

AGENDA ITEM NO. 11

COUNCIL

Date

19 DECEMBER 2013

Title

MEETING THE CHALLENGE - SERVICE TRANSFORMATION AND EFFICIENCIES

1. PURPOSE/SUMMARY

The purpose of this report is to enable Members to note the Council's approach to Service Transformation to deliver considerable savings as part of the Council's MTFS and agree the way forward for potential shared services arrangements.

2. KEY ISSUES

- The Council has successfully delivered £6m of savings since 2010 which is over 30% of our revenue budget through management and staffing reviews (£3.8m, of which £1.3m from management), partnership arrangements, transformation and modernisation of teams, procurement and income generation.
- Whilst delivering these savings front line services have been successfully protected.
- The Council already has a number of successful partnerships and shared services arrangements in place including sharing the Planning Policy team with Peterborough City Council, Waste and Refuse procurement savings through RECAP partnership and the launch of the Chatteris Community Hub.
- During the last twelve months officers have had discussions with potential partnership providers to understand whether a shared service or partnership arrangement for certain services would be beneficial to Fenland.
- These discussions have been based on the two principles, that the quality of service would remain acceptable to the Council and that the proposals generate efficiency savings towards the Council's budget gap.
- Proposals have been developed for potential shared services or in house transformation in 2014/15 which will make a significant contribution to the Council's overall efficiency target.

3. RECOMMENDATIONS

Council are asked to:

- Note the Council's approach to Service Transformation and delivering considerable savings as part of the Council's MTFS
- Note that Cabinet have approved the following next steps:
 - The Council looks at entering into a partnership arrangement for the Council's payroll function
 - The Council soft market tests the ICT function in order to assess further potential savings
- Approve that:-
 - The Council joins Anglia Revenues Partnership (ARP) for Revenues & Benefits
 - The Council receives a further report on democratic and governance

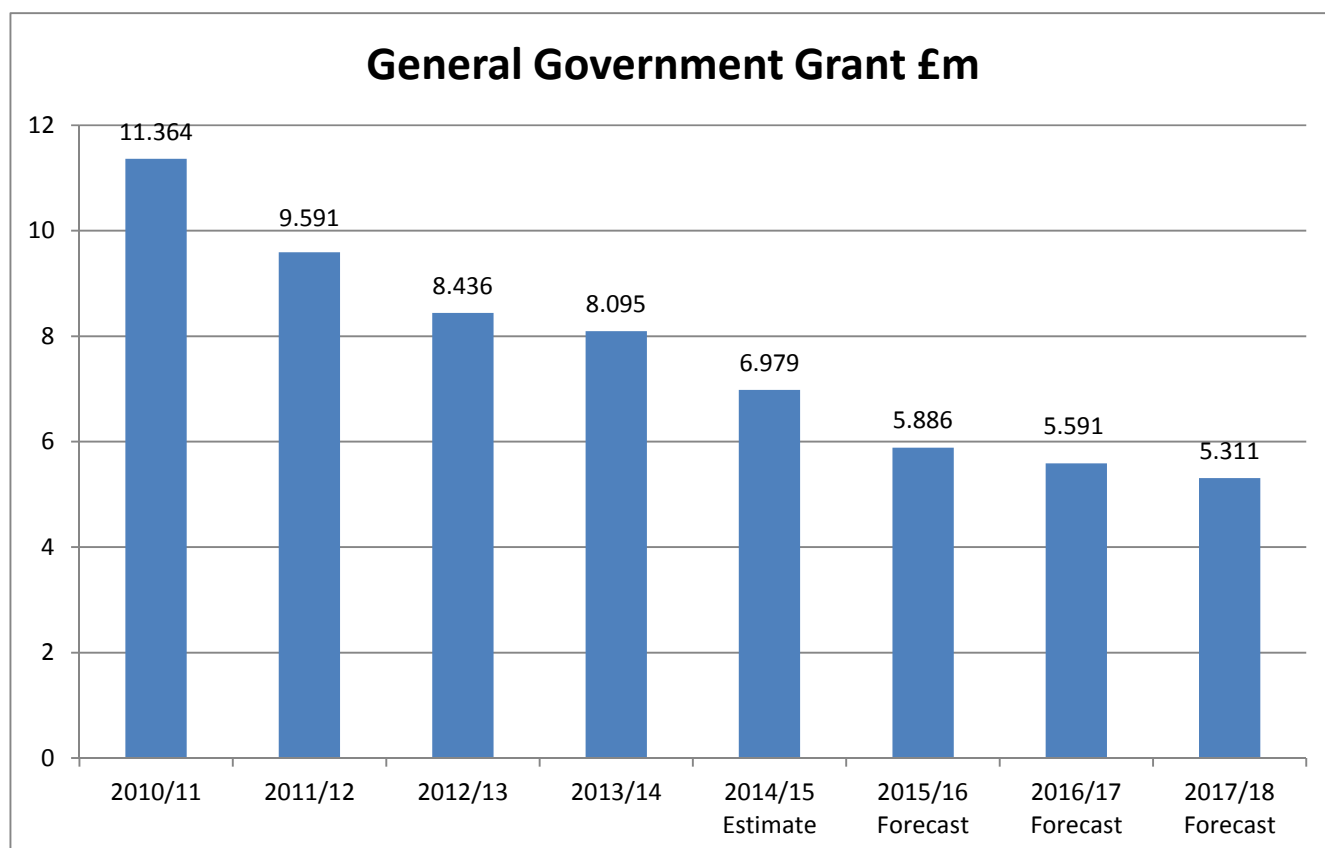
arrangements for ARP to join the Joint Committee in February and the appropriate delegations to ARP to deliver the Revenues and Benefits function

