

NORTH LINCOLNSHIRE COUNCIL

CABINET

TRANSFORMATION AND SHARED SERVICES

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 To seek Cabinet approval to progress a programme of transformation and shared services in conjunction with North East Lincolnshire Council.
- 1.2 The key points are:
- The council has an established relationship for sharing services with North East Lincolnshire Council. Scope to transform services through a strategic scale sharing of back-office and customer services has been identified.
 - The Department of Communities and Local Government have launched a Transformation Challenge Award to support the upfront costs of local authorities working in partnership to re-engineer their business practices and redesign service delivery.
 - To coincide with the Transformation Challenge Award the Design Council have launched a 'Design in the Public Sector Programme' for Yorkshire and Humber to increase skills and capability using design methods to help authorities respond to the challenges of re-designing local public services.

2. BACKGROUND INFORMATION

- 2.1 Local councils face challenges in delivering high quality services from a combination of demographic pressures, increasing customer expectation and fiscal consolidation. Against that backdrop leading councils are re-engineering their businesses and resigning their services to make them sustainable over the long term.
- 2.2 Central to this is the need to protect front-line services through exploring transformational opportunities for maximising available resources through radical service delivery models. Key to achieving this is cooperation amongst authorities to share staff, assets and other resources to optimise their effectiveness.
- 2.3 The LGA recently published its shared services map for 2014; it revealed that 337 councils are now sharing services across 383 functions with reported savings of £357 million.
- 2.4 The council has a progressive history of joint working and shared services with partners, principally North East Lincolnshire Council, East Riding of Yorkshire Council and Health. Existing shared services include:

- procurement - NELC
 - local taxation and benefits - NELC
 - museum and cultural services - NELC
 - insurance services - NELC/ERYC
- 2.5 The shared local taxation and benefits arrangement with North East Lincolnshire Council has equipped us with a capability for pursuing larger scale shared service initiatives in terms of understanding and managing:
- business case preparation and development
 - governance models and risk
 - legal structures
 - workforce issues
 - project management
- 2.6 Recent value for money analysis across the policy and resources directorate evidenced a high performing, value for money support service provision. Shared services offer the potential to deliver further value for money improvement and drive out significant savings. Savings through shared services are typically achieved through economies of scale, re-design and a sharing of the following resource costs:
- service management
 - service process efficiencies
 - IT systems
 - support services
 - bought-in supplies/services
- 2.7 A further benefit is improved resilience across services, particularly areas subject to rationalisation as a result of current or planned cost reduction programmes.
- 2.8 To date there has been a preference to engage with North East Lincolnshire Council based on:
- historical arrangements/contact
 - existing relationships
 - geography/size/unitary fit
 - systems and process compatibility
 - demonstrated ability to work together in a trusted partnership spirit for mutual benefit
 - synergies associated with building on existing arrangements
- 2.9 On the 2 April 2014 the Department of Communities and Local Government announced the release of £320 million through the Transformation Challenge Award to be made available to support the up-front costs of local authorities working in partnership to re-engineer their business practices and redesign service delivery.
- 2.10 Of this £320 million, £15 million is available in 2014/15 for a small number of places which by working with other public sector partners, can utilise funds to reform services and make a return in 2014-15. These projects must be 'oven ready' with business plans and partnership agreements in place. There is £200 million capital receipt flexibility to enable councils to use asset sales for transformation projects.

2.11 A further £105 million will be available in 2015-16 to local authorities working in partnership on significant (up to £5 million) transformation projects. DCLG are inviting expressions of interest (EOI) by 1 July 2014. EOIs that are accepted and taken forward will benefit from additional DCLG support to develop full bids by 1 October 2014.

2.12 As part of the council's transformation and budget planning work, discussions have taken place with North East Lincolnshire Council to explore the potential of establishing a shared 'back office hub'. Initial estimates have identified savings in the region of £0.5m to £0.75m for each council from a strategic scale arrangement. Further exploration and plans will be required to validate and achieve these savings.

