

SLOUGH BOROUGH COUNCIL

REPORT TO: Overview & Scrutiny Committee **DATE:** 16th April 2009

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WARD(S): All

PORTFOLIO: Councillor Anderson Commissioner for Finance, Performance and Overall Strategy. Patricia O'Connor, Lead Commissioner for Shared Services

PART I **FOR COMMENT AND CONSIDERATION**

SHARED SERVICES FOR BACK OFFICE FUNCTIONS

1 Purpose of Report

This report updates members following Cabinets decision in December to approve the commencement of a joint procurement with Cambridgeshire and Northamptonshire County Council's on behalf of other local authorities, to select a private sector partner to enable the creation of a Local Government Shared Service joint venture arrangement for transactional services. This report seeks Members approval to look at widening the scope of the shared services arrangement to include the professional advice services that go with the transactional elements.

2 Recommendation(s)/Proposed Action

The Committee is requested to note the following recommendations to Cabinet:

The Cabinet is requested to resolve:

- a) subject to final discussions with the potential partners, that if those discussions do not raise any unmanageable obstacles, officers be empower to enter into a Shared Services arrangement with the two Council's to commence a joint procurement on behalf of other local authorities, to confirm the project business case and select a private sector partner for the Local Government Shared Service joint venture, to provide not only transactional services but also wider professional advice.
- b) That responsibility be delegated to the lead commissioner for shared services, in consultation with the Strategic Director of Resources, along with equivalent representatives from the other two Councils, to proceed with the procurement up to the selection of a preferred bidder. At this stage a report will be brought back to Cabinet for decision.

3 Community Strategy Priorities

Shared service arrangement link to the effective and efficient running of the transactional functions of the Council. The aim is to deliver top quartile performance and lowest quartile costs. Some of the transactional function, including benefits and customer services, will support some of the more vulnerable members of the

community, but by driving out costs will overall will enable other front line services to continue to meet the needs of the Borough, hence supporting all of the beneath.

- Celebrating Diversity, Enabling inclusion
- Adding years to Life and Life to years
- Being Safe, Feeling Safe
- A Cleaner, Greener place to live, Work and Play
- Prosperity for All

4 **Other Implications**

(a) Financial

The financial implications were contained in last report and reflect in the budget strategy approved at Full Council meeting in February 2009. If the scope of the shared service arrangement is enhanced to include wider professional advice services, then the level of resources allocated may need to be reviewed. A joint business case across the three founding partners is currently being drawn up, and if different levels of resources are required a revised report will be brought back for member attention.

(b) Risk Management

There are significant risks as well as opportunities of entering into this joint venture arrangement. These are contained within the body of the report.

(c) Human Rights Act and Other Legal Implications

The Council will obviously be jointly tending to enter into a Joint Venture arrangement for the provision of services. External legal advice will be brought in where necessary to ensure the process and arrangement entered into protect Slough's interest.

(d) Equalities Impact Assessment

Under current UK equalities legislation, all public authorities must promote equality of opportunity in respect of race, gender and disability in terms of service delivery and employment. There is also a legal requirement to consider the impact policy decisions have on service delivery and employment, via equality impact assessments. In entering into a shared services arrangement with Cambridgeshire and Northampton, Slough Borough Council will need to take into account the impact that this will have on both on its existing and future services to local residents, and to its staff.

The shared services project will need to ensure that there is an agreed process for Equality Impact Assessments as it proceeds. Detailed proposals for those services identified as being suitable for a shared services arrangement will need to be subject to an Impact Assessment Screening, and a full impact assessment where a significant adverse impact has been identified.

As details of the proposal become clear these will be checked again, but it is not envisaged that there will be any concerns arising.

(e) Workforce

With the setting up of a joint venture organisation there will be TUPE transfer issues of staff in the affected areas moving into the JV. More detail of these will be provided as the proposals are progressed.

