

## **BUSINESS CASE**

### **REVENUES & BENEFITS (SHARED SERVICE)**

**LANCASTER CITY COUNCIL  
&  
PRESTON CITY COUNCIL**

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## **1. ACKNOWLEDGEMENTS**

- 1.1 This business case has been developed with the involvement of staff representatives from both partner Councils in Revenues & Benefits, ICT, Legal, Finance, Human Resources and the respective Customer Contact Centres. Key individuals within both organisations have made valued contributions in considering the technical, organisational and financial aspects of their designated specialist areas.
- 1.2 In developing these proposals, recognition is given to Team Lancashire, who provided project management funding to allow both Councils to explore and benefit from these opportunities for savings.
- 1.3 The Department for Work and Pensions Performance Development Team (PDT) have also offered advice on the production of this Business Case and will continue to work with both authorities if this business case receives approval.

## **2. EXECUTIVE SUMMARY**

- 2.1 This business case is the result of an extensive exercise to examine the options for the future delivery of a shared Revenues and Benefits service for Lancaster City Council and Preston City Council. The overriding purpose of this initiative is to deliver better services to the citizens of Lancaster and Preston in the most effective and efficient way.
- 2.2 The original brief was to determine the viability of a shared service between the two Councils and to establish the best vehicle for accomplishing this.
- 2.3 In developing these proposals, officers have considered:
  - Service delivery in relation to customers and value for money principles;
  - Existing structures within other Lancashire districts: and,
  - Benchmarking information in relation to financial and productivity comparators.
- 2.4 Officers have examined and are satisfied that a shared service would result in:
  - Increased capacity and capabilities delivering economies of scale;
  - Reduced ongoing revenue costs for the two Councils of approximately £212,000 initially, with opportunities for further future savings;
  - Maintained or improved performance for the customers of both Councils; and,
  - Improved resilience.

## **3. CONCLUSION & RECOMMENDATIONS**

- 3.1 The business case demonstrates that there is a strong case for creating a shared service in Revenues and Benefits and highlights opportunities for efficiency in maintaining or improving performance at a much reduced cost.
- 3.2 The ICT infrastructure and network is robust enough to accommodate significant growth, and the similarity in systems creates the potential for shared services between the two Councils.

3.3 The project board endorses this business case and considers that the shared service delivery model best meets the needs of both Councils.

3.4 In summary Members are recommended to:

- Approve the business case, confirming the preferred option of a shared service for Revenues and Benefits;
- Designate Preston City Council as host authority for employment purposes in relation to this shared service arrangement.

#### **4. INTRODUCTION**

4.1 The Revenues and Benefits service plays a very important part in the delivery of front line services and the collection of local taxes. It is very much part of the front line customer service provision and yet has strong links throughout each authority to key support functions such as finance, legal services, ICT and others. External partnership working with the Department for Work and Pensions and Citizens Advice Bureau (CAB), as well as external verification and auditing, make these services regulatory in nature and sometimes difficult to change, given the nature of the current legislative framework.

4.2 The duties and activities of these services are predominantly the same in each authority, with the added advantage that they use the same core software system and electronic document management system.

4.3 It is now clearly understood and accepted that local authorities need to become much more efficient and effective in the targeted use of their resources (including staffing and finances) in order to provide value for money services to their customers.

4.4 For regulatory services generally, this means doing more, or at least the same, for less. Transforming the way we go about providing our services is the only way to achieve this.

4.5 Reports such as Gershon and Varney highlight the clear benefits that can be gained from sharing services across public sector organisations. However, local authorities should not simply develop shared services for the sake of it on the back of such reports, but they should carefully consider what they want to achieve and then design the most effective partnership operations to deliver those objectives.

4.6 Lancaster City Council and Preston City Council have recognised the need to, and more importantly the benefits of, working together more closely, and are developing plans and strategies to make the most of this potential. There have been good examples of shared working across both authorities so far, including the shared senior management arrangement in Revenues and Benefits which is working well and has already identified a number of efficiency savings in streamlining services and sharing best practice.

## 5. PROJECT BRIEF

- 5.1 The project brief was to determine the viability of a shared service in Revenues and Benefits between the two Councils and to establish the best delivery vehicle.
- 5.2 This business case is based upon detailed consideration of the potential for the future shared delivery of the Revenues and Benefits service across the two Councils. As part of this process, consultation has taken place with key stakeholders such as CABs and social housing providers, before consideration by corporate management and elected Members at both Lancaster and Preston. There has not been a need to consult with customers as the existence of a shared Revenues and Benefits Service would have no impact on them.
- 5.3 This business case examines how any future shared Revenues and Benefits service can best address the skills, capacity, support service and cost needs of the two organisations.

## 6. PROJECT SCOPE

- 6.1 The scope of this project included consideration of the requirements of the following services for Preston and Lancaster:
- Council Tax.
  - Business Rates (NDR).
  - Housing and Council Tax Benefits, including overpayment recovery and claim security (fraud).
  - Administration (Document management and mail).

## 7. PROJECT BACKGROUND

- 7.1 In recent years shared services have been high on the agenda of many local authorities. Willingness exists between Lancaster City Council and Preston City Council to explore shared services with a view to making cashable savings and efficiencies by seeking best practice in learning from the working practices of each authority. The two Councils have a similar profile in relation to revenues and benefits statistics, as detailed below.

	<b>Preston</b>	<b>Lancaster</b>
Population	120,000	143,500
Households for Council Tax purposes	60,153	61,564
Commercial properties	5,094	5,084
Benefit caseload	14,891	13,925

## 8. PROJECT APPROACH

- 8.1 In August / September 2010 approval was given by both Councils to develop a business case to explore the potential of creating a single shared service for Revenues and Benefits serving Lancaster City Council and Preston City Council. A joint project board consisting of Heads of Service for Finance, ICT, Legal and HR was created. A project mandate was agreed and an initial project phase was

undertaken to consider a range of topics referred to as work areas. These work areas included Revenues and Benefits functional areas as well as central services, as follows:

Functional work areas:

- Council Tax Administration;
- National Non-Domestic Rate Administration (NNDR);
- Debt Recovery;
- Housing and Council Tax Benefits;
- Fraud Prevention, Detection and Deterrence; and,
- Benefits Overpayments.

8.2 Central and support services work packages:

- IT Support/User Technical Support;
- Finance / Budgeting;
- Human Resources; and,
- Governance /Legal.

8.3 This business case has been endorsed by the project board and is now submitted for consideration and review by each Council, before moving to the project implementation stage should the proposals be approved.

## **9. CONSULTATION**

9.1 Regular staff updates have been provided through the staff consultation group, together with specific project briefings and bulletins and relevant comments have been taken into account. Consultation with Unions and all Revenues and Benefits staff in relation to the proposed structure will be undertaken in due course, should Members accept the recommendations of this business case.

