

BABERGH DISTRICT COUNCIL

FROM: Head of Customer Services REPORT NUMBER: **J154**
TO: STRATEGY COMMITTEE DATE OF MEETING: 14 January 2010

REVENUES AND BENEFITS SHARED SERVICE - BUSINESS CASE

1. PURPOSE OF REPORT

- 1.1 To outline the potential options for a shared Revenues and Benefits Service between Babergh District Council, Ipswich Borough Council, Mid Suffolk District Council and St Edmundsbury Borough Council.
- 1.2 To recommend which of those options should now be developed into a full business case.
- 1.3 The proposed option for a shared Revenues and Benefits Service offers the opportunity to maintain, and possibly enhance, standards of service; whilst delivering significant savings in accordance with the Council's three year medium term financial strategy.
- 1.4 This report should be read in conjunction with reports elsewhere on the Agenda dealing with the 2010/11 Budget, and with Future Savings and Efficiencies involving partnership working and proposed "preferred partner" status with Mid Suffolk District Council.

2. RECOMMENDATIONS

- 2.1 That the following options are approved for development into a full business case:-
 - Joining an existing Revenues and Benefits Shared Service either as a full partner or as part of a franchise.
 - Creating a new Revenues and Benefits Shared service
- 2.2 That a business case is produced by participating in a collaboration between Babergh District Council, Ipswich Borough Council, Mid Suffolk District Council and St Edmundsbury Borough Council.
- 2.3 That development of the business case is overseen by the Procurement Task Group.
- 2.4 That the Procurement Task Group analyse the business case on completion, and make a recommendation to Strategy Committee on the way forward.

The Committee is able to resolve this matter.

3. **FINANCIAL IMPLICATIONS**

- 3.1 Whilst Babergh's current Revenues and Benefits Service is cost effective, in comparison with the service provided by other Councils, a shared Revenues and Benefits Service has the potential to deliver significant savings. Expert advice indicates that savings of between 15% - 25% could potentially be achieved or in monetary terms between £300K – £375K per annum based upon 2009/10 budgets.
- 3.2 The scale of potential savings (and initial costs) will be examined further by producing a full business case. Producing that business case for the 4 authorities is likely to cost around £50K of which the Council's contribution would be around £13K. Savings from existing budgets and Government grant can be reprioritised to fund the work. An approach has been made to the Improvement East, The Regional Improvement and Efficiency Partnership (RIEP) for the East of England to fund part of the overall costs. If successful that will reduce the cost to the Council.

4. **RISK MANAGEMENT**

- 4.1 The overall high level risks associated with this project are Risk 2 (Shared Services – Failure to pursue opportunities), Risk 5 (Capacity – Inadequate capacity to deliver Strategic Plan Priorities), Risk 8 (Efficiencies and Savings – Failure to meet savings and efficiency targets), Risk 9 (Project and Programme Management – Failure to deliver key projects/programmes). Accepting the recommendations in this report would mitigate against these high level risks.
- 4.2 The table below shows the specific risks to be considered in relation to the project.

Risk	Likelihood	Impact	Mitigation
The savings envisaged are not reflected on completion of the business case.	Low	Critical	Options appraisal completed prior to business case development. Established shared services elsewhere consistently show savings achieved.
Competing activity within the authority hinders delivery of the project.	Significant	Critical	Detailed project plan will be drawn up once the project has Strategy approval. MT sponsor agreed to ensure project does not falter or lose focus. Task Group/Project board will also monitor the project.
The collaboration fails and all, or individual participants, walk away. The Council's reputation is tarnished.	Significant	Critical	Transparent, open and honest communication between authorities. Member sign up. Flexible use of combined resources from day 1 will be an early test of the collaboration.

Risk	Likelihood	Impact	Mitigation
Equalising performance during the early stages of a partnership results in a fallback for the higher performing authorities.	Low	Marginal	Maintaining high performance in early stages cannot be guaranteed. Creating resilience in longer term is a driver for the shared service. Risk is therefore acceptable as a potential short term consequence of achieving a longer term goal.
Existing shared service is unable to support joining with more than one authority.	Significant	Marginal	Business Case will resolve the first point. New shared service is potentially the better overall objective whether or not LGR proceeds.

