

NORTH LINCOLNSHIRE COUNCIL

CABINET

TRANSFORMATION AND SHARED SERVICES

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 To seek Cabinet approval to establish a shared back office service with North East Lincolnshire Council.
- 1.2 The key points are:
- North and North East Lincolnshire Councils successfully jointly bid for DCLG 'Transformation Challenge Award' (TCA) funding of £1.9m to support implementation of the proposed shared back office services.
 - It is envisaged that the implementation of this shared services programme will achieve combined savings of £12.6m over a 10 year period, enabling both councils to protect essential front-line services.
 - The savings result from a joint investment of £2.5m including the £1.9m provided from the successful TCA bid.
 - A decision was taken by Cabinet in July 2014 to endorse the setting up of a 'shared back office hub' by the two councils covering ICT, Finance, Human Resources and Legal, with the possibility of expansion into other areas.

2. BACKGROUND INFORMATION

- 2.1 In the current economic climate it is essential that councils continue to seek and deliver efficiencies to maximise resources for the delivery of front-line services. The council's central services have already implemented a significant programme of operational efficiencies and now need to look elsewhere for sustainable, achievable and transformational efficiencies.
- 2.2 The proposed solution is shared services. Shared services will provide the transformational platform for achieving necessary further efficiencies as well as enabling the sharing of skills and knowledge, facilitating the creation of centres of expertise, increasing resilience and enabling future expansion or commercial development.

- 2.3 A joint working group comprising officers from both councils has been set up to lead the programme, with sub-boards leading the developments in each workstream.
- 2.4 Each workstream sub-board has developed a 'vision' for their service which outlines transformational efficiencies, operational outcomes of the shared service and how the needs of stakeholders will be met.
- 2.5 It is considered important to create a shared service of two equal partners. It is not envisaged that either council will take the role of 'lead' partner.
- 2.6 Services will continue to be made available internally but provided more efficiently.
- 2.7 The following governance model is proposed for the shared service:
- a joint committee of the two councils will oversee the shared services, meeting quarterly to guide strategy, ensure achievement and provide direction
 - the joint committee will comprise two or three members from each cabinet
 - this will be supported by an officer board, meeting monthly to oversee service delivery and support the joint committee
 - each shared service will be led by an officer appointed jointly by each council
 - they will report to strategic management in each council (existing Assistant Directors at NLC)
 - other staff within the shared service will retain their existing terms and conditions
- 2.8 This follows models used in other councils (notably 'Onesource' at Newham and Havering), and builds on our own experience of shared services with North East Lincolnshire Council in Local Taxation and Benefits and Procurement.
- 2.9 Discussions have also taken place with external specialists who provided challenge to the model and methodology being proposed.
- 2.10 A 'Memorandum of Understanding' stating the proposed governance arrangements has been agreed by the Monitoring Officers at North Lincolnshire Council and North East Lincolnshire Council. This forms the legal basis for the shared service arrangement going forward and will be signed following a decision by cabinet at each council to proceed with the Shared Service as this report recommends.
- 2.11 Governance arrangements are sufficiently simple and flexible to enable a robust exit strategy if required.

3. OPTIONS FOR CONSIDERATION

3.1 Option 1

To approve the shared service programme and the establishment of shared back office services with North East Lincolnshire Council.

3.2 Option 2

Do not approve the shared service programme and the establishment of shared back office services with North East Lincolnshire Council and maintain current separate arrangements for back office services.

4. ANALYSIS OF OPTIONS

4.1 Option 1

Approval of the shared service programme and the establishment of shared back office services will enable the required efficiencies and budget savings identified to be achieved, will build on existing relationships with North East Lincolnshire Council and will meet the conditions of the TCA award.

4.2 Option 2

Not approving the shared service programme and the establishment of shared back office services with North East Lincolnshire Council would have an adverse impact on the council's ability to meet future budget savings and would result in the conditions of the TCA award not being met.

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

5.1 The shared back office services are planned to begin on 1 April 2016. The financial implication can be summarised as combined savings for both councils of £12.6m over a 10 year period. The savings result from a joint investment of £2.5m of which £1.9m is provided via the TCA award.