Wards Affected	All
Forward Plan Reference No. (if applicable)	
Portfolio Holder(s)	Cllr Alan Melton, Leader and Portfolio Holder, Policy and Resources Cllr Chris Seaton, Deputy Leader and Portfolio Holder, Open for Business Cllr Michael Humphrey, Portfolio Holder, Finance
Report Originator	Paul Medd, Chief Executive Rob Bridge, Corporate Director and Chief Finance Officer Carol Pilson, Corporate Director
Contact Officer(s)	Paul Medd, Chief Executive Rob Bridge, Corporate Director and Chief Finance Officer Carol Pilson, Corporate Director
Background Paper(s)	

1. FINANCIAL CHALLENGE

1.1 Since 2010, the Government has been putting in place economic and financial policies to reduce the national debt. This has led to significant reductions in funding to Local Government. An emergency budget was announced in 2010 and the following year the reductions to the Council's grant meant we were in the top ten worst affected Councils in the country

1.2 The table below shows the reduction in Government Grant awarded to Fenland District Council since 2010:



1.3 During this period the Council has delivered £6m of savings. £3.8m of these savings have been achieved through staff reviews, of which £1.3m have come through management reductions.

1.4 Members were very clear that savings identified and delivered needed to protect front line services and this has been achieved to date through management and service team restructures, service modernisation/transformation, procurement and income generation.

1.5 The outlook for 2014/15 and beyond suggests that austerity measures will continue past the next general election and estimated financial projections for 2014/15 to 2017/18 show that the Council will need to find in excess of £2m additional savings.

2. SERVICE TRANSFORMATION – WHAT IS IT AND WHY?

2.1 As part of the Council's savings strategy we have undertaken a process of service modernisation and transformation. This strategy is based on maintaining or improving the service by changing the way it is delivered; reviewing processes to reduce and remove

bureaucracy; challenging who it is delivered by; and delivering cashable savings towards the Council's budget gap.

- 2.2 This approach has meant that key front line services have been protected in line with member's wishes, significant savings have been delivered and customer satisfaction has been maintained or improved in most areas.
- 2.3 The continuing pressure on Local Government finances mean further service transformation and partnership delivery will be important to allow the Council to continue to deliver excellent services.

