

BABERGH DISTRICT COUNCIL

FROM: Procurement Task Group

REPORT NUMBER: **J222**

TO: STRATEGY COMMITTEE

DATE OF MEETING: 8 April 2010

SHARED REVENUES AND BENEFITS SERVICE

1. PURPOSE OF REPORT

- 1.1 On 14 January 2010 Strategy Committee approved the development of a business case, in collaboration with Ipswich Borough Council, St Edmundsbury Borough Council and Mid Suffolk District Council, to determine the potential benefits of a shared Revenues and Benefits service between the four authorities.
- 1.2 The business case was completed on 5 March and has been scrutinised by the Procurement Task Group on 22 March. It confirms that phased savings, to be shared between all four authorities, can be achieved over the next 3 years, rising to a very significant £1.2m a year by 2013/14 and to over £1.3m by 2018. These savings will be offset by some initial Implementation costs.
- 1.3 The next step towards establishing a shared service is to develop the implementation plan, which will be considered in June/July for the Council to make a final decision on entering into the proposed partnership between the four authorities.
- 1.4 The Task Group recommends Strategy Committee approval to develop the implementation plan. Ipswich Borough Council confirmed its ongoing commitment to developing the implementation plan on 17 March and other partners will be considering the matter in the coming weeks.
- 1.5 The Executive Summary of the business case is attached as Appendix 1, which provides key information relating to the proposals. Members may need to consider aspects of the detailed business case, which contains confidential information and is in part two of the Committee's agenda.

2 RECOMMENDATIONS TO COUNCIL

- 2.1 That the Council continues its collaboration with Ipswich Borough Council, St Edmundsbury Borough Council and Mid Suffolk District Council to form a shared Revenues and Benefits service.
- 2.2 That Option 1 as set out in the Executive Summary of the business case is developed into an implementation plan. However, it is recognised that there is enough merit in option 1a for this to be considered further if Anglia Revenue Partnership (ARP) and the other partner Councils support the development of that option.

- 2.3 That, in the event that one or more of the partner Councils does not support the preferences set out in the recommendation above, then authority is given to the Director of Finance, in consultation with the Chairman of Strategy Committee, Chief Executive and Monitoring Officer, to develop an appropriate implementation plan for a shared Revenues and Benefits service with one or more of the other partner Councils
- 2.4 That Councillors Michael Miller and John Hinton, in conjunction with the Chief Executive, represent the Council on the Members and Chief Executives workstream and at any meetings associated with the development of the implementation plan.
- 2.5 That the development of the implementation plan is overseen by the Procurement Task Group.
- 2.6 That staff are deployed as appropriate to enable the development of an implementation plan in collaboration with staff from partner authorities.
- 2.7 That on completion of the implementation plan the Procurement Task Group is requested to produce a further report to Strategy Committee on 17 June 2010 setting out its recommendations for a final decision on the proposed partnership.

3. **FINANCIAL IMPLICATIONS**

- 3.1 The business case identifies the savings and potential implementation costs for each option. The table below summarises the potential total gross savings (i.e. before implementation costs) to the Shared Revenue Partnership (SRP).

SRP – Gross savings shared by the 4 authorities.	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	Future years £000
Option 1 – establishing a new shared service (Four councils)	201	1,134	1,200	1,238	1,340
Option 1a –potential savings from merging with another shared service (ARP) (four councils plus 3 Councils) after a period of collaboration	181	1,021	1,250	1,388	1,674
Option 2 –potential savings from merging with an existing shared service (ARP) at the earliest opportunity	181	1,184	1,350	1,572	1,674

- 3.2 The Project Board recommends a benefit sharing formula based upon each Council's relative 2010/11 Revenues and Benefits Service budgets, which is simple, fair and equitable. This will need to be developed and refined in any implementation plan to ensure that any future potential changes could be accommodated fairly. **On this basis Babergh's contribution to the costs of a shared service, and its share of the savings is proposed as 19.63%.**

3.3 The annual financial savings for Babergh are summarised in the table below. The amounts represent the overall staff and other savings from the move to a shared Revenues and Benefits Service excluding any consequential savings possible from the support functions and overheads, currently attributed to the Revenues and Benefits Service. e.g. HR, Finance, Legal and ICT support that will be required to support a smaller overall workforce.

