

**South Norfolk and Breckland Councils
Shared Services Business Case**



May 2010

Sector and SOLACE Enterprises

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Executive Summary

Introduction and Overview

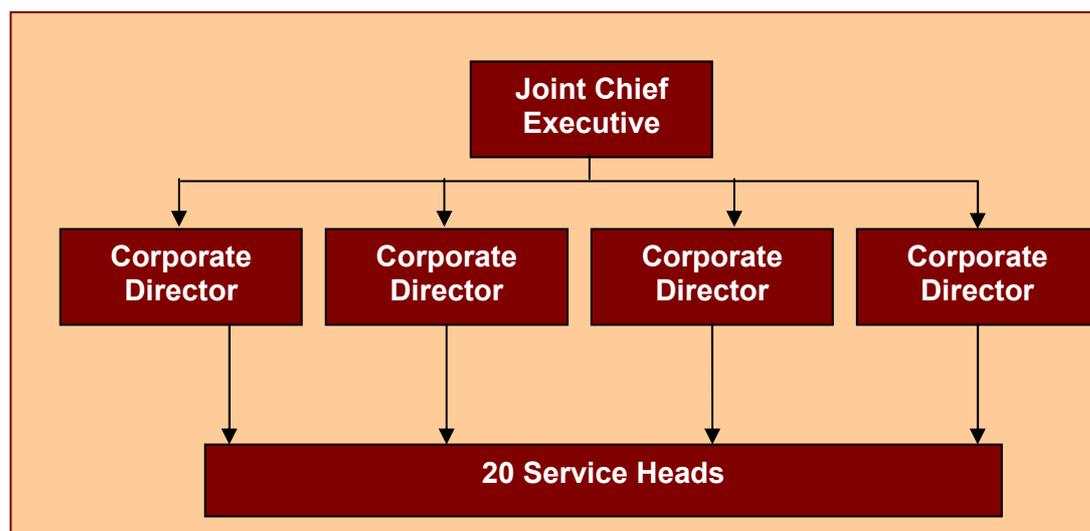
Breckland and South Norfolk Councils are investigating the potential for sharing services. The drivers for sharing services between the two Councils are to accrue economies of scale to help meet the challenges of potentially reduced financial resources and increasing demand on services while improving the standards of service delivery.

The Business Case identifies significant opportunities to work together for mutual benefit. The benefits available are a mixture of financial savings and service improvements. Additionally, the Councils have sufficient congruence in objectives and policy to make widescale sharing of services feasible and though there are challenges that need to be addressed, these are manageable. The conclusion reached is that sharing services towards the goal of a single workforce can be achieved using a staged approach, summarised as:

- Developing a shared senior management team;
- Developing shared “back office” services;
- Moving forward the other options to share services; and then
- Sharing those services with existing contractual arrangements in place.

Shared Senior Management Team

It is recommended that there be a joint senior management team. That senior management team, in conjunction with members, will be responsible for the implementation of the new arrangements. Such management arrangements provide an impetus to the introduction of the other aspects of shared services and, indeed, are assisted in its operations by further shared services. We have designed the senior management structure based on our review of activity levels and our knowledge of similar Authorities. The structure will, of course, be a matter to be determined by the two Councils. The structure applied in the Business Case is shown in the diagram below.



The Back Office

This part of the shared services initiative involves the two Councils sharing all of their “back office” activities. Sharing services provides a range of opportunities, including using economies of scale to deliver savings, improve service quality and resilience and extend potential trading opportunities. There is an extent to which control over and tailoring of the back office services will be reduced though that can be managed by appropriate governance and service management arrangements. We have defined the back office for the business case as including the following activities.

Finance	Elections	Legal
ICT	Printing	Revenues and Benefits
Human Resources	Asset management	Customer Services
Communications	Internal Audit	

Internal Audit is already subject to shared service arrangements between the two Councils and other partners. Revenues and Benefits and Customer Services provide key issues that need to be resolved prior to the sharing of services. Breckland’s Revenues and Benefits is subject to partnership arrangements with other local authorities. Customer Services is dealt with in very different ways in the two Councils. It will, consequently, be necessary to give more detailed consideration to the means by which these services are shared. It will also be necessary to align, to some degree, the Customer Service strategies of the two Councils prior to fundamental service sharing in that area. Nonetheless, there are potentially considerable savings and service improvements to be gained in these areas.

Other Shared Service Opportunities

The feasibility study identified that there were a range of other services where there were opportunities to share services to potential mutual benefit. These service areas include:

Community Services	Licensing	Members Services
Corporate Core	Economic Development	Miscellaneous and Offices
Environmental Health	Housing	

If the Councils are minded to move towards the single workforce option then pursuing these options provides early opportunities to improve services and deliver efficiency savings. The introduction of a joint senior management team will provide some considerable impetus to this process. Managers will be keen to simplify the reporting lines and service provision arrangements they have to manage. It is, however, important that there is structure around the extension of shared services.

Outsourced Services

Environmental Services and Planning and Building Control services have been outsourced by Breckland to Serco and Capita Symonds respectively. South Norfolk’s Planning and Building Control services are provided through partnership arrangements with Broadland and Norwich Councils. These are areas where there are potential large scale benefits through sharing. However, the commercial and

contractual arrangements will make that a complex and potentially difficult matter to address.

We do not believe that it would be appropriate, nor indeed necessary, to make a judgement at this juncture as to the optimal way forward in either of these service areas. More detailed work needs to be done to fully assess the options. That appraisal does not need to be commenced until 2013 for Environmental Services and some time into the future for Planning and Building Control.

Investing in Transformation

The proposed move towards a single workforce solution requires a major change programme. That cannot be achieved without significant investment. To that end we have made provision for investment in IT and for the programme and change management, Finance, HR and IT personnel resources required to complete the change. The Councils are keen to achieve the staffing reductions consequent upon the change programme through natural wastage and redeployment. We have, however, made some limited provision for redundancy costs where such options are not feasible.

Part of the drive towards partnering between the two Councils is to provide the critical mass to allow for future investment and re-investment in systems and technology. There will be a requirement to invest in order to achieve effective sharing of services. However, it is essential that the two Councils also retain the capacity to invest in new technology and new ways of working in order to continue the drive to improve services and improve value for money and efficiency into the future. A high level assessment of the resources required to deliver that has been made and separately included in the Business Case financial analysis.

Form of Joint Venture

We do not believe that the Business Case needs to arrive at precise conclusions on this matter as there will be further work required to develop and test the options. There are a number of joint venture structures that could be established including, for example, a joint venture company that provides the services using a combination of its own staff and staff seconded from the Councils. Our view is that there is little to be gained from a formally constituted organisation for the delivery of shared services at this stage, because of the complications, costs and legal implications.

We are of the view that the initial move towards a shared joint management team and shared back office services should be undertaken on the basis of an agreement between the two Councils that details the financial and staffing arrangements, how assets are to be treated and the decision making processes.

Staffing Issues

It is likely to be necessary to align staff terms and conditions. The current terms and conditions of the two Councils are similar in many respects and the areas of difference are relatively minor and should be capable of being resolved. If the Councils intend to formulate common terms and conditions of employment, this will provide a unique opportunity to ensure they facilitate development of the desired culture rather than perpetuate arrangements that have developed over time and might not be appropriate for the future.

Governance

Governance is an issue that needs to be carefully considered. In terms of formal political arrangements the lessons from other local authorities suggest that these be relatively limited in scope and probably limited to the appointments and performance management arrangements. There will need to be further more informal arrangements put in place to enable the effective sharing of services. These arrangements are likely to include regular meetings between the two leaders, matching cabinet portfolios and informal joint cabinet meetings

It is important to consider those issues that are “showstoppers” for both or either Council. If these are understood then they can be managed. Each authority will have its own issues and there should be an open dialogue on these matters. These can be summarised as:

- Lack of political alignment and buy in
- The Vision and Pace of Change is not shared and appropriate
- There is not a “win-win” partnership
- A lack of appropriate levels of support
- Ineffective Governance arrangements

Financial Analysis

In the table below we set out a financial analysis of the business case for moving to a single workforce solution

	2010/11 £	2011/12 £	2012/13 £	2013/14 £	Total £
Investment					
Change Management	303,328	503,328	200,000	-	1,006,656
ICT Investment Charged to Revenue	71,200	166,900	143,000	124,800	505,900
Redundancy & Early Retirement	194,999	97,500	146,250	48,749	487,498
Total Costs	569,527	767,728	489,250	173,549	2,000,054
Shared Service Savings					
Senior Management	424,304	1,018,329	1,018,329	1,018,329	3,479,291
Back Office (inc Other)	77,614	1,296,156	1,296,156	1,296,156	3,966,082
Revenues & Benefits (net saving)	-	-	250,000	250,000	500,000
Phase 2 Services	-	696,725	1,393,450	1,393,450	3,483,625
Total Savings	501,918	3,011,210	3,957,935	3,957,935	11,428,998
Net	-67,609	2,243,482	3,468,685	3,784,386	9,428,944
Transformation Investment					
ICT Revenue Costs	-	-	125,000	187,500	312,500
Other Transformation Costs	-	-	100,000	300,000	400,000
ICT Capital Charges	-	-	84,400	210,900	295,300
Total Revenue Effect of Transformation Investment			309,400	698,400	1,007,800
Total Revenue Savings	-67,609	2,243,482	3,159,285	3,085,986	8,421,144

The above analysis shows a very good rate of return on the investment that is required. It will be important to have effective programme management arrangements including with respect to benefits realisation to ensure that these savings are achieved.

Conclusions and Recommendations

The conclusions of this business case are that working together:

- The two Councils can generate significant economies of scale that can assist in protecting and enhancing service delivery
- Can generate savings of approaching £8.5 million over a four year period from a joint senior management team and shared back offices;
- Are capable of generating significant further savings and service improvements from other services being jointly provided;
- Can also, in the longer term, achieve benefits from joint provision of Environmental and Planning and Building Control services.

The combination of the two Councils would make a major force in the region. Joint spending of in excess of £50 million per annum and a population served of close to quarter of a million provides the opportunity for building service delivery of even higher standard than currently and that is robust and has high degrees of resilience. It is also recognised that there are significant challenges to be faced and that to achieve effective joint working will require considerable investment to be made.

It is recommended that the Councils:

- Establish a joint senior management team;
- Establish joint back office service provision;
- Undertake further examination of the arrangements for the provision of Revenues and Benefits services and Customer Services;
- Establish a programme team to take forward the implementation of shared services;
- Align their governance arrangements so as to enable effective management of joint services;
- Move towards one set of terms and conditions for the single workforce;
- Make the necessary investment in the change programme; and
- Enter into a shared services agreement documenting the agreement on shared services.

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1. Introduction and Background

1.1 Scope and Background

Breckland and South Norfolk Councils (the Councils) are investigating the potential for sharing services. The strategic drivers for sharing services between the two Councils are to accrue economies of scale that will enable the Councils to meet the challenges of:

- Potentially reduced financial resources;
- Increasing demand on and for services from ever increasing customer expectations; and
- Improving the standards of service delivery to the residents of both Councils.

The Councils are not addressing this issue purely from a financial perspective. They are both keen that sharing services provides a means by which they can improve service delivery and better meet the needs of their communities through increased capacity and greater efficiency.

The Councils are also aware that there is a growing trend towards larger Councils, as the recent experience in Durham, Northumberland, Cheshire, Shropshire and Cornwall demonstrates. By taking action now the Councils hope to pre-empt any direction that may come from government and retain control over their destiny. The recent decision by Government to support new unitary authorities in Norwich and Exeter is likely to be met by a strong legal challenge from both county areas. It does little to settle the uncertainty in the structure of local government in England and suggests that local solutions such as the exercise Breckland and South Norfolk Councils are currently undertaking offers the potential for local solutions which may endure in the current uncertainty.

- Sector and Solace Enterprises have completed a Feasibility Study for the Councils that concluded that there were potential benefits in moving towards a single workforce option in a staged way.

The Feasibility Study identified a number of options for the delivery of shared services. These options were not entirely mutually exclusive, and were:

- Single Service Delivery Organisation;
- Opportunistic Sharing of Services; and
- Shared Back Office.

The study identified that for certain service areas, including Environmental Services and Planning and Building Control, there were contractual and partnership complications that may make sharing services difficult or delay their introduction. The preferred option was that of a **Single Service Delivery Organisation** approached in a staged manner that can be summarised as:

- Developing a shared senior management team;
- Developing shared “back office” services;

- Moving forward the other options to share services; and
- Sharing those services where there are existing contractual arrangements in place.

1.2 Context

Local government in the UK is facing potential unparalleled challenges. The extent of the reductions in local authority budgets that will be faced will only become clear as the new national government brings in its detailed spending plans. It is to be expected, however, that there will be considerable reductions in the resources made available to local authorities through Revenue Support Grant and limited scope for or appetite for bridging the gap through local taxation. The level of savings that will be required is estimated by some to be 15% or higher. Most Councils have concluded that the search for further operational efficiencies is unlikely to bridge the funding gap. That means that there will be a need for more radical options to be adopted. This in turn means that the “do nothing” option is not tenable for most if not all Councils.

1.3 Project Justification

The conclusions of our work are that:

- There are significant opportunities for the two Councils to work together for mutual benefit;
- These opportunities are wide ranging and many can be expedited relatively quickly;
- The benefits available are a mixture of financial savings and service improvements;
- The Councils have sufficient congruence in objectives and policy to make widescale sharing of services feasible;
- Significant progress has been made in terms of joint working and shared governance arrangements; and
- There are challenges that need to be addressed but that these are manageable.

The combination of the two Councils would make a major force in the region. Joint spending of in excess of £50 million per annum and a population served of close to quarter of a million provides the opportunity for building service delivery of even higher standards than currently provided and that is robust and has high degrees of resilience.

We also believe that the sharing of services between the two Councils can provide a basis for further development, whether that be with other locally operating public service agencies or other local authorities.

1.4 Outline of The Structure and Methodology of The Business Case

This business case sets out the proposition for sharing services and the effects that this will have on the major service areas covered. It then sets out the full financial

assessment of the shared services proposals, the assessment of the non-financial aspects including people and assets before setting out the recommended approach to governance. The business case concludes with an Implementation Plan.