5.2 The TCA bid envisages savings of approximately £0.6m per annum for each council from 2017/18. Both councils are also seeking further savings as part of their financial planning from 2017 onwards.

5.3 Savings in 2016/17 are lower as they are offset by contribution to costs of £0.3m by each council.

5.4 The council can be confident that these efficiencies will be achieved from the experience of previous shared services implemented between North Lincolnshire Council and North East Lincolnshire Council. For example, Local Taxation and Benefits has achieved the £1.2m savings target set and is now actively seeking more. Procurement also continues to achieve significant savings from external contracting.

5.5 The costs of the programme are;

- ICT investment to deliver core systems that are common to both organisations and that will facilitate joint working or systems that are specific to particular elements of the shared service
 - workforce related
 - programme management costs
- 5.6 Both councils have already achieved efficiencies of between 20% and 30% in back office services since 2010.
- 5.7 No property implications have been identified at this stage.
- 5.8 The ICT implications of shared back office services have been outlined in the appendix 1.

6. OUTCOMES OF INTEGRATED IMPACT ASSESSMENTS (IF APPLICABLE)

- 6.1 An integrated impact assessment has been carried out and no adverse issues were highlighted.
- 6.2 Potential impacts will continue to be explored and monitored via the shared service programme's risk register.

7. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTEREST DECLARED

- 7.1 Informal discussions have taken place with management, staff and unions.
- 7.2 No conflicts of interest have been declared.

8. RECOMMENDATIONS

- 8.1 It is recommended that Cabinet approves the shared service programme leading to the establishment of shared back office services with North East Lincolnshire Council.
- 8.2 It is recommended that authority is delegated to the Cabinet Member for Policy and Resources in respect of future decisions relating to the implementation of the programme prior to the Joint Board being set up
- 8.3 A further report be brought to a future meeting setting up the proposed Joint Committee and attendant governance arrangements.

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Background Papers used in the preparation of this report

Cabinet report 2 July 2014 – ‘Transformation and shared services’

APPENDIX 1

SHARED BACK OFFICE SERVICE; SERVICE PROPOSALS

1. The proposed shared service programme incorporates four services within Policy and Resources; Finance (including Audit), ICT, HR and Legal.
2. The following outlines the proposed shape and functions of each of those services following the implementation of shared services;
 - (i) ICT
 - a single ICT service with a shared ICT strategy
 - four teams covering all strategy and operational issues
 - aims to build on the good level of synergy in existing systems through standard, shared corporate systems and a single ICT infrastructure
 - a single ICT solution centre/helpdesk
 - data centre consolidation
 - with some operational staff based in particular locations, others working across both areas
 - maintaining or improving on existing service levels and standards wherever possible
 - (ii) Finance

This comprises two service units:

 - (a) Financial Services.
 - three sections: Corporate, Service-desk, Business Partnering, as currently operated in NELC and as planned after restructure in NLC
 - aligned use of the financial ledger system used by both councils
 - NELC to use same the asset accounting system as NLC
 - implement common financial regulations and procedures
 - maintain council-specific elements of corporate and business partnering teams to meet the different needs of each council
 - maintain existing quality standards and outcomes

(b) Internal Audit, Risk and Insurance

- internal Audit team working across both councils
- the lead officer for each council to coordinate outcomes
- joint risk management resource
- continuation of existing insurance shared service with ERYC to maintain access to high level expertise
- the same insurance and internal audit computer systems are already in use

(iii) Human Resources

- four sections: Advisory Service, Business Partnering, Health, Safety and Welfare, Organisational Development and Commercial. This retains key elements of the NLC restructure recently approved.
- a combined Payroll Team using the system in place at NELC and being implemented at NLC on 1 April 2015
- an evaluation of existing HR systems, processes and policies to determine best practice and allow procurement of a common HR/Payroll platform from the end of existing contracts on 1 April 2017
- maintain council-specific elements of the Business Partnering team to meet different requirements, cultures and terms and conditions which are likely to continue
- maintain existing quality standards and outcomes

(iv) Legal

- maintain two existing delivery units to allow focus on council specific needs
- develop common professional practice standards across both units
- share staff and other resources where appropriate

- align use of the case management software used by both units
- reduce spend on external legal support through joint working
- review opportunities for further service integration