Gross savings for Babergh	2010/11 £'s	2011/12 £'s	2012/13 £'s	2013/14 £'s	Future years £'s
Option 1 – Establishing a new shared service	39,670	222,280	235,780	243,240	265,740
Council Tax Band D equivalent savings	1.19	6.73	7.12	7.34	8.02
Option 1a Merging with ARP in 3/5 years	35,503	200,422	245,375	272,464	328,606
Council Tax Band D equivalent savings	1.07	6.05	7.41	8.23	9.92
Option 2 Merging with the ARP from the outset.	35,503	232,419	265,005	308,583	328,606
Council Tax Band D equivalent savings	1.07	7.02	8.00	9.32	9.92

3.4 Some upfront investment or “one off costs” will be required to achieve the above level of gross savings. The following table sets out the net savings after allowing for these costs in relation to Option 1. This results in a net estimated cost of £49,840 in 2010/11, an allowance for which has been made in the Council's approved Budget, with net savings then being realised from 2011/12 onwards. No information can be provided on Options 1a and 2 while the issue of continued engagement with ARP remains unresolved.

Net savings for Babergh	2010/11 £'s	2011/12 £'s	2012/13 £'s	2013/14 £'s	Future years £'s
Option 1 Establishing a new shared service	49,840* (cost)	54,200	98,960	184,150	244,340
Council Tax Band D equivalent savings	1.51*	1.64	2.99	5.56	7.38

* Already allowed for in approved 2010/11 Budget so no additional cost or impact on Council Tax

3.5 Once authorities are in agreement on the way forward, a work programme to deliver the Implementation Plan will be developed. This plan will address in detail the financial, governance and delivery arrangements for the preferred option. It is anticipated that much of this work will be delivered from existing resources, using a similar approach to the business case. It is essential that the implementation plan is robust which may require input from specialist consultants. At this stage it is felt that if that additional level of resource is needed the Council's contribution towards the cost can be met from existing resources.

4. **RISK MANAGEMENT**

4.1 The corporate risks in the Council's Significant Business Risk Register that are linked to this project are:

- Risk No. 2 – Shared services. The need to achieve more from less
- Risk No. 5 – Capacity. Maintaining capacity to deliver effective services.
- Risk No. 7 – Financial Performance and Risk Management. Achieving the financial strategy
- Risk No. 9 - Management of Major Programmes and Projects. Establishing the shared service.

4.2 A high level summary of the comparative risks of each option is shown in the table below.

	Option 1 – New shared Service (SRP)	Option 1a – Longer-term managed merger SRP/ARP	Option 2 – Merger of SRP/ARP
Risk	Medium	Medium	High
Timescale for Full Implementation	2 – 3 years	Phase 1 – up to 3 years Phase 2 – up to 5 years	3 – 5 years
Likelihood of Success	High	High	Low
Project Board Conclusion	Strong likelihood of delivery, significant saving, acceptable risk	Strong likelihood of delivery, significant saving, acceptable risk, longer term prize of further savings and greater economies of scale	Concerns about likelihood of delivery, risk of £1.3m saving not being achieved, and in turn the longer term savings.

4.3 The following table summarises the key risks identified for all options.

Risk	Likelihood	Impact	Mitigation
No go or delay in decision by any individual council, resulting in reduced benefits for other authorities/ delay	Significant	Critical	Ongoing effective communication. CE & members workstream meetings established
Lack of ownership leading to ineffective & incompatible action/ Investment	Significant	Critical	Project governance and Communication Secure funding Establish Joint leadership/Committee
Legal challenge/ Contractual impediment with partnership implementation stopped or delayed	Very low	Catastrophic	Legal workstream due diligence. Robust legal documentation & process
Ineffective HR consultation - staff/ union concerns, legal challenges	Low	Critical	Staff briefings, Unions aware. Robust consultation in next stage.
Ineffective change management - ICT/key staff recruitment/ other project delay or Performance dips	Low	Critical	Strong project governance. Robust implementation plan, Good communications
Savings not realised - project becomes not affordable or implementation scaled back	Low	Critical	Strong project governance, Robust implementation plan. Contingency, Cautious financial forecast
Reduced performance - poorer Customer experience, loss of subsidy	Very low	Critical	Robust Performance targets & implementation plan. Adequate staff capacity,
Changes in political leadership - potential reduced support for project or changes required	Significant	Marginal	Establish Joint leadership/ Committee. Councillors own governance arrangements