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2. The Proposition

2.1 Description

The option that the feasibility study arrived as the most favourable involved a structured, phased approach to the introduction of shared services, moving to a single workforce in a staged manner. In essence, this involved sharing services in the following order:

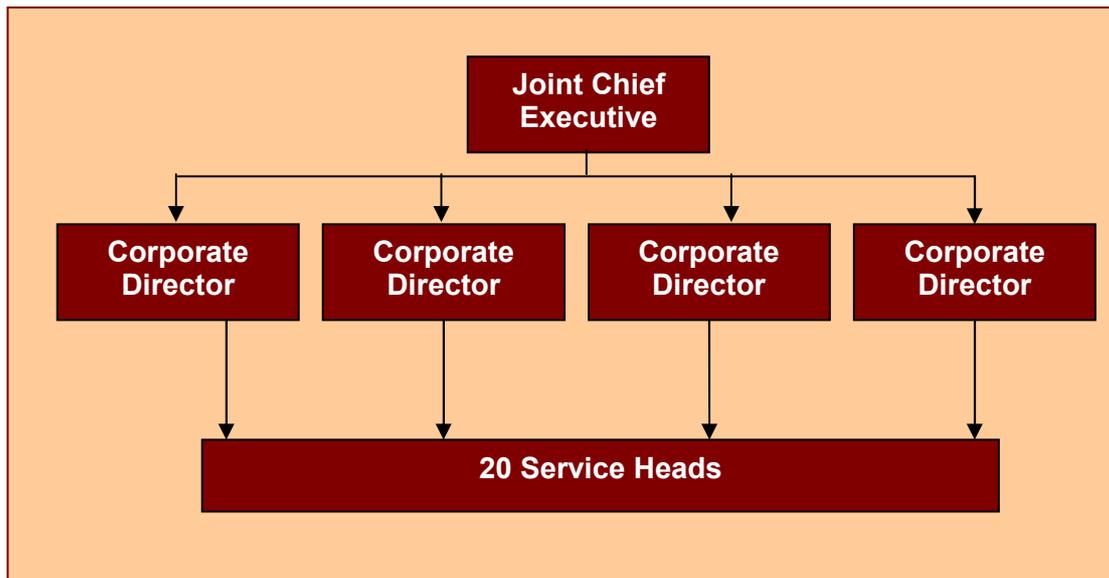
- Shared senior management team;
- Shared “back office” services;
- Moving forward the other options to share services; and
- Sharing those services where there are existing contractual arrangements in place.

This provides a structured approach to the shared services initiative that enables moving from positions of strength to the next stage of the process, brings in change in a manageable way, delivers service improvements and provides financial savings to both Councils.

2.2 Shared Senior Management Team

A shared senior management team could be provided irrespective of any of the other options. However, having such management arrangements provides an impetus to the introduction of the other aspects of shared services and, indeed, is assisted in its operations by further shared services.

The shape of the senior management team is one that needs to be determined by the two Councils with careful consideration. It is, firstly, important to determine where senior management starts and finishes. For the purposes of this exercise we have defined the senior management team as the top three tiers of the management structure. It is also important to recognise that this structure will evolve as the further stages of sharing services are brought into the equation. We have designed the SM structure based on our review of activity levels and our knowledge of similar Authorities.



There are many ways to construct the management arrangements for local authorities. The above is intended to be as generic as is possible. However, there are at least two aspects of it that need to be considered further. Firstly, should there be a Chief Executive Office, probably headed by an Assistant Chief Executive. Secondly a further model could see a Deputy Chief Executive post. Some models promulgated have seen the Deputy lead in one Council while the Chief Executive leads in the other. We would caution against that since it acts clearly against the notion of a shared workforce and is likely to cause management friction. The question of deputising can be dealt with by one of the Corporate Directors acting as the “*primus inter pares*” so that there is a clear management path in the absence of the Joint Chief Executive.

The final consideration is the number of Corporate Directors. The most usual range, in our experience, is between four and five Corporate Directors. We consider that three would be insufficient for the challenges of managing two Councils. Consequently, either four or five would seem most appropriate. We have constructed the financial assessment on the basis of four Corporate Directors. The addition of a further Corporate Director may be worthwhile but would dilute the level of direct savings.

It is clear that the operation of a shared senior management team has wide implications. The savings are generated by a reduced number of senior staff across the two Councils. The consequence of these reduced management resources is a requirement for the relationship with members on one hand and with their staff on the other to be different. In particular, it is essential that there are clear lines of delegation and that the communication channels are set up to be as effective as possible. The challenge for the new management team will be that they have to deal with two sets of political masters. It is vital that both sets of members are in a position where they can impart appropriate political influence but that this is done in such a way so as to not overly consume management time and provide conflicting priorities. This is a key aspect of the governance arrangements as set out in Chapter 3 of this Business Case.

There are examples of similar arrangements working in other local authorities with considerable success. If the governance arrangements are established within a spirit

of and commitment to sharing of services they will work and both Councils and members should enjoy the same quality of management support and commitment to the achievement of their objectives and priorities, albeit in slightly different ways.

2.3 Shared “Back Office” Services

The proposition is that the Councils share their back office services. This option involves the two Councils sharing all of their “back office” activities. The description of back office can be misleading since in many circumstances it will involve activities that are firmly in the front office. For instance, often with Shire Districts to get the critical mass that is required to generate savings from what are generally described as support services Revenues and Benefits are included and, additionally, often Customer Services.

Sharing services provides a range of opportunities, including:

- The generation of savings through economies of scale and the ability to provide more services directly avoiding buying in expertise;
- Enabling the provision of more specialised technical services improving the quality of support provided;
- increasing the resilience of service delivery thus improving quality and reducing the extent of business risk; and
- Trading more widely to develop income and further increase the extent of specialisation and service resilience.

Against the above there is an extent to which control over and tailoring of the back office services will be reduced. Should there be a further widening of the client base these issues will become stronger with the real prospect of the relationship with the back office becoming more “contractual” in nature. There are means of reducing the effects of these issues through appropriate governance and service management arrangements.

Part of the drive towards partnering between the two Councils is to provide the critical mass to allow for future investment and re-investment in systems and technology. There has been under-investment in some areas, resulting in a need to update primary systems through process re-engineering. Additionally, ICT software systems generally have a shorter lifespan and require more frequent reinvestment. With the clear expectation of reducing resources in the medium term, it is essential that the two Councils retain the capacity to invest and to reinvest in new technology and new ways of working.

This will be important in providing the opportunity to:

- Improve services;
- Improve value for money and efficiency; and

Develop services and support sufficient for each Council and capable of being offered to other organisations

The Back Office

In this chapter we have dealt with Customer Services and Revenues and Benefits separately as they are large areas that need specific consideration. The other services under consideration are:

- Finance;
- Communications;
- Elections;
- Printing;
- Human Resources (HR);
- ICT;
- Asset management;
- Internal Audit;
- Legal; and
- Procurement.

Of the above Internal Audit is already subject to shared service arrangements between the two Councils and other partners and no changes are, consequently, proposed

In the remainder of this section we deal with each of the above service areas and the opportunities for sharing services.

Finance

The two authorities use the same financial system and have broadly the same requirements for financial support. By combining the two finance functions there is the opportunity to create savings through:

- Reducing the management structure;
- Using one version of the system; and
- Making best use of the professional and technical resources.

Both authorities have competent and well delivered finance services. They also have broadly the same issues in terms of service delivery and the demands placed on them by the Councils. That provides a sound basis for operating a joint service for both authorities.

It has to be recognised that there are some challenges that will need to be overcome. Firstly, there is a requirement that each authority has a Section 151 Officer. Secondly, there are periods of high workload during the financial cycle that need to be accommodated, particularly during budget preparation and final accounts. However, by careful structuring and definition and management of the processes these should be capable of being accommodated.

Finance includes transactional services such as creditor payments and Treasury Management. These can be provided as joint services providing scope for savings to be generated.

Human Resources

HR is very similar in many respects to Finance. It provides a mix of professional and transactional services and provides corporate support to the two authorities in the delivery of their managerial responsibilities. There are potential benefits to the authorities in moving closer towards a critical mass for the delivery of these services. Consequently, the reasons for savings are very much the same as set out for Finance above. The two Councils have differing areas of strength with regard to HR and the combination of the two will provide opportunities for a more robust and resilient service that is able to provide a wider range of services to the two Councils at lower costs.

The approach to HR will, of course, be considerably influenced by the overall options selected. If the Councils remain with two workforces then a joint HR section will have a more challenging set of services to deliver, while a single workforce will make that more straightforward as there will be a transition towards aligned processes and culture. It should also, of course, be remembered that the process of change in the two authorities will place strain on HR as the new organisational structures are implemented with the inevitable effects on staff.

Both Councils have directed resources towards Organisational Development. It would seem opportune for that to be combined with HR, particularly where there is a single workforce. OD is a much wider matter than HR but a significant (though not the only) challenge to developing a new single workforce organisation will be related to the bringing together of the staff.

In the transitional period, there may be a need for additional HR resources to meet the workload associated with developing and filling the new joint organisation. People are the most important asset in the organisations and it will be essential to provide first class support to people in the organisations and to ensure that proper processes are followed throughout and that equal opportunity is provided for at every stage.

ICT

The Councils have different approaches to the delivery of ICT services. The ICT service at Breckland is largely outsourced with “intelligent” client and project management resources retained in-house. South Norfolk has an in-house ICT service that delivers the broad range of systems support, project management and ICT strategy to the Council. Breckland is almost certain to take the full ICT service back in-house next year. This provides clear opportunities to form a new ICT operation serving both authorities.

There are two broad strands to the ICT operation. One is concerned with the maintenance of the ICT infrastructure and operations and systems support to users. The other is concerned with projects and business analysis. The latter aspect is very much about the application of IT as a means of and in support of improving organisational and service performance. It is likely that the first aspect is best achieved by augmenting the current South Norfolk operation with some or all of the resources transferring under TUPE from Steria.

It has been stated to us that there has been under-investment in ICT for a number of years, particularly in systems and we recommend that a full inventory is taken to ensure that a clear view is obtained of the lifespan and functionality of primary systems. A decision will be made in terms of each of the major applications and we have looked at a number of these in our assessment of the requirements to satisfy the business case. We recommend that a full checklist of systems is undertaken to ascertain the full position.

The quest for greater efficiency and to improve systems within a smaller cost envelop will require significant investment in ICT and a programme of process re-engineering to obtain maximum benefits realisation, across all major systems. This additional investment is essential in terms of realising longer term efficiencies and the capacity to offer services and support to other organisations.

For this reason, and to ensure that the highest standards of HR processes are followed throughout this process, the business case suggests a measured approach to the speed of implementation of a joint workforce. This will avoid heavy front-end costs of possible redundancies as well as offering the opportunity to utilise resources in efficient transition processes.

The projects side of the operation will have a heavy workload in the implementation of Shared Services as systems are shared or changed. The resources of the two Councils and more are likely to be required. To that end the investment set out in Chapter 5 includes provision in that regard. There will be a continuing need for such resources to be applied as part of the transformation and organisational development agenda.

Asset Management

Property management is very different in the two Councils. Breckland is very much concerned with the management of property for commercial purposes. It sees its property portfolio as something to be used to generate a financial return whether that be in revenue or capital terms. South Norfolk on the other hand holds most of its property for purely operational purposes – it delivers services with them.

Our view is that neither Council has a fully rounded property and asset management service. It is also the case that the apparent strengths of each authority are to a large extent complementary. This provides obvious opportunities for pulling together the two services and creating a high performing organisation that assists both Councils use their assets in the most appropriate way having regard to both commercial and service priorities.

A property service headed by a senior manager would have the responsibility for:

- Formulating and monitoring the asset management strategy for both Councils;
- Managing the operational estate including the formation and administration of maintenance budgets; and
- Managing and developing the commercial assets of the two Councils so as to generate optimal financial returns.

The combination of the asset management resources of the two Councils should generate savings through economies of scale and provide an impetus to improving the management of the assets of both Councils.

Communications

Communications relates to the internal and external communications functions of each Council. External communications now very much encompasses electronic media and, in particular, the internet. Proactively engaging through these media requires a strategic approach and the resources to ensure that websites and such as Facebook and Twitter pages are used in appropriate ways. The level of Communications resources in the two Councils is similar though there are differences in the way that they are organised.

There are potential benefits to the two Councils sharing these services. Much of the media that they work with are the same. Sharing resources in terms of press relations and the development of web resources is likely to both provide opportunities for savings and to develop specialisms that can improve the standard of service delivery. There is, of course, the difficulty of one unit serving two Councils that may wish to present different messages in different ways. However, we see no reason why the joint unit could not manage such pressures. There are many instances of external agencies providing such services to a wide number of clients.

Elections

This service area is one with a low profile for much of the time punctuated by periods of extreme activity before, during and after elections. It should also be recognised that parliamentary elections can be called at anytime and at very short notice. This means that it is important to not see the service area in isolation. It needs to be combined with or supported by other service areas so that the periods of high activity can be resourced effectively. To do otherwise is risky in the extreme.

Notwithstanding the above, there are opportunities in this area. Firstly, there is already a degree of joint working caused by the parliamentary constituencies not being contiguous with the two Councils. South Norfolk has a more modern IT system in use than Breckland and there is likely to be advantages in moving to one system. As with other areas the shared administrative and management resources can provide economies of scale and a greater degree of specialism. That needs to be done within the context of the need to have resilience and robustness to deal with the peak periods of high activity.

There are some difficulties in this area. South Norfolk's election services are provided as part of a section that also provides Licensing and Members' Services. Any decision to share election services should be taken within the context of an overall approach to these other service areas in South Norfolk and as part of the shared services initiative. It may be feasible to separate out elections but may equally be as easy to move to sharing all of these service areas in one fell swoop.

Legal Services

Both Councils have small Legal teams providing a wide range of legal support services to the two Councils. Both managers recognise the opportunities that sharing services brings. However, both are also keen to stress the value of having expert legal advice readily available to Members and management. Nevertheless

there is, without doubt, scope for having a joint legal service serving the two authorities. That approach should allow savings to be generated both in staffing and other costs (e.g. legal library) and will also allow a greater degree of specialism.

We are aware that there are proposals for a cross Norfolk legal service serving all of the local authorities within the County. There are clear arguments for such an operation though there may be concerns that it could be dominated by the County Council with the risk of compromising the services received by the Districts. Such an approach has been adopted in Lincolnshire with, we understand, some degree of success. If it is considered beneficial such an option need not conflict with the South Norfolk/Breckland shared services initiative and could be pursued separately.

Printing

There are printing facilities run by both Councils. These facilities tend to deal with the normal high volume print runs needed by local authorities, including such as agendas, minutes and leaflets. This area provides opportunities to:

- Combine the services to achieve economies of scale;
- Consider whether the combined service operation will be able to justify providing higher quality and more varied facilities and services; and
- Consider whether a service delivery model that trades outside the two Councils will provide increased income and a service delivery unit that has a capital value as a going concern.

In moving forward it will be important to ensure that service standards are maintained and that local service delivery is maintained where necessary.

Procurement

Procurement is an area where there are prospects for improvement. The increased scale of operations will allow:

- more professional resources to be applied to sourcing goods and services jointly; and
- potentially better deals to be struck with suppliers due to the greater amount of business available.

The extent of available improvement on joint procurement will be limited by the extent to which these have already been generated by engaging with purchasing consortia.

The prospect of procurement savings does, of course, apply to outsourced service provision. The current problems with this are dealt with later in this Chapter, but the longer term prospects for generating savings may be significant. We have included no assumptions with regard to the possible savings in our financial assessment.