9.2 Whilst many of the issues for the introduction of a shared service are economic and financial, it is vital to create a dialogue with stakeholders to provide clarity about the shared service vision and to secure buy in and commitment in making it work. In this regard, specific meetings have been held with the CABs, bailiffs and larger registered social landlords in both areas to explain the proposals in detail.

9.3 Key messages to all parties included:

- The reasons for change and its objectives;
- The vision and plans including key milestones; and,
- The benefits that can be achieved from these proposals.

9.4 Each group consulted considered the proposals and feedback was given in that there were no strong views either way, providing service performance remained the same.

**10. SERVICE DELIVERY OPTIONS**

10.1 Based on the requirements of a future service delivery model, a number of options have been considered to determine the most appropriate way to progress future collaboration on Revenues and Benefits in both Lancaster & Preston.

<b>Option</b>	<b>Impact</b>
A. Retain the current arrangement with a single management structure	This would involve each authority retaining a Revenues & Benefits service with a single management structure provided by one of the authorities in the form of a Contract for Services.
B. Collaborative working with joint working in some specialist areas	The Councils would share information, carry out some joint procurement and work together to provide some of the specialist elements of the service, e.g. appeals or fraud.
C. Shared Service	The Councils would deliver the Revenues & Benefits service as a single organisation, operating within the legal framework of an administrative arrangement.
D. Outsourcing to a private sector contractor	The Revenues and Benefits service would be hosted and managed by an external supplier.

10.2 The advantages and disadvantages of each option were considered in the context of delivering the desired solution.

10.3 The results are summarised in the following table:

<b>Service Delivery Model</b>	<b>Advantages</b>	<b>Disadvantages</b>
A. Current arrangements	<p>No loss of identity or flexibility for individual Councils.</p> <p>No disruption for staff or existing service delivery.</p> <p>Avoids further support work in setting up alternative arrangements.</p> <p>Local knowledge of staff would be retained.</p>	<p>No further efficiency gains or cost savings.</p> <p>Does not therefore meet the objectives of joint working or shared service.</p> <p>Senior managers employed by one authority creating risk to the contracting authority that arrangement will terminate and a short term solution is not available.</p> <p>Staff operating under different terms and conditions.</p>
B. Collaborative working with some joint working in specialist areas	<p>No loss of identity for individual Councils.</p> <p>No disruption for staff or existing service delivery.</p> <p>Local knowledge of staff would be retained.</p> <p>Minimal changes in</p>	<p>Difficult to realise any significant efficiency gains or cost savings.</p> <p>Duplication of work is inevitable.</p> <p>Difficulties in standardising processes or procedures, resulting in differing</p>

	<p>processes and procedures; flexibility retained.</p> <p>Individual authorities maintain individual performance and quality standards.</p> <p>Some improvement possible in the areas of collaboration.</p>	<p>customer standards across the authorities.</p> <p>Does not adequately cater for joint working on all specialist subjects.</p> <p>Fails to maximise the opportunity to improve the service.</p> <p>Staff operating under different terms and conditions</p>
C. Shared Services	<p>Considerable efficiencies and net cost savings will be realised, including the opportunity for additional savings in support service arrangements.</p> <p>Retains the identity for individual councils.</p> <p>Limited disruption for staff regarding work location as most would work from the same office as now.</p> <p>Local knowledge of staff would still be retained.</p> <p>Combining the resources in specialist services gives resilience and pooling of knowledge.</p> <p>Existing shared senior management structure can be sustained over two sites.</p> <p>Consistency of performance and standardisation of service delivery, processes and procedures could be achieved.</p> <p>Service quality may improve.</p> <p>Harmonisation of terms and conditions can be achieved.</p>	<p>Some local identity and flexibility may be lost over time.</p> <p>Commitment required from all parties to succeed.</p> <p>Disruption for staff as a result of further uncertainty and change.</p> <p>Some disruption for senior managers in the short term in operating over two locations. This risk is mitigated to an extent by video conference facilities.</p> <p>Significant workload for management and support services in the short term, particularly around HR, governance and financial aspects</p>



<p>D. A Revenues and Benefits service hosted externally – outsourcing.</p>	<p>Some efficiency gains could be realised.</p> <p>Service quality may improve.</p> <p>Potentially fixed revenue cost for the length of the contract.</p>	<p>Loss of control and flexibility to a degree and greater risks regarding strategic direction. May be loss of local knowledge.</p> <p>Service efficiency considerations may outweigh service delivery to vulnerable members of the community.</p> <p>May reduce local employment.</p> <p>Greater disruption for staff as a result of further uncertainty and change.</p> <p>May incur substantial set up costs, with residual overheads hard to reduce.</p> <p>Mid contract amendments can be expensive; changes to current benefit schemes are expected within the period.</p> <p>Experience shows that renewal can prove very expensive at the end of the contract, with limited service delivery options at that time.</p> <p>Relationship with other services may be adversely affected.</p>
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## 11. PREFERRED OPTION

- 11.1 The project board has considered detailed evaluations and discussed at length all service delivery options and analysed the advantages and disadvantages offered. As a result the preferred option is "Option C" to provide a shared service between the two authorities, as this is the option that best meets the needs of the two Councils.
- 11.2 Joining up the two services will provide additional resilience, more effective working with the added potential to increase efficiencies by sharing IT software systems and infrastructure. The shared service approach provides an opportunity for the two authorities to unite behind a single purpose and to provide a robust and fully integrated service delivery environment.

- 11.3 Such an arrangement will maximise opportunities for additional net savings in the future and therefore a shared service model between Lancaster and Preston is the recommended option presented to the Councils for consideration.

## SHARED SERVICE DELIVERY MODEL

### 12. Organisational Structure

- 12.1 The following table provides a summary of the indicative staffing levels (shown as full time equivalents (FTEs), including transition levels from the old to the new structure. This does not include any Customer Service staff as these would not form part of the shared service establishment.

**Table 1 Staffing Comparison:**

Permanent Staff	Original Structure		Efficiency Agenda		Shared Service	Overall Reduction
	Preston	Lancaster	Preston	Lancaster		
Senior Managers	3	3	1.5	1.5	3	3
Managers	5.8	10.8	5.8	8	7	9.6
Team Leaders	5.3	13	5.3	10	14.2	4.1
Officers (*)	19	13.7	19	11.2	31.37	1.33
Processors (**)	43.06	53.5	41.24	45.5	84.5	12.06
Totals	76.16	94	72.84	76.2	140.07	30.09
Combined Total	170.16		149.04		140.07	30.09

(\*) includes Training Officers, Fraud Officers and Visiting Officers.

(\*\*) includes Benefit Assessors and Council Tax Assistants.

