

## Report to Cabinet

21 July 2016

By the Cabinet Member for Finance

**DECISION REQUIRED**



Not Exempt

### Sharing Support Services with Chichester and Arun District Councils

#### Executive Summary

This report sets out the work completed to develop outline business cases for sharing some support services with Chichester and Arun District Councils. The work completed indicates there will be sufficient savings from sharing these services for Horsham to continue to progress to a full detailed business case. Sharing also looks likely to improve the resilience of our small support services and give more career opportunities to our employees. The report asks Cabinet to approve working up to full business case the sharing of Legal Services, Internal Audit and Human Resources. The report recommends Cabinet approve a contribution of £25,000 to a shared fund to recruit a project manager and team to prepare the full business cases.

#### Recommendations

That Cabinet is recommended to:

- i) Agree to develop full business cases and implementation plans for Human Resources, Internal Audit and Legal Services including comparing other delivery options with shared services.
- ii) Contribute £25,000 towards the cost of a project manager and support to prepare the detailed business cases and implementation plan.

#### Reasons for Recommendations

This report recommends continuing with the shared services project for Legal Services, Internal Audit and Human Resources because potential savings would make a useful contribution towards balancing Horsham District Council's budget in the next 3 years while improving resilience through the larger team.

#### Background Papers

None

**Wards affected:** All wards

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## Background Information

### 1 Introduction and Background

- 1.1 Arun, Chichester and Horsham District Councils continue to face financial challenges as government grants reduce over the coming years. By the financial year 2019/20 Councils will no longer receive revenue support grant and most, including Arun, Chichester and Horsham, will have to pay a levy to the government, commonly referred to as “negative RSG”. This means all district councils need to seek efficiencies to ensure we can continue to provide quality services to our residents, businesses and visitors.
- 1.2 All three authorities share a common objective to “use our resources well and innovatively”. In addition to savings, sharing services adds resilience through larger delivery teams, gives access to expertise that may not be available in house, can provide career opportunities for staff and allows teams to share best practice.
- 1.3 The work to prepare outline business cases took place between February and the end of May 2016. The three Councils shared the lead for developing the business cases as follows:
  - a) Arun – Revenues & Benefits and Customer Services
  - b) Chichester – ICT, Human Resources & Payroll and Transactional Finance
  - c) Horsham – Legal and Internal Audit.
- 1.4 The project leads were supported by a project assurance officer from a different council and the relevant heads of service from all three councils formed part of the Project Board. Horsham was not involved in the work on ICT or Revenues & Benefits due to our existing CenSus partnership with Mid Sussex and Adur & Worthing for these services.
- 1.5 The development of the business case preparation was overseen by a Steering Group of the Chief Executives and relevant Portfolio Holders of the three councils. The day to day work of preparing the cases was directed by a Project Board comprising the Project Leads/Director level representatives from the Councils, the project assurance officers and the Chief Financial Officers of the three councils.
- 1.6 In April the Project Board agreed with the Chief Executives to stop further work on investigating a shared transactional finance service due to small staff numbers and three different financial systems making sharing difficult.

### 2 Relevant Council policy

- 2.1 This work took place under the commissioning priority in the efficiency part of the Corporate Plan. By working in partnership the Council is able to commission support services in a way that maintains quality while reducing costs giving better value for money to our residents, visitors and businesses.

### 3 Details

- 3.1 The Project Steering Group reviewed the outline business cases in June and recommend these 6 services progress to a detailed business case for further consideration by Cabinet. Horsham is included in 3 of the business cases: Legal, Internal Audit and Human Resources. The outline business cases considered what efficiencies and benefits we might achieve and how a shared service would impact on customers, staff and users of the services. Managers of the services were members of the work-stream groups and they analysed service data, performance

and processes and helped design the future shared service. This work indicates revenue savings within a 5 year period across the partners as follows:

<b>Service</b>	<b>Partners</b>	<b>Savings</b>
HR & Payroll	Arun/Chichester/Horsham	£324,000
ICT	Arun/Chichester	£485,000
Customer Services	Arun/Chichester	£305,000
Revenues & Benefits	Arun/Chichester	£338,000
Legal	Arun/Chichester/Horsham	£403,000
Audit	Arun/Chichester/Horsham	£169,000
Total Projected Opportunity		£2,024,000

3.2 These projections include some initial investment in shared computer systems and fewer staff through joint management, service redesign and economies of scale.

