

# CABINET

## Shared Services – Revenues & Benefits 07 December 2010

### Report of Head of Financial Services

#### PURPOSE OF REPORT

To seek approval for entering into a full shared service with Preston City Council for the provision of Revenues and Benefits services on the basis as set out in the attached business case, subject to the necessary constitutional changes being approved in due course.

Key Decision

Non-Key Decision

Referral

Date Included in Forward Plan

December 2010

This report is public.

#### RECOMMENDATIONS OF COUNCILLOR LANGHORN:

1. That Cabinet considers the Business Case as set out at Appendix A and approves a shared service arrangement for the delivery of the Revenues and Benefits service, with Preston City Council acting as host authority.
2. That further reports be presented to Members in due course to address the further details of the governance and contractual arrangements.
3. That in due course Personnel Committee be requested to update the Council's establishment.
4. That subject to the outcome of the above, the Revenue Budget be updated accordingly, including changes in respect of any approved efficiency proposals.

#### 1 Background

- 1.1 At its previous meeting on 31 August 2010, Cabinet reaffirmed its support for the development of a full business case to explore the opportunities of working with Preston City Council to deliver the Revenues and Benefits service more cost effectively.
- 1.2 This work has now been completed. Members will be aware that a senior management arrangement is already operating successfully between the two

Councils and the consideration of the attached business case represents a major step in taking this initiative further forward, with the overriding need for both Councils to make efficiency savings in service delivery.

- 1.3 Work on developing shared services for Revenues and Benefits has been ongoing since October 2009, however. As part of this development stage, both Councils have taken the opportunity to identify efficiency savings prior to any decision being taken regarding a full shared service and they are identified separately within the Business Case. Those affecting Lancaster City Council's staff are due to be considered by Personnel Committee on 14 December. Generally it is considered good practice to ensure that any service is 'fit for purpose' prior to entering into any formal arrangements, as this helps avoid any unnecessary complications during transition.
- 1.4 Members should note that prior to the shared services agenda proceeding, efficiency savings will be proposed within the service, which will be considered by Personnel Committee on the 14 December. The financial implications of these efficiencies are outlined later in this report.

## 2 Business Case Proposals

- 2.1 Cabinet is requested to consider the Business Case attached at **Appendix A**. This contains all relevant information surrounding the proposals.
- 2.2 Whilst the establishment of a full shared service would represent a significant step for the Council, it should be appreciated that the proposal represents only a change in the way that the service is administered, rather than it being a change to overall Member responsibility for the service. This is an important point; proposals that change current methods of service delivery are expected to become more commonplace, as councils respond to the financial pressures facing them.
- 2.3 The proposals would still provide flexibility for each Council to determine its local policies. This is particularly relevant given Government's intended future changes to council tax benefits. A full shared service would not prevent each Council adopting different solutions to this challenge, but it should assist both Councils to be better prepared.
- 2.4 Subject to Cabinet approving the business case, there would be a need for Members to address locally the setting up of the governance and contractual arrangements; this would involve reporting to both Cabinet and Council early in the New Year. The Council's establishment would also need to be updated accordingly.
- 2.5 As such, therefore, if the proposals are ultimately approved they would result in the following:
  - a full shared service for Revenues and Benefits administration being established with Preston City Council, to meet broadly the same service targets as currently in place;
  - designation of Preston City Council as host authority for the shared service, excluding respective customer services, with the subsequent transfer of around 80 staff from Lancaster's establishment to Preston's;
  - customer services being retained by the Council, together with any other relatively minor residual functions;
  - the establishment of a Joint Committee made up of Members from each authority, predominantly to oversee the development and operation of the shared service.

### **3 Details of Consultation**

- 3.1 Information on the consultation undertaken with stakeholders is outlined in the attached business case.
- 3.2 In particular, staff within the Revenues and Benefits services at both Councils have received briefings on possible future service proposals and a Staff Consultation Group has been set up whereby representatives are advised on progress to date. Union officials sit as members of this consultation group.
- 3.3 At the time of writing this report consultation was still underway regarding the efficiency proposals referred to in section 1.3 and should the business case be approved, further consultation would be undertaken with Lancaster City Council's staff on their proposed transfer to Preston City Council, in line with the Transfer of Undertakings (Protection of Earnings) Regulations (TUPE). This would be done prior to requesting Personnel Committee to update the establishment.