5 Supporting Information

- 5.1 Shared services is not a new practice, in fact Slough already has a number of shared service arrangement with other Berkshire authorities going back to the disaggregation of the former County. However recent government initiative linked back to the Gershon efficiency review have been pushing local authorities to consider shared services, particularly for back office functions as a way of driving out costs.
- 5.2 Slough has been keen to be at the for front of the shared services arrangements, if they are right for Slough, to enable it is have maximum influence over what they are like, rather than be pushed into an arrangement that may not suit our needs.
- 5.3 Following members approval to the commencement of the arrangement officers had flagged that key staff across the organisation would need to be released to input into the venture to ensure that we have the right governance arrangements in place. Key tasks which will need to be completed to enable this approach include:
- Further refinement of the business case and financial model (including scope definition, costs and affordability modelling, and risk and investment modelling)
 - Defining and agreeing the governance of the joint project (including budget and resource management, roles and approvals, milestone tracking, risk management, and joint and several legal advice and sign-off, exit strategies)
 - Developing the procurement strategy and evaluation criteria, specifying adviser needs and procuring external advisers, preparing for the competitive dialogue, and preparing documentation
 - Preparing the service definition, collecting data and developing specifications
 - Confirming the commercials and operating model for the joint venture (including joining routes, costs and risks, financials / commercials / payments mechanism, contract and contract management, Memorandum and Articles of Association, shareholding agreement, local authority powers, legal structures, indemnities, policies, governance, employment issues, contract and framework, risk, and branding)
 - Defining the requirements of the retained organisation, including contract management/client arrangements.
 - As outlined in the EU Directive up to the selection of a preferred bidder.
- 5.4 The three authorities have been working in partnership to develop the LGSS vision and evaluate a range of delivery options. The original business case for LGSS present to members in December is currently being revised and updated to reflect both the joint position of the partners and recent developments around the potential scope of services to be provided.
- 5.5 The purpose of the LGSS is in simple terms to:

- Reduce the overall cost of corporate support services for the founding partners, through sharing investment, economies of scale, process optimisation, service redesign and service consultation.
- Provide high performing support services that are specifically designed to meet the needs of local government using best practice: and
- Potentially generate profitable revenue from offering support services to other public sector organisations that seek a viable alternative to traditional outsourcing. (although there will be no assumption around income in the business model, this will need to stand alone for the three founding partners)

- 5.6 A joint governance structure for the LGSS is in place and includes a Strategic stakeholder Board including the Senior Responsible Owners (SRO's) for the programme, the Chief Executives and the Leaders and/or Responsible Cabinet Members from each of the authorities. In addition there are a number of operational boards responsible for managing the delivery of the proposed LGSS.
- 5.7 The three authorities have sought independent commercial, procurement and legal advice from jointly appointed advisors, Deloitte's (Procurement) and Sharpe Pritchard (Legal). Support has also been received from 4P's, the central government agency which supports local authorities with partnership and project delivery.
- 5.8 The three Councils have also appointed a joint programme manager to drive the project forward.
- 5.9 Initial high level briefings were held for internal staff and this has been supported with the intranet and grapevine update. Officers have also met with Trade Unions and kept them abreast of progress. Work shops were also held on 26 and 27th March with the wider professional advise staff to consider the potential scope for LGSS.
- 5.10 The notes presented by the various professional support services in relation to their service areas can be seen attached at appendix A. In principal, although there were lots of concerns and issues that need greater understanding, there were no areas at this point that should be ruled out of scope.
- 5.11 So, at this stage, it is recommended that all transactional and professional advise services are in scope, unless during the procurement process it is proven not to be suitable to include them in scope. It is important that the Council's are clear on this as it will need to be defined within the OJEU.
- 5.12 Having said this, the Strategic Stakeholder board had to consider three options for service delivery, and the recommendation was to pursue option 3.
- Common scope transactional services only
 - Common scope – end to end including all professional support services
 - Different scope.
- 5.13 Different Scope is based on the three partners transferring and buying back different services. Potentially LGSS would be able to offer a complete range of services to new customers.

