has helped with recruitment and retention in a competitive market for quality procurement resources

11.6 Risks and Issues

Risk	Likelihood L/M/H	Impact L/M/H	Mitigation
To drive economies of scale we ideally need to go to market with committed volumes and apart from budgets areas under direct LGSS control this is sometimes difficult to secure	M	H	Early engagement with clients Accurate contract registers Forward work plan
The local political agenda of supporting the use of local suppliers is on occasions in direct conflict with combining spend in single contracts as this can lead to regional or national providers securing business at the expense of local providers			Understanding of local priorities Category strategies to identify areas where combining spend together under a single contract is possible and understand nature of and likely impact on provider market
Pressure on Council budgets will significantly reduce overall Council expenditure that could reduce the attractiveness of individual Councils to the provider market that could increase unit prices	M	H	By combining spend where possible will mitigate this risk

12 Internal Audit and Risk Management

12.1 Executive Summary

There are clear financial advantages as well as operational synergies to be gained from an Internal Audit service that combines MKC and LGSS. Managerial and structural savings are possible whilst there will be qualitative gains in increased expertise and improved resilience.

Strengths include:

- Financial savings of:
  - £100k in 2016/17
  - £75k in 2017/18
  - £15k increased sales in 2018/19 and a further £15k for the 2 years thereafter (i.e. £30k and £45k gross)
  - This will be equally split between LGSS and MKC. Some current vacancies can be banked as savings
- Shared expertise across the 3 partners improving outcomes for customers
- Increased client base and corresponding critical mass of resource will further enable more specialised expertise
- Increased resilience and better professional development and career opportunities

Weaknesses include:

- Potential tension of service delivery and financial pressures between individual customers and joint committee / partners
- Pace not allowing key stakeholders to feel properly consulted
- Team culture differences to assess and overcome

Opportunities include:

- Development of wider trading opportunities
- Dilution of costs between partners
- Development of more technical expert posts
- Enhanced internal audit and risk management offering to customers
- Potential to grow Risk and Business Continuity services into existing and wider customers.

Threats include:

- Management of key stakeholders, including Audit Committees to obtain support for proposals.

12.2 Service Delivery Model

12.2.1The Current Model

MKC

The current service delivers efficiencies through a combined Internal Audit and Counter Fraud service and synergies with Risk Management (including Insurance and Business Continuity).

Staff are CCAB, IIA, PINS and PRINCE qualified. Structure attached currently 15 Posts / 13 FTE and no vacant positions within the structure. Assistant Director role carries the Head of Audit function with a deputy.

Service delivers to Public Sector Internal Audit Standards providing:

- Systems based audits through an Annually approved dynamic / flexible Plan
- Substantive / probative audits where requested

- Investigations as needed plus proactive ant-fraud plans
- Maintains:
    - Audit Charter
    - Audit Strategy
    - Code of Conduct for MKC
    - Whistleblowing policy
    - Anti-Fraud / Corruption policy
    - Money Laundering Policy

Operationally the service reports to the S151 and Chair of Audit Committee. MKC Audit Committee Terms of Reference includes Internal Audit, Risk Management, Anti-Fraud (and Accounts) which deliver synergies risk management service that supports the MK Business Resilience Forum (MKBR) a forum that meets the Civil Contingency Act requirements for local businesses). The risk management service maintains the corporate software and processes for risk management and business continuity (GRACE and Clearview). Insurance service supports MKC and sells insurances as local agent for Academies and other customers, generating net income for MKC annually.

The MKC budget is £1.07m for Internal Audit, Anti-Fraud and Risk for 2015/16, with £227k removed from a restructure of Audit and Fraud giving a 2016/17 budget of £846k.

LGSS

The LGSS Internal Audit Service offers all aspects expected from a modern internal audit team including counter fraud and risk management. Insurance is currently located with LGSS Law and Business Continuity is delivered via Council's Emergency Planning services).

Internal Audit staff have a good mix of qualifications including CCAB, IIA, AAT and specific CF 'accreditations'. The strategy is to invest in CIPFA/other trainees and to expect the team to embrace continuing professional development. This strategy is essential to the workforce planning imperative and also to ensure the team remains relevant and appropriately skilled.

Currently there are 29 posts with a number of key vacancies that are currently being filled. It is anticipated that the team will be at full structure for day one.

The Head of Audit position (currently delivered by an interim) has 4 direct reports including Deputy, 2 x Audit and Risk Managers and an IT Auditor.

The service is structured (broadly) as:

- West Team (serving Northamptonshire and NPH/NBC)
- Central Team (managing the Welland consortia staff) including Counter Fraud
- East Team (serving Cambridgeshire and Norwich)

The service is flexible and ensures that the right skill sets are deployed across ‘customers’ to maximise efficiency. The service delivers to Public Sector Internal Audit Standards and provides:

- A range of modern internal audits through an annually approved and routinely updated dynamic / flexible plan
- Proactive and responsive counter fraud work

The team maintains a range of key policy documents for its clients including;

- Audit Charter
- Audit Strategy
- Code of Conducts
- Whistleblowing policy
- Anti-Fraud / Corruption policy
- Money Laundering Policy

- Bribery Policies
- Prosecution Policies

Operationally the service reports to the LGSS S151 Officer. The service supports customers via the Head of Audit supported by the Deputy and Audit Managers as appropriate.

The service also reports directly in to customers Audit Committees, currently Northamptonshire CC, Cambridgeshire CC, Norwich CC, Olympus Care Services and, the Welland Partnership (5 districts).

The Risk Management Service differs between customers but essentially maintains the corporate registers and offers advice and expertise as necessary.

The combined Audit, Fraud Risk budget for LGSS is £848k for 2015/16 and 2016/17.

Shared Service

The shared service budget is therefore £1.694m for 2016/17 with £100k savings produced from the shared service as at day one giving a new 2016/17 net budget of £1.594m. The 2017/18 budget is £1.519m after taking the additional £74k targeted and a further £15k per annum thereafter.

12.2.2 Proposal for Day 1 of Transition

Full merger between LGSS and MKC, led by a single Chief Audit Executive / Director of Audit, supported by three geographically based Deputy Heads of Audit.

A unified Internal Audit and Risk service could benefit from;

- Managerial efficiencies
- Improved resilience
- Greater synergies from shared expertise
- Availability of IT Audit for MKC

- Consolidation of audit software
- Merger of the counter fraud teams

The modest restructure required could be seen as business as usual as by its very nature internal audit is a flexible, agile and responsive service. With three strong Audit and Risk Managers (A&RM) there will be possibility to have core services managed centrally, but based geographically.

There will be an opportunity to;

- Merge the existing Head of Audit Role at MKC with the A&RM role at NCC – creating a wider Audit and Risk manager (West) position.
- Further improve the productivity (chargeable day) percentage across sites by leaner management.
- Invest further in trainees; which improves resilience, maintains modern skills and reduces daily rates.

Key Dependencies / Risks include:

- Maintaining sufficient organisational independence required by relevant Audit Committees / S151 Officersand Public Sector Internal Audit Standards
- The MKC Audit Committee will need reassurance regarding the delivery of independent service to them and that it will not lose control of 'its' internal audit service
- Senior managerial capacity
- Counter Fraud management and potential impact on core plans
- Increased transport costs
- Variable market rates for salaries

The role of Internal Audit to audit LGSS has yet to be determined, on behalf of the Joint Committee and its customers.

Year 1 – 2016/17

A combined Internal Audit service could be restructured quickly to:

- Create a single Director of Audit overseeing both structures (i.e. replacing the current LGSS Head of Internal Audit post): cash saving. An alternative model is to retain the LGSS Head of Audit post that currently oversees all sites and drives operational improvements and maintain the current structure by merging Head of Audit/Audit and RM posts at MKC and NCC into the Audit and RM (West) positions. However capacity could be an issue as could salaries of the East, Central and West A&RM as the partner and customer base expand. This will, of course, be quality and market led – but nothing that LGSS is not used to dealing with. Consequently the line management of the counter fraud element would remain as is, but obviously the addition of a number of experienced MKC colleagues would increase flexibility and resilience and enhance our 'offer' to potential new customers. Again, the only real way to improve efficiency in this area is to increase the % productivity – or react to a customer reduction in days required for CF

- A single Audit and Risk Manager for 'West' including MKC and Northants current operations (replacing LGSS Northants Audit Manager post).

- Provide resilience of Audit expertise that would be needed below the A&RM roles to provide sufficient expertise atprincipal levels that can supervise completion of the Plan.

- Review staffing levels, support current LGSS resource shortfalls and build upon the trainee career progression ethos of LGSS to provide longer term resilience

- Developproposals to the Welland consortia to transfer Audit services into LGSS (as opposed to LGSS providing management of those resources, further savings / efficiencies are considered likely. Note: Welland is likely to extend the current arrangements for a further period as the tender opportunity for 2016/17 has been timed out. Obviously LGSS would be very keen to secure the full contract as and when this is tendered. The current LGSS Deputy Head of Internal Audit would be in an excellent position to lead on the tender. Welland is currently downsizing and again, obvious savings to that customer would be increased % productivity or reduced days required. The benefit for LGSS is around a reference site and also increased resilience and flexibility.