5. **KEY INFORMATION AND BACKGROUND**

- 5.1 The financial pressures in the public sector are likely to increase. All political parties, whether the government or opposition, have described their outline plans for significant cuts in public sector funding, and although these cuts are not yet known in detail (and are unlikely to be known until after the general election), what is clear is that significant savings will need to be found in every local authority's budget.
- 5.2 Local government has consistently over-achieved in the delivery of efficiency savings compared to other areas of the public sector. Whilst good for the council taxpayer, the result is that it is becoming increasingly difficult to deliver efficiency savings, as services have been reorganised internally or pared back and income generating opportunities have been fully explored. In order to prepare for the inevitable future cuts to Government grant, transformational change will be required.
- 5.3 A number of services in district councils could be run more efficiently and effectively if they look to secure an economy of scale which individual districts simply cannot do alone. Revenues and Benefits is one of these services. Although districts deliver Revenues and Benefits services in different ways, with different levels of customer interface, use of technology, etc., there is clear evidence across the country that it is more cost efficient to deliver the service by doing so in partnership. Larger teams also create significantly more resilience and robustness in terms of service delivery and performance.
- 5.4 Officers from Babergh, St Edmundsbury, Ipswich and Mid Suffolk have collaborated, under the remit of a Project Board, to consider whether they could deliver their Revenues and Benefits service more cost effectively if they did so jointly. This is based on the prime aim of reducing the cost of the service whilst maintaining or improving the quality of service delivery, instead of tackling this independently.
- 5.5 An Options Appraisal was commissioned and undertaken in late 2009 and the results were considered by each authority in January 2010. Although four options were identified as worthy of consideration, two were discounted ('do nothing' and 'outsource') due to their failure to deliver significant savings and in the case of outsourcing, the length of time required to procure an outsourced service provider.
- 5.6 The two options which were approved By Strategy Committee on 14 January 2010 for further investigation were:
- a. To create a new Revenues and Benefits shared service (Option 1); and
 - b. To join an existing Revenues and Benefits shared service - whole or part (Option 2).
- 5.7 In relation to Option 1, officers have now completed that further investigation and have produced a full and detailed business case, which has been financial supported by Improvement East, the Regional Improvement and Efficiency Partnership (RIEP) for the East of England.

- 5.8 This has been done as part of a twin-tracked approach to ensure that Option 2 was also considered in delivering the business cases. In this respect, four existing partnerships – the Anglia Revenues Partnership (ARP), CenSUS, South Worcestershire Partnership and the WestWey Partnership were informally approached to ascertain whether they had any appetite to have four new members join them.
- 5.9 Three of the partnerships expressed an interest in some form of ‘franchise’ operation (referred to in this report and the Business Case as Option 3) whereby their knowledge and skills were shared with the four councils, either during the implementation phase of the project or as part of a longer term arrangement. WestWey declined because of competing business pressures.
- 5.10 Only ARP expressed an interest in the four councils merging with their partnership as full members and produced an outline business case indicating the additional savings that could be achieved from that larger partnership.
- 5.11 Given the time constraints, the option of a ‘franchise’ operation was put on hold, in order to focus on the two main business cases – the creation of a new shared service, or merging with ARP.
- 5.12 Merging with ARP was however felt to carry a higher risk simply because of the increased complexity and number of authorities (7) who would need to reach agreement on strategic issues, both in terms of dissolving the existing ARP partnership to form the larger partnership and the decisions necessary to establish the larger partnership itself.
- 5.13 As a result the Project Team has put forward a further option (Option 1a) as described below:
- Creating a new shared service (as Option 1) and with an option for planned merger with Anglia Revenue Partnerships (ARP) in 3/5 years time, overseen by a separate partnering board/joint committee
 - This allows Option 1 to develop in order to achieve savings as early as possible and manages the risks of developing a larger partnership by spreading that process over a longer period.
- 5.14 The Executive Summary of the business case (see Appendix 1) sets out details of the 4 options for consideration, which are repeated below for ease of reference.
- 5.15 **Option 1** - Creating a new shared service for four authorities would produce year on year savings of £1.3m when a steady state is achieved.
- This option has the potential to achieve £1.3m savings, whilst improving service delivery, resilience and robustness. The option is deliverable within the required timescale. Risk exists but at no greater level than any project of this nature and size.*
- 5.16 **Option 1a** - Creating a new shared service (as Option 1) and planning for a managed merger with ARP in 3/5 years time, overseen by a ‘strategic partnering board’.

This option has the potential to achieve £1.7m in savings in the longer term together with the other benefits of Option 1. It mitigates the risk associated with the creation of large partnerships and outlines a path to the prospect of the greater savings if agreement with ARP can be reached and the proposed collaboration is agreed.

- 5.17 **Option 2** - Creating a new shared service of 7 authorities by merging with ARP would produce *additional* year on year savings of £0.6m. The £0.6m would be split between the seven authorities with the SRP share being £0.3m. The larger partnership will carry a significantly increased implementation risk. Equally the injection of expertise and experience from an existing partnership with a proven track record may mitigate that risk. More work is required to validate this option however and a presentation by ARP has been scheduled for Wednesday 10th March to the Project Board and the CEO and Members group.

While the work to validate this option is incomplete the implementation risk is high and disproportionate to the savings that may be delivered. Attempting to achieve the £1.7m saving through a larger partnership from the outset may jeopardise the savings potentially available from implementing Option 1.