5. **KEY INFORMATION**

5.1 As part of the Council's overall savings and efficiency programme Officers have been working for some time with colleagues at Ipswich and St Edmundsbury Borough Councils to explore options for reducing the cost of their Revenues and Benefits Services.

5.2 A joint report summarising the need for that activity, the options for reducing cost and the recommended way forward has been prepared by the partner authorities. It is attached as Appendix A. The options identified are :

1. Status Quo- Continue as now
2. Outsourcing
3. Joining with an existing Revenues & Benefits Shared Service
4. Creating a new Revenues & Benefits Shared Service

Options 3 and 4 are recommended for development to a full business case.

5.3 Also attached is Appendix B which sets out the evaluation of those 4 options. An analysis of the strengths, weaknesses, opportunities and threats identified in the options appraisal (A "SWOT" analysis) for each option is attached as Appendix C.

5.4 In developing the potential partnership Babergh Officers have also been working with Mid Suffolk to progress the "preferred partner" agenda (see report elsewhere on this Agenda). An outcome of this work has been to bring Mid Suffolk to the table for the discussions on a Shared Revenues and Benefits Service across four Councils.

5.5 All four authorities are now considering recommendations to participate in, and share the cost of producing a business case assessment. The timetable for the relevant meetings is shown below:-

Mid Suffolk	11 January
Ipswich	12 January
St Edmundsbury	13 January
Babergh	14 January

The Committee will be updated on the outcomes at the meeting.

5.6 It is important that Members are involved in the development of the business case if that is confirmed as the way forward. For partners that will be achieved by Officers reporting direct to the relevant portfolio holder or Cabinet. For Babergh it is proposed that the Procurement Task Group assume responsibility to work with Officers to produce and analyse the business case prior to making a recommendation to Strategy Committee.

5.7 In developing the business case some key issues or principles apply.

- Babergh will work with partners to minimise set up costs, e.g. investment in ICT infrastructure.
- Unison will be consulted and involved at all key stages in the development of the business case.
- Staff will also be consulted, involved where appropriate and receive regular briefings.
- Equality Impact assessments will be undertaken as part of the legal duties set out in the Race Relations Amendment Act and also included under the new Disability Equality duty and Gender Equality duty. An Impact Assessment is a pro-active step to ensure wherever possible preventative measures are taken to avoid discrimination or unfairness on any grounds before it occurs. This is particularly important in terms of:
 - The accessibility of services
 - The way in which services are provided
 - The outcome or service received.
- An Environmental Impact assessment will also be undertaken to establish the contribution the changes will make in reducing Council's carbon footprint.
- The business case will also, as far as possible, outline alternative solutions on particular issues where appropriate.

6. **APPENDICES**

- (A) Joint report of initial Partners.
- (B) Evaluation of the four options identified.
- (C) Analysis of Strengths, Weaknesses, Opportunities and Threats ("SWOT" analysis.) for each option.

7. **BACKGROUND PAPERS REFERRED TO:**

John Layton Associates Ltd – Report for Babergh District Council, Ipswich Borough Council, St Edmundsbury Borough Council in respect of the options for Revenues & Benefits Services. November 2009

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STRATEGY COMMITTEE – 14 JANUARY 2010

REVENUES AND BENEFITS – REDUCING COSTS AND IMPROVING SERVICES

**JOINT REPORT OF PARTNERS - OUTCOMES OF AN OPTIONS APPRAISAL
COMMISSIONED BY BABERGH DISTRICT COUNCIL, IPSWICH BOROUGH COUNCIL
AND ST EDMUNDSBURY BOROUGH COUNCIL**

1. **PURPOSE OF REPORT**

- 1.1 This report sets out the results of the Options Appraisal for the Revenues and Benefits service, and proposes the next steps, which are to develop a business case for a shared service between St Edmundsbury and Ipswich Borough Councils and Babergh District Council.

2. **RECOMMENDATION**

- 2.1 It is proposed that a full business case is drawn up for a shared service between St Edmundsbury and Ipswich Borough Council and Babergh District Council. The business case would be presented to the respective cabinets in March/April 2010, with an aim of having a newly established shared service operational and delivering savings by April 2011.