Overview

The potential for sharing services in the back office is considerable. There has already been a move towards that with the sharing of some senior finance resource. Sharing the above back office resources will provide greater resilience, generate

financial savings and provide a solid and unified support for the move towards greater sharing of services.

We have recommended that there be a movement towards a joint senior management team as the first part of sharing services. That senior management team, in conjunction with members, will be responsible for the implementation of the new arrangements. Each service area will need its own implementation plan. However, the areas that need to be quickly established are HR, Finance and ICT. These will be at the heart of the new delivery arrangements and need to be working in an effective joint manner at an early stage. That is not to say that there are not opportunities for earlier full implementation in other areas, just that it may not be so crucial.

2.4 Revenues and Benefits

Revenues and Benefits is a service area that is relatively large scale and has a very high degree of commonality across Councils. The activities are statutorily defined and, therefore, consistent in the services to be delivered, if not necessarily in the manner of delivery. Both Councils have effective Revenues and Benefits services reporting high performance indicators in both revenue collection and Benefits administration.

It has to be recognised that these are services with a high degree of risk attached to them. Poorly performing Revenues and Benefits services can badly affect the income received by Councils and can result in considerable difficulty for some of the most vulnerable in society. Experience shows that when performance, particularly with regard to Benefits administration, declines significantly it can be a lengthy and expensive process to bring it back to previous levels. This means that any changes to these services have to be carefully considered and effectively planned and managed.

Breckland is part of the Anglia Revenues Partnership (ARP), a partnership with Forest Heath and East Cambridgeshire Councils. That partnership has been effective in delivering both service improvements and reduced costs to the member Councils.

South Norfolk has been very effective in bringing its Revenues and Benefits services to a high level of efficiency and service delivery standards. For example, the collection levels for Council Tax and Business Rates are high and the turnaround levels for Housing Benefit claims very low indeed.

The ways in which the two Councils deliver the services are significantly different. Breckland's Customer Contact centre provides the majority of the public interface whilst South Norfolk Revenues and Benefits staff undertake that role. The approach taken by South Norfolk in assessing Benefits claims is unique in its approach or at least the extent of the application of that approach. The performance of that team was recognised by the IRRV Benefits Team of the Year award in 2009.

Moving to Shared Services

The fact that both Councils have high performing Revenues and Benefits services does not reduce the potential for benefit to be derived from sharing services. We are firmly of the view that there is potential for considerable benefit from sharing

Revenues and Benefits services, To do so to best effect and protect service standards it is imperative that:

- The best practices of both South Norfolk and Breckland and, potentially, ARP are brought to bear;
- That it is done in a carefully planned and designed way;
- The interface with Customer Services is carefully planned and managed; and
- Any transition is project managed and resourced appropriately.

It would seem most obvious for South Norfolk to join an expanded ARP though that is not the only option. That would create a substantial operation capable of achieving very high levels of performance and efficiency. There are a number of matters that need to be dealt with if that is to happen, including:

- The need to consider the interests of the other partners in ARP and to get their approval of any changes in the arrangements;
- The different systems used by South Norfolk and the ARP for the delivery of the services;
- Different operating methods with regard to customer contact and gathering of information for Housing Benefits assessments; and
- The commercial arrangements and operations of ARP

All of the above create issues with regard to South Norfolk joining to create an enlarged ARP and will need to be dealt with prior to any decision on this matter. In particular, it should be noted that the other two members of ARP have different approaches to customer contact to those in Breckland. Additionally, the application of two systems is a complication, either in moving to a common system or in having staff having to be split or trained in the operation of two systems.

On the other hand there is the opportunity to run two of the three market leading systems to create commercial opportunities in service provision to other Councils. It should also be recognised that the combination of the skills, resources and experience of the two organisations provides real opportunities to deliver high standard and resilient services into the future.

An alternative option is for the two Councils to join in providing a joint Revenues and Benefits service, irrespective of the views of the other two Councils in ARP. We believe that can also provide opportunities for savings for both Councils and most if not all of the service provision benefits.

Our recommendation is that the Councils work together to consider the most appropriate approach to the sharing of Revenues and Benefits services. This will involve conducting a detailed analysis and evaluation of the options in liaison with the other partners in ARP and constructing a business and implementation plan.

2.5 Customer Services

Customer Services is an area where it is often considered that there are significant opportunities to achieve service improvements and efficiency savings. There are, however, a considerable number of matters that need to be taken into account. In particular, it is necessary that:

- The approach taken is in line with each Council's customer contact strategy;
- It is financially advantageous;
- The customer contact arrangements are integrated with the "back office" and service delivery arrangements; and
- The IT arrangements are effective in supporting service delivery.

At the current time all of the above are issues that would need to be resolved prior to moving to a full integration of the customer contact arrangements.

Breckland and South Norfolk have different approaches to customer contact. Breckland has a fully developed customer contact service that deals with almost all of the telephone and personal callers to the Council. These facilities are supported by a CRM system. South Norfolk, on the other hand, has embarked on a staged process of establishing a cross service customer contact service. This will begin in May with two service areas.

In terms of ICT the necessary data link between the two principal sites is not yet in place. This has a cost attached to it that is estimated as being approximately £40,000 per annum. It is also worthy of note that there are a number of different core service systems in place in the two authorities that further complicate the delivery of one customer contact service.

It is, of course, the case that customer contact is increasingly channelled through the internet. Cheaper, and in many ways more effective, this self service approach is pursued by both Councils and could well provide opportunities for savings through the use of shared systems.

Prior to any decision to undertake the large scale sharing of customer contact it will be necessary to develop and agree a joint Customer Contact Strategy. The strategy could not be prepared within the timescale of this Business Case. Such a strategy does not need to arrive at identical services for both Councils but the more that they diverge the greater the complexity and the more difficult it will be to deliver service improvement and costs savings.

There are interim opportunities that can be examined at an earlier stage. These could include:

- Joint provision of web based services;
- A shared "out of hours" service; and
- Taking enquiries on behalf of each other where it is more convenient for customers to attend the other Council's offices.

The above may provide some savings and could, potentially, improve the standard of service delivery to the public. It will not, however, provide the basis upon which large scale savings could be provided.

A Future Vision

A future vision for customer contact could see:

- One, multi-site, operation providing all of the customer contact for the two Councils;
- Locally based staff providing the face to face contact services; and
- A call centre dealing with all calls to both Councils.

The above provides the basis for potential considerable savings and high standards of customer service. Some concerns may be expressed that the identity of each Council could be compromised. There are ways of handling this through call routing so that calls are answered in the name of the Council that is being called so protecting each Council's identity.

There is a potentially wider agenda to be considered. A number of authorities are engaging with other parts of the public sector to provide one point of contact covering several parts of the public sector. This can include District Councils, the County Council, the PCT, FE Colleges, the Police and, in some instances, aspects of the voluntary sector.

Summary

There is potential for significant benefits in sharing Customer Services. However, the two Councils are not at a stage where the route towards that can easily be mapped. More work needs to be done to establish a joint strategy and route map. As the Councils' other services are shared the development of a shared approach to customer contact will also become simpler.

2.6 Other Shared Service Options

The feasibility study identified that there were a range of other services where there were opportunities to share services to potential mutual benefit. These service areas include:

- Community Services
- Corporate Core
- Environmental Health
- Licensing
- Economic Development
- Housing
- Members Services
- Miscellaneous and Offices

If the Councils are minded to move towards the single workforce option then pursuing these options provides early opportunities to improve services and deliver efficiency savings. The introduction of a joint senior management team will provide some considerable impetus to this process. Managers will be keen to simplify the reporting lines and service provision arrangements they have to manage. It is, however,

important that there is structure around the extension of shared services. This structure should provide assurance that:

- The changes proposed fit within an overall strategy for sharing services;
- The proposals for each service area are fully justified in service provision and financial terms;
- The change programme overall and for each individual service is manageable and properly planned and scheduled; and
- Proper benefits realisation processes are in place.

There are aspects of the above services that may be affected by shared senior management and back office activities. For instance, aspects of the corporate core may need to be amended or provide opportunities for improvement as a consequence of the shared senior management team.

The classification of opportunities can be applied using the framework below.

Evaluation Category	Characteristics	Action Proposed	Rationale for Action
Service based projects	Not difficult to implement with small levels of benefits	Allow these projects to be implemented by service managers and capture benefits that are realised	Implementation resource is low and involvement of wide range of staff will deliver “buy-in” to the shared service
Transformation quick wins	Easy to implement with a reasonably high level of benefits	Progress quickly as part of the shared service programme	Will realise significant financial benefits early and help meet short term financial savings targets
Transformation projects	A relatively high level of difficulty to implement but with relatively large levels of benefits	Progress these projects to the transformation programme and develop detailed business cases in conjunction with service managers	These projects will yield the highest level of benefits and should be considered for the programme and resourced appropriately
Potential future projects	A relatively high level of difficulty to implement but with relatively small levels of benefits	No further action should be taken at this stage although evaluation should be revisited in the event of a significant change such e.g. a management vacancy	The effort required outstrips the potential benefits

Below we detail our assessment of the opportunities in the other service areas.

Members Services

Members Services are a sensitive area in any authority. Partly that is because they are at the heart of the democratic processes in the Council. Partly also it is because

of the need to serve the members of the two Councils and the often close relationships that are formed between this service and the members both as a group and as individuals. This may mean that there will be for at least some time a need to operate this service from two locations to support the requirements of two groups of Members.

There does remain the ability to create a joint unit that serves both Councils and probably does so from two locations but has a shared management structure, common systems, works together on member training and provides greater resilience in service delivery. Activities such as the preparation of agendas, taking minutes and scheduling of meetings are all activities that will be broadly similar. It may be necessary to amend aspects of processes to make best use of the available resources.

It should be possible for both Councils to move to a shared Committee Administration system. One operation could be put in place either based at one of the two Council headquarters or operating from a shared site operation. The second option may be followed as there is a tendency for Members to wish easy access to the support from Members Services. Protocols will need to be put in place to enable business confidentiality to be maintained.

In summary there are opportunities to make significant savings in this area of activity, though it needs to be addressed carefully.

Environmental Health

Environmental Health is an area that has increased considerably in terms of its complexity and specialisation. The generic Environmental Health officer is largely a beast of the past, with staff specialising in areas such as food safety, air pollution and health and safety. This creates real opportunities in terms of being able to afford specialised resources. Sharing these services is relatively straightforward in any case since the work generally does not vary from authority to authority. This is particularly the case with Breckland and South Norfolk, neither of whom have unusual or very onerous factors to deal with such as heavy industry, major traffic pollution or busy air or sea ports, all of which create environmental health workload.

It is clearly a service where the majority of the work will be or should be done on site rather than in the office. This creates issues if the two authorities share the service as there will be a very large geographical area that will need to be covered. To do so from a single base applying the traditional working practices is unlikely to be efficient. This could be countered in two ways including working from two or more bases. A more effective approach would be to have changed working practices supported by technology whereby staff go straight to site and submit their reports from home or remote office locations. By so doing staff would only visit the office for specific purposes rather than as part of the normal working day. The use of handheld technology or even laptops with mobile connections can assist in that approach though much can be achieved even without that.

The definition of the overall structure should be relatively straightforward. Environmental Protection and Food Safety sections (and potentially Health and Safety) could be established to cover the workload of the two Councils.

In summary, this is an area where savings and service improvements can be generated. It does need significant work to reengineer working practices and apply

technology so that the efficiencies can be achieved. Simply combining the two operations will achieve some degree of improvement but will not fulfil the entire potential.

Licensing

The Licensing operations of the two Councils are different in style and structure. A complication is that the Breckland service is currently subject to an internal review process. Breckland is very proactive in the way it addresses licensing and carries out more street based work than is the case in South Norfolk. The Licensing function is one that has a mixture of administrative and enforcement activities and there is no reason why the activities should not be shared. By doing so there will be the opportunity to achieve economies of scale and build up knowledge and expertise in particular areas both in terms of types of licence and the activity areas, including enforcement. It is also worth noting that there is significant crossover in the client groups with some licensed premise and taxi operators common to both Councils, creating further opportunities for developing one more effective relationship. It will be possible to use one system and create savings in the maintenance and support of ICT, though the savings in software costs are likely to be minimal.

Licensing work can be split into two areas of activity. There is the administration of licences, including the servicing of the Licensing Committee. That work can quite simply be combined using the same ICT system. The second area of activity is enforcement, involving on the ground work to ensure licensing law and conditions are being complied with. This latter area is the one in which Breckland is currently rather more active and where, consequently, the extent if the available savings will be rather less.

Breckland are undertaking training for other authorities and the client groups in their area. A shared service would provide the opportunity to further develop these trading activities and assist in moving this service further towards being self funded.

This may be an area where there will be a need or desire to have different standards of service delivery. By so doing a more proactive service could be provided in Breckland with South Norfolk continuing to receive the nature of activity that it feels is more suited to its requirements. Decisions in this regard will need to be taken in the light of the review of this service area that, we understand, is currently taking place in Breckland. Savings are still available but may be restricted in terms of that which emanates from the sharing of services.

Housing

Both authorities have transferred their HRA stock to Registered Social Landlords. There remain, however, substantial areas of responsibility in housing including housing strategy, affordable housing, homelessness and housing standards. Both authorities operate well run and forward looking housing operations. There is a clear commitment to Housing in the two authorities, something that is not always the case. This results in high levels of resource committed to these services compared to many other housing authorities. There may be savings available through examining the overall level of resources committed but such actions would be separate to considerations relating to the sharing of the service.

South Norfolk operates in partnership with Broadland and Norwich City Councils with regard to the Housing Strategy and the Choice Based Letting scheme. Breckland, on

the other hand, have looked towards Kings Lynn and North Norfolk. There is beginning to be a move to taking a wider view of Housing strategy including across Norfolk and down the A11 corridor towards Cambridge. There seems little reason why the partnership arrangements in place cannot be extended to mutual benefit.

The structure of a joint Housing team is, of course, a matter for the two Councils. However, it seems likely that a structure that has teams dealing with strategy, advice and private sector housing standards would seem an appropriate approach and one that mirrors the broad approach in the two Councils currently.

There will need to be decisions made with regard to the Housing Strategies. It may be decided, with other partners' acquiescence, to move to a wider joint Housing Strategy. That may take some time to bring into being but could be part of a wider sub-regional approach to Housing. It is not the place of the Business Case to recommend such an action and it is raised only as a potential development.

Both Councils work well in delivering affordable housing through the Planning system by way of Section 106 agreements. Joining the two services together should provide the opportunity to develop and maintain even greater expertise in this area with consequent potential improved delivery of affordable housing.

The advisory services can be combined though it is recognised that the extent of savings will be limited by the need for local service delivery. Nevertheless, the sharing of resources will provide opportunities to:

- Provide services relating to both Councils at each location;
- Share expertise in specialist areas;
- Improve resilience through sharing staff;
- Conduct joint liaison with external agencies and partners;
- Share management resources; and
- Use common information systems.