3. WHAT WE HAVE DELIVERED

- 3.1 In the last three years, modernisation and service transformation has been delivered in a number of team areas. These projects have been managed sensitively with teams and proposals have been developed with the teams to allow a smooth transition to take place.
- 3.2 A few examples of where these have been delivered are as follows:
 - Refuse & Cleansing; delivered £178,000 annual savings by reviewing working patterns and routing of rounds. This included the introduction of winter and summer working hours for the team and investing in technology, which provides live information around missed bins and recycling contamination to enable a targeted service approach.
 - Leisure; delivered £188,000 annual savings through introducing new working patterns and reviewing expenditure within the teams. In addition to the savings highlighted, the overall operational deficit has reduced from £1.1m (2009/10) to £400,000 (2013/14).
 - Customer Access; Delivered £192,000 through reviewing the One Stop Shop opening hours to align with customer usage and footfall, and merging our Customer Access, Revenues and Benefits teams.
 - Chatteris Community Hub; delivered £70,000 by working in partnership with Cambridgeshire County Council to co-locate the One Stop Shop within the existing library. A cash payment kiosk has also been introduced to enable customers to continue to pay the Council through a different and more cost efficient operating model.
 - Print and Post; delivered £72,000 savings by merging the Print and Post teams and investing in new printing technology to reduce printing and paper costs and enable behavioural change within the Council.

4. WHAT WE ARE ALREADY DOING / HAVE BEEN DOING

- 4.1 Over the last few years we have had various discussions regarding shared services and partnership opportunities. These discussions have always focussed on ensuring that any arrangement would ensure service quality stays the same or improves and that cashable savings are delivered. This essentially ensures that any shared service arrangement is based on a robust business case that delivers added value to local council tax payers.
- 4.2 There are a number of arrangements currently in place, as follows:
 - Planning Policy team delivered through partnership with Peterborough City Council.
 - Housing Strategy and S106 delivered through partnership with Peterborough City Council.
 - Waste and refuse procurement savings delivered through RECAP partnership.
 - Successful launch of Chatteris Community Hub with Cambridgeshire County Council and implementation plan in place for Whittlesey Community Hub to launch in April.

- Cambridgeshire Public Service Network (CPSN) delivered by partnership working across all Districts and County Council.
 - Commissioned and delivered a review with CapacityGrid to maximise the New Homes Bonus received by the Council.
- 4.3 In addition to these, during the last twelve months, officers have had discussions with three potential providers to understand whether a shared service or partnership arrangement would be beneficial to Fenland, ensuring the quality of service remains and that it generates efficiency savings towards the Council's budget gap.
- 4.4 Discussions have taken place with three potential providers:
- Local Government Shared Services (LGSS); partnership collaboration between Cambridgeshire County Council and Northamptonshire Council to run back office services. LGSS have recently also had Norwich City Council and Northamptonshire Borough Council join, bringing in Revenues and Benefits as a service offered.
 - Anglia Revenues Partnership; this is a partnership between Breckland District Council, East Cambridgeshire District Council, Forest Heath District Council and St. Edmundsbury District Council (and recently Suffolk Coastal District Council and Waveney District Council) that runs all Revenue and Benefits services across the four partners.
 - Liberata/CapacityGrid; an outsourcing private sector company who offer specifically a virtual shared service of Revenues and Benefits across Councils who have joined the 'grid'.
- 4.5 At an early stage, for the purposes of this round of discussions, it was agreed that a focussed number of teams would be looked at initially. These were agreed to be:
- HR, OD and Payroll
 - Revenues and Benefits
 - ICT
 - Legal
- 4.6 These were chosen initially as areas it was felt from the early discussions would be a good starting point to understand and develop partnership proposals. However, this list is not exhaustive and other team areas will now be considered.
- 4.7 Each of these discussions have allowed officers to understand the operating models for each provider better and also understand the democratic arrangements and governance that would apply to Fenland if the Council decided to join them.
- 4.8 For each provider, indicative business cases have been developed to understand what savings could be generated for all partners if Fenland joined, and also identifying any up front costs associated with joining. Providers stated during these discussions that Fenland is already very lean and efficient. This external feedback testifies the transformation/modernisation work outlined in Section 3.
- 4.9 Alongside these discussions, officers have also looked further at in house service transformation to further reduce our costs and to compare to any proposals put forward by potential providers.
- 4.10 The operating models for LGSS and ARP are slightly different and are set out below.
- Governance; Sections 101 and 102 of the Local Government Act 1972 allow for an authority to discharge its functions jointly with other authorities by means of a Joint

Committee, on which Members from each authority will sit and hold an equal controlling interest. For ARP, this is the Governance model used, giving the Council joint control. With LGSS services would be delegated to a Joint Committee comprising Cambridgeshire and Northamptonshire County Councils.