- Consider the benefits to LGSS customers of transferring Business Continuity and Insurance services into LGSS to be administered through the Director of Audit alongside / complementary to Internal Audit. Currentlybusiness continuity does not sit within LGSS. This would allow the new service to offer a 'one stop Audit, Risk and Continuity' service to existing and new customers.
- Provide Risk Management services to LGSS as an organisation in its own right
- Develop a 'Value for Money Audit' product / offer that reviews LGSS and customer costs, income and services to identify service improvement / cost saving opportunities. A 'savings share' model would be developed to provide a further income stream for LGSS linked to the savings delivered within customer costs.

The above would also require focus / care in the first 12 months to:

- Assure all stakeholders, including S151 officers and Audit Committees, that existing service quality is, at minimum, maintained.
- Complete a SWOT analysis / skills audit of audit staff and development a medium term resourcing strategy including market salary differentials, staff flexibility of movement terms etc.
- Complete a market analysis for future opportunities considering regional positioning
- Determine the necessary governance / independence within LGSS to properly serve Audit customers e.g. Committees

Service quality would essentially be unchanged for customers and would:

Benefit from

- Increased technical resilience
- Increased efficiency from technical development and audit expertise from one customer applicable to others
- Increased assurances where governance issues can be better benchmarked

Need to manage

- Short term disruption from assimilating disparate teams and managing across a wide geographical area
- Increased pressure on senior positions e.g. travel
- Perception of independence (i.e. serve LGSS or Audit Committee)
- Compliance with PSIAS e.g. role of Audit Committee in Head of Audit appointment / removal etc.
- Any large / material incident at a single location that deflects resources from other areas

Financial:

Benefits

- Immediate financial savings of Head of Internal Audit and at least 1 Audit Manager (possibly 2)
- Savings possible from increased efficiency through possible commonality of audits
- Efficiency from unified processes to monitor and report internal audit performance (subject to customer differentials)
- Expansion of Insurance sales building on MKC model (targeting Academies etc.)

- Some (but modest) additional revenues from new customers and sales (targeting Housing Associations and third sector)
- Consolidated accommodation opportunities

Costs

- Increased travel costs including need to resource middle management resilience
- Support for Agile working (e.g. hardware etc)

Risk management is currently part of both LGSS and MKC so there will certainly be potential synergies there and the LGSS team working on risk management are also able to provide internal audit services. LGSS is reviewing its internal audit coverage including risk management. LGSS do not undertake business continuity for other partners but this will be in scope for MKC as part of the internal audit and risk management service. IT is proposed to add business continuity to the portfolio of services offered to potential and existing customers. MKC business continuity services would need to remain to support MKC (and MKBusiness Resilience Forum) but would be available to wider LGSS customers.

In summary, the immediate potential efficiencies for LGSS would be a shared A&RM (West) and the operational benefits would be:

- Larger base (80/20 split issues) should the LGSS Law model be seen as a future opportunity.
- More resilience and better professional development and career opportunities for trainees (and other colleagues).
- A more attractive service to attract better staff.
- Opportunity to specialise (IT audit, CF, VFM etc).
- A more attractive proposition to a wide range of public sector customers.
- The opportunity to move further West, South and North from the increasing number of firm bases.

Areas of risk include

- Geographical range – the three A&RM (East/West/Central) will have to be strong and able to lead and develop colleagues into modern auditing.
- The CBA between cost (resource and expenses) of travel between sites and benefits of using transferrable skills across customers will need to be managed effectively.
- Agile working methods would need to be embraced but could provide further savings if staff are 'fixed' to a single geographical location and remote auditing techniques are developed.

The standardisation of working arrangements will need to be carefully managed, fully consulted and communicated. Inevitably this will be an area for negotiation and, as currently exists, there will be local nuances. The skill will be to standardise as much as possible. A proportionate ISO 9002 accreditation could help as well as improve our offer to potential customers and would need consideration.

Both organisations will have to demonstrate to existing customers that this has had a positive effect to them and we believe the internal audit service, along with others, will be under increasing scrutiny and, more than ever, will need to deliver and add value. This has to be the immediate priority of the management team from here onwards. This will include the shared management proposal for West and the potential to further increase productivity %.

Once integrated teams are seen to be delivering an excellent service then the new service will be in an excellent position to really develop a compelling business case for internal audit services. However, in the first 6 months consolidation (i.e. internal alignment and focus) will be key, although any opportunities that are presented or obvious can obviously be targeted.

With the potential of reducing one Audit and Risk Manager position to increase productivity a target of £100K out of the budget in year 1 is not unrealistic, assuming we retain all existing customers and audit days.

12.2.3Ambition for 3 years time

Year 2

A single Internal Audit service could provide the following in year 2:

- Further savings from rationalised structures and more focussed audit plans delivering a further £75k in 2017/18 (source of savings would be determined from a review of the new shared service)
- The 3 years 2018/9 – 2020/1 will generate an additional £15k pa cumulative margin i.e. £45k by year 3. This will be achieved from additional sales.
- A consolidated single Internal Audit service offer to all Council's within Northamptonshire, Cambridgeshire, Buckinghamshire and Bedfordshire. This would be developed for 2017/18 together with programme of expansion to adjacent counties.
- A strategy for commercial development beyond public sector Councils e.g. insurances and Anti-Fraud products as well as expanding the Risk / Business Continuity services
- The consideration of effective operating models to best showcase independent Audit and Risk sales / revenues

Service quality would become more contractual (as year 1 baseline established), would also:

- benefit from:
    - Increased technical resilience
    - Increased efficiency from technical development and audit expertise from one customer applicable to others
    - Increased assurances where governance issues can be better benchmarked
- Need to manage:
    - Increased pressure on senior positions e.g. travel

- Perception of independence (i.e. serve LGSS or Audit Committee)
- Compliance with PSIAS e.g. role of Audit Committee in Head of Audit appointment / removal etc.
- Capacity of key roles and service as a whole
- Multiple T&Cs
- Sensitivity of customers to move to a contracted model where additional work requires payment
- Any large / material incident at a single location that deflects resources from other areas

Financial

- Benefits:
    - Additional revenue from new customers
    - Savings possible from increased efficiency through possible commonality of audits
    - Consolidated accommodation opportunities

- Costs:
    - Increased travel costs including need to resource middle management resilience
    - Support for Agile working (e.g. hardware)

      Agile working would need to be maximised with Audit staff provided:

        - 'Follow me' phone technology

- Remote access to all customer systems from all LGSS locations
- Audit and Risk Management software (including remote access). LGSS use Apace and SharePoint. MKC use Galileo. Both systems would continue until any efficiencies were confirmed from using a single system
- Hardware (tablet / notebooks) compatible with major systems, specifically audit and risk software.
- Secure storage and mobile filing (e.g. document cases) for counter fraud documentation

12.3 Performance Targets compared to current delivery

Key Performance Targets will include:

1. Completion of Audit Plan
2. Cost of Audit Service per £m Revenue T/o (per customer)
3. Productivity Ratio
4. Recommendations implemented by follow up testing
5. Improvement in Control standards (i.e. proportion of weak / limited audits)
6. Tangible value added

NB: 1-3 are service measures whilst 4and5 are core best practice measures recommended for organisations being audited maintain and measure. Target 6 will be the hardest to achieve, but is increasingly the direction of travel.

12.4 Financial Benefits and Investment Needs

12.4.1Financial summary

The financial table gives a net budget position for the service after existing Medium Term Plan commitments for each authority. Proposals as a result of the partnership between LGSS and MKC are shown as the net benefits.

	2016/17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s	2020/21 £000s	
Partnership (LGSS/MKC) Recurrent						
Net Budget						
MKC - net budget	805	805	805	805	805	
LGSS - net budget	748	748	748	748	748	
Total Budget	**1,553**	**1,553**	**1,553**	**1,553**	**1,553**	
Total Budget	**1,553**	**1,453**	**1,378**	**1,363**	**1,348**	
New Recurrent Costs/Benefits						
Benefits (new)	-100	-75	-15	-15	-15	
Net benefits	**-100**	**-75**	**-15**	**-15**	**-15**	**-220**
% net benefits	*-6.44%*	*-5.16%*	*-1.09%*	*-1.10%*	*-1.11%*	*-14.90%*
Revised Budget	**1,453**	**1,378**	**1,363**	**1,348**	**1,333**	

12.4.2One-off investment / funding requirements

- Agile working equipment e.g. mobile phones
- Additional licensing costs would arise where the Idea software used within MKC is expanded
- Additional marginal costs would be increased from travel, phone calls, mobile data etc. These could be offset by the expansion of flexible working with increased work from home etc reducing the office footprint and costs of audit staff

- Transport solutions may be needed and public facilities unlikely to resolve. MKC maintains a corporate vehicle and the cost: benefit of mileage etc. will need monitoring to ensure most cost effective solutions are under review

12.4.3Ongoing service costs and financial savings

- Immediate financial savings of Head of Internal Audit and at least 1 Audit Manager (possibly 2)
- Savings possible from increased efficiency through possible commonality of audits
- Efficiency from unified processes to monitor and report IA performance (subject to customer differentials)
- Expansion of Insurance sales building on MKC model (targeting Academies etc.)
- Some (but modest) additional revenues from new customers and sales (targeting Housing Associations and third sector)
- Consolidated accommodation opportunities

12.5 Non-Financial Benefits

- Delivery of modern Internal Audit services such as VFM, Lean thinking reviews, counter fraud as well as maximising the synergy with risk management
- Individual Partners (i.e. MKC, NCC and CCC) would benefit from the delivery of their service to their individual specifications from a larger, wider skills base with greater resilience
- Increased technical resilience e.g. IT Audit
- Increased efficiency from technical development and audit expertise from one customer applicable to others