- 12.2 Whilst the overall reduction in staffing is 30, of this reduction 21 FTE posts relate to the transitional arrangements with a further 9 FTE posts relating to the establishment of the full shared service.
- 12.3 The draft organisational structure for the proposed shared service is shown at **Appendix A**.
- 12.4 As background, the existing staffing structures were established some time ago at a time of comparative financial stability for local authorities. Whilst Preston has operated with reduced resources over recent years, it was considered prudent to review the service structures, particularly at Lancaster to make them fit for purpose and financially viable prior to any decision on shared services. This was the basis on which the initial shared senior management arrangement was entered into.
- 12.5 This review has been carried out in the context of the financial and operational landscape in which any modern local authority organisation must now operate.

- 12.6 Under this proposed shared service structure managers will generally operate over both sites, creating savings for both Councils, but backed up by team leaders who will have line management responsibility for staff. Performance and Quality Assurance Officers have been built into the structure to ensure that standards and targets are met.
- 12.7 In assessing the level of resource required at both officer and processor level, careful consideration has been given to the resources required for current and future workloads.

### **13. Accommodation**

- 13.1 It is proposed that the shared service will operate and utilise accommodation over the two main sites, with staff, where possible, working from their existing location in either Preston or Lancaster (including Morecambe). This arrangement will reduce the need for travel between the two sites, keeping disruption to staff to a minimum whilst avoiding any unnecessary increases to the carbon footprint.
- 13.2 A successful joint funding bid to provide corporate video conferencing facilities for both sites will enhance communication and effectively contribute to the shared service agenda. Furthermore, opportunities for home working and mobile technology will be fully exploited where cost-effective to do so, to vacate valuable space for other services to utilise.

### **14. Governance Arrangements**

- 14.1 Essentially it is proposed that the governance arrangements consist of an administrative arrangement, which envisages a Joint Committee being created to which both Councils would delegate specific Revenues and Benefits related functions and where, via the Joint Committee, they can be exercised on behalf of both Councils. This administrative arrangement is in line with the non-commercial financial approach taken to achieving a full shared service. It is envisaged that the Joint Committee will be supported by a Joint Operational Board which comprises of the senior officers from each of the Councils who have responsibility of the shared service. The Joint Operational Board manages the day to day administration and staffing issues of the business. The administrative arrangement will be underpinned by a local agreement. A more detailed review of the governance approach is set out in **Appendix B**.
- 14.2 It is emphasised that any functions delegated to a Joint Committee would still have to be set by the respective council's executive and council functions and exercised within the overall budget and key corporate priorities and objectives set by each Council.

### **15. Customer Services**

- 15.1 From the outset it was a key priority for both Councils that front line service delivery should be unaffected by these proposals. Customer service front line delivery will continue to be provided as now at Preston, Lancaster and Morecambe and it is not envisaged that customers will notice any difference in service delivery.
- 15.2 In particular, each authority will maintain its existing opening hours for service delivery, including bank holiday arrangements.

- 15.3 Efficiencies and improvements in the customer experience will be maximised through the standardisation of documentation, policies and procedures. The shared service will operate common policies and procedures at all levels, for both front and back office work.
- 15.4 Policies and procedures will be based on the requirements and expectations of customers and other stakeholders. These will be guided by nationally recognised best practice but will also take account of local conditions and variances. Documentation will be condensed and produced in plain English, available in electronic format to all those that need access.

## **16. Support Services**

- 16.1 Each support service lead officer has presented an options paper to the project board covering their own specialised work area, outlining proposals for operating in a shared service arena.
- 16.2 After due consideration, the project board's preferred solutions for specific support services are provided below for consideration:

## **17. Information & Communications Technology Arrangements (ICT)**

- 17.1 It is proposed that Preston will host the servers for the Revenues and Benefits shared service. All related plans are in place and are supported by the successful North West Improvement and Efficiency Partnership (NWIEP) application for funding towards connectivity and video conferencing. The proposed solution is to implement a licensed wireless connection which in simple terms means a resilient high speed secure link between Preston and Morecambe / Lancaster. The application for licence has been made to OFCOM. The connection will allow hosted access from Preston for all Revenues & Benefits systems at each site, including Morecambe Town Hall. This provides resilience for the service enabling staff to access systems and work from any site, on any work area, at any time.
- 17.2 Whilst the servers are hosted at Preston, disaster recovery / business continuity arrangements for the shared service are provided in line with standard operating procedures at a remote location.
- 17.3 Lancaster currently has established software support arrangements in house, and Preston would utilise this service as opposed to the current external provider, creating additional savings of approximately £44K. The shared service will operate over a shared desktop, allowing access to individual records in both authorities by unique reference number
- 17.4 ICT arrangements are clearly critical to the day to day and long term success of the shared service project and a detailed risk analysis forms part of the overall risk analysis at Appendix C. Many projects are underway to achieve this desired solution, and these are each lead by individual experienced ICT officers, managed by a PRINCE2 accredited project manager.
- 17.5 The connectivity program would get fully underway on receipt of the OFCOM licence, followed by the set up of the video conferencing technology as a corporate solution operating over both sites. Systems testing on the Preston hosted virtual server

would commence in December 2010 and there would not be any disruption to the service whilst this takes place.

## **18. HR Arrangements**

- 18.1 The project board consider that Preston City Council is best placed to be designated as "Host" authority for the shared service, ie: Preston City Council will employ all the staff. The HR team at Preston has the ability within existing resources to meet shared service requirements and provide the best possible advice, information and other services. Lancaster City Council is still to complete a further pay and grading review following the "Fairpay" exercise and does not have the capacity within its HR team at this time to accept the transfer of a large number of staff.
- 18.2 TUPE would apply where all staff affected are transferred over to the designated host authority. Affected employees would be informed and consulted about the transfer in accordance with the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE).
- 18.3 The TUPE regulations effectively protect the continuity of service and existing terms and conditions of transferring employees. The regulations provide some freedom for the employee and new employer to agree changes to terms and conditions for a reason unconnected with the transfer, or for a reason connected to the transfer which is an economic, technical or organisational reason entailing changes in the workforce. In addition, the regulations do not prevent the employee and employer agreeing changes which are mutually acceptable.
- 18.4 New job descriptions and person specifications would need to be developed for all roles following the agreement of the business case.
- 18.5 In costing the proposed structure within this business case, Preston pay grades have been used as these are on average slightly higher than those at Lancaster.
- 18.6 It is not considered that there will be any support staffing changes regarding the HR support arrangements, although this will be kept under review.

## **19. Financial Arrangements**

- 19.1 A number of key principles have been considered and are recommended by the Project Board as detailed below:
  - Preston will provide financial management support to the shared service and account for all direct revenue expenditure.
  - Lancaster will provide internal audit services for the shared service.
  - Each authority will retain its own bank accounts and direct accounting arrangements for local taxation collection and housing benefit payments / subsidy, including administration grants.
- 19.2 Statutory and other management accounting information will be needed with processes developed accordingly. A schedule of requirements and timescales will be agreed with the emphasis on standardisation wherever possible; key requirements will be reflected within the formal agreement.