There is no reason why the private sector housing teams should not be combined. In many authorities these are part of the Environmental Health service. Many of the comments relating to working practices set out for Environmental Health also apply here.

The two Councils use different systems for their choice based lettings operations. When considering the move towards shared services and potentially a shared register the transition to one common system and database would be advisable.

It seems likely that the two operations can be combined. There are operational issues to contend with, notably the way in which the support to the sections is arranged. It is also important that the clear and effective links with the planning functions are maintained. Finally, there will always be a need for face to face contact in these services and this is likely to mean presence in a number of sites. We consider these issues eminently feasible to overcome. A combined service would provide economies of scale, the ability for staff to specialise and the prospect of further developing the partnerships that are in place.

Community Services

Both Councils place considerable emphasis on the work that they do in the community. This is evidenced not only under this heading but also under areas such as Housing. There are a wide range of initiatives in Community Services and these differ significantly between the two Councils and, indeed, in the work that is carried out in different community and geographical aspects of each Council. Identifying joint working opportunities will be complex. There will be opportunities to share resources, expertise and good practice and to share initiatives. This will require careful planning to maximise the use of resources while still enabling the two Councils to pursue distinct approaches that are likely to be important to Members.

Leisure Services

The provision of leisure services is managed in very different ways in the two Councils. Breckland has outsourced its services through PFI arrangements, while South Norfolk has a more traditional service delivery model. South Norfolk has been working hard in recent years to take a more commercial approach to the delivery of these services. That is bearing fruit both in improving services and in making financial improvements. The models are, nevertheless, very different and will not be easy to combine. Additionally, the majority of the costs incurred are related specifically to the operation of the leisure facilities.

There are prospects for achieving service improvements by providing access for both sets of residents to a wider range of facilities and endeavouring not to duplicate specialist facilities, though regard has to be had to the wide geographical area covered. For instance, it could be possible to provide joint “club membership” to residents that cover all the facilities in both Councils. It could also be possible to include the two leisure operations under a single brand. Such an approach provides potential demonstrable real benefits to residents of both Councils. We do not believe, however, that there will be wide scope for savings in this area outside that of senior management.

Corporate Core

Should the Councils move to a single workforce the corporate core will provide potential for significant savings. Much of the corporate core is concerned with performance management and supporting the corporate management of the two Councils. By combining these areas it should be possible to both enhance the resources available and make savings.

Economic Development

Economic Development is an area of considerable importance to both authorities. The nature of the operations is, however, significantly different. This is largely due to the nature of parts of Breckland that allow for a greater degree of large scale economic development activity. The availability of grant support towards activity in Breckland has, for instance, been significantly larger and different in scale to that in South Norfolk.

Economic development is something that needs to be seen at a number of different levels – all the way from national (or EU wide) down to local communities. An economic development strategy that has a wider focus than the two Councils individually must have the benefit of being able to take a wider view and to have a

bigger say in and contribution to make to regional and sub-regional development. The residents of the Councils benefit from economic development both inside their area and across Norfolk, and along the A11 corridor.

In many ways we see the opportunities in this area of activity as being of improving the overall service offering and having a greater and wider effect on the development of the local economy whilst retaining the focus on the varied needs of local communities that are not homogenous in their requirements. A joint operation can become a big player both locally and regionally and should be able to achieve much in terms of protecting and enhancing the economy of the area in difficult times. The arguments for attracting funding and investment are likely to be significantly more powerful.

2.7 Outsourced Services

There are services outsourced by Breckland and subject to partnerships in South Norfolk. In particular, Environmental Services and Planning and Building Control have been outsourced by Breckland to Serco and Capita Symonds respectively. South Norfolk's Planning and Building Control services are provided through partnership arrangements with Broadland and Norwich Councils. These are areas where there are potential large scale benefits through sharing as a consequence of the scale of the activities. However, the commercial and contractual arrangements will make that a complex and potentially difficult matter to address.

The Environmental Services contract with Serco involves a commitment to 31 March 2015. The contract can be extended in six month blocks until 2025. There are no earlier contract termination opportunities other than through default or force majeure. It would, of course, be possible to terminate the contract by agreement with Serco. However, the payment required to gain Serco's agreement is likely to outweigh any savings prior to 2015. Additionally, Breckland have advice that the contract cannot safely be extended to include work outside the Breckland boundary. Accepting that legal position leads to a number of options, including:

- Continuing indefinitely with separate service provision (albeit potentially with aspects of cooperation);
- Procuring a joint external contract for both Councils commencing on 1 April 2015; and
- Bringing the Breckland services in-house and creating a joint in-house operation from April 2015.

Each of the above options is feasible. There is a perception that the services in Breckland are considerably cheaper than those in South Norfolk. However, that perception needs to be supported by detailed analysis to arrive at a like for like comparison. Notwithstanding, the sharing of these services can produce significant savings and contribute to service resilience and, consequently, quality. In the interim actions that can be taken to achieve improvements and efficiencies in the South Norfolk services will bring benefits and improve the options available to both Councils on termination of the current Serco contract.

We do not believe that it would be appropriate, nor indeed necessary, to make a judgement at this juncture as to the optimal way forward. More detailed work needs to be done to fully assess the options. That appraisal does not need to be commenced until 2013.

The position with Planning and Building Control is even more stark. The contract neither allows for early termination nor can be extended to another authority. The options available are, consequently, limited since a negotiated termination would be likely to be very expensive. Additionally, the South Norfolk partnership arrangements add further complications to this area. It may be worth returning to this matter at a later juncture and examining the options again. However, in the meantime it is recommended that:

- The resources at South Norfolk be considered as potentially fulfilling the “intelligent” client role;
- Consideration is given to working with Capita Symonds to identify areas where cooperation is mutually beneficial and can be achieved within the current contractual arrangements; and
- South Norfolk continues its partnership working.

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3. Cross Cutting Matters

3.1 Introduction

In this chapter we deal with a number of key matters that cut across all aspects of delivering shared services in Breckland and South Norfolk. The matters dealt with are:

- The form of potential joint venture;
- Treatment of assets;
- People strategy;
- ICT; and
- Councils' identities.

3.2 Form of Joint Venture

We do not believe that the business case needs to arrive at precise conclusions on this matter as there will be further work required to develop and test the options. There are a number of joint venture structures that could be established. These include, for example, a joint venture company that provides the services using a combination of its own staff and staff seconded from the two Councils. Our view is that there is little to be gained from the setting up of a formally constituted organisation for the delivery of shared services at this stage, because:

- To do so adds further complications to the processes and additional legal and governance costs;
- The move towards a single workforce is intended to be staged giving a need for flexible arrangements that may be compromised by formal corporate arrangements; and
- The existence of existing partnerships creates both complications and opportunities with regard to the service delivery model that need to be explored further.

We are of the view that the initial move towards a shared joint management team and shared back office services should be undertaken on the basis of an agreement between the two Councils. That shared services agreement should document:

- The financial arrangements;
- The processes for dealing with existing and newly recruited staff;
- The treatment of assets; and
- The decision making processes.

There may not be a need for this to be a formal legal agreement. Irrespective, it is important that the arrangements are clearly and unequivocally understood by both Councils and documented.

Staff can be seconded from their existing employers into the shared service arrangement. Decisions will need to be made when employing new staff (though the initial instances of that are likely to be low). The principles adopted in so doing are likely to revolve around:

- Like for like replacement in terms of the employing authority; and
- Retaining a broad balance in terms of employing authority workforces.

The above could form the basis of the single workforce for some time and will ease aspects of the transition. At some stage in the future it may be considered appropriate to place all staff under one employer. The format for that could be a JVC or a Joint Committee. These options have potential procurement and VAT issues that need to be taken into account.

We deal with the matter of staff terms and conditions at 4.4 below. Moving forward, further opportunities may arise. It is possible that the shared back office services could be separated into a stand alone organisation that “trades” with the two Councils and seeks further commercially based or shared service opportunities.

The existing partnerships provide both complications and opportunities. In particular, South Norfolk’s partnership on Planning and Building Control and Breckland’s involvement in ARP are of relevance. The complications arise from the other local authorities involved in these partnerships and the Breckland – Capita Symonds contract for Planning and Building Control. It is unlikely that the Internal Audit partnership could be considered as forming part of a wider arrangement as a consequence of the need for independence.

There is some further work to be done but we can envisage a possible scenario where, for instance:

- An expanded Revenues and Benefits delivery organisation including both Councils is in place; and
- Some or all of the “back office” services are transferred into that organisation.

Such an approach could develop an entity that provides services to the two Councils and other partners and, potentially, trades commercially. An entrepreneurial approach such as this could create an organisation with a capital value in addition to the provision of revenue savings and income. This is only one scenario and the point has not yet been reached where decisions can be made in that regard. It does, nevertheless, show one potential longer term option.

There are other options that include outsourcing. The Councils could package services and outsource them to a partner or partners. That partner would then be tasked with integrating the services and meeting service delivery targets. This approach may be applicable at a later stage, at least in part. However, to make a decision to do so now will cause significant delay in the process, will consume considerable staff resources, will be complicated or frustrated by existing partnerships, may compromise potential commercial opportunities and may not deliver the desired results.

3.3 Treatment of Assets

The delivery of local government services requires the deployment of a wide range of assets including:

- Buildings;
- Vehicles;
- Plant and equipment; and
- ICT equipment and software.

Each Council will bring a variety of such assets to the shared service provision. There is a need to define how these assets will be treated. There are principles that can be applied. These are likely to be as follows:

- Assets will be applied in the most effective manner in the provision of the shared services;
- Assets will remain in the “ownership” of the Council that currently owns them;
- The revenue costs of assets including capital amortisation costs should be taken into account in the calculation of financial arrangements (treatment of depreciation);
- For office accommodation costs per head of delivery common to both Councils should be calculated and applied as a means of allocating costs; and
- A joint asset management plan should be prepared that identifies the assets being applied in shared service provision, their replacement schedule and any costs associated with new asset acquisition.

The above set of principles can be applied in determining the treatment of assets. In terms of managing the assets it is important that there is an asset management plan attached to the overall shared services planning. That plan should include:

- A list of the assets being applied in the delivery of the shared services;
- The ownership of the asset;
- The costs attaching to that asset;
- The current and proposed use of the asset; and
- The proposed replacement and additions.

In many ways this will form part of the financial planning and record keeping. The plan should also be a subset of the Council's own asset management strategies.

3.4 Human Resource Implications

Overview

If the councils elect to work jointly to any degree, they will clearly need to consider the implications for staff. They might create joint teams where staff work together but remain employed by each council on existing terms and conditions of employment. Alternatively, elements of the workforce of each council might be fully merged on new terms and conditions.

In the former case, the councils will need to understand current differences to be able to anticipate and alleviate any tensions that might arise.

The latter case will provide an opportunity to formulate terms and conditions of employment that will support and enable the development of a culture that is appropriate to take the organisation forward. It is unlikely (though not necessarily impossible) that adopting the current terms and conditions of employment of either council will provide the desired outcome. Similarly, adoption of a 'middle line' or 'line of least resistance' will not necessarily deliver the required culture. Ideally the councils will wish to start from a blank canvass. Nevertheless, it is useful to understand how current terms and conditions of employment compare, and to consider the main areas of similarity and difference.

We have engaged with HR staff in each Council to identify and compare major terms and conditions of employment, and to compare salary scales and pay rates. The outcome is shown at Appendix 1 (Comparison of Major Terms and Conditions of Employment) and Appendix 2 (Comparison of Salary Bands and Sample Roles). In summary, there is a lot of similarity between terms and conditions of employment, and some areas of considerable difference.

Areas of Similarity

Pay schemes are similar – both cover a broadly similar salary range and have non-overlapping pay scales. While the precise means of progression through pay scales or bands differ, in principle salary progression at both authorities is based on performance.

Similarly, the job evaluation schemes in force at each authority are based on broadly similar factors although the details are different. Breckland employs the nationally agreed job evaluation scheme for local authorities while South Norfolk uses Inbucon – a well-regarded and long-established scheme. Job evaluation can be an emotive area and although the schemes are similar in nature, replacing them can be time consuming and expensive. The councils will need to consider which, if either, scheme is appropriate for the future. A start point could be evaluation of a limited number of 'benchmark' posts under both schemes to get a better comparison. An alternative could be to introduce a new scheme if that more accurately promotes the desired culture.

In terms of pay, Appendix 1 identifies that there is considerable similarity across the two authorities. In the main, where there are differences, South Norfolk applies a higher grade / salary. This could be a factor of the grading scheme, or a reflection of the fact that South Norfolk undertook a major review last year to ensure they remained competitive in the market place. (NB Only jobs up to around Head of Service level have been directly compared as a) these cover the majority of staff, and

b) roles above this level are more likely to change significantly in the case of a merger, and so comparison of current roles is less relevant).

Areas of Difference

There are differences in some of the more significant areas or terms and conditions of employment such as annual leave, working hours, flexitime, disciplinary and grievance procedures, but these are fairly minor.

Two significant issues that could feature significantly in any shared services arrangements – i.e. redundancy and salary protection (in the case of redeployment) – are the same in both authorities in practice. Similarly, both authorities have a mobility clause within their standard contracts, requiring employees to move to an alternative work location. While, in broad terms, it may be that these can only be enforced within the current district area, the fact that the principle of changing work location has been established is useful. The Councils might want to consider making all new appointments on the basis that employees will be expected to work at any work location within the two districts in the future. It may be necessary to compensate any existing staff who are required to change work location and incur significant increased travel costs.

There are four main areas of significant difference – bargaining arrangements, sick pay, payment for business travel and cars, and employer notice. The last of these only becomes an issue if an employee is dismissed (e.g. as a result of redundancy, misconduct, or ill health). It may be appropriate to review whether current arrangements at both authorities enable the recruitment and retention of high calibre staff – particularly at more senior levels – and balance that against the potential cost of notice.

Breckland has broken away from national pay bargaining while South Norfolk remains within the NJC national agreement for pay. The councils will need to consider which arrangement is likely to give the best prospects for developing arrangements that support the desired culture if they wish to develop common terms and conditions of employment. This is something that should be considered alongside the job evaluation scheme (see above). In both cases, although the current outcome of each scheme is similar, it is likely that there would be considerable resistance to making changes at either authority.

The difference in sick pay applies only in the early years of employment (up to five years). This is another area where the councils may wish to take a wholly new approach, but where any move to reduce current arrangements would almost certainly face strong opposition from staff and trade union representatives.

There are major differences in the provision of lease cars and compensation for business mileage. This is another emotive area and will need careful handling. Again, any proposed reduction in current arrangements can be expected to be met with strong resistance.

Summary

As previously stated, if the Councils intend to formulate common terms and conditions of employment, this will provide a unique opportunity to ensure they facilitate development of the desired culture rather than perpetuate arrangements that have developed over time and might not be appropriate for the future.

It will be preferable to have a single set of terms and conditions for a single shared workforce. In an ideal world the Councils would create a set of terms and conditions that best met the needs of the new organisation. There has, however, to be a realisation that there are consequences to moving significantly away from the current terms and conditions, both in terms of cost and employee relations.