- 5.18 **Option 3** - The franchising option offers effective support to all options. That support can be obtained from a wider range of existing shared services, either as stand alone support and consultancy or from within the proposed partnership for options 1a and 2.

It is proposed that Option 3 only comes into play once a decision is made on options 1, 1a and 2. There is no impact upon the project while it is held in abeyance

- 5.19 A comparison of the key attributes of each option are summarised in the following table. The different approaches will be examined further as part of the implementation plan, which will need to reach firm conclusions on each issue.

Key Attributes	Option 1 – New Shared Service (SRP)	Option 1a – Longer-term partnership with ARP	Option 2 – Join existing Shared Service (ARP)
Employment	1 Employer (Single terms and Conditions)	Aim for 1 employer and single Terms and Conditions	Secondment Model
Location	1 Location	2 Locations (West and East)	2 Locations (West and East)
Support Services	Support Services (e.g. HR, Finance, ICT) – prefer ‘one authority approach’	Aim for 1 authority approach	Support Services currently shared between authorities
Governance	Joint Committee	Joint Committee/ Strategic Partnership	Joint Committee

5.20 The following is the timetable for each Council to make its decision on the proposals.

Authority	Strategy Committee/Executive	Council
Ipswich	16 March	17 March
Babergh	8 April	20 April
Mid Suffolk	12 April	20 May
St Edmundsbury	28 April	To be fixed.

Note: Ipswich approved the development of an implementation plan along the lines of the recommendations set out in this report.

6 **PRODUCING THE BUSINESS CASE**

- 6.1 The process of constructing a business case for a new shared service has been undertaken by staff from all four authorities and has been facilitated by the technical advice and expertise of two consultants under the guidance of a Project Board consisting of the Section 151 Officer from each Council, in Babergh's case the Director of Finance. In addition, Babergh's Head of Customer Services, Bob Southgate, has acted as the overall project manager, virtually on a full-time basis.
- 6.2 Six workstreams (Revenues & Benefits, Legal and Governance, Finance, Human Resources, Communications and ICT) were established to consider the key elements of creating a new shared service, with representatives from each of the councils and one lead officer per workstream. A Chief Executive and Members' board was also established, in effect a further workstream to act as a sounding board for ideas as the business case progressed, and to ensure that any key decisions incorporated into the business case were given 'in principle' support by each council at an early stage.
- 6.3 In addition, Members of all four councils have received briefings as part of the communications workstream through Political Groups and other means.
- 6.4 The work on constructing the business case has been intense. Although it has been a significant draw on resources to use staff from within the councils, some of whom have been working nearly full time for six weeks on the project, the outcome is a business case, which is truly understood and owned by the councils themselves.
- 6.5 Notwithstanding this involvement of staff, the input of the two project consultants, John Layton (John Layton Associates) and David Wood (Wildwood Associates), has been invaluable. They both have experience of establishing a number of shared services, not only in the Revenues and Benefits service, and have brought a wealth of knowledge to the business case.

- 6.6 At the same time that the work described above has been undertaken, a full set of baseline data was provided to ARP in order to give them the opportunity to present a business case to the four councils. Their proposal is included in the Executive Summary of the business case as Option 2.
- 6.7 UNISON has been consulted and briefed through out the production of the business case. Members and staff have received regular briefings on progress.
- 6.8 The costs of producing the business case were shared equally between by Improvement East, the Regional Improvement and Efficiency Partnership (RIEP) for the East of England and SRP.
- 6.9 No changes are proposed to existing customer access and service arrangements in the short term, ensuring that there is continuity for service users. Consideration of these in the longer term will be reflected during the implementation plan phase.

7 CONCLUSIONS AND RECOMMENDATIONS

- 7.1 It is clear from the business case that significant cost reduction/savings are possible by forming a shared service partnership. Also, although the overall savings are reduced in the event that one authority were to withdraw, costs can still be reduced and savings made, for the remaining authorities.
- 7.2 An implementation plan now needs to be developed from the business case prior to decision being made by each authority on entering into a partnership for a shared Revenues and Benefits service during June/July. That work and deadline is crucial if the Council is to achieve the savings set out in the business case. As identified in the risk management section of the report, the implementation plan will include a more detailed appraisal of the impact of a reduced number of partners proceeding.
- 7.3 In considering its recommendations the Task Group considered the following questions to identify the best option.
- Which option can provide the best service for the SRP Councils?
 - Which option can provide the optimum value for money?
 - Which option carries the least implementation risk?
- 7.4 In summary the Task Group proposes Option 1 as the way forward. It delivers significant savings as early as possible, although there are one off costs initially (which would also apply to the other options) to lay the foundations for those savings. In addition, there is clear evidence of good partnership working from the work undertaken and meetings to date.
- 7.5 It is however mindful of the potential for additional savings that are potentially possible from a merger with ARP, subject to agreement on the staffing model. It is also aware of the risk of all partners not agreeing to proceed to full implementation.