3. **BACKGROUND**

- 3.1 The financial pressures in the public sector are likely to increase. All political parties, whether the government or opposition, have described their outline plans for significant cuts in public sector funding, and although these cuts are not yet known in detail (and are unlikely to be known until after the general election), what is clear is that significant savings will need to be found in every local authority's budget.
- 3.2 Local government has consistently over-achieved in the delivery of efficiency savings compared to other areas of the public sector. Whilst good for the council tax payer, the result is that it is becoming increasingly difficult to deliver efficiency savings, as services have been reorganised internally or pared back, and income generating opportunities are being considered. In order to prepare for the inevitable future cuts to grant, transformational change will be required. There is no more 'fat on the bone'.
- 3.3 A number of services in district councils could be run more efficiently and effectively if they could secure an economy of scale which individual districts simply cannot do alone. Revenues and Benefits is one of these services. Although districts deliver Revenues and Benefits services in different ways, with different levels of customer interface, use of technology, etc., there is empirical evidence across the country that it is more cost efficient to deliver the service by doing so in partnership, either with other authorities or with the private sector.

- 3.4 Three authorities in Suffolk have joined together to consider whether they could deliver their Revenues and Benefits service more cost effectively if they did so jointly. The authorities are St Edmundsbury and Ipswich Borough Councils and Babergh District Council. The three authorities came together because they were all looking independently to change the way in which they delivered Revenues and Benefits, and considered that a cost-effective way of considering their options would be to undertake a joint Options Appraisal. The Options Appraisal was supported by Improvement East, which as an organisation is keen to support authorities in the creation of shared services and partnership working.
- 3.5 At the point of agreeing to undertake an Options Appraisal, all three authorities were completely open-minded about considering all viable options, and none of the authorities were certain that the partnership of three would be the selected way forward. There was a certain degree of logic in the three joining, since of the seven districts in Suffolk, one is already in an established partnership (Forest Heath, Anglia Revenues Partnership), one is in a long-term contract (Mid Suffolk, CSD), and two had already made a formal agreement to work closely together in all areas of service delivery (Suffolk Coastal and Waveney). However, the brief for the Options Appraisal was to consider each option for each authority, with no preconception about which option would be chosen or which, if any, of the three partners would pursue further joint working in the area of Revenues and Benefits. The work for the Options Appraisal pre-dated the subsequent 'preferred partner' status which St Edmundsbury has signed with Forest Heath, and Babergh is developing with Mid Suffolk.
- 3.6 The Options Appraisal was undertaken in a short time-frame by two consultants, one of whom has extensive experience of establishing a shared service in Revenues and Benefits. Their report sets out four options, with an analysis of the strengths, weaknesses, opportunities and threats of each one, and the likely cost savings that could be delivered in each area. The report also identifies various issues around risk and implementation.

In summary, the options are:

Option 1: Continue as now

Option 2: Outsourcing the services (whole or part)

Option 3: To join with an existing Revenue and Benefits shared service (whole or part)

Option 4: To create a new shared service (whole or part).

- 3.7 Having received the Options Appraisal, the three councils undertook an evaluation of each option. The original brief was clear in that cost saving is the number one priority for each council, although maintenance of at least the same level of service delivery was a pre-requisite for any option being taken further.
- 3.8 From the evaluation it became clear that Option 1 (do nothing) and Option 2 (outsource) were not options that should be taken further. Option 1 could only ever deliver minimal savings (2-3% of current direct costs) and Option 2 would be likely to deliver significantly fewer saving than Options 3 and 4.

- 3.9 Option 3 is to join with an existing Revenues and Benefits shared service. There are a number of possible contenders (including Anglia Revenues Partnership and the Worcestershire Revenues and Benefits Shared service) and a variety of different ways in which the 'joining up' could take place. One concern with this option is that taking on three authorities may not be a viable proposition for the existing shared service players. It may, however, be possible to consider some form of support from existing players to establish a new shared service, possibly in some form of franchise arrangement.
- 3.10 Option 4 is for the three authorities to set up a new shared service. This option holds potentially the highest prize in the long term, since once established, the shared service could become an income-generator for the three authorities, by establishing a trading arm to deliver Revenues and Benefits services to other local authorities. Furthermore, a new shared service would have the opportunity to assimilate the lessons learned from existing similar shared services (a number of which have already been visited by officers) and create a 'best of breed' service for the three councils.