An alternative approach is that the Councils seek to implement a single set of terms and conditions based on the current two sets. This is likely to be less disruptive, but might not fully support the desired culture. So there are pros and cons to both approaches.

We do recognise that this is a matter for the two Councils to decide. In moving towards new terms it will obviously be necessary to consult with employee representatives and potentially with individual members of staff. A consultation and communications strategy and plan should be an early priority.

Similarly, costing proposed changes will clearly be a priority. Any improvement in current terms will obviously have an immediate effect. It might be necessary to phase out downward changes over a period of time and / or apply lump sum payments to buy them out. A further option could be to retain current terms and conditions of employment for current staff and introduce a revised employment package only for staff who are recruited to a new organisation – either externally or via applications from current staff who apply for a new post.

3.5 ICT

The consideration of ICT can be looked at in three ways:

- In terms of the provision of ICT services;
- The developments in systems required in support of the transition to shared services; and
- As a tool for future transformation of the new organisation.

Clearly, these three elements are inter-linked. In particular, the project resource identified in Chapter 2 would be integral to any transformation programme. Additionally, any transformation programme will not solely revolve around ICT but must also include technical, management, change management, HR, Finance and Property resources as part of an overall transformation programme.

ICT is a major tool in the delivery of services and the management of the Councils. It is essential that it is used effectively in conjunction with clear business analysis and process design. That provides a clear link with internal business consultancy and organisational development. Both Councils have resources dedicated to these areas of endeavour and by conjoining them an opportunity arises to redouble the application of ICT as a tool for business change. This will help with the introduction of new ways of working and in the move towards shared services and the realising of the benefits accruing from them.

As stated above we have dealt with the ICT service delivery aspects of shared services in Chapter 2. The wider cross cutting ICT implications of shared services are set out below with the subsequent section dealing with the transformation agenda.

ICT Development for Shared Services

It is recognised that the two authorities have differing systems in a number of areas. This will create additional work and may hinder the provision of the optimal services and savings. The joint provision of ICT is also constrained by the data communication links in the area. There is no suitable data link between the two Councils at present. This may be resolved through use of the County Council's data network or the establishment of a dedicated link that, we understand, is likely to cost around £40,000 per annum. It would seem that this is a facility that should be enabled at an early stage of the programme.

There are service areas where the Councils use the same system. In particular, this applies in Finance where both Councils use the Integra package. There are other instances where there is a clear advantage to the system used by one of the Councils. In those circumstances the route seems relatively straightforward. There are, nevertheless, costs that will be incurred in making the transition and we have included an assessment of these costs in the financial chapter.

There are major system areas where there is a need to consider matters at a strategic level. Breckland uses Lagan CRM while South Norfolk does not use a CRM system. Any decisions on the future application of CRM need to be done in the context of joint Customer Contact and ICT strategies.

Revenues and Benefits provides an ICT issue. ARP and South Norfolk use different systems. We have dealt with this issue in the section in Chapter 2 with regard to the prospects for sharing these services. The ICT solution could lie in either:

- Transitioning to a single solution (probably one of the two currently in use); or
- Continuing to run both systems to avoid transition costs and enable the marketing of resilience services to a wider group of local authority clients.

There are different arrangements with regard to Housing systems. Again, if the services are to be shared making a transition to a single application will assist considerably in this and will, in the longer term, provide or enable overall financial savings.

ICT can make a major contribution towards the delivery of shared services. Technology can be used to enable home working and can assist staff to work flexibly from various locations. Additionally, the facilitation of remote working can assist services to be provided across what will be a wide geographical area and may help staff with issues relating to relocation.

Applications such as document imaging and workflow can be used effectively to enable multi site working. It could be possible to move to one post room that deals with all incoming correspondence and delivers it electronically to the most appropriate person, team or work tray. Hand held computers or even lap tops could be used to enable staff such as Environmental Health and Building Control officers to undertake many or most days' work without having to visit the office. Similarly, Housing Benefits officers can undertake assessments in the client's home (or their own at the end of the visits) without having to return to the office. All of these uses of technology have the potential to deliver service improvements and savings whilst also enabling shared service working and providing real benefits to staff.

We have identified opportunities in services for the shared use of IT systems. We have not, however, assumed any savings from this aspect in the financial analysis though there may well be opportunities in that regard.

In the table below we set out the principal proprietary systems in use and the probable best solution to apply going forward.

Breckland	South Norfolk	Likely Shared Service Application
Integra	Integra	Integra
Comino Document Management	I Docs, Civica,	To be decided
Flare	Flare	Flare
Revenues and benefits – Academy	Civica	To be decided
HR and Payroll – Hosted SAP run by Mouchel Parkman	Older application	To be decided
Planning – Acela (service outsourced)	Northgate M3	Separate Services
ESRI – GIS	ESRI – GIS	ESRI – GIS
Lagan CRM	None	To be decided
Strand Electoral Reg	Express	Express
Lalpac Licensing	Lalpac Licensing	Lalpac Licensing
Performance Management – Team	None	Team

ICT as a Transformation Tool

Overview

The move towards a single workforce serving two local authorities has considerable potential benefits in its own right. The business case sets out the service and financial benefits that arise from the sharing of services. It is also the case, however, that the move to a larger delivery organisation provides enhanced opportunities in terms of transformation. In this section we set out some of the courses of action that could be taken to drive further improvements in service delivery and engender further savings. These are mostly IT enabled developments and, as such, will require investment in the appropriate solutions and change management. It is possible for the two Councils individually to undertake these actions but in a context of shared services the possibilities become easier to deliver and finance.

A new organisation can be envisaged that:

- is enabled to deliver services seamlessly across a wide area;
- has staff equipped with the highest standard of technological support enabling them to devote their efforts to delivering front line services to the public
- transactional services that are self service and automated in nature so as to enable savings to be made in administration and allow finance and HR staff to provide higher level added value support to the Councils;
- the ability to provide a wider range of information and services at each Council service point; and
- the increasing ability for the public to access services and information via the internet, improving the service experience and reducing customer contact and administration costs.

We have discussed elsewhere in this document the ability of mobile technology to enable staff to work more flexibly from remote locations and from home. Below we set out some of the investments that can be made to improve services in these ways. These are set out under the headings of:

- Workflow and Document Management;
- Integrated Self Service Transactional Processes; and
- CRM.

The application of each should not be seen in isolation but as part of a single transformation strategy.

Workflow and Document Management

The “paperless” office has been a concept that has been around for many years. Though slower to be introduced than was projected by many there are many aspects of commercial and professional life where paper transactions and records are a thing of the past. In areas like Revenues and Benefits, for instance, we have seen the use of document and workflow management systems as a means of improving management, productivity and service standards.

A cursory examination of most local government offices, including South Norfolk and Breckland’s, would show that there remains a considerable amount of paper transactions and working. The corporate application of workflow and document management has been limited in local government with most of the activity in that regard being service orientated. There has grown a number of workflow and document management systems that have been tailored to become service specific proprietary packages. Additionally, service delivery packages have had document management and workflow modules added to provide an integrated solution. There are examples of both in South Norfolk and Breckland.

The use of workflow and document management systems is intended to enable businesses to streamline operations by examining processes and using the systems

to automate and integrate them. They should also allow the proactive management and allocation of workload. The benefits to a local authority include:

- The ability to transfer documents and workload between staff irrespective of location;
- The provision of management information on performance;
- Increased productivity through the automation of processes and the integration of systems;
- Improved customer service through
 - shortened transaction times
 - improved information retrieval performance;
 - prioritising workload, whether automatically or by management intervention;
 - the ability to quickly provide information on the progress ; and
- The reduction in paper handling and storage costs.

Specifically, in a shared services environment working across a large geographical area these systems provide the opportunity to manage workload that is being completed at more than one location. It should also be noted that Workflow applications are designed to deal with work items howsoever they are created and not just documents.

There are a number of issues that need to be tackled to fulfil the potential of these applications.

1. There needs to be comprehensive business process engineering undertaken. This is essential in order to ensure that the processes make the best possible use of the technology.
2. Consideration has to be given whether to opt for one workflow and document imaging system for the whole organisation with the potential loss of some of the service specific functionality of the existing systems in use.
3. Integration of the workflow systems to the core processing systems provides the ability to more comprehensively automate processes.

Integrated Self Service Transactional Processes

Increasingly organisations in both private and public sectors are introducing self service and automation for transactional services. The aspects of services that are dealt with in that way include.

- Invoicing
- Good ordering
- Accounts payable

- Accounts receivable
- Payroll
- Cashiering and cash collection

For instance, by integrating procurement, purchasing and payment processes goods can be ordered, marked as received and the invoice received and processed all electronically. The entries can also be made automatically in the general ledger and the commitment accounting system. The net effect is more secure processes that free up staff time and enable greater control of disbursements and can speed up the processes. Similar opportunities apply in the other transactional areas.

There is a range of systems that can deliver these solutions. Larger organisations apply SAP or Oracle. These are often felt to be too feature heavy and difficult to maintain for other than large local authorities. We have recently heard views from a London Borough that SAP was “too big” for them. Additionally, the very particular nature of many local government services means that service specific software has to be used, reducing the extent to which these systems can be fully integrated enterprise systems.

Most modern financial systems, including Integra have the capability to undertake these automated processes. As both Councils use Integra it is very likely that the most appropriate way forward will be to use that application for the shared service operation. This application has also been selected in at least one other single workforce shared service operation as the Finance package.

CRM Systems

Breckland already has the Lagan CRM system in place. South Norfolk, on the other hand, does not use such a system. These systems have the potential to enable front line staff to provide very high standards of service. Properly applied and integrated they can contribute to significant processing savings in the back office. CRM can also be a means by which service provision can be more accurately targeted at sectors of high need or demand.

To get the best out of these applications they should be seen in the context of the overall ICT and customer contact strategies. In particular, integration with the core service systems is important as that can cut down processing tasks. The track record of that integration in local government is patchy.

Conclusions

ICT can be a powerful lever for transformation. It requires investment to achieve its potential. That investment is not restricted to the investment in the systems but extends to change management, process review, HR and Finance amongst others. Any transformation programme should be supported by ICT not driven by it. The context will have to be a clear vision of the way that the combined operation wishes to deliver services in the future.

Summary

It is clear that there needs to be an overall co-ordinated ICT strategy for the two authorities if sharing services is to provide the benefits that it is capable of. That

strategy will provide the framework within which the delivery of systems can be planned and managed. The “first cut” of the Strategy may well be a high level overview with a focus on the work that needs to be done to enable the sharing of services. It is important, however, that this work is planned within an overall view of the future ICT strategy for the two Councils.

3.6 Change and Transition Resources

A programme of change such as that being recommended as a conclusion of this business case takes a considerable amount of resource. It is clear that the two Councils do not have the capacity or all of the expertise necessary to achieve such a programme without significant external assistance. Our experience is that to attempt this scale of programme without additional resource places excessive pressure on staff and jeopardises both current service delivery and the change programme itself.

We have not conducted a detailed review of all the resources that the Council has in this regard. However, there will almost certainly be a need for:

- Programme management skill sets and capacity;
- HR expertise;
- Change management support;
- ICT expertise;
- Finance skills; and
- External challenge.

It is likely to be possible to source a significant amount of these resources internally and that can be valuable in terms of staff experience and building continuity. However, in those circumstances it will be important to ensure that where staff are removed from their day to day activities it will almost always be necessary to “backfill” to maintain service delivery.

We have included in the financial chapter an assessment of the investment necessary to satisfactorily complete the programme. That assessment is based on our experience of other change programmes. A detailed resource plan should be constructed as part of the programme planning and the detailed funding required identified. The control of that resource should be an integral part of the programme monitoring and governance.

3.7 Legal Issues

Local authorities are restricted in what they can do by the legal framework in which they operate. This has implications for shared services initiatives. It is, consequently, important that the two Councils’ legal advisors are engaged with the formulation of the shared services arrangements. Many of the legal issues relate to matters such as governance and council constitutions. These issues have been addressed in the governance section of the Business Case and in the Feasibility Study.

There will need to be careful consideration of issues including:

- Liability for damages resulting from the actions of one Council's employee undertaking work on behalf of another and the associated insurance arrangements;
- The relationship with the external auditors;
- The fulfilment of the Section 151 responsibilities; and
- Financial and contract procedure rules and regulations

Procurement law will need to be carefully considered. We have raised issues with regard to specific services in this Business Case. It will be important to continue to ensure that compliance with the law in this area is maintained.

The final area where there may be concern relates to VAT. Our initial view is that the implications will be very limited unless some form of company structure is utilised. It is, nevertheless, a matter that needs to be kept under review.

3.8 Councils' Identities

There may be concern that the Councils will see their identities diluted as a consequence of the sharing of services. It is likely that both will wish to protect and enhance their identity and image while promoting partnership working.

The protection of identity can be done in a number of ways, including by:

- Ensuring that buildings continue to be suitably branded;
- Ensuring that staff are aware of and represent themselves as acting on behalf of the relevant Council;
- Maintaining separate identities on the internet and on stationery; and
- Producing separate press releases and Council newsletters/papers.

All of the above can be done alongside the promotion of joint working – for instance positively welcoming residents of the partner Council to facilities and events.

One area that can cause difficulty is the branding of vehicles and operational staff uniforms. It would be unfortunate to reduce the level of savings and service improvements by insisting on fully and solely branded vehicles for instance. The Councils may at some stage in the future operate a joint fleet for refuse collection and/or street cleansing. That may result in rounds that are a mixture of Breckland and South Norfolk areas. In these circumstances jointly liveried vehicles should protect each Councils' identity, promote the partnership working and enable the most efficient and flexible use of the fleet.

3.9 Location

An issue that often arises in Shared Services initiatives is the location of service delivery. There are HR implications in this regard and these are referred to in the section on HR. To some extent the need to move staff location can be circumvented

by the use of IT and/or homeworking. But it does remain a matter that can cause some degree of difficulty for some staff.

There can also be issues regarding any feeling that location favours one Council, this removing employment from the other's area. In this instance we think it unlikely that the staff reductions will be sufficient to allow either of the Council headquarters to be dispensed with. As a consequence a continuing substantive presence will be required in both Councils, almost certainly in their existing sites.

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4. Governance

4.1 Introduction

In this chapter of the Business Case we set out an assessment of what is required in terms of governance arrangements. In addition to political governance arrangements we deal with:

- Control and Discretion in Service Provision;
- Stakeholders;
- Financial Arrangements; and
- Risk Management.

4.2 Political Governance

One of the most notable features of the shared arrangements pioneered by other Councils is the absence of formal shared arrangements at political level. The reasons cited include the necessity of each Council retaining:

- Political sovereignty;
- The right to set its own Budget, allocate resources and set service standards according to local need; and
- Different political consultation arrangements.