- Increased assurances where governance issues can be better benchmarked
- Improved recruitment and retention opportunities / profile by:
  - Investment in trainee roles with focussed professional development
  - Actively supporting continuing professional development for internal audit staff
  - Investing in appropriate career structures that retain skills in house

12.6 Risks and Issues

Risk	Likelihood L/M/H	Impact L/M/H	Mitigation
MKC Audit Committee Objection (Threat – Treat)	M	H	Consultation and assurances to be given. An ability to engage in LGSS for a 'trial period' enabling MKC AC to be assured may be necessary although to be avoided if at all possible. Clear service standards and support to MKC to be defined and delivered.
Financial Savings (Opportunity – Secure)	H	H	£100k in 2016/17 and a further £75k in 2017/18 from leaner structures. Further revenue opportunities from expansion of service into new clients and additional services to existing for 2017/18 and 2018/19
Improved Resilience (Opportunity – secure)	H	H	Linked to the Skills Audit below the larger 'mass' of expertise will provide individual customers / partners with increased resilience less affected by the loss on any key expertise within one customer area.
Service Skills Audit (Opportunity and threat – treat)	H	H	This provides the mechanism to evolve the service from disparate geographical delivery into a true shared service. It may however identify the need to enhance skills in some areas requiring career planning for individuals.
Salary Market differentials (Threat – treat / tolerate)	H	M	The wide geography presents salary pressures (e.g. higher market competition for professionals in Cambridgeshire and the London effect on MK). This may require either: - align all salaries to highest need areas creating additional costs (to avoid unfair pay claims) - reflect market salaries in one area creating

			differential salaries / T&Cs - empower the Director of Audit to use flexible non-financial salary options (buy and sell leave, shorter working weeks, enhanced flexi-working) - accept skills shortages
Increased 'incremental' costs e.g. travelling etc (Threat – treat)	H	L	Need monitoring but after 6-12 months those costs should be predictable. Therefore 2016/17 costs may need greater budget before cost drivers are fully understood and more efficient options implemented.
Agile / New Ways of Working (opportunity / Threat – treat)	M	M	Initial set up costs are needed to deliver the ability to reduce managerial costs without diluting those roles across multiple sites. These facilities would then support greater efficiencies in 2017/18 onwards as efficient working across multiple (and increasing) sites is maximised from existing / reduced resources
Customer / Partner exit (Threat – Treat and Transfer)	L	H	The exit of any partner / customer (either from LGSS as a whole or procurement of internal audit services elsewhere) would create a need to maintain an Exit Strategy to both control costs and manage such a process.

13 Insurance

13.1 Executive Summary

Insurance is responsible for the design and implementation of robust insurable risk management programmes using an optimum balance of internal and external insurance solutions to best suit each client organisation.

Within LGSS the service has delegated claim management authority to handle, in house, public liability claims for personal injury and property damage, this has seen significant reduction in the reliance upon and costs associated with insurer or external claims handling provider services.

MKC joining LGSS will offer benefits to all parties providing the opportunity to potentially achieve further economies of scale by looking at collaborative purchasing opportunities and the future of alternative risk financing models for each client Council. We will also be able to use our combined capacity to optimise and strengthen the internal claims management support services to further reduce overall external claims handling costs for all parties and potentially further increase claims handling efficiency and resilience within our service.

We will also be able to undertake a review of processes both within MKC and LGSS to drive further efficiency improvements in terms of claims and underwriting processes.

13.2 Service Delivery Model

13.2.1The Current Model

MKC	LGSS
Scope and structure of service Insurance services to MKC. Team of 2 FTE, Risk and Insurance Management leads on Insurance and also provides Risk and	**Scope and structure of services** Insurance and claims handling services provided to CCC, NCC, Norwich City Council, Northampton Borough Council, Northampton Partnership Homes, LGSS Law Ltd. Team of 10 staff split into 2 distinct functions;

Business Continuity Management support to Council (circa 50% of Risk and Insurance Managementtime on insurance) Underwriting: Insurance underwriting and risk financing undertaken by Risk and Insurance Management External premium spend £898k Provision of limited academy services to 2 schools. MKC currently charge local authority maintained schools for insurance services. This revenue may diminish as the academies programme continues. Fleet insurance - separate motor vehicle policy for minibuses within schools providing a small fee income for the service. Claims: Caseload circa 440 cases per year Claims handling all with insurers with administrative support in house	Underwriting: Responsible for all contract management, procurement, policy adjustment, interpretation and underwriting advice. Also responsible for all risk financing activities including premium apportionment. Preparation and monitoring of performance metrics. Approximate external premium spend across all clients £3.8m p.a. (£2.5m across CCC and NCC). Full underwriting and support service to academy schools, circa 30 client academies with a budgeted income of £20k p.a. Claims: Caseload of circa 1,700 cases per year across all classes of business. Handle Public Liability Property Damage and Public Liability Personal Injury in house to delegated authority limits from insurers. Manage a portfolio of self insured claims on Material Damage and work with insurers on large loss Material Damage cases. Oversee management of motor vehicle losses.
Budgets Net team budget 2015/16 - £83k including overheads	**Budgets** Net Team Budget 2015/16 - £342k excl ex-Norwich and NBC staff, plus overheads and contracted service fees (brokerage and external claims handling)

FTE - 2	FTE –8.56 Ex Norwich and NBC staff – 1.80 FTE
Scope of supplier spend Ext premium £898k, plus internal contributions. (based on 15/16 policy year, these are currently in negotiation for April 2016 renewal) IT system – Claims Control £10k p.a. Claims management circa £65k p.a.	**Scope of contracted service spend** Total external insurance premium spend to all clients £3.8m External support contracts: Broker Contract let for a single LGSS provider with agreed fees based on organisation type County - £5.5k p.a. District – £4k p.a. Actuary from £3.5k for full fund review IT system MIMS £5k p.a. serving all current clients External claims management (budgeted) £105k excl Norwich and NBC

13.2.2Proposal for Day 1 of Transition

Based on the experience from merging the two individual teams from Cambridgeshire and Northamptonshire into one LGSS insurance service we would recommend that the transition of services from MKC into LGSS is best achieved via several overlapping phases summarised below:

The pace of change can be flexed and refined during the preparation of the business case and after go live:

Phase 1 – Collaborate and deliver quick wins

Phase 1 will commence on day one (and ideally before) and focus on further developing and understanding of the fit between MKC's insurance programmes and processes and those in use within LGSS and will build on information captured during the development of the business case.

We will jointly work on areas for immediate collaboration such as on the potential convergence of services contracts, looking early on at the potential amalgamation of the claims management IT system which will support service consistency, continuity and development whilst realising some small financial efficiencies.

We will look at claims management processes to identify how we can work with insurers to 'in-house' the handling of liability claims to the value of £25k to reduce cost of external claims management. Subject to business case the internal claims management team could be expanded to further reduce the cost of handling of claims. In the case of CCC/NCC the in house management of claims has seen significant financial and business benefits.

We will look to appoint a single lead for Insurance who will develop and implement the optimal organisational structure for the combined team. This will include future reporting lines, capacity risks and addressing areas of potential overlap based on the efficiencies gained by the merging the MKC and LGSS teams.

Phase 1 is likely to last 3 to 6 months from go live.

Phase 2 – Consolidation plans

The outputs from this phase will concentrate on the implementation of a single unified team structure developing further the existing specific claims management and underwriting areas on a scalable structure basis to enable further clients to be added.

Creation of a procurement plan for the future insurance programme of MKC, which we will try and link into the existing NCC/CCC programmes for a collaborative tender in 2017 that will both save time and resource as well as providing a more attractive package for providers.

Continued development of in house claims handling services working toward across the board in house delegation to £50k that will enable a further reduction in external claims handling costs.

Subject to business case progress to completion the amalgamation of claims management IT systems.

A thorough review of the MKC insurance programme to identify where, through the use of increased self insured retentions and adjustments to policy cover, the overall cost of insurance protection can be reduced.

This phase can be completed alongside and build on phase 1 and should be complete within 9 to 18 months of go live.

Phase 3 – Convergence

This phase would see the final implementation of the phase 1 and 2 outputs and the creation of a single unified team delivering insurance services to all clients with a single management structure.

An on-going local presence in each Council location is recommended, depending on the scale of the workload we may need to look at the development of a regional nominated officer within each discipline (claims and underwriting) providing day to day management support on an allocated client basis.

The completion of an insurance programme tender and post renewal arrangements to implement revised insurance programmes for MKC/CCC/NCC during 2017 (MKC April renewal, NCC/CCC October renewal, all long term agreements up in 2017)

This phase can be completed alongside the other phases but is likely to take longer in some areas. This phase should be completed within 18 months of go live.

13.2.3Ambition for 3 years time

By 2018/19 we will have an established professional highly capable team providing Insurance services to CCC, NCC, MKC, NBC, Norwich and potentially other clients.. The service will have worked to minimise reliance on external traded services (claims handlers/brokers) by providing as much advice and support to all service departments on insurance and insurable risk issues from within the team as possible. Staff will be undertaking work focussed on their areas of expertise for the benefit of all LGSS partners and customers and not just for one Council at one location.

The level of claims handling delegation will be at the optimum level to reduce external costs without exposing any party to excessive capacity/capability risk.