- Savings; for the LGSS and ARP proposals, the business cases propose that the savings are split between Fenland District Council and then the existing partnership. For LGSS, this is either a 60/40 split (LGSS/FDC) for County core services and 50/50 for others. For ARP, the split is 50/50 and then any future savings are split on a pro-rata caseload and hereditaments basis across all partners.
- Costs and redundancies; for LGSS these costs may all fall on Fenland District Council, or could be split by the percentage above. For redundancies, if these were not linked to changes in law and were not within Revenues and Benefits these would be split in line with the previous percentage. For ARP all costs and redundancies would be split as stated above.
- Governance; for LGSS, Fenland District Council would not be a main partner and would not have a place on the Joint Committee. However, the Council would have potentially two councillors on the Partnership Liaison Board to have some influence. For ARP, Fenland District Council would be a full partner of ARP and would have a member seat on the Joint Committee and officer representation on the Operational Board.
- Risk and reward; both proposals are on the basis of all savings and costs are shared, if achieved. This means that if savings are not realised, then the non-delivery and potentially additional costs are shared, however the governance model of ARP allows more influence to be made by the Council on the direction and delivery of savings.

5. PROPOSED TRANSFORMATION AND SHARED SERVICES

- 5.1 As set out, the discussions with potential providers have been based on four potential services areas. These are not exhaustive and in the future, further discussions will take place regarding other partnerships and shared services proposals for other team areas.
- 5.2 The rest of this part of the report focuses on the four team areas which have been explored and sets out a recommendation on the way forward.

5.0 HR, OD AND PAYROLL

- 5.3.1 The HR, OD and Payroll team have been reviewed previously, which over five years has generated over £700k of savings. This team delivers key functions to the Council in supporting all staff in Human Resources issues and ensuring the workforce is developed and staff and members receive their salaries and allowances each month.
- 5.3.2 This has recently been further recognised with the re-accreditation of the Council's Investors in People (IiP) award which demonstrates the excellent work of the team and how this is embedded across the organisation.
- 5.3.3 HR, OD and Payroll function is a core service that LGSS offer and therefore it was appropriate through the Councils discussions that this could be a service area that could be considered to join LGSS.
- 5.3.4 LGSS proposed that they could offer the same level of service and provide the appropriate HR, OD and Payroll services. Due to the commercial sensitivity of the proposal to LGSS, the details are set out in the confidential appendix 1. This offer has estimated savings of £77k for Fenland over a five year period.
- 5.3.5 Alongside these discussions, officers also explored further in-house transformation which could generate savings for the Council. This was useful as a comparison to the LGSS offer

and also would allow on 100% of the savings to be realised by Fenland. These proposals would generate an estimated £275k over a five year period.

5.3.6 The in-house proposals are based on three themes as follows:

- Implement a business partner model; this would involve reviewing the relationship with staff and managers within the organisation, the way the service operates and also removing bureaucracy and process where appropriate.
- Effective use of training budget; a total review of the training budget would take place which would target it to the needs of a changing workforce and organisation whilst reducing costs and budgets.
- Look into entering into a partnership arrangement for the payroll function; a shared arrangement with another local authority or public sector organisation would improve resilience, enable further development across the partnership to generate further efficiencies and realise savings.

5.3.7 On the basis of the higher level of savings generated from the in house transformation proposals (£198k more over five years) it is recommended that this is the way forward for this team area. This review would be implemented through the Council's normal restructure process with appropriate consultations with staff affected starting in the New Year after discussions with Staffside and finally would be presented to Staff Committee for approval.

5.3.8 Cabinet have agreed to investigate entering into a partnership arrangement, once a robust business case is completed a further report would be presented to Cabinet and ultimately to Council for approval.

