

CABINET

Shared Services – Revenues & Benefits 31 August 2010

Report of Corporate Director (Finance & Performance)

PURPOSE OF REPORT

Following the Cabinet report dated 16 February 2010 in which Cabinet endorsed the framework for progressing Phase 1 of this initiative, i.e. a joint senior management team with Preston City Council covering Revenues and Benefits, this report seeks approval for the development of a business case for a full shared service.

The business case, based upon operating assumptions contained within this report, would then be presented at a future Cabinet meeting (9 November 2010), enabling Cabinet to make an informed decision about whether or not to enter into a full shared service arrangement for Revenues and Benefits.

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|--------------|--------------------------|------------------|--------------------------|----------|-------------------------------------|
| Key Decision | <input type="checkbox"/> | Non-Key Decision | <input type="checkbox"/> | Referral | <input checked="" type="checkbox"/> |
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| Date Included in Forward Plan | N/A |
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This report is public.

OFFICER RECOMMENDATIONS :

1. That in the light of the further work carried out, Cabinet re-affirms its support for the Revenues and Benefits shared service proposal between Lancaster City Council and Preston City Council.
2. That Cabinet approves the development of a full business case for a shared Revenues and Benefits service between the two authorities, based on the assumptions presented within this report.

REPORT

1 Introduction

- 1.1 Shared services is an arrangement between two or more Council services to provide common services in partnership. The exact governance and operational arrangements of any shared service will reflect the local circumstances of each partner to provide joint benefits for each Council. These arrangements can only be determined following a full review of the options and consideration of a business case that identifies the benefits to be achieved for each partner.

- 1.2 The Project Initiation documentation identified that the key objective for this initiative is to establish a shared service arrangement for Revenues and Benefits between the two Councils, bringing immediate savings and efficiencies with no detrimental effect on service provision.
- 1.3 The documentation proposed a two stage approach with the creation of a senior management team to lead Revenues and Benefit functions at both Councils. This process is now complete. The second phase is to develop, manage and implement a shared service philosophy between the two Council's Revenues and Benefits services, with a view to creating further efficiency savings.
- 1.4 A Project Board has been set up, including the relevant Corporate Director and senior managers for both authorities with responsibility for ICT, HR and legal resources, with the terms of reference to progress the actions set out in the Project Initiation document (PID) and to consider the options for service delivery and the provision of support services.

2. Service Delivery

- 2.1 The Project Board considered a number of service delivery options including outsourcing whole or part of the service to the private sector; to continue as now but develop closer working relationships whilst keeping the senior management team across both authorities; and the development of a full shared service arrangement between the two Councils offering a joint service to our customers.
- 2.2 The Project Board consider that a shared service is likely to deliver the most savings for both Councils, however, and there are significant advantages to the Revenues and Benefits services working together in partnership:
 - a) Increasing capacity in delivering economies of scale at a time when both Councils individually are being required to make significant cuts in back office resources and expenditure.
 - b) Reduced ongoing revenue costs.
 - c) 'Best of breed' service for the level of investment, with the potential for identical documentation and improved performance.
 - d) Taking advantage of the potential for increased buying power of partnerships.
 - e) Maximising the benefits offered by shared IT support and development.
 - f) Providing a model for future shared transactional service initiatives.

3. Outline Operating Arrangements

Key issues supporting the business case for a Preston / Lancaster shared revenues and benefits service have been considered in detail by the Project Board and the following options have been selected to be developed as part of the business case model.

3.1 Accommodation

3.1.1 It is envisaged that a joint service across the two authorities with a single senior management structure will operate over the two sites with the bulk of staff below management level having the option to work in their current location. The favoured option is to develop a centre of excellence for revenues at one site and benefits at the other, whilst retaining flexibility for the workforce in the form of homeworking, different locations etc.

3.1.2 This delivery model will make best use of existing accommodation and retain local jobs at a local level, whilst reducing travel costs.

3.2 Governance

3.2.1 The Project Board have carefully considered the form of governance that may be adopted and at this stage the favoured option is to create a Shared Service Joint committee for administration purposes in relation to Revenues and Benefits.

3.2.2 The Councils would delegate certain functions to the Joint Committee, to be exercised on their behalf. As a result, it is envisaged that two members of the Cabinet from each authority would be appointed to serve on the Joint Committee, as nominated from time to time by the Leader of the Council.

