

<b>OVERVIEW &amp; SCRUTINY COMMITTEE</b> <b>17 JANUARY 2012</b>
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<b>*PART 1 – PUBLIC DOCUMENT</b>	<b>AGENDA ITEM No.</b>  <b>11</b>
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**TITLE OF REPORT: UPDATE ON SHARED SERVICES**

REPORT OF THE STRATEGIC DIRECTOR OF FINANCE, POLICY & GOVERNANCE

PORTFOLIO HOLDER: COUNCILLOR T.W. HONE

**1. SUMMARY**

- 1.1 To update the Committee on progress with the Shared Internal Audit Service (SIAS) and the proposal for sharing support services with East Herts Council and Stevenage Borough Council.

**2. FORWARD PLAN**

- 2.1 This report does not contain a recommendation on a key decision and has not been referred to in the Forward Plan.

**3. BACKGROUND**

- 3.1 One of the guiding principles for the Council's Medium Term Financial Strategy is that the Council will continue to explore alternative means of service delivery including partnering, enabling, outsourcing, shared services and will aim to make best use of IT and changes to our work processes to ensure cost effective, economic and efficient services are provided at the level the customer requires.
- 3.2 The Council is already involved in a number of partnership arrangements eg:- for CCTV, Procurement and the Hertfordshire Waste Partnership to name a few.
- 3.3 A number of work strands have been pursued and officers across the Council continue to explore all opportunities for sharing services. This report outlines the current progress on the following work strands
- Shared Internal Audit Service (SIAS)
  - Opportunities with East Herts District Council and Stevenage Borough Council
  - Herts County Council Shared Managed Services Contract

3.4 In February 2011, Cabinet resolved that the Strategic Director, Finance Policy and Governance, in consultation with the Portfolio Holder for Finance and IT, be authorised to pursue the partnership opportunity with East Hertfordshire District Council and Stevenage Borough Council through development of a Strategic Business Case. A case was prepared for sharing the following services:

- ▶ Information & Communications Technology
- ▶ Human Resources and Payroll
- ▶ Facilities Management
- ▶ Print
- ▶ Exchequer Services
- ▶ Estates Management

The strategic business case was considered by Cabinet at its meeting on 8<sup>th</sup> February 2011 and Cabinet resolved that work should continue to the detailed business case stage. Cabinet agreed to contribute £26,666 to a total project budget of £80,000 to enable the project to be adequately resourced.

## **4. ISSUES**

### **4.1 SIAS**

4.1.1 The Shared Internal Audit partnership was implemented on 1<sup>st</sup> July 2011. The Councils involved are,

- East Herts District Council
- Hertfordshire County Council
- North Herts District Council
- Stevenage Borough Council
- Welwyn Hatfield Borough Council
- Hertsmere Borough Council

4.1.2 Under the SIAS model, a single partnership provides Internal Audit services to each Council, initially through a collaboration model with potential to move to a more formal Joint Committee arrangement should the authorities decide that the partnership should expand and seek other work. Each authority retains its Audit Committee, which receives regular progress reports on the audit work being undertaken. The Finance Audit and Risk Committee will receive an update report at its meeting on 16<sup>th</sup> February. The SIAS delivers assurance on governance, risk and control areas and provides a wider base of experience, resilience, specialisms and skills.

4.1.3 As a result of entering into the partnership, the Council is saving in the region of £50,000 per annum on its internal audit budget.

## **4.2 Shared Support Services – East Herts. District Council and Stevenage Borough Council**

- 4.2.1 The strategic business case presented to Cabinet in February 2011 identified the potential for savings in the region of £750,000 (£250,000 for each authority) from sharing services. These figures were based on a number of assumptions which required further detailed work to confirm their robustness and to determine the level of savings that are deliverable for each authority together with any investment required to deliver those savings.
- 4.2.2 The key conclusions from the Strategic Business case were set out in the Executive Summary of that document. In summary it was recommended that all three authorities proceeded to complete a detailed business case because the potential economies of scale achievable through sharing could enable the authorities to deliver a quality of service and level of efficiency and resilience that is not achievable individually. The key benefits identified were:
- ▶ Sustainable and resilient support services, achieved through more efficient processes, opportunity to specialise and new ways of working
  - ▶ Revenue savings, currently estimated to be up to £750,000 in total, to be shared amongst the three authorities, although potential set up costs that may arise would need to be considered further in the Detailed Case.
  - ▶ Services delivered consistently to agreed core quality standards
  - ▶ Flexibility to adapt to changing business needs
- 4.2.3 Although the strategic business case established persuasive evidence to justify further more detailed analysis for the majority of support services, it was concluded that Exchequer Services was not viable for partnership at this stage and also that Stevenage would not proceed with Estates Management due to forthcoming regeneration work commitments.
- 4.2.4 Work is currently underway on the detailed business case which will report on whether to partner, the type of partnership governance and organisational structures which might be appropriate and the potential saving for each authority. It will also consider how the implementation of any shared services recommendations will impact upon other organisational priorities. An indicative timescale for the development of the Detailed Business Case was March 2012, although Members will be aware that following the first detailed project planning meeting, which amongst other things considered the lessons learned from the SIAS implementation project, all three Councils agreed to extend the timetable to 31<sup>st</sup> May 2012 to enable full consultation with affected staff and service users.
- 4.2.5 All three authorities were of the view that Members would require robust and detailed financial and service information before the decision on whether or not to proceed to share services could be taken and that extending the time-table to allow all necessary work to be undertaken alongside other commitments was therefore necessary.