Opportunities	Issues
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<ul style="list-style-type: none"> • Support the development of a professional services culture, and offering a wider range of staff development / progression opportunities • Ability to achieve financial benefits for the organisations that transfer and buy back common services through pooling professional resources • Potential customers would be able to see that the service offering can be pragmatic and varied (i.e. it is possible to select specific services, not buying everything) 	<ul style="list-style-type: none"> • Inconsistency of service transfer and take up could reduce the credibility of the venture. It could create the following questions “why is the service not good enough for and shared by all the founding partners?” <ul style="list-style-type: none"> ○ Staff within the organisations that are transferring compete services may resent and challenge why this solution is not appropriate for the other partners ○ Potential customers may be concerned that the founding partners that do not buyback certain services made the decision due to poor quality or costly provision. • Required a more complex profit sharing model to recognise the different levels of resource and investment contributed by the founding partners. • A different view of scope could appear to demonstrate a different aspiration and ambition for the service.
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5.14 The strategic stakeholder Board endorsed a number of recommendations in relation to the structure and scope of the proposed LGSS that are summarised below.

5.15 That we pursue the creation of a LGSS Joint Venture Company, with the three founding Councils having the majority equity share, which is consistent with the vision of a Shared Service designed by Local Government for Local Government.

5.16 That the LGSS is more likely to be successful if the range of services it offers is broader and includes end to end processes including professional advice than a purely transactional service, hence the internal workshops. Sloughs current view of wider ranging services fits with NCCs. CCC have confirmed that they intend only to transfer common transactional services.

5.17 That the LGSS is more likely to be successful if we use staff with local government expertise to deliver these core corporate services rather than outsource the provision of these to a 3rd party, again consistent with the vision of by local government for local government.

5.18 The range of services that we expect the private sector partner to provide as part of their role in the joint venture has also been further defined and is focussed mainly on

hosting of the Oracle Solution and marketing the LGSS and transactional support services to new customers:

- Oracle software hosting and maintenance etc – this contact will generate regular income for the partner
- Oracle development, enhancements and optimisation
- Marketing 0 active promotion of the LGSS to the sector, based on the LGSS being the private sector partners primary route to market within the sector.
- Commercial support to negotiate and close commercial deals with new customers
- Operational transition support for new customers to the LGSS, and for any support required to support the founding partners to the LGSS
- Potential to deliver minor elements of transactional business process for the LGSS that are not customer facing, for example document scanning or bulk printing.

5.19 The development of LGSS is seen as having three key stages:

- Phase 1 Operational Convergence and Procurement – the three authorities work together to align their processes to best practice, future proof joint designs, develop the Oracle ERP solution through an agreed roadmap, deliver cashable savings where possible through shared service operations, whilst procuring an effective private sector partner for the LGSS
- Phase 2 Optimisation and Stabilisation – having appointed a partner, a joint Venture Company (JVCo) is set up to deliver the LGSS and optimise processes / operations. This phase will see the service stabilised and promoted to the market.
- Phase 3 Growth and Improvement – the service continues to be improved and developed, with new authorities able to become contracted customers through the framework agreement. The LGSS JVCo will also be able to bid for new customers competitively.

5.20 Further to the original soft market testing carried out by NCC and CCC, recent informal approaches to suppliers and other experts indicate that there would still be interest from private sector suppliers in bidding to join the LGSS as a minority equity shareholder, following the development of the authorities vision for LGSS.

5.21 Indications are that there is now a much greater degree of interest from other local authorities and public sector bodies in a shared offering such as LGSS. Shared services continues to be a significant part of the national governments efficiency agenda and further pressure is likely in forthcoming comprehensive spending reviews (CSR's).

5.22 Following the appointment of the joint program manager, a detailed project plan has been produced, risk register refreshed and the governance arrangements refreshed, to ensure that the timescales are realistic and deliverable.

5.23 Work is continuing on preparing for the issue of an EU procurement notice based on the above assumption during the summer.

5.24 In light of the above changes in respect of both the scope and the LGSS set up, the original business case and financial implications presented to cabinet in December are being updated. This is being led by Cambridge on behalf of the three organisations and will be presented back to cabinet in June. It is possible with the

scope widening that greater resources are required to be invested at the set up stage, but that greater returns are able to be deliver through the venture.

6 **Conclusion**

This report outlines the developments to the opportunity Slough has to commence a joint procurement with two other Council's on behalf of other local authorities and select a private sector partner to enable the creation of the Local Government Shared Service joint venture.

7 **Appendices Attached (if any)**

A Feedback from support service work shops.