4. **CONCLUSION**

- 4.1 Officers consider that a shared service is likely to deliver the most savings for the three authorities. Further work needs to be undertaken to assess in detail whether Option 3 or 4 would be the best way forward. It is therefore proposed that a full business case is drawn up for a shared service between St Edmundsbury and Ipswich Borough Council and Babergh District Council, on the basis of Options 3 or 4.
- 4.2 The business case would be presented to the respective cabinets in March/April 2010, with an aim of having a newly established shared service operational and delivering savings by April 2011.

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8th December 2009

Background Papers

John Layton Associates Ltd – Report for Babergh District Council, Ipswich Borough Council, St Edmundsbury Borough Council in respect of the options for Revenues & Benefits Services. November 2009

Revenues & Benefits Shared Service				Appendix B			
(Scoring reflects the significance and relativity of the individual and overall scores)							
Criteria	Assessment Factors	Weighting and sub weighting	Option 1 Status Quo	Option 2 Outsourcing	Option 3 Work with existing service		Option 4 New shared service
					3a Joint Service	3b Franchise	
Service Quality	At least current performance level (at reduced cost)	30	15	22	25	25	25
Deliverability	Maturity of market/partners	6	6	6	5	3	3
	Time to implement (the lower the score, the longer it would take to implement)	8	6	1	3	3	3
	Capacity (to deliver a solution for 4 partners at once)	8	1	8	1	1	7
	Complexity (eg of procurement, establishing joint working, etc) (the lower the score, the more complex to deliver)	8	6	4	5	5	5
		30	19	19	14	12	18
Strategic Fit	Fit with Authority service delivery /procurement approach	10	0	5	10	10	10
	Degree of political support	10	0	6	8	8	8
		20	0	11	18	18	18
Risk	Well trod path?						
	Reputation	10	10	8	8	8	8
	Partnership fit	10	5	5	7	7	7
		20	15	13	15	15	15
Sub Total		100	49	65	72	70	76
Affordability	Net present Value - Savings range	50 (1)	5	33	45	45	50
	Net Present Value - Timescale	20 (2)	20	10	15	15	15
	degree of upfront Capital/Revenue implementation costs	30 (3)	30	25	25	25	25
SubTotal		100	55	68	85	85	90
Overall Total		200	104	133	157	155	166
	Note		(1) av savings equated to a max 50 point range - proxy to net present value				
			(2) av timescale inversely equated to 20 point range - proxy to net present value				
			(3) judgement on scale equated to an inverse 30 point range				

Option 1 – Status Quo

The option would be to stay as now but to seek to identify ways of becoming more efficient and reducing costs within the scope of the existing resources.

<p>Strengths</p> <ul style="list-style-type: none"> • Least disruptive of any of the options • Would be seen as a vote of support in the existing management teams • ICT plans could continue as now • No new investment needed beyond existing commitments • No strain on project management resources • Would deliver some savings as there is scope for some efficiencies 	<p>Weaknesses</p> <ul style="list-style-type: none"> • Any change that could be made would be limited to the capacity of existing teams • The familiarity with existing ways of working limits the ability to recognise the true potential of more radical change • Existing resources focused on delivering existing service • Capacity for change limited by the existing scale of operations • Will not deliver the scale of financial savings that each authority wants • Uncertainty whether the robustness of the services can continue to operate under the threat of continued small cuts • Said not seen as priority areas for investment by many elected members
<p>Opportunities</p> <ul style="list-style-type: none"> • The three authorities could establish teams to challenge existing approaches and agree to standardise • A focus on quick wins could be introduced. A lot can be achieved by working together. Examples used elsewhere include establishment of joint training provision and harmonising working practices wherever possible 	<p>Threats</p> <ul style="list-style-type: none"> • The scale of the change is beyond the capability of the existing teams to deliver • The need to reduce costs (revenue and capital) over the coming years causing under-resourcing and inadequate technology • Services to customers suffer overall performance dips

Summary

- 1) The option of continuing as now will not deliver substantial cost reductions but some efficiencies are feasible
- 2) The steps to identify efficiencies from this approach need to be incorporated into the other options
- 3) The option might identify between 2% and 3% of savings.
- 4) Without the economies of scale or more investment in technology, substantial savings are unlikely