3.3 The Steering Group recommend Cabinet consider these work streams and decide whether to continue to a full detailed business case. The Project Board estimate preparing the full business cases will take six months. The full business cases will include:

- An operating model compared with other alternatives for each authority.
- The employing authority
- A recommended computer system
- Staffing protocols
- An equalities impact assessment
- A community impact assessment
- Detailed investment costs
- Costs and savings
- Details of how we will share costs.
- Any procurement implications

3.4 Cabinet will also receive a project implementation plan, identifying priorities, dependencies and timescales for full implementation and the delivery of savings.

3.5 The report supporting the full business cases will include details of the suggested governance of the shared services and the implications for each authority's Constitution.

## 4 Next Steps

4.1 If the Cabinets all approve the funding to appoint a team to develop the full business cases the Project Board will put the team in place during the summer. The full business cases will be completed within 6 months. These will include timetables for implementing the changes.

## 5 Views of the Policy Development Advisory Group and Outcome of Consultations

- 5.1 The Director of Corporate Resources briefed the Finance Policy Development Advisory Group on 4 July. The Advisory Group were generally in support of the proposal but said it was important the quality of the services to internal and external customers was maintained, especially for Legal Services. The Advisory Group supported the use of £25,000 to develop the business case and implementation plan.
- 5.2 The Cabinet Member, Senior Leadership Team and the Human Resources and Legal Services Service Managers have reviewed and comment on this report.

## 6 Other Courses of Action Considered

- 6.1 The initial business case phase concentrated on identifying whether there was merit in a shared service arrangement but did consider alternatives for each work stream. The full business case will consider these options further to allow Cabinet to make an informed decision whether shared services is the best future model for Horsham District Council. Each work stream going forward will also demonstrate to their respective Cabinets whether a leaner in-house service could deliver comparable savings to a shared arrangement and how this model would compare in terms of cost, quality and resilience. The alternatives considered to date were:

### **6.1 (a) Do Nothing**

The Councils could continue to operate as at present. This would not make any contribution to future savings, would leave career opportunities and resilience as they are and could limit significant quality improvements.

### **6.1 (b) Work in Collaboration**

The three Councils could continue as they are but collaborate more with each other. This could enable the sharing of specific expertise such as Auditors experienced in ICT or specialised legal knowledge to avoid employing external advice at a greater cost. Generally collaboration should improve resilience and might improve quality through closer working, but is unlikely to enhance career opportunities or contribute in any significant way towards savings on its own.

### **6.1 (c) Join Larger Partnerships**

Many authorities have been sharing services for a number of years. Appendix 1 provides an analysis recently completed by the Local Government Association summarising those currently in existence. The work streams have contacted some of these local partnerships, particularly Audit, ICT and HR which has informed some of the decisions made in considering the initial business cases, for example, the Audit work stream contacted the Southern Internal Audit Partnership led by Hampshire County Council and Southampton City Council. The larger partnership would have offered better career opportunities and greater resilience. However the total indicative savings from the partnership were £50,000 lower than those achievable from a shared team. Therefore the Steering Group did not consider this a viable option going forward.

## 6.1 (d) Outsource

There are many examples of authorities outsourcing support services with varying degrees of success. The challenge district councils face when outsourcing services to the private sector is their lack of scale and therefore lack of attractiveness to providers. Without entering into a formal procurement process, it is not possible to attain a costed model to enable a detailed comparison of cost and quality against other options available. Therefore, to date, statement savings in the region of 20% have been indicated by Capita but no further detail is to hand. In 2013 Chichester District Council employed external consultants to review their internal ICT service and specifically asked the consultants to advise on whether an outsourced model would be a viable option. Due to the size of the authority, the advice at that time was savings would be more likely derived from a sharing of services with other district councils compared to an outsourcing contract.