19.3 As with HR, it is not considered that there will be any support staffing changes in connection with the financial arrangements but these too will be kept under review.

19.4 Discussions will be undertaken with both Councils External Auditors in order to ensure full audit compliance at a reduced cost where possible.

## **20. Legal Advice**

20.1 The project board have considered operating arrangements for the provision of legal advice and recommend that both Councils should continue to provide legal advice to its own client as they do now. (ie: Preston legal officers advise on Preston cases and vice versa).

20.2 It is therefore not envisaged that legal service resources will be affected by these proposals.

## **21. Future Changes**

21.1 The Government has published a White Paper about the future of the benefit system.

21.2 This paper introduces a Universal Credit which the Government believes will reduce the complexity in the benefit system and will provide a major incentive to work.

21.3 The Government is proposing that local authorities should have a greater role in delivering support for those who need help with their council tax bills. Council Tax Benefit is likely to be replaced by local schemes and it is envisaged that each Council will have the right to choose how they manage their own scheme. The potential implications and opportunities for Local Authorities are significant.

21.4 The Department for Work and Pensions will hold further discussions with Local Authorities and their associations about the detail and implications of Universal Credit for their Housing Benefit operations and of the new approach to Council Tax benefit schemes.

21.5 The shared service arrangements should assist both Councils to be better prepared for this challenge. It does not prevent each Council adopting different solutions to this challenge.

## **22. Cost Sharing Arrangements**

22.1 The financial implications of entering into a full shared service are dependent on considering three main issues:

- Existing costs;
- Cost of the proposed shared service; and,
- How savings are to be shared.

22.2 Further to this, various options have been appraised for apportioning the net operating costs between the two authorities:

- Apportioning based on weighted caseload (would result in costs falling 48% Lancaster / 52% Preston);
- Apportioning based on relative service costs prior to entering into any shared serve (49% Lancaster / 51% Preston);

- Sharing net costs equally between the two authorities.

22.3 The first option is output-based, with the other two options being input-based. From the appraisal however, it is clear that there are difficulties in identifying the fairest solution. In particular:

- Standard weightings applied to benefit caseloads are not considered to adequately reflect the workload (and therefore the costs) involved for each case type. In particular, private tenant cases are considered more difficult and time-consuming than allowed for in the weightings; this will be particularly so with the reductions in benefits currently being introduced by Government. The effect of using a weighted caseload approach would make it unviable for Preston to enter into a shared service; virtually all cost savings would fall to Lancaster and neither party considers this fair, given workload expectations.
- There is some imbalance between each Council's staffing and other budgets going into the shared service. Regarding staffing, this is primarily caused by the interim nature of Lancaster's current pay and grading structure. There is a case to be made for Lancaster picking up a greater proportion of any assimilation costs attached to the full shared service. Also whereas Preston staff are predominantly at the top of their grades, this is not the case with Lancaster's staff.
- Should a full shared service be implemented, a significant proportion of time would be needed to streamline and unify working practices across authorities and clearly this would be done on behalf of both parties. Over time, the outcome of this should have bearing both on the level and apportionment of cost for the service.

22.4 In light of the above points, it is proposed that direct costs associated with the service should be shared equally between the two authorities until at least 2013/14, unless there are any other factors arising that warrant an earlier review to this approach. Where variances arise between budget and outturn, these would also be shared equally.

22.5 At this stage support service recharges and grant income will not form part of the shared service agreement, and as such will be borne individually by each authority.


22.6 Furthermore, over the next two years each authority will update its arrangements for recharging of support costs at which time consideration will be given to including these in the shared service, and the outcome would be factored into the next review.

22.7 Looking forward and as mentioned earlier, by 2013/14 it is expected that Government's planned 'localisation' of council tax benefits will be implemented and this may raise further issues to be considered in terms of cost sharing. For this reason, the arrangements would be reviewed in 2013/14 in any event.

## 23. FINANCIAL APPRAISAL

23.1 A review has been undertaken to establish the resources needed to deliver a shared service and the resulting draft budget is set out at **Appendix C**, in line with the cost-sharing principles outlined above.

23.2 The following table summarises the draft budget and estimated savings position for each authority:

Direct Costs	Pre-Shared Service		Shared Service
	Preston	Lancaster	
	£000's	£000's	£000's
Employees	2,062	1,795	3,692
Transport	27	24	42
Supplies & Services	326	284	466
<b>Total Cost</b>	<b>2,415</b>	<b>2,103</b>	<b>4,200</b>
Income	(192)	0	(86)
<b>Total Net Cost</b>	<b>2,223</b>	<b>2,103</b>	<b>4,114</b>
Shared Service Cost – based on a 50/50 allocation	2,057	2,057	
<b>Annual Saving (A)</b>	<b>166</b>	<b>46</b>	<b>212</b>
<b>Total 5 Year Savings</b>	<b>830</b>	<b>230</b>	<b>1,060</b>
<b>Previously Approved Annual Shared Management Savings, plus separate Efficiency Savings (B)</b>	<b>134</b>	<b>400</b>	

<b>Overall Annual Savings (A+B)</b>	<b>300</b>	<b>446</b>
<b>Overall Total 5 Year Savings</b>	<b>1,500</b>	<b>2,230</b>

23.3 It can be seen that there are significant differences in the timing and extent of benefits to be gained by each authority. Lancaster would gain the bulk of its savings in the efficiency drive being taken forward under the shared senior management arrangements, whereas Preston stands to benefit more under a full shared service. This balance is driven by the cost sharing issues highlighted earlier, and it was reflected in the basis on which each party agreed to develop shared service proposals. Nonetheless, overall it is clear that both authorities will ultimately make considerable savings should a full shared service be established.

23.4 It is also highlighted that the above position is based on various assumptions, including the following:

- All figures are based on 2010/11 prices; in particular the impact of incremental progression has not been included in staffing costs. Any such pay and price increases would be offset by capitalising on the opportunities that exist for generating further savings in the shared service's operation.
- The draft staffing structure assumes various grading changes for posts but these would need to be formally appraised.
- Provision has been made for estimated increases in pension contribution rates.
- Various operational budget headings such as overtime, training and printing costs would be reviewed further as part on the current budget exercise.



- No provision has been made for any Early Retirement / Voluntary Redundancy (ER/VR) costs associated with establishing a full shared service. As an indication, based on previous experience costs could be in the region of around £150K.
- All savings are based on a full year position.

23.5 It is emphasised that the budget as set out in Appendix C is draft and may change further, should Members approve the business case. Any changes would be reflected within the subsequent Council reports and if the shared service is ultimately approved, the detail of the budget would be a matter for consideration by the Joint Committee, in accordance with the overall budget framework approved by each Council.

23.6 Whilst the estimates underpinning the budget are considered robust, further changes may arise later during the implementation phase. On balance, however, it is considered that there is more likelihood of annual savings increasing, rather than them reducing.