8 APPENDICES

Appendix 1 – Executive Summary of the SRP Business Case

9 **BACKGROUND PAPERS**

Equality and Diversity Assessment – Revenues and Benefits Partnership (currently held by Ipswich Borough Council)

Procurement Task Group

M Miller (Acting Chairman)

L Young

D Grutchfield

John Hinton (representing the relevant Member Workstream)

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Executive Summary – Shared Revenues Partnership (SRP) Business Case

1 Introduction

- 1.1 The Councils have agreed to explore the benefits of developing a shared service for Revenues and Benefits Services. Following the completion of an Options Review in December 2009 it was decided that three options should be considered further. These are:

Option 1 - Creating a new shared service for the four Councils
 Option 2 - Joining with an existing shared service as full partners
 Option 3 - Creating a new shared service and having a partnering (franchise) agreement with an existing shared service.

- 1.2 In addition to these options the Project Team has introduced a new option (Option 1a), which is described below.

2 Overview and conclusions

- 2.1 The questions to be answered are:

- Which option can provide the best service for the SRP Councils?
- Which option can provide the optimum value for money?
- Which option carries the least implementation risk

- 2.2 **Option 1** - Creating a new shared service for four authorities would produce year on year savings of £1.3m when a steady state is achieved.

This option has the potential to achieve £1.3m savings, whilst improving service delivery, resilience and robustness. The option is deliverable within the required timescale. Risk exists but at no greater level than any project of this nature and size.

- 2.3 **Option 1a** - Creating a new shared service (as Option 1) and planning for a managed merger with ARP in 3/5 years time, overseen by a 'strategic partnering board'.

This option has the potential to achieve £1.7m in savings in the longer term together with the other benefits of Option 1. It mitigates the risk associated with the creation of large partnerships and outlines a path to the prospect of the greater savings if agreement with ARP can be reached and the proposed collaboration is agreed.

- 2.4 **Option 2** - Creating a new shared service of 7 authorities by merging with ARP would produce *additional* year on year savings of £0.6m. The £0.6m would be split between the seven authorities. The SRP share being £0.3m. More work is required to validate this option however. The larger partnership will carry a significantly increased implementation risk. Equally the injection of expertise and experience from an existing partnership with a proven track record may mitigate that risk.

While the work to validate this option is incomplete the implementation risk is high and disproportionate to the savings that may be delivered. Attempting to achieve the £1.7m saving through a larger partnership from the outset may jeopardise the savings potentially available from implementing Option 1.

Option 3 - The franchising option offers effective support to all options. That support can be obtained from a wider range of existing shared services, either as stand alone support and consultancy or from within the proposed partnership for options 1a and 2.

Option 3 only comes into play once a decision is made on options 1, 1a and 2. There is no impact upon the project while it is held in abeyance

3 Option 1 – A new Shared Service

The business case considers the first of those options creating a new shared service for the four Councils.

The business case development has required the four councils to work closely with each other to develop proposals that are robust enough for a decision to be taken. The officers involved with the evolution of the business case have made strenuous and exceptional efforts in a very tight timetable. The output of an agreed business case is a significant achievement and bodes well for any SRP approach that is endorsed.

3.1 Salient features of the SRP business case

- ◆ There is potential to save substantial sums, around £1.3m per annum in working together to deliver the Revenues and Benefits Service.
- ◆ There is potential to improve the services that are presently provided but this will require investment in technology and new ways of working.
- ◆ The process of making these changes would represent a major upheaval of the officers affected. The transition can be made although the process will not be easy or straightforward. It will require effective planning with the appropriate safeguards in place to ensure that it goes well.
- ◆ The business case has been developed using working assumptions and employing estimates. All the comments made should be regarded as indicative rather than precise forecasts. More work will be needed to firm the implementation plan and financial cases.
- ◆ The business case assumes that there would be a single Revenues and Benefits headquarters and that much of the support services to the SRP would be provided by a single council but no final decisions have been reached – working assumptions have been used to determine the likely financial impact
- ◆ The combination of service improvements and cash saving is possible because of:
 1. The optimum use of the four Councils' capabilities;
 2. The use of simplified, streamlined, standardised and automated processes that enable consistent, high quality service delivery;
 3. The economies of scale generated by the four Councils working together as a Shared Service, built on high quality ways of working and sharing the management, the expertise and the investment cost required to achieve this high performance organisation.
 4. The slimmer single management structure as opposed to four.