5.3.9 However, once this has been implemented, further discussions for shared and partnership arrangements could be pursued.

5.4 REVENUES AND BENEFITS

5.4.1 This team area is a high priority for the Council and has a real impact on the community and residents of Fenland. This has had a number of reviews and changes in the last few years that have generated nearly £800k of savings to the Council.

5.4.2 However, delivering further savings in house is an increasing challenge due to the caseload demand. Therefore discussions on potential shared arrangements in this team area seemed the right course of action with other Councils sharing this professional area successfully and generating savings.

5.4.3 As highlighted previously, three potential providers were talked too. At an early stage it was clear that the CapacityGrid proposal would be an in house implementation and there were concerns that this model would impact on the delivery of the service and so was discounted from taking forward.

5.4.4 Positive discussions have however taken place with LGSS and ARP and business case proposals have been developed for both. Both potential partners would be a benefit to Fenland and it is felt that Fenland joining either would also add additional value to their partnerships as we have an excellent team and level of performance. The key differences on the operating model and how costs and savings are shared are set out in confidential appendix 1.

5.4.5 Both proposals generate estimated savings and the LGSS offer estimates to generate £486k of savings over five years and ARP £661k over the same time period. Due to the commercial sensitivity of the proposal to LGSS, the details are set out in the confidential appendix 1.

- 5.4.6 As well as the savings, officers, with Cabinet have also explored the governance. As set out in paragraph 4.10, the governance model for ARP is stronger and would allow more direct influence on the partnership which would drive out additional efficiencies in future years.
- 5.4.7 On the basis of the due diligence on the proposals it is recommended by Cabinet that the Council looks to join the ARP partnership and joint committee.
- 5.4.8 As well as the savings set in confidential appendix 1, it is hoped that the 'resource sharing platform' put in place of seven authorities will attract other Councils to join ARP. This would ultimately drive out further savings, of which Fenland would receive a proportion based on case load and hereditaments.
- 5.4.9 In addition, ARP are also proposing to implement an in house Bailiff Service which Fenland would become part of. This should generate further savings above our current bailiff arrangements and has the potential to generate further income for ARP going forward.
- 5.4.10 The ARP Joint Committee were also considering this proposal on the 12th December and feedback from this will be shared at today's meeting. It is likely that the full year savings in 2014/15 will not all be achieved however due to phasing and transition of certain elements of the proposal.
- 5.4.11 The business case which has been presented to the Joint Committee set out the phasing of the savings and partnership. The proposal sets out that although Fenland would join the partnership in April 2014, staffing changes and savings would be phased over the first six months along with supplies and services savings. This phasing would approximately reduce the year one saving to £137k, of which Fenland would receive £68.5k (the full year Fenland saving would have been £116k).
- 5.4.12 It is hopeful that the savings will be delivered earlier than the phasing sets out, and if this is achieved Fenland will receive fifty percent of the additional savings delivered.
- 5.4.13 In addition, there would be some initial one-off set up costs for ARP in Fenland joining. These are estimated to be £86k which will be split 50/50 between ARP and Fenland District Council (Fenland cost of £43k). It is therefore proposed that both of these costs and any proportion of redundancy costs will be funded by the Council's Management of Change Reserve which was created for these types of Council transformation and reviews.
- 5.4.14 If Council agree that the Revenues and Benefits functions should be delivered through ARP, officers will look to implement this in 2014/15 and bring back the appropriate report on governance and delegating the delivery of these functions as set out in bullet point one in paragraph 4.9.
- 5.4.15 It is proposed that a go-live date of April 2014 is pursued, however there may need to be a phasing to certain savings and activities as highlighted above. The proposals will include potential changes to structures and staffing which would be implemented through the Council's normal restructure process with appropriate consultations with staff affected after discussions with Staffside and finally would be presented to Staff Committee for approval. If Council approve to join ARP it is likely that some staff proposals and consultation will start in January.