23.7 Again it is reiterated that the savings shown are for a full year. For 2011/12, even if the proposed shared service arrangements are approved by both Councils with no delays experienced, it is expected to be autumn time at the earliest before the new staffing structures are in place. On this basis, it is reasonable to assume that half the full-year savings would be achievable in the first year.

23.8 At this time no specific provisions have been made regarding any one-off costs associated with the transition; these would be given due consideration at the appropriate time and they would need to be shared by both councils. A capitalisation bid would be considered to help spread the costs. Nonetheless, whilst the indicative costs of £150K could change either way, it is clear that any pay-back policy requirements would be easily met.

23.9 The financial summary detailed in Appendix C has been updated to reflect all savings identified in this business case.

## 24. PERFORMANCE

24.1 Performance management is an important component of the shared service arrangement and is a key measure in terms of:

- Developing a sustainable operation
- Maintaining a positive and proactive partnership

24.2 Performance standards will be uniform across the shared service organisation; comprehensive performance management, monitoring and reporting at regular intervals will be a basic requirement of the service.

24.3 Members of the Revenues and Benefits shared service management team will work with peers and stakeholders, both within the Councils and with external bodies (including audit) to measure and maintain ongoing performance.

24.4 Customer satisfaction surveys will be undertaken, with scheduling to be agreed, which will be used as a benchmark for ongoing performance measurement.

24.5 All managers will undertake performance management for the provision of statistical and qualitative information. **Appendix D** details the draft performance requirements

which have been built around the level of staffing and improvements expected of a joined up approach to service delivery.

- 24.6 Deprivation indices measure the level of deprivation in an area. The ranking for Preston is 48 and for Lancaster is 117 (lowest number indicating the higher level of deprivation). On this basis collection rate targets for Council Tax and National Non Domestic Rates have been set differently for each Council.
- 24.7 Performance targets have only been indicated to 2013 at this stage and these are provisional, based broadly on existing achievements and targets. This is because Government are changing existing measures and therefore in any event, they will need to be changed in due course. The intention is however, to agree a rolling programme of performance targets, based upon a two-year time horizon. The two-year targets will be reviewed on a rolling basis each year for the following two years. For clarification, year 3 will be agreed towards the end of year 1, year 4 towards the end of year 2 etc.
- 24.8 For comparison purposes, performance data for 2009/10 and 2010/11 for each Authority are also shown at Appendix D.
- 24.9 Alongside these national indicators, local benchmarking statistics indicate a wide variation in relation to the "cost per claim" for benefit processing purposes, ranging from £50 per claim in Preston to £75 per claim in Lancaster. Whilst the efficiency restructure will go some way to address this issue a general target is considered appropriate to reduce these cost analysis figures further.
- 24.10 There is a need to consider the future requirements of performance management, especially in light of Government announcement to abolish some performance indicators and the two councils will continue to work together to bring forward alternative arrangements which may look at outcomes and performance.

## 25. INSURANCE

- 25.1 Further to the shared senior management arrangement for Revenues and Benefits appropriate insurance was bought by Preston City Council in order to deliver that service. It is understood that there will be no additional premiums for a full shared service arrangement however this will be monitored.

## 26. RISK

- 26.1 Risks are possible events that may happen at some time in the future that may adversely affect the direction of the shared service implementation plan and the delivery of the desired benefits. Risk management aims to keep the shared service programmes exposure to risk at an acceptable level.
- 26.2 A full risk analysis based on Lancaster's risk matrix has been undertaken on all work areas and a risk log has been developed, with full details reproduced in **Appendix E**.
- 26.3 The table below identifies the key high impact risks in this approach and suggests appropriate mitigating action to reduce these risks.

No.	Risk	Mitigation
1.	ICT & Systems	<ul style="list-style-type: none"> <li>Maintenance contracts in place with demanding service levels.</li> </ul>

		<ul style="list-style-type: none"> <li>• Business continuity plans developed and tested.</li> <li>• PRINCE2 accredited ICT project manager.</li> <li>• Regular updates and de-briefs between project leaders, the project manager and heads of service.</li> </ul>
2.	Reduction in quality of service and/or performance due to the implementation of the transition to the shared service	<ul style="list-style-type: none"> <li>• Detailed plans drawn up to ensure minimal disruption during implementation.</li> <li>• Contingency plan in place to enable input of additional resources to minimise risk during transition.</li> <li>• Set performance targets for during the transitional period and for the commencement of the shared service.</li> <li>• Develop a staffing structure that is fit for purpose.</li> <li>• Oversight by Joint Committee and Joint Operational Board.</li> </ul>
3.	Shared Service fails to deliver the desired outcomes	<ul style="list-style-type: none"> <li>• Robust business case produced</li> <li>• Ensure project implementation plans are realistic and continuously monitored with appropriate action being implemented as necessary.</li> <li>• Oversight by Joint Committee and Joint Operational Board.</li> </ul>
4.	Insufficient funding to support implementation	<ul style="list-style-type: none"> <li>• Include projected costs within Business Case.</li> <li>• S151 officers from each authority involved at each stage of the project.</li> <li>• Regular budget monitoring to be carried out.</li> <li>• Oversight by Joint Committee and Joint Operational Board.</li> </ul>

## 27. IMPLEMENTATION PLAN

- 27.1 An indicative implementation timetable proposes a transition period from the approval of the business case to a full shared service start date of 1<sup>st</sup> July 2011.
- 27.2 The migration to the new structure would be implemented in a phased approach, as a separate and distinct project.
- 27.3 The implementation plan will be overseen by the shadow Joint Committee and shadow Joint Operational Board.
- 27.4 The outline action plan detailed in **Appendix F** assumes a 1<sup>st</sup> July 2011 start date.
- 27.5 It is anticipated that some financial benefits of shared services would be realised with immediate effect from the start date 1<sup>st</sup> July 2011. However, it is expected that other improvements including simplified documentation, increased resilience and improvements in processes could be realised earlier, under the direction of the new senior management team.