The attached Business Case outlines the proposal in more detail. It outlines how SRP would operate, including the management, staffing and governance arrangements. It also sets out timescales and costs for implementation.

This Business case shows that forming a four Council Shared Service is an affordable first step on a journey that could deliver significant service improvements and costs savings beyond those presently addressed in this business case. There is also the potential for growth through expansion.

- ◆ A new Joint Member Committee would be formed and the constitution of that Joint Committee would be for the four councils to agree

- ◆ The implementation of the SRP business case would be undertaken by the four Councils drawing upon their internal resources and such other expertise as they consider necessary
- ◆ There would be one headquarters
- ◆ The staff would all be employed by a single council following a TUPE transfer and a single set of terms and conditions would be implemented
- ◆ The SRP closely mirrors what has been achieved elsewhere and incorporates learning from their mistakes, as well as best practice. If this option is chosen as the way forward 3 established shared services have indicated a willingness to share their expertise and experience to support the transformation.

3.2 This Project Team views

The Project Team believes that the establishment of the SRP approach is realistic and whilst it represents a challenging and difficult change management process, it is deliverable within an acceptable time frame. It would demand a high level of commitment by all the Councils and require strong and trusted leadership.

There are significant risks that would need to be managed. However the progress made to date augurs well for the future. The early resolution of outstanding decisions would be essential to drive this approach in the timescale envisaged in the business case. These outstanding decisions include: the choice of lead Council for employment purposes (resulting in single terms and conditions for all staff); the location of the SRP headquarters; the host authority for the delivery of support services; the sharing of costs, and savings and the authorisation of investment in technology and transition processes.

3.3 Benefits

The SRP approach provides an opportunity for the four Councils to unite behind a single purpose and to provide a robust and fully integrated service delivery environment. Overall the anticipated benefits of a Shared Service are:

- ◆ Releasing financial resources within each Council;
- ◆ Provision of greater resilience, with a broader base of staff and ICT systems
- ◆ Greater opportunities for staff within a shared operation, in the medium term, which has the potential for further growth
- ◆ The opportunity to achieve further efficiency gains and improve services, for example, by extending SRP to cover the front office aspects of the Revenues and Benefits Service

3.4 Overview of the proposal

Governance

- ◆ The Revenues and Benefits Service undertaken by the Councils would be delegated to the Joint Committee
- ◆ All four councils will have a seat on the Joint Committee
- ◆ SRP members can nominate 2 members each
- ◆ A constitution to be developed and agreed

Hosting

- ◆ The Joint Committee administration would be undertaken by a single nominated Council
- ◆ All staff would be employed by one Council
- ◆ The location of headquarters would be determined in agreement with all Councils

Transition

- ◆ The initial phase of the transfer of the service by 1 April 2011 and effectively deliver some savings in 2011/12 but further transition would go beyond that date. Full savings and changes would be in place by 1 April 2013.

Gain sharing

The savings are forecast to be in excess of £1.3m per year. The Project Board has provisionally agreed to a benefit sharing formula based upon 2010/11 Revenues & Benefits Service budgets, which is simple, fair and equitable.

Employees

- ◆ There will be a significant reduction in employee numbers which will be managed by natural wastage as far as possible over a 2 year period. Some redundancy may occur where staff are unable to work at a new location or commit to an alternative, e.g. home working.
- ◆ An Equalities Impact Assessment (EQIA) is being completed to assess the potential impact of a shared service.
- ◆ The employees will be employed by a single employer following a TUPE process and harmonised terms and conditions would apply in the long term.
- ◆ An increased use of remote and home working would be adopted both to reduce pressure on office space and enable a more resilient and flexible work force.

ICT

- ◆ SRP would standardise onto common ICT systems. There will need to be an increased amount of investment required beyond that allowed for in existing budgets, to secure longer term savings and service improvements.

Process standardisation

- ◆ SRP would standardise as many processes and policies as possible to maximise the savings and efficiency gains.

Performance

- ◆ Service improvement is to be achieved in stages following the creation of SRP but not at the expense of performance. The aim is to improve performance to the level of the best authority within the partnership, for each activity.