A full insurance programme review and tender, due in 2017, will have been completed and new programmes implemented which will hopefully limit financial impacts on all parties in an environment where insurance premiums in the public sector are on the increase.

The team will look to build traded income receipts in order to reduce the net cost of the team to CCC, NCC and MKC, we will do this via a mix of:

- Development and trading of an external claims handling service to other public sector organisations
- Provision of insurance consultancy services to external organisations (i.e. insurance management support, programme procurement support)
- Increasing service provision to academy schools through our relationship with the Midlands Academy Insurance Group (MAIG)

13.3 Performance Targets compared to current delivery

Insurance performance measures are set out below.

Description	**Purpose**	**Target**
% claims recorded on management system and acknowledged to claimant or department within 5 working days	Effective management of the claims process	Internal target 95%
Claims overdue for action as recorded by claims management system to be less than 15% of all open claims	Effective management of the claims process	<15%

% decisions on liability claims made and communicated to claimant/representatives in accordance with Civil Procedure (CP) Rules.	Effective management of the claims process	95%
Average time to settle non-complex material damage and motor own-damage claims from first notification to LGSS Insurance.	Effective management of the claims process	60 days
Renewal and procurement cycle, % completed within agreed timescale.	Effective management of renewal and procurement.	100%
% of enquiries acknowledged within 3 working days.	Effective management of enquiries.	95%
% of enquiries resolved within 5 working days of acknowledgement. (where enquiries do not require external support/advice)	Effective management of enquiries.	95%
Number of complaints resolved within timescale	Effective management of the Complaints Process	95%

13.4 Financial Benefits and Investment Needs

13.4.1Financial summary

The financial table gives a net budget position for the service after existing Medium Term Plan commitments for each authority. Proposals as a result of the partnership between LGSS and MKC are shown as the net benefits.

Partnership (LGSS/MKC) Recurrent	2016/17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s	2020/21 £000s	
Net Budget						
MKC - net budget	158	158	158	158	158	
LGSS - net budget	533	520	520	520	520	
Total Budget	**691**	**678**	**678**	**678**	**678**	
Total Budget	**691**	**658**	**632**	**591**	**571**	
New Recurrent Costs/Benefits						
Benefits (new)	-20	-26	-41	-20	-20	
Net benefits	**-20**	**-26**	**-41**	**-20**	**-20**	**-127**
% net benefits	*-2.89%*	*-3.95%*	*-6.49%*	*-3.38%*	*-3.50%*	*-20.22%*
Revised Budget	**671**	**632**	**591**	**571**	**551**	

13.4.2One-off investment / funding requirements

In order to achieve savings in own claims handling it is likely that the service will require strengthening of claims handlers, it is possible that this can be achieved by personal development within the team and the addition of a further claims technician to support service delivery.

13.4.3Ongoing service costs and financial savings

In summary the savings will be focussed on reducing external claims handlings costs by utilising internal resources, removing any duplication across the teams, and merging the claims management software to reduce costs

There may be the opportunity to reduce the total cost of insurable risk as a result of this collaboration (via economies of scale), however with the cyclical nature of the insurance market and insurer nervousness around local authority risks we are unable to provide an estimate savings target in this area.

13.5 Non-Financial Benefits

- Resilience, without merging the teams in this way further cuts in individual Insurance staff budgets will seriously impact the team’s ability to deliver an effective insurance service, bringing increased financial and reputational risk. Increased capacity will provide the opportunity for providing a proactive claims management advisory service to enable the frequently and cost of claims to be more effectively managed

- Personal Development and staff retention, staff within MKC will be able to join a larger team servicing a range of clients; this will enable a growth in personal skills and abilities. The ability to provide staff with opportunities to undertake a varied workload with personal development is shown to support staff retention.

- Opportunity for improved contract monitoring and management with external providers to ensure improved service delivery.

13.6 Risks and Issues

Risk	Likelihood L/M/H	Impact L/M/H	Mitigation
Failure to progress team integration in a timely manner	L	M	Prepare early team integration plan with robust timetables and responsibilities in the team.
Failure to achieve in house claims delegation	M	M	Early engagement with insurers to agree process and requirements for achieving in house authority for LGSS to manage liability claims. Ensure sufficient and robust capacity.
Mismatch and reliability of IT systems hampers ability to operate fully across service	H	H	Early work to merge MKC accesses and claims system to LGSS compatible platform to be led by IT. Insurance ensure the early transfer of historic cases via a data download into LGSS CMS and ongoing use of a unified system.
Unwillingness within team to engage in change processes required to deliver service outcomes.	L	M	Work with team to ensure they are aware of and engaged with the reasons and rationale for change and support the service aspirations.
Failure to deliver improvements in cost of insurable risk due to market conditions and claims experience within clients	H	H	Work with brokers and existing insurers to understand MKC insurance risk profile and how we can influence market to view MKC as an insured of choice. Review alternatives to traditional insurance programmes.
Capacity issues within LGSS result in failure to adequately integrate MKC into service structure	M	M	Ensure service team are clear on roles and responsibilities and have a robust plan for the implementation of MKC into the service.
Capacity issues results in failure to adequately manage increased case load post delegation by MKC insurers.	M	M	Ensure understanding of capacity required to deliver service quality and robust business case is undertaken prior to further increases in delegation.

14 Democratic Services

14.1 Executive Summary

This document sets out a proposal for sharing democratic services and electoral services across the partner authorities of LGSS. The proposal identifies a range of initiatives made possible by a shared service arrangement, while taking into account the unique nature of the services involved and the demands placed upon them. It proposes immediate areas for collaboration as well as a longer term proposal for a new business model based on meeting the demands of each of the partner authorities in a way that is deliverable, measurable and sustainable.

14.2 Service Delivery Model

14.2.1The Current Model

Democratic Services is the principal point of contact for councillors, officers and members of the public who require information about each authority's decision making processes. The services provide high quality professional support and advice to those involved in the Council's formal decision making processes, providing the necessary framework and support for a robust system of democratic governance which is efficient, transparent, accountable and run to high standards.The servicesare a critical support function in terms of the proper governance of each authority and are therefore tailored to the needs of each authority. The services operate in a way that ensures that they:

- Support councillors to be effective in their roles by providing clear, accurate advice, signposting where appropriate;
- Support officers in their roles by providing accurate, timely advice on the decision making process, protocols for dealing with councillors etc.;
- Safeguard the Council's decision making and scrutiny processes whilst adding value; and
- Facilitate the involvement of members of the public in the decision making process.

Our core services include:

- Support for formal decision making meetings, including Full Council, Cabinet (MKC and NCC), Service Committees (CCC) and regulatory committees in accordance with statutory provisions and locally adopted standards;
- Delivery of an effective overview and scrutiny function (MKC and NCC) which operates in accordance with statutory principles and makes an effective contribution to the development of services by reviewing and improving their effectiveness, holding decision makers to account and supporting openness in the way the council operates;
- Provision of effective oversight of the Council's Code of Conduct, dealing with complaints about councillors promptly and thoroughly (CCC and NCC);
- Provision of high quality advice and expertise relating to the Council's constitutional, governance and scrutiny processes;
- Delivery of the petitions scheme for the Council, including the coordination of responses to petitions from different departments across the Council;
- Oversight of the nomination of councillors to outside bodies, including national, regional and local organisations; and
- Provision of online information about Councillors and Committees via the Council's website and, in the case of NCC, delivery of the Council's webcasting project - up to 120 hours of webcast committee meeting content per year; and

Elements applicable to CCC only:

- Co-ordinating the handling of complaints to the Local Government Ombudsman (the Democratic Services Manager is the Council's Ombudsman Link Officer) and arranging panels for education appeals. The Team also has a Service Level Agreement with Cambridgeshire Fire and Rescue Service to support its democratic process.

Elements applicable to MKC only:

- Delivery of electoral services, including management of the electoral register and delivery of Parliamentary, European Parliamentary, Police and Crime Commissioner and MKC election.

Elements applicable to NCC only:

- The team provides support to councillors in their roles through the provision of three Political Assistants for the three largest political groups and a sub-team which provides secretarial support to the Leader and Cabinet;
- The team provides a high-quality independent education appeals service on behalf of the Council and a significant number of academy clients;
- Delivery of an effective Police and Crime Panel which makes a positive contribution to the development of services, holding decision makers to account and supporting openness; and
- Delivery of grants to community groups through the Empowering Councillors and Communities scheme.

14.2.2Proposal for Day 1 of Transition

A defining characteristic of Democratic Services is that it exists to provide high quality support to the councillors and officers within each of the partner authorities. The service reflects the different governance arrangements in place at each authority and recognises the importance of providing councillors and officers with a dedicated team of support staff at each location. Proposals for day 1 of transition focus on areas of common benefit to each of the partners, including:

- Outlining areas for immediate collaboration, aimed at reducing duplication at the appropriate level (e.g. training, processing expenses etc.);
- Identifying and developing areas of expertise that each of the partner authorities can deploy to the benefit of the others;

- Identifying areas where increased resilience in service delivery is desirable and creating plans to implement this, including the provision of opportunities for staff development across the shared service model

14.2.3Ambition for 3 years time

There are a number of opportunities to develop the service to the benefit of the partner authorities by 2018/19:

- Enhanced resilience through improved staff development opportunities: A large democratic services shared across three authorities has the potential to develop into a centre of excellence for staff development. Staff will be able to experience different systems of governance and correspondingly different working practices, benefitting from a rich range of opportunities and enabling the service to develop robust staffing structures over the longer term.
- CMIS: all three of the partner authorities utilise a common software application (Committee Management Information System, or CMIS) for managing the preparation and publication of agendas and reports associated with the democratic decision making process. MKC and NCC are long-term users, while CCC is a recent adopter. There is an opportunity to collaborate on a project to use CMIS to a greater extent, releasing the benefits offered by built-in workflows to manage the decision making process more efficiently and effective. Thanks to its long-term relationship with the developers, Astech, LGSS also has a place on the CMIS steering group, giving it the opportunity to shape the future development of the product.
- Elections: the addition of MKC electoral services to LGSS Democratic Services may provide opportunities to facilitate links between LGSS and other elections authorities, including LGSS clients who are elections authorities. Opportunities for staff across the shared service to develop a wider range of skills and knowledgein relation to this particular area of work will be explored and developed.