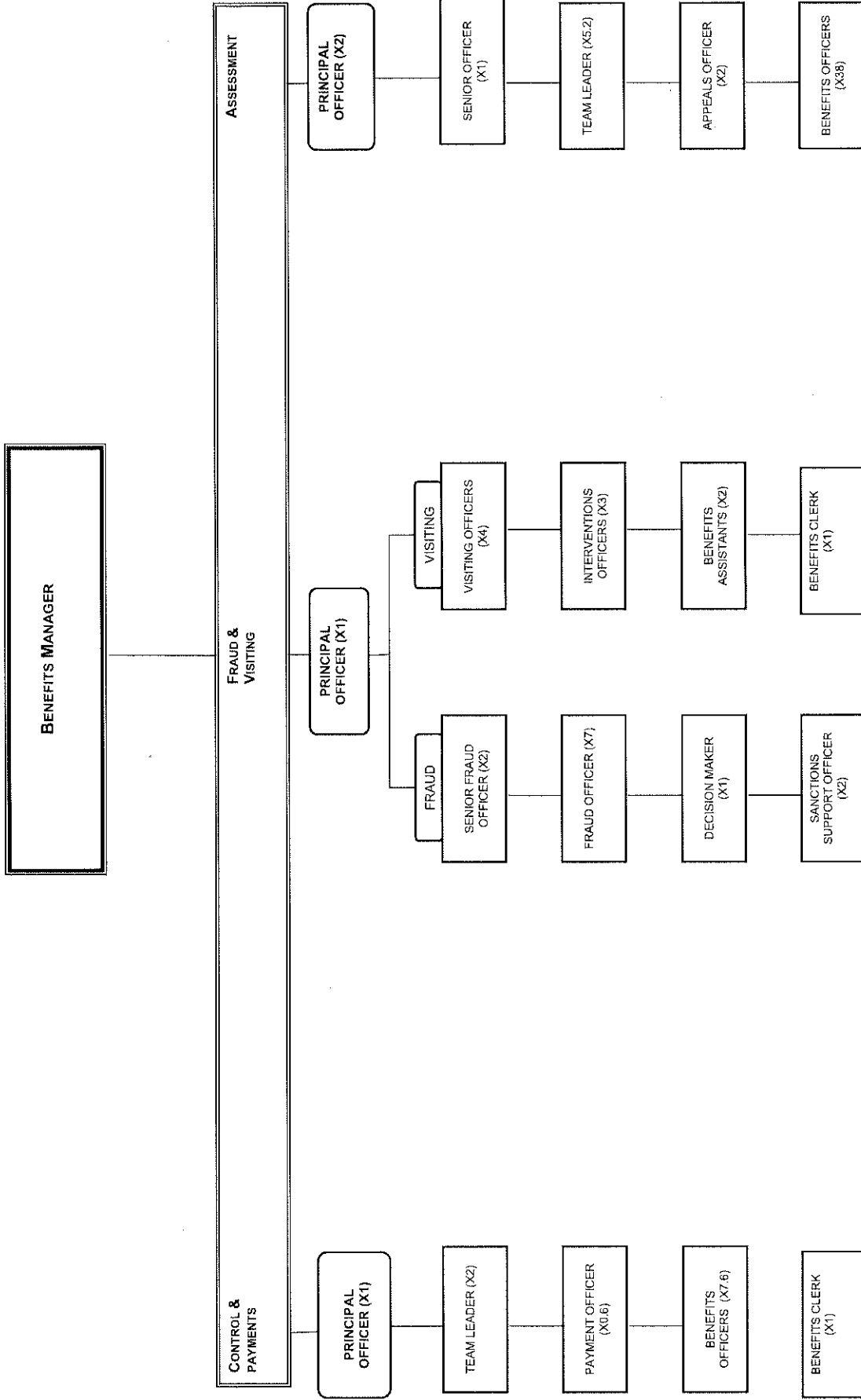
## **28. SUMMARY**

28.1 The business case clearly demonstrates the benefits that a shared service would bring to both Councils in respect of:-

- Cost reduction;
- Maintained/improved performance;
- Improved resilience;
- Governance arrangements;
- Maintaining local accountability and flexibility; and,
- Potential for further opportunities for improvement and cost savings.

28.2 On the basis of the above both Councils are recommended to accept the Business Case and approved the proposed shared service from 1<sup>st</sup> July 2011 subject to a further report on the detailed governance arrangements.

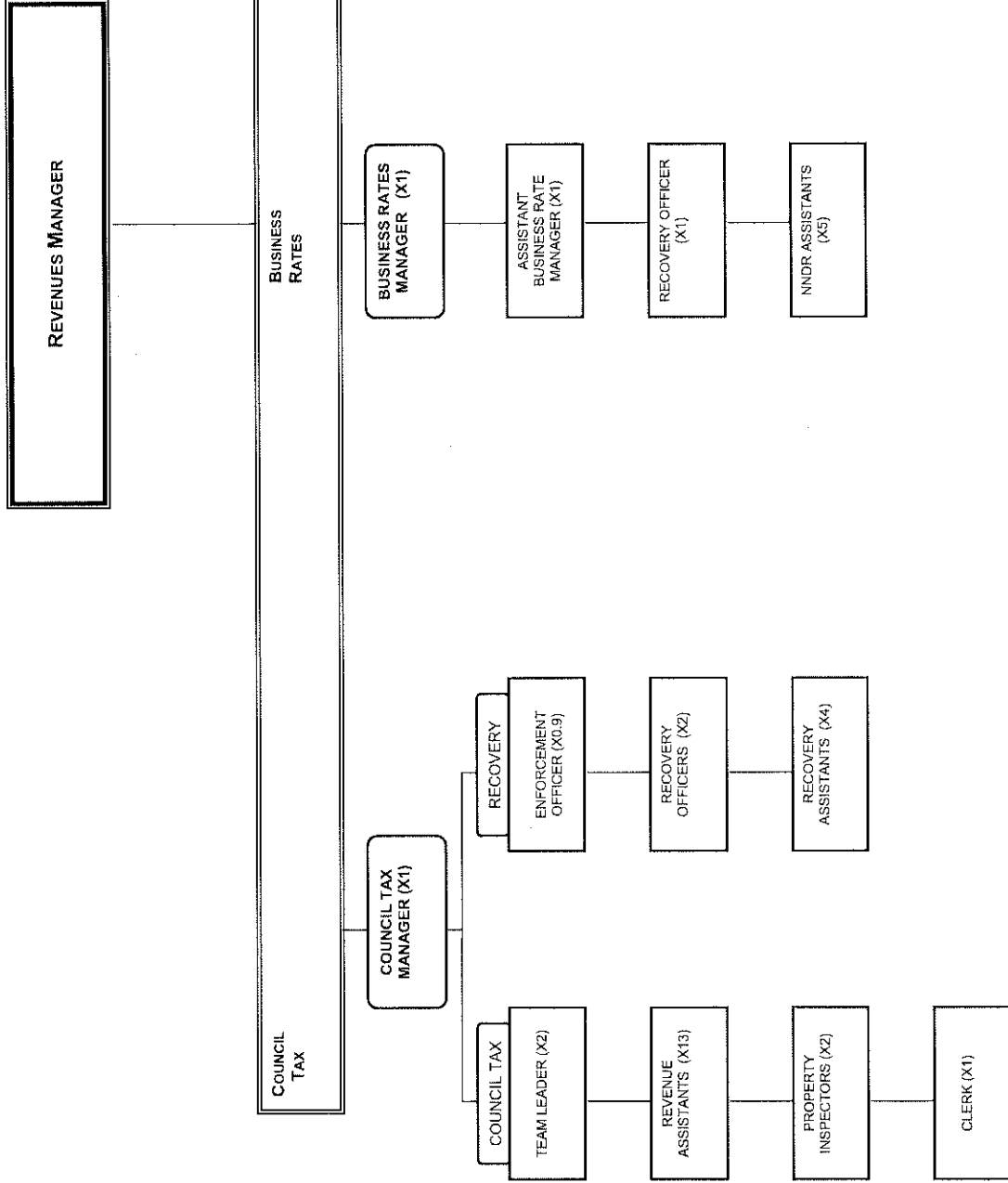
**BENEFITS**  
(84.4 FTEs)



Notes: The structures do not reflect actual line management responsibility.  
 The structures do not include Customer Services staffing.  
 Some residual functions will remain with each authority and capacity has been provided to address this.  
 In addition to the above structures, the Shared Service would also have a Head of Service and related secretarial support (equivalent to 1.6 FTEs).