Option 2 - Outsourcing the services

This would involve a formal tendering exercise inviting potential contractors to bid for a contract of period of, say, 7 to 10 years for the service delivery

<p>Strengths</p> <ul style="list-style-type: none"> • This is an established route and one that can deliver significant savings • Provides additional capacity to allow transformation that would not otherwise happen • The risks of making the transformation happen are transferred to the contractor • The responsibility for investing in the service are amalgamated into the contract and fall to the contractor • The implementation of change responsibilities are mostly taken away from the Councils • The appointed contractor could provide additional skills that might impact on the Councils in other related areas, i.e. a stepping stone to greater change 	<p>Weaknesses</p> <ul style="list-style-type: none"> • The contractor will have objectives beyond the delivery of the service including the achievement of profit • The scope of the contract can inhibit flexibility and additional tasks can result in unexpected costs • Service performance might dip depending upon the arrangements put in place – outsourcing statistics for revenue and benefits show a slightly lower level of performance compared to in-house and shared service. • Need for a major procurement exercise which would take at least 12 months • Staff appear to fear outsourcing more than other options – more resistance? • Some companies are not favoured by the Councils - but the views are not uniform
<p>Opportunities</p> <ul style="list-style-type: none"> • The three authorities could seek to tender together and share the procurement costs • If a single contract is awarded the councils could share client management. • The savings that can be achieved by procurement are more certain and are often available from day one of the contract (depending upon negotiation). • Savings on direct costs are cited as 15% and potentially more (Ignoring central recharges which would be seen as a matter for the Councils to decide). • Could name other authorities in the tender documentation so that contract arrangements could be cascaded to other authorities – as by Southampton. 	<p>Threats</p> <ul style="list-style-type: none"> • There is neither certainty that any procurement will be successful nor certainty that cost savings achieved elsewhere will be delivered in Suffolk. • There is a suggestion that other authorities are employing outsourcing more as the need for cost reductions has increased and the bidders' capacity to take on work is lessening and they are becoming more selective in responding to opportunities. • The ability to expand work beyond the initial contract work will be limited, albeit that there might be opportunities for joint venture approaches with some suppliers e.g. new entrants • Higher risk of staff disruption • Outsourcing is not an approach that Ipswich has frequently employed in the past.

Summary

- 1) Outsourcing can deliver substantial cost reductions.
- 2) A single contract across all three authorities might deliver higher savings but with a greater risk of non-achievement. A single contract for each authority provides more certainty of outcomes but at the risk of no market interest in smaller packages. Intuitively, a minimum of Babergh plus one other authority approach would be needed to provide significant benefits to Babergh.

- 3) Forgoing the operational control of the service to another entity is a major step and achieving cohesion of objectives, a common specification and joint agreement on contract terms would represent a challenge. The steps to identify efficiencies from this approach need to be incorporated into the other options
- 4) The option might identify 15% and potentially more savings, and these savings would be available from the commencement of the contract. Procurement would incur costs (we suggest £100,000 to 200,000) and would take a year to complete.
- 5) Central overheads presently charged to the service would largely remain with the Councils
- 6) Staff would normally TUPE to the new provider but secondment models have been used. Some suppliers allow continued membership of the LGPS but others do not offer final salary pension schemes.

Option 3 - To join with an existing revenue and benefits shared or joint service (whole or part)

3a) Becoming a full member of a new joint committee with an existing local authority shared service

Strengths	Weaknesses
<ul style="list-style-type: none">• The Councils become full members of the existing joint committee and can share in the benefits and risks of the existing arrangements.• The shared service provides additional capacity and experience to support transformation that would not otherwise happen.• Given that it is a local authority-based organisation there can be a close match of cultures• The risks of making the transformation happen are transferred to the shared service• The responsibility for investing in the service can be shared with the shared service• The implementation of change responsibilities are taken away from the Councils• The shared service could provide additional skills that might allow greater change• Could drive through significant cost savings – 25 or more savings cited (direct costs not full costs) but only if an incremental and staged transformation took place, and allow at least 24 months before full optimal savings possible.	<ul style="list-style-type: none">• There would be a need for due diligence exercise to ensure that the Councils were not taking on liabilities or problems that it had not expected. It is not certain that any shared service would be willing to take on all the authorities or any at all – ARP thinks it would take on 2 Councils. South Worcs are interested in discussing the issue.• Would need a carefully developed agreement and mutually acceptable constitutional documents. Cost and benefit sharing would need to be carefully developed and it is possible that this could be contentious.• A delegation arrangement would need to be put in place giving the joint committees the responsibility for the service.• Other governance structures other than a joint committee structure are possible and these would need to be considered in any business that is considered.• Would take at least 6 to 12 months to put in place, and history shows that authorities can drop out before the revised shared service is implemented• The risk is higher when there are more authorities involved.