Support costs

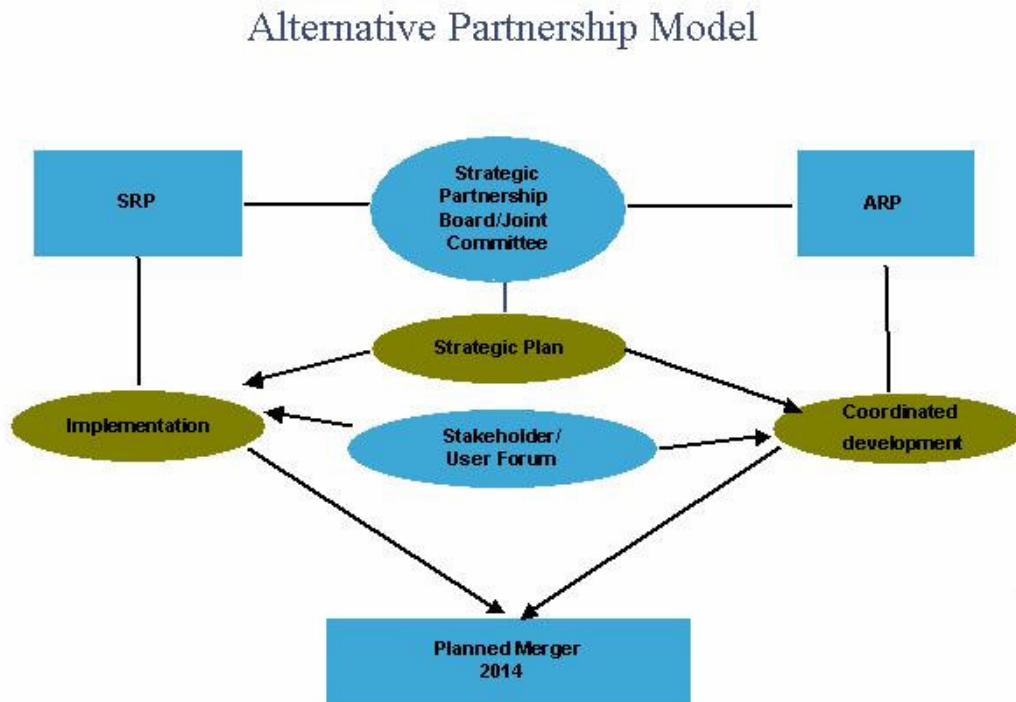
- ◆ The business case allows for support services to be provided by an assumed host. Costs outside that allowance would be a matter for each authority to deal with and savings beyond that in the business case may be possible for each authority.

Conclusion

This option has the potential to achieve £1.3m savings, whilst improving service delivery, resilience and robustness. The option is deliverable within the required timescale. Risk exists but at no greater level than any project of this nature and size.

4 Option 1a

Creating a new shared service (as Option 1) and planning for a managed merger with ARP in 3/5 years time, overseen by a 'strategic partnering board'



Option 1 would be implemented and a shared service for the 4 councils put in place, however, this approach, which has yet to be formally discussed with ARP, would involve the establishment of a strategic partnership board or joint committee with membership from all 7 councils. This board would be tasked with the job of planning for a merger of SRP with ARP on an agreed basis over the next 3/5 years.

4.1 Salient Features

The arrangement would be underpinned by a collaborative agreement on strategic issues, which over a 3/5 year period would take both partnerships to appoint where a merger would be possible.

This model recognises that the expanded ARP approach has attractions but it also has greater implementation risk than taking the SRP approach forward. This alternative approach seeks to 'de risk' the enlarged ARP approach. For example:

1. Risk one – no existing knowledge between partners

The Partner Councils of ARP do not know most of the SRP Councils and there is no established pattern of partnering between them. This approach would allow the necessary knowledge and trust to be developed by creating a 'strategic' partnership board which would prepare the ground for a merger in 3/5 years time.

2. Risk two – implementation risk

The challenge of establishing a partnership of seven Councils being a higher implementation risk compared to the creation of the SRP partnership. The 'de-risking' would ensure that groundwork for the merger would be planned for in advance.

The collaboration arrangements set out in the agreement would be designed to align the working arrangements of SRP and ARP – the working arrangements for people, operations, ICT and locations would be developed in collaboration between SRP and ARP so that the merger will be facilitated efficiently at the appropriate time.

Importantly, an overarching 'Strategic Partnership' Board would be in place to ensure that any key decisions made by the two joint committees were 'future-proofed' and facilitate the future merger (for example procurement of ICT systems could be undertaken jointly, to ensure that at the time of the merger, ICT is not an obstacle).

4.2 Project team views

The Project Team considers that this approach could represent a good way forward, if ARP is amenable to the approach. There would be cost involved in establishing the project board/joint committee, but this would be offset by future savings.

4.3 Benefits

This approach combines the benefits of Option 1 and Option 2, but mitigates the risks associated with the immediate selection of Option 2.

Conclusion

This option has the potential to achieve £1.7m in savings in the longer term together with the other benefits of Option 1. It mitigates the risk associated with the creation of large partnerships and outlines a path to the prospect of the greater savings if agreement with ARP can be reached and the proposed collaborations are agreed.