**REVENUES & OPERATIONS SUPPORT**  
(54.07 FTEs)



Notes: The structures do not reflect actual line management responsibility.  
 The structures do not include Customer Services staffing.  
 Some residual functions will remain with each authority and capacity has been provided to address this.  
 In addition to the above structures, the Shared Service would also have a Head of Service and related secretarial support (equivalent to 1.6 FTEs).





**OUTLINE GOVERNANCE ARRANGEMENTS  
(Subject to further consideration by Members)**

**1. Background**

- 1.1 A number of governance arrangements have been identified to deliver a Revenues and Benefits shared service. These have been evaluated and it is proposed that the governance arrangements consist of a Joint Committee administrative arrangement supported by a joint operational board.
- 1.2 The detailed business case has been developed therefore on the basis of an administrative arrangement to deliver the shared service. A key reason for adopting this approach is this is the one that is least likely to encounter any difficulties with the EU procurement regime. Additionally, the Joint Committee approach also provides the benefit of clear democratic accountability and avoids accusations of operating 'behind closed doors'.
- 1.3 Each local authority will be required to resolve to create a Shared Services Joint Committee (SSJC). Further, each local authority will then need to exercise its powers to delegate certain functions to the SSJC to be exercised on its behalf. Each local authority will need to delegate to the SSJC its Revenues and Benefits functions and will need to be clear precisely what is involved in this delegation, including relevant support services.
- 1.4 The SSJC will have its own terms of reference. Additionally a formal shared service level agreement will underpin the administrative arrangement and business plan.
- 1.5 Both Lancaster and Preston operate under Executive arrangements. The decision to delegate the Executive functions of Revenues and Benefits (such as approval of discretionary rate relief policies and decisions) needs to be made by each Cabinet but those non executive functions (such as approval of staffing structures) will need to be delegated by full Council. Council will have the power to create the joint committee.

**2. Scalability**

- 2.1 Lancaster and Preston can decide to set up an SSJC which purely deals with Revenues and Benefits or a joint committee which deals with Revenues and Benefits but can expand and deal with other shared service areas later.

2.3 The functions of a SSJC may therefore be:-

- To oversee the development, planned implementation and continued operation of a joint revenues and benefits service between the partners, including approval of a benefits realisation plan and an annual business plan and detailed budget, in line with the overall budget and policy frameworks approved by each Council.

## SHARED SERVICE INDICATIVE BUDGET

### Based on 50/50 Allocation of Costs

	PRESTON			LANCASTER			SHARED SERVICE £
	Original £	Revised £	Pre-Shared Service £	Original £	Revised £	Pre-Shared Service £	
<b>Direct Costs to be Shared</b>							
<b>Employee Related Costs</b>							
Salaries	1,650,050	1,650,050	1,615,660	1,898,000	1,726,600	1,440,200	2,937,910
Overtime	53,030	13,030	13,030	6,000	6,200	2,000	15,030
National Insurance	111,480	111,480	109,040	118,800	109,800	93,600	208,590
Pension Contributions	273,200	273,200	266,630	314,000	286,900	240,500	537,640
Allowances - First Aid	150	150	150	0	0	0	150
Training & College Expenses	23,950	23,950	23,950	11,100	11,100	7,800	20,000
Employee Related Insurances	33,070	33,070	33,070	12,300	12,200	10,900	52,880
Interview Expenses	100	100	100	0	0	0	0
Long Service Awards	750	0	0	0	0	0	0
Professional Fees	380	380	380	200	0	0	380
Vacancy Savings	-40,000	0	0	-125,100	0	0	-80,000
	<b>2,106,160</b>	<b>2,105,410</b>	<b>2,062,010</b>	<b>2,235,300</b>	<b>2,152,800</b>	<b>1,795,000</b>	<b>3,692,580</b>
<b>Transport Costs</b>							
Car Leasing	8,070	8,070	8,070	11,900	8,300	0	8,070
Vehicle Insurance	3,010	3,010	3,010	0	0	0	3,010
Public Transport	1,300	1,300	1,300	0	0	0	1,300
Car Allowances	14,420	14,420	14,420	25,800	24,000	24,000	30,000
	<b>26,800</b>	<b>26,800</b>	<b>26,800</b>	<b>37,700</b>	<b>32,300</b>	<b>24,000</b>	<b>42,380</b>
<b>Supplies and Services</b>							
Purchase of Tools & Equipment	1,700	1,700	1,700	0	0	0	1,700
Rental Tools & Equipment	6,000	6,000	6,000	3,000	2,800	2,800	8,800
Maintenance of Tools & Equipment	1,500	1,500	1,500	0	0	0	1,500
Printing, Stationery & Photocopying	48,850	48,850	48,850	38,900	36,200	35,500	84,350
Reference Books & Publications	1,450	1,450	1,450	800	700	700	1,500
Agency Staff Costs	1,790	1,790	0	0	37,000	0	0
Security Fees - Lone Worker Service	400	400	400	0	0	0	400
Postage Costs	86,340	86,340	86,340	80,200	86,800	86,800	173,140
Telephone - Land Lines	3,570	3,570	3,570	6,500	7,500	7,500	11,070
Telephone - Mobiles	1,080	1,080	1,080	2,100	1,700	1,500	2,580
Purchase of IT Equipment	6,500	6,500	6,500	2,900	0	0	6,500
Direct ICT Charges	141,570	141,570	141,570	55,800	59,600	54,900	137,470
Subsistence	700	700	700	0	200	200	900
Conference Fees	3,000	3,000	1,000	400	0	0	1,000
Advertising	2,100	2,100	2,100	0	0	0	2,100
Subscriptions	0	0	0	2,400	2,400	2,400	2,400
Management Fee	0	0	0	30,800	68,600	85,600	0
Professional Fees	14,500	14,500	14,500	3,000	5,500	5,500	20,000
Non - Professional Fees	4,200	4,200	4,200	0	0	0	4,200
General Office Expenses	5,020	5,020	5,020	0	0	0	5,020
Other Sundry Expenses	100	100	100	3,300	800	800	900
	<b>330,370</b>	<b>330,370</b>	<b>326,580</b>	<b>230,100</b>	<b>309,800</b>	<b>284,200</b>	<b>465,530</b>
<b>Income</b>							
Lancaster CC - Management Fee	0	-68,600	-85,600	0	0	0	0
Fylde BC - SLA	-106,500	-106,500	-106,500	0	0	0	-86,500
	<b>-106,500</b>	<b>-175,100</b>	<b>-192,100</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-86,500</b>
<b>Total Direct Cost</b>	<b>2,356,830</b>	<b>2,287,480</b>	<b>2,223,290</b>	<b>2,503,100</b>	<b>2,494,900</b>	<b>2,103,200</b>	<b>4,113,990</b>
<b>Total Cash Saving</b>		<b>-69,350</b>	<b>-133,540</b>		<b>-8,200</b>	<b>-399,900</b>	<b>-212,500</b>
<b>Additional Savings Based on a Cost Sharing Basis of 50/50</b>							
				<b>Preston</b>			<b>-166,295</b>
				<b>Lancaster</b>			<b>-46,205</b>