8 **Background Paper**

None

Finance and Business Support

Services			
In	Out	Mix	
		✓	B, Monitoring
		✓	Closure of Accounts
		✓	Statistical returns (Govt returns)
			Grant Management
		✓	B. Build
✓			Challenge critical
			Supporting projects
	✓		Integral part of service management teams
			Co-ordinate ./ disseminate financial management information
			Re- modelling of service delivery
			New initiatives (local)
			Professional support and expertise
			Main conduit for DSG- School Forum – Local

Service is designed with customer in mind (*ABH comment)

We know that our Customers / departments want, more of what they currently get
 - G7B/ Club/ Decs

- Added value
- Personalisation
- Critical challenge

- Finance £ under pins all service delivery
- Reducing £ in the future
- Slough history tells us there is volatility – strategy actions locally to bring in line
- Can we afford to loose control who pays – LGSS?

Democratic Services

Electoral Registration-

Possible?
Local circumstances
Joint ERO?
Standard/ Process/ Canvass

Elections

Postal Vote Issue/ opening
Standard process
R.O. Needed for each

Committee Servicing

Agenda Prep/ Printing/ Circulation
Attendance/ Minuting
Procedural / Constitutional advice

Would require constitution to be same and political makeup/ Local consultations influence

Modern Gov- Templates
 Good practice
 Benefits

Member services Civic- Majority
 Support- Equipment - Laptops and support
 IT- Web pages for members and maintenance

Code of conduct statutory safeguarding etc

Training and Development

Benefits?
Core elements poss.

Member Allowances-

No - costs of travel etc local knowledge and circumstances
Payment = Payroll, all schemes local

Remuneration Panel

Possibly establish one for all 3 authorities

Standards Committee-

Investigations
Complaints (Legal) Yes
Local knowledge needed

Assessment and Determination
No

Constitution

Comm to all? No
Local considerations and procedures

Tender opening

No

School appeals

Common people clearing
Pressure point summer appeals
Local knowledge
Procedures
Costs on shared panel members

Economic Development

1. Services

A- Economic Development

- ✓- Policy and Strategy and Information
- ✓- Delivery – Employment and Skills and Enterprise
- ⊖✓- Leadership and Partnership working

B- Voluntary Sector

- ✓ - Vol sec strategy / policy
 - ✓- Grants administration
 - ⊖ ? ✓- Partnership / Leadership/ Compact allocation
- Equalities and Cohesion
- ✓- Policy and Strategy – Advice legislation
 - ✓- Partnership

Concerns

- Local Knowledge
- Political / Cultural
- Relationship building
- Key person dependency

Human Resources

1. Policy Development

- Legislation- In
- Best practice/ operational – In
 - Difficulties
 - Priorities
 - Cultures

Logistical Issues

- Agreement
- Sign Off
- Consultation
- Communication
- Embedding

2. Advisory

- General advice – In
 - Telephone / email
- Complex cases- ?
 - Management support
 - Knowledge of the organisation
 - Precedent
 - Local Arrangements
 - Physical attendance at meetings
 - Case references

3. Employee Relations?

- Complex organisational arrangements
- Ad-hoc informal
- Adversarial element

4. Recruitment of senior posts?

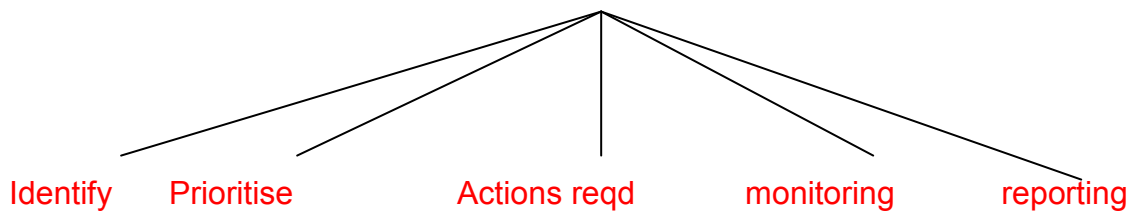
- Control at director and member level to oversee processes

5. Occupational Health- IN

- Counselling services
- Contract management on site

Risk Management (IN)

Facilitisation



Partnership RM ?