### **4.3 Herts County Council Shared Managed Services Contract**

4.3.1 Herts County Council completed a procurement exercise for a framework contract for the following services:

- HR and Payroll processing
- Integrated Facilities Management
- Occupational Health Services
- Financial Transactional Services
- ICT services

SERCO was awarded the contract which commenced on 1<sup>st</sup> April 2011.

4.3.2 Under the framework agreement, all Hertfordshire District and Borough Councils may opt to enter into individually managed call-off contracts, direct with Serco via the SMS Framework. Districts and Boroughs have been provided with a copy of the price catalogue and the Council requested Outline Business Cases for each of the services above.

4.3.3 SERCO indicated that their first priority would be to get the County services working satisfactorily before they would be in a position to take on District work and it was unlikely therefore that any District or Borough would be able to join the SMS contract until 2012/13 at the earliest. Nonetheless, preliminary work has been undertaken with SERCO on the production of outline business cases for all services. These are at a very high level and considerable further work will be required to test the assumptions made and for the majority of services, it has been agreed that we will first consider the savings that might be made through a partnership arrangement with East Herts and Stevenage before committing resources to detailed business cases with SERCO.

4.3.4 One area has, however, been progressed due to the timing of the expiry of the Council's existing contract for Occupational Health Services, with the result that an agreement has been entered into with SERCO for the provision of Occupational Health Services from 1<sup>st</sup> January 2012.

## **5. LEGAL IMPLICATIONS**

5.1 Legal teams at each authority are aware that partnership opportunities are being explored and that Legal advice will be sought and included in the Detailed Business Case.

5.2 The terms of reference for Cabinet state that they are to approve those major service developments or reductions which also constitute Key Decisions. Cabinet also have power to promote and develop external partnerships to meet the Council's objectives.

5.3 Depending on the final proposals that may emerge from work to prepare the detailed business case, there will be a number of employment, procurement and corporate implications which will require thorough examination.

## **6. FINANCIAL AND RISK IMPLICATIONS**

6.1 Finance staff from each partner authority are involved in validating the costs and savings contained within the strategic business case to assess the robustness of the estimates and to assess the scale of any investment that may be required.

- 6.2 Risks associated with the implementation of shared services will be developed to inform a final decision on whether to share services during the Detailed Business Case phase.
- 6.3 The Council's Medium Term Financial Strategy identified that efficiencies will be required in future years to achieve a balanced budget and one of the guiding principles of the strategy is that the Council will continue to explore alternative means of service delivery including partnering, enabling, outsourcing and shared services.
- 6.4 Complexities in the work required to share services and unavailability of key staff could lead to extended timeframes for the project and could have an adverse affect on day-to-day services whilst the Detailed Business Case is being developed. Mitigation includes learning lessons from Best Practice and guidance from specialist external agencies and other local authorities already working in partnership.
- 6.5 Support services, such as Human Resources and ICT, will need to simultaneously be involved in the project work to take forward change as well as being the subject of the change proposals. The project funding agreed by all three Councils will provide resources to develop a detailed business case by May 2012 and also assist in mitigating the impact through backfilling in key areas where it is appropriate to do so.
- 6.6 Availability of key staff could lead to extended timeframes for the project and arrangements have also been put in place to ensure ongoing communication and engagement with staff during the process.

## **7. HUMAN RESOURCE AND EQUALITIES IMPLICATIONS**

- 7.1 Staff and Trade Unions have been consulted on a regular basis as shared support services proposals have been developed. Further consultation with staff and Trade Unions will be undertaken in line with the Council's Policies on Staff and Trade Union Consultation, Reorganisation and Transfer of Undertakings Protection of Employment (TUPE).
- 7.2 The project will involve many complex employment law and people management issues. HR will be simultaneously involved in project work to support each of the service areas through the change, as well as being the subject of the change proposals.
- 7.3 Equalities Impact Assessments will be produced during the Detailed Business Case phase as specific partnership options are developed.

## **8. CONSULTATION WITH EXTERNAL ORGANISATIONS AND WARD MEMBERS**

- 8.1 Communications within and across the three authorities have been conducted in parallel by the respective Communications teams and co-ordinated via this Project.
- 8.2 The respective Leaders and appropriate Portfolio Holders in each authority have been kept informed of the process to date and also of progress with the draft Detailed Business Case.

**9. RECOMMENDATIONS**

- 9.1 That Overview and Scrutiny note the current position in respect of shared service arrangements.

**10. REASONS FOR RECOMMENDATIONS AND ALTERNATIVE OPTIONS CONSIDERED**

- 10.1 To provide Members with an update on the current progress with Shared Service arrangements

**11. APPENDICES**

None

**12. CONTACT OFFICERS**

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**13. BACKGROUND PAPERS**

Cabinet report – Strategic Business Case Shared Services (8 November 2011)

Cabinet report – Shared Services (15<sup>th</sup> February 2011)