### **4 Options and Options Analysis (including risk assessment)**

- 4.1 In summary, the options are as follows:

**Option 1:** to approve the business case for entering into a full shared service with Preston City Council for the provision of Revenues and Benefits services, on the basis as set out at Appendix A (with supporting recommendations regarding contractual and constitutional matters). The attached provides for a full appraisal of this option, including risk considerations.

**Option 2:** to not approve the business case and instead instruct Officers to pursue an alternative option as outlined in the business case. Whilst the key advantages and disadvantages are outlined in the Appendix, depending on the alternative chosen, Officers may need to undertake further development work and report back accordingly.

### **5 Officer Preferred Option**

- 5.1 The Officer preferred option is Option 1, as this is considered to be the most cost-effective option at this time; the full rationale is set out in the attachment.

### **6 Conclusion**

- 6.1 The Business Case demonstrates that there is a strong case for creating a shared service in Revenues and Benefits and highlights opportunities for improving service efficiency at a much reduced cost. The Officer Project Board has endorsed the Business Case and considers that the full shared service delivery model best meets the needs of both Councils.

### **Proofing)**

The service has been exceeding its performance targets in recent months, particularly for benefits processing, and albeit at a high cost. The proposals (and those being considered by Personnel Committee next week) are based on removing such excess investment and over-achievement but still retaining, in broad terms, existing service targets. Overall therefore, whilst these proposals may affect the housing benefits service and clearly this will include more vulnerable groups within the community, any impact is not expected to reduce standards below those set out in the current Corporate Plan.

That said, the position is more complicated as Government has already indicated that existing performance indicators will be changed from April next year and therefore current targets will need to be changed accordingly in any event. This is expected to be a matter for any Joint Committee, in line with any delegations granted to it.

Whilst there may be some dip in performance during the transitional period, arrangements are in place to manage and mitigate this as far as possible.

### **LEGAL IMPLICATIONS**

Legal Services have been represented on the Project Board. There are no further comments at this time.

### **FINANCIAL IMPLICATIONS**

The financial implications of Option 1 are as set out in the attached business case. In simple terms, this option would generate total savings of around £212K per year, as adjusted for pay and price changes, and of this amount an estimated £46K would be attributable to Lancaster City Council. The main reason why there is a difference in the balance of savings is because of the extent to which Lancaster has taken savings in the lead up.

The above savings are on top of the efficiency proposals due to be considered by Personnel Committee next week.

Assuming both sets of proposals (efficiency and full shared service) are ultimately approved, savings totalling around £446K per year would be gained from the service, again as adjusted for inflation etc and subject to any future changes to the cost sharing arrangements. This does not allow for any one-off costs associated with the transition, but in view of circumstances and previous experiences, these are expected to be well within pay-back requirements.

In terms of timing, if Option 1 is approved it is expected to be autumn time before the shared service would be fully implemented and therefore part-year savings for next year may be in the region of £23K, plus the full year efficiency savings of £400K, giving a total for next year of around £423K. Should the proposals be approved, this would be assessed in more detail and reported as part of the budget process.

### **OTHER RESOURCE IMPLICATIONS**

#### **Human Resources:**

As set out in the report and attachment. In summary the proposals would involve around 80 staff transferring from the Council's establishment to Preston City Council. Subsequently there would be further reductions of around 9 full time equivalent posts in the shared service establishment, but this would be subject to consideration by the Joint Committee.

From a support service perspective, it is considered that in due course the proposals would generate some capacity with the HR service to devote to the many other organisational and pay related reviews facing the Council.

**Information Services:**

As set out in the report and attachment. 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.

**Property:**

There are no significant property issues arising as there would be no changes to the proposed locations for the service. There would be a commitment, however, to provide existing accommodation to locate Preston City Council staff within Lancaster Town Hall. Any proposed changes would need to be agreed jointly.

**Open Spaces:**

No implications arising.

**SECTION 151 OFFICER'S COMMENTS**

The s151 Officer has prepared this report; both she and the Deputy s151 Officer have been involved in the development of the shared service proposals.

**MONITORING OFFICER'S COMMENTS**

The Monitoring Officer has been consulted and has no further comments at this stage, but will be involve as the more detailed constitutional and governance arrangements are developed.

**BACKGROUND PAPERS**

Shared Services report to Cabinet, 31 August 2010.

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