## Performance and Targets

Performance Definition	Year 2009/10 Performance		Year 2010/11 Performance YTD		Year 2011/12 Target		Year 2012/13 Target	
	Preston	Lancaster	Preston	Lancaster	Preston	Lancaster	Preston	Lancaster
Revenues								
% of Council Tax collected within year demanded	96%	97.15%	56.31%	58.10%	96.3%	97.2%	96.4%	97.3%
% of NNDR collected in year demanded	98.43%	99.02%	62.50%	62.30%	98.7%	98.7%	98.8%	98.9%
Benefits								
Average of turnaround times for new claims and changes in circumstances (measured in days)	14.6	12.4	16.2	13.9	Shared Service 14		Shared Service 14	
Fraud detection targets – number of sanctions per 1000 caseload	5.82	6.7	3.42	2.02	5		6	
Fraud detection targets – fraud overpayments identified on sanction cases	£247,457	£76,834	£127,398	£57,018	£250,000		£275,000	
Housing Benefit overpayments recovered during the period as a % of overpayments identified during the period	57.64%	74.58%	81.35%	75.37%	75%		76%	
Housing Benefit overpayments recovered during the period as a % of overpayments identified during the period plus amount of HB debt at the start of the period	26.18%	37.29%	18.10%	23.39%	25%		26%	



RISK LOG

	Risk Description	Likelihood	Impact	Mitigation
1.	Lack of availability of key resource to form the project implementation team thus delaying the projects initiation and implementation.	Low	Significant	<ul style="list-style-type: none"> <li>• Identify the project team required at earliest opportunity.</li> <li>• Identify a project manager.</li> <li>• Ensure that the duality of role will not place excess and unreasonable demands upon the identified staff.</li> <li>• Where necessary ensure delegation of duties to ensure performance and commitment to the shared service project is not jeopardised.</li> </ul>
2.	Breakdown in ICT connectivity – hardware failure.	Low	Critical	<ul style="list-style-type: none"> <li>• Maintenance contracts in place with demanding service levels.</li> <li>• Business continuity plans developed and tested.</li> </ul>
3.	Academy in-house support arrangements fail.	Low	Noticeable	<ul style="list-style-type: none"> <li>• The service at Lancaster is well established and has run smoothly for many years.</li> <li>• The support can be 'bought in' from Capita if necessary.</li> <li>• Build in back-up skills at each site for resilience.</li> </ul>
4.	Loss of key resource on any of the ICT projects underway.	Low	Noticeable	<ul style="list-style-type: none"> <li>• A PRINCE2 accredited project manager who holds detailed project plans manages each project.</li> <li>• Individual officers are responsible for each work area.</li> <li>• Regular updates and debriefs between project leaders, the project manager and heads of service.</li> </ul>
5.	No agreement of terms and conditions, and alignment of policies and procedures (HR, legal, union and staffing issues).	Medium	Significant	<ul style="list-style-type: none"> <li>• Ensure that there is early commencement of full consultation with all relevant and HR bodies.</li> <li>• Clear communication lines are maintained by one owner who coordinates and directs any debate or discussion to avoid confusion and loss of focus between the councils.</li> </ul>
6.	Loss of control or perceived loss of control or direction by any Council with regards to service delivery.	Low	Significant	<ul style="list-style-type: none"> <li>• Establishment of robust governance arrangements and clear communication lines.</li> </ul>
7.	Lack of ownership across & within partner councils and different levels of commitment to the Shared Service agenda.	Low	Noticeable	<ul style="list-style-type: none"> <li>• Project Board members meeting regularly to keep an open dialogue to progress matters</li> <li>• Ongoing communication with all staff</li> </ul>

8.	No agreement on alignment of policies and procedures.	Low	Significant	<ul style="list-style-type: none"> <li>Re-engineer procedures and processes as required.</li> </ul>
9.	Reduction in quality of service and/or performance due to the implementation of the transition to the shared service.	Medium	Critical	<ul style="list-style-type: none"> <li>Detailed plans drawn up to ensure minimum disruption during implementation.</li> <li>Contingency plan to enable input of additional resources to minimise risk during transition.</li> <li>Set performance targets for during the transitional period and for the commencement of the shared service</li> <li>Develop a staffing structure that is fit for purpose</li> </ul>
10.	The roles and responsibilities of the senior managers prove to be unachievable with a resulting diminution in service delivery and/or performance.	Medium	Significant	<ul style="list-style-type: none"> <li>Compile a matrix of tasks and responsibilities comparing current duties with new duties under new structure</li> <li>Contact other partnerships for any comparable experiences</li> <li>Amend roles and responsibilities as required.</li> </ul>
11.	Partnership fails to deliver the desired outcomes.	Low	Critical	<ul style="list-style-type: none"> <li>Robust business case produced.</li> <li>Ensure project implementation plans are realistic and continuously monitored with appropriate action being implemented as necessary.</li> </ul>
12.	Potential conflict between the desired or planned R&B strategy and the individual Customer Service plans of each partner.	Low	Significant	<ul style="list-style-type: none"> <li>Compare performance and resources required and identify key issues for consideration.</li> <li>Re-engineer processes and procedures as required.</li> </ul>
13.	Ineffective management and delivery of the change.	Low	Significant	<ul style="list-style-type: none"> <li>Implementation plan monitored and appropriate action taken.</li> <li>Ensure all staff and stakeholders are fully engaged in process via effective communication and briefings.</li> <li>Ensure management team work closely with the project manager and clearly understand their roles and responsibilities and are accountable for delivery.</li> <li>Experienced officers have been appointed to the management roles.</li> </ul>
14.	Insufficient funding to support implementation.	Medium	Critical	<ul style="list-style-type: none"> <li>Include projected costs within Business case.</li> <li>S151 officers from each authority involved at each stage of the project.</li> <li>Regular budget monitoring to be carried out.</li> </ul>