2.13 The following areas within the Policy and Resources directorate are considered potentially suitable for sharing as part of a 'back office hub' arrangement, as an initial phase:

- | | |
|--------------------------------------|---|
| Human Resources | <ul style="list-style-type: none">▪ Learning & Development▪ Health, Safety & Welfare▪ Occupational Health▪ Transactional HR▪ Strategic HR |
| Financial Services | <ul style="list-style-type: none">▪ Accountancy/Corporate Finance▪ Audit▪ Exchequer |
| Business Support | <ul style="list-style-type: none">▪ IT Services▪ Printing/DPS |
| Legal and Democratic Services | <ul style="list-style-type: none">▪ Legal Services▪ Publications |

2.14 In addition a proposal has been developed to redesign the front end of the local taxation and benefits customer service provision through a user and staff friendly on-line solution, implemented alongside significantly reorganised staff resources enabling expert face-to-face provision for those who need it, focused on benefit claimants and Council Tax.

2.15 The Chief Executives of both authorities have agreed in principle to submit an expression of interest to the Department of Communities and Local Government Transformation Challenge Award to progress the establishment of shared 'back office hub', subject to the approval of both councils' cabinets.

2.16 To coincide with the launch of the Transformation Challenge Award the Design Council has launched a 'Design in the Public Sector Programme' for Yorkshire and Humber. The programme will deliver training to a cohort of 16 participants from across the Yorkshire and Humber area looking at specific challenges and using design methods to help them respond to the challenges of re-designing local public services.

- 2.17 This programme of learning has the potential to enhance skills and capability to deliver a shared 'back office hub' transformation project. A joint application to participate in the programme is currently being pursued with North East Lincolnshire Council to support the customer services redesign project.
- 2.18 The delivery of a shared back-office function will add most value if it is designed to be flexible and scaleable, enabling both councils to meet the needs of their respective organizations' in the future.

3. OPTIONS FOR CONSIDERATION

3.1 Option 1

To approve in principle the development of a shared services back office hub with North East Lincolnshire

3.2 Option 2

To develop a shared services back office hub with other public sector partners

3.3 Option 3

Do not pursue a shared arrangement and maintain back office services "As Is"

3.4 Option 4

To pursue alternative options for transformation of back office functions

4. ANALYSIS OF OPTIONS

4.1 Option 1

Progressing a shared service back office hub builds on established arrangements and relationships with North East Lincolnshire Council. It also aligns with budget timescales and would meet the criteria of the Transformation Challenge Award.

4.2 Option 2

The council has actively explored potential alternative partners previously but a willingness to commit to further development has not been forthcoming. Furthermore the timescales associated with developing new relationships would not meet for the Transformation Challenge Fund or support the council's budget plans.

4.3 Option 3

Maintaining the "As Is" position and not considering shared service arrangements would impact upon the council's ability to meet future budget savings.

4.4 Option 4

Pursing alternative options for the transformation of back office functions would extend timescales and affect the achievement of future required savings. Through a process of soft market testing across a range of Policy and Resources functions the council has been unable to identify any specific benefits associated with alternative service delivery options such as out-sourcing. The council's recent value for money analysis evidenced that the back office is performing well and delivering good value in comparison to other benchmarked authorities.

5. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)

- 5.1 There will be resource implications associated with the back office hub transformation programme. These costs are not quantifiable at this early stage and will be subject to future reports to Cabinet.

6. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)

- 6.1 An integrated impact assessment will be completed and monitored throughout the transformation programme and summary details will be included in future reports to Cabinet.

7. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTEREST DECLARED

- 7.1 The Chief Executives of both North and North East Lincolnshire Council agree in principle to pursue the proposal to establish a shared back office hub. Furthermore they support the proposal to submit a joint expression for the Transformation Challenge Award together with a joint application to participate in the Design in Public Sector Programme.
- 7.2 The council's normal consultation protocols will be observed.
- 7.3 No conflicts of interest have been identified.

8. RECOMMENDATIONS

- 8.1 It is recommended that Cabinet endorse further development work associated with the potential establishment of a shared back office with North East Lincolnshire Council.
- 8.2 That an expression of interest is submitted to the DCLG Transformation Challenge Award to develop a strategic shared back office hub with North East Lincolnshire Council; and
- 8.3 That approval is given to submit an application to participate in the Design in Public Sector Programme in support of the customer services redesign project.

CHIEF EXECUTIVE

Civic Centre
Ashby Road
SCUNTHORPE
North Lincolnshire
DN16 1AB

Author: Rachel Johnson/Jason Whaler
Date: 22 May 2014

Background Papers used in the preparation of this report: None