In the consultation meetings we held at the draft report stage of the Feasibility exercise we heard similar views expressed by Members of both Councils. What follows are, therefore, recommendations on what needs to change given that, for the foreseeable future, the political autonomy of both Councils will remain intact.

There are 3 categories of change we would envisage to facilitate the move to shared services:

1. 'Informal' changes which will enable the sharing of services to proceed effectively;
2. Changes to the 'formal' governance arrangements; and
3. Transitional arrangements during the implementation phase.

'Informal' Changes

There are 4 changes which will enable and facilitate the process of sharing services:

- Regular meetings between the Leaders of the 2 Councils;
- Matching Cabinet portfolios between the 2 Councils;
- This, in turn, will enable regular informal Cabinet meetings between the 2 Councils; and

- Informal sessions including all Members of both Councils to facilitate mutual understanding and help identify areas where joint approaches to solving common issues/problems make sense and have political support.

‘Formal’ Changes

At this stage, the only formal changes to the political machinery we would envisage involve:

- **Appointments:** the appointment of a joint Chief Executive and ‘shared’ Directors should be made by a Joint Member Appointments Panel with equal representation of both Councils. In the case of the Chief Executive, the S151 officer and the Monitoring Officer the approval of both Councils would still be required
- **Performance Management:** a secondary, but no less important, change would be the involvement of the Leaders and relevant Cabinet Portfolio Members in the setting of agreed performance targets and the Appraisal of the Chief Executive and ‘shared’ Directors. The current practice is for the Leaders of the Councils to oversee the appraisal of ‘their’ Chief Executive. It makes sense for this to be conducted jointly.
- **Members’ Allowances:** This matter is one for the two Councils and there would be no compulsion to align them as they will remain separate entities.
- **Audit Committees;** It is likely that both Councils will wish to retain their Audit Committees. These form an important part of each Council’s governance arrangements. It would be possible to merge the audit committees but it is likely that each Council will wish to retain their focus and there is the matter of receiving the external auditor’s reports. It would, nevertheless, be very useful to coordinate the two committees work with regard to the shared services so that internal audit and external audit work is not duplicated. That may include the holding of regular joint meetings.

Transitional Arrangements

We also recommend that a Joint Implementation Panel of Members with equal representation from both Councils be created to oversee the implementation of the move to sharing services between the Councils. In one sense, “created” is a misnomer as a Joint Board is already in existence to oversee the Feasibility and Business Case phases of this project. We are proposing that the current Board has a ‘longer life’ with more precise Terms of Reference.

We envisage, once the decision to proceed has been taken by both Councils, that the Joint Implementation Panel would sign-off formally on a service by service basis business case reports to share services. The overall implementation strategy would require prior agreement by the Cabinets, i.e. sequence of which services to be shared, the criteria upon which a decision to share should be based. The role of the JIP would be to examine, in detail, the business cases presented.

There is also an important role for Overview and Scrutiny. A Joint Overview and Scrutiny Committee has already been formed and we think it is vital it should

continue its role of retaining oversight of proposals for joint working, holding officers to account and to ensure that the implications of policies and decisions on each local authority can be examined in detail.

Relationships with Officers

In Chapter 2 we have set out the implications of a joint senior management team. There are implications for corporate governance. One consequence of reduced management resources will be a requirement for the relationship with members to be different. It is vital that both sets of members are in a position where they can impart appropriate political influence but that this is done in such a way so as to not overly consume management time and provide conflicting priorities. By undertaking much of the alignment set out earlier in this section and working together with a sense of common purpose the arrangements can be made to work well. As we have stated there are examples of similar arrangements working in other local authorities with considerable success.

Summary

There is a clear balancing act in the proposals in this section of the report:

- On the one hand, recognising that it is important, in the short term, to maintain the political autonomy of the 2 Councils
- On the other hand, to ensure that whilst respecting this political autonomy, that autonomy doesn't prevent the overall objective of moving to sharing services between the 2 Councils

We believe the proposals get the balance right and will facilitate joint working.

4.3 Control and Discretion in Service Provision

Even if the Councils move fully to a single workforce there will remain two local authorities with their own objectives and priorities. Indeed, there would be little point in having separate Councils if that were not the case. Many of the service areas will be perfectly capable of amending service provision to cater for such different objectives and priorities. It is not unusual, in any case, for different parts of a local authority's area to have differing service provision needs. But there does need a balance to be struck. The more that the Councils insist on differing service provision the more difficult it will often be to drive out the savings and achieve the overall increase in standards that both Councils desire. The consequences of such choices should be fully understood and taken into account, particularly where the issues do not run to the heart of the Council's priorities.

4.4 Implications for Other Stakeholders

There are a number of stakeholders to the shared service initiative. These stakeholders include:

- Trade Unions;
- Partner Councils and other public sector partners;
- Major suppliers (e.g. Serco and Capita Symonds); and

- The County Council.

It is essential that there is a programme of stakeholder engagement covering all of these parties. The Councils will also wish to consider carefully how they communicate with the public, the ultimate stakeholder. Consultation with the Trade Unions is likely to be the most critical aspect of this work and there is a need to put in place an appropriate process.

Much of what is proposed in this business case has consequences, direct or indirect, for other local authorities. It is important that the Councils engage at an early stage with these partners both to inform them of the proposed actions and to instigate discussions where there are proposals with potential early consequences for them. For other neighbouring Councils where there is less of a direct impact it will be well worth keeping them informed and, potentially, having discussions about possible future engagement or partnering.

In all of the work relating to this it is essential that the two Councils speak with one voice. Divergent messages will spread confusion and are likely to bring about distrust and lack of credibility. As a consequence, the communications strategy and action plan must be prepared at an early stage.

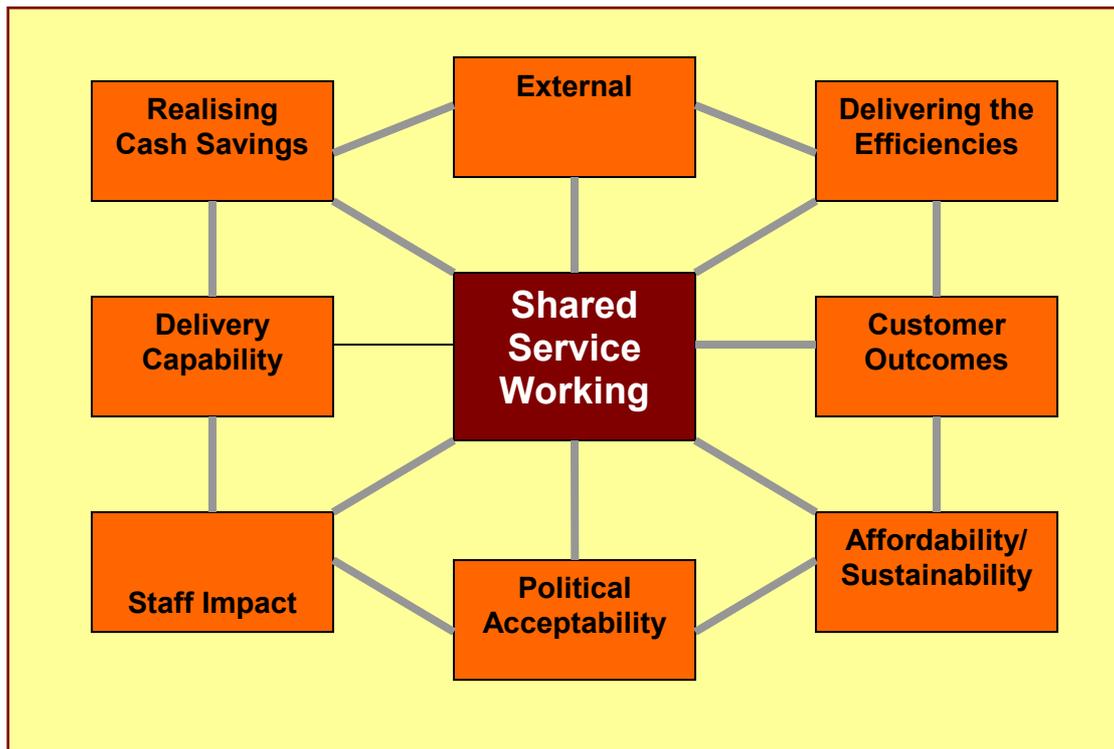
4.5 Managerial Governance

Depending on the JV arrangements, it will be necessary to have in place clear management arrangements for the Back Office shared services. It will also be necessary to have in place clearly understood effective arrangements for managing those services that remain unshared – whether permanently or in the interim. The introduction of a joint senior management team will assist in the delivery of such arrangements. It will also enable a consistent set of information and messages to be provided to each set of members.

4.6 Risk Assessment

Risk is present in any business activity and, consequently, needs to be identified and managed. Both Councils are conscious of risk and work to mitigate it. The transformation to shared services has risks for both Councils and, potentially, for other stakeholders. It is possible, indeed likely, that the perception and analysis of risk in the two Councils will differ. It is also entirely likely that the appetite for risk will differ between the two Councils. This makes it vital that there is a shared risk management plan for the shared services initiative. Early consideration of these risks will allow you to develop more effective, prioritised implementation plans and to ensure that performance is maintained through the process of change.

At this stage, the preliminary, high-level risk assessment needs to focus on key risks to strategic outcomes and vision rather than process risks. In the diagram below we set out the major areas of risk that are associated to the shared services programme.



The table below identifies strategic risks associated with this level of transition.

Risk Table

Risk Description	Impact	Controls
Political Acceptability		
Change in local political control	<ul style="list-style-type: none"> • Possible reduced commitment to the shared service partnership • Fragmented relationships with officers 	<ul style="list-style-type: none"> • Established and robust political governance arrangements that allow local discretion
Divergence of political priorities	<ul style="list-style-type: none"> • Difficulties in service delivery • Reduction in the levels of savings • Reduced commitment to shared service partnership 	<ul style="list-style-type: none"> • Established and robust political governance arrangements that allow local discretion

Political relationships deteriorate	<ul style="list-style-type: none"> • Lack of clear political direction to shared services • Poor decision making • Member and officer time consumed with managing relationships 	<ul style="list-style-type: none"> • Established and robust political governance arrangements that allow local discretion, clear officer/member role definition
Lack of stakeholder confidence	<ul style="list-style-type: none"> • Lack of support from partners, suppliers and unions leading to delivery problems and deterioration of existing partnerships 	<ul style="list-style-type: none"> • Communication and consultation arrangements
Impact on local Community Partnerships	<ul style="list-style-type: none"> • Wider joint working across communities is compromised leading to failure to meet desired community outcomes 	<ul style="list-style-type: none"> • Established links to shared service governance arrangements and communication and consultation
Delivery Capability		
Lack of change management resources	<ul style="list-style-type: none"> • The programme fails with the savings and service benefits not being delivered • Deterioration of credibility locally, nationally and with government 	<ul style="list-style-type: none"> • Well resourced change plan • Effective and flexible programme and project management
Poor programme and project management	<ul style="list-style-type: none"> • The programme fails with the savings and service benefits not being delivered • Deterioration of credibility locally, nationally and with government 	<ul style="list-style-type: none"> • Clear and effective programme management governance arrangements • Sound programme and project management arrangements • Senior political and management sponsorship and support
Loss of key staff	<ul style="list-style-type: none"> • The programme fails with the savings and service benefits not being delivered • Deterioration of credibility locally, nationally and with government • Costs in replacing staff temporarily and permanently 	<ul style="list-style-type: none"> • Quick moves to new management and staffing structures • Appropriate terms and conditions • Effective staff communication and consultation

Staff Impact		
Lack of staff buy in	<ul style="list-style-type: none"> • Difficulties in implementation • Staff leaving • Ongoing poor industrial relations 	<ul style="list-style-type: none"> • Effective staff communication and consultation • Appropriate management structures and practices
Impact of cultural changes	<ul style="list-style-type: none"> • Difficulties in implementation • Staff leaving • Ongoing poor industrial relations 	<ul style="list-style-type: none"> • Effective ongoing staff communication and consultation • Effective Organisational Development activity • Good management practice
Staff resistant to relocation	<ul style="list-style-type: none"> • Difficulties in implementation of co-located units • Staff leaving • Ongoing poor industrial relations 	<ul style="list-style-type: none"> • Effective staff communication and consultation • Planned approach to service transition • Use of technology and flexible working practices • Transitional arrangements
Recruitment and retention	<ul style="list-style-type: none"> • Costs in replacing staff temporarily and permanently 	<ul style="list-style-type: none"> • Effective Workforce Planning • Quick moves to new management and staffing structures • Appropriate terms and conditions • Effective staff communication and consultation
Failure to implement joint Terms and Conditions	<ul style="list-style-type: none"> • Employee dissatisfaction and demotivation • Costs and confusion • Delays in implementing new arrangements and appointing to posts • Difficulties with organisational culture 	<ul style="list-style-type: none"> • Effective HR strategy and workforce planning

Loss of skill sets	<ul style="list-style-type: none"> • Costs in replacing staff temporarily and permanently • Service degradation 	<ul style="list-style-type: none"> • Effective Workforce Planning • Appropriate terms and conditions
Efficiency Delivery		
Systems not brought together	<ul style="list-style-type: none"> • Ongoing costs of operating two systems • Staff using two systems • Savings and service benefits not delivered • Service degradation 	<ul style="list-style-type: none"> • Effective ICT Strategy • Investment in ICT delivery • ICT considered carefully as part of service delivery plans
Processes not optimal	<ul style="list-style-type: none"> • Savings and service benefits not delivered • Service degradation 	<ul style="list-style-type: none"> • Detailed and well considered process design as part of implementation of new arrangements
Change programme ineffective	<ul style="list-style-type: none"> • Savings and service benefits not delivered • Service degradation 	<ul style="list-style-type: none"> • Clear and effective programme management governance arrangements • Sound programme and project management arrangements • Well resourced change plan
Savings Realisability		
Inability to reduce staffing numbers	<ul style="list-style-type: none"> • Savings not delivered 	<ul style="list-style-type: none"> • Workforce Planning • Effective staff consultation and negotiation • Change programme effectively managed
Financial savings not realisable	<ul style="list-style-type: none"> • Savings and service benefits not delivered 	<ul style="list-style-type: none"> • Benefits realisation plan • Clear definition between cashable and non-cashable efficiency improvements

Savings are not delivered	<ul style="list-style-type: none"> • Savings and service benefits not delivered 	<ul style="list-style-type: none"> • Benefits realisation plan controlled and monitored
Customer Outcomes		
Transitional Service Disruption	<ul style="list-style-type: none"> • Service degradation • Loss of credibility locally and politically 	<ul style="list-style-type: none"> • Clear and effective programme management governance arrangements • Sound programme and project management • Back-filling of posts • Resilience arrangements
Reduction in the service availability	<ul style="list-style-type: none"> • Service degradation • Loss of credibility locally and politically 	<ul style="list-style-type: none"> • Clearly formulated service delivery standards linked to change management and service planning
Reduction in local choice	<ul style="list-style-type: none"> • Service degradation • Loss of credibility locally and politically 	<ul style="list-style-type: none"> • Clearly formulated service delivery standards linked to change management and service planning • Liaison with local communities • Effective community planning
Loss of focus on local priorities	<ul style="list-style-type: none"> • Service degradation • Loss of credibility locally and politically 	<ul style="list-style-type: none"> • Clearly formulated service delivery standards linked to change management and service planning • Liaison with local communities • Effective community planning
Imbalance in service standards	<ul style="list-style-type: none"> • Loss of credibility locally and politically • Political discord • Costs incurred in resolving imbalance 	<ul style="list-style-type: none"> • Clearly formulated service delivery standards linked to change management and service planning

Affordability/Sustainability		
Lack of investment availability	<ul style="list-style-type: none"> • Programme fails with savings and service benefits not realised 	<ul style="list-style-type: none"> • Securing of investment availability prior to embarking on projects • Use of longer term financing routes including leasing and prudential borrowing
Continuing reductions in resources	<ul style="list-style-type: none"> • Need to revisit services and service delivery arrangements 	<ul style="list-style-type: none"> • Continuing monitoring of financial resources • Joint consideration of Medium Term Financial Plans
External		
National Political Change	<ul style="list-style-type: none"> • Unknown 	<ul style="list-style-type: none"> • Flexible service planning and delivery arrangements
Local government reorganisation	<ul style="list-style-type: none"> • Initiative may be redundant with attendant waste of resources applied to it 	<ul style="list-style-type: none"> • Flexible service planning and delivery arrangements

The above risk assessment is not an exhaustive list but is intended to initiate consideration of project risk and to ensure that options are fully appraised and informed decisions are taken. Before the change programme begins this list should be reviewed and updated by the change team and specific actions, owners and timescales should be added to the list to ensure that each risk is being proactively managed.