5 Option 2 – Joining an existing shared service as full partners

One shared service, the Anglia Revenues Partnership (ARP), which serves three authorities, (Forest Heath, Breckland and East Cambs) has indicated a willingness to join with SRP to form a 7 authority partnership. An outline business case has been developed to illustrate the potential benefit that can be achieved by a larger organisation. This has a working title of the "ARP option"

The outline business case to support this option has been developed by ARP working with the Project Team but, owing to time pressures, without the opportunity for detailed discussions matching those for Option 1. Consequently the outline business case is high level and draws an indicative conclusion from the level of staff saving it is believed can be achieved from a larger organisation.

5.1 Salient features of the ARP business case

- ◆ A 7 authority option provides the possibility of potentially greater savings from further staffing economies (some £585,000) of which the SRP consortium share would be some £334,000 to be divided between the four Councils in accord with gain sharing arrangements yet to be agreed.
- ◆ The greatest challenge will be in delivery. The enlarged shared service would be the second largest Revenues and Benefits Services in England, and the largest Revenues and Benefits shared service.
- ◆ It has the potential for driving through far greater change and transformation than the SRP which covers four Councils.
- ◆ Both sides recognise that creating a new partnership of that size would be complex and time consuming. This may delay the objective of being 'live' by April 2011.
- ◆ However Officers working on the SRP project have not collectively gained the expertise and experience of developing a fully integrated shared service. This knowledge and experience is something that ARP can bring to the table.
- ◆ Although ARP currently operate on an alternative staffing model to the SRP business case and have reservations on some issues, they have indicated a willingness to move to the SRP model if a seven authority service is felt to be the way forward.
- ◆ The advantages of the SRP as a larger partnership are presented as providing:
 - ◆ Influence in procurement, greater bargaining power and influence with ICT suppliers
 - ◆ Greater economy of scale resulting in further opportunity for cost savings.
 - ◆ More staff to implement changes.
 - ◆ Increased capacity, expertise and capability.
 - ◆ More robust arrangements to maintain business continuity, and the recruitment and retention of staff.

5.2 Project team views.

ARP are keen to work with SRP Councils and have put forward an attractive package of propositions. They have invested a substantial amount of time in order to work with SRP and the Project Team.

All options carry implementation risks and typically as partner members increase, so does the risk. There is a degree of 'risk of the unknown' in this partnership, since two of the partners are outside the 'Suffolk family', and therefore entirely 'new' partners for SRP.

The project management capabilities of the seven authorities collectively are insufficient, even with the injection of ARP expertise and experience, to provide the SRP with adequate confidence that a successful transition to a seven authority shared service could be established by 1 April 2011. Additional project management resource may need to be considered.

Comparisons with Option 1

- ◆ The core elements of the proposal are the same. The reduction in staffing may follow a different profile. All staff affected by the proposed merger will compete equally for jobs.
- ◆ The core benefits are broadly the same.
- ◆ ARP has concern that a full TUPE model will not result in maximum savings.
- ◆ Because of the size of the administrative area covered by the larger shared service and the larger workforce, two separate offices, one in the West and one in the East are a viable business option and may also be a more attractive option for staff recruitment and retention.

- ◆ Engaging with ARP naturally brings in experience and expertise of operating a shared service.

5.3 Benefits

The fundamental benefits are the same as Option 1. Additional benefits come through the expertise and experience on hand from the outset, the greater bargaining power and influence of a large organisation, particularly in terms of acquiring ICT systems, and some peripheral gains from a wider office network.

Conclusion

While the work to validate this option is incomplete the implementation risk is high and disproportionate to the savings that may be delivered. Attempting to achieve the £1.7m saving through a larger partnership from the outset may jeopardise the savings potentially available from implementing Option 1.

6 Option 3 - Creating a new shared service and having a partnering (franchise) agreement with an existing shared service

This option in essence is simply about obtaining expertise and experience from organisations or put another way “consultancy advice” to support and guide the development of a new shared service. It has a working title of the “franchising option”

Dependent on how that advice is sourced, it may be at normal rate, at modest cost or potentially free if the shared service in question has received govt funding on the understanding that with that goes an implied consent to sharing best practice at little or no cost.

Three shared services have indicated a willingness to assist in the development of SRP, similar advice can be obtained from consultants, consequently advice and support is readily available.

Conclusion

Option 3 only comes into play once a decision is made on options 1, 1a and 2. There is no impact upon the project while it is held in abeyance.

SRP – Project Board

Liz Watts	Chief Financial Officer	St. Edmundsbury Borough Council
Ian Blofield	Head of Finance	Ipswich Borough Council
Mike Hammond	Deputy Chief Executive	Babergh District Council
Barry Hunter	Director of Finance	Babergh District Council
Katherine Steel	Chief Financial Officer	Mid Suffolk District Council

3 March 2010