- Councillor development: opportunities for collaboration on councillor development programmes will be explored, with a view to delivering high quality training for councillors while reducing cost and time overheads. If successful, this service could be extended to other authorities with a view to developing and growing income.
- Income generation: The expansion of LGSS presents an opportunity to revisit and explore areas of income generation. These would include the expansion of established opportunities such as specialist governance work for third parties, as well as the development of new opportunities.

14.3 Performance Targets compared to current delivery

Current delivery targets and performance measures are dictated by statutory requirements relating to the publication of agendas and decisions. These are relatively static and will not be impacted due to any changes to the delivery model. However, the added resilience offered by a larger shared Democratic Services team should have a positive impact on both statutory and non-statutory targets.

Current delivery targets:

- Agendas and reports published 5 clear days in advance of formal committee meetings;
- Formal minutes published in a timely fashion;
- Formal decision notes published in a timely fashion;
- Code of Conduct complaints logged, acknowledged and determined by Monitoring Officer/Independent Person in a timely manner (within 21 days)

14.4 Financial Benefits and Investment Needs

14.4.1Financial summary

The financial table gives a net budget position for the service after existing Medium Term Plan commitments for each authority. Proposals as a result of the partnership between LGSS and MKC are shown as the net benefits.

Partnership (LGSS/MKC) Recurrent	2016/17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s	2020/21 £000s	
Net Budget						
MKC - net budget	355	355	355	355	355	
LGSS - net budget	872	845	845	845	845	
Total Budget	**1,227**	**1,200**	**1,200**	**1,200**	**1,200**	
Total Budget	**1,227**	**1,200**	**1,170**	**1,140**	**1,110**	
New Recurrent Costs/Benefits		-30	-30	-30	-30	
Net benefits	**0**	**-30**	**-30**	**-30**	**-30**	**-120**
% net benefits	*0.00%*	*-2.50%*	*-2.56%*	*-2.63%*	*-2.70%*	*-10.40%*
Revised Budget	**1,227**	**1,170**	**1,140**	**1,110**	**1,080**	

14.4.2One-off investment / funding requirements

The reason for the inclusion of Democratic Services and Electoral Services within the proposal is primarily to enhance the resilience of the business and secure opportunities for qualitative improvements and efficiencies going forward. It is not anticipated that any significant investment or funding opportunities will need to be funded in order to deliver the benefits listed above. The possibility of exploiting technology such as CMIS to a greater extent may require some additional project management and IT input, but this will not be significant.

14.4.3Ongoing service costs and financial savings

A savings plan has been put in place for the existing partner authorities as part of the service review process. This will need be refined to include any cashable efficiencies that might apply to Democratic Services and Electoral Services at MKC, however the business case is focussed more closely on non-financial benefits (see below). It is anticipated that savings will be achieved in terms of member development, however.

14.5 Non-Financial Benefits

As detailed above, the inclusion of Democratic Services and Electoral Services within the shared service proposal is expected to enhance the resilience of the service and secure opportunities for qualitative improvements in the future. These can be summarised as:

- Enhanced resilience derived from having a larger pool of experienced staff, as well as improved development opportunities less experienced staff;
- The exploitation of shared technology to generate improvements and efficiencies
- Development of a centre of excellence for shared specialism within the field of democratic services – e.g. overview and scrutiny, support to Independent Remuneration Panel reviews; and
- Opportunities for collaboration on member development.

14.6 Risks and Issues

Risk	**Likelihood L/M/H**	**ImpactL /M/H**	**Mitigation**
Failure to deliver improvements in service resilience.	L	L	Creation of shared strategy for staff development and collaborative working. Development of a robust business continuity plan.
Failure to secure efficiencies through increased income generation or savings.	L	L	Creation of a business plan based on realistic assumptions and experiences gained from operating within a shared service.
Inability to deliver efficiencies through the development of shared technology.	L	L	Analysis of desirability and benefits of developing existing technology platforms through pilot schemes run in each authority and overseen centrally.

15 Service Delivery to Schools

Both MKC and LGSS recognise the significant opportunity regarding the consolidation and further development of the range of business support services which can be offered as traded services to schools and academies - as well as the importance of ensuring these are effectively marketed and managed in terms of customer service. Both organisations have areas of strength in this sector which we believe are complimentary. A number of the service sections in this Outline Business Case have identified services to schools as an area of potential and already have income targets in place for these traded services, some of which are increased in existing plans for 2016/17. Services to schools and academies will remain a priority in focus for the expanded services of LGSS across the region and we believe that this will be a source of additional benefits to the business case as we work to improve both overall market share and the value and range of services offered.

16 Governance Model

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

It is proposed that MKC join the LGSS Joint Committee as a full partner on the same basis as the two County Councils. This will increase total membership of the Joint Committee to nine councillors from across the three authorities.

The LGSS Joint Committee is enabled by a Partnership and Delegation Agreement (PDA) between CCC and NCC, which would be replaced by a tripartite agreement between CCC, MKC and NCC

Agreement of the PDA for MKC to join the LGSS Joint Committee and the delegation of services to it requires approval by full council at all three authorities.

The Revenues and Benefits service has developed a specific governance structure to reflect the individual requirements of the service and those other LGSS partners who delegate this function. MKC will take a lead role in this as a Foundation Partner.

17 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 of the founding authorities, based on geographical logic and the sharing of risk between partners.

It is proposed that MKC join the LGSS partnership on the same basis as the two County Councils. Employees within the scope of the shared service from MKC will continue to be employed by the authority, but as part of LGSS and with the delegation of employer rights and responsibilities to the LGSS Joint Committee and LGSS Managing Director.

Employee relations are of critical importance to LGSS as with any organisation and this is taken very seriously by LGSS, including negotiation with recognised Trade Unions (RTUs). A joint Consultation Forum including representatives from the RTUs of the two County Councils is long-established and successful, which will be expanded to include representatives from MKC.

The Outline Business Case does not include any savings at Director level in either LGSS or MKC, reflecting the fact that as a significantly expanded shared service capacity will need to be retained at this strategic 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. The proposed organisation structure is detailed in Appendix B.

Key to the success of the shared service is a single organisational identity across LGSS, regardless of the employing authority. This key value 'Think as one, deliver as one' will equally apply to colleagues joining the shared service from MKC and a full welcome and induction programme will be developed as part of the transition plan.

18 Business Continuity

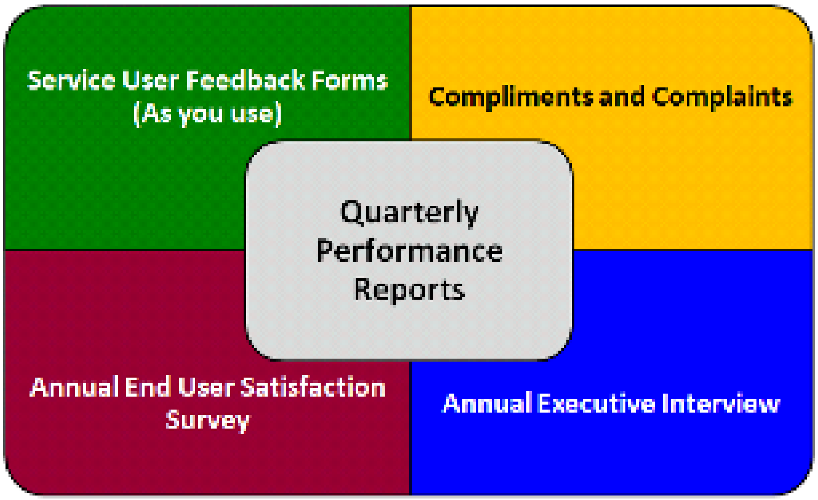
LGSS services all maintain Business Continuity Plans (BCPs) which acknowledge the critical role of those services in the BCP arrangements for each of our partners. These BCPs are reviewed on a regular basis as well as upon trigger points of key service changes, which would include MKC joining the LGSS shared service arrangements and as transition / development plans described in this document are put in place.

19 Service Assurance, Customers and Strategy

LGSS Customer Satisfaction and Engagement Framework

The LGSS Customer Satisfaction and Engagement Framework sets out how we engage and manage relationships with our customers. The framework enables LGSS to be proactive in addressing issues and adapting and shaping our services to meet changing customer needs as we respond to their service demands and challenges.

Feedback captured through these channels is used to inform service improvements and developments. This is aligned with the development and delivery of the LGSS Business Plan. The framework comprises of 5 key components which are shown in the graphic below:



Annual End User Satisfaction Survey

The Annual End User Satisfaction Survey focuses on the operational day to day delivery of LGSS services, and provides all end users within our customer organisations with the opportunity to rate and comment on our services.