4.7 “Showstoppers”

It is important to consider those issues that are “showstoppers” for both or either Council. If these are understood then they can be managed and there are the best prospects for avoiding or overcoming them. Each authority will have its own issues and there should be an open dialogue on these matters. The potential showstoppers were rehearsed in the Feasibility Study. In summary these can be seen as those set out in the table below.

<i>Lack of political alignment and buy in</i>
Our view is that there is broad alignment and buy in between the two Councils. There are likely to be differences in the priorities and views of the two majority political groups. However, the end target is understood by both and agreed in terms of desired outcomes, though shared clarity on the route and pace of change needs to be established. It is important that both political groups respect and accommodate the views of the other.

The Vision and Pace of Change is not shared and appropriate

We consider the overall vision to be shared. Work will continue to need to be done to ensure that the delivery of that vision is shared and agreed with respect to the pace of change both in real terms and the vocabulary.

There is not a “win-win” partnership

A shared service partnership will only survive if each of the parties gains from the changes. This is a question that requires regular review. If the arrangements around service delivery and the financial allocations are not robust then problems are likely to result. Our view of the position with the two authorities is that it should be possible to construct and maintain a “win-win” position.

A lack of appropriate levels of support

As part of this feasibility study we stress the need to invest in the change process and the importance of sufficient levels of assistance to the Councils’ management to ensure that there is the capacity and expertise in place to both manage the change process and manage ongoing service delivery to the expected standards.

Ineffective Governance arrangements

Our view is that the joint governance arrangements that are in place currently are appropriate, effective and conducive to advancing the sharing services initiative. They will, however, need to be further developed as the programme of change is implemented.

5. Financial Analysis

5.1 Introduction

This chapter of the report is intended to identify the potential for generating financial savings through the sharing of services between Breckland and South Norfolk Councils. In so doing we have endeavoured to establish the financial feasibility of sharing services. This chapter builds on work completed for the feasibility study. The shared services proposition has four elements as follows:

- Joint senior management team;
- Shared Back Offices;
- Revenues and Benefits;
- Other Service Areas; and
- The outsourced and “partnered” services (with the exception of Internal Audit).

The following sub sections give a detailed picture of the savings achieved from implementing a joint senior management team and a shared back office. For opportunistic savings our recommendation is that the Councils progress these projects to Phase 2 of the transformation programme and develop detailed business cases in conjunction with service managers, some assessment has been made in this chapter of the potential savings that could be realised from phase 2, however, further detailed scoping work will be required before commencing on these operations. The outsourced and partnered services will yield a relatively high level of difficulty to implement and our recommendation is that they be considered at Phase 3. As a result, this business case does not consider these options.

5.2 Baseline – Current Service Costs

The first stage in undertaking this study was to establish the current baseline cost of the council services. This information was required to:

- Identify and understand the baseline cost of the services as they are currently designed;
- Ensure the cost of services being compared are similar in scope i.e. comparing ‘like with like’; and
- Develop a detailed understanding of the cost of services in order to identify any potential changes to the service that may result in improvements or savings.

This financial data was compiled for the purposes of the business case and is based on budgets for 2009/10. The study has focused on ensuring the financial data is “materially” correct and figures, whilst being quality assured by council finance staff, have not been audited as part of this process.

Income

A number of the services within each council generate significant income from their activities. This income is also identified in the table below. It should be noted that a number of items have been excluded from this income information in order to ensure

these figures are representative of income relevant to service provision. The key items excluded are:

- Grant income;
- Interest Income; and
- Recharge income.

Total gross cost of services

The total direct cost of the current Councils services is £47m with full time equivalent employees being 750 excluding the Anglia Revenues Partnership staff. This cost is further broken down by service in the table below. The costs shown in the table include costs for the senior staff spread across the service areas. The details of which service areas make up the service grouping are included in appendix three.

Service Grouping	Breckland		South Norfolk		Total	
	Cost £	Income £	Cost £	Income £	Cost £	Income £
Phase 1 Back Office						
Asset Management	794,180	-2,168,020	741,027	-525,247	1,535,207	-2,693,267
Communications and Printing	452,080	-30,000	531,562	-194,266	983,642	-224,266
ICT	1,472,100		1,320,483	-20,000	2,792,583	-20,000
Elections	141,550	-580	106,501	-1,658	248,051	-2,238
Finance	551,290	-250	651,966	-51,744	1,203,256	-51,994
HR	445,540		511,795	-17,000	957,335	-17,000
Internal Audit	100,000		88,969		188,969	
Legal Services	338,710		333,300	-16,602	672,010	-16,602
Revenues & Benefits	1,814,720	-440,910	1,543,202	-137,460	3,357,922	-578,370
Phase 2 Other Services						
Customer Services	837,800		191,637		1,029,437	
Community Services	1,861,940	-315,970	1,657,446	-292,102	3,519,386	-608,072
Corporate Core	1,347,180		1,407,475	-525	2,754,655	-525
E Health	1,478,320	-225,490	1,192,402	-266,937	2,670,722	-492,427
Econ Development	564,850	0	144,564	-25,347	709,414	-25,347
Housing	1,496,770	-169,820	1,414,524	-307,440	2,911,294	-477,260

Service Grouping	Breckland		South Norfolk		Total	
	Cost £	Income £	Cost £	Income £	Cost £	Income £
Members Services	1,057,310	-1,820	722,598	-793	1,779,908	-2,613
Offices	500,490	-232,470	667,184	-78,889	1,167,674	-311,359
Phase 3						
Environmental Services	4,434,630	-1,667,750	4,478,043	-1,387,104	8,912,673	-3,054,854
Leisure	3,063,510	-3,670	2,458,436	-1,489,710	5,521,946	-1,493,380
Planning and BC	1,997,260	-1,165,500	2,087,101	-1,018,740	4,084,361	-2,184,240
Total	24,750,230	-6,422,250	22,250,215	-5,831,564	47,000,445	-12,253,814

5.3 Joint Senior Management Team

The existing cost of the senior management structure at the Councils is shown in the table below:

	Breckland		South Norfolk	
	Number	Cost £	Number	Cost £
CEO	1	146,073	1	131,395
Directors	4	383,987	5	470,398
Heads of service	15	892,155	21	1,237,937
Total		1,422,215		1,839,730

As with all of the current cost assessments the above is based on the 2009/10 budgets and staffing complements. There have been changes to these subsequently but it is not considered that they are material in the overall context of the financial assessment.

Section 2.2 has recommended a proposed revised senior management team based on a review of Council activity and comparison with best practice and other similar Authorities. A number of assumptions have then been applied in order to cost this revised structure. These assumptions are as follows:

- CEO assumed as base salary £125K;
- Deputy CEO based on 80% of CEO salary;
- Directors based on 75% of CEO salary;
- Head of Service based on 50% of CEO salary; and

- On costs based on 27.75%.

Proposed Senior Management Team

The cost of the proposed senior management team is shown in the table below:

	Number	Cost £
CEO	1	159,688
Deputy CEO	1	127,750
Directors	3	359,298
Heads of service	20	1,596,880
Total	25	2,243,616

Savings

When these costs are compared to the existing senior management costs the savings can be summarised as follows:

	CEO £	Directors & Dep. CEO £	HoS £	Total £
South Norfolk	131,395	470,398	1,237,937	1,839,730
Breckland	146,073	383,987	892,155	1,422,215
Total	277,468	854,385	2,130,092	3,261,945
Shared	159,688	487,048	1,596,880	2,243,616
Difference	117,780	367,337	533,212	1,018,329

5.4 Joint Back Office

The scope of the back office services has been explained in section 2.3. The table below details the salary costs of the services within scope. The costs are shown excluding Heads of Service and Directors which are contained within the joint senior structure savings above.

For each of these back office services a proposed new shared service has then been developed and costed in order to establish the potential saving that could be achieved. This new service has been developed on the basis of:

- A review of activity undertaken by the two separate services and the consequent activity level of the new service;
- A comparison of the existing structures to best practice and similar authorities; and

- An assessment of the potential efficiencies that could be achieved through the amalgamation of the existing services.

The consequent structure has then been costed on the basis of revised salary levels devised from a comparison with existing levels and an assessment of the appropriate salary for employees of the revised service.

Based on these assumptions the costs of the proposed new service are shown, along with existing costs in the table below.

	Breckland		South Norfolk		Proposed	
	Number	Cost £	Number	Cost £	Number	Cost £
Asset Management	7	269,195	6.00	218,422	12	429,339
CEO office	2.22	69,886	4.00	131,182	4	122,676
Communications and Printing	4.95	175,601	11.68	312,555	9	277,308
ICT	4	154,634	12.60	598,422	20	667,034
Procurement	1	43,469	0.60	28,931	2	62,616
Elections	3	62,974	3.00	109,905	4	113,736
Finance	16.54	433,182	12.40	410,943	20	601,900
HR	5.5	196,648	5.88	228,513	10.5	368,007
Legal Services	3.50	160,477	4.10	221,059	6	217,226
Total	47.71	1,566,066	60.26	2,259,932	87.5	2,859,842

ICT Contract

As explained at section 2.3 ICT services at South Norfolk are currently retained in house with Breckland having outsourced services to Steria. The Breckland contract comes to an end next year and it is likely that at this stage the services will be brought back in house. It will be possible at this stage to move to a shared service arrangement with South Norfolk. At this stage it is difficult to estimate the cost saving from this change as it depends on the scope of services and the ICT strategy to be devised. As a result a high level estimate has been included at this stage of £300k per annum from 2011/12.

Property Services – Consultancy

There are currently additional consultancy services procured within property services totalling approximately £30k. With the expansion of the property service to a shared provision across the Authorities the enlarged skill sets provided by the service would likely result in this consultancy work being no longer required. These costs would therefore be saved

Savings

The savings from the move to joint shared back office services can be summarised as follows.

	Number	Cost £
South Norfolk	60.26	2,259,930
Breckland	47.71	1,566,068
Total	107.97	3,825,998
Shared	87.5	2,859,842
Other Savings	-	330,000
Total	20.47	1,296,156

5.5 Additional Savings

As identified above the majority of savings highlighted through the move to shared services arise from employee costs, however, there are a number of additional areas where other savings could be made. These vary from potential reductions in supplies and services procured by the Council, as it becomes leaner, to reductions in ICT costs for the new integrated services. It is not possible to identify all of these savings at this stage, as they are heavily contingent on the implementation of change over the next two years, however, it is possible to begin to identify some of these costs based on the analysis undertaken to date.

Revenues and Benefits

As explained in section 2.4, there are a number of potential options for taking forward the Revenues and Benefits service, whether this be through South Norfolk joining and expanded ARP or the two Councils providing a joint service. The Councils need to undertake further work to establish which of these options is the most appropriate. We have undertaken costings of the two options of an expanded ARP and a new South Norfolk/Breckland operation. These provide conservatively established net savings of between £250,000 and £320,000 per annum excluding any potential savings in ICT and accommodation costs. At this stage, therefore a high level saving of net £250k per annum from 2012 /13 onwards has been included.

5.6 Other Service Area Savings

The next category of potential savings relates to those service areas that do not fall under the senior management and back office and which are not subject to the procurement contract complications. Moving to a single workforce will provide opportunities to deliver savings from these areas of activity. We have not assessed the likely savings in detail but our initial assessment is that on a gross spend between the two Councils of £16.5 million on these services, analysed below, it would be reasonable to expect savings of between £1.25 million and £1.75 million per annum. Achieving these savings will require further investment in systems and change management and, potentially, redundancy payments. Detailed business cases would be required for each service area within an overall shared services programme.

Service Grouping	Breckland		South Norfolk		Total	
	Cost £	Income £	Cost £	Income £	Cost £	Income £
Customer Services	837,800		191,637		1,029,437	
Community Services	1,861,940	-315,970	1,657,446	-292,102	3,519,386	-608,072
Corporate Core	1,347,180		1,407,475	-525	2,754,655	-525
E Health	1,478,320	-225,490	1,192,402	-266,937	2,670,722	-492,427
Econ Development	564,850	0	144,564	-25,347	709,414	-25,347
Housing	1,496,770	-169,820	1,414,524	-307,440	2,911,294	-477,260
Members Services	1,057,310	-1,820	722,598	-793	1,779,908	-2,613
Offices	500,490	-232,470	667,184	-78,889	1,167,674	-311,359
Total	9,144,660	-945,570	7,397,830	-972,033	16,542,490	-1,917,603

For each of these services a high level review has been undertaken to identify potential savings that could be realised for each of these areas. As with back office services this has been driven from a review of staffing levels and opportunities on the basis of:

- A review of current activity undertaken and the consequent activity level of the new service;
- A comparison of the existing structures to best practice and similar authorities; and
- An assessment of the potential efficiencies that could be achieved through the amalgamation of the existing services.

The consequent structure has then been costed on the basis of the revised salary levels devised. Based on these assumptions the costs of the proposed new service are shown, along with existing costs in the table below.