3b) Becoming a franchise member of an existing local authority shared service

Strengths	Weaknesses
<ul style="list-style-type: none">• The Councils would need to establish their own new joint committee and enter into a local authority (goods & services) agreement with another shared service to provide support and pool resources.• Any new joint committee constitution would be for its members to agree. They would not need to deal with the needs of the members of the existing joint committee. Similarly, the way that it deals with costs and benefit sharing will be for them to decide.• The existing shared service provides additional capacity to allow transformation that would not otherwise happen. Given that it is a local authority based organisation there can be a close match of cultures• The risks of making the transformation happen are dampened because the new joint committee can draw on the experience of the existing shared service• Could drive through significant cost savings – 25 % plus savings cited (direct costs not full costs) but only if an incremental and staged transformation took place – allow at least 24 months before full optimal savings possible.• Could allow expertise in the existing services to be made available to support the ongoing shared service operation lessening the risks of job losses• Could facilitate a future entry into trading and greater collaboration	<ul style="list-style-type: none">• It is an approach that has never been implemented in this way before however the franchise model has been used in a local authority context. There would be need to seek legal reassurance given its innovative nature.• Would need a carefully developed agreement between the new and old joint committees. Cost and benefit sharing for the new joint committee would need to be carefully developed and it is possible that this could be contentious.• There would be a charge for the support of the change process and project management would be in part handled by the existing shared service.• A delegation arrangement would need to be put in place giving the new joint committee the responsibility for the service. Other governance structures are possible and these would need to be considered in any business that is considered.• Using the Goods & Services Act is an established approach for the collaboration and mutual support. The Goods & Service Act does not allow the other party to make profits (merely recharge costs) and this might inhibit its incentive to drive through change.• Would take at least 6 to 12 months to put in place and the history shows that authorities can drop out before the revised shared service is implemented – risk is higher when there are more authorities involved.• There might be issues in respect of future trading that need to be addressed

Opportunities

- The three authorities could seek to work with an existing shared service and this offers the potential of working with a team that has gone through the shared service process before. All three of the alternative sub-options secure this.
- Again each sub-option offers similar savings ignoring central recharges which would be seen as a matter for the Councils savings on direct costs are cited as 25% and potentially more.
- The potential access to trading income could be accelerated by working with an established player but the first priority should be to ensure successful amalgamation and lower costs.
- Could be a quicker way to making savings and bringing about service transformation

Threats

- There is no certainty that any agreement with an existing shared service can be achieved under any of the sub-options albeit there does appear to be an appetite for expansion in ARP and South Worcestershire but their capacity to deal with more than 1/2 authorities needs to be questioned.
- The existing shared services use different systems and ICT platforms which will introduce a different element into standardisation. Option 3 (b) could allow such differences to exist but this may hamper resource interchange.
- Employment issues would for the Councils to sort out – the various alternatives include employment with existing Council, secondment or TUPE. HR professions at the 3 Councils seem to favour incremental approach.
- Risk of staff disruption as there will be a need to change work patterns, locations and possibly terms and conditions
- Risk of disagreements between the Councils leading to a shared arrangement that does not happen for one or more of the Councils. This risk increases where there are a greater number of parties involved with the negotiations and discussions

Summary

- 1) This approach potentially provides the access to the expertise of those that have already gone down this path and they can deliver a reduced risk option compared with setting up a new stand-alone shared service
- 2) The two approaches identified have slightly different risks and benefits: collaboration through a contract provides a service support methodology but without any long-term partnership commitment; joining as a full member of an existing shared service provides the embedded partnership but will require careful negotiation and will require all existing partners of the shared service to be content with the new structure and financial arrangements; the franchise approach provides the partnership link and could avoid some of the complex negotiations that a full partnership would give - but it is a new path.
- 3) This approach could deliver significant savings relatively quickly but the capacity of the existing shared service operations to take on 3 authorities at one time has to be questioned and a phased approach would need to be considered. Precedent shows that there is a real risk that at least one Council would hesitate and possibly withdraw before any new shared service was established.