Annual Executive Interview

The annual executive interview is held with the Chief Executive/Managing Director, or delegated to a member of their management team. It is designed to explore the strategic relationship and how LGSS supports our customers with their priorities, how LGSS engages with their organisation and any improvements or concerns.

Service User Feedback e-Forms

Service user feedback e-forms are offered to customers throughout the year upon completion of a transaction/request/piece of work. This enables our customers to provide feedback promptly in relation to a specific experience. They are primarily offered via an e-channel.

Quarterly Performance Reports

There are quarterly reports which compare performance against KPIs and with feedback received through the other channels. By understanding whether performance and feedback results are comparable, we can refine our areas of focus for Service Improvement Planning.

The Annual Cycle

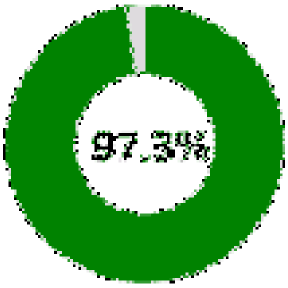
The Customer Satisfaction and Engagement Framework is an annual cycle. The timetable below provides an overview of when each of these is undertaken.

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Annual Executive interview								✓				
Annual End User Satisfaction survey								✓				
Satisfaction survey analysis								✓	✓	✓		
Service User Feedback forms	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Compliments and Complaints	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Development of Service Improvement plans									✓	✓	✓	
KPI reports	✓			✓			✓			✓		

Results from our customer satisfaction channels are analysed and presented to both LGSS Joint Committee and LGSS Partner Board. In addition, formal presentations on results are given to the senior management team within each customer organisation.

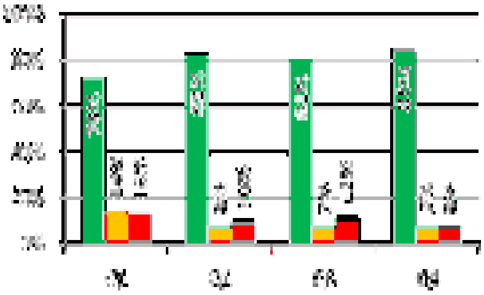
Each year a summary of performance against the Customer Satisfaction and Engagement Framework is produced and presented to customers. The summary overleaf provides an overview of 2014 performance against the Customer Satisfaction and Engagement Framework. The 2014 all user survey was issued to a total of 10,430 employees.

Service User Feedback

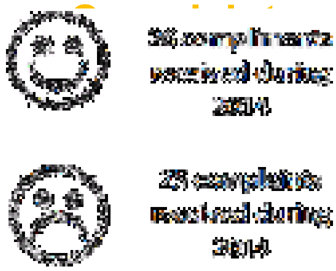


Average satisfaction rating across 4 Service Areas

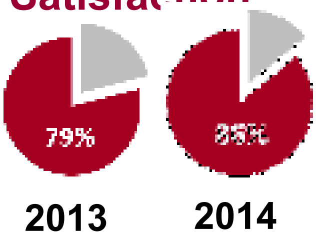
2014/15 KPI



Compliments and Complaints



Annual End User Satisfaction



Overall satisfaction has increased from 79% in 2013 to 86% in 2014

Annual Executive Interview

"A competent vehicle with good people that has capacity and provides value for money but can be slow to respond and has its limits"

Service Improvement Plans

Feedback received through the various channels within the Customer Satisfaction and Engagement Framework is analysed to both celebrate positive areas of performance but to also identify areas which require improvement.

This provides key information to produce annual directorate Service Improvement Plans (SIP)which set out the key improvements which will be implemented. The development of SIPs is undertaken in partnership between LGSS and customers to ensure improvements meet the needs of all parties.

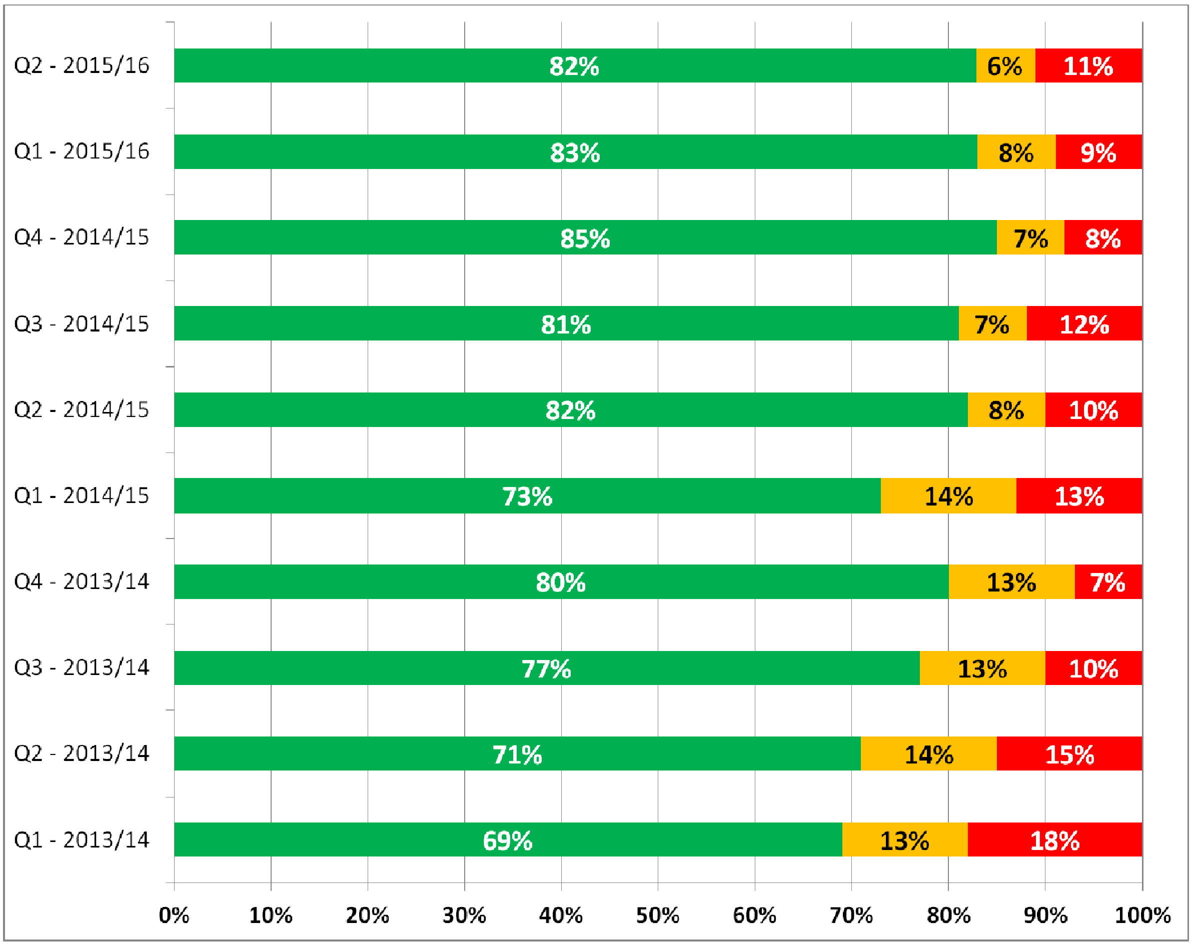
Progress against SIPs are reported to customers on a quarterly basis.

Measuring LGSS service delivery

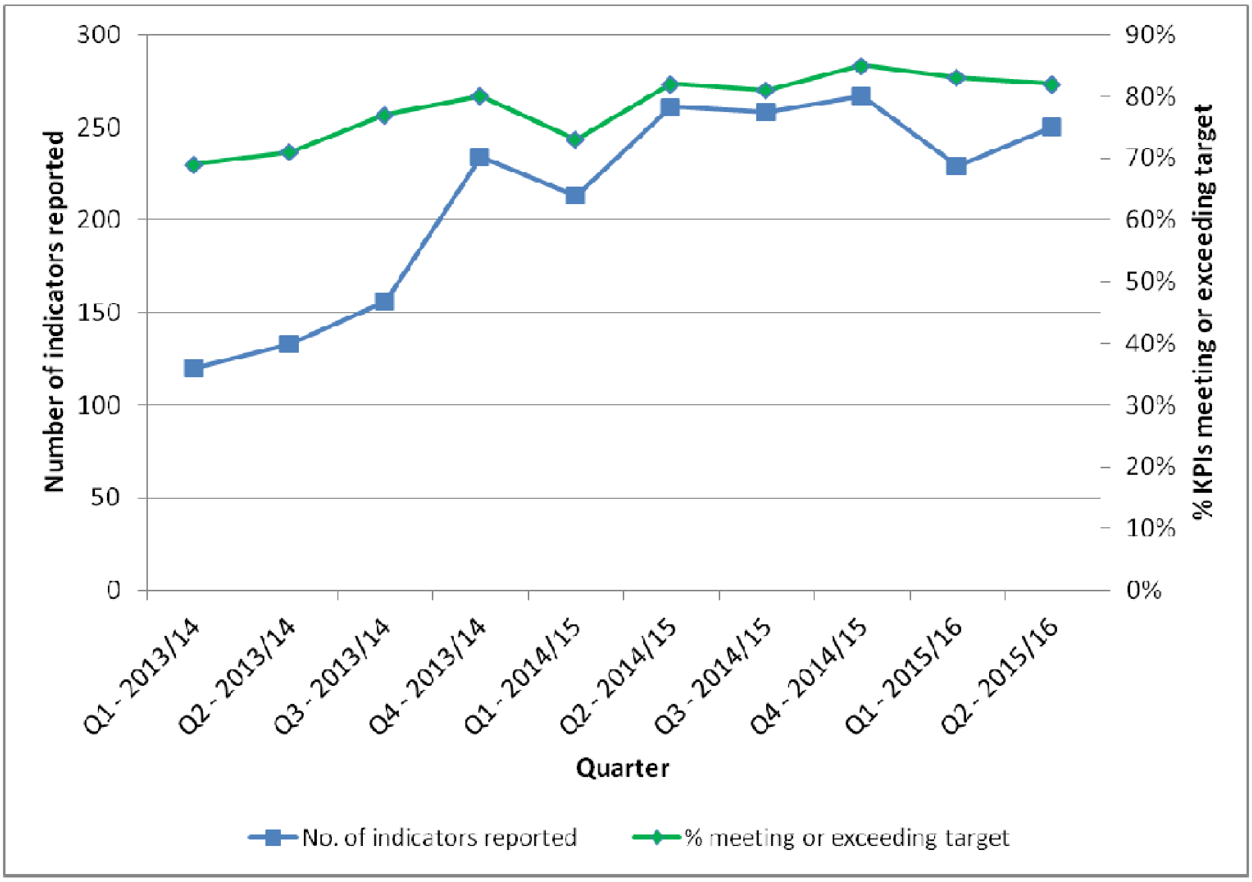
To measure the delivery of each customer contract, LGSS operates a robust performance framework. On a quarterly basis a 'Health of the Partnership' report is produced. This report provides an overview of how LGSS is performing and includes details of Key Performance Indicators (KPI) performance, progress against service improvements and financial performance.

LGSS has developed a suite of KPIs which are used to measure delivery of service to customers. The KPIs for Milton Keynes will be agreed and targets for delivery set based on current Milton Keynes documented performance. Managers are accountable for the delivery of the service and will have their own operational performance indicators to provide assurance on the success and delivery of the service.

Since 2013/14 performance against KPIs has been measured and reported to customers. The chart below shows the % breakdown of red, amber and green KPIs for each quarter of 2013/14, 2014/15 and quarters 1 and 2 of 2015/16 across all customers.



Since Q4 2013/14, with the exception of Q1 2014/15, the percentage of KPIs meeting or exceeding target each quarter is 80% or above. The chart below plots the number of KPIs reported along with the % of KPIs which met or exceeded target each quarter and were therefore green.



It should be noted that since April 2013 LGSS has on-boarded a number of new customers and therefore the number of KPIs being currently reported each quarter has increased to 297 in total.

Key Workforce Indicators

Staff turnover

The annual average voluntary turnover (April 2014 – March 2015) has marginally increased to 8.7% from 8.6% for the same period last year.

Sickness absence

The rolling (1st April 2014 – 31st March 2015) average number of days absence for LGSS is 4.87 days lost per FTE.

The rolling average number of days absence for the Milton Keynes Service Partnership is 8.03 days lost per FTE.

Financial Performance

The over-achievement of savings has allowed for substantial reinvestment in the development of services which has improved the customer experience and enabled further efficiencies to be delivered by the innovative use of technology. For 2012-13 and 2013-14, a dividend was also paid to each of the host authorities.

2014/15 Outturn

The table below shows the summary outturn position for 2014-15 by Directorate, and the overall LGSS summary financial position.

Table 2	Gross Exp Budget £000	External Income Budget £000	Internal Income Budget £000	Net Budget £000	Outturn £000	Variance £000
Trading Account	2,409	(22,424)	(185)	(20,200)	(19,817)	383
Service Assurance	1,777	(31)	(95)	1,651	1,700	49
Finance	11,997	(4,076)	(501)	7,421	7,073	(348)
People, Transformation and Transactions	25,325	(1,809)	(2,969)	20,547	20,165	(382)
Information Technology	10,519	(39)	(1,666)	8,814	8,612	(202)
Law, Property and Governance	12,417	(1,249)	(6,061)	5,105	4,953	(152)
Total LGSS	**64,444**	**(29,628)**	**(11,478)**	**23,338**	**22,686**	**(652)**

20 Future Commercial Opportunities

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.

21 Transition Costs

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

It is expected that anyproject costs related to transitioning to the proposed shared service arrangement would be borne equally and will therefore be absorbed within the existing capacity within LGSS and MKC, including the cost of Project Management, HR support and the legal costs involved in drawing up the partnership agreement.

22 Financial Summary

The tables below summarise the benefits identified through this business case.

Financial summary table excluding Revenues and Benefits

Partnership (LGSS/MKC) Recurrent	2016/17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s	2020/21 £000s	Total £000s	Total %
Net Budget							
MKC - net budget	8,231	8,079	8,079	8,079	8,079		
LGSS - net budget	18,873	18,153	18,153	18,153	18,153		
Baseline Net Budget	**27,104**	**26,232**	**26,232**	**26,232**	**26,232**		
Revised Baseline Net Budget	**27,104**	**25,890**	**24,622**	**23,588**	**23,326**		
New Recurrent Net Costs/Benefits							
Finance	-50	-295	-275	-50	-50	-720	-12.15%
Audit	-100	-75	-15	-15	-15	-220	-14.90%
Transactions	-24	-470	-240	0	0	-733	-17.69%
HR Professional	-30	-95	-95	0	0	-220	-4.89%
IT	-98	-185	-220	-50	-50	-603	-9.11%
DSS	0	-30	-30	-30	-30	-120	-10.40%
Procurement	-20	-40	-75	-60	-35	-230	-21.07%
Insurance	-20	-26	-41	-20	-20	-127	-20.22%
Debt Recovery (Corporate)	0	-52	-44	-37	-39	-172	-16.59%
Total	-342	-1,268	-1,034	-262	-239	-3,145	
Total Net benefits	**-342**	**-1,268**	**-1,034**	**-262**	**-239**	**-3,145**	
% net benefits	***-1.26%***	***-4.90%***	***-4.20%***	***-1.11%***	***-1.02%***	***-12.49%***	

Financial summary table for Revenues and Benefits

One-off	2016/17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s	2020/21 £000s	
One-off Costs/Benefits						
One-off Benefits	0	-50	-75	-50	-50	
Net benefits	**0**	**-50**	**-75**	**-50**	**-50**	**-225**

Recurrent	2016/17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s	2020/21 £000s	
Net Budget						
MKC - net budget	3,755	3,755	3,755	3,755	3,755	
LGSS - net budget	2,745	2,745	2,745	2,745	2,745	
Total Budget	**6,500**	**6,500**	**6,500**	**6,500**	**6,500**	
Total Budget	**6,500**	**6,270**	**5,744**	**5,414**	**5,238**	
New Recurrent Costs/Benefits						
Benefits	-230	-490	-300	-150	-50	
Benefits (debt recovery)	0	-36	-30	-26	-15	-107
Net benefits	**-230**	**-526**	**-330**	**-176**	**-65**	**-1,327**
% net benefits	*-3.54%*	*-8.39%*	*-5.75%*	*-3.25%*	*-1.24%*	*-22.17%*
Revised Budget	**6,270**	**5,744**	**5,414**	**5,238**	**5,173**	

The total recurring benefits identified from this business case are £4.47m. Benefits of £3.15m have been identified from services other than Revenues and Benefits, representing a 12.5% reduction in the cost of services. The Revenue and Benefits service have identified savings of £1.33m, a 22% reduction in the cost of service, which includes some increased income from selling services to others. However, no assumption has been made about retained benefits as a result of increasing collection, these benefits will be determined on an individual business case basis.

The financial tables for each service show a net budget position for each service after existing medium term plans for each authority. Proposals as a result of the partnership between LGSS and MKC are shown as the net benefits.

Summary of one-offcosts

The table below illustrates the one-off investment requirements to deliver some of the financial benefits outlined in the OBC. MKC have already identified £1.1m and £1.3m in their capital programme to fund the IT data hosting and ERP solutions. The additional £0.2m required will be funded from delays to the delivery of some of the MKC baseline savings.

The costs for the implementation for E-recruitment and DBS e-bulk will be costs for MKC, as these systems already exist in LGSS. The costs will be funded from either carried-forward underspend or from the MKSP invest to save reserve. It should also be noted that if MKC were to implement E-recruitment and DBS stand alone these costs would be significant in the region of £250k. Considerable savings are therefore gained by MKC from implementing these systems through the LGSS partnership. The implementation costs of a new joint Revenues and Benefits system and single view of debt system will be shared between MKC, LGSS and Northampton Borough Council (NBC) and will be subject to a detailed business case and a joint agreement between MKC, LGSS and NBC.

In order to deliver financial benefits it is likely there will be some redundancies across the three partner councils. Every effort will be made to minimise redundancies, but to ensure the costs are shared in proportion to the benefits gained; the costs of redundancies will be apportioned to the partner councils based on the relative MTFP benefits in each financial year. If the MTFP benefits are exceeded through whatever means (may include additional income generation as well as cost reduction) then any additional costs will be apportioned as set out in the partnership financial agreement.

Description	Service	£000	MKC	LGSS	Funding Source
Shared ERP solution	Systems	4,402	1,586	2,816	Capital
IT data hosting	IT	961	961		Capital
E-Recruitment	HR transactions	13	13		MKC
DBS e-bulk	HR transactions	1	1		MKC
Revenue & Benefits system	Revenues & Benefits	TBD	TBD	TBD	TBA

Single View of Debt	Debt recovery	30	15	15	Additional Benefits of BC
Redundancy Reserve	Cross-cutting	1,100	726	374	MKC/LGSS
Total Investment		**6,547**	**3,302**	**3,245**	

To note:

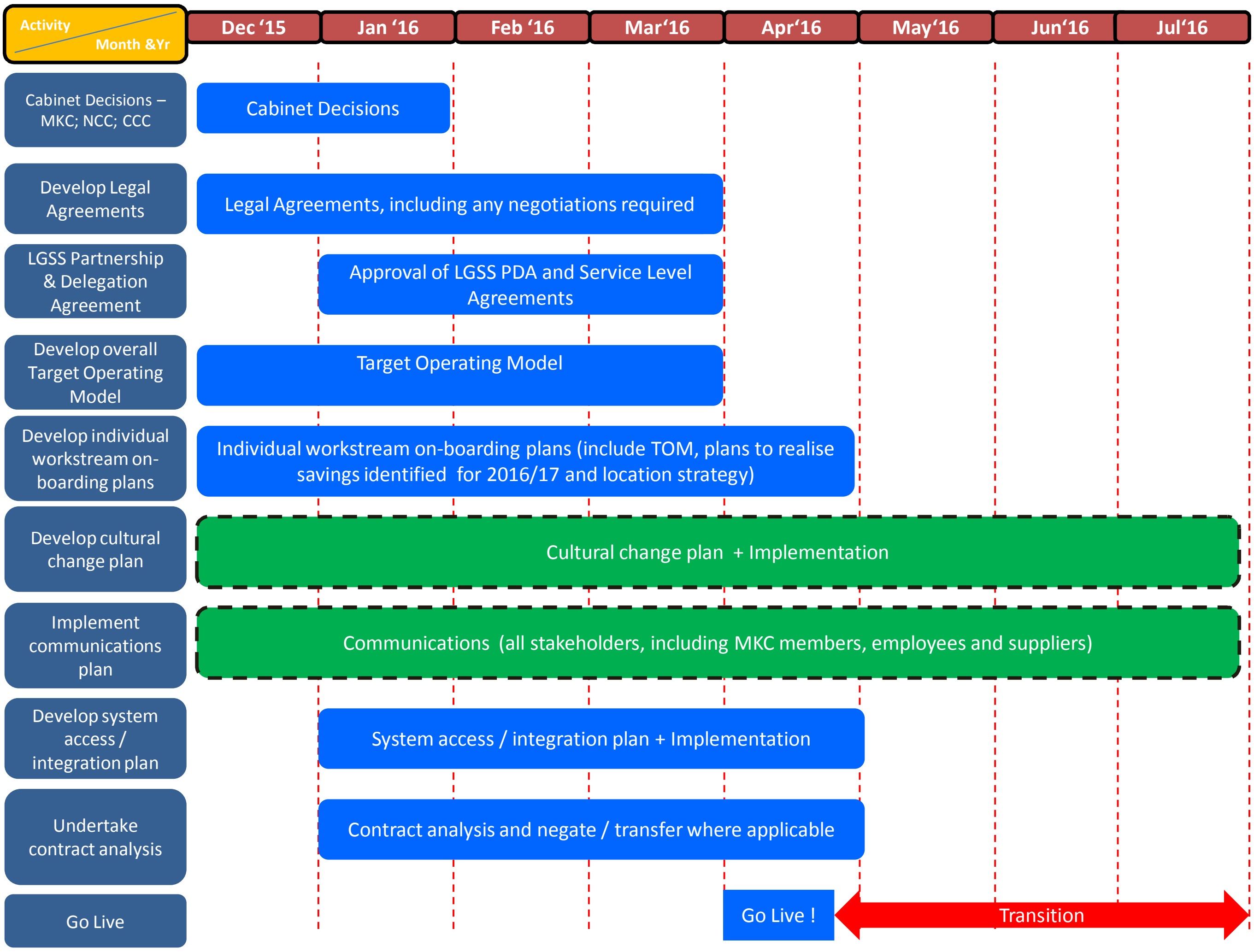
The financial tables do not include inflation. Inflation will be added to the cost of services to include the pay award as per each authorities own agreements, and any legislative changes with regard to pay or pensions. Inflation will also be added as specified by supplier contracts where applicable and RPI for non pay budgets. This will be funded separately by each authority.

Whilst considerable due diligence has been undertaken during the preparation of this OBC this will continue and may result in changes to baseline budgets as these are verified in detail.

The sharing of savings is detailed in Appendix B – Partnership Financial Arrangements.

23 High Level Implementation Plan

The key activities enable MKC to become a member of LGSS are outlined in the diagram below. A more detail plan will be developed and project governance established once the key decisions have been made.



24 Risks and Mitigations

The key risks and mitigations for this business case can be summarised as follows:

Risk	Mitigation
Loss of direct management, means services do not reflect Council needs	MKC, CCC 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.

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.
Service quality does not meet Council requirements	MKC, CCC and NCC will monitor and manage service quality through both the operational board and the Joint Committee.
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.
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.

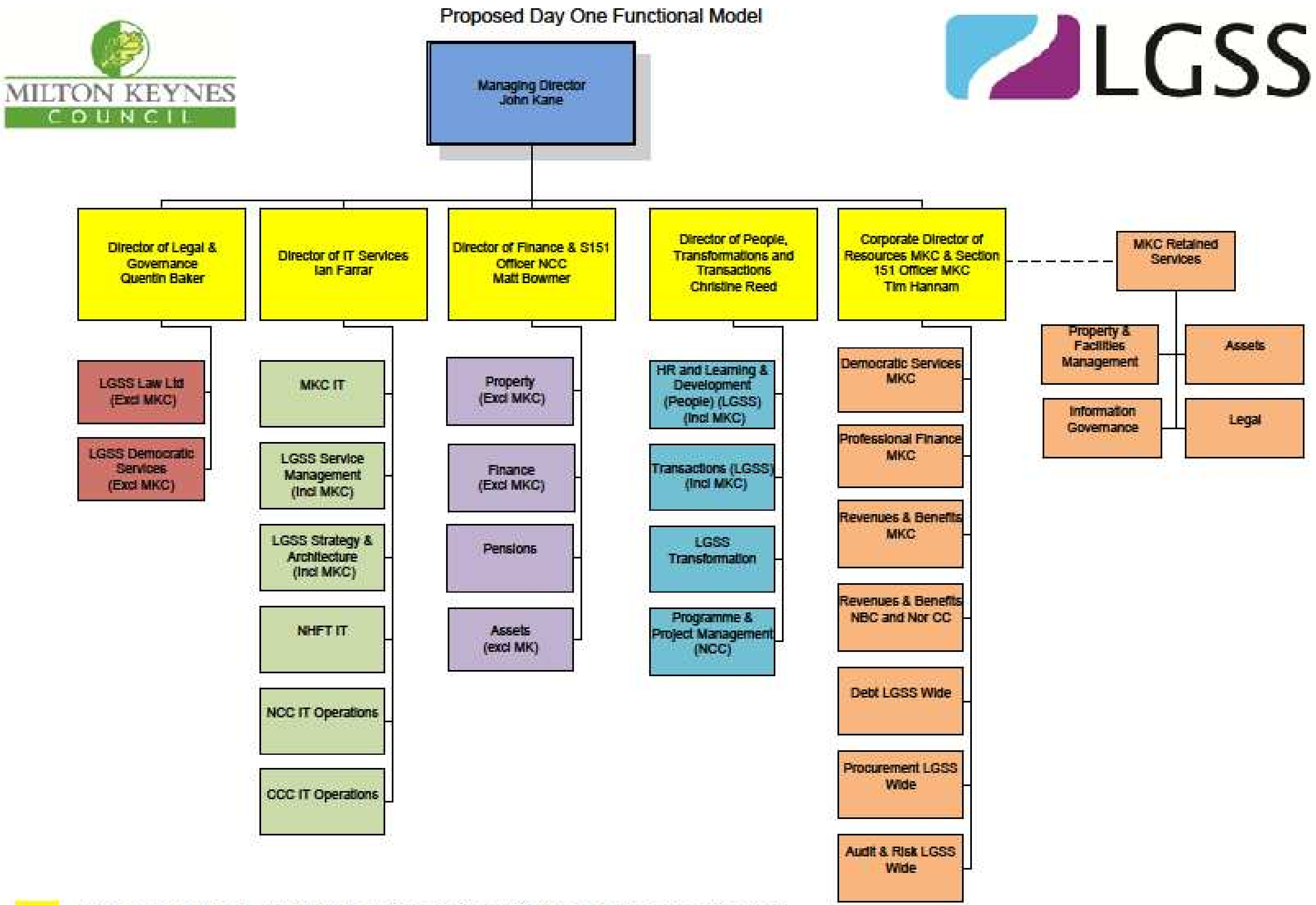
25 Appendices

Appendix A – Organisational Structure

Appendix B - MKC / LGSS Partnership Financial Arrangements

(Confidential)

Appendix A - Organisational Structure



These boxes show posts. All other boxes show functional responsibilities and are not necessarily positions