	Existing Staff Cost	Revised Staff Cost	Saving
	£'000s	£'000s	£'000s
Customer Services	869	782	87
Community Services	710	603	107
Corporate Core	2,129	1,597	532
E Health	2,049	1,742	307
Econ Development	443	421	22
Housing	1,877	1,689	188
Members Services	753	602	151
Total	8,830	7,436	1,394

5.7 Investment

This analysis has demonstrated that there are significant savings to be made from the transition to a shared management team and back office functions, with additional potential savings realisable from phase 2 services. However, there are significant costs with achieving these long term savings. This section seeks to quantify these investment costs in order to understand the net saving for the Council in the early years of the transition.

The main costs of implementation will be:

- Change management team, sourced from council officers and external support, to deliver implementation of the shared service arrangements, including system changes and harmonisation of processes and procedures;
- ICT costs – for ICT project management, new systems and associated data migration; and
- Potential redundancy and early retirement costs.

Change Management Team

There are a number of ways in which the Councils can source the change management expertise required for the implementation of changes to senior management and back office functions. Either through employing a dedicated team, utilising staff from within the Councils and backfilling their posts or utilising external consultants. In order to calculate a cost for this support we have made the following assumptions

- A dedicated team of 5 internal posts would be recruited utilising existing staff and externally recruiting change management expertise and backfill positions. This team would be employed for 18 months; and
- A team of 5 external consultants to be employed for a year.

Based on these assumptions the cost for change management support is detailed in the following table.

	2010/11 £'000s	2011/12 £'000s
Internal Team	153	153
External Support	150	150
Total	303	303

In addition further change management support will be required in driving through the move to shared arrangements for phase 2 services. These have been assessed as:

	2011/12 £'000s	2012/13 £'000s
Internal Team	100	100
External Support	100	100
Total	200	200

ICT Costs

There will be significant ICT costs in amalgamating the back office services of the two Councils. These costs will be driven from the ICT strategy to be developed by the new shared function and is dependant on the potential systems migration strategy, hardware upgrades necessary and approach to service amalgamation. The development of this ICT strategy is a significant piece of work that needs to be undertaken by the Council's ICT strategy group. For this exercise an assumption has been made of a total cost of £300k to be split between 2010/11 and 2011/12 and an ongoing £40k per annum for the new data link between the Councils. In addition the ICT costs for the phase 2 services have been included at £200k split evenly between 2011/12 and 2012/13

In addition to the costs identified to implement shared services the Councils have identified a potential transformation agenda. Such a wider programme of ICT investment has been addressed in Chapter 3. That investment would enable a further programme of service improvement.

It is impossible to accurately cost the investment that would be necessary at this juncture. However, we have made provision for £1.5 million additional expenditure to augment current IT systems and that already provided for and £0.5 million to fund additional change management resources. These have been assumed to be phased as set out in the table below. The assumption is made on the basis that it is likely to follow the initial work to bring services together. That will, however, depend on the detailed strategy adopted by the two Councils.

Year	ICT £'000	Other Transformation Costs £'000	Total £'000
2012/13	500	100	600
2013/14	750	300	1,050
2014/15	250	100	350
Total	1,500	500	2,000

Redundancy and Early Retirement Costs

As section 3.3 has shown the move to a shared service approach leads to a significant reduction in posts both at senior management level and within the back office and other shared services. There will clearly be investment costs in facilitating these changes both in a portion of current employees being offered early retirement and potential redundancies. In order to generate a high level projection of these costs the following assumptions have been made for the business case:

- 80% of the reduction in head count will be achieved through natural wastage;
- Of the remaining 20% reduction required, 30% will be achieved through early retirement and 70% through redundancy;
- Average early retirement costs have been assumed to be 1.7 x salary; and
- Average redundancy costs have been assumed to equate to 54 weeks pay.

These assumptions lead to a total early retirement and redundancy cost between 2010/11 and 2012/13 shown in the table below:

	£
2010/11	194,999
2011/12	97,500
2012/13	146,250
2013/14	48,749
Total	487,498

Investment Summary

Investment	2010/11	2011/12	2012/13	2013/14	2014/15	Total
	£	£	£	£	£	£
Shared Services						
Change Management Team	153,328	253,328	100,000	-		506,656
Change Management Consultants	150,000	250,000	100,000	-		500,000
Shared Services ICT	170,000	330,000	140,000	40,000		680,000
Redundancy & Early Retirement	194,999	97,500	146,250	48,749		487,498
Total Costs	668,327	930,828	486,250	88,749		2,174,154
Transformation						
ICT			500,000	750,000	250,000	1,500,000
Other Costs			100,000	300,000	100,000	500,000
Total			600,000	1,050,000	350,000	2,000,000
Total Investment	668,327	930,828	1,086,250	1,138,749	350,000	4,174,154

5.8 Revenue Impact

In order to effectively review the total impact on the Councils budget it is useful to review the revenue impact over more than just the short term. The table below models the potential savings identified above against the investment costs over a period of 4 years in order to demonstrate the net savings during the investment period and the ongoing savings once the services have migrated to the new shared services arrangements. As highlighted above, the savings and investments in this analysis are high level estimates and do not include the incremental savings such as reductions in supplies and services that may result from revised working practices once the shared service is operational.

In allocating ICT investment costs we have made assumptions that 75% are treated as capital and amortised over 5 years. Other ICT and transformation costs have been treated as revenue charges in the year they are expected to be incurred. The last part of the transformation investment is assumed to occur after the period covered below.

	2010/11 £	2011/12 £	2012/13 £	2013/14 £	Total £
Investment					
Change Management Team	153,328	253,328	100,000	-	506,656
Change Management Consultants	150,000	250,000	100,000	-	500,000
ICT Investment Charged to Revenue	42,500	82,500	35,000	10,000	170,000
ICT Capital Charge	28,700	84,400	108,000	114,800	335,900
Redundancy & Early Retirement	194,999	97,500	146,250	48,749	487,498
Total Costs	569,527	767,728	489,250	173,549	2,000,054
Shared Service Savings					
Senior Management	424,304	1,018,329	1,018,329	1,018,329	3,479,291
Back Office (inc Other)	77,614	1,296,156	1,296,156	1,296,156	3,966,082
Revenues & Benefits (net saving)	-	-	250,000	250,000	500,000
Phase 2 Services	-	696,725	1,393,450	1,393,450	3,483,625
Total Savings	501,918	3,011,210	3,957,935	3,957,935	11,428,998
Net	-67,609	2,243,482	3,468,685	3,784,386	9,428,944
Transformation Investment					
ICT Revenue Costs	0	0	125,000	187,500	312,500
Other Transformation Costs	0	0	100,000	300,000	400,000
ICT Capital Charges	0	0	84,400	210,900	295,300
Total Revenue Effect of Transformation Investment			309,400	698,400	1,007,800
Total Revenue Savings	-67,609	2,243,482	3,159,285	3,085,986	8,421,144

This analysis has assumed that all investment costs would be revenue in nature. In practice it may be possible for the Councils to capitalise a portion of these costs, particularly some ICT infrastructure, and with possible dispensations some of the potential redundancy costs. However, this analysis has sought to deliver a more prudent estimate and has therefore not included any of these items as capital

5.9 Costs and Savings Allocation

A key part of the arrangements that will need to be put in place at an early stage are the principles surrounding the sharing between the partners of costs and savings. It is worth setting out some criteria that need to be taken into account: If the arrangements are to be acceptable and sustainable they need to be:

- **Affordable** by each of the partner authorities;
- Regarded as **equitable** over a period of time; and
- **Sustainable** in terms of investment and ongoing provision of high quality services.

Affordability

It is clear that the shared services arrangements have to be affordable for both partners. If the allocation of costs does not provide savings or other very tangible benefits then securing a partner's involvement will be difficult indeed. Our experience elsewhere is that any proposals that do not provide savings are unlikely to be acceptable, irrespective of any qualitative benefits that may accrue.

Equity

Equity is provided by having charging or cost allocation arrangements that reflect each authority's use of the services. We will return later to the possible charging bases. Over time each authority will want to be assured that it is broadly paying its fair share in a way that can clearly be demonstrated.

Sustainability

The shared service provision, irrespective of its form, needs to have sufficient financial resources to provide the services to the required standards and the ability to make the investments required to enable that performance. It will also be difficult, in many instances, to provide heavily customised services to different partners to reflect their particular cost aspirations or needs. It is imperative that the budgets that the shared services have are sufficient. It is vital that the position that has been seen where outsourcing has resulted in contracts that are promised and under priced is not arrived at here – again this is irrespective of the delivery model. If sustainability cannot be reached through the shared service arrangements then the option is not viable.

Charging Bases

In the table below we set out some suggestions for the way in which the costs could be allocated. These are not the only approaches that can be taken. For areas such as ICT there are well established approaches that can be applied.

Service	Potential Charging Base
Finance	Debtors and Creditors Gross expenditure for other services
HR & People Development	Unit charging for Payroll Employee numbers for HR People Development by activity take up
ICT	Various charging methods based on system usage, desk tops and ad hoc assistance required
Revenues and Benefits	By caseload – weighted if there are differences in workload caused by local factors or differences in the way customer services operates
Customer services	Direct cost of face to face local contact Charge per call for call centre Charges to reflect management overhead
Property	Variety of charging methods based on the particular aspects of the service. Managing repairs as a proportion of the repairs costs Asset management by sq ft of property managed by class Capital works as a % of works undertaken
Business Change	By time committed to the Council

It is important that the charging or allocation of costs does not become an industry in itself. Consequently, we would suggest that the determined allocation methodology be used to calculate what is to be charged but that it be reviewed and amended periodically and not, other than for some specific areas, billed as charged. In that way there is a balance between equity in charging and budget certainty both for the shared service operation and the Councils.

Our experience in other shared services exercises has been that there can be difficulties in allocating costs and savings in a way that provides a win-win situation for all of the authorities involved. This is usually as a consequence of the cost bases of the Councils being dramatically different. This is not the case with South Norfolk and Breckland. We have no doubt that there will be work to arrive at a fair financial

allocation. We do not, however, believe that this will be a significant blockage to progress.

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6. Implementation Plan, Conclusions and Recommendations

6.1 Implementation Plan

The table below shows the proposed outline implementation plan.

Programme Element	2010/11												2011/12												
	April	May	June	July	August	Sept	Oct	Nov	Dec	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March	
Governance																									
Completion and Agreement of Business Case																									
Completion and Agreement of Shared Service Protocol																									
Agreement of Governance Arrangements																									
Programme Management																									
Formation of Programme Management Arrangements																									
Appointment of Programme/Transition Manager																									
Preparation of Detailed Programme Plan																									
Identification of Change Management Resources																									
Preparation of Communication Plan																									
Staffing																									
Appointment of Joint Chief Executive																									
Preparation and Agreement of Senior Management Structure																									
Appointments to Senior Management Structure																									
Strategy																									
Cross Cutting ICT Strategy																									
Cross Cutting Accommodation Strategy																									
Cross Cutting HR Strategy and Workforce planning																									
Preparation of Shared Services Asset Management Plan																									
Preparation of Shared Services Risk Management Plan																									
Preparation of Shared Services Implementation Plan																									
Back Office Phase 1																									
Implementation of Shared Back Office Services Phase 1																									
Preparation of Joint Procurement Strategy																									
Back Office Phase 2																									
Negotiation of Revenues and Benefits Arrangements																									
Review of Customer Contact Strategies																									
Preparation of Shared Service Customer Contact Strategy																									
Other Opportunities																									
Preparation of Business Case Preparation Plan																									
Preparation and Approval of Business Cases																									
Implementation																									

In the table below we set out an outline of proposed responsibility and the source of resources for the change programme.

Programme Element	Responsibility	Resources
Governance		
Completion and Agreement of Business Case	Sector/Solace/Chief Executives/ Cabinets	Sector/Solace and Senior Council Officers
Completion and Agreement of Shared Service Protocol	Chief Executives/ Cabinets	Senior Council Officers
Agreement of Governance Arrangements	Sector/Solace/Chief Executives/ Cabinets	Sector/Solace and Senior Council Officers
Programme Management		
Formation of Programme Management Arrangements	Chief Executives/ Cabinets	Senior Council Officers
Appointment of Programme/Transition Manager	Chief Executives	HR
Preparation of Detailed Programme Plan	Programme Manager	Senior Council Officers
Preparation of Communication Plan	Programme Manager	Council Communication Teams
Staffing		
Appointment of Joint Chief Executive	Cabinets/Councils	HR
Preparation and Agreement of Senior Management Structure	Chief Executives/ Cabinets	HR
Appointments to Senior Management Structure	Chief Executives/ Cabinets	HR
Strategy		
Cross Cutting ICT Strategy	ICT Manager	Senior Council Officers/ICT staff
Cross Cutting Accommodation Strategy	Head of Asset Management	Senior Council Officers/Asset Management Staff/Finance
Cross Cutting HR Strategy and Workforce planning	Head of HR	Senior Council Officers/HR and OD Staff
Preparation of Shared Services Asset Management Plan	Head of Asset Management	Senior Council Officers/Asset Management Staff/Finance/Programme Management Staff
Preparation of Shared Services Risk Management Plan	Programme Manager	Senior Council Officers
Preparation of Shared Services Implementation Plan	Programme Manager	Senior Council Officers
Back Office Phase 1		
Implementation of Shared Back Office Services Phase 1	Programme Manager	Senior Council Officers/Asset Management Staff/Finance/HR/Programme Management Staff
Preparation of Joint Procurement Strategy	Procurement Manager	Senior Council Officers/Asset management/Finance
Back Office Phase 2		
Negotiation of Revenues and Benefits Arrangements	tbc	tbc
Review of Customer Contact Strategies	tbc	tbc
Preparation of Shared Service Customer Contact Strategy	tbc	tbc
Other Opportunities		
Preparation of Business Case Preparation Plan	Programme Manager	Senior Council Officers
Preparation and Approval of Business Cases	Service Management	Senior Council Officers/Asset Management Staff/Finance/HR/Programme Management Staff
Implementation	Service Management	Senior Council Officers/Asset Management

6.2 Conclusions

The conclusions of this business case are that working together:

- The two Councils can generate significant economies of scale that can assist in protecting and enhancing service delivery
- Can generate savings of approaching £8.5 million over a four year period from a joint senior management team and shared back offices;
- Are capable of generating significant further savings and service improvements from other services being jointly provided;
- Can also, in the longer term, achieve benefits from joint provision of Environmental and Planning and Building Control services.

The combination of the two Councils would make a major force in the region. Joint spending of in excess of £50 million per annum and a population served of close to quarter of a million provides the opportunity for building service delivery of even higher standard than currently and that is robust and has high degrees of resilience. It is also recognised that there are significant challenges to be faced and that to achieve effective joint working will require considerable investment to be made.

6.3 Recommendations

It is recommended that the Councils:

- Establish a joint senior management team;
- Establish joint back office service provision;
- Undertake further examination of the arrangements for the provision of Revenues and Benefits services and Customer Services;
- Establish a programme team to take forward the implementation of shared services;
- Align their governance arrangements so as to enable effective management of joint services;
- Move towards one set of terms and conditions for the single workforce;
- Make the necessary investment in the change programme; and
- Enter into a shared services agreement documenting the agreement on shared services.