Option 4 - To establish a new revenue and benefits local authority shared service

This option is to form a single shared service for the governance and delivery of defined services for all three authorities

Strengths	Weaknesses
<ul style="list-style-type: none">• It would enable the Councils to determine their own way forward and design a solution that best fits their needs. In short, it would be a tailored solution for the participating Councils.• The shared service could provide additional skills that might allow greater change• Could drive through significant cost savings – 25 % plus cited (direct costs not full costs) but only if an incremental and staged transformation took place – allow at least 12/24 months before full optimal savings possible.• HR arrangements can be established that closely match needs of the new service• Co-location issues can be decided without any consideration of existing sites and operating bases other than the ones used by the Councils themselves	<ul style="list-style-type: none">• The shared service development would require an injection of capacity to allow the new shared service to be formed and developed. It will need a considerable amount of resource to achieve agreement between the Councils on the way forward – leadership and commitment would be vital.• Without additional support there would be an increased risk of failure and/or slower progress than outsourcing or working with an existing shared service• Would need a carefully developed agreement between the Councils and a mutually acceptable constitutional document.• Cost and benefit sharing would need to be carefully developed and it this could be contentious.• The risks of making the transformation happen are retained within the authorities The responsibility for investing in the service may be capable of being shared• A delegation arrangement would need to be put in place giving the joint committees the responsibility for the service. Other governance structures are possible and these would need to be considered in any business that is considered.• Would take at least 6 to 12 months to put in place. History shows that authorities can drop out before the revised shared service is implemented. Risk is higher when there are more authorities involved.

Opportunities	Threats
<ul style="list-style-type: none"> • Potentially this route maximises savings, ignoring central recharges. The savings on direct costs could be between 25% plus and could reach 35% plus lower implementation costs but at the expense of greater risk. • When the Councils have successfully established the shared service this would open up the opportunity of either expanding the service to other local authorities through enlarging the service or the creation of a trading entity. • The first priority should be to ensure successful amalgamation and lower costs. • Office space could be made available in Ipswich for a co-located service • Performance by the councils is quite similar (and good) for all of the services 	<ul style="list-style-type: none"> • There is no certainty that a new shared service can be achieved and such an approach has significant risks. The Councils would need to be satisfied as to each other's commitment and alignment of vision, commitment and shared financial benefit – securing agreement between three Council is much harder than agreement between two. • The existing services use different systems and ICT platforms which will introduce a different element into standardisation. • Customer services arrangements are very different across the three councils • Employment issues would be for the Councils to sort out – the various alternative approaches include employment with the existing Councils, secondment or TUPE. The HR professionals at the three Councils seem to favour an incremental approach. • Risk of staff disruption as there will be a need to change work patterns, locations and possibly terms and conditions • Risk of disagreements between the Council meaning that a shared arrangement does not happen for one or more of the Councils – this risk increases where there are a greater number of parties involved

Summary

- 1) This approach potentially provides the most tailored solution but at greater implementation risk compared to working with an existing shared service. It is an approach that could give rise to highest financial benefit but higher than average implementation risk.
- 2) This approach could deliver significant savings relatively quickly but the capacity of the existing operations to take forward the option would be a challenge and there is a risk that the development of the new arrangements would be slow or that some problems prove insurmountable.
- 3) The principal barriers to change include: different service approaches, different employment arrangements, different ICT platforms, differing customer services and no consensus on the basic heads of agreement
- 4) If this approach was selected it would need to be considered as similar to a procurement with significant project management in place, hard negotiation skills present, sufficient HR, legal and financial skills made available.
- 5) There would be a need for some up-front investment to secure and maximise savings.
- 6) The shared service could be agreed and implemented relatively quickly provided that the partner authorities were decisive and made the necessary staff and other resources available.