There are recent examples of larger private providers combining existing district council contracts and delivering services from a centralised hub to gain efficiencies. An example of this is the five Councils with existing services outsourced to Capita and Vinci (Havant, Vale of White Horse, South Oxfordshire, Hart and Mendip). This type of model can provide career opportunities for staff but would also have significant implications in terms of their place of employment.

## 7 Resource Consequences

- 7.1 Existing staff from the 3 councils prepared the outline business cases with some advice from external consultants. Each authority also contributed £20,000 to fund external consultancy and specific project costs. However, to prepare the full business cases and the project plan we need a dedicated team. Cabinet are asked to authorise £25,000 as Horsham's share of a £75,000 project budget to fund this additional resource during the next phase.
- 7.2 For the period up to the production of the final business cases the governance arrangements will remain largely as at present:
  - Project Steering Group (Chief executives & portfolio holders)
  - Project Board (Individual authorities' Lead Officers, Chief Financial Officers and appointed Project Manager)
  - Project Work streams (Project Manager, Project expertise from Finance, ICT and HR)
- 7.3 In developing the final business cases procurement issues will arise, specifically in respect of systems provision. Once the service streams have defined the operating model and chosen a suitable IT system, procurement officers will identify procurement issues in the detailed business case. The project manager will build these into the implementation plan.
- 7.4 Service managers have provided detailed input to developing the initial business cases. As part of defining the shared service operating model the Steering Group will give careful consideration to staff implications. TUPE (Transfer of Undertakings (Protection of Employment) Regulations does not technically apply to inter-public sector transfers under the regulations. However, the Cabinet Office Statement of

Practice requires the public sector to treat such transfers as if TUPE fully applies. Therefore if a final business case is approved, the Councils will carry out a TUPE type transfer to the employing authority. In addition, the project implementation plan will include staff protocols to reduce staff displacement through wider re-deployment opportunities and vacancy management as well as any joint disturbance allowance schemes for transferring staff.

## 8 Legal Consequences

8.1 Are contained within the body of the report.

## 9 Risk Assessment

9.1 There is limited impact on corporate risks at this stage although the Director of Corporate Services and the Service Managers for Legal, Human Resources and Internal Audit and Commissioning and Performance will continue to support the project. To ensure this work does not overwhelm their other business plan priorities the appointment of a dedicated project resource will mitigate this. However, each individual business case will be required to identify specific corporate and service risks associated with their recommended model. The implementation plan will need to collate these risks and provide mitigating actions to satisfy Cabinet savings will be achieved on time, staff impact will be minimised and legal implications such as procurement, TUPE and Constitutional requirements will be met.

## 10 Other Considerations

10.1 There is no need for public consultation on sharing between local authorities.

10.2 Management told staff who work in these services about the start of this work in February 2016. Staff received written updates from the Project Board and the Chief Executive and Director of Corporate Resources talked employees from the 3 teams recommended to go forward for further work about the content of this report on 20 June.

10.3 A meeting, led by the Chief Executive of Horsham District Council and the Project Board leads from each Council took place with the three Unison Branches on 17 June 2016. On-going consultation will take place during detailed business case development and implementation stage. Unison's regional branch sent the Chief Executives a letter following the 17 June meeting giving their views of the proposals (see appendix 2).

10.4 A TUPE type transfer and potential redundancies will lead to the need for an equalities impact assessment of the impact on employees alongside each full business case.

## **APPENDICES TO REPORT**

### **Appendices**

Appendix 1 – Examples of Shared Services in operation

Appendix 2 – Letter from Unison

## Councils/Services involved in shared services

Legal Services	226
Environmental Protection, Waste & Regulatory Services	211
Finance	100
Community Safety (including Fire)	88
Procurement & Commissioning	78
ICT	74
Human Resources	69
Property & Facilities	53
Planning & Building Control	48
Children & Young People	41
Library Services	33
Health & Social Care	32
Shared Management	19
Shared Leadership & Chief Executive	17