6. Project teams- IN

- General advice to cross cutting projects

7. Workforce planning – succession planning- IN

- Understanding data and structures

Legal Services

Legal

LLC

Litigation

Property of contracts

Land Charges

- Local Authority Searches (Con 29)
- Maintain statutory register (LLC1)
- Street naming and numbering
- LLPG - Gazette
- Personal Searches

In or out of scope

- 1) CC do not have LLPG and District Councils/ unitary maint LLC
- 2) Would need access to systems of clients
- 3) Clients would need to maintain their systems to ensure information up to date
- 4) Local knowledge important for accurate search
- 5) Part statutory
- 6) Possibility of shared overheads
- 7) Good possibility for Shared Service

Legal Services / Service description

Litigation

- Housing possession
- Debt claims (complex)
- Disrepair claims
- Housing needs
- Social Care
- JRS
- SEN
- Land Tribunal
- Leasehold valuation tribunal
- Employment tribunal

Property Contracts

- Council House Sales

Prosecution

Housing benefit prosecution
Trading standards
Planning
Environmental health
Licensing *(and appeals)
Highways
Failure to respond
Non school attendance
CC appeals
Recovery of assets
ASBOS/
Commercial leases
Consent to Assign
TPO's

- Stopping mp orders
- Voluntary registration
- RTO's
- Planning Agreements
- Sales Including Auctions
- Acquisitions
- Consultancy contracts
- Compromise agreements
- Bespoke contracts

High Ways agreements
 Enforcement notices
 Street licences
 Contract dispute
 Standard form contract
 CPO's

Advice

- | | |
|---|--|
| <ul style="list-style-type: none"> • Licensing • Immigration status • Schools • FOI/ DPA/EIR • Planning • Standards • Contract compliance
(without constitution) • Statutory powers • Proactive work eg local housing co | <ul style="list-style-type: none"> • Employment • Mental health issues • Procurements • Care needs • Committee Work • Member training • Complex land ? and development • Adult Social Services |
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Work not currently undertaken

- Child Protection legal work
- Insurance claims
- Personal injury
- Routine Debts
- Council Tax Recovery

Consideration:

Area based work eg courts

In/ out Scope

All in as difficult to develop expertise for advice without doing transactional work . Jobs currently are part of transaction part advice.

PROPERTY SERVICES

	Y- (Advice)	N- (Locality)
FXA01		
FXA02	? Is FA module in Oracle adequate	N- Local knowledge
	Y	
FXA03	Y- (Advice)	N- Locality
FXA04	Y	
FXA05	Y	
FXA06	Y	
PM01	Y- Advice	
PM02	Y- Advice	N- Locality
PM03	Y- Advice	N- Locality
PM04	Y- Consistency	N- Validation
PM05	Y	N- Validation
PM06	Y	
PJ01	Y	
PJ02	Y- In theory	
PJ03	Y	
PJ04	Y – In theory	
PJ05	Y – In theory	
PJ06	Y – In theory	
PJ07	Y	
PJ08	Y	

Looked at all key activities of PS
 Fixed assets
 Property management
 Projects

Distinguish between Strategic and Transaction

Local knowledge needed with level relationships with members harder to do and customers	Distinguish where degree of local knowledge required eg office moves and soft services activities
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Concluded: Most activities could be transaction based

If... set up correctly opportunity to define best practice across a range of activities subject to the caveats above, eg Corp L.L

Nervousness about capability of the Oracle modules to support effectively . Are there better systems on market (IPF?)

Cost benefit of some local based services may be hard to justify , eg opps structures for F.M CCTV
 Interserve
 Validation of local maintenance works

TRANSFORMATIONAL AND CHANGE MANAGEMENT

Service , Equalities, and Diversity	IN/ OUT	Justification
	Out local Equalities policy function	Needs to take note of local circumstances
		Professional , consultancy , Potential management of framework
Performance	In?	Benchmarking/ Analysis
	Out	Monitoring, performance reporting
	In	Common PM framework, reporting common languages
Training and Development and O&D	In	Common design/ Syllabus . Generalist training
	Out	Physical delivery
	In	Electronic delivery
	In	Management and Leadership development
	Out	Culture change/ OD
Kevin Gordon S213		