5.5 ICT

- 5.5.1 The ICT team have been reviewed previously, which over five years has generated over £1.620m. This team delivers key functions to the Council in supporting all teams and members with ICT infrastructure, software and hardware. However, even with the savings previously generated it is appropriate to review this further.
- 5.5.2 The ICT function is a core service that LGSS offer and therefore it was appropriate through the Councils discussions that this could be a service area that could be considered to join LGSS.
- 5.5.3 LGSS proposed that they could offer the same level of service and provide the appropriate ICT services. Due to the commercial sensitivity of the proposal to LGSS, the details are set out in the confidential appendix 1. This offer has estimated savings of £518k for Fenland over a five year period.
- 5.5.4 As with HR, officers also explored further in-house transformation which could generate savings for the Council. This was useful as a comparison to the LGSS offer and also would allow 100% of the savings to be realised by Fenland. However it is also recognised that a service like ICT should generate savings through economies of scale of being part of a wider shared arrangement.
- 5.5.5 Officers have been able to develop a proposal that would generate savings over five years of £530k. This is slightly higher than the proportion we would receive from LGSS, however once these are delivered, the market could be tested to identify whether further savings could be generated.
- 5.5.6 The in-house proposals are based on three themes as follows:
- Voluntary redundancy request; a request was received and considered by Staff Committee on the 18th November. This has accelerated the in house transformation of reviewing processes and duties and delivered savings in 2013/14.
 - Contract and procurement savings; a high proportion of ICT costs are for hardware and software. These contracts will be reviewed and re-tendered if required to reduce costs and deliver savings.
 - Soft market test ICT function; a function like ICT should through partnership or outsourcing generate savings. Officers believe that once the in house savings are delivered, then testing the market would allow the council to establish what further savings could be generated through a different delivery model.
- 5.5.7 Although the overall savings from the in house proposal are only slightly higher than the LGSS proposals, the risks and high levels of investment do reduce this. Therefore officers recommend that the in house transformation is implemented. Once the first two elements are implemented, Cabinet have also agreed to the Soft Market testing of the ICT function to establish what the interest and savings could be from outsourcing ICT.
- 5.5.8 If agreed, once the Soft Market testing results are received, Cabinet will receive a further report which could lead to a full tender process and Council approval.

5.6 LEGAL

- 5.6.1 The Legal Services team has previously been reviewed, which over five years has generated over £335k of savings. This team delivers key functions to the Council to ensure the Council operates in a lawful manner and fulfils its statutory responsibilities.

- 5.6.2 Legal Services is a core service that LGSS offer and therefore it was appropriate through the Councils discussions that this could be a service area that could be considered to join LGSS. Due to the commercial sensitivity of the proposal to LGSS, the details are set out in the confidential appendix 1. This offer has estimated savings of £85k for Fenland over a five year period.
- 5.6.3 Alongside these discussions, officers also explored further in-house transformation which could generate savings for the Council. This was useful as a comparison to the LGSS offer and also would allow on 100% of the savings to be realised by Fenland.
- 5.6.4 Officers have been able to develop a proposal that would generate higher savings from 2014/15, and a cumulative saving of £300k over five years, of which the Council would keep 100% of the saving.
- 5.6.5 The in-house proposal interlinks with the Revenues and Benefits proposal as through transferring this responsibility to ARP, they will also complete our benefit fraud prosecutions which are currently completed by the legal services team. Through transferring this responsibility, this enables a saving to be made within the team. Therefore, these changes will be delivered alongside the revenues and benefits changes.
- 5.6.6 On the basis of the higher level of savings generated from the in house transformation proposals (£215k more over five years) it is recommended that this is the way forward for this team area. The proposals will include potential changes to structures and staffing which would be implemented through the Council's normal restructure process with appropriate consultations with staff affected after discussions with Staffside and finally would be presented to Staff Committee for approval.
- 5.6.7 However, once this has been implemented, further discussions for shared and partnership arrangements could be pursued.

6. CONCLUSION

- 6.1 The Council has delivered significant savings since 2010 and has put in place an effective savings strategy and service transformation programme to deliver further savings from 2014/15 and onwards.
- 6.2 The recommendations would generate £321k of savings in 2014/15 and £1.766m over the next five years.
- 6.3 Once these proposals have been implemented, further discussions can take place about other opportunities for shared services and partnership working.