3.3 Information and Communications Technology (ICT arrangements)

3.3.1 A measure of success of the shared service is for both Councils to be operating on the same software and ICT infrastructure platforms. The preferred option is for the two ICT teams to consolidate platforms and remote support facilities. This arrangement has the potential to reduce ongoing costs and provide both Councils with greater disaster recovery resilience and the infrastructure between the Councils to support future shared service initiatives.

3.3.2 Recent funding obtained from the North West Improvement and Efficiency Programme (NWIEP) will provide video conferencing facilities for corporate use, together with a satellite communications link between the two Councils to reduce time wastage and travel costs. The connection will also enable the seamless transfer of data between the shared service partners and its customers.

3.4 Customer Services

3.4.1 It is important that any changes do not have a detrimental effect upon customer services and for this reason it was agreed from the outset that face to face contact would not form part of any shared service solution. This is an important point to note; Customer Services would take on responsibility for Revenues and Benefits queries at Lancaster and Morecambe Town Halls, with resources transferred between the two services as appropriate.

3.4.2 The Project Board have considered telephony at both sites and believe that service provision should remain within each local authority area to retain the benefit of local knowledge.

3.4.3 Both authorities will follow best practice and consideration will be given to include the provision for complex revenues and benefits enquiries to be directed to the back office via a direct telephone and e-mail contact.

3.5 Accountancy & Audit

3.5.1 Financial support has been considered by the Project Board and a number of key principles have been agreed as the best option to facilitate service delivery, and at the same time deliver efficiency savings within accountancy and audit.

- a) The host authority will provide financial management support to the shared service and account for revenue budgets.
- b) The non-host authority will provide internal audit services for the shared service.
- c) Each authority will retain its own bank account and direct accounting arrangements for local tax collection and housing benefit payments / subsidy.

3.6 Human Resources

3.6.1 This is the most complex area to resolve and HR arrangements will be established that closely match the needs of the service. At this time a TUPE transfer option to one employing authority seems to provide the best solution. However, the issue of standard terms and conditions is still to be resolved.

3.6.2 Flexible working arrangements at both sites is key to the success of this project but the re-organisation of staff will eventually happen naturally over time, as management take advantage of staff turnover opportunities.

4. **Consultation Exercise**

4.1 Staff within the Revenues & Benefits service at both locations have received briefings on shared service proposals and a Staff Consultation Group has been set up whereby representatives are advised on progress to date.

4.2 The Human Resources Manager and Head of Revenues have met with the trade unions to commence formal consultation proceedings and further meetings will be arranged before the business case is presented to respective Cabinets.

RELATIONSHIP TO POLICY FRAMEWORK

The efficiencies delivered from moving to a shared service will greatly assist in achieving the outcomes of the Council's savings and efficiency programme and targets within the Medium Term Financial Strategy

CONCLUSION OF IMPACT ASSESSMENT

(including Diversity, Human Rights, Community Safety, Sustainability etc)

A shared service business case, based upon assumptions detailed within the report, will facilitate the decision making process and ensure that identified benefits will be sustainable and achievable.

The development of a shared service may have a minimal impact upon service users in the short term as the service comes to terms with operating with a significant reduction in resources which in itself brings about a reduction in costs, enabling savings to be redirected into other council priorities.

These new arrangements will result in reduced cost and should make the service provision robust in its capacity and capability to handle new statutory requirements and the inevitable peaks and troughs in demand that arise from time to time.

FINANCIAL IMPLICATIONS

Whilst Lancaster's current Revenues and Benefits service performs well in comparison to other authorities, such performance comes at a significant cost to the authority. A shared service arrangement with Preston City Council has the potential to deliver significant savings to the Council, with marginal impact upon performance.

The Council is already reducing staffing resources in anticipation of any future shared service arrangement, in particular through holding posts vacant. This process will continue; it will also be reviewed in light of the Council's review of statutory service levels, the outcome of which will also inform (and be informed by) share service proposals.

Savings from Phase 1 of the project in relation to a shared senior management arrangement have been incorporated into budget projections.

SECTION 151 OFFICER'S COMMENTS

The s151 Officer has been consulted and has no further comments to add.

LEGAL IMPLICATIONS

Legal Services are represented on the shared Service Project Board. They are assisting in the development of support service options and providing advice as appropriate.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments.

BACKGROUND PAPERS

Cabinet Report: Shared Service